



DIXIE STATE COLLEGE OF UTAH
A Component Unit of the State of Utah

Annual Financial Report
For the Fiscal Year Ended June 30, 2009

Report No. 09-60

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR

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UTAH STATE AUDITOR

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INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees,
Audit Committee,
and
Stephen Nadauld, President
Dixie State College of Utah

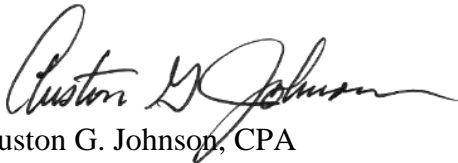
We have audited the accompanying financial statements of Dixie State College of Utah (the College) and, based on the report of other auditors, its discretely presented Component Unit Foundation, which collectively comprise the College's basic financial statements, as of and for the year ended June 30, 2009, 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, 2009, 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 May 19, 2010 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.

A handwritten signature in black ink, appearing to read "Auston G. Johnson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Auston G. Johnson, CPA
Utah State Auditor
May 19, 2010

DIXIE STATE COLLEGE OF UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

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, 2009. 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 evaluate, 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, 2008 and 2009:

Condensed Statement of Net Assets

	June 30, 2008	June 30, 2009	Amount of
	Amount	Amount	Increase
			(Decrease)
Assets			
Current Assets	\$ 17,320,924	\$ 16,319,038	\$ (1,001,886)
Capital Assets, Net	87,964,028	88,472,854	508,826
Other Assets	12,063,297	10,327,328	(1,735,969)
Total Assets	117,348,249	115,119,220	(2,229,029)
Liabilities			
Current Liabilities	4,423,556	3,611,823	(811,733)
Noncurrent Liabilities	6,405,398	5,885,130	(520,268)
Total Liabilities	10,828,954	9,496,953	(1,332,001)
Net Assets			
Invested in Capital Assets, Net of Related Debt	81,476,654	82,707,161	1,230,507
Restricted - Nonexpendable	8,482,300	7,757,347	(724,953)
Restricted - Expendable	8,136,857	6,529,040	(1,607,817)
Unrestricted	8,423,484	8,628,719	205,235
Total Net Assets	\$ 106,519,295	\$ 105,622,267	\$ (897,028)

DIXIE STATE COLLEGE OF UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

Current assets decreased compared to last fiscal year because of the decrease in receivables due to the completion of the Taylor Health Science building. Capital assets of the College increased during the fiscal year mainly due to building improvement projects. These projects were funded by the state and managed by the Utah Division of Facilities Construction and Management (DFCM). The decrease in other assets is attributable to the decrease in market value of the College's investments.

The liabilities of the College decreased during the fiscal year and it was mostly attributable to the retirement of debt payments as well as the College not taking on any more debt. There was also a sizeable decrease in accounts payable at the end of the year.

The decrease in net assets of the College is primarily attributable to the decrease in the market value of its investments.

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 nonoperating 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, 2008 and 2009:

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

	Year Ended June 30, 2008 Amount	Year Ended June 30, 2009 Amount	Amount of Increase (Decrease)
Operating Revenues	\$ 23,095,576	\$ 24,016,536	920,960
Operating Expenses	54,730,382	59,781,182	5,050,800
Operating Income (Loss)	(31,634,806)	(35,764,646)	(4,129,840)
Nonoperating Revenues	29,402,047	31,986,723	2,584,676
Nonoperating Expenses	640,735	608,739	(31,996)
Net Nonoperating Revenues	28,761,312	31,377,984	2,616,672
Income (Loss) before Other Revenues	(2,873,494)	(4,386,662)	(1,513,168)
Other Revenues, Expenses, Gains or Losses	20,909,955	3,489,634	(17,420,321)
Increase in Net Assets	18,036,461	(897,028)	(18,933,489)
Net Assets – Beginning of Year	88,482,834	106,519,295	18,036,461
Net Assets – End of Year	\$ 106,519,295	\$ 105,622,267	\$ (897,028)

DIXIE STATE COLLEGE OF UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

For the year ended June 30, 2009, the College experienced a net operating loss as shown above. In a normal year, an operating loss would be expected since the College receives a majority of its funding from nonoperating revenues. Appropriations, along with investment income and financial gifts from donors, are classified on the financial statements as nonoperating revenues. During this and last fiscal year the net nonoperating revenues were insufficient to cover the operating costs of the College.

