

COLLEGE OF EASTERN UTAH
A Component Unit of the State of Utah

Annual Financial Report
For the Fiscal Year Ended June 30, 2004

Report No. 04-45

COLLEGE OF EASTERN UTAH
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2004

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INDEPENDENT STATE AUDITOR'S REPORT

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

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, 2004, 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. The prior year partial comparative information has been derived from the College's fiscal year 2003 financial statements and, in our report dated March 26, 2004, we expressed an unqualified opinion on the financial statements of the College.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit 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, 2004, and the changes in financial position and 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 13, 2005 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing

of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Auston G. Johnson, CPA
Utah State Auditor
May 13, 2005

COLLEGE OF EASTERN UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

Management's Discussion and Analysis

The College of Eastern Utah (the College) is proud to present its financial statements for fiscal year 2004. This section of the College's Annual Financial Report presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2004. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis is designed to provide an easily readable analysis of the College's financial activities based on facts, decisions, and conditions known at the date of the auditor's report. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The financial statements focus on the financial condition of the College, the results of operations, and cash flows of the College as a whole. The annual report consists of three basic financial statements which provide information on the College as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each one of these statements will be discussed.

Statement of Net Assets

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

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

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

COLLEGE OF EASTERN UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

Condensed Statement of Net Assets

	<u>2004</u>	<u>2003</u>
Assets		
Current assets	\$ 3,777,220	\$ 2,922,133
Noncurrent assets:		
Capital	40,413,799	29,607,440
Other	<u>14,110,134</u>	<u>12,432,445</u>
Total Assets	<u>58,301,153</u>	<u>44,962,018</u>
Liabilities		
Current liabilities	1,969,063	1,873,773
Noncurrent liabilities	<u>5,946,926</u>	<u>6,321,918</u>
Total Liabilities	<u>7,915,989</u>	<u>8,195,691</u>
Net Assets		
Invested in capital assets, net of related debt	35,259,927	24,093,457
Restricted - nonexpendable	1,725,111	1,383,767
Restricted - expendable	12,212,082	11,210,327
Unrestricted	<u>1,188,044</u>	<u>78,776</u>
Total Net Assets	<u>\$ 50,385,164</u>	<u>\$ 36,766,327</u>

In fiscal 2004, the total assets of the College increased by \$13.3 million. Reasons for the increase were due to recording assets managed and completed by the State Division of Facilities Construction and Management in the amount of \$12.2 million. In fiscal year 2004, the College's current assets of \$3.8 million were sufficient to cover current liabilities of \$2.0 million. The current ratio of 1.92 measures the liquidity of the College. Also in fiscal year 2004, total assets of \$58.3 million were sufficient to cover total liabilities of \$7.9 million resulting in a debt ratio of .14.

Statement of Revenues, Expenses, and Changes in Net Assets

Total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the College, both operating and nonoperating, and the expenses paid by the College, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the College. The College's expenses are listed by function in Note L of the financial statements.

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

COLLEGE OF EASTERN UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

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

	<u>2004</u>	<u>2003</u>
Operating Revenues		
Tuition and fees, net	\$ 2,013,079	\$ 1,941,473
Grants and contracts	7,458,437	7,286,121
Auxiliary enterprises, net	1,727,169	1,893,436
Other	1,158,571	1,152,079
Total Operating Revenue	<u>12,357,256</u>	<u>12,273,109</u>
Operating Expenses		
Salaries, wages, and benefits	14,280,505	14,111,117
Student financial aid	2,327,415	2,476,298
Utilities	601,349	506,791
Other operating expenses	6,334,846	6,363,796
Depreciation	2,065,432	1,780,898
Total Operating Expenses	<u>25,609,547</u>	<u>25,238,900</u>
Net Operating Revenues/(Expenses)	(13,252,291)	(12,965,791)
Nonoperating Revenues/(Expenses)		
State appropriations	12,468,200	11,795,165
Other nonoperating revenues/(expenses)	2,081,665	305,434
Net Nonoperating Revenues/(Expenses)	<u>14,549,865</u>	<u>12,100,599</u>
Income (Loss) Before Other Revenue	1,297,574	(865,192)
Other Revenues		
Capital grants and gifts	12,217,770	2,735
Additions to permanent endowments	103,493	25,684
Total Other Revenues	<u>12,321,263</u>	<u>28,419</u>
Increase (Decrease) in Net Assets	13,618,837	(836,773)
Net Assets - Beginning of Year	36,766,327	38,096,224
Prior Period Adjustments	0	(493,124)
Net Assets - Beginning of Year, as Restated	<u>36,766,327</u>	<u>37,603,100</u>
Net Assets - End of Year	<u>\$ 50,385,164</u>	<u>\$ 36,766,327</u>

