DIXIE STATE COLLEGE OF UTAH

A Component Unit of the State of Utah

Annual Financial Report
For the Fiscal Year Ended June 30, 2007

Report No. 07-50

Keeping Utah
Financially Strong

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR

DIXIE STATE COLLEGE OF UTAH

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DIXIE STATE COLLEGE OF UTAH
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2007

TABLE OF CONTENTS

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

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
Dr. Lee G. Caldwell, President
Dixie State College of Utah

We have audited the accompanying financial statements of Dixie State College of Utah (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, 2007, as listed in the table of contents. 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, 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 the College and of its discretely presented component unit foundation as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2008 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's discussion and analysis, on pages 3 through 8, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Auston G. Johnson, CPA
Utah State Auditor
March 28, 2008

DIXIE STATE COLLEGE OF UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

As management of Dixie State College of Utah (the College), we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented within this discussion and analysis in conjunction with the additional information that is furnished in our basic financial statements (including the notes to the financial statements).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the College's basic financial statements. The College's basic financial statements consist of four components: 1) the Statement of Net Assets, 2) the Statement of Revenues, Expenses, and Changes in Net Assets, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements. This discussion and analysis focuses on the College's primary institution operations. The College's discretely presented Component Unit Foundation issues separately audited financial statements, which can be obtained directly from the Dixie College Foundation's administrative office.

Statement of Net Assets: The Statement of Net Assets provides information on the College's assets and liabilities at the end of the fiscal year, with the difference between the two reported as net assets. The information provided in the Statement of Net Assets, along with disclosures and other information contained in the Statement of Revenues, Expenses, and Changes in Net Assets, the Statement of Cash Flows, and the accompanying notes, helps users assess, among other things, the College's liquidity and its ability to meet its obligations. It is one way of measuring the College's financial health or position. Over time, increases or decreases in the College's net assets are an indicator of whether its financial condition is improving or deteriorating. Other non-financial factors are also important to consider, including student enrollment and the condition of the campus buildings.

The following table summarizes the College's assets, liabilities, and net assets at June 30, 2006 and 2007:

Condensed Statement of Net Assets

	June 30, 2006 Amount	June 30, 2007 Amount	Amount of Increase (Decrease)
Assets			
Current Assets	$ 14,998,248	$ 17,385,763	$ 2,387,515
Capital Assets, Net	69,815,035	72,276,521	2,461,486
Other Assets	12,310,095	12,841,705	531,610
Total Assets	**97,123,378**	**102,503,989**	**5,380,611**
Liabilities			
Current Liabilities	3,255,810	3,940,853	685,043
Noncurrent Liabilities	9,938,381	10,080,302	141,921
Total Liabilities	**13,194,191**	**14,021,155**	**826,964**
Net Assets			
Invested in Capital Assets, Net of Related Debt	60,060,484	62,110,772	2,050,288
Restricted - Nonexpendable	10,497,348	10,858,113	360,765
Restricted - Expendable	5,066,633	6,188,454	1,121,821
Unrestricted	8,304,722	9,325,495	1,020,773
Total Net Assets	**$ 83,929,187**	**$ 88,482,834**	**$ 4,553,647**

Statement of Net Assets (continued): The increase in current assets, shown above, is due largely to a 31% tuition increase and a $10 fee increase. Capital assets of the College increased during the fiscal year due to large building improvement projects. These projects were state funded and managed by the Utah Division of Facilities Construction and Management (DFCM). And the increase in other assets is attributable to the increase in fair value of the College's investments.

The liabilities of the College increased during the fiscal year and it was mostly attributable to borrowing money to purchase student housing (Chancellor Apartments).

Statement of Revenues, Expenses, and Changes in Net Assets: The Statement of Revenues, Expenses, and Changes in Net Assets provides information to users about the operating performance of the College and the effects of non-operating transactions that change the net assets of the College. The information in this statement, together with information in the Statement of Net Assets, the Statement of Cash Flows, and the accompanying notes, should assist users of the College's financial statements in evaluating the College's performance during the fiscal year. These statements will also show how well management has discharged their stewardship responsibilities and other aspects of their duties.

The following table summarizes the College's revenues, expenses, and changes in net assets for the years ended June 30, 2006 and 2007:

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

	Year Ended June 30, 2006 Amount	Year Ended June 30, 2007 Amount	Amount of Increase (Decrease)
Operating Revenues	$ 24,735,445	$ 26,017,105	1,281,660
Operating Expenses	45,619,365	47,040,826	1,421,461
Operating Loss	**(20,883,920)**	**(21,023,721)**	**(139,801)**
Nonoperating Revenues	20,365,784	23,269,318	2,903,534
Nonoperating Expenses	(617,496)	-	617,496
Net Nonoperating Revenues	**19,748,288**	**23,269,318**	**3,521,030**
Income before Other Items	**(1,135,632)**	**2,245,597**	**3,381,229**
Other Revenues, Expenses, Gains or Losses	4,533,052	2,308,050	(2,225,002)
Increase in Net Assets	**3,397,420**	**4,553,647**	**1,156,227**
Net Assets, Beginning of Year	80,531,767	83,929,187	3,397,420
Net Assets, End of Year	**$ 83,929,187**	**$ 88,482,834**	**$ 4,553,647**

Statement of Revenues, Expenses, and Changes in Net Assets (continued): For the year ended June 30, 2007, the College experienced a net operating loss as shown above. The College is a State institution and receives a large portion of its revenues from State appropriations. The State appropriation is anticipated as a means of covering a majority of the costs of College operations. These appropriations, along with investment income and financial gifts from donors, are classified on the financial statements as nonoperating revenues. During this fiscal year, the net nonoperating revenues were sufficient to show a positive income before other items.

