

COLLEGE OF EASTERN UTAH

Financial Statements
For the Year Ended June 30, 2001

Report No. 01-24

COLLEGE OF EASTERN UTAH
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2001

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Auston G. Johnson, CPA
UTAH STATE AUDITOR

STATE OF UTAH
Office of the State Auditor

211 STATE CAPITOL
SALT LAKE CITY, UTAH 84114
(801) 538-1025
FAX (801) 538-1383

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

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

INDEPENDENT STATE AUDITOR'S REPORT

To the College of Eastern Utah Board of Trustees
and Ryan L. Thomas, President

We have audited the accompanying financial statements of the College of Eastern Utah (hereinafter referred to as the "College"), a component unit of the State of Utah, as of and for the year ended June 30, 2001, as listed in the table of contents. 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 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2001, and the changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A, the College has elected not to early implement certain GASB statements. Those statements will be implemented for the year ended June 30, 2002, and will have a significant impact on the College's revenue and expense recognition and assets, liabilities, and fund equity reporting.

In accordance with *Government Auditing Standards*, we have also included our report dated December 7, 2001 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

UTAH STATE AUDITOR
December 7, 2001

COLLEGE OF EASTERN UTAH
Balance Sheet
June 30, 2001

	<u>Current Funds</u>		Total Current Funds	Loan Funds	Endowment Funds	Agency Funds
	<u>Unrestricted</u>	<u>Restricted</u>				
ASSETS:						
Cash in bank and short-term investments (Note B)		\$246,001	\$246,001	\$68,613		\$60,284
Funds on deposit with state agencies (Note E)						
Investments (Note B)	\$149,944		149,944		\$12,796,161	
Accounts, loans, and interest receivable, less allowances of \$353,748	631,037	1,306,855	1,937,892	258,501	11,505	2,626
Due from other funds		53,651	53,651			
Due from College (Note F)						
Inventories	437,285		437,285			
Prepaid expenses, deferred charges and other assets	101,394	30,489	131,883			
Investment in plant (Note D)						
Total assets	\$1,319,660	\$1,636,996	\$2,956,656	\$327,114	\$12,807,666	\$62,910
LIABILITIES AND FUND BALANCES:						
Liabilities:						
Accounts payable	\$305,481	\$92,442	\$397,923			\$1,009
Interest payable						
Accrued payroll	366,319	404	366,723			
Compensated absences & termination benefits (Notes I & J)	1,553,085	88,721	1,641,806			
Deposits and other liabilities	27,802		27,802			
Deferred revenue (Note H)	443,822	271,110	714,932			451
Funds held for others						61,450
Due to other funds	660,594		660,594		\$53,651	
Due to Foundation (Note F)						
Bonds, notes, and contracts payable (Note F)						
Total liabilities	3,357,103	452,677	3,809,780		53,651	62,910
Fund balances	(2,037,443) 0	1,184,319	(853,124)	\$327,114	\$12,754,015	
Total liabilities and fund balances	\$1,319,660	\$1,636,996	\$2,956,656	\$327,114	\$12,807,666	\$62,910
Fund balances consist of:						
Unrestricted	(\$816,848)		(\$816,848)			
Unfunded termination benefits	(1,220,595)		(1,220,595)			
U.S. Government grants refundable				\$295,246		
Endowments					\$12,754,015	
Externally restricted		\$1,184,319	1,184,319	31,868		
Net investment in plant						
Foundation						
Total fund balances	(\$2,037,443)	\$1,184,319	(\$853,124)	\$327,114	\$12,754,015	\$0

