Utah Valley State College

2005 Annual Financial Report

A Component Unit of the State of Utah

Utah Valley
State College

College Governance

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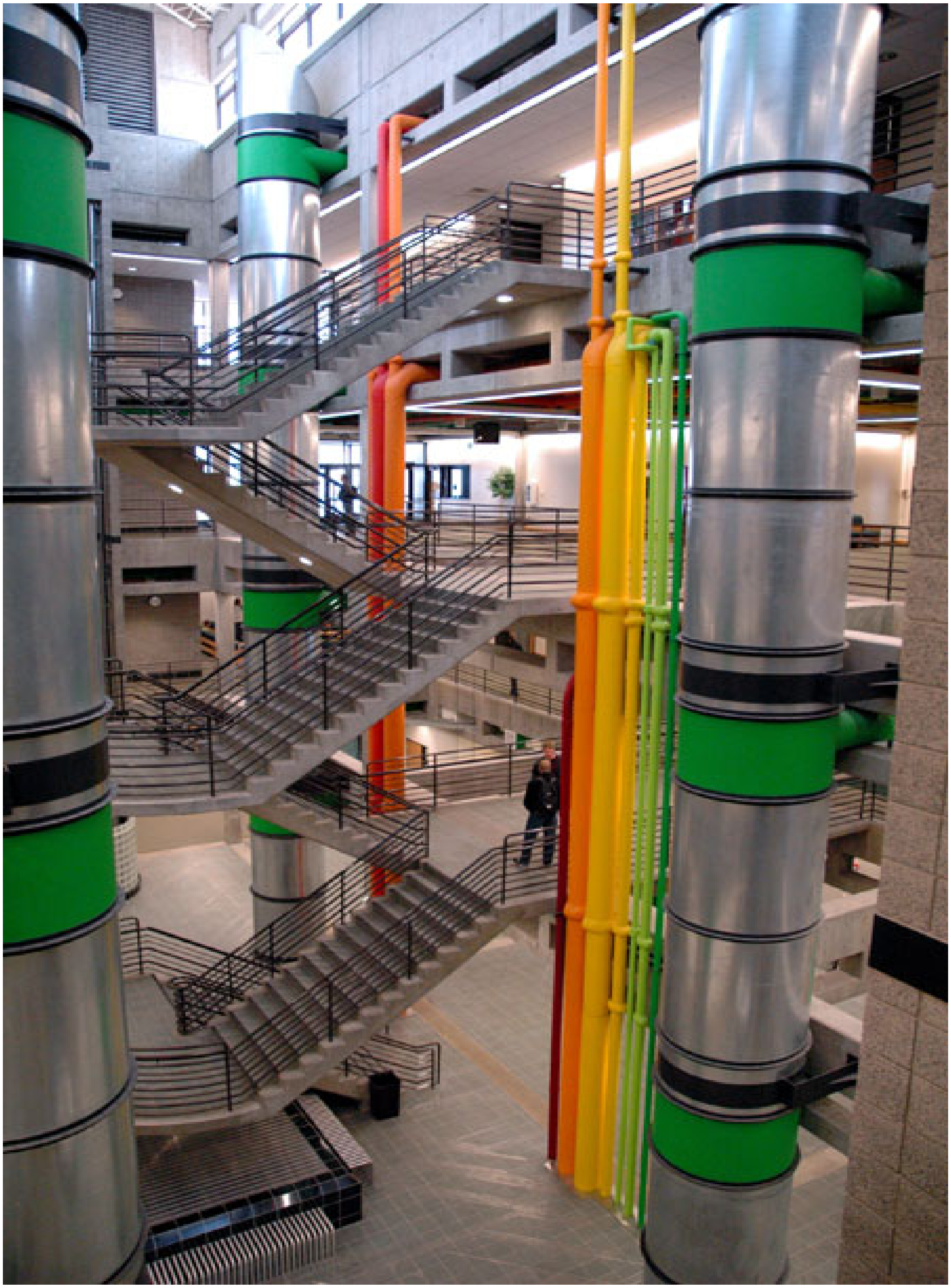

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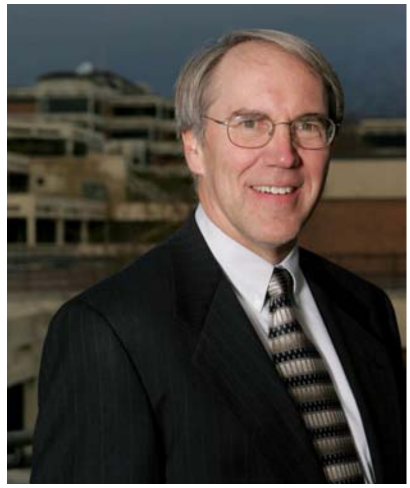
President's Message



UVSC continues to be a fiscally stable institution. I am impressed with the dedication and skill level of our employees, who manage institutional resources in an appropriate and professional manner bringing to pass the mission of Utah Valley State College.

Significant highlights for this past year worth noting in this report are: 1) the 2005 state legislature's appropriation to UVSC for institutional funding correction purposes; 2) the reaffirmation of UVSC from the Northwest Commission on Colleges and Universities as a comprehensive four-year institution and its commendation for being a student centered institution; 3) the drop in Fall 2005 FTE enrollment figures necessitating budgetary adjustments consistent with planning strategies; and 4) the international recognition of UVSC's PBA (Planning, Budgeting and Accountability) process as an effective mode of reallocating and appropriating resources to maximize desired returns in fulfilling the institutional mission.

The future for Utah Valley State is bright. Key initiatives are in progress to enhance the level and quality of service UVSC offers its constituents. For example, the funding of a Digital Learning Center (a new library that leverages technology with the traditional role of a library) continues to be a high institutional priority. Additionally, Utah Valley State is collaboratively working with the Utah System of Higher Education (USHE) to expand its breadth of service as a regional state university. These initiatives, plus many more, are all focused on furthering the educational mission of Utah Valley State to better meet the demands of its students and community.

Utah Valley State is making a positive difference in the lives of those it serves. It is an exciting time at Utah Valley State—where success is a state of mind. Thank you for your support.

Sincerely,

William A. Sederburg

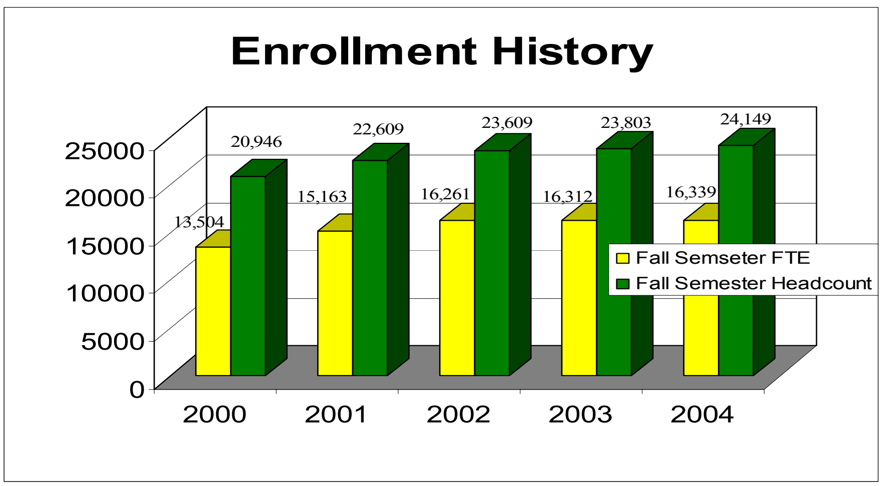

LEADERSHIP
EXCELLENCE

Institutional Profile

The College is dedicated to providing a broad range of quality academic, vocational, technical, cultural, and social opportunities designed to encourage students in attaining their goals and realizing their talents and potential, personally and professionally. The College is committed to meeting student and community lower division and upper division needs for occupational training; providing developmental, general, and transfer education; meeting the needs for continuing education for personal enrichment and career enhancement; and providing diverse social, cultural, and international opportunities, and student support services.