Revenues: The following table summarizes the College's revenues for the years ended June 30, 2006 and 2007:

	Year Ended June 30, 2006 Amount	Year Ended June 30, 2007 Amount	Percent of Total	Amount of Increase (Decrease)	Percentage Increase (Decrease)
Operating Revenues					
Student Tuition and Fees	$ 12,826,340	$ 13,830,670	53.17%	$ 1,004,330	7.83%
Federal Grants and Contracts	5,662,043	5,398,970	20.75%	(263,073)	-4.65%
State and Local Grants and Contracts	917,532	689,192	2.65%	(228,340)	-24.89%
Nongovernmental Grants and Contracts	37,200	29,180	0.11%	(8,020)	-21.56%
Auxiliary Enterprises	5,195,193	5,535,093	21.27%	339,900	6.54%
Other Operating Revenues	97,137	534,000	2.05%	436,863	449.74%
Total Operating Revenues	**24,735,445**	**26,017,105**	**100.00%**	**1,281,660**	**5.18%**
Nonoperating Revenues					
State Appropriations	18,080,174	18,778,226	80.70%	698,052	3.86%
Gifts	1,039,470	1,634,871	7.03%	595,401	57.28%
Interest on Student Loans	42,599	-	0.00%	(42,599)	-100.00%
Investment Income	1,203,541	2,209,623	9.50%	1,006,082	83.59%
Insurance Proceeds	-	610,900	2.62%	610,900	100.00%
Other	-	35,698	0.15%	35,698	100.00%
Total Nonoperating Revenues	**20,365,784**	**23,269,318**	**100.00%**	**2,903,534**	**14.26%**
Other Revenues					
Capital Appropriations	361,437	2,701,888	83.68%	2,340,451	647.54%
Capital Grants and Gifts	3,763,775	374,367	11.59%	(3,389,408)	-90.05%
Additions to Permanent Endowments	407,840	152,726	4.73%	(255,114)	-62.55%
Total Other Revenues	**$ 4,533,052**	**$ 3,228,981**	**100.00%**	**$ (1,304,071)**	**-28.77%**

Operating revenues increased overall when compared to the prior year as shown above. This increase is attributable to the student tuition and fees, auxiliary enterprises, and other operating revenue line items. Student tuition and fee revenue increased due to a 31% tuition increase and a $10 fee increase. Auxiliary enterprises revenue increased due to the increase in sales of event tickets, facility rentals, and other activities among the various auxiliary operations across campus. Other operating revenues increased due to a reclassification of revenues from other nonoperating revenues to other operating revenues. Federal grants and contracts revenue decreased due to a decrease in the College's Pell grant award. The state grants and contracts revenue decrease is mostly attributable to state grants that the College administered in the prior year and are no longer administering (i.e., homeland security grant, custom fit grant).

Nonoperating and other revenues fluctuate from year to year based on the amount appropriated by the state legislature for ongoing needs and capital projects at the College. These revenues also fluctuate from year to year because of the inconsistent pattern of investment income and gifts given to the College for scholarships and capital projects. The large decrease in capital grants and gifts is from two parcels of land that were donated to the College in the prior year.

DIXIE STATE COLLEGE OF UTAH

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007

Expenses: The following table summarizes the College's expenses for the years ended June 30, 2006 and 2007:

	Year Ended June 30, 2006 Amount	Year Ended June 30, 2007 Amount	Percent of Total	Amount of Increase (Decrease)	Percentage Increase (Decrease)
Operating Expenses					
Salaries and Wages	$ 16,825,043	$ 18,386,143	39.09%	$ 1,561,100	9.28%
Employee Benefits	6,903,061	6,643,339	14.12%	(259,722)	-3.76%
Student Financial Aid	5,767,841	5,569,583	11.84%	(198,258)	-3.44%
Utilities	1,602,401	1,570,400	3.34%	(32,001)	-2.00%
Cost of Goods Sold	2,587,891	2,724,428	5.79%	136,537	5.28%
Depreciation	2,902,392	3,077,476	6.54%	175,084	6.03%
Other Operating Expenses	9,030,736	9,069,457	19.28%	38,721	0.43%
Total Operating Expenses	**45,619,365**	**47,040,826**	**100.00%**	**1,421,461**	**3.12%**
Nonoperating Expenses					
Other	65,357	-	100.00%	(65,357)	-100.00%
Total Nonoperating Expenses	**65,357**	**-**	**100.00%**	**(65,357)**	**-100.00%**
Other Revenues (Expenses)					
Interest on Capital Asset Related Debt	429,085	429,770	46.67%	685	0.16%
Gain (Loss) on Asset Disposition	123,054	122,853	13.34%	(201)	-0.16%
Other - Net	-	368,308	39.99%	368,308	100.00%
Total Other Revenues (Expenses)	**$ 552,139**	**$ 920,931**	**100.00%**	**$ 368,792**	**66.79%**

Operating expenses increased overall when compared to the prior year as shown above. The majority of this increase is attributable to the salaries and wages expense. Salaries and wages expense increased due to the hiring of additional teaching faculty for new academic programs as well as increasing faculty salaries to be competitive in the market. The decrease in employee benefit expense is mostly attributable to open employee positions that hadn't been filled as well as replacing some employee positions on campus with part-time employees. Student financial aid decreased as a result of the previously mentioned decrease in the College's Pell grant award. In a normal year, an operating loss would be expected since the College receives a majority of its funding from State appropriations, which is nonoperating revenue.

Statement of Cash Flows: The statement of cash flows provides information about the cash receipts and cash payments of the College during the fiscal year. When used with related disclosures and information in other financial statements, the statement of cash flows should help financial statement report users assess the College's ability to generate future net cash flows and its ability to meet its obligations as they come due. The statement of cash flows will also provide reasons for differences between operating income and the associated cash receipts/payments, as well as the effects on the College's financial position for cash and non-cash investing, capital, and financing transactions during the fiscal year.