Revenues: The following table summarizes the College's revenues for the years ended June 30, 2008 and 2009:

	Year Ended June 30, 2008 Amount	Year Ended June 30, 2009 Amount	Percent of Total	Amount of Increase (Decrease)	Percentage Increase (Decrease)
Operating Revenues					
Student Tuition and Fees	\$ 14,966,975	\$ 17,178,996	71.53%	\$ 2,212,021	14.78%
Federal Grants and Contracts	1,344,724	82,727	0.34%	(1,261,997)	-93.85%
State and Local Grants and Contracts	308,455	5,000	0.02%	(303,455)	-98.38%
Nongovernmental Grants and Contracts	10,532	43,772	0.18%	33,240	315.61%
Auxiliary Enterprises	6,000,179	6,201,787	25.82%	201,608	3.36%
Other Operating Revenues	464,711	504,254	2.11%	39,543	8.51%
Total Operating Revenues	\$ 23,095,576	\$ 24,016,536	100.00%	\$ 920,960	3.99%
Nonoperating Revenues					
State Appropriations	\$ 22,537,700	\$ 22,703,592	70.98%	\$ 165,892	0.74%
Federal Grants	4,566,389	8,291,516	25.92%	3,725,127	81.58%
State Grants	420,361	796,911	2.49%	376,550	89.58%
Gifts	1,660,667	1,500,056	4.69%	(160,611)	-9.67%
Investment Income	216,930	(1,305,352)	-4.08%	(1,522,282)	-701.74%
Total Nonoperating Revenues	\$ 29,402,047	\$ 31,986,723	100.00%	\$ 2,584,676	8.79%
Other Revenues					
Capital Appropriations	\$ 19,998,937	\$ 3,040,832	87.14%	\$ (16,958,105)	-84.80%
Capital Grants and Gifts	833,153	302,274	8.66%	(530,879)	-63.72%
Additions to Permanent Endowments	77,865	146,528	4.20%	68,663	88.18%
Total Other Revenues	\$ 20,909,955	\$ 3,489,634	100.00%	\$ (17,420,321)	-83.31%

Operating revenues increased overall when compared to the prior year as shown above. This increase is attributable to the student tuition and fees line item. Student tuition and fee revenue increased due to a 6.5% tuition increase, a \$7.60 fee increase, and an overall increase in enrollment. Federal and state grants decreased as a result of reclassifying nonexchange grants as nonoperating revenue. Auxiliary enterprises revenue increased due to the increase in sales of event tickets, facility rentals, and other similar activities among the various auxiliary operations across campus.

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, gifts given to the College for scholarships, and capital projects. Federal and state grants increased due to the overall increase in student enrollment, as well as

DIXIE STATE COLLEGE OF UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

a reclassification of nonexchange grants to nonoperating income. The large decrease in capital appropriations and capital grants and gifts is from the prior year completion of the new health science building.

Expenses: The following table summarizes the College's expenses for the years ended June 30, 2008 and 2009:

	Year Ended June 30, 2008 Amount	Year Ended June 30, 2009 Amount	Percent of Total	Amount of Increase (Decrease)	Percentage Increase (Decrease)
Operating Expenses					
Salaries and Wages	\$ 21,115,597	\$ 23,938,479	40.04%	\$ 2,822,882	13.37%
Employee Benefits	7,838,871	8,386,803	14.03%	547,932	6.99%
Student Financial Aid	6,555,744	8,052,497	13.47%	1,496,753	22.83%
Utilities	1,610,338	1,707,530	2.86%	97,192	6.04%
Cost of Goods Sold	2,922,796	3,180,027	5.32%	257,231	8.80%
Depreciation	3,359,525	3,580,982	5.99%	221,457	6.59%
Other Operating Expenses	11,327,511	10,934,864	18.29%	(392,647)	-3.47%
Total Operating Expenses	\$ 54,730,382	\$ 59,781,182	100.00%	\$ 5,050,800	9.23%
Nonoperating Expenses					
Interest on Capital Asset Related Debt	\$ 274,207	\$ 268,865	44.17%	\$ (5,342)	-1.95%
Other	366,528	339,874	55.83%	(26,654)	-7.27%
Total Nonoperating Expenses	\$ 640,735	\$ 608,739	100.00%	\$ (31,996)	-4.99%

Operating expenses increased overall when compared to the prior year as shown above. The majority of this increase is attributable to the salaries, wages, and benefit expense. Salaries, wages, and benefit 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. Faculty and staff also received cost-of-living adjustments during this year. Student financial aid increased as a result of an increase in the number of students that applied for and received scholarships, waivers, and pell grants.