Student Enrollment History as of Fall Semester

- Up until fall 2005, enrollment increased for 16 years in a row
- Projected enrollment for 2013 is 32,360 students



Academics

UVSC now offers 34 bachelor degree programs.

Number of degrees awarded for the 2003-2004 school year: 3,319
- Bachelor of Arts: 68
- Bachelor of Science: 1,177
- Associate in Arts: 95
- Associate in Science: 1,507
- Associate in Applied Science: 389
- One-year Certificate: 72
- Diploma: 11

Source
- UVSC Institutional Research

STATE OF UTAH
Office of the State Auditor
UTAH STATE CAPITOL COMPLEX
EAST OFFICE BUILDING, SUITE E310
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(801) 538-1025
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Auston G. Johnson, CPA
UTAH STATE AUDITOR

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

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

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
William A. Sederburg, President
Utah Valley State College

We have audited the statement of net assets; statement of revenues, expenses, and changes in net assets; and statement of cash flows of Utah Valley State College (the College), and, based on the report of other auditors, its discretely presented component unit foundation, which collectively comprise the College's basic financial statements, as of and for the year ended June 30, 2005. The College is a component unit of the State of Utah. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit foundation, is based on the report of the other auditors. The prior year summarized comparative information has been derived from the College's 2004 financial statements and, in our report dated October 1, 2004, we expressed an unqualified opinion on the basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Utah

Valley State College and of its discretely presented component unit foundation as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2005 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Auston G. Johnson, CPA
Utah State Auditor
September 30, 2005

Management's Discussion and Analysis

Introduction

The following discussion and analysis provides an overview of the financial position and results of activities of Utah Valley State College (the College) for the year ended June 30, 2005, with comparative information for the year ended June 30, 2004. This discussion is prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow these sections.

The Utah Valley State College Foundation (the Foundation) is a separate but affiliated non-profit corporation. The accounts of the Foundation are audited separately and reported in the Component Unit column of the financial statements. The audited financial statements for the Foundation are available through the College's Institutional Advancement Office.

Overview of the Financial Statements and Financial Analysis

The financial statements are prepared in accordance with Governmental Accounting Standards Board principles. Three financial statements are presented: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and, the Statement of Cash Flows.

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-in-time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the 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 is 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 for continued operations of the institution. A determination can also be made as to the debts owed to vendors, investors, and lending institutions. Finally, the Statement of Net Assets provides a picture of the net assets and their availability for expenditure by the College.

Net assets are divided into three major categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The first category, invested in capital assets, net of related debt, provides the institution's equity in property, plant, and equipment owned by the institution. The second net asset category is restricted net assets, which is divided into two subcategories, 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 net assets are available for expenditure for any lawful purpose of the institution.

Statement of Net Assets, Condensed

	2005	2004
ASSETS		
Current assets	$ 38,811,509	$ 35,023,376
Noncurrent Notes receivable, net	1,790,549	1,660,483
Capital Assets, net	151,226,401	144,775,339
Other Noncurrent Assets	1,406,343	427,147
Total Assets	193,234,802	181,886,345
LIABILITIES		
Current Liabilities	11,620,699	13,614,472
Noncurrent Liabilities	28,046,322	18,118,107
Total Liabilities	39,667,021	31,732,579
NET ASSETS		
Invested in capital assets, net of debt	122,213,857	126,143,563
Restricted Expendable	8,310,440	4,327,941
Restricted Nonexpendable	100,500	152,764
Unrestricted	22,942,984	19,529,498
Total Net Assets	$ 153,567,781	$ 150,153,766

The increase in current assets held by the college is mainly due to an increase in cash as expenses were held below revenues for the year. Other noncurrent assets increased due to cash being held on deposit for the College by the State Division of Facilities and Construction Management that is overseeing the Energy Savings Plan project.

The College had significant capital asset additions during fiscal year 2005. The College completed the new baseball stadium and was near completion of an Energy Savings Plan aimed at lowering the utility costs of the College.

Noncurrent Liabilities increased as a new $8.7 million capital lease was signed during the year to purchase equipment associated with the Energy Savings Plan and MBA 2004A lease revenue bonds totaling $3.9 million were issued for the acquisition and construction of the new baseball stadium and related improvements. The College also completed the advance refunding of its 1995A, 1999, and 2000 bonds to reduce its total debt service payments over the next 16 years by $441,596 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $286,397. Details of the bond refunding can be found in Note 9 in the Notes to the Financial Statements.

Current liabilities decreased this fiscal year due to a decrease in funds held for others by the College. The majority of funds held for others in the prior year consisted of items for the Mountainland Applied Technology College. The College is no longer the fiscal agent for Mountainland Applied Technology 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 operating and nonoperating revenues received by the institution, the operating and nonoperating expenses paid by the institution, and any other revenues, expenses, gains, or losses received or spent by the institution.

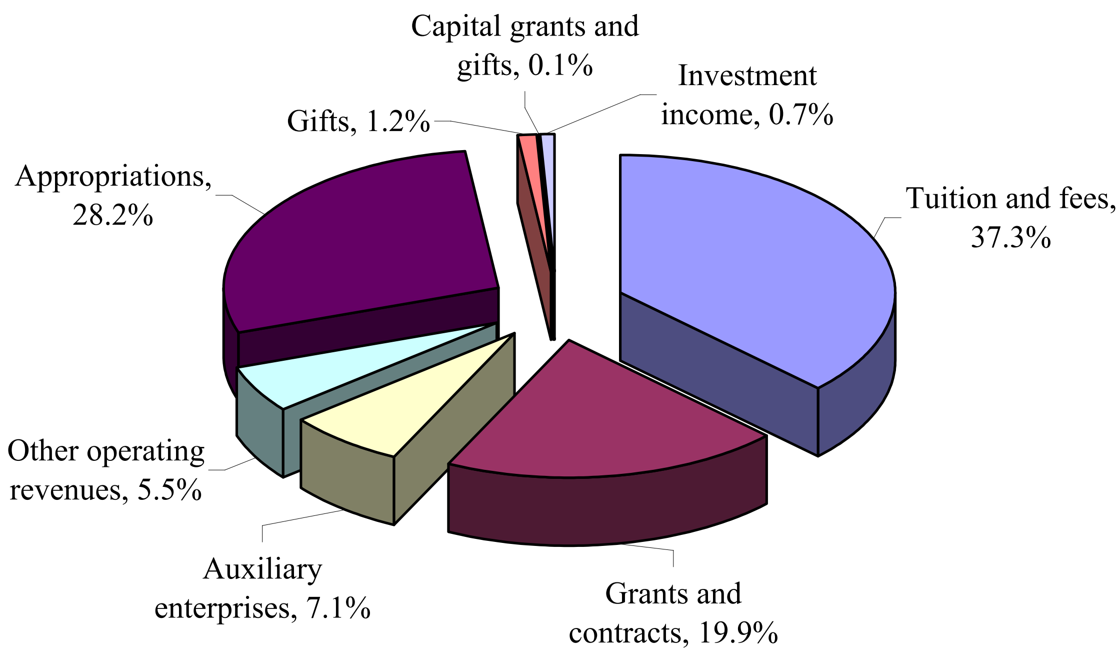
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the institution. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission 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, Condensed