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

Plant Funds				Total Plant Funds	Total College	Component Unit Foundation	Total Reporting Entity
Unexpended	Renewal & Replacement	Retirement of Indebtedness	Investment in Plant				
					(memorandum only)		(memorandum only)
\$18,377	\$51,518	\$136,840		\$206,735	\$581,633	\$125,612	\$707,245
162,145				162,145	162,145		162,145
					12,946,105		12,946,105
9,932		8,193		18,125	2,228,649		2,228,649
660,594				660,594	714,245		714,245
						2,668,655	2,668,655
					437,285		437,285
		66,136		66,136	198,019		198,019
			\$54,849,345	54,849,345	54,849,345		54,849,345
\$851,048	\$51,518	\$211,169	\$54,849,345	\$55,963,080	\$72,117,426	\$2,794,267	\$74,911,693
\$25,434		\$57,482		\$25,434	\$424,366		\$424,366
				57,482	57,482		57,482
					366,723		366,723
					1,641,806		1,641,806
					27,802		27,802
16,921		17,162		34,083	749,466		749,466
					61,450		61,450
					714,245		714,245
					2,668,655		2,668,655
					3,177,325		3,177,325
					3,177,325	\$2,668,655	5,845,980
42,355		74,644	5,845,980	5,962,979	9,889,320	2,668,655	12,557,975
808,693	\$51,518	136,525	49,003,365	50,000,101	62,228,106	125,612	62,353,718
\$851,048	\$51,518	\$211,169	\$54,849,345	\$55,963,080	\$72,117,426	\$2,794,267	\$74,911,693
\$108,684				\$108,684	(\$708,164)		(\$708,164)
					(1,220,595)		(1,220,595)
					295,246		295,246
					12,754,015		12,754,015
700,009	\$51,518	\$136,525		888,052	2,104,239		2,104,239
			\$49,003,365	49,003,365	49,003,365		49,003,365
						\$125,612	125,612
\$808,693	\$51,518	\$136,525	\$49,003,365	\$50,000,101	\$62,228,106	\$125,612	\$62,353,718

COLLEGE OF EASTERN UTAH
Statement of Changes in Fund Balances
For the Year Ended June 30, 2001

	<u>Current Funds</u>		Total Current Funds	Loan Funds	Endowment Funds
	<u>Unrestricted</u>	<u>Restricted</u>			
REVENUES AND OTHER ADDITIONS:					
Unrestricted current fund revenues	\$18,893,332		\$18,893,332		
State appropriations		\$301,800	301,800		
Student fees					
Grants and contracts - federal and state		6,178,780	6,178,780	\$27,780	
Gifts, grants and contracts, and other		521,638	521,638		\$10,184
Investment income		344,725	344,725	2,292	(666,637)
Interest on loans receivable				10,180	
Additions to plant facilities (including amount expended from current funds of \$764,926)					
Retirement of indebtedness					
Foundation					
Other				259	
Total revenues and other additions	18,893,332	7,346,943	26,240,275	40,511	(656,453)
EXPENDITURES AND OTHER DEDUCTIONS:					
Education and general	15,956,606	7,300,942	23,257,548		
Auxiliary enterprises	3,362,531		3,362,531		
Indirect costs recovered		94,177	94,177		
Loan cancellations				14,461	
Administrative and collection costs				(29)	38,028
Expended for plant facilities (including noncapitalized expenditures of \$330,384)					
Retirement of indebtedness					
Interest on indebtedness					
Bad debt expense				58,058	
Disposal of plant facilities					
Foundation					
Other					6,040
Total expenditures and other deductions	19,319,137	7,395,119	26,714,256	72,490	44,068
TRANSFERS - ADDITIONS/(DEDUCTIONS):					
Mandatory transfers, net	(316,581)		(316,581)		
Non-mandatory transfers, net	25,876	86,016	111,892		(81,638)
Total transfers	(290,705)	86,016	(204,689)		(81,638)
Net increase (decrease) in fund balances	(716,510)	37,840	(678,670)	(31,979)	(782,159)
Fund balances, beginning of year	(1,320,933)	1,146,479	(174,454)	359,093	13,536,174
Fund balances, end of year	(\$2,037,443)	\$1,184,319	(\$853,124)	\$327,114	\$12,754,015