The most significant sources of operating revenues for the College are tuition and fees, auxiliary enterprise revenue, and grants and contracts. Tuition and fees, net of scholarship discounts and allowances, totaled \$2.0 million for the year. Auxiliary enterprise revenue, net of scholarship discounts and allowances, totaled \$1.7 million. Grants and contracts revenue totaled \$7.5 million.

Operating expenditures, including depreciation of \$2.1 million, totaled \$25.6 million. The most significant operating expenses for the year were compensation and benefits totaling \$14.3 million.

In fiscal year 2004, salaries and wages increased by 2.43% and benefits increased by 6.2%. To help reduce deficits from prior years, employee positions were frozen and combined to minimize the

COLLEGE OF EASTERN UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

salaries, wages, and benefits increase from fiscal year 2003 to fiscal year 2004 to \$169,000. Depreciation increased due to the completion of the Reeves Building, heat plant retrofit, paving at the McDonald Career Center, and completion of the electrical substation by the State Division of Facilities Construction and Management.

The increase in investment income of \$1.6 million, which is included as other nonoperating revenue, is from an increase in the stock market.

The loss on disposal of equipment increased because of the demolition of the old main building, the science building, and the disposal of equipment located in the buildings.

State appropriations were the most significant nonoperating revenue, totaling \$12.5 million.

Certain amounts for fiscal year 2003 have been restated and fiscal year 2003 information is presented for comparison purposes only.

The increase of \$12.2 million in capital grants and gifts results from the transfer of finished capital asset projects constructed by the State Division of Facilities Construction and Management to the College.

Statement of Cash Flows

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

Condensed Statement of Cash Flows

	<u>2004</u>	<u>2003</u>
Cash provided (used) by operating activities	\$ (10,620,016)	\$ (11,307,012)
Noncapital financing activities	12,987,476	12,032,597
Capital financing activities	(1,367,759)	(1,565,038)
Investing activities	<u>259,911</u>	<u>281,190</u>
Net change in cash	1,259,612	(558,263)
Cash, beginning of year	<u>331,137</u>	<u>889,400</u>
Cash, end of year	<u><u>\$ 1,590,749</u></u>	<u><u>\$ 331,137</u></u>

COLLEGE OF EASTERN UTAH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2004

Economic Outlook

Although the overall net assets are positive, there are some areas that have deficits. Additional funding for scholarships has not materialized resulting in a \$500,000 deficit for fiscal year 2004. Progress has been made on motor pool, Bunnell/Dmitrich Athletic Center (BDAC), trucking, and athletic deficits. The deficits for fiscal year 2004 were reduced by \$140,000 resulting in an ending deficit of \$602,000.

The College is in its second year with Banner finance module. In July of 2005, the student registration, admissions, and financial aid module will go live. In July 2006, the alumni development module will be installed.