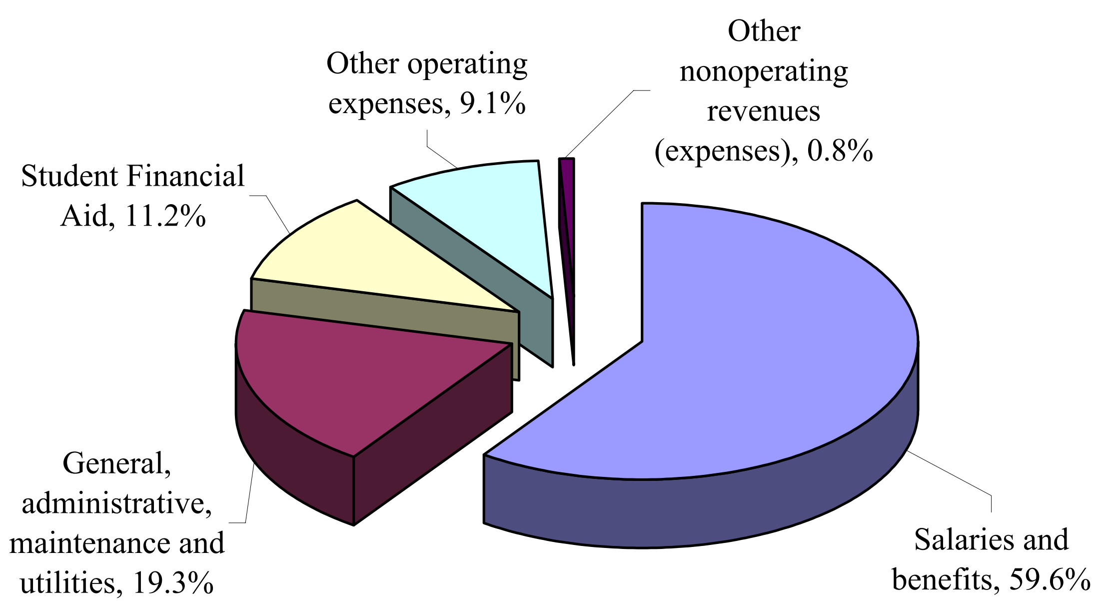
	2005	2004
REVENUES		
Operating revenues		
Student tuition and fees	$ 58,569,293	$ 52,569,721
Grants and contracts	31,206,184	29,755,715
Auxiliary enterprises	11,132,289	10,722,684
Other operating revenues	8,600,081	7,982,306
Total operating revenues	109,507,847	101,030,426
EXPENSES		
Operating expenses		
Salaries and benefits	91,588,365	88,133,503
Student financial aid	17,224,787	16,364,203
General, administrative, maintenance and utilities	29,637,897	28,742,797
Other operating expenses	13,938,201	13,240,199
Total operating expenses	152,389,250	146,480,702
Operating loss	(42,881,403)	(45,450,276)
NONOPERATING REVENEUES (EXPENSES)		
State appropriations	43,741,286	42,858,137
Gifts	1,864,541	1,353,191
Investment income	1,114,260	600,024
Other nonoperating revenues (expenses)	(1,217,493)	(1,360,656)
Net nonoperating revenues	45,502,594	43,450,696
Income (loss) before other revenues, expenses, gains or losses	2,621,191	(1,999,580)
Capital appropriations	586,617	29,769,723
Capital grants and gifts	206,207	194,891
Other revenues	792,824	29,964,614
Increase in net assets	3,414,015	27,965,034
Net assets - beginning of year	150,153,766	122,444,396
Prior period adjustment of net assets	-	(255,664)
Net assets - end of year	$ 153,567,781	$ 150,153,766

The following graphs illustrate operating and nonoperating revenues and expenses for the year ended June 30, 2005.

Operating and nonoperating revenues



Operating and nonoperating expenses



The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase in the net assets of $3,414,015. Operating revenues increased approximately $5.7 million from tuition and fee increases. Tuition rates increased approximately 14% while enrollment saw a small decline of approximately 3%. Operating expenses increased by approximately $5.9 million, the majority of the increase was due to increases in salary and benefit expenses, as well as an increase in administrative costs. Salaries increased by $1.6 million or 2.5% attributable to a cost of living increase and benefits increased $1.8 million or 8.0% due to the increase in salaries and increases in health care costs. Administrative increases were due in part to increased aviation fuel costs, and software costs and associated training. Nonoperating revenues (expenses) increased by over $2 million due to an increase in state appropriations, gifts and donations received, and investment income.

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 sections. The first section 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 deals with the cash used for the acquisition and construction of capital related items. The fourth section details the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

Statement of Cash Flows, Condensed

	2005	2004
Cash provided (used) by:		
Operating Activities	$ (36,683,721)	$ (40,331,169)
Noncapital Financing Activities	44,849,724	44,536,229
Capital and Related Financing Activities	(4,224,605)	(5,389,092)
Investing Activities	1,155,500	852,051
Change in Cash	5,096,898	(331,981)
Cash - Beginning of Year	26,855,057	27,187,038
Cash – End of Year	$ 31,951,955	$ 26,855,057

Economic Outlook

The College is not aware of any currently known facts, decisions, or conditions 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. 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
As of June 30

	Primary Institution UVSC 2005	Component Unit UVSC Foundation 2005	Total 2005	Comparative Total 2004
ASSETS				
Current assets				
Cash and cash equivalents (note 2)	$ 30,640,802	$ 220,695	$ 30,861,497	$ 27,664,536
Short term investments (note 2)	805,418	-	805,418	528,436
Accounts receivable, net (note 3)	4,548,702	-	4,548,702	4,887,949
Notes receivable (notes 3 and 6)	342,043	-	342,043	293,743
Prepaid expenses, deferred charges	1,003,882	15,073	1,018,955	916,424
Inventories (note 5)	1,470,662	-	1,470,662	1,560,979
Total current assets	38,811,509	235,768	39,047,277	35,852,067
Noncurrent assets				
Cash on deposit with State agencies (note 2)	1,311,153	-	1,311,153	-
Restricted investments (note 2)	95,190	14,079,400	14,174,590	12,064,783
Notes and pledges receivable, net (note 3 and 6)	1,790,549	566,462	2,357,011	6,466,883
Other long term assets	-	5,883,784	5,883,784	5,675,262
Non depreciable capital assets (note 8)	18,469,696	4,478,600	22,948,296	17,218,479
Depreciable capital assets, net (note 8)	132,756,705	4,798,441	137,555,146	137,458,729
Total noncurrent assets	154,423,293	29,806,687	184,229,980	178,884,136
Total assets	**193,234,802**	**30,042,455**	**223,277,257**	**214,736,203**
LIABILITIES				
Current liabilities				
Accounts payable (note 4)	1,917,351	-	1,917,351	3,391,549
Accrued liabilities (note 4)	4,143,747	740,269	4,884,016	4,078,091
Other liabilities	761,453	-	761,453	621,541
Deferred revenue (note 7)	2,293,023	569,142	2,862,165	2,759,527
Current portion of bonds, notes, and capital leases	2,089,980	134,685	2,224,665	1,844,085
Funds held for others	415,145	-	415,145	2,369,827
Total current liabilities	11,620,699	1,444,096	13,064,795	15,064,620
Noncurrent liabilities (note 12)				
Accrued liabilities (note 4)	1,123,758	-	1,123,758	1,204,757
Bonds, notes, and capital leases (notes 9 and 11)	26,922,564	1,504,487	28,427,051	18,552,522
Total noncurrent liabilities	28,046,322	1,504,487	29,550,809	19,757,279
Total liabilities	**39,667,021**	**2,948,583**	**42,615,604**	**34,821,899**
NET ASSETS				
Invested in capital assets, net of related debt	122,213,857	7,637,869	129,851,726	134,280,601
Restricted for:				
Nonexpendable				
Scholarships	100,500	7,748,324	7,848,824	6,692,457
Expendable				
Scholarships and grants	1,381,389	11,334,580	12,715,969	15,143,773
U. S. government grants, refundable	1,744,909	-	1,744,909	1,652,100
Loans	1,019,859	-	1,019,859	821,638
Capital projects	3,595,448	-	3,595,448	630,294
Debt service	568,835	-	568,835	793,138
Unrestricted	22,942,984	373,099	23,316,083	19,900,303
Total net assets	**$ 153,567,781**	**$ 27,093,872**	**$ 180,661,653**	**$ 179,914,304**