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.

DIXIE STATE COLLEGE OF UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

The following table summarizes the College's cash flows for the years ended June 30, 2008 and 2009:

Condensed Statement of Cash Flows

	Year Ended June 30, 2008 Amount	Year Ended June 30, 2009 Amount	Amount of Change
Cash Provided (Used) by:			
Operating Activities	\$ (27,932,908)	\$ (33,068,311)	\$ (5,135,403)
Noncapital Financing Activities	29,262,982	33,438,603	4,175,621
Capital and Related Financing Activities	(3,504,759)	(609,696)	2,895,063
Investing Activities	2,378,270	1,410,970	(967,300)
Net Change in Cash	203,585	1,171,566	967,981
Cash – Beginning of Year	15,275,225	15,478,810	203,585
Cash – End of Year	\$ 15,478,810	\$ 16,650,376	\$ 1,171,566

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 grant income. Capital and related financing activities decreased because of a decrease in the purchase of capital assets from the prior year.

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 construction of the new health science building, as well as additions and improvements to existing buildings on campus.

The following table summarizes the College's capital assets at June 30, 2008 and 2009:

	June 30, 2008 Amount	June 30, 2009 Amount	Amount of Increase (Decrease)
Capital Assets, Net			
Land	\$ 10,781,036	\$ 10,781,036	\$ -
Partial Interest in Foundation's Real Property	422,785	422,785	-
Land Improvements	5,502,672	5,231,849	(270,823)
Buildings	65,731,516	66,547,116	815,600
Equipment	4,250,704	4,220,834	(29,870)
Library Books	1,225,315	1,215,409	(9,906)
Construction in Progress	50,000	53,825	3,825
Total Capital Assets, Net	\$ 87,964,028	\$ 88,472,854	\$ 508,826

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

DIXIE STATE COLLEGE OF UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2009

Bonds, Contracts, and Capital Leases: The College had an overall decrease in outstanding bonds, contracts, and capital leases payable when compared to the prior year. This decrease is due primarily to debt retirement payments during the year, as well as no additional debt added this year.

The following table summarizes outstanding long-term liabilities at June 30, 2008 and 2009:

	June 30, 2008	June 30, 2009	Amount of
	Amount	Amount	Increase
			(Decrease)
Bonds, Contracts, and Capital Leases Payable			
Contracts and Capital Leases Payable	\$ 6,487,373	\$ 5,765,694	\$ (721,679)
Total Bonds, Contracts, and Capital Leases Payable	\$ 6,487,373	\$ 5,765,694	\$ (721,679)

Additional information related to the College's liabilities is presented in Notes 6, 7, and 8 to the financial statements.

Economic Outlook

Utah's economy is being affected, like the other states in the nation, from the recent turmoil in the financial markets. Because of this most recent economic downturn the College received ongoing and one time budget cuts from the state legislature. These cuts will limit the amount of services and programs the College will be able to offer, as state appropriation revenue from the Utah Legislature is the largest source of income for the College.

This economic downturn has increased unemployment in Utah as well as throughout the nation. This unemployment has contributed to increases in enrollment at higher education institutions. The College's enrollment has grown during the current fiscal year (2010) which will subsequently help the financial situation by increasing tuition revenue. Despite the potential state appropriation revenue cuts, management has a positive outlook of their current strategic plans for future growth.

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, Saint George, Utah 84770.