COLLEGE OF EASTERN UTAH

STATEMENT OF NET ASSETS

JUNE 30, 2004

	2004	2003
		(Comparative Only)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,487,315	\$ 140,917
Accounts receivable, net of \$218,825 allowance	1,660,016	2,162,179
Pledges receivable	15,880	31,119
Interest receivable	9,814	11,917
Student loans interest receivable	1,143	1,012
Student loans receivable, net of \$26,126 allowance	35,403	26,162
Inventory	427,495	429,949
Prepaid expenses	140,154	118,878
Total current assets	<u>3,777,220</u>	<u>2,922,133</u>
Noncurrent Assets		
Restricted cash and cash equivalents	103,434	190,220
Restricted investments	13,229,506	11,330,748
Investments	481,134	605,186
Student loans interest receivable	25,137	23,428
Student loans receivable, net of \$199,936 allowance	270,923	282,863
Capital assets, net of \$26,416,560 accumulated depreciation (Note C)	40,413,799	29,607,440
Total noncurrent assets	<u>54,523,933</u>	<u>42,039,885</u>
Total assets	<u>58,301,153</u>	<u>44,962,018</u>
LIABILITIES		
Current Liabilities		
Accounts payable	573,758	452,500
Interest payable	49,549	50,678
Accrued payroll	436,406	398,660
Compensated absences and postemployment benefits	337,364	352,973
Deferred revenue	192,462	225,238
Bonds, notes, and contracts payable (Note C)	341,726	358,818
Other liabilities	37,798	34,906
Total current liabilities	<u>1,969,063</u>	<u>1,873,773</u>
Noncurrent liabilities		
Compensated absences and postemployment benefits	1,050,998	1,082,536
Deposits	83,782	84,217
Bonds, notes, and contracts payable	4,812,146	5,155,165
Total noncurrent liabilities	<u>5,946,926</u>	<u>6,321,918</u>
Total liabilities	<u>7,915,989</u>	<u>8,195,691</u>
NET ASSETS		
Invested in capital assets, net of related debt	35,259,927	24,093,457
Restricted for:		
Nonexpendable items		
Scholarships	1,725,111	1,383,767
Expendable items		
Scholarships	11,437,336	9,863,795
Loans	413,842	309,515
Other	360,904	1,037,017
Unrestricted	1,188,044	78,776
Total net assets	<u>\$ 50,385,164</u>	<u>\$ 36,766,327</u>

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

COLLEGE OF EASTERN UTAH
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	2004	2003
		(Comparative Only)
OPERATING REVENUES AND EXPENSES		
Revenues:		
Tuition and fees, net of scholarship allowances of \$2,139,543 [Note C(1)]	\$ 2,013,079	\$ 1,941,473
Interest on student loans receivable	15,045	9,947
Federal grants and contracts	5,475,342	5,547,654
State and local grants and contracts	1,890,616	1,738,383
Nongovernmental grants and contracts	92,479	84
Sales and services	224,935	253,990
Auxiliary enterprises, net of scholarship allowances of \$551,165 [Note C(1)]	1,727,169	1,893,436
Other operating revenues	918,591	888,142
Total operating revenue	12,357,256	12,273,109
Expenses:		
Salaries, wages, and benefits	14,280,505	14,111,117
Student financial aid	2,327,415	2,476,298
Utilities	601,349	506,791
Depreciation	2,065,432	1,780,898
Other operating expenses	6,334,846	6,363,796
Total operating expenses	25,609,547	25,238,900
Operating income (loss)	(13,252,291)	(12,965,791)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	12,468,200	11,795,165
Gifts	400,544	207,982
Investment income	2,034,748	412,030
Interest on capital asset - related debt	(271,026)	(283,018)
Gain/(loss) on disposal of equipment	(82,601)	(31,560)
Total nonoperating revenues	14,549,865	12,100,599
Income (loss) before other revenue	1,297,574	(865,192)
OTHER REVENUES		
Capital grants and gifts	12,217,770	2,735
Additions to permanent endowments	103,493	25,684
Total other revenue	12,321,263	28,419
Increase (Decrease) in Net Assets	13,618,837	(836,773)
NET ASSETS		
Net assets - beginning of year	36,766,327	38,096,224
Prior period adjustments (Note A)	0	(493,124)
Net assets - beginning of year restated	36,766,327	37,603,100
Net assets - end of year	\$ 50,385,164	\$ 36,766,327