The accompanying notes are an integral part of the Financial Statements

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

	Primary Institution UVSC 2005	Component Unit UVSC Foundation 2005	Total 2005	Comparative Total 2004
REVENUES				
Operating revenues				
Student tuition and fees (net of allowances of $7,072,608)	$ 58,569,293	$ -	$ 58,569,293	$ 52,569,721
Federal grants and contracts	26,212,588	-	26,212,588	25,705,562
State grants and contracts	4,904,881	-	4,904,881	4,021,483
Private grants and contracts	88,715	-	88,715	28,670
Sales and service of education departments	5,021,172	-	5,021,172	4,671,255
Auxiliary enterprises (net of scholarship allowances of $1,089,238)	11,132,289	-	11,132,289	10,722,684
Other operating revenues	3,578,909	-	3,578,909	3,311,051
Total operating revenues	**109,507,847**	**-**	**109,507,847**	**101,030,426**
EXPENSES				
Operating expenses				
Salaries	66,297,613	-	66,297,613	64,703,625
Fringe benefits	25,290,752	-	25,290,752	23,429,878
Student financial aid	17,224,787	542,940	17,767,727	16,892,823
Maintenance and utilities	6,481,531	-	6,481,531	6,952,818
General and administrative	23,156,366	2,428,405	25,584,771	23,402,612
Cost of goods sold - auxiliary enterprises	7,826,133	-	7,826,133	7,477,785
Depreciation	6,112,068	-	6,112,068	5,762,414
Total operating expenses	152,389,250	2,971,345	155,360,595	148,621,955
Operating loss	**(42,881,403)**	**(2,971,345)**	**(45,852,748)**	**(47,591,529)**
NONOPERATING REVENUES (EXPENSES)				
State appropriations	43,741,286	-	43,741,286	42,858,137
Gifts	1,864,541	3,320,081	5,184,622	9,154,499
Investment income (net of Foundation investment expense of $128,999)	1,114,260	986,364	2,100,624	2,023,136
Interest on capital asset-related debt	(960,902)	-	(960,902)	(1,072,798)
Other nonoperating revenues (expenses)	(256,591)	225,078	(31,513)	(86,332)
Net nonoperating revenues	45,502,594	4,531,523	50,034,117	52,876,642
Income before other revenues, expenses, gains, or losses	**2,621,191**	**1,560,178**	**4,181,369**	**5,285,113**
Capital appropriations	586,617	-	586,617	29,769,723
Capital grants and gifts	206,207	-	206,207	194,891
Total other revenues	792,824	-	792,824	29,964,614
Increase in net assets	**3,414,015**	**1,560,178**	**4,974,193**	**35,249,727**
NET ASSETS				
Net assets--beginning of year	150,153,766	29,760,538	179,914,304	144,920,241
Prior period adjustment of net assets	-	(4,226,844)	(4,226,844)	(255,664)
Net assets--beginning of year re-stated	150,153,766	25,533,694	175,687,460	144,664,577
Net assets--end of year	$ 153,567,781	$ 27,093,872	$ 180,661,653	$ 179,914,304

The accompanying notes are an integral part of the Financial Statements

Utah Valley State College
Statement of Cash Flows
For the Year Ended June 30, 2005

		Primary Institution UVSC
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	$	57,801,964
Total cash received from grants and contracts		31,892,505
Payments to suppliers		(36,357,493)
Payments for employee services and benefits		(91,074,896)
Payments for student aid: scholarships and fellowships		(17,226,380)
Total receipts for auxiliary and education departments sales and services		16,628,314
Other operating payments		(2,213,340)
Other operating receipts		3,865,605
Net cash used by operating activities		**(36,683,721)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		42,985,828
Gifts		1,863,896
Net cash provided by noncapital financing activities		**44,849,724**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital grants and gifts received		34,580
Purchases of capital assets		(15,320,569)
Principal paid on capital debt and leases		(18,690,296)
Interest paid on capital debt and leases		(714,946)
Proceeds for capital debt issued		30,466,626
Net cash used by capital and related financing activities		**(4,224,605)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments		4,631,838
Investment income received		1,114,522
Purchase of investments (other assets)		(4,590,860)
Net cash provided by investing activities		**1,155,500**
Net increase in cash		**5,096,898**
Cash - beginning of year		**26,855,057**
Cash - end of year	**$**	**31,951,955**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITY		
Operating income (loss)	**$**	**(42,881,403)**
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		6,112,068
Non-cash state appropriations		906,857
Agency funds transactions		(251,840)
Changes in assets and liabilities		
decrease in receivables		9,483
decrease in inventories		90,317
(increase) in prepaid expenses		(106,670)
increase in accounts payable		409,596
increase in accrued liabilities		673,045
increase in deferred revenue		169,597
(decrease) in deposits held for others		(1,954,682)
increase in other liabilities		139,911
Net Cash Used by Operating Activities	**$**	**(36,683,721)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Donated library books	$	62,977
Donated assets		108,650
Assets contributed by DFCM		586,617
Adjustments to fair market value of investments		1,829
Total Noncash Activities	**$**	**760,073**

The accompanying notes are an integral part of the Financial Statements

Notes to the Financial Statements

Utah Valley State College
Notes to the Financial Statements
For the Year Ended June 30, 2005

Note 1 Summary of Significant Accounting Policies

Nature of Operations

Utah Valley State College (the 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 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* and Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, 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 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 (the 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 discrete component unit.

The Foundation issues separate financial statements which are audited by other independent auditors and are available through the College's Institutional Advancement Office upon request. These statements follow the Financial Accounting Standards Board (FASB) guidelines. Footnotes for the Foundation are included accordingly.

Note 1 Summary of Significant Accounting Policies (continued)

Prior-year Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2004, from which the summarized information was derived. Some modifications of prior-year numbers were made in order to be comparable to the current fiscal year.

Basis of Accounting

For financial reporting purposes, the College is considered a special purpose government entity 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 FASB pronouncements issued after November 30, 1989, unless 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. Cash on deposit with State agencies is also considered to be a cash equivalent.

Note 1 Summary of Significant Accounting Policies (continued)

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

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, 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 restricted noncurrent assets in the statement of net assets.

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 greater than one year. Buildings, building additions, and building improvements that extend the useful life

Note 1 Summary of Significant Accounting Policies (continued)

Capital Assets (Continued)

of the asset or 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 estimated useful lives of the assets: 40 years for buildings, 30 years for infrastructure and aircraft (less than 15 years old when acquired), 20 years for the library collection, 15 years for aircraft (greater than 15 years old when acquired), 10 years for land improvements and works of art, and 3 to 5 years for equipment.

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.

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.