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

Plant Funds				Total Plant Funds	Total College	Component Unit Foundation	Total Reporting Entity
Unexpended	Renewal & Replacement	Retirement of Indebtedness	Investment in Plant				
					(memorandum only)		(memorandum only)
					\$18,893,332		\$18,893,332
\$698,809				\$698,809	1,000,609		1,000,609
186,009		\$131,046		317,055	317,055		317,055
					6,206,560		6,206,560
			\$40,633	40,633	572,455		572,455
46,061		5,987		52,048	(267,572)		(267,572)
					10,180		10,180
			1,306,209	1,306,209	1,306,209		1,306,209
			306,929	306,929	306,929		306,929
						\$26,786	26,786
102,474				102,474	102,733		102,733
1,033,353		137,033	1,653,771	2,824,157	28,448,490	26,786	28,475,276
					23,257,548		23,257,548
					3,362,531		3,362,531
					94,177		94,177
					14,461		14,461
					37,999		37,999
871,667				871,667	871,667		871,667
		306,929		306,929	306,929		306,929
		258,789		258,789	258,789		258,789
					58,058		58,058
			1,748,573	1,748,573	1,748,573		1,748,573
						628	628
		5,404		5,404	11,444		11,444
871,667		571,122	1,748,573	3,191,362	30,022,176	628	30,022,804
		316,581		316,581			
(38,454)		18,446	(10,246)	(30,254)			
(38,454)		335,027	(10,246)	286,327			
123,232		(99,062)	(105,048)	(80,878)	(1,573,686)	26,158	(1,547,528)
685,461	\$51,518	235,587	49,108,413	50,080,979	63,801,792	99,454	63,901,246
\$808,693	\$51,518	\$136,525	\$49,003,365	\$50,000,101	\$62,228,106	\$125,612	\$62,353,718

COLLEGE OF EASTERN UTAH
Statement of Current Funds Revenues, Expenditures, and Other Changes
For the Year Ended June 30, 2001

	Current Funds		Total Current Funds 2001
	Unrestricted	Restricted	
			(memorandum only)
REVENUES:			
State appropriations	\$11,084,200	\$298,175	\$11,382,375
Tuition and student fees	2,911,458		2,911,458
Grants and contracts - federal and state	144,492	6,099,728	6,244,220
Nongovernment gifts, grants, and contracts	17,579	903,039	920,618
Investment income	51,504		51,504
Educational departments - sales and services	459,893		459,893
Auxiliaries, organized activities and service units			
less related party expenditures of \$140,806	2,807,665		2,807,665
Other sources	1,416,541		1,416,541
Total revenues	18,893,332	7,300,942	26,194,274
EXPENDITURES:			
Education and general:			
Instruction	6,676,465	680,955	7,357,420
Public service	111,763	1,500,586	1,612,349
Academic support	1,492,164	781,163	2,273,327
Student services	2,048,233	1,196,627	3,244,860
Institutional support	2,724,498	94,240	2,818,738
Operation and maintenance of plant	1,822,469	1,500	1,823,969
Scholarships	1,081,014	3,045,871	4,126,885
Auxiliary and service units	3,362,531		3,362,531
Total expenditures	19,319,137	7,300,942	26,620,079
TRANSFERS AND OTHER ADDITIONS/(DEDUCTIONS)			
Manadatory transfers - net	(316,581)		(316,581)
Nonmandatory transfers - net	25,876	86,016	111,892
Excess of restricted receipts over/(under) transfers to revenues		(48,176)	(48,176)
Total transfers and other additions/(deductions)	(290,705)	37,840	(252,865)
Net increase (decrease) in fund balances	(\$716,510)	\$37,840	(\$678,670)

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

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Component Unit

The College is a component unit of the State of Utah in accordance with Statement No. 14 of the Governmental Accounting Standards Board, and is included in the State's *Comprehensive Annual Financial Report*. The College serves the community as a two-year college of higher education and is located in Price, Utah, with satellite operations in Blanding, Moab, and Castle Dale, Utah.

Accrual Basis

The financial statements of the College have been prepared on the accrual basis except that depreciation on physical plant and equipment is not recorded. The College records all tuition receipts associated with summer school, which is conducted over the fiscal year-end, but predominantly conducted after July 1, as deferred revenue. Similarly, expenses connected with summer school are recorded in the new fiscal year.

The statement of current funds revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of revenues and expenses.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures in the case of normal replacement of equipment and library books, (2) mandatory transfers in the case of required provisions for debt amortization and interest and equipment renewal and replacement, and (3) transfers of a nonmandatory nature for all other cases.

Fund Accounting

In order to ensure observances of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting." This is a procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. A separate set of self-balancing accounts is maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into groups. Accordingly, all financial transactions have been recorded and reported by fund group.

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

Fund balances restricted by outside sources are indicated as "externally restricted," and are distinguished from unrestricted funds internally designated for specific purposes. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the College's management retains full control to use in achieving any of its institutional purposes.

