



**2019**

ANNUAL FINANCIAL REPORT

**UtahStateUniversity**



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# 2019

## ANNUAL FINANCIAL REPORT

**UtahStateUniversity**

A COMPONENT UNIT OF THE STATE OF UTAH



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LETTER FROM THE PRESIDENT

As the land-grant institution of Utah, Utah State University is fortunate to have dedicated faculty with diverse areas of expertise in learning, discovery, and outreach. Specific to our education mission, our faculty provides excellence in teaching not only on our main campus in Logan, but also at our statewide campuses and through our many online degree offerings. Our dedication to education and learning continues to provide accolades as the University was ranked as the No. 5 public university in “National Universities Rankings 2018” by Washington Monthly and No. 15 “Best Online Bachelor’s Program” in the nation by Forbes in 2019.

We have worked hard at Utah State University to ensure that we are not only known as a high quality land-grant institution that delivers research and outreach, but one that is also affordable for our students. In 2014, we made updates to our tuition plateau that dramatically affected the number of students who currently take advantage of the savings. Those taking anywhere from 12 to 18 credits only pay tuition and fees for 12 credits, essentially receiving up to six credits for free. This not only applies to our on-campus classes, but to our many online classes as well. This resulted in an overall \$8.3 million savings for our students in 2018-19.

The financial statements that follow are prepared according to generally accepted accounting principles established by the Governmental Accounting Standards Board. These principles are recommended by the American Institute of Certified Public Accountants and the National Association of College and University Business Officers.

The Office of the State Auditor has audited the financial statements for the year ending June 30, 2019. Their opinion is included with this report. The annual financial report is intended to establish the University’s financial position as of the end of June. It is also intended to reflect the flow of financial resources to the University during the fiscal year 2018-19, while disclosing how these resources are applied in accomplishing our mission.

We are pleased to share this report with you.



**NOELLE E. COCKETT**

*President*

*Utah State University*



OFFICE OF THE  
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee  
and  
Noelle E. Cockett, President  
Utah State University

**Report on the Financial Statements**

We have audited the accompanying financial statements of Utah State University (University), a component unit of the State of Utah, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Utah State University Research Foundation, a blended component unit foundation, which represents 8.0 percent, 3.0 percent, and 19.3 percent, respectively, of total assets, net position, and total revenues of the University. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Utah State University Research Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2019, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Other Matters*

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of the University's Proportionate Share of Net Pension Liabilities, and the Schedule of the University's Defined Benefit Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The Letter from the President and the listing of the Executive Officers and Board of Trustees have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on this other information.

## **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2019 on our consideration of the University'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Office of the State Auditor*

Office of the State Auditor  
October 21, 2019



# MANAGEMENT'S DISCUSSION & ANALYSIS

This section provides an overview of the University's financial activities in the current year compared to the prior year. Total assets and liabilities are presented as well as the change in net position from the prior year. Revenues, expenses, appropriations from the state, contributions, etc., are analyzed and discussed. The cash activity is also summarized to show the change in cash from the prior year to the current year.

## INTRODUCTION

The following unaudited Management's Discussion and Analysis (MD&A) includes an analysis of the financial condition and results of activities of Utah State University (University) for the fiscal year (FY) ended June 30, 2019. The analysis includes the University's condensed and comparative Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows along with related graphs and comparative data. Also included is management's perspective of the University's economic outlook.

The University is a component unit of the State of Utah. The financial statements include the accounts of Utah State University Agricultural Experiment Station, Utah State University Cooperative Extension Service, Utah State University Water Research Laboratory, Utah State University Brigham City Regional Campus, Utah State University Tooele Regional Campus, Utah State University Uintah Basin Regional Campus, Utah State University Southeast Region, and Utah State University Eastern (USU Eastern), which are separately funded by state appropriations.

The Utah State University Research Foundation (USU Research Foundation) and the Utah State University Foundation (Foundation) are blended component units of the University and have been consolidated in these financial statements. USU Research Foundation is governed by a Board of Trustees appointed by the president of Utah State University, under the direction of the University's Board of Trustees. USU Research Foundation is a dependent foundation of Utah State University and is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a Board of Trustees appointed by the president of the University. The Utah State University Foundation is a dependent foundation of Utah State University and serves as a fund-raising arm of the University.

The USU Research Foundation annually publishes audited financial statements. A copy of the audited financial statements can be obtained from USU Research Foundation, 1695 North Research Parkway, North Logan, Utah 84341.

## OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The Management's Discussion and Analysis is designed to provide an easily readable analysis of the University's financial activities based on facts, decisions, and conditions known at the date of the auditor's report.

The University's financial statements for fiscal year 2019 are presented beginning on page 16. The financial statements, note disclosures, and this discussion are the responsibility of management. This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities*. These financial statements focus on the operations, cash flows, and the main condition of the University as a whole. There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

## STATEMENT OF NET POSITION

The Statement of Net Position outlines the University's financial condition at fiscal year end. This statement reflects the various assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the fiscal year ended June 30, 2019.

From the data presented, readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the University. They can also determine how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Position outlines the net position (assets plus deferred outflows of resources minus liabilities minus deferred inflows of resources) available to the University and defines that availability.