Bond Discounts/Premiums/Issuance Costs/Deferred Amount on Refunding

Bond discounts and premiums, as well as issuance costs and the deferred amount on refunding, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium, discount, or deferred amount on refunding. Issuance costs are reported as deferred charges.

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 noncurrent liabilities.

Note 1 Summary of Significant Accounting Policies (continued)

Classification of Revenues

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

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

Nonoperating Revenues
Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating 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 and investment income.

Expenses

When expenses are incurred for purposes for which both restricted and unrestricted resources are available, it is the College's general policy to use restricted resources first.

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.

Note 1 Summary of Significant Accounting Policies (continued)

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 the 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, 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 include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

Note 2 Deposits and Investments

The College

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 (the Act) that relate to the deposit and investment of public funds.

The College follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of College 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.

Note 2 Deposits and Investments (continued)

The Act defines the types of securities authorized as appropriate investments for the College and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of the investments securities.

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Service or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer’s Investment Fund.

Through May 2005, statutes also authorized the College to invest funds acquired by gift, private grant, and the corpus of funds functioning as endowments according to the rules of the Money Management Council. Rule 2 allows the College to invest these funds in any of the above investments or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled investment funds, or mutual funds which satisfy certain criteria; common stock, convertible preferred stock or convertible bonds; corporate bonds or debentures; and alternative investments as defined in the rule. As of May 2, 2005, State law allows endowment funds of higher education institutions to be invested in accordance with Board of Regents default investment guidelines or in accordance with policies adopted by the Institution’s Board of Trustees and approved by the Board of Regents. For the period ending June 30, 2005 the Board of Regents has required all institutions to continue investing endowment funds in accordance with Rule 2 of the money management act.

Note 2 Deposits and Investments (continued)

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 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.

Deposits

At June 30, 2005, the carrying amounts of the College's deposits and bank balances were $856,370 and $1,811,674, respectively. The bank balances of the College were insured for $200,000, by the Federal Deposit Insurance Corporation. The bank balances in excess of $200,000 were uninsured and uncollateralized, leaving $1,611,674 exposed to custodial credit risk. All deposits were held by a qualified depository as defined by the State Money Management Act. The State of Utah does not require collateral on deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the College's deposits may not be returned to the College. The College does not have a formal deposit policy for custodial credit risk.

Note 2 Deposits and Investments (continued)

Investments

As of June 30, 2005, the College had the following investments and maturities:

		Investment Maturities (Years)
Investment Type	Fair Value	Less than One
State of Utah Public Treasurer's Investment Fund	$ 30,548,351	$ 30,548,351
Deposits with State Agency held in State of Utah Public Treasurer's Investment Fund	1,311,153	1,311,153
Money Market Mutual Fund comprised of Government Securities	95,190	95,190
Totals	$ 31,954,694	$ 31,954,694

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for College funds acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. For College funds acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

Note 2 Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. At June 30, 2005, the College had investments and quality ratings as follows.

		Quality Rating	
Investment Type	Fair Value	AAA	Unrated
State of Utah Public Treasurer's Investment Fund	$ 30,548,351	$ -	$ 30,548,351
Deposits with State Agency held in State of Utah Public Treasurer's Investment Fund	1,311,153	-	1,311,153
Money Market Mutual Fund comprised of Government Securities	95,190	95,190	-
Totals	$ 31,954,694	$ 95,190	$ 31,859,504

The College's investments in the money market mutual funds comprised of government securities were rated by Standard & Poor's.

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 College's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. For College funds acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council limits investments in equity securities and fixed income securities to no more than 5 percent of all funds in any one issuer and no more than 25 percent of all funds in any one industry. No more than 5 percent of all funds may be invested in securities of a corporation that has been in continuous operation for less than 3 years. No more than 5 percent of the outstanding voting securities of any one corporation may be held. In addition, Rule 2 limits investment concentrations in certain types of investments. At June 30, 2005, there were no single issuer investments that exceeded 5%.

Note 2 Deposits and Investments (continued)

The Foundation

Deposits – The Foundation

The Foundation maintains its cash balances in the Public Treasurer's Investment Fund (PTIF) with the Utah State Treasurer and in several financial institutions. The amount on deposit at June 30, 2005, in the PTIF account was $117,236 and was combined with the College's PTIF account. Although this amount is not covered by federal depository insurance, PTIF balances are secured by investments purchased in compliance with the Act. The total amount deposited in various other financial institutions at June 30, 2005, was $103,458, all of which was insured by the Federal Deposit Insurance Corporation.

Custodial Credit Risk – The Foundation

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation. The Foundation does not have a formal deposit policy for custodial credit risk.

Note 2 Deposits and Investments (continued)

Investments – The Foundation

As of June 30, 2005, the Foundation had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than One	One to Five	Five to Ten	Ten to Twenty
Money Market Accounts	$ 710,908	$ 710,908	$ -	$ -	$ -
Certificates of Deposit	623,123	98,542	524,581	-	-
US Government Securities	2,582,954	892,571	614,515	784,423	291,445
Corporate Bonds	1,397,264	566,631	727,175	103,458	-
Mutual Funds	424,945	-	-	424,945	-
Total	5,739,194	$ 2,268,652	$ 1,866,271	$ 1,312,826	$ 291,445
Common and Preferred Stocks	8,340,206				
Total	$ 14,079,400				

Interest Rate Risk – The Foundation

Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The Foundation does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Foundation

Credit quality can be a depiction of potential variable cash flows and credit risk. The credit rating reported is a weighted average of the Standard & Poors rating of all Foundation holdings. The Foundation does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

Note 2 Deposits and Investments (continued)

At June 30, 2005, the Foundation had the following investments and quality ratings:

		Quality Rating		
Investment Type	Fair Value	A	B	Unrated
Common and Preferred Stocks	$ 8,340,206	$ -	$ -	$ 8,340,206
Money Market Accounts	710,908	-	-	710,908
Certificates of Deposit	623,123	-	-	623,123
US Government Securities	2,582,954	-	-	2,582,954
Corporate Bonds	1,397,264	1,397,264	-	-
Mutual Funds	424,945	-	7,803	417,142
	$ 14,079,400	$ 1,397,264	$ 7,803	$ 12,674,333

Custodial Credit Risk - Foundation

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Foundation will not be able to recover the value of the investments that are in the possession of an outside party. The Foundation does not have a formal investment policy for custodial credit risk in regard to the custody of the Foundations investments.

Concentration of Credit Risk - Foundation

Although investments intrinsically carry credit risk, when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Foundation does not have a formal investment policy that limits the amount the Foundation may invest in any one issuer.

Note 3 Accounts and Notes Receivable

College accounts receivable consisted of the following at June 30, 2005:

Student tuition and fees	$ 2,587,725
Operating activities	649,983
Auxiliary enterprises	337,805
State grants and contracts	111,033
Federal grants and contracts	1,457,823
Other grants and contracts	20,276
	5,164,645
Less allowance for doubtful accounts	(615,943)
Net accounts receivable	$ 4,548,702

College notes receivable consisted of the following at June 30, 2005:

Loans to students	$ 2,272,241
Less allowance for doubtful accounts	(139,649)
Net notes receivable	2,132,592
Less noncurrent portion	(1,790,549)
Current portion	$ 342,043

Note 4 Accounts Payable and Accrued Liabilities

College accounts payable consisted of the following at June 30, 2005:

State taxes payable	$ 9,117
Interest payable	143,887
Vendors payable	1,530,034
DFCM payable	27,809
State and Federal Grants	27,891
Employee deposits payable	178,613
Total Accounts Payable	$ 1,917,351

Note 4 Accounts Payable and Accrued Liabilities (continued)

College accrued liabilities consisted of the following at June 30, 2005:

Federal taxes payable	$ 726,228
State taxes payable	256,979
Wages payable	283,061
Accrued retirement payable	723,797
Accrued leave payable	2,812,295
Payroll liabilities	465,145
Total Accrued Liabilities	5,267,505
Less noncurrent portion	(1,123,758)
Current portion	$ 4,143,747

Note 5 Inventories

Inventories at June 30, 2005 were as follows:

Auxiliary enterprises	$ 1,292,468
Supplies and other inventory	178,194
Total	$ 1,470,662

Note 6 Loans Receivable

Student loans made through the Federal Perkins Loan Program comprise substantially all of the notes receivable at June 30, 2005. Under this perpetual loan program, the Federal Government provides approximately 75% of the initial funds contributed to the program which in turn are issued as loans to students. The College provides a matching contribution to the fund of 25%. Under certain conditions, loans can be forgiven at annual rates of 10% to 30% of the balance up to maximums of 50% to 100% of the balance of the loan. The Federal Government reimburses the College a portion of amounts cancelled under these provisions.