Endowment funds are subject to the restrictions of gift instruments requiring that the original principal of the fund remain inviolate in perpetuity and be invested for the purpose of producing present and future income, which may be expended or added to the principal.

All gains and losses arising from the sale, collection, or other disposition of investments and other non-cash assets are accounted for in the fund which owned such assets. Ordinary income derived from investments, receivables, and the like is accounted for in the fund owning such assets. An exception to this is income derived from investments of endowment and similar funds, which is accounted for in the fund to which it is restricted or, if unrestricted, as revenues in the unrestricted current fund.

All other unrestricted revenue is accounted for in the unrestricted current fund. Restricted gifts, grants, appropriations, endowment income, and other restricted resources are accounted for in the appropriate restricted funds. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes. Assets and liabilities of funds which the College is holding in a custodial or fiscal agency capacity are reported in the agency fund group balance sheet.

In accordance with Governmental Accounting Standards Board Statement No. 33 (GASB No. 33), Accounting and Financial Reporting for Nonexchange Transactions, the College recognizes the estimated net realizable value of pledges as both revenue and accounts receivable as soon as all eligibility requirements imposed by the provider have been met.

Total (memorandum only) columns have been included in the statements. The total column includes interfund activity and is not comparable to a consolidated financial statement, but is only included to facilitate financial analysis.

Assets

Bad debts are accounted for using the allowance method. Allowances are not established in those funds whose receivables consist of amounts due from governmental units.

Physical plant and equipment are stated at cost at the date of acquisition or fair value at date of donation in the case of gifts. Infrastructure type assets have been recorded as improvements.

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

Inventories at the Price Campus are valued at estimated cost using the retail method. Inventories at the Blanding Campus are valued at cost determined by the last in, first out (LIFO) method.

The College follows generally accepted accounting practices for educational institutions of not providing depreciation for buildings, improvements, or equipment.

The Utah State Division of Facilities Construction and Management administers the construction of facilities for State institutions, maintains records, and furnishes cost information for recording plant fund assets on the books of the College. (See Note E.)

Foundations

The not-for-profit component unit of the College is the College of Eastern Utah Foundation (CEU Foundation) and has been included in the financial statements under the heading "Component Unit Foundation." The nature and significance of the relationship between the College and the CEU Foundation is such that exclusion would cause the College's financial statements to be misleading or incomplete. The CEU Foundation does not have separately issued, audited financial statements. The CEU Foundation is not subject to income taxes under Section 501(c)(3) of the Internal Revenue Code. The CEU Foundation's year-end is December 31.

The San Juan Foundation (a separate but affiliated non-profit corporation) is administered by a separate Board of Trustees and is not included in these financial statements. The Foundation has been determined to be separate from the College's reporting entity, in accordance with Statement No. 14 of the Governmental Accounting Standards Board.

Future Changes in Accounting Standards

The Governmental Accounting Standards Board has issued Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, Statement No. 35 Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities, Statement No. 37 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus, and Statement No. 38 Certain Financial Statement Note Disclosures. These new accounting and reporting standards will impact the College's revenue and expenditure recognition and assets, liabilities and fund equity reporting. The new standards will also require reformatting of the financial statements and the restating of beginning balances. The College will not be early implementing these statements, and due to the significance of the changes required, it is not possible to present pro-forma data prior to their implementation. Statements No. 34, 35, 37, and 38 will be implemented in 2002.

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

Other Significant Accounting Policies

Other significant accounting policies are set forth in the financial statements and the following notes.

NOTE B: DEPOSITS AND INVESTMENTS

Investments are recorded at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and as a component of investment income. Listed below is a summary of the deposit and investment portfolio that represents the cash and short-term investments and other investments on the June 30, 2001 balance sheet.

Deposits - At June 30, 2001, the carrying amount of the deposits was \$91,110 and the related bank balance was \$401,759. Of the bank balance, \$289,968 was covered by federal depository insurance. The remaining deposits were uninsured and uncollateralized. By State statute, deposits are not required to be collateralized. However, the State Commissioner of Financial Institutions monitors financial institutions monthly and establishes limits for deposit of public money. At June 30, 2001, the College of Eastern Utah Foundation's proportion of these deposits was \$125,612, which represents the carrying value and the bank balance, all of which was covered by Federal Depository Insurance.