DIXIE STATE COLLEGE OF UTAH

STATEMENT OF NET ASSETS

JUNE 30, 2009

	<u>Primary Institution</u>	<u>Component Unit Foundation</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	\$ 13,908,607	\$ 1,008,911
Investments (Note 2)	8,083	-
Accounts and Notes Receivable, Net (Note 3)	1,063,860	41,532
Inventories	1,072,741	-
Student Loans Receivable, Net (Note 3)	258,505	-
Prepaid Expenses	7,242	-
Total Current Assets	<u>16,319,038</u>	<u>1,050,443</u>
Noncurrent Assets		
Restricted Cash and Cash Equivalents (Note 2)	2,741,769	-
Investments (Note 2)	5,360,744	7,485,776
Notes and Pledges Receivable, Net	136,200	984,894
Student Loans Receivable, Net (Note 3)	2,088,615	-
Assets Held in Trust	-	753,185
Capital Assets, Net (Note 5)	88,472,854	3,820,180
Total Noncurrent Assets	<u>98,800,182</u>	<u>13,044,035</u>
Total Assets	<u>115,119,220</u>	<u>14,094,478</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	1,203,776	18,866
Accrued Liabilities	485,331	-
Compensated Absences and Termination Benefits	782,592	-
Deposits	116,031	-
Deferred Revenue	631,161	99,335
Contracts and Capital Leases Payable (Note 6)	392,932	197,853
Total Current Liabilities	<u>3,611,823</u>	<u>316,054</u>
Noncurrent Liabilities		
Compensated Absences and Termination Benefits	512,369	-
Contracts and Capital Leases Payable (Note 6)	5,372,761	5,289,759
Total Noncurrent Liabilities	<u>5,885,130</u>	<u>5,289,759</u>
Total Liabilities	<u>9,496,953</u>	<u>5,605,813</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	82,707,161	-
Restricted for:		
Nonexpendable:		
Scholarships and Fellowships	7,500,478	-
Other	256,869	-
Foundation	-	8,609,871
Expendable:		
Scholarships and Fellowships	742,375	-
Loans	2,530,480	-
Capital Projects	1,123,746	-
Debt Service	296,147	-
Other	1,836,292	-
Foundation	-	(188,184)
Unrestricted	8,628,719	66,978
Total Net Assets	<u>\$ 105,622,267</u>	<u>\$ 8,488,665</u>

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, 2009

	<u>Primary Institution</u>	<u>Component Unit Foundation</u>
OPERATING REVENUES		
Student Tuition and Fees (Note 1)	\$ 17,178,996	\$ -
Federal Grants and Contracts	82,727	-
State and Local Grants and Contracts	5,000	-
Nongovernmental Grants and Contracts	43,772	-
Auxiliary Enterprises (Note 1)	6,201,787	-
Foundation Contributions Received	-	441,393
Other	504,254	423,592
Total Operating Revenues	<u>24,016,536</u>	<u>864,985</u>
OPERATING EXPENSES		
Salaries and Wages	23,938,479	-
Employee Benefits	8,386,803	-
Student Financial Aid	8,052,497	-
Donation to the College	-	449,800
Utilities	1,707,530	-
Cost of Goods Sold	3,180,027	-
Depreciation	3,580,982	-
Other	10,934,864	889,011
Total Operating Expenses	<u>59,781,182</u>	<u>1,338,811</u>
Operating Income (Loss)	<u>(35,764,646)</u>	<u>(473,826)</u>
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	22,703,592	-
Federal Grants	8,291,516	-
State and Local Grants	796,911	-
Gifts	1,500,056	-
Investment Income	(1,305,352)	(1,907,980)
Interest on Capital Asset Related Debt	(268,865)	-
Other	(339,874)	(1,520,301)
Net Nonoperating Revenues	<u>31,377,984</u>	<u>(3,428,281)</u>
Income (Loss) Before Other Revenues	<u>(4,386,662)</u>	<u>(3,902,107)</u>
OTHER REVENUES (EXPENSES)		
Capital Appropriations	3,040,832	-
Capital Grants and Gifts	302,274	-
Additions to Permanent Endowments	146,528	106,666
Total Other Revenues	<u>3,489,634</u>	<u>106,666</u>
Increase (Decrease) in Net Assets	(897,028)	(3,795,441)
Net Assets – Beginning	106,519,295	12,284,106
Net Assets – End of Year	<u>\$ 105,622,267</u>	<u>\$ 8,488,665</u>

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, 2009

	<u>Primary Institution</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	\$ 17,267,090
Receipts from Grants and Contracts	385,870
Receipts from Auxiliary Enterprises	6,161,916
Collection of Loans from Students	248,548
Loans Issued to Students	(338,374)
Other Receipts (Expenses)	(29,044)
Payments to Suppliers	(16,078,890)
Payments for Student Financial Aid	(8,052,497)
Payments for Employee Services and Benefits	(32,632,930)
Net Cash Provided (Used) by Operating Activities	<u>(33,068,311)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	22,703,592
Receipts from Gifts/Grants	10,588,483
Receipts for Permanent Endowments	146,528
Net Cash Provided (Used) by Noncapital Financing Activities	<u>33,438,603</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital State Appropriations	3,040,832
Receipts from Capital Grants/Gifts	302,274
Purchases of Capital Assets	(2,962,257)
Principal Paid on Capital Debt/Leases	(721,680)
Interest Paid on Capital Debt/Leases	(268,865)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(609,696)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Sale/Maturity of Investments	2,575,094
Receipt of Interest/Dividends from Investments	519,469
Purchase of Investments	(1,683,593)
Net Cash Provided (Used) by Investing Activities	<u>1,410,970</u>
Net Increase in Cash	<u>1,171,566</u>
Cash and Cash Equivalents – Beginning of Year	<u>15,478,810</u>
Cash and Cash Equivalents – End of Year	<u>\$ 16,650,376</u>