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

COLLEGE OF EASTERN UTAH
STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	2004	2003
		(Comparative Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 1,980,303	\$ 1,803,900
Receipts from grants/contracts	7,960,600	7,286,121
Receipts from auxillary and educational services	1,952,104	2,147,426
Collection of loans to students/employees	18,138	(58,251)
Payment to suppliers	(6,015,146)	(5,962,412)
Receipts from suppliers	101,306	86,078
Payment for scholarships	(2,327,415)	(2,476,298)
Payments for employee services and benefits	(14,289,906)	(14,133,576)
Net cash provided (used) by Operating Activities	(10,620,016)	(11,307,012)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	12,468,200	11,795,165
Receipts from gifts/grants	400,544	207,982
Receipts for permanent endowments	118,732	29,450
Net cash provided by Noncapital Financing Activities	12,987,476	12,032,597
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Receipts from capital grants/gifts	12,217,770	2,735
Proceeds from sale of assets	45,823	68,763
Proceeds from loan	0	296,069
Purchases of capital assets	(13,000,215)	(1,288,947)
Principal paid on capital debt/leases	(360,111)	(360,640)
Interest paid on capital debt/leases	(271,026)	(283,018)
Net cash used by Capital Financing Activities	(1,367,759)	(1,565,038)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale/maturity of investments	277,538	845,363
Receipt of interest/dividends from investments	252,212	267,124
Purchase of investments	(269,839)	(831,297)
Net cash provided by Investing Activities	259,911	281,190
Net increase (decrease) in cash	1,259,612	(558,263)
Cash and cash equivalents - beginning of year	331,137	889,400
Cash and cash equivalents - end of year	\$ 1,590,749	\$ 331,137
Reconciliation of net operating revenues (expenses) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (13,252,291)	\$ (12,965,791)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	2,065,432	1,780,898
Changes in assets and liabilities:		
Receivables, net	502,163	(213,110)
Student loans receivable	2,699	(67,710)
Student loans interest receivable	394	(488)
Inventories	2,454	(2,717)
Prepaid expenses	(21,276)	(12,598)
Accounts payable	120,129	101,393
Accrued payroll	37,746	(7,485)
Deferred revenue	(32,776)	75,537
Deposits (formerly funds held for others)	(435)	12,522
Compensated absences	(47,147)	(14,974)
Other liabilities	2,892	7,511
Net cash provided (used) by Operating Activities	\$ (10,620,016)	\$ (11,307,012)
Noncash Investing, Capital, and Financing Activities:		
Increase (decrease) in fair value of investments	\$ 1,819,692	\$ (191,662)
Increase (decrease) in capital leases	0	296,069
Total Noncash Investing, Capital, and Financing Activities	\$ 1,819,692	\$ (104,407)

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, 2004

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity: The College is a component unit of the State of Utah in accordance with the Governmental Accounting Standards Board (GASB) 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 a branch campus in Blanding, and satellite operations in Moab, Monument Valley, Montezuma Creek, Monticello, and Castle Dale, Utah.

The financial statements include the accounts of the College, all auxiliary enterprises and other restricted and unrestricted funds of the College, and the College of Eastern Utah Foundation (the Foundation). The Foundation is included in the financial statements of the College as a blended component unit. The nature and significance of the relationship between the College and the Foundation is such that exclusion would cause the College's financial statements to be misleading or incomplete. Unaudited financial statements may be obtained through the College's development office.

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 San Juan Foundation has been determined to be separate from the College's reporting entity, in accordance with GASB.

The Southeast Applied Technology College (a separate but affiliated entity) is not included in these financial statements. The Southeast Applied Technology College has been determined to be separate from the College's reporting entity, in accordance with GASB and is a component unit of the Utah College of Applied Technology. The College performs administrative functions such as accounting, registration, and personnel and maintains separate accounts for the Southeast Applied Technology College.