Investments - The College follows the requirements of the Utah Money Management Act (Section 51-7 of the *Utah Code*) in handling its depository and investment transactions. This law requires the depositing of College funds in a "qualified depository." The Act defines "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. The College invests funds with the Utah Public Treasurers' Investment Fund. The Utah Money Management Act governs the investment activity of this fund.

The Money Management Act also defines the types of securities allowed as appropriate investments for the College of Eastern Utah and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers.

Statutes authorize the College to invest in deposits of qualified Utah depositories; deposits of certified out-of-state depositories; repurchase agreements; commercial paper and corporate obligations meeting certain rating criteria; banker's acceptances; obligations of the U.S. Government and certain agencies or instrumentalities; bonds of any political subdivisions of

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

the State of Utah; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Treasurer's Investment Pool.

Statutes also authorize the College to invest its gift funds according to the rules of the Utah Money Management Council. Those rules allow the College to invest its gift funds in any of the above investments or any of the following, subject to satisfying certain criteria: professionally managed commingled equity investment funds, mutual funds, common stock, convertible preferred stock, convertible bonds, and corporate bonds or debentures.

The College's investments are categorized below to give an indication of the risk assumed by the College at June 30, 2001. Category 1 includes investments that are insured or registered or for which the securities are held by the College or its agent in the College's name. Category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the College's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the College's name.

Investments at June 30, 2001 consisted of the following:

	Category			Carrying (Fair Value) Amount
	1	2	3	
INVESTMENTS				
Pro-Carbon Development Stock	\$ 1,400			\$ 1,400
Utah Housing Bonds			\$ 149,944	149,944
	\$ 1,400	\$ 0	\$ 149,944	151,344
Common Fund-Mutual Fund				12,794,761
Investment in Utah State Treasurer's Investment Pool				599,955
Total Investments				13,546,060
CASH IN CHECKING ACCOUNTS (Book Balance)				(201,540)
OTHER CASH				
Cash on Deposit with State Agencies				162,145
Cash on Deposit – Foundation				29,506
Cash on Hand				16,180
Foundation CD's				96,107
Carbon Credit Union				25
Cash on deposit – Wells Fargo Trustee				59,047
Wells Fargo TCD				107,965
				\$ 13,815,495

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

Investments and cash, as categorized above, are reflected in the balance sheet under the following captions:

Cash and Short-term Investments	\$ 707,245
Cash Deposits with State Agencies	162,145
Long-term Investments	<u>12,946,105</u>
	<u>\$ 13,815,495</u>

NOTE C: CONSTRUCTION IN PROGRESS

Construction in progress at June 30, 2001 of \$493,726 relates to the construction of the following projects. All of the construction projects are funded by State Appropriations.

<u>Project</u>	<u>Estimated Cost</u>	<u>Construction In Progress</u>	<u>Percent Completed</u>
Durrant Demolition	\$ 260,800	\$ 259,788	99.61%
Physical Plant Building No. 2	130,000	123,878	95.29%
Parking Lot – San Juan Campus	52,023	50,473	97.02%
Main Complex Replacement Programming	<u>70,000</u>	<u>59,587</u>	85.12%
Total	<u>\$ 512,823</u>	<u>\$ 493,726</u>	96.28%

NOTE D: INVESTMENT IN PLANT

Buildings, building improvements, land improvements, equipment and library books are valued at cost at the date of acquisition, or at fair market value at the date of donation in the case of gifts.

Investment in Plant at June 30, 2001 consisted of:

Buildings	\$ 36,398,749
Equipment	12,784,458
Improvements	3,416,018
Land	1,033,426
Library Materials	722,968
Construction in Progress	<u>493,726</u>
Total	<u>\$ 54,849,345</u>

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE E: DIVISION OF FACILITIES CONSTRUCTION AND MANAGEMENT (DFCM)
DEPOSITS

DFCM manages the construction of State facilities and as such manages all major construction for the College. The State Legislature approves major projects directly for the College. The funds on deposit with DFCM at year-end represent the amounts available to be spent on the following projects:

Student Center Remodeling	\$100,355
Reinforce Utility Tunnel Caps and Walls	17,590
Centralized Fire Alarm	12,607
Stairs and ADA Ramp	12,496
Main Complex Replacement Programming	10,412
Physical Plant Building No. 2	6,123
Parking Lot – San Juan Campus	1,550
Durrant School Demolition	1,012
Total	<u>\$162,145</u>