(continued)

DIXIE STATE COLLEGE OF UTAH
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

(continued)

	<u>Primary Institution</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	
Operating Income (Loss)	\$ (35,764,646)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	3,580,982
Nonoperating Revenues Recorded as Operating Activities	(205,494)
Changes in Assets and Liabilities:	
Student Tuition and Fees Receivables (net)	(150,684)
Student Loans Receivable	15,339
Auxiliary Enterprises and Other Recievables	(39,871)
Contracts and Grants Receivable	254,371
Notes Receivable	(228,139)
Inventories	(191,766)
Prepaid Expenses	275,743
Accounts Payable	(445,611)
Accrued Payroll	(144,946)
Accrued Liabilities	(35,367)
Deferred Revenue	238,778
Compensated Absences	(127,335)
Deposits	(99,665)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (33,068,311)</u></u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Increase (Decrease) in Fair Value of Investments	\$ (970,568)
Division of Facilities Construction and Management Projects Added to Capital Assets	3,040,832
Total Noncash Investing, Capital, and Financing Activities	<u><u>\$ 2,070,264</u></u>

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

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Dixie State College of Utah (College), located in Saint George, Utah, was established in 1911 as Saint 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 baccalaureate programs in selected high demand areas and in core or foundational areas consistent with four-year colleges. 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

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 Treasurers' 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.

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. Buildings costing \$20,000 or more are capitalized, as are improvements to buildings costing \$20,000 or more that extend the useful life, and land improvements that cost \$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.

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 salaries 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 all eligibility requirements imposed by the provider have been met.

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.

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 and Expenses – Operating activities include all revenues and expenses that have the characteristics of exchange transactions. A large portion of the College's recurring revenue is defined as nonoperating 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*.

Operating revenues include student tuition and fees, grants and contracts, and revenue from auxiliary enterprises. Nonoperating revenues include state appropriations, grants, gifts, and investment income. Operating expenses include salaries, wages, benefits, student aid, supplies, utilities, repairs and maintenance, etc. Nonoperating expenses are expenses that do not meet the definition of operating expenses or other expenses. Primarily nonoperating expenses include interest payments on debt obligations.

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 \$4,450,961 against student tuition and fees and an allowance of \$41,352 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).

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Reclassification – Certain reclassifications have been made during the year to reflect a more accurate presentation of financial information.

NOTE 2. 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*, Title 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 Money Management Council.

For endowment funds, the entity follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (*Utah Code*, Title 51, Chapter 8) 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, 2009, none of the College's bank balance was uninsured and uncollateralized.

Investments – College

The Utah 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.

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

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 Utah Money Management Act; and the Utah State Public Treasurers’ Investment Fund (PTIF).

The 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 (SEC) 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 Utah 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.

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

As of June 30, 2009, the College had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurers' Investment Fund	\$ 17,015,082	\$ 17,015,082	\$ -	\$ -	\$ -
Money Market Funds	347,663	347,663	-	-	-
U.S. Treasuries	478,758	-	20,687	-	458,071
Mutual Funds - Bonds	1,302,980	284,245	596,376	341,729	80,630
Totals	<u>\$ 19,144,483</u>	<u>\$ 17,646,990</u>	<u>\$ 617,063</u>	<u>\$ 341,729</u>	<u>\$ 538,701</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Utah Money Management Act or the UPMIFA and Rule 541, as applicable. For nonendowment funds, Section 51-7-11 of the Utah 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 Utah Money Management Act, the UPMIFA, and Rule 541, as previously discussed.

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

At June 30, 2009, the College had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	BBB	Unrated
Utah Public Treasurers' Investment Fund	\$ 17,015,082	\$ -	\$ -	\$ -	\$ 17,015,082
Money Market Funds	347,663	-	-	-	347,663
U.S. Treasuries	458,071	458,071	-	-	-
Mutual Funds - Bonds	1,302,980	-	-	-	1,302,980
Totals	<u>\$ 19,123,796</u>	<u>\$ 458,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,665,725</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's policy for reducing this risk of loss is to comply with the rules of the Money Management Council or the 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, 2009, the College had \$458,071 in U.S. Treasuries which were held by the counterparty's trust department or agent but not in the College's name.