Basis of Accounting: Under the provisions of the GASB standards, the College is permitted to report as a special-purpose government engaged in business-type activities (BTA). BTA reporting requires the College to present only the basic financial statements and required supplementary information (RSI) for an enterprise fund. This includes a management discussion and analysis (MD&A), a statement of net assets or a balance sheet; a statement of revenues, expenses, and changes in net assets; a statement of cash flows; notes to the financial statements; and other applicable RSI. The required basic financial statements described above are prepared using the economic resources measurement focus and the accrual basis of accounting. Using this method, revenues are recorded when earned and expenses are recorded when a liability has been incurred. Fund financial statements are not required for BTA reporting.

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

In accordance with GASB Statement No. 20, the College is required to follow all applicable GASB pronouncements. In addition, the College should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the College recognizes the estimated net realizable value of pledges as revenue as soon as all eligibility and time requirements imposed by the provider have been met.

Cash Equivalents: For purposes of the statements of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurers' Investment Fund are also considered cash equivalents.

Accounts Receivable: Accounts receivable are recorded at net of estimated uncollectible amounts. Allowance for uncollectible accounts is calculated using the allowance method. Allowances are not established for receivables consisting of amounts due from governmental units.

Inventories: Bookstore inventories at the Price Campus are valued at estimated cost using the retail method. Food service inventories at both the Price and Blanding Campus and bookstore inventories at the Blanding Campus are valued at cost determined by the last in, first out (LIFO) method.

Restricted Cash and Cash Equivalents: Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted assets in the statements of net assets.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, art, and special collections, the College's capitalization policy includes all items with a cost of \$1,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements with a cost of \$20,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. All land is capitalized and land, art, and special collections are not depreciated.

COLLEGE OF EASTERN UTAH
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 40 years for buildings, 20 years for infrastructure, land improvements, and library collections, and 5 to 15 years for equipment.

Deferred Revenue: Deferred revenue consists of summer school tuition and student fees that have been collected in advance of when earned. Deferred revenue also consists of funds received from grants and contracts that have not yet been earned.

Compensated Absences: Employee's 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.

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

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.

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

Restricted net assets – nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

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

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

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees, and sales and services of auxiliary enterprises. Also, most federal, state, and local grants and contracts are reported as operating revenues.

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as state appropriations, gifts and contributions, and other revenue sources such as investment income, that are not derived from the College's principal ongoing operations.

Scholarship Discounts and Allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and 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 non-governmental 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 discount and allowance.

Comparative Data: The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the College's financial statements for the year ended June 30, 2003 from which the summarized information was derived.

Disclosures: The footnotes related to the financial statements for the fiscal year ended June 30, 2003 have not been reported in this report but are available in the separately issued financial statements for that year.

Prior Period Adjustments: Prior period adjustments for fiscal year ended June 30, 2003 totaled \$493,124. In fiscal year 2002, assets purchased in 1982 totaling \$1,000,000 were not fully depreciated resulting in a prior period adjustment. Equipment traded prior to July 1, 2003 should have increased the new equipment by \$30,987. Funding due from

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the State Division of Facilities Construction and Management was not recorded as an accounts receivable in fiscal year 2003, creating an increase of \$537,863 in fiscal year 2003 to accounts receivable and net assets.

NOTE B: DEPOSITS AND INVESTMENTS

Cash and cash equivalents consist of cash and short-term investments with an original maturity of three months or less.

At June 30, 2004 cash and cash equivalents consisted of:

Cash	\$ (315,131)
Utah Public Treasurers' Investment Fund	<u>1,905,880</u>
Total (fair value)	<u><u>\$ 1,590,749</u></u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) that relate to the deposit and investment of public funds.

The College follows the requirements of the Utah Money Management Act in handling its depository and investment transactions. The Act requires the depositing of College funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

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, 2004, all of the College's bank balances of \$234,936 were insured and uncollateralized.