NOTE F: BONDS, NOTES AND CONTRACTS PAYABLE

Bonds, Notes and Contracts Payable at June 30, 2001 consisted of the following:

<u>Payable</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Current Liability</u>	<u>Balance 6/30/01</u>
College:						
Student Dormitory Revenue						
Bond (a)	08/20/96	06/01/22	5.10-6.10	\$ 1,250,000	\$ 30,000	\$ 1,135,000
Xerox Corporation (b)	08/13/98	08/13/02	6.52	25,447	6,700	8,714
AT&T Capital Corporation (b)	10/21/97	10/21/04	7.00	163,551	23,761	86,106
Department of Community and Economic Development (b)	12/31/97	01/01/03	3.50	90,000	16,000	32,000
Utah Building Ownership Authority (d)	11/15/98	05/15/18	3.80-5.50	1,875,000	65,604	1,697,696
Office of Energy Services (e)	02/12/99	12/31/03	0.00	285,542	48,020	216,086
Total Bonds, Notes and Contracts Payable - Plant Fund				<u>\$ 3,689,540</u>	<u>\$ 190,085</u>	<u>\$ 3,175,602</u>
CEU foundation:						
Farmers Home Admin (c)	12/12/80	12/12/10	5.00	523,000	23,261	229,594
Farmers Home Admin (c)	10/07/81	10/07/11	5.00	60,000	2,442	30,751
Farmers Home Admin (c)	03/15/94	03/15/24	5.125	616,700	13,062	538,263
Farmers Home Admin (c)	05/02/95	05/02/25	5.00	654,200	12,450	586,734
Farmers Home Admin (c)	01/28/98	01/28/28	4.875	877,330	14,044	824,564
Farmers Home Admin (c)	04/18/98	04/18/18	4.875	514,101	17,347	458,749
Total Notes Payable - CEU Foundation				<u>\$ 3,245,331</u>	<u>\$ 82,606</u>	<u>\$ 2,668,655</u>
Total Bonds, Notes & Contracts Payable - Reporting				<u>\$ 6,934,871</u>	<u>\$ 272,691</u>	<u>\$ 5,844,257</u>

See following page for notes (a) through (e)

COLLEGE OF EASTERN UTAH
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- (a) The College has pledged the net student housing revenues, student building fees, net food service and net bookstore revenue for payment on the Student Dormitory Revenue Bond. The College is required to have a debt service reserve fund of \$98,846 as security on the bonds. As of June 30, 2001, the College had designated \$98,846 to this fund. The College is also required to deposit \$15,000 each year to a repair and replacement fund until \$100,000 has accumulated in the fund. As of June 30, 2001, the College has accumulated \$100,000 in this fund. The interest rate on the bonds varies from 5.10% to 6.10%.
- (b) The Xerox note is secured by a Xerox copier. The AT&T Capital Corporation note is secured by telephone equipment. The State Department of Community and Economic Development Bond is secured by the Student Center and Counseling Center buildings on the San Juan Campus. Both buildings were purchased from Blanding City by assuming the bond issued by the Department of Community and Economic Development.
- (c) The Farmers Home Administration debt is included as a payable in the Component Unit Foundation column. It is also recorded as "Due to Foundation" in the Investment in Plant fund, as the related assets are included in the Investment in Plant fund and as a "Due from College" in the Foundation column. This debt is secured by the dormitories built with the funding from these mortgages and by the food service and dormitories on the San Juan Campus. Each month \$18,067 is paid from the College to the CEU Foundation. The funds paid by the College to the Foundation come from the rent collected from the dormitories, sales from the San Juan Food Service and certain student fees. In addition \$1,454 per month is paid to the CEU Foundation to build and maintain a required reserve fund of \$176,971. As of June 30, 2001, the amount in the reserve fund totaled \$81,445.

On April 18, 1998, CEU Foundation purchased from San Juan Foundation the three auxiliary buildings on the Blanding Campus. The CEU Foundation financed the purchase with Farmers Home Administration for \$514,101 at an interest rate of 4.875%. The transaction resulted in a savings to the College in the amount of \$110,411. The mortgage is for twenty years with monthly payments of \$3,363. In addition, \$337 per month is paid to the CEU Foundation to build and maintain a required reserve fund of \$40,347. As of June 30, 2001, the reserve fund totaled \$17,406.