Statement of Cash Flows (continued): The following table summarizes the College's cash flows for the years ended June 30, 2006 and 2007:

Condensed Statement of Cash Flows

	Year Ended June 30, 2006 Amount	Year Ended June 30, 2007 Amount	Amount of Change
Cash provided (used) by:			
Operating activities	$ (17,590,020)	$ (17,835,431)	$ (245,411)
Noncapital financing activities	19,527,484	20,565,823	1,038,339
Capital and related financing activities	(1,999,970)	(3,098,425)	(1,098,455)
Investing activities	476,664	2,104,697	1,628,033
Net change in cash	**414,158**	**1,736,664**	**1,322,506**
Cash − beginning of year	13,124,403	13,538,561	414,158
Cash − end of year	**$ 13,538,561**	**$ 15,275,225**	**$ 1,736,664**

The College's overall liquidity increased from the previous year. Major sources of operating funds were tuition and fees, grants and contracts, and auxiliary enterprises revenue. Cash provided by noncapital financing activities increased because of increased State appropriations and gifts. Capital and related financing activities decreased because of additional capital assets that were purchased. The increase in investing activities is attributable to an increase in investment income and insurance proceeds received.

Capital Assets and Debt Administration

Capital Assets: Investment in capital assets includes land, land improvements, buildings, library books, equipment, and construction in progress. There was an increase in capital assets overall from the previous year. This increase is mostly attributable to the purchase of student housing (Chancellor Apartments), as well as additions and improvements to existing buildings on campus.

The following table summarizes the College's capital assets at June 30, 2006 and 2007:

Capital Assets, Net	June 30, 2006 Amount	June 30, 2007 Amount	Amount of Increase (Decrease)
Land	$ 10,118,901	$ 10,218,901	$ 100,000
Land Improvements	5,723,202	5,435,482	(287,720)
Buildings	49,133,640	50,941,254	1,807,614
Equipment	3,635,372	4,059,660	424,288
Library Books	1,145,974	1,176,181	30,207
Construction in Progress	57,946	445,043	387,097
Total Capital Assets, Net	**$ 69,815,035**	**$ 72,276,521**	**$ 2,461,486**

Additional information about the College's capital assets can be found in Note 5 to the financial statements.

Bonds, Contracts, and Capital Leases: The College had an increase overall in outstanding bonds, contracts, and capital leases payable when compared to the prior year. This increase is due primarily to borrowing money to purchase student housing (Chancellor Apartments). However, the total amount of the increase was partially reduced by debt retirement payments made throughout the year.

The following table summarizes outstanding long-term liabilities at June 30, 2006 and 2007:

	June 30, 2006 Amount	June 30, 2007 Amount	Amount of Increase (Decrease)
Bonds, Contracts and Capital Leases Payable			
Bonds Payable	$ 4,015,000	$ 3,760,000	$ (255,000)
Contracts and Capital Leases Payable	5,739,553	6,405,750	666,197
Total Bonds, Contracts and Capital Leases Payable	$ 9,754,553	$ 10,165,750	$ 411,197

Additional information related to the College's liabilities is presented in Notes 7 and 9 to the financial statements.

Subsequent Events

The College is heavily dependent on the appropriations it receives from the Utah State Legislature for its operations. During the 2007 Utah legislative session, legislators agreed to defease $3,760,000 of the College's long-term debt. This will be done during fiscal year 2008 and will free up ongoing money for other operational costs. As a result, total liabilities will be reduced by 27 percent and net assets will increase by the same percentage.

Requests for Information

This financial report is designed to provide a general overview of Dixie State College of Utah's finances for all those with an interest in the College's finances and to show the College's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dixie State College of Utah, Business Services Office, 225 South 700 East, St. George, Utah 84770.

DIXIE STATE COLLEGE OF UTAH

STATEMENT OF NET ASSETS

JUNE 30, 2007

	Primary Institution	Component Unit Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 3)	$ 14,675,202	$ 1,600,962
Investments (Note 3)	51,142	2,399,327
Accounts and Notes Receivable, Net (Note 4)	1,087,530	506,855
Inventories	1,092,036	-
Student Loans Receivable, Net (Note 4)	368,462	-
Prepaid Expenses	111,391	-
Total Current Assets	17,385,763	4,507,144
Noncurrent Assets		
Restricted Cash and Cash Equivalents (Note 3)	600,023	-
Investments (Note 3)	10,195,347	9,513,724
Notes and Pledges Receivable, Net	-	1,294,383
Student Loans Receivable, Net (Note 4)	2,046,335	-
Land and Buildings Held for Sale	-	201,978
Capital Assets, Net (Note 6)	72,276,521	9,200
Total Noncurrent Assets	85,118,226	11,019,285
Total Assets	102,503,989	15,526,429
LIABILITIES		
Current Liabilities		
Accounts Payable	1,845,051	2,803
Accrued Liabilities	203,876	-
Compensated Absences and Termination Benefits	809,149	-
Deposits	113,797	-
Deferred Revenue	304,015	-
Bonds, Contracts, and Capital Leases Payable (Note 7)	664,965	192,709
Total Current Liabilities	3,940,853	195,512
Noncurrent Liabilities		
Compensated Absences and Termination Benefits	579,517	-
Bonds, Contracts and Capital Leases Payable (Note 7)	9,500,785	1,679,911
Total Noncurrent Liabilities	10,080,302	1,679,911
Total Liabilities	14,021,155	1,875,423
NET ASSETS		
Invested in Capital Assets, net of related debt	62,110,772	-
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	10,576,097	-
Other	282,016	-
Foundation	-	9,513,723
Expendable:		
Scholarships and Fellowships	1,097,013	-
Loans	2,610,120	-
Capital Projects	330,741	-
Debt Service	1,179,214	-
Other	971,366	-
Foundation	-	3,923,539
Unrestricted	9,325,495	213,744
Total Net Assets	$ 88,482,834	$ 13,651,006