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, reflects the University's equity in property, plant, and equipment owned by the University. The second category, Restricted, is further divided into two subcategories: Nonexpendable and Expendable. The corpus of restricted nonexpendable resources as it pertains to endowments is only available for investment purposes. Donors have primarily restricted income derived from these investments to fund scholarships and fellowships. The corpus of restricted nonexpendable resources as it pertains to loan funds is only available for the purpose of issuing loans to students under the terms of the various donor and federal government agreements. Restricted expendable resources are available for expenditure by the University but must be expended for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The last category, Unrestricted, discloses the resources available to the University to be used for any lawful purpose of the University.

## CONDENSED STATEMENT OF NET POSITION

As of June 30

	2019	2018	Change	% Change
<b>ASSETS</b>				
Current assets	\$171,661,911	\$169,569,093	\$2,092,818	1.23 %
Noncurrent assets				
Net capital assets	956,964,463	911,459,445	45,505,018	4.99 %
Other noncurrent assets	662,227,423	600,897,054	61,330,369	10.21 %
Total assets	1,790,853,797	1,681,925,592	108,928,205	6.48 %
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized losses on bonds	7,090,171	7,481,148	(390,977)	(5.23)%
Resources related to pensions	20,411,257	20,677,761	(266,504)	(1.29)%
Total deferred outflows of resources	27,501,428	28,158,909	(657,481)	(2.33)%
<b>LIABILITIES</b>				
Current liabilities	134,659,950	122,136,970	12,522,980	10.25 %
Noncurrent liabilities	313,088,508	296,092,146	16,996,362	5.74 %
Total liabilities	447,748,458	418,229,116	29,519,342	7.06 %
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Split-interest agreements	3,673,096	1,928,082	1,745,014	90.51 %
Deferred gift revenue	558,865	1,006,987	(448,122)	(44.50)%
Resources related to pensions	2,695,188	19,539,272	(16,844,084)	(86.21)%
Total deferred inflows of resources	6,927,149	22,474,341	(15,547,192)	(69.18)%
<b>NET POSITION</b>				
Net investment in capital assets	742,503,197	707,397,179	35,106,018	4.96 %
Restricted – nonexpendable	149,442,413	141,644,718	7,797,695	5.51 %
Restricted – expendable	235,919,473	225,915,233	10,004,240	4.43 %
Unrestricted	235,814,535	194,423,914	41,390,621	21.29 %
Total net position	\$1,363,679,618	\$1,269,381,044	\$94,298,574	7.43 %

In fiscal year 2019, the University's total net position increased \$94.3 million (7.4%) to \$1.36 billion. The increase reflects those revenues that were received during fiscal year 2019 but were not used for operations or payment of interest on capital asset related debt.

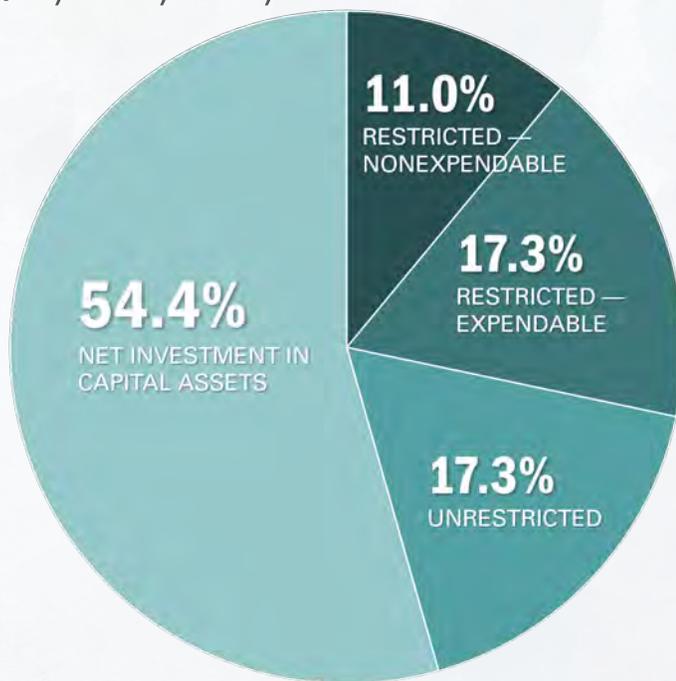
Total assets increased \$108.9 million (6.5%) while total liabilities increased \$29.5 million (7%). Current assets increased by \$2.1 million (1.2%). Cash and cash equivalents increased \$12.5 million largely due to the sale of investments. Short-term investments decreased \$18.1 million largely due to purchases of long-term investments when short-term investments matured. Accounts receivable increased \$9.1 million due to a \$12.1 million increase in contracts and grants and a net decrease of \$3 million from state agencies. Prepaid expenses decreased \$1.4 million largely due to an effort to adjust more service contracts to coincide with our fiscal year. Noncurrent assets increased \$106.8 million

due to a net increase of \$45.5 million in capital assets, an increase of \$82.3 million in investments, a \$14.6 million decrease in restricted cash and cash equivalents, a \$6.1 million decrease in accounts receivable, and a \$0.3 million decrease in split-interest agreements. The net increase in capital assets is comprised of construction projects completed or in progress, purchases of equipment, and offset by depreciation expense of all depreciable capital assets. Several large construction projects were completed or in progress including the Life Sciences Building, the Space Dynamics Laboratory Building, the Nora Eccles Harrison Museum of Art, and the Central Suites Residence Hall. The University capitalized \$34.5 million, \$17.8 million, \$5.3 million, and \$3.4 million, respectively, for these projects during fiscal year 2019. The decrease in restricted cash and cash equivalents is largely due to the spending of prior year bond construction proceeds as they were spent throughout the year for the Space Dynamics Laboratory

Building and the Central Suites Residence Hall. Current liabilities increased \$12.5 million (10.3%), while noncurrent liabilities increased \$17 million (5.7%). The majority of the increase is due to an increase of \$5.3 million in salaries and benefits liability, an increase of \$4.2 million payable to suppliers, an increase of \$18.5 million in the net pension liability, the recognition of a \$10.2 million liability for the discontinued portion of the Federal Perkins Student Loan program, and a decrease of \$9.5 million in bonds, notes, and contracts payable.