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Endowment Funds

According to the UPMIFA, 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.

The endowment income spending policy of the College is to allocate 5% of a three-year moving average of the market value of the endowment pool balance, limited to the total amount of appreciation.

The amount of net appreciation on investments of donor-restricted endowments that were available for authorization for expenditure at June 30, 2009 was \$(912,680). The net appreciation is a component of restricted nonexpendable net assets.

Cash and Cash Equivalents – Component Unit Foundation

At June 30, 2009, the Component Unit Foundation had the following cash and cash equivalents:

	<u>Balance</u>
Cash on Hand	\$ 62
Cash in Bank	874,048
Certificate of Deposit	30,000
Money Market Funds (Held by Equity Managers)	<u>104,801</u>
Total	<u><u>\$ 1,008,911</u></u>

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.

Credit Risks – Component Unit Foundation

Cash investments in excess of the \$250,000 FDIC insurance amounted to \$321,737 as of June 30, 2009. Investments with a market value of \$7,485,776 as disclosed above and below represent a risk factor subject to loss due to the volatility of the stock and bond markets.

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Investments – Component Unit Foundation

Investments are carried at market value on the Component Unit Foundation's financial statements. The resultant cumulative net unrealized loss at June 30, 2009, was \$2,174,288, of which \$1,341,049 is the current year's unrealized loss.

The amortized cost and estimated market value of investments at June 30, 2009 were as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Fixed Income Bond Funds	\$ 1,743,449	\$ -	\$ (80,843)	\$ 1,662,606
Cash Portion of Investment Portfolio	153,181	-	-	153,181
Obligations of U.S. Government Corporations and Agencies	391,594	11,623	-	403,217
Corporate Securities – Domestic	6,701,555	-	(1,660,996)	5,040,559
Corporate Securities – International	1,778,271	-	(444,072)	1,334,199
Total	<u>\$ 10,768,050</u>	<u>11,623</u>	<u>\$ (2,185,911)</u>	<u>8,593,762</u>
Less Losses		(2,185,911)		
Total Cumulative Net Gain/(Loss)		<u>\$ (2,174,288)</u>		
Less Assets Held in Trust and Related Expenses Investments				(1,107,986)
				<u>\$ 7,485,776</u>
Cumulative Net Unrealized Gain/(Loss) 6/30/08		\$ (568,797)		
CRT Unrealized Gain/(Loss)		(264,442)		
2009 Unrealized Gain/(Loss)		(1,341,049)		
Cumulative Net Unrealized Gain/(Loss) 6/30/09		<u>\$ (2,174,288)</u>		

NOTE 3. RECEIVABLES

Receivables at June 30, 2009 consisted of the following:

	Balance	Current Portion
Student Loans	\$ 2,489,173	\$ 400,558
Student Tuition and Fees	557,299	557,299
Auxiliary Enterprises and Other	300,234	300,234
Contracts and Grants	250,439	250,439
Notes Receivable	228,139	91,939
Capital Appropriations – DFCM	14,331	14,331
	<u>3,839,615</u>	<u>1,614,800</u>
Less Allowances for Bad Debt	(292,435)	(292,435)
Total Receivables, Net	<u>\$ 3,547,180</u>	<u>\$ 1,322,365</u>

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

NOTE 4. INVENTORIES

Inventories at June 30, 2009 consisted of the following:

Bookstore	\$ 701,454
Computer Tech Center	288,266
Food Service	64,887
Fuel	18,134
Total Inventories	<u><u>\$ 1,072,741</u></u>

NOTE 5. CAPITAL ASSETS

Property, plant and equipment at June 30, 2009 are summarized as follows:

<u>Category</u>	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2009</u>
Capital Assets				
Land	\$ 10,781,036	\$ -	\$ -	\$ 10,781,036
Partial Interest in Foundation's Real Property	422,785	-	-	422,785
Depreciable Assets:				
Buildings	90,842,391	3,205,240	(79,767)	93,967,864
Land Improvements	9,856,441	-	-	9,856,441
Equipment	8,930,618	945,742	(337,735)	9,538,625
Library Books	1,963,477	95,328	(37,418)	2,021,387
Construction in Progress	50,000	3,825	-	53,825
Total Capital Assets	<u>122,846,748</u>	<u>4,250,135</u>	<u>(454,920)</u>	<u>126,641,963</u>
Less: Accumulated Depreciation	(34,882,720)	(3,584,074)	297,685	(38,169,109)
Capital Assets, Net	<u><u>\$ 87,964,028</u></u>	<u><u>\$ 666,061</u></u>	<u><u>\$ (157,235)</u></u>	<u><u>\$ 88,472,854</u></u>

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.