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

DIXIE STATE COLLEGE OF UTAH

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

	Primary Institution	Component Unit Foundation
REVENUES		
Operating Revenues		
Student Tuition and Fees (Notes 1 and 8)	$ 13,830,670	$ -
Federal Grants and Contracts	5,398,970	-
State and Local Grants and Contracts	689,192	-
Nongovernmental Grants and Contracts	29,180	-
Auxiliary Enterprises (Notes 1 and 8)	5,535,093	-
Foundation Contributions Received	-	499,846
Other	534,000	-
Total Operating Revenues	26,017,105	499,846
EXPENSES		
Operating Expenses		
Salaries and Wages	18,386,143	-
Employee Benefits	6,643,339	-
Student Financial Aid	5,569,583	-
Donation to the College	-	593,600
Utilities	1,570,400	-
Cost of Goods Sold	2,724,428	-
Depreciation	3,077,476	-
Other	9,069,457	484,178
Total Operating Expenses	47,040,826	1,077,778
Operating Income (Loss)	(21,023,721)	(577,932)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	18,778,226	-
Gifts	1,634,871	-
Investment Income	2,209,623	1,995,193
Insurance Proceeds	610,900	-
Other	35,698	-
Net Nonoperating Revenues	23,269,318	1,995,193
Income Before Other Revenues	2,245,597	1,417,261
OTHER REVENUES (EXPENSES)		
Capital Appropriations	2,701,888	-
Capital Grants and Gifts	374,367	-
Additions to Permanent Endowments	152,726	292,438
Interest on Capital Asset Related Debt	(429,770)	-
Gain (Loss) on Asset Disposition	(122,853)	-
Other - Net	(368,308)	-
Total Other Revenues	2,308,050	292,438
Increase in Net Assets	4,553,647	1,709,699
Net Assets – Beginning	83,929,187	11,866,263
Adjustments to Beginning Net Assets (Note 2)	-	75,044
Net Assets – Beginning as Adjusted	83,929,187	11,941,307
Net Assets – End of Year	$ 88,482,834	$ 13,651,006

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

DIXIE STATE COLLEGE OF UTAH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

	Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	$ 13,892,718
Receipts from Grants and Contracts	6,080,643
Receipts from Auxiliary Enterprises	5,267,664
Collection of Loans from Students	593,924
Loans Issued to Students	(671,386)
Other Receipts	585,445
Payments to Suppliers	(12,802,220)
Payments for Student Financial Aid	(5,569,583)
Payments for Employee Services and Benefits	(25,212,636)
Net Cash Provided (Used) by Operating Activities	(17,835,431)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	18,778,226
Receipts from Gifts/Grants	1,634,871
Receipts for Permanent Endowments	152,726
Net Cash Provided (Used) by Noncapital Financing Activities	20,565,823
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital State Appropriations	2,701,888
Receipts from Capital Grants/Gifts	374,367
Purchases of Capital Assets	(6,156,107)
Proceeds from Capital Debt Issued	1,013,130
Principal Paid on Capital Debt/Leases	(601,933)
Interest Paid on Capital Debt/Leases	(429,770)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,098,425)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale (Maturity) of Investments	915,000
Receipt of Interest/Dividends from Investments	1,063,668
Purchase of Investments	(484,871)
Insurance Proceeds	610,900
Net Cash Provided (Used) by Investing Activities	2,104,697
Net Increase in Cash	1,736,664
Cash and Cash Equivalents − Beginning of Year	13,538,561
Cash and Cash Equivalents − End of Year	$ 15,275,225

(continued)

DIXIE STATE COLLEGE OF UTAH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007

(continued)

	Primary Institution
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	$ (21,023,721)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	3,077,476
Nonoperating Revenues Recorded as Operating Activities	35,698
Changes in Assets and Liabilities:	
Student Tuition and Fees Receivables (net)	(42,063)
Student Loans Receivable	76,220
Auxiliary Enterprises and Other Recievables	(267,429)
Contracts and Grants Receivable	(36,699)
Inventories	(142,090)
Prepaid Expenses	208,946
Accounts Payable	341,527
Accrued Payroll	78,207
Accrued Liabilities	(56,729)
Deferred Revenue	104,111
Compensated Absences	(204,632)
Deposits	15,747
Net Cash Provided (Used) by Operating Activities	$ (17,835,431)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Increase (Decrease) in Fair Value of Investments	$ 780,296
Division of Facilities Construction and Management Projects	2,701,888
Total Noncash Investing, Capital, and Financing Activities	$ 3,482,184

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dixie State College of Utah (College), located in St. George, Utah, was established in 1911 as St. George Academy and became known as Dixie Academy. Originally operated by The Church of Jesus Christ of Latter-day Saints, the College was turned over to the State of Utah in 1933. It was known officially as Dixie Junior College until 1971 when the Utah State Legislature changed the name to Dixie College. In January 2000, the name was changed to Dixie State College of Utah when it became eligible to offer four-year degree programs. The College is a component unit of the State of Utah.

The College offers bachelor's degree programs in selected high demand areas and in core or foundational areas consistent with its mission as a four-year institution. It also partners with other institutions in the Utah System of Higher Education in ensuring that quality graduate programs are available to Washington County residents.

The College is committed to accountability and creativity in delivering quality higher educational opportunities within its service area. The College will be a cooperative and conscientious partner with other public and higher education institutions, responsibly using public funds to meet the State's needs.