The composition of the University's net position was:

**BALANCE AT JUNE 30, 2019**  
**\$1,363,679,618**



## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Changes in total net position as presented in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of this statement is to present the revenues received by the University, both operating and nonoperating, and the expenses of the University, operating and nonoperating, and any other revenues, expenses, gains, and losses received or expended by the University.

Operating revenues are received for providing goods and services to the various customers and constituencies of the University. 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 University. Nonoperating revenues are revenues received for which goods and services are not provided; for example, state appropriations are nonoperating revenues because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services in return for those revenues. Without the nonoperating revenues, in particular the state appropriations, private gifts, and financial aid grants, the University would not be able to cover its costs of operations. These sources are critical to the University's financial stability and directly impact the quality of its programs. In fiscal year 2019, funding from these sources was adequate to cover all of the University's costs of operations.

The Statement of Revenues, Expenses, and Changes in Net Position shows the activity that resulted in a \$94.3 million increase in net position for the fiscal year ended June 30, 2019.

The University experienced a net operating loss in fiscal year 2019 of \$282.6 million. This operating loss highlights the University's dependency on nonoperating revenues such as state appropriations and private gifts to meet its costs of operations.

Total fiscal year 2019 operating revenues increased by \$76.8 million (16.7%) over 2018. Tuition and fee revenues increased \$4.6 million (3.2%) which reflects increases in tuition rates. Contracts, grants, and federal appropriations increased 28.7%, providing \$63.7 million of the increase in operating revenues, reflecting the University's expanding research efforts, particularly at the Space Dynamics Lab.

Net nonoperating revenues increased \$38.9 million (13.9%). State appropriations increased \$17.2 million largely due to \$6.1 million for compensation, \$5 million for student growth, \$2.7 million for cooperative extension, \$1.6 million for regional campuses, and \$1 million for performance funding. State grants decreased \$0.9 million largely due to a reduction of the USTAR funding. Private gifts increased \$5.8 million primarily due to a greater number of donors. Financial aid grants decreased \$1.8 million as \$0.7 million of state grants were reclassified to the state grant category, and fewer grants were issued. Investment income increased \$21.4 million due to a significant increase in total investments, a significant increase in unrealized gains on investments, and an increased average rate of return on investments. The Federal Perkins Student Loan Program was discontinued this year, resulting in a nonoperating expense and a liability of \$10.2 million was recognized.



Capital appropriations, capital grants, and gifts are helping to fund various capital projects that are discussed in the Capital Asset and Debt Administration section on page 14. Capital appropriations, managed through the Division of Facilities Construction and Management, were \$49.5 million, consisting of \$34.5 million for the Life Sciences Building, \$4.8 million for the Fine Arts Center addition and renovation projects, and \$10.2 million for various buildings and infrastructure upgrades and improvements. Capital grants and gifts decreased by \$2.5 million as many construction projects have been completed.

Total operating expenses increased \$86.7 million (11.8%) in fiscal year 2019. Salaries, wages, and benefits went up \$41.9 million (9%) due to an increase of 262 benefited employees to a total of 4,427 benefited employees, salary increases, and a 4.1% increased cost of medical insurance. Other operating expenses increased \$41.5 million (21.8%) mostly due to tremendous growth in the Space Dynamics Lab operations.

## CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended June 30

	2019	2018	Change	% Change
<b>OPERATING REVENUES</b>				
Tuition and fees (net of scholarship allowances of: FY 2019 – \$91,968,747; FY 2018 – \$85,743,959)	\$150,248,218	\$145,663,113	\$4,585,105	3.15 %
Contracts, grants, and federal appropriations	285,524,851	221,801,908	63,722,943	28.73 %
Auxiliary enterprises (net of scholarship allowances of: FY 2019 – \$910,269; FY 2018 – \$738,179)	54,434,140	51,957,537	2,476,603	4.77 %
Other operating revenues	47,615,200	41,615,940	5,999,260	14.42 %
Total operating revenues	537,822,409	461,038,498	76,783,911	16.65 %
<b>OPERATING EXPENSES</b>				
Salaries and wages	354,956,030	327,128,027	27,828,003	8.51 %
Employee benefits	147,707,259	133,671,073	14,036,186	10.50 %
Other operating expenses	232,115,278	190,616,131	41,499,147	21.77 %
Scholarships and fellowships	34,454,937	33,417,025	1,037,912	3.11 %
Depreciation	51,165,284	48,888,124	2,277,160	4.66 %
Total operating expenses	820,398,788	733,720,380	86,678,408	11.81 %
Operating loss	(282,576,379)	(272,681,882)	(9,894,497)	(3.63)%
<b>NONOPERATING REVENUES</b>				
State appropriations	220,450,232	203,257,655	17,192,577	8.46 %
Private gifts	24,964,629	19,165,660	5,798,969	30.26 %
Financial aid grants	42,554,071	44,328,330	(1,774,259)	(4.00)%
Other	30,909,052	13,232,788	17,676,264	133.58 %
Net nonoperating revenues	318,877,984	279,984,433	38,893,551	13.89 %
Income before other revenues	36,301,605	7,302,551	28,999,054	397.11 %
<b>OTHER REVENUES</b>				
Capital appropriations	49,536,533	21,028,230	28,508,303	135.57 %
Capital grants and gifts	4,654,726	7,168,369	(2,513,643)	(35.07)%
Additions to permanent endowments	3,805,710	4,442,210	(636,500)	(14.33)%
Total other revenues	57,996,969	32,638,809	25,358,160	77.69 %
Increase in net position	94,298,574	39,941,360	54,357,214	136.09 %
<b>NET POSITION - BEGINNING OF YEAR</b>	1,269,381,044	1,229,439,684	39,941,360	3.25 %
<b>NET POSITION - END OF YEAR</b>	\$1,363,679,618	\$1,269,381,044	\$94,298,574	7.43 %