As the College determines that loans are uncollectible and not eligible to be forgiven by the Federal Government, the loans are written off and assigned to the U.S. Department of Education. The College 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, 2005, the allowance for uncollectible loans was $139,649.

Note 7 Deferred Revenue

Deferred revenue of the College consisted of the following at June 30, 2005:

Prepaid tuition and fees	$ 2,259,117
Grants and contracts	33,906
Total deferred revenue	$ 2,293,023

Note 8 Capital Assets

The following are the changes in capital assets of the College for the year ended June 30, 2005:

	Book Value 6/30/2004	Increases	Decreases	Book Value 6/30/2005
Capital Assets not Being Depreciated				
Land	$ 7,563,666	$ -	$ -	$ 7,563,666
Land improvements - nondepreciable	3,036,292	65,263	-	3,101,555
Works of art and historical treasures	-	87,250	-	87,250
Construction in process	1,641,557	9,935,769	(3,860,101)	7,717,225
Total Nondepreciable	**12,241,515**	**10,088,282**	**(3,860,101)**	**18,469,696**
Capital Assets Being Depreciated				
Land improvements - depreciable	2,713,628	-	-	2,713,628
Infrastructure	4,436,322	556,275	-	4,992,597
Buildings	148,623,300	3,913,620	-	152,536,920
Equipment	19,099,115	1,492,712	(358,108)	20,233,719
Library books	3,564,679	376,709	(50,600)	3,890,788
Total Depreciable	**178,437,044**	**6,339,316**	**(408,708)**	**184,367,652**
Less Accumulated Depreciation				
Land improvements - depreciable	1,282,261	238,840	-	1,521,101
Infrastructure	1,159,592	157,123	-	1,316,715
Buildings	29,410,985	3,770,175	-	33,181,160
Equipment	12,775,260	1,760,628	(353,741)	14,182,147
Library Books	1,275,122	185,302	(50,600)	1,409,824
Total Accumulated Depreciation	**45,903,220**	**6,112,068**	**(404,341)**	**51,610,947**
Capital Assets Being Depreciated, Net	**132,533,824**	**227,248**	**(4,367)**	**132,756,705**
Total Capital Assets, Net	**$ 144,775,339**	**$ 10,315,530**	**$(3,864,468)**	**$ 151,226,401**

The capital assets of the Foundation for years ending June 30 were as follows:

	2005	2004
Rental Income Property	$ 4,798,441	$ 4,924,905
Land	4,478,600	4,976,964
Total Capital Assets	$ 9,277,041	$ 9,901,869

Note 9 Bonds Payable

Bonds payable consist of the Municipal Building Authority of Utah County, Utah, Lease Revenue Bonds, (Federally Taxable), Series 2004A and Lease Revenue Refunding Bonds, Series 2004B (Utah Valley State College Project) {MBA 2004A&B} and the State Board of Regents of the State of Utah, Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2004A and Series 2004B (Federally Taxable) {SBR 2004A&B}.

The Municipal Building Authority of Utah County, Utah, issued Lease Revenue Bonds, (Federally Taxable) Series 2004A (Utah Valley State College Project), in the amount of $3,900,000 and Lease Revenue Refunding Bonds, Series 2004B (Utah Valley State College Project), in the amount of $2,600,000, on August 3, 2004. The Authority leased the 2004 Projects to Utah County, Utah pursuant to a Master Lease Agreement dated August 1, 2004. The County, in turn, subleased the Series 2004 Projects to the State Board of Regents of the State of Utah on behalf of the College, pursuant to a Sublease Agreement dated as of August 1, 2004. The MBA 2004A&B Bonds were issued for the purpose of (i) refunding all of the Authority's outstanding 1999 Bonds; (ii) financing the acquisition and construction of a baseball stadium and related improvements; (iii) satisfying a reserve fund requirement; and (iv) paying the costs associated with the issuance of the 2004 Bonds.

The State Board of Regents of the State of Utah issued Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2004A, in the amount of $11,020,000, and Student Center Building Fee and Unified System Revenue Refunding Bonds, (Federally Taxable) Series 2004B, in the amount of $4,035,000 for and on behalf of the College on August 3, 2004. The SBR 2004A&B Bonds were issued for the purpose of (i) refunding all of the State Regent's outstanding 2000 Bonds and the 1995A Bonds; (ii) satisfying a reserve fund requirements; and (iii) paying the costs associated with the issuance of the 2004 Bonds.

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

Note 9 Bonds Payable (continued)

The bonds payable at June 30, 2005 consist of the following:

Description	Original Issue	Balance June 30, 2005	Due Within One Year
MBA 2004A Lease Revenue Bonds (Federally Taxable), due in annual installments through 2019, interest rates 4.5% to 6.0%	$ 3,900,000	$ 3,900,000	$ 175,000
Less Discount	(16,666)	(15,625)	(1,042)
Total Net MBA 2004A	3,883,334	3,884,375	173,958
MBA 2004B Lease Revenue Refunding Bonds, due in annual installments through 2014, interest rates 3.0% to 4.2%	2,600,000	2,380,000	205,000
Plus Premium	37,378	33,980	3,398
Less Deferred Amount on Refunding	(286,406)	(260,792)	(27,942)
Total Net MBA 2004B	2,350,972	2,153,188	180,456
SBR 2004A Student Center Building Fee and Unified System Revenue Refunding Bonds, due in annual installments through 2020, interest rates 3.0% to 4.5%	11,020,000	10,185,000	755,000
Plus Premium	105,719	99,500	6,219
Less Deferred Amount of Refunding	(1,097,895)	(1,035,963)	(67,563)
Total Net SBR 2004A	10,027,824	9,248,537	693,656

Note 9 Bonds Payable (continued)

Description	Original Issue	Balance June 30, 2005	Due Within One Year
SBR 2004B Student Center Building Fee and Unified System Revenue Refunding Bonds (Federally Taxable), due in annual installments through 2011, interest rate 5.0%	4,035,000	3,435,000	580,000
Plus Premium	119,799	104,824	14,975
Less Deferred Amount of Refunding	(172,564)	(150,746)	(23,802)
Total Net SBR 2004B	3,982,235	3,389,078	571,173
Total Net Bonds	$ 20,244,365	$ 18,675,178	$ 1,619,243

Principal and interest on the SBR 2004A&B Bonds and the MBA 2004A&B Bonds are secured by Pledged Revenues which consist of all (i) net operating revenues of the Bookstore, the Student Center, and all College Food Services; (ii) Student Center Building Fees; (iii) investment income; and (iv) HUD subsidy grant. The following is a summary of the pledged revenues and bond payments for fiscal year 2005:

Pledged Revenues	
Building Fee – Spring	$ 1,013,614
Building Fee – Summer	238,197
Building Fee – Fall	1,085,661
Total Building Fees	2,337,472
HUD Subsidy	34,580
Net Auxiliary Profits	740,040
Investment Income	27,499
Total Pledged Revenues	3,139,591
Principal and Interest Payments	
SBR 2004A&B Bonds	1,851,754
MBA 2004A&B Bonds	443,934
Total Principal and Interest Payments	2,295,688
Pledged Revenues in Excess of Payments	$ 843,903

Note 9 Bonds Payable (continued)

In addition, the SBR 2004A&B Bonds and the MBA 2004A&B Bonds are insured by a financial guaranty insurance policy issued by XL Capital Assurance Inc. The SBR 2004A&B Bonds and the MBA 2004A&B Bonds Debt Service Reserve Requirements have been met by the purchase of a Reserve Instrument from XL Capital Assurance Inc.