Reporting Entity

The College has included in the financial statements all restricted and unrestricted funds, including all auxiliary enterprises. The College has considered all potential component units for which the College is financially accountable and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete.

The Dixie College Foundation (Foundation) is a separate but affiliated self-sustaining not-for-profit corporation. Because the Foundation was established to receive gifts for the benefit of the College, the Foundation is included in the College's audited financial statements under the heading "Component Unit Foundation." Independent auditors have audited the Foundation and a separate report has been issued thereon and is available at the Foundation's administrative office. The Foundation is not subject to income taxes under Section 501(c)(3) of the Internal Revenue Code.

Basis of Accounting

The financial statements of the College have been prepared on the accrual 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 FASB conflicts with GASB. The College has elected not to apply FASB pronouncements issued after the applicable date.

Basis of Presentation

Cash and Investments – Cash from all funds is deposited into one account except when legal requirements dictate the use of separate accounts. College and Foundation financial investments are carried at fair value. The College distributes earnings from pooled investments based on the average monthly investment of each participating account. Foundation real estate investments consist of donations that are reported at the lower of current fair value or the fair value at the time of donation. The College considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. This includes repurchase agreements and the Utah Public Treasurer's Investment Fund for the College. For the Foundation, cash equivalents include certificates of deposit and money market funds held by equity managers.

Accounts Receivable – Accounts receivable consist of tuition and fee charges to students and to auxiliary enterprise services provided to students, faculty, and staff. 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 valued at the lower of cost or market. The cost of bookstore inventories is determined using the retail inventory method. The cost of all other inventories is determined using the first-in, first-out method.

Prepaid Expenses – Prepaid expenses consist of products or services that have been paid for and not received. They consist primarily of prepaid issuance costs related to bonds issued.

Capital Assets – Property, plant, and equipment are stated at cost as of the date of acquisition or fair value at date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of $3,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if the project costs are $20,000 or more. Other capital assets are determined at acquisition based on guidelines developed by the Utah State Division of Finance, as adopted by the Utah State Board of Regents. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation on property, plant, and equipment is recorded based on the depreciation conventions adopted by the State of Utah over the estimated useful lives of the assets: 40 years for buildings, up to 30 years for building improvements, 5 to 20 years for land improvements, 20 years for library books, and 3 to 20 years for equipment.

Accrued Compensated Absences – Employees' compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences 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. College policy with regard to vacation and sick leave is that (1) unused vacation may be accrued to the extent of thirty days; and (2) sick leave may be accumulated at the rate of one day per month. However, regardless of the accumulated amount, when an employee terminates, there is no reimbursement for unused sick leave. Sick leave, when taken, is paid at the employee's current rate of pay in the sense that the employee's salary continues as if at work. Thus, no liability exists for sick leave earned in prior periods.

Deferred Revenue – Deferred revenue consists of amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

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

Pledges – The College follows the practice of recording gifts and pledges when pledged.

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

Invested in capital assets, net of related debt – This 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, expendable – Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

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 is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted 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.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the policy of the College is to apply the expense first towards allowed and appropriate restricted resources and then towards unrestricted resources.

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 allowances, (2) sales and services of auxiliary enterprises, net of scholarship allowances, and (3) most federal, state, and local grants and contracts and federal appropriations.

Nonoperating revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as (1) gifts and contributions, (2) state appropriations, and (3) investment income.

Scholarship Allowances – Tuition, fees, and certain other student revenues are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship allowance of $2,570,781 against student tuition and fees and an allowance of $54,574 against auxiliary enterprises revenue.

Tax Status – As a State institution of higher education, the income of the College is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to the College's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

NOTE 2. BEGINNING NET ASSET ADJUSTMENTS

During the fiscal year ended June 30, 2007, it was discovered that activity of a bank account opened in fiscal year 2006 had been excluded from the financial records of the Component Unit Foundation. The beginning balance of that bank account at June 30, 2006, which amounted to $ 75,044, was recorded as a prior period adjustment with an increase in the temporarily restricted fund balance.

NOTE 3. DEPOSITS AND INVESTMENTS PORTFOLIO

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 (*Utah Code*, Section 51, Chapter 7) that relate to the deposit and investment of public funds.

Except for endowment funds, the College follows the requirements of the Utah Money Management Act 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.

For endowment funds, the entity follows the requirements of the Uniform Management of Institutional Funds Act (UMIFA) (Section 13-29 of the *Utah Code*) or, after April 30, 2007, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Section 51-8 of the *Utah Code*) and State Board of Regents Rule 541, *Management and Reporting of Institutional Investments* (Rule 541).

Deposits – College

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2007, $31,712 of the College's bank balance of $182,854 was uninsured and uncollateralized.

Investments – College

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

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 Services or Standard & Poor’s; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer’s Investment Fund (PTIF).

The UMIFA/UPMIFA and Rule 541 allow the College to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following, subject to satisfying certain criteria: professionally managed pooled or commingled investment funds registered with the Securities and Exchange Commission or the Comptroller of the Currency (e.g., mutual funds); professionally managed pooled or commingled investment funds created under 501(f) of the Internal Revenue Code which satisfy the conditions for exemption from registration under Section 3(c) of the Investment Company Act of 1940; any investment made in accordance with the donor’s directions in a written instrument; and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital, private equity, both domestic and international), natural resources, and private real estate assets or absolute return and long/short hedge funds.

The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. 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.

The College has become aware that some of their investments were noncompliant with Utah Board of Regents policy. As of February 28, 2008, the College has remedied the situation.