The University's sources of revenue available to meet current operating costs were:

## REVENUES USED FOR OPERATING EXPENSES For Fiscal Year 2019

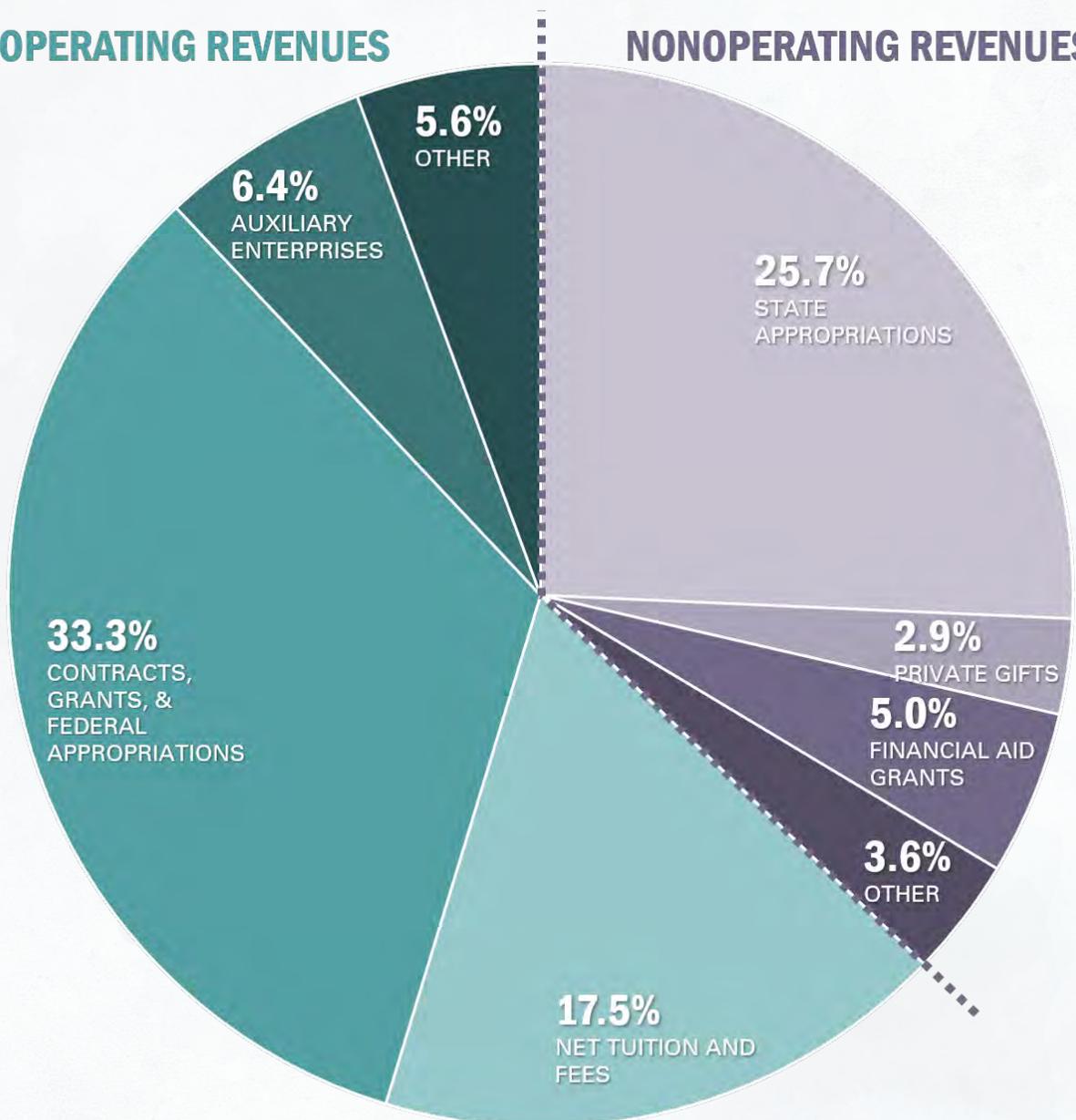
OPERATING REVENUES **\$537,822,409**

NONOPERATING REVENUES **\$318,877,984**

TOTAL **\$856,700,393**

### OPERATING REVENUES

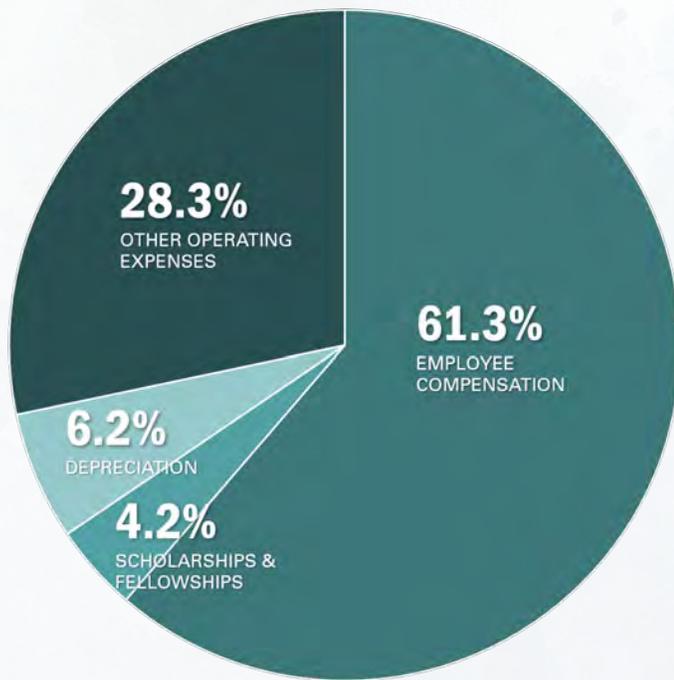
### NONOPERATING REVENUES



The University's operating expenses by classification were:

## OPERATING EXPENSES For Fiscal Year 2019

### \$820,398,788



## STATEMENT OF CASH FLOWS

The final statement presented by Utah State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by operating activities. The second section includes cash flows from noncapital financing activities. This section includes the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section includes cash flows from capital and related financing activities. This section includes the cash used for the acquisition and construction of capital and related items. The fourth section includes the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. A condensed version of these first four sections is below. The fifth section of the Statement of Cash Flows is not included in the Condensed Statement of Cash Flows, which reconciles the net cash used for operations to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. This reconciliation is available for review in the Statement of Cash Flows on page 23.

The University's cash and cash equivalents had a net decrease of \$2,025,720 to a total of \$80,065,896. Current cash and cash equivalents increased by \$12.5 million largely due to the sale of investments. Noncurrent cash and cash equivalents decreased by \$14.6 million

<b>CONDENSED STATEMENT OF CASH FLOWS</b>				
For the Years Ended June 30				
	2019	2018	Change	% Change
<b>CASH PROVIDED (USED) BY:</b>				
(1) Operating activities	(\$228,643,961)	(\$221,518,205)	(\$7,125,756)	(3.22)%
(2) Noncapital financing activities	303,004,876	280,710,451	22,294,425	7.94 %
(3) Capital and related financing activities	(56,722,307)	(55,559,303)	(1,163,004)	(2.09)%
(4) Investing activities	(19,664,328)	4,182,828	(23,847,156)	(570.12)%