The scheduled maturities of bonds payable at June 30, 2005, are as follows:

Year	Principal	Interest	Total
2006	$ 1,715,000	$ 807,545	$ 2,522,545
2007	1,790,000	740,320	2,530,320
2008	1,850,000	670,320	2,520,320
2009	1,930,000	596,365	2,526,365
2010	2,005,000	520,307	2,525,307
2011-2015	6,755,000	1,552,358	8,307,358
2016-2020	3,450,000	552,739	4,002,739
2021	405,000	9,112	414,112
Total	$ 19,900,000	$ 5,449,066	$ 25,349,066

Note 9 Bonds Payable (continued)

The Municipal Building Authority of Utah County, Utah, Lease Revenue Refunding Bonds, Series 2004B (Utah Valley State College Project) and the State Board of Regents of the State of Utah, Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2004A and Series 2004B (Federally Taxable) issued on August 3, 2004 for $17,655,000 and $262,896 of original issue premium, plus an additional $401,066 from the 1999 Bond Reserve Fund, were used to advance refund the $15,305,000 outstanding on the 1995A Revenue Cross-Over Refunding Bonds, the 1999 Lease Revenue Bonds, and the 2000 Student Center Building Fee and Unified System Revenue Bonds. The net proceeds of $17,676,070 (after payment of $241,826 for underwriting fees, insurance, surety bonds and other issuance costs) plus an additional $401,066 from the 1999 Bond Reserve Fund were used to purchase U.S. Government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1995A, 1999, and 2000 Bonds. As a result, the 1995A, 1999, and 2000 Bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1,556,865. This difference, the deferred amount on refunding, is reported in the accompanying financial statements as a deduction from bonds payable, and is being amortized using the straight line method and charged to interest expense for the remaining life of the new bonds. The College completed the advance refunding to reduce its total debt service payments over the next 16 years by $441,596 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $286,397.

The table below shows the amounts relating to the new bonds issued, the defeased bond issues and the calculations for the advance refunding listed by each individual bond.

Note 9 Bonds Payable (continued)

Bonds Issued August 3, 2004		Bond Issues Defeased	
MBA 2004B Lease Revenue Refunding Bonds, due in annual installments through 2014, interest rates 3% to 4.2%		**1999 Lease Revenue Bonds, interest rates 3.85% to 4.85%**	
Face Value	$2,600,000	Outstanding Principal	$2,585,000
Plus Premium	37,378		
Less Issue Costs	(54,010)	Cash Flow Savings	121,494
Net Bond Proceeds	2,583,368	Economic Gain	31,290
1999 Bond Reserve Fund	401,066	Deferred Amount	
Amount Deposited to sinking fund	2,984,434	on Refunding	286,406
SBR 2004A Student Center Building Fee and Unified System Revenue Refunding Bonds, due in annual installments through 2020, interest rates 3% to 4.5%		**2000 Student Center Building Fee and Unified System Revenue Bonds, interest rates 4.85% to 5.8%**	
Face Value	11,020,000	Outstanding Principal	9,355,000
Plus Premium	105,719		
Less Issue Costs	(135,485)	Cash Flow Savings	320,670
Net Bond Proceeds		Economic Gain	251,100
Deposited to sinking fund	10,990,234	Deferred Amount	
		on Refunding	1,097,895
SBR 2004B Student Center Building Fee and Unified System Revenue Refunding Bonds (Federally Taxable), due in annual installments through 2011, interest rate 5%		**1995A Cross-Over Refunding Bonds, interest rates 4.75% to 5.7%**	
Face Value	4,035,000	Outstanding Principal	3,365,000
Plus Premium	119,799		
Less Issue Costs	(52,331)	Cash Flow Difference	(568)
Net Bond Proceeds		Economic Gain	4,007
Deposited to sinking fund	4,102,468	Deferred Amount	
		on Refunding	172,564
Total for all Bonds		**Total for all Bonds**	
Total Face Value	17,655,000	Total Outstanding Principal	15,305,000
Total Premium	262,896		
Less Total Issue Costs	(241,826)	Total Cash Flow Savings	441,596
Net Proceeds	17,676,070	Total Economic Gain	286,397
1999 Bond Reserve Fund	401,066	Total Deferred Amount	
Total Deposited to sinking fund	$18,077,136	on Refunding	$1,556,865

Note 10 Operating Leases

The College leases buildings, office space, airport facilities, and land under non-cancelable operating leases. Total costs for such leases were $522,646 for the year ended June 30, 2005. 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
2006	$ 518,413
2007	453,882
2008	444,185
2009	444,185
2010	403,173
2011-2015	1,082,910
2016-2020	204,497
2021-2025	212,376
2026-2030	87,387
Total Future Minimum Lease Payments	$ 3,851,008

Note 11 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 $10,432,733 as of June 30, 2005. Accumulated depreciation of leased equipment totaled $906,280 at June 30, 2005.

The assets acquired through capital leases are as follows:

Asset:	
Construction in Progress	$ 7,716,867
Aircraft	2,094,318
Less: Accumulated Depreciation	(553,500)
Vehicles	151,490
Less: Accumulated Depreciation	(60,679)
Heidelberg Press	294,359
Less: Accumulated Depreciation	(122,260)
Equipment	175,699
Less: Accumulated Depreciation	(169,841)
Total Net Capital Lease Assets	$ 9,526,453

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, 2005.

Fiscal Year Ending June 30	Capital Leases
2006	$ 876,258
2007	731,107
2008	748,994
2009	767,483
2010	786,594
2011-2015	4,264,059
2016-2020	4,177,077
2021-2024	3,329,156
Total Future Minimum Lease Payments	15,680,728
Amounts Representing Interest	(5,343,363)
Present Value of Net Minimum Lease Payments	$ 10,337,365

Note 12 Changes in Noncurrent Liabilities

The following is a summary of the changes to the College's noncurrent liabilities during the fiscal year ended June 30, 2005.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable:					
Revenue Bonds	$16,620,000	$21,555,000	$(18,275,000)	$19,900,000	$1,715,000
Less deferred amounts for discounts and premiums	(9,246)	(1,310,635)	95,060	(1,224,821)	(95,757)
Total Bonds payable	16,610,754	20,244,365	(18,179,940)	18,675,179	1,619,243
Capital Leases	2,021,022	8,731,639	(415,296)	10,337,365	470,737
Total Bonds and Capital Leases	18,631,776	28,976,004	(18,595,236)	29,012,544	2,089,980
Early Retirement	855,817	317,590	(449,610)	723,797	330,150
Compensated Absences	2,766,690	1,267,581	(1,221,976)	2,812,295	2,082,184
Total Noncurrent Liabilities	$22,254,283	$30,561,175	$(20,266,822)	$32,548,636	$4,502,314