During fiscal year 2008 the College made a down payment for real property that the Component Unit Foundation purchased. The College has entered into an agreement with the Component Unit Foundation and the Foundation has secured a loan for the remaining amount of the purchase of the real property. This agreement will end either when the

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

College obtains funding from the legislature to pay off the loan amount or the loan is paid off by the Foundation. Currently the College's down payment is classified above as a partial interest in Foundation's real property.

Fixed Assets of the Component Unit Foundation at June 30, 2009 consisted of the following:

	Balance June 30, 2008	Additions	Retirements/ Adjustments	Balance June 30, 2009
Land	\$ 1,257,220	\$ -	\$ -	\$ 1,257,220
Building	2,513,680	-	-	2,513,680
Building Improvements	-	113,396	-	113,396
Total	3,770,900	113,396	-	3,884,296
Accumulated Depreciation	(10,474)	(62,842)	-	(73,316)
	<u>\$ 3,760,426</u>	<u>\$ 50,554</u>	<u>\$ -</u>	<u>\$ 3,810,980</u>
Collectible Art	<u>\$ 9,200</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,200</u>

NOTE 6. CONTRACTS AND CAPITAL LEASES PAYABLE

Contracts and capital leases payable at June 30, 2009 are summarized as follows:

	Interest Rate	Balance June 30, 2009
Contracts and Capital Leases Payable		
Utah Energy Office, 2002-2010	0.00%	\$ 13,880
Charitable Annuity, 1998-2013	0.00%	23,478
Village Bank, 2008-2013	4.48% - 4.75%	768,102
Wells Fargo Brokerage Services, 2003-2017	3.50% - 7.50%	222,985
Revco Leasing, 2007-2012	19.33%	7,248
Zions Bank, 2006-2023	3.60% - 4.65%	4,730,000
Total Contracts and Capital Leases Payable		<u><u>\$ 5,765,693</u></u>

DIXIE STATE COLLEGE OF UTAH
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Future principal and interest payments are summarized as follows:

Year Ending June 30	Capital Leases	Contracts & Notes	Total Principal	Total Interest
2010	\$ 307,987	\$ 84,945	\$ 392,932	\$ 245,056
2011	312,714	74,086	386,800	229,729
2012	327,197	244,597	571,794	213,914
2013	336,878	401,832	738,710	174,514
2014	353,114	-	353,114	158,621
2015-2019	1,917,343	-	1,917,343	561,134
2020-2023	1,405,000	-	1,405,000	141,458
Totals	\$ 4,960,233	\$ 805,460	\$ 5,765,693	\$ 1,724,426

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
2010	\$ 61,594	\$ 71,165	\$ 132,759
2011	64,860	64,600	129,460
2012	61,580	59,405	120,985
2013	39,884	55,676	95,560
2014	42,735	52,825	95,560
Thereafter	775,085	356,939	1,132,024
Totals	\$ 1,045,738	\$ 660,610	\$ 1,706,348

The Component Unit Foundation has a note payable with a current portion of \$44,320 and a long-term portion of \$3,717,828, bearing interest at 5%, with \$19,285 payable monthly and the remaining principal due with a balloon payment in May 2010. The note payable is secured by the purchased property, Dahle Plaza. The Foundation believes that the State of Utah will shortly fund the Foundation for the cost of the Plaza. If the State of Utah does not fund the Plaza before the due date the note has the option of renewal for an extended maturity if needed by the Foundation.