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Investments

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

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

Statutes also authorize the College to invest funds acquired by gift, private grant, and the corpus of funds functioning as endowments according to the rules of the Money Management Council. Rule 2 allows the College to invest these funds in any of the above investments or any of the following subject to satisfying certain criteria: professionally managed pooled or commingled invest funds, or mutual funds which satisfy certain criteria; common stock, convertible preferred stock, or convertible bonds; corporate bonds or debentures; and alternative investments as defined in the rule.

Investments are recorded at fair value. Accordingly, the change in fair value of fixed assets is recognized as an increase or decrease to investment assets and the component of investment income.

The Utah State Treasurer’s Office operates the Public Treasurer’s Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer. The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the 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

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participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2004, the College had the following investment and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)		
		Less than 1	1-5	6-10
Utah Public Treasurer's Investment Fund	\$ 1,905,880	\$ 1,905,880		
Money Market	5,257,977			\$ 5,257,977
Federal Home Loan Utah Housing Corporation	294,188		\$ 294,188	
	186,946			186,946
Totals	7,644,991	\$ 1,905,880	\$ 294,188	\$ 5,444,923
Equity Funds	7,845,178			
Total	\$ 15,490,169			

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. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for funds of Institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For funds of institutions of Higher Education acquired by gifts, grants, or the corpus of funds functioning as endowments, Rule 2 of the Money Management Council does not allow the dollar-weighted average maturity of fixed-income securities to exceed ten years.

Credit Risk

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

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At June 30, 2004, the College had the following investments and quality ratings:

<u>Investment type</u>	Fair Value	<u>Quality Rating</u>	
		AAA	Unrated
Money market funds	\$ 5,257,977		\$ 5,257,977
Utah Public Treasurer's Investment Fund	1,905,880		1,905,880
Federal Home Loan	294,188	\$ 294,188	
Utah Housing Corporation	186,946	186,946	
Totals	<u>\$ 7,644,991</u>	<u>\$ 481,134</u>	<u>\$ 7,163,857</u>

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, 2004, the College had \$294,188 in Federal Home Loan and \$186,946 in Utah Housing Corporation which were held by the counterparty's trust department or agent but not in the government's name.

NOTE C: CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets at June 30, 2004 consisted of the following:

	Beginning Balances	Adjustments ⁽⁷⁾	Adjusted Beginning Balances	Additions	Reductions	Ending Balance
Land	\$ 1,293,213		\$ 1,293,213			\$ 1,293,213
Art and special collections		\$ 116,112	116,112		\$ 1,658	114,454
Land improvements/infrastructure	3,442,189		3,442,189	\$ 853,402		4,295,591
Buildings	37,040,035		37,040,035	11,423,957	1,400,353	47,063,639
Equipment	13,544,458	(187,932)	13,356,526	717,720	865,729	13,208,517
Library books	818,512		818,512	53,206	28,291	843,427
Construction in progress	59,588		59,588	11,518	59,588	11,518
Total	<u>56,197,995</u>	<u>(71,820)</u>	<u>56,126,175</u>	<u>13,059,803</u>	<u>2,355,619</u>	<u>66,830,359</u>
Less: Accumulated depreciation for:						
Land improvements/infrastructure	1,347,184	941,753	2,288,937	120,673		2,409,610
Buildings	13,611,985		13,611,985	1,135,908	1,348,422	13,399,471
Equipment	10,324,786	(40,832)	10,283,954	769,487	790,895	10,262,546
Library books	333,859		333,859	39,364	28,290	344,933
Total	<u>\$ 25,617,814</u>	<u>\$ 900,921</u>	<u>\$ 26,518,735</u>	<u>\$ 2,065,432</u>	<u>\$ 2,167,607</u>	<u>\$ 26,416,560</u>
Capital Assets – net			<u>\$ 30,580,181</u>			<u>\$ 40,413,799</u>