- (d) The College has an agreement with the Utah Building Ownership Authority. The Utah Building Ownership Authority by state statute issued a bond for the College's Campus Center in the amount of \$1,875,000. The College will pay the bond, principal and interest, to the Building Ownership Authority over a period of twenty years. During fiscal year 1998-1999, the Utah Building Ownership Authority refunded part of its bond, resulting in an economic cost savings of \$119,292.50 to the College as a result of lower

COLLEGE OF EASTERN UTAH
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interest rates. The principal amount remained the same; therefore, there was no book value gain or loss.

- (e) The College has a loan with the Office of Energy Services to install state-of-the-art, energy-efficient building technologies. The loan is an interest-free loan to be paid back over a six and one-half year period.

Maturities of long-term debt principal for the College and CEU Foundation at June 30, 2001 for five years through 2006 are as follows:

<u>Year</u>	<u>College</u>	<u>CEU Foundation</u>	<u>Total</u>
2002	\$ 190,089	\$ 82,606	\$ 272,695
2003	192,119	86,562	278,681
2004	180,946	91,069	272,015
2005	168,222	95,810	264,032
2006	152,529	100,798	253,325
Thereafter	<u>2,291,699</u>	<u>2,211,810</u>	<u>4,503,509</u>
Total	<u>\$ 3,175,602</u>	<u>\$2,668,655</u>	<u>\$ 5,844,257</u>

Changes in Bonds, Notes, and Contracts Payable for the year-ended June 30, 2001 are summarized below.

	<u>College</u>	<u>CEU Foundation</u>	<u>Total</u>
Balance Beginning of Year	\$ 3,388,571	\$ 2,754,093	\$ 6,142,664
New Debt Issue	10,246	0	10,246
Debt Retired	<u>223,215</u>	<u>85,438</u>	<u>308,653</u>
Balance End of Year	<u>\$ 3,175,602</u>	<u>\$ 2,668,655</u>	<u>\$ 5,844,257</u>

NOTE G: FEDERAL CONTRACTS AND GRANTS

The College receives significant financial assistance from the U.S. Government in the form of contracts and grants. Entitlement to the resources is generally conditioned upon compliance with terms and conditions of the contract or grant agreements and applicable federal regulations, including the expenditures of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits under federal regulations. Any disallowance as a result of these audits may become a liability of the College.

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In the opinion of management, the potential for a material liability due to costs being disallowed in future audits is extremely remote.

NOTE H: DEFERRED REVENUE

Deferred revenue consists of summer school tuition and student fees that have been collected in advance of when earned.

NOTE I: ACCRUED COMPENSATED ABSENCES

Employees annual leave is accrued at a rate of 12 to 25 working days per year depending on the status of the employee and their length of service. There is no requirement to use annual leave, but a maximum of 30 days may be carried forward at the beginning of each year. At termination, employees are paid for their unused annual leave. The College accrues and expenses vacation leave in the year in which the vacation is earned. The cumulative accrued vacation liability as of June 30, 2001 totaled \$421,303.

NOTE J: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note K, the College provides post employment 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 the calendar year 2001, the following early retirement option is in effect:

Total Retirement Option

Eligible employees are those who retire from the College on or after age 55 with at least 15 years of service and whose combined total of age and years of service is 75 or greater. Eligible employees are those full-time employees who are currently employed 75 percent of a calendar year or more. The eligible employee must be serving in a position which is funded out of education and general revenues or auxiliary revenues. The benefits include a semi-monthly stipend of 20.2% of the retiree's salary at the time of active employment for a period of 5 years. Health, dental, and life insurance will also continue for 5 years. These benefits are fully paid by the College.

Currently, 20 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, 2001, the stipend and benefits expense for the early retirement program totaled \$391,100.

COLLEGE OF EASTERN UTAH
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FOR THE YEAR ENDED JUNE 30, 2001

The College provided a retirement window during fiscal year 97-98. Requirements of the window were that an employee must be at least 55 years of age prior to July 1, 1998, with a minimum of 5 years of full-time service at the College. The window also was available to all eligible employees. Ten eligible employees elected to take advantage of the option. For the year-ended June 30, 2001, the stipend and benefits expense for the early retirement window option totaled \$79,545.