The Foundation's liabilities for the years ending June 30 were as follows:

	2005	2004
Notes Payable	$1,639,172	$1,764,830
Deferred annuity payments	740,269	688,390
Prepaid rental income	569,142	636,100
Total noncurrent liabilities	$2,948,583	$3,089,320

Note 13 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 (URS). URS provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The URS are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement and Insurance Benefit Act in Title 49 provides for the administration of the URS and Plans under the direction of the Utah State Retirement Board which consists of the State Treasurer and six members appointed by the Governor. The URS issues 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, 560 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 6.00 percent of their annual covered salary (all or part may be paid by the employer for the employee) and the College is required to contribute 8.89 percent of their annual covered salary. In the State and School Noncontributory Retirement System, the College is required to contribute 13.38 percent of their annual covered salary. The contribution rates are actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Note 13 Pension Plans and Retirement Benefits (continued)

The College contributions to the URS were:

	June 30, 2005	June 30, 2004	June 30, 2003
State and School Contributory Retirement System	$ 206,943	$ 181,802	$ 170,758
Noncontributory Retirement System	$ 2,296,464	$ 2,006,937	$ 1,754,214
401(k) Plan	$ 257,469	$ 257,286	$ 253,011

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, 2005, the College's contribution to this defined contribution plan was 14.2 percent of the employee's eligible annual salary or $4,560,264. 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 five years or until the retiree reaches age 65, whichever occurs first. The benefits include a semi-monthly stipend equal to 20 percent 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, 2005, 30 employees participated in the early retirement plan, of which 30 retirees received health care and life insurance benefits and 29 received stipends. The future cost of these retiree stipends, health care and life insurance benefits have 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, 2005, the expenses for the 20 percent incentive stipend were $249,373 and the expenses for health care and life insurance were $200,237.

Note 14 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. The College's liabilities for this policy are limited to the cost of premiums. In addition to these basic policies, the College's Department of Risk, Plant, and Property Management establishes guidelines in risk assessment, risk avoidance, risk transfer, and risk acceptance. The College's buildings and contents are insured for replacement value. Each loss incident is subject to a $1,000 deductible.

Note 15 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 percent of the usage of the Center be for public and/or community use. The investment in the Center and the operating results are accounted for in the College's financial statements. 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.

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 College. Construction projects are recorded on the books of the College as funds are expensed, or when projects are substantially completed if funded through State Appropriations administered through DFCM.

Note 15 Commitments and Contingent Liabilities (continued)

As of June 30, 2005, the College had outstanding commitments to DFCM for HVAC repairs, Final Campus Master Plan and Alpine Life and Learning Building Renovation totaling $71,888. These commitments represent funds needed in the future and are not recorded on the books.

Note 16 Restatement of Previously Issued Financial Statements - Foundation

The Foundation financial statements for the year ended June 30, 2004, have been restated to reflect the Foundation's policy of recording pledges expected to be collected in the near future. Accordingly, intentions to give and conditional promises to give are not recorded as contributions until future events occur or the Foundation has an enforceable right to the donation. The effect of the restatement on the 2004 financial statements is summarized as follows:

	Restated	As Previously Stated
Pledges receivable, net of allowance for uncollectible pledges	$ 530,536	$ 4,806,400
Temporarily restricted net assets	18,623,196	22,850,038
Temporarily restricted contributions	3,147,862	7,374,704
Change in temporarily restricted net assets	1,902,945	6,129,787
Change in net assets	3,057,849	7,284,691

Note 17 Natural Classifications with Functional Classifications

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

Year Ended June 30, 2005

Functional Classification	Natural Classification: Compensation	Benefits	Financial Aid	Maintenance	General and Administrative	Auxiliary	Depreciation	Total
Instruction	35,416,517	12,745,920	-	572,782	7,222,738	-	-	55,957,957
Academic Support	6,807,896	2,858,250	-	119,766	2,579,049	-	-	12,364,961
Student Services	7,283,148	3,235,701	-	111,305	2,599,540	-	-	13,229,694
Institutional Support	9,165,594	3,842,412	-	894,486	7,583,710	-	-	21,486,202
Operation and Maintenance of Plant	3,159,307	1,742,806	-	4,511,572	1,164,800	-	-	10,578,485
Student Financial Aid	1,755,569	20,221	17,224,787	-	-	-	-	19,000,577
Public Service	92,149	33,067	-	152	9,547	-	-	134,915
Auxiliaries	2,617,434	812,375	-	271,468	1,996,981	7,826,133	-	13,524,391
Depreciation	-	-	-	-	-	-	6,112,068	6,112,068
Total Expenses	**66,297,614**	**25,290,752**	**17,224,787**	**6,481,531**	**23,156,365**	**7,826,133**	**6,112,068**	**152,389,250**

Year Ended June 30, 2004

Functional Classification	Natural Classification: Compensation	Benefits	Financial Aid	Maintenance	General and Administrative	Auxiliary	Depreciation	Total
Instruction	35,147,614	12,152,416	13,831	610,841	6,370,813	-	-	54,295,515
Academic Support	6,367,903	2,511,923	33,858	162,795	2,872,177	-	-	11,948,656
Student Services	6,759,089	2,851,210	116,318	113,396	2,107,928	-	-	11,947,941
Institutional Support	8,906,995	3,498,589	3,156,921	871,445	6,234,487	-	-	22,668,437
Operation and Maintenance of Plant	3,140,020	1,576,834	-	4,893,661	2,129,204	-	-	11,739,719
Student Financial Aid	1,707,262	13,638	13,990,363	144	228,934	-	-	15,940,341
Public Service	100,282	41,593	450	-	17,106	-	-	159,431
Auxiliaries	2,574,460	783,675	(947,538)	300,536	1,829,330	7,477,785	-	12,018,248
Depreciation	-	-	-	-	-	-	5,762,414	5,762,414
Total Expenses	**64,703,625**	**23,429,878**	**16,364,203**	**6,952,818**	**21,789,979**	**7,477,785**	**5,762,414**	**146,480,702**

Note 18 Related Party Transactions

The College entered into various agreements involving the Foundation:

A. Rental Expense. The College leases all of the Foundation buildings from the Foundation under non-cancelable operating leases through December 2013. The lease agreements call for fixed rental payments that in substance provide adequate cash flows to service the debt on the building and provide a return of the Foundation's investment in the buildings.

The future minimum annual rents to be expensed under the lease agreements for the next five years ending June 30 are $375,771 per year.

The Foundation records lease revenue on the straight-line method. The difference between the amounts of lease receipts and lease revenue is recorded as an adjustment to prepaid rental income.

During the year ended June 30, 2000, the College made certain improvements and payments totaling $485,179 for one of the buildings it leases from the Foundation. The amounts paid by the College are recorded as a liability (prepaid rental income) on the statements of financial position of the Foundation. The College has paid additional amounts in succeeding years. The balance on the financial statements of the Foundation on June 30, 2005 and 2004 is $569,142 and $636,100, respectively. The prepaid rental income is amortized over the remaining life of the 15-year lease on the straight-line method.

B. Operations and Support. During the years ended June 30, 2005 and 2004, the Foundation had certain transactions with the College in its capacity to support the College. The Foundation forwarded funds and donated in-kind materials and equipment to the College for scholarships, awards, departments, and general use. Funds forwarded for departments during the years ended June 30, 2005 and 2004 include wages and purchase of items to enhance College programs. The College provides facilities and services to the Foundation, the value of which is undetermined and is not recorded on the financial statements.

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