COLLEGE OF EASTERN UTAH
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Bonds, Notes and Contracts Payable at June 30, 2004 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 06/30/04</u>
Student Dormitory						
Revenue Bond (1)	08/20/1996	06/01/2022	5.10-6.10	\$1,250,000	\$35,000	\$1,035,000
AT&T Capital Corporation (2)	10/21/1997	10/21/2004	7.00	163,551	12,127	12,127
Utah System of Higher Education (6)	2002/2003	2007/2008	0.00	296,069	74,307	139,594
Utah Building Ownership						
Authority (4)	11/15/1998	05/15/2018	3.80-5.50	1,875,000	75,664	1,495,886
Office of Energy Services (5)	01/12/1999	12/31/2005	0.00	285,542	48,020	72,026
CEU Foundation:						
Farmers Home Admin (3)	12/12/1980	12/12/2010	5.00	523,000	25,689	156,434
Farmers Home Admin (3)	10/07/1981	10/07/2011	5.00	60,000	2,834	23,077
Farmers Home Admin (3)	03/15/1994	03/15/2024	5.125	616,700	15,198	497,548
Farmers Home Admin (3)	05/02/1995	05/02/2025	5.00	654,200	14,589	545,890
Farmers Home Admin (3)	01/28/1998	01/28/2028	4.875	877,330	16,630	775,076
Farmers Home Admin (3)	04/18/1998	04/18/2018	4.875	514,101	20,353	401,214
Total Bonds, Notes, & Contracts Payable - Reporting Entity				<u>\$ 7,115,493</u>	<u>\$ 341,726</u>	<u>\$ 5,153,872</u>

See the following notes (1) through (6)

- (1) 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, 2004, the College had restricted \$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, 2004, the College has accumulated \$86,007 in this fund. The interest rate on the bonds varies from 5.10% to 6.10%.
- (2) The AT&T Capital Corporation note is secured by telephone equipment.
- (3) The Farmers Home Administration debt is secured by the dormitories on both the Price and San Juan Campuses, and the Food Service/Bookstore building on the San Juan Campus. Each month \$18,067 is paid by the College to the 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 student fees. In addition, \$1,454 per month is paid by the College to the Foundation until the required reserve of \$176,971 is met. As of June 30, 2004, the amount in the reserve fund totaled \$128,601.

On April 18, 1998 the Foundation purchased from the San Juan Foundation the three auxiliary buildings on the Blanding Campus. The Foundation financed the

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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 by the College to the Foundation until the required reserve of \$40,347 is met. As of June 30, 2004, the reserve fund totaled \$25,275.

- (4) 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 Student Center in the amount of \$1,875,000. The College will pay the bond, principal, and interest, to the Utah 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 \$119,293 to the College as a result of lower interest rates. The principal amount remained the same; therefore, there was no book value gain or loss.
- (5) 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.
- (6) The Utah System of Higher Education note is an unsecured note. The funds were used to purchase SUN equipment, Oracle database software, Banner software, and maintenance agreements for the College's new administrative computer system.
- (7) Certain beginning balances were adjusted due to reclassification and prior period adjustments.

Maturities of long-term debt principal and interest requirements for the College at June 30, 2004 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2005	\$ 341,726	\$ 263,890	\$ 605,616
2006	286,486	250,720	537,206
2007	273,359	238,713	512,072
2008	245,285	226,034	471,319
2009	256,134	212,852	468,986
2010-2014	1,292,851	861,295	2,154,146
2015-2019	1,400,386	477,938	1,878,324
2020-2024	789,152	162,313	951,465
2025-2029	268,493	27,128	295,621
Total	<u>\$ 5,153,872</u>	<u>\$ 2,720,883</u>	<u>\$ 7,874,755</u>

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Changes in long-term liabilities for the year ended June 30, 2004 are summarized below:

	Beginning Balance	Additions	Deletions	Ending Balance	Current Portion
Bonds Payable	\$ 1,070,000		\$ 35,000	\$ 1,035,000	\$ 35,000
Notes & Contracts Payable	4,443,983		325,111	4,118,872	306,726
Compensated Absences and Post-employment	1,435,509	\$ 284,451	331,598	1,388,362	337,364
Total	<u>\$ 6,949,492</u>	<u>\$ 284,451</u>	<u>\$ 691,709</u>	<u>\$ 6,542,234</u>	<u>\$ 679,090</u>

NOTE D: 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.