NOTE K: RETIREMENT AND PENSION PLANS

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

The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code*. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 S, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the College is required to contribute 9.19% of their annual covered salary. In the State and School Noncontributory Retirement System the College is required to contribute 15.18% (including 1.5% to a 401(K) salary deferral program) of their annual covered salary. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The College's contributions to the State and School Contributory Retirement System for the years ending June 30, 2001, 2000, and 1999 and were \$4,414, \$4,357, and \$4,357, respectively and for the Noncontributory Retirement System the contributions for June 30, 2001, 2000, and 1999 were \$658,631, \$635,764, and \$619,627, respectively. The contributions were equal to the required contributions for each year.

COLLEGE OF EASTERN UTAH
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Teachers Insurance and Annuity Association (TIAA) provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. Contributions by the College to the employee's contract become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2001, the College's contribution to this defined contribution plan was 14.2% of the employee's annual salary or \$553,161. The College has no further liability once annual contributions are made.

NOTE L: MUSEUM ASSETS

The College operates the CEU Prehistoric Museum in conjunction with the City of Price. The assets included in the Museum's collection are on loan from the Federal Government and private individuals. Because the College does not hold the title to the museum assets, they are not included on the balance sheet.

NOTE M: OPERATING LEASES

The College has an operating lease with Prime Capital, Inc. beginning September 1998 through August 2003. The lease amount is \$4,000 per month for months one through twelve; \$5,000 per month for months thirteen through forty eight; \$6,000 per month for months forty nine through sixty. The Moab facility is 9,300 square feet and is to be used for office and classroom space. The College has secured a \$1,500,000 loan at 0% interest for 30 years from the State Department of Community and Economic Development. The proceeds of the loan will be used to purchase this facility along with two additional buildings upon approval by the Board of Trustees. Total acreage is 2.2, and total square footage for all of the buildings is 25,316.

NOTE N: RISK MANAGEMENT

General Liability Insurance

The College maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$1 million per occurrence through policies administered by the Utah State Risk Management Fund. The College also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$1,000 per occurrence. All revenues from

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

College operations, rental income for its residence halls, and tuition are insured against loss due to business interruption caused by fire or other insurable perils with the Utah State Risk Management Fund. All College employees are covered by worker's compensation insurance, including employer's liability coverage by the Worker's Compensation Fund of Utah.

NOTE O: INVESTMENT IN PLANT

The College increased the asset capitalization threshold from \$500 to \$1,000. This resulted in a deletion of equipment of \$1,303,042. The amount represents 9% of the dollar amount and 34% of the items inventoried.

NOTE P: PLEDGES

The College received a pledge of \$1,000,000 from the Eccles Foundation to help remodel and expand the Geary Theatre. Prior to April 2002, a match in the amount of \$6,514,891 is required from other sources in order for the College to secure the funds.

Pledges of over \$1,700,000 have been made through trusts, insurance policies and state plans. Of this amount, 71% of the gifts are unrestricted.

NOTE Q: NEGATIVE FUND BALANCES

The College has an overall negative fund balance in the Unrestricted Fund of \$2,037,443. Of this amount, \$1,220,595 is due to unfunded termination benefits in relation to the College's early retirement policy. The College is in the process of revising the early retirement policy and identifying funding for the current projected liability, which includes payments through 2008. In addition, \$332,490 is due to accrued employee vacation leave with the remaining unrestricted fund balance deficit of \$484,358 generally caused by budget overruns. The College believes corrective measures to prevent overspending in future years are being taken.



Auston G. Johnson, CPA
UTAH STATE AUDITOR

STATE OF UTAH
Office of the State Auditor

211 STATE CAPITOL
SALT LAKE CITY, UTAH 84114
(801) 538-1025
FAX (801) 538-1383

DEPUTY STATE AUDITOR:
Joe Christensen, CPA

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

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the College of Eastern Utah Board of Trustees
and Ryan L. Thomas, President

We have audited the financial statements of the College of Eastern Utah (the College) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 7, 2001. 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.

Compliance

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the College's Board of Trustees and management and is not intended to be and should not be used by anyone other than these specified parties.

UTAH STATE AUDITOR
December 7, 2001