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NOTE 7. RETIREMENT OF DEBT

During this last fiscal year the Utah State Legislature defeased all of the College's outstanding auxiliary revenue bonds. The funds were put into irrevocable trusts to provide for all future debt service payments on the bonds. The principal balance of the College's defeased bonds are as follows:

	<u>Redemption Date</u>	<u>Principal Balance</u>
Defeased Bonds		
Series 2002, 2002-2021, \$1,500,000	05/01/2012	\$ 1,500,000
Series 2006, 2006-2026, \$1,420,000	05/01/2016	1,420,000
Total Defeased Bonds		<u>\$ 2,920,000</u>

NOTE 8. LIABILITIES

Accounts payable balances for the year ended June 30, 2009 were as follows:

<u>Description</u>	<u>Balance</u>
Accounts Payable	
Suppliers Payable	\$ 955,604
Due to Primary Government	106,651
Accrued Interest	41,369
Student Refunds	100,152
Total Accounts Payable	<u>\$ 1,203,776</u>

Long-term liability activity for the year ended June 30, 2009 was as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Bonds, Contracts, and Capital Leases Payable					
Contracts Payable	\$ 1,189,529	\$ -	\$ (384,069)	\$ 805,460	\$ 84,945
Capital Leases Payable	5,297,844	-	(337,611)	4,960,233	307,987
Total Bonds, Contracts, and Capital Leases Payable	6,487,373	0	(721,680)	5,765,693	392,932
Other Liabilities					
Compensated Absences	805,633	600,269	(557,010)	848,892	557,010
Early Retirement Benefits	652,030	77,451	(283,412)	446,069	225,582
Total Other Liabilities	1,457,663	677,720	(840,422)	1,294,961	782,592
Total Current Portion of Noncurrent Liabilities					<u>\$ 1,175,524</u>
Total Long-term Liabilities	7,945,036	677,720	(1,562,102)	7,060,654	
Less: Current Portion	(1,539,638)	(1,175,524)	1,539,638	(1,175,524)	
Total Noncurrent Liabilities	<u>\$ 6,405,398</u>	<u>\$ (497,804)</u>	<u>\$ (22,464)</u>	<u>\$ 5,885,130</u>	

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NOTE 9. 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 *Utah Code*, Title 49. 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 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 29.55% 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.

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

	<u>Year Ended June 30, 2007</u>	<u>Year Ended June 30, 2008</u>	<u>Year Ended June 30, 2009</u>
Retirement Contributions			
State School-Contributory Retirement System	\$ 14,896	\$ 13,626	\$ 14,158
State School-Noncontributory Retirement System	718,768	747,588	715,859
Public Safety Noncontributory System	38,003	41,368	51,899
TIAA-CREF Defined Contribution Retirement Plan	1,250,809	1,525,267	1,852,258
401(k) Plan Employer Contributions	76,135	79,295	75,717
401(k) Plan Employee Contributions	197,412	170,050	118,368
Total Retirement Contributions	<u>\$ 2,296,023</u>	<u>\$ 2,577,194</u>	<u>\$ 2,828,259</u>

NOTE 10. TERMINATION BENEFITS

In addition to the pension benefits described in Note 9, 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 2009, 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.

As of June 30, 2009, 9 eligible employees have elected to take the early retirement option. The funding for these post employment benefits is provided on a pay-as-you-go basis. For the year ended June 30, 2009, the stipend and benefits expense for the early retirement program totaled \$283,411. The early retirement liability is calculated using a 5% discount rate and a 3% inflation factor for salary and insurance premiums.

NOTE 11. 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, 2009 was \$2,978,192.

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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 12. 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 13. FUNCTIONAL CLASSIFICATION OF OPERATING EXPENSES

For the year ended June 30, 2009, the following table represents operating expenses by functional classifications:

<u>Function</u>	<u>Amount</u>
Instruction	\$ 14,491,596
Academic Support	6,522,371
Student Services	6,209,270
Public Service	4,891,722
Research	83,385
Operations and Maintenance	8,300,755
Institutional Support	6,682,755
Scholarships and Fellowships	8,125,696
Auxiliary Enterprises	4,473,632
Total	<u><u>\$ 59,781,182</u></u>

NOTE 14. LITIGATION – COMPONENT UNIT FOUNDATION

The Component Unit Foundation and its board members are involved in litigation arising from the sale of real property in San Diego, California that was operated as a gas station for many years. The plaintiffs claim that the Foundation sold them property contaminated with petroleum-related products without disclosing the existence of the purported contamination prior to sale. The Foundation disputes this claim. The Foundation received the property through a Trust. As of the release of this report, the Foundation is expected to settle in behalf of its board members for \$250,000. The expected settlement is represented in the financial statements as a decrease in assets held in trust. Trial is scheduled for August

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2010. The Foundation's attorney noted because of the nature of complex litigation a definitive prediction of the outcome cannot be determined.