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(2,025,720)</b>	<b>7,815,771</b>	<b>(9,841,491)</b>	<b>(125.92)%</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<b>82,091,616</b>	<b>74,275,845</b>	<b>7,815,771</b>	<b>10.52 %</b>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$80,065,896</b>	<b>\$82,091,616</b>	<b>(\$2,025,720)</b>	<b>(2.47)%</b>

largely due to the net decrease of balances of bond construction proceeds.

## CAPITAL ASSET AND DEBT ADMINISTRATION

Construction of the Central Suites Residence Hall was substantially completed in August 2018. The project includes the demolition and replacement of an aging high rise residence hall on central campus. The new residence hall provides 378 beds and 124,400 square-feet for students living on campus and is sited on the central campus for maximum convenience. The project was funded with the proceeds of the University's \$24,455,000 Student Fee and Housing System Revenue Bonds, Series 2015, that were issued in September of 2015.

Construction of a 78,893 square-foot, three story building for the Space Dynamics Laboratory located at the USU Innovation Campus began in July of 2018. The building will provide additional office and laboratory space to meet the growing demand for Space Dynamics Laboratory research projects. The project is funded with the proceeds of the University's \$32,210,000 Research Revenue Bonds, Series 2018B, that were issued in June of 2018.

The expansion and renovation of the Nora Eccles Harrison Museum of Art was completed in September of 2018. It features a prominent new entrance and lobby on the northwest corner of the Fine Arts Center. The project was funded with private donations and state appropriations.

Construction of the Life Sciences Building was completed and opened for classes in January of 2019. The building is located on the former site of the Peterson Agricultural Building south of the Biology-Natural Resources Building and north of the Eccles Conference Center. The 96,820 square-foot, multi-level facility houses the Department of Biology, along with 13 teaching laboratories, a lecture hall, research laboratories, and student study spaces. The project was funded with \$34.4 million in state appropriations and \$7 million from University and donor funds.