As of June 30, 2007, the College had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Utah Public Treasurer's Investment Fund	$ 14,185,821	$ 14,185,821	$ -	$ -	$ -
Repurchase Agreements	1,000,399	1,000,399	-	-	-
Money Market Funds	600,023	600,023	-	-	-
U.S. Treasuries	533,830	64,843	-	48,278	420,709
U.S. Agencies	214,220	25,141	189,079	-	-
Mutual Funds - Bonds	983,089	-	-	940,287	42,802
Corporate Debt	436,076	-	336,076	-	100,000
Totals	17,953,458	$ 15,876,227	$ 525,155	$ 988,565	$ 563,511

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 State's Money Management Act or the UMIFA/UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act, the UMIFA/UPMIFA, and Rule 541, as previously discussed.

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

		Quality Ratings			
Investment Type	Fair Value	AAA	AA	BBB	Unrated
Utah Public Treasurer's Investment Fund	$ 14,185,821	$ -	$ -	$ -	$ 14,185,821
Repurchase Agreements	1,000,399	-	-	-	1,000,399
Money Market Funds	600,023	-	-	-	600,023
U.S. Treasuries	533,830	533,830	-	-	-
U.S. Agencies	214,220	162,548	51,672	-	-
Mutual Funds - Bonds	983,089	-	-	-	983,089
Corporate Debt	436,076	150,114	148,457	137,505	-
Totals	$ 17,953,458	$ 846,492	$ 200,129	$ 137,505	$ 16,769,332

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 or the UMIFA/UPMIFA and Rule 541, as applicable. Rule 17 of the Money Management Council limits nonendowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. For endowment funds, Rule 541 requires that a minimum of 25% of the equity portfolio must be invested in companies with an average market capitalization of at least $10 billion; also a minimum of 25% of the overall endowment portfolio should be invested in investment grade fixed income securities as defined by Moody's Investors Service or Standard and Poor's. The overall endowment portfolio cannot consist of more than 75% equity investments. Rule 541 also limits investments to no more than 3% in any one sector fund that is concentrated within one sector of the U.S. market and no more than 5% in equity or fixed income funds of developing markets. It also limits investments in alternative investment funds, as allowed by Rule 541, to between 0% and 30% based on the size of the College's endowment fund.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. As of June 30, 2007, the College had $764,417 in U.S. Treasuries, U.S. Agencies, and Corporate Debt Securities which were held by the counterparty's trust department or agent but not in the College's name.

Endowment Funds

According to the UMIFA, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized and unrealized, of the fair value of the assets of an endowment over the historical dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision. According to the UPMIFA, the institution may appropriate for expenditure or accumulate so much of an endowment fund as the College determines to be prudent for uses, benefits, purposes, and duration for which the endowment was established. The endowment income spending policy of the College is to allocate 6% of a three-year moving average of the market value of the endowment pool balance, limited to the total amount of appreciation.

Cash and Cash Equivalents – Component Unit Foundation

At June 30, 2007, the Component Unit Foundation had the following cash and cash equivalents:

	Balance
Cash on Hand	$ 62
Cash in Bank	202,236
Certificate of Deposit	30,000
Money Market Funds (Held by Equity Managers)	1,368,664
Total	$ 1,600,962

Cash in Bank is insured by the Federal Deposit Insurance Corporation (FDIC). Money Market Funds are covered against broker theft by the Securities Investors Protection Corporation. Cash and cash equivalents have the general characteristics of demand deposits so that funds may be withdrawn at any time without prior notice and without any penalty.

Credit Risks – Component Unit Foundation

Cash deposits in excess of the $100,000 FDIC insurance amounted to $124,912 as of June 30, 2007. Investments with a market value of $11,913,051 as disclosed above and below represent a risk factor subject to loss due to the volatility of the stock and bond markets.

Investments – Component Unit Foundation

Investments are carried at market value on the Component Unit Foundation's financial statements. The resultant cumulative net unrealized gain at June 30, 2007, was $1,214,340 of which $679,135 is the current year's unrealized gain.

The amortized cost and estimated market value of investments at June 30, 2007 are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Zero Coupon Bonds	$ 634,445	$ -	$ (1,748)	$ 632,697
Fixed Income Bond Funds	1,649,756	183,211	-	1,832,967
Cash Portion of Investment Portfolio	1,368,664	-	-	1,368,664
Obligations of U.S. Government Corporations and Agencies	-	-	-	-
Corporate Securities – Domestic	6,098,480	756,865	-	6,855,345
Corporate Securities – International	2,316,028	276,012	-	2,592,040
Total	$ 12,067,373	1,216,088	$ (1,748)	13,281,713
Less Cash				(1,368,664)
Less Losses		(1,748)		
Total Cummulative Net Gain		$ 1,214,340		
Less Permanently Restricted Investments				(9,513,723)
Investments Categorized as Current				$ 2,399,326
Cummulative Net Unrealized Gain/(Loss) 6/30/06		$ 535,205		
2007 Unrealized Gain/(Loss)		679,135		
Cummulative Net Unrealized Gain/(Loss) 6/30/07		$ 1,214,340		

NOTE 4. RECEIVABLES

Receivables at June 30, 2007 consist of the following:

	Balance	**Current Portion**
Student Loans	$ 2,558,518	$ 512,183
Student Tuition and Fees	267,168	267,168
Auxiliary Enterprises and Other	473,650	473,650
Contracts and Grants	178,842	178,842
Capital Appropriations – State	263,520	263,520
	3,741,698	1,695,363
Less Allowances For Bad Debt	(239,371)	(239,371)
Total Receivables, Net	**$ 3,502,327**	**$ 1,455,992**

NOTE 5. INVENTORIES

Inventories at June 30, 2007 consist of the following:

Bookstore	$ 650,052
Computer Tech Center	344,374
Food Service	77,788
Fuel	19,822
Total Inventories	**$ 1,092,036**

NOTE 6. CAPITAL ASSETS

Property, plant and equipment at June 30, 2007 are summarized as follows:

Category	Balance June 30, 2006	Additions	Retirements	Balance June 30, 2007
Capital Assets				
Land	$ 10,118,902	$ 100,000	$ -	$ 10,218,902
Depreciable Assets:				-
Buildings	70,300,714	3,662,095	-	73,962,809
Land Improvements	9,509,855	-	-	9,509,855
Equipment	7,855,639	1,404,318	(302,447)	8,957,510
Library Books	1,838,204	127,705	(19,163)	1,946,746
Construction in Progress	57,946	387,097	-	445,043
Total Capital Assets	**99,681,260**	**5,681,215**	**(321,610)**	**105,040,865**
Less: Accumulated Depreciation	(29,866,225)	(3,077,476)	179,357	(32,764,344)
Capital Assets, Net	**$ 69,815,035**	**$ 2,603,739**	**$ (142,253)**	**$ 72,276,521**
Foundation Collectible Art	**$ 9,200**	**$ -**	**$ -**	**$ 9,200**

The College has certain works of art that are not capitalized or depreciated. These assets are held for public exhibition, education, or research, rather than financial gain. These assets are also protected, unencumbered, and preserved and are subject to policies requiring the proceeds from sales of collection items to be used to acquire other collection items. The College's assets of this nature include Native American artifacts, photographs, prints, paintings, monuments, statues and other historical documents.

NOTE 7. BONDS, CONTRACTS, AND CAPITAL LEASES PAYABLE

Bonds, contracts, and capital leases payable at June 30, 2007 are summarized as follows:

	Interest Rate	Balance June 30, 2007
Bonds Payable		
Student Activity Center Revenue Bonds:		
Series 1998, 1998-2010, $2,815,000	3.70% - 4.80%	$ 840,000
Series 2002, 2002-2021, $1,500,000	4.35% - 5.50%	1,500,000
Total Student Activity Center Bonds Payable		2,340,000
Abby Apartments Revenue Bond:		
Series 2006, 2006-2026, $1,420,000	4.50% - 5.00%	1,420,000
Total Bonds Payable		**3,760,000**
Contracts and Capital Leases Payable		
Utah Energy Office, 2002-2010	0.00%	41,660
Charitable Annuity, 1998-2013	0.00%	35,728
Village Bank, 2008-2013	4.48%	700,000
Wells Fargo Brokerage Services, 2003-2017	3.50% - 7.50%	377,197
Revco Leasing, 2007-2012	19.33%	11,165
Zions Bank, 2006-2023	3.60% - 4.65%	5,240,000
Total Contracts and Capital Leases Payable		**6,405,750**
Total Bonds, Contracts, and Capital Leases Payable		**10,165,750**

Future principal and interest payments are summarized as follows:

Year Ending June 30	Bonds	Capital Leases	Contracts & Notes	Total Principal	Total Interest
2008	$ 265,000	$ 330,518	$ 69,447	$ 664,965	$ 460,341
2009	280,000	337,610	79,239	696,849	429,346
2010	295,000	307,987	81,975	684,962	396,951
2011	125,000	312,714	70,970	508,684	367,610
2012	130,000	327,197	73,924	531,121	346,458
2013-2017	750,000	1,832,336	401,833	2,984,169	1,316,173
2018-2022	960,000	2,060,000	-	3,020,000	700,418
2023-2027	955,000	120,000	-	1,075,000	127,830
Totals	**$ 3,760,000**	**$ 5,628,362**	**$ 777,388**	**$ 10,165,750**	**$ 4,145,127**

During the 2007 Utah legislative session, legislators agreed to defease $3,760,000 of the College's long-term debt. This will be done during fiscal year 2008 and will free up ongoing money for other operational costs.

The Component Unit Foundation has entered into Charitable Gift Annuity Agreements wherein donors (the Annuitants) conveyed to the Component Unit Foundation assets in exchange for annual payments to the Annuitants during the Annuitants' joint lifetimes and for the life of the surviving annuitant. The liability is calculated at the date of donation by figuring the present value of the annual payments over the expected remaining life of the annuitants. Contributions revenue, which is the fair market value of the contribution less its corresponding liability, is included in the Statement of Revenues, Expenses, and Changes in Net Assets for the year of contribution.

Future principal and interest payments for the Annuity are as follows:

Year Ending June 30	Principal	Interest	Totals
2007	$ 189,802	$ 116,092	$ 305,894
2008	183,739	97,967	281,706
2009	173,570	87,202	260,772
2010	119,827	66,782	186,609
2011	81,805	64,329	146,134
Thereafter	941,899	483,961	1,425,860
Totals	$ 1,690,642	$ 916,333	$ 2,606,975

NOTE 8. PLEDGED BOND REVENUES

The College has outstanding bonded indebtedness used in financing capital projects of its auxiliary enterprises. In accordance with the General Indentures of Trust, certain student building fees and net auxiliary operating revenues are subsequently pledged towards the payment of principal and interest for this bonded debt.