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

NOTE E: 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 System (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 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

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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 7.21% of their annual covered salary. In the State and School Noncontributory Retirement System the College is required to contribute 13.20% (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, 2004, 2003 and 2002 were \$4,267, \$3,763, and \$3,763, respectively, and for the Noncontributory Retirement System the contribution for the years ending June 30, 2004, 2003, and 2002 were \$545,805, \$505,628, and \$566,918, respectively. The contributions were equal to the required contributions for each year.

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, 2004, the College's contribution to this defined contribution plan was 14.2% of the employee's annual salary or \$663,186. The College has no further liability once annual contributions are made.

NOTE F: POST EMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

In addition to the pension benefits described in Note E, 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 2004, the following early retirement option is in effect:

Total Retirement Option

Prior to July 1, 2002 the following early retirement policy was in place at the College. 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

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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, 19 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, 2004, the stipend and benefits expense for the early retirement program totaled \$392,759.

In August 2002, the Board of Trustees adopted the following special retirement policy:

Employees may apply for special retirement if they are at least 56 years or older with a minimum of 15 years of full-time service at the College. To meet the full-time service requirement, the employee must be a benefit-eligible salaried employee employed 75 percent of a calendar year or more. The employee must have an accumulation of 75 points based on the sum of the chronological age and years of service. For employees funded 50% or more by non-state funds (grants, auxiliaries, self-supporting enterprises), approval will be based on availability of on-going funds from the grant or enterprise.

The retirement package will be for a period of five years or until retiree is eligible for full social security benefits, whichever occurs first. The employee will receive a stipend of 20% of the employee's base salary during the fiscal year in which retirement becomes effective. The stipend will not exceed the estimated maximum social security benefit to which the retiree is entitled.

Employee's will also continue to receive coverage in the group medical and dental insurance programs at the same level provided all full-time personnel for a period not to exceed five years or until the retiree becomes eligible for Medicare. Medical and dental coverage will terminate immediately at the time the retiree is eligible for any other medical or dental plan. In the case of death of the retiree all payments and benefits will terminate at the end of the month in which death occurs.

NOTE G: MUSEUM ASSETS

The College operates the CEU Prehistoric Museum in conjunction with Price City. 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 Statement of Net Assets.

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NOTE H: 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 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 I: CONSTRUCTION

The San Juan campus is in the process of constructing a 9,600 square foot building which will house offices, student center, food service and bookstore. Funding for the project will be provided by the State Division of Facilities, Construction, and Management; food service revenue; housing revenue; and a loan from the Community Impact Board. Construction in progress of \$11,518 was for the project.

NOTE J: PLEDGES

Pledges of over \$2.2 million have been made through trusts, insurance policies and estate plans. Of this amount, 54% of the gifts are unrestricted.

NOTE K: ADMINISTRATIVE COMPUTER SYSTEM

Implementation of the new administrative computer system for finance and human resources has been completed. Implementation of student information and alumni development systems will begin March 2005.

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NOTE L: FUNCTIONAL CLASSIFICATIONS OF EXPENSES

The following schedule presents operating expenses by functional classification for the year ended June 30, 2004:

Instruction	\$ 7,442,003
Public service	359,639
Academic support	1,708,090
Student services	3,807,593
Institutional support	2,898,725
Operation and maintenance of plant	4,633,882
Scholarships	2,327,414
Auxiliary and service units	<u>2,432,201</u>
Total operating expenses	<u>\$ 26,609,547</u>