The \$26 million renovation of the Biology Natural Resources Building began in May of 2019, following the appropriation from the state in the 2018 legislative session. The building is located adjacent to the newly constructed Life Sciences Building. The Biology and Natural Resources (BNR) renovation is currently in construction, and consists of 48,000 gross square-feet of renovated space and 7,000 gross square-feet of new space. The project includes a full renovation of the north wing and a partial renovation of the west wing. The renovated circulation core provides ADA restrooms, exit stairs, and elevator upgrades for the

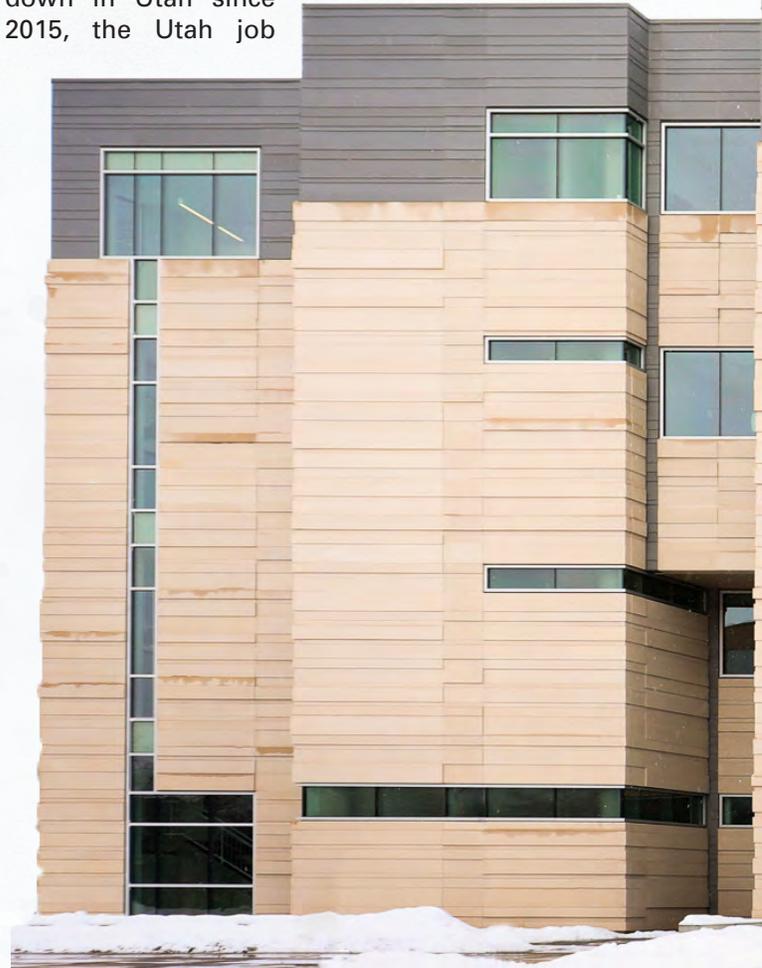
building. An addition to the west entrance will provide a lobby and student study space outside the existing 300 seat auditorium.

In FY19-20, the University's \$54,995,000 Student Fee and Housing System Revenue Bonds, Series 2019, were issued for the purpose of financing the costs of constructing a six-story student apartment building (containing four to six units, housing 402 beds); a multi-level parking structure with 403 parking spaces; paying capitalized interest; funding a debt service reserve account; and paying the costs associated with the issuance of the 2019 bonds.

In FY19-20, the University's \$5,745,000 Series 2019A Research Revenue Refunding Bonds were issued for the purpose of refunding the Series 2018A Research Revenue Bonds that were issued to provide funding for the acquisition of a building and associated land in Salt Lake County, Utah.

## ECONOMIC OUTLOOK

The Utah economy continues to be strong with job growth consistently ranked among the top states in the nation. Although the rate of growth has been trending down in Utah since 2015, the Utah job



market anticipates another year of solid growth in 2019 and this would be the eighth consecutive year of job growth above 3.0 percent. Since 2010, no state has seen higher job growth than Utah. The state also ranks in the top tier in personal income growth reflecting rising wage rates. Due in part to expanding State revenues from a strong Utah economy, the University received new ongoing and one-time appropriations during the previous legislative session and the forecast for sustained economic growth improves the opportunity for increased legislative funding support for the University going forward.

State-wide projections for the Utah System of Higher Education (USHE) expect an additional 57,000 student enrollments to USHE institutions over the next decade, with many of those new students anticipated to enroll at Utah State University campuses. Modest growth has been and continues to be financially healthy for the institution and beneficial to the academic experience and success for students. Overall,

headcount enrollment for Fall semester 2019 over all USU campuses was flat. Timely completion initiatives implemented over the past few years resulted in record numbers of graduates in 2019 and therefore a lower number of returning students but those enrollment losses were offset by a larger incoming freshmen class and improved retention rates of current students. Headcount on the main campus continues to hover at just under 20,000 students with overall USU enrollment near 28,000.

The University has a diverse source of revenues, including those from the State of Utah, student tuition and fees, sponsored research programs, private support, and self-supporting enterprises. This diversity of revenues continues to provide financial stability and significant protection against potentially difficult future economic times.

Management believes that USU's financial position will continue to enable the University to move forward and accomplish its mission of being one of the nation's premier student-centered, land-grant, and space-grant universities.





# FINANCIAL STATEMENTS

The financial statements consist of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Each statement presents a different financial perspective of the University for the fiscal year ended June 30, 2019.