For the year ended June 30, 2007, the receipts and disbursements of pledged revenues were as follows:

Receipts	
Student Building Fees	$ 465,672
Pledged Auxiliary Operating Revenues	4,980,633
Total Receipts	**5,446,305**
Disbursements	
Pledged Auxiliary Operating Expenses	4,591,848
Excess of Pledged Receipts over Expenses	**$ 854,457**
Debt Service Principal and Interest Payments	**$ 488,375**
Debt Service Coverage	**1.75**

NOTE 9. LIABILITIES

Accounts payable balances for the year ended June 30, 2007 were as follows:

Description	Balance
Accounts Payable	
Suppliers Payable	$ 1,539,459
Due to Primary Government	196,440
Accrued Interest	78,849
Student Refunds	25,430
Sales Tax Payable	4,873
Total Accounts Payable	**$ 1,845,051**

Long-term liability activity for the year ended June 30, 2007 was as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Contracts, and Capital Leases Payable					
Bonds Payable	$ 4,015,000	$ -	$ (255,000)	$ 3,760,000	$ 265,000
Contracts Payable	234,553	556,725	(13,890)	777,388	69,446
Capital Leases Payable	5,505,000	456,405	(333,043)	5,628,362	330,519
Total Bonds, Contracts, and Capital Leases Payable	**9,754,553**	**1,013,130**	**(601,933)**	**10,165,750**	**664,965**
Other Liabilities					
Compensated Absences	681,027	528,314	(500,607)	708,734	500,608
Early Retirement Benefits	969,000	377,328	(666,396)	679,932	308,541
Total Other Liabilities	**1,650,027**	**905,642**	**(1,167,003)**	**1,388,666**	**809,149**
Total Current Portion of Noncurrent Liabilities					**$ 1,474,114**
Total Long-term Liabilities	11,404,580	1,918,772	(1,768,936)	11,554,416	
Less: Current Portion	(1,466,199)	(1,474,114)	1,466,199	(1,474,114)	
Total Noncurrent Liabilities	**$ 9,938,381**	**$ 444,658**	**$ (302,737)**	**$ 10,080,302**	

NOTE 10. PENSION PLANS AND RETIREMENT BENEFITS

Plan Description

The College contributes to the State and School Contributory Retirement System, State and School Noncontributory Retirement System, and Public Safety Noncontributory System cost-sharing multiple-employer defined benefit pension plans and Internal Revenue Code Section 401(k) defined contribution plan administered by the Utah Retirement Systems (Systems) and the Defined Contribution Retirement Plan administered by Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA-CREF). The

Systems and TIAA-CREF provide 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 chapters of Title 49 of the *Utah Code Annotated, 1953, as amended*. The Utah State Retirement Systems Administration chapter of Title 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, State and School Noncontributory System, 401(k) Plan, and Public Safety Noncontributory System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah, 84102-2021, or by calling 1-800-365-8772.

TIAA-CREF is administered by TIAA-CREF Individual & Institutional Services, which issues a publicly available financial report that includes financial statements and required supplementary information for the TIAA-CREF Defined Contribution Retirement Plan. A copy of the report may be obtained by writing to TIAA-CREF Individual & Institutional Services, 730 Third Avenue, New York, New York, 10017-3206, or by calling 1-800-842-2776.

Funding Policy

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part of the contribution may be paid by the employer for the employee) and the College is required to contribute 9.73% of eligible annual covered salary. In the State and School Noncontributory Retirement System, the College is required to contribute 14.22% of eligible annual covered salary. In the Public Safety Noncontributory System, the College is required to contribute 26.75% of eligible annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board. In the TIAA-CREF Defined Contribution Plan, the College contributes 14.20% of eligible annual covered salary. The 401(k) Plan covers all eligible employees and the College contributes 1.50% of eligible annual covered salary.

The following table shows the College's contributions for the various retirement plans:

	Year Ended June 30, 2007	Year Ended June 30, 2006	Year Ended June 30, 2005
Retirement Contributions			
State School-Contributory Retirement System	$ 14,896	$ 29,706	$ 31,011
State School-Noncontributory Retirement System	718,768	655,563	665,940
Public Safety Noncontributory System	38,003	32,348	26,869
TIAA-CREF Defined Contribution Retirement Plan	1,250,809	1,143,795	964,876
401(k) Plan Employer Contributions	76,135	73,703	74,763
401(k) Plan Employee Contributions	197,412	176,054	177,248
Total Retirement Contributions	**$ 2,296,023**	**$ 2,111,169**	**$ 1,940,707**

NOTE 11. TERMINATION BENEFITS

In addition to the pension benefits described in Note 10, the College provides termination benefits, in accordance with College policy and as approved by the Board of Trustees, for those employees who are eligible and elect the College's early retirement option.

For fiscal year 2007, the following early retirement option is in effect:

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. The benefits include a semi-monthly stipend of 20% of the retiree's salary at the time of active employment, medical insurance, dental insurance, and life insurance for a maximum period of 5 years or to age 65, whichever comes first. These benefits are fully paid by the College.

Currently, 15 eligible employees have elected to take the early retirement option. The funding for these termination benefits is provided on a pay-as-you-go basis. For the year ended June 30, 2007, the stipend and benefits expense for the early retirement program totaled $308,541. The early retirement liability is calculated using a 5% discount rate and a 4% inflation factor for salaries and insurance premiums.

NOTE 12. FUNDS HELD IN TRUST BY OTHERS

Funds held in trust by others are neither in the possession of nor under the management of the College. The College is the beneficiary of and annually receives income from these funds held in trust by other trustees. The fair value of funds held in trust at June 30, 2007 is $3,983,763 for the funds held in trust.

The majority of the funds held in trust are in the library endowment trust. In June of 2010, the terms of the library endowment trust will end and the entire endowment will be distributed to the College to use for any educational purpose.

NOTE 13. RISK MANAGEMENT

The College maintains insurance coverage for commercial general liability, automobiles, errors and omissions, and property (buildings and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the College and authorized volunteers are covered by workers' compensation and employees' liability through the Workers' Compensation Fund of Utah.

NOTE 14. FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

For the year ended June 30, 2007, the following table represents operating expenses by functional classifications:

Function	Amount
Instruction	$ 10,309,296
Academic Support	4,520,549
Student Services	4,959,908
Public Service	4,776,850
Research	16,285
Operations and Maintenance	7,074,542
Institutional Support	5,893,518
Scholarships and Fellowships	5,687,532
Auxiliary Enterprises	3,802,346
Total	**$ 47,040,826**