## STATEMENT OF NET POSITION

June 30, 2019

<b>ASSETS</b>	
Current assets	
Cash and cash equivalents (Notes A, B, and D)	\$53,914,087
Short-term investments (Notes B and D)	37,832,205
Accounts receivable from primary government (Note E)	3,289,163
Accounts receivable from others - net (Note E)	65,981,183
Credits receivable (Note E)	115,086
Notes receivable - net (Note E)	2,234,449
Inventories (Note A)	4,001,388
Prepaid expenses	4,294,350
Total current assets	171,661,911
Noncurrent assets	
Restricted	
Cash and cash equivalents (Notes A, B, and D)	26,151,809
Short-term investments (Notes B and D)	2,893,950
Investments (Notes C and D)	212,609,243
Accounts receivable - net (Note E)	8,186,750
Notes receivable - net (Note E)	48,698
Real estate held for resale	385,031
Split-interest agreements	1,678,082
Accounts receivable - net (Note E)	15,167,657
Notes receivable - net (Note E)	7,273,682
Investments (Notes C and D)	387,800,575
Other noncurrent assets	31,946
Property, plant, and equipment - net (Note F)	956,964,463
Total noncurrent assets	1,619,191,886
Total assets	1,790,853,797
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Unamortized refunding losses on bonds	7,090,171
Resources related to pensions (Note K)	20,411,257
Total deferred outflows of resources	27,501,428

*Table continued on next page*

## STATEMENT OF NET POSITION (continued)

June 30, 2019

### LIABILITIES

Current liabilities	
Accounts payable and accrued liabilities to primary government (Note G)	5,264,215
Accounts payable and accrued liabilities to others (Note G)	71,692,933
Liability for compensated absences (Note H)	15,087,413
Liability for early retirement (Note H)	5,482,822
Unearned revenue and deposits	23,484,140
Other current liabilities (Note H)	4,447,245
Funds held for others	108,291
Notes payable to primary government (Note H)	49,472
Bonds, notes, and contracts payable (Notes H and I)	9,043,419
<b>Total current liabilities</b>	<b>134,659,950</b>
Noncurrent liabilities	
Liability for compensated absences (Note H)	6,674,236
Liability for early retirement (Note H)	10,350,138
Unearned revenue and deposits	1,264,567
Other noncurrent liabilities (Note H)	7,749,504
Notes payable to primary government (Note H)	135,741
Bonds, notes, and contracts payable (Notes H and I)	233,068,167
Net pension liability (Note K)	53,846,155
<b>Total noncurrent liabilities</b>	<b>313,088,508</b>
<b>Total liabilities</b>	<b>447,748,458</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Split-interest agreements	3,673,096
Deferred gift revenue (Notes C and D)	558,865
Resources related to pensions (Note K)	2,695,188
<b>Total deferred inflows of resources</b>	<b>6,927,149</b>
<b>NET POSITION</b>	
Net investment in capital assets	742,503,197
Restricted	
Nonexpendable	
Scholarships and fellowships	94,126,523
Instruction	37,315,552
Loans	2,722,531
Other	15,277,807
Expendable	
Research, instruction, and public service	210,877,745
Capital projects	25,041,728
Unrestricted	235,814,535
<b>Total net position</b>	<b>\$1,363,679,618</b>

The Notes to the Financial Statements are an integral part of this statement



## STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2019

<b>OPERATING REVENUES</b>	
Tuition and fees - net (Note A)	\$150,248,218
Federal appropriations	4,919,540
Federal contracts and grants	254,667,445
State contracts and grants	10,084,623
Local contracts and grants	1,262,790
Private contracts and grants	14,590,453
Sales and services	31,149,573
Service departments	812,930
Auxiliary enterprises - net (Note A)	54,434,140
Other	15,652,697
<b>Total operating revenues</b>	<b>537,822,409</b>
<b>OPERATING EXPENSES</b>	
Salaries and wages	354,956,030
Employee benefits	135,393,806
Actuarial calculated pension expense (Note K)	12,313,453
Other operating expenses	232,115,278
Scholarships and fellowships	34,454,937
Depreciation	51,165,284
<b>Total operating expenses</b>	<b>820,398,788</b>
<b>Operating loss</b>	<b>(282,576,379)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
State appropriations	220,450,232
State grants	8,756,630
State land grant revenues	212,559
Financial aid grants	42,554,071
Private gifts	24,964,629
Investment income	42,530,261
Interest on capital asset related debt	(8,710,766)
Other	(11,879,632)
<b>Total nonoperating revenues (expenses)</b>	<b>318,877,984</b>
<b>Income before other revenues</b>	<b>36,301,605</b>
<b>OTHER REVENUES</b>	
Capital appropriations	49,536,533
Capital grants and gifts	4,654,726
Additions to permanent endowments	3,805,710
<b>Total other revenues</b>	<b>57,996,969</b>
<b>Increase in net position</b>	<b>94,298,574</b>
<b>NET POSITION - BEGINNING OF YEAR</b>	<b>1,269,381,044</b>
<b>NET POSITION - END OF YEAR</b>	<b>\$1,363,679,618</b>

The Notes to the Financial Statements are an integral part of this statement

**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2019

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees receipts	\$147,320,779
Federal appropriations receipts	4,919,540
Contracts and grants receipts	268,944,609
Sales and services receipts	31,149,573
Receipts from service departments	805,756
Receipts from auxiliary enterprises	54,895,755
Other operating receipts	15,719,259
Payments to employees for salaries and benefits	(493,449,065)
Payments to suppliers	(226,333,111)
Payments for scholarships and fellowships	(34,454,937)
Loans issued to students	(9,250)
Loan payments received from students	1,847,131
Net cash used by operating activities	(228,643,961)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations	220,447,566
State grants	10,984,314
State land grant revenues	203,410
Financial aid grants	42,647,277
Private gifts	28,026,497
Split interest agreements	284,089
Federal direct loans issued to students	(55,064,986)
Federal direct loan payments received from federal government	55,241,357
Other additions	235,352
Net cash provided by noncapital financing activities	303,004,876

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital appropriations	11,428,749
Capital grants and gifts	5,859,850
Other additions	309,591
Cash paid for capital assets	(56,362,963)
Payment of capital debt and leases	(9,141,649)
Interest paid on capital asset related debt	(8,815,885)
Net cash used by capital and related financing activities	(56,722,307)

*Table continued on next page*

## STATEMENT OF CASH FLOWS (continued)

For the Year Ended June 30, 2019

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(166,914,512)
Proceeds from sale of investments	126,777,961
Interest and dividends received from investments	20,472,223
Net cash used by investing activities	(19,664,328)
Net decrease in cash and cash equivalents	(2,025,720)
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	82,091,616
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$80,065,896

### RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	(\$282,576,379)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	51,165,284
Gifts-in-kind and transfers reducing payments to suppliers	495,115
Changes in assets and liabilities	
Accounts receivable	(12,204,048)
Inventories	(303,437)
Prepaid expenses	1,362,430
Accounts payable and accrued expenses	9,559,823
Unearned revenues and deposits	(1,962,854)
Compensated absences and early retirement	1,967,948
Net pension liability	1,914,512
Net student loan activity	1,937,645
Net cash used by operating activities	(\$228,643,961)

### NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Completed construction projects transferred from State of Utah	\$39,354,328
Change in fair value of investments recognized as a component of investment income	22,442,598
Amortization of premiums, discounts, and net loss on bonds	(105,119)
Additions to pledges receivable for noncapital financing activities	1,214,417
Additions to pledges receivable for capital and related financing activities	7,000
Disposal of capital assets due to write off	(495,532)
Gifts of capital assets	1,525,267
Total noncash investing, capital, and financing activities	\$63,942,959

The Notes to the Financial Statements are an integral part of this statement



# NOTES TO FINANCIAL STATEMENTS

The notes to the financial statements communicate information essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements. As such, the notes form an integral part of the basic financial statements as they present more detailed information about the University's investments, bonds outstanding, capital assets, etc.

## A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Utah State University are described below.

### BASIS OF PRESENTATION

The University is a component unit of the State of Utah. The financial statements include the accounts of Utah State University Agricultural Experiment Station, Utah State University Cooperative Extension Service, Utah State University Water Research Laboratory, Utah State University Brigham City Regional Campus, Utah State University Tooele Regional Campus, Utah State University Uintah Basin Regional Campus, Utah State University Southeast Region, and Utah State University Eastern (USU Eastern), which are separately funded by state appropriations.

The Utah State University Research Foundation (USU Research Foundation) and the Utah State University Foundation are blended component units of the University and have been consolidated in these financial statements. USU Research Foundation is governed by a Board of Trustees appointed by the president of Utah State University, under the direction of the University's Board of Trustees. USU Research Foundation is a dependent foundation of Utah State University and is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a Board of Trustees appointed by the president of the University. The Utah State University Foundation is a dependent foundation of Utah State University and serves as a fund-raising arm of the University.

The USU Research Foundation annually publishes audited financial statements. A copy of the audited financial statements can be obtained from USU Research Foundation, 1695 North Research Parkway, North Logan, Utah 84341.

### BASIS OF ACCOUNTING

For financial reporting purposes, the University is considered a special purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated. When both restricted and unrestricted

resources are available, such resources are spent and tracked at the discretion of the department within the guidelines of donor restrictions.

The accounting policies of the University conform in all material respects with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

### CASH AND CASH EQUIVALENTS

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

### INVESTMENTS

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

A portion of the University's endowment portfolio is invested in "alternative investments". These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. The University values these investments based on the values provided by the partnerships as well as their audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent capital calls and distributions.

### INVENTORIES

The value of the University Campus Store inventory is recorded at average cost, determined using the retail inventory method, while all other inventory values are essentially lower of cost (first-in, first-out) or market, including the cost of project houses waiting to be sold or under construction. Obsolete or unusable items are reduced to net realizable values.

## NONCURRENT ASSETS

Assets that are externally restricted for capital purposes, to make debt service payments, maintain sinking or reserve funds, or that represent assets of the University's endowments (including real estate held for resale and split-interest agreements) are classified as noncurrent restricted assets.

The remaining noncurrent assets include those receivables that will not be realized within the next year, investments, the cost of land purchased for future project houses, and the University's property, plant, and equipment, net of depreciation.

## PROPERTY, PLANT, AND EQUIPMENT

All buildings are carried on an estimated historical cost basis or at acquisition value at date of donation in the case of gifts. All other physical plant and equipment are stated at cost when purchased or constructed or acquisition value at date of donation in the case of gifts.

The University capitalizes all equipment with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Purchased software is capitalized when acquisition costs are \$100,000 or more. Buildings costing \$250,000 or more are capitalized, as are improvements to buildings costing \$250,000 or more that extend the useful life of the building. Improvements other than buildings costing \$250,000 or more are also capitalized. All library physical collections inventoried in the University's recognized libraries are capitalized regardless of cost. Art and special collections held by the University are capitalized but not depreciated. The University computes depreciation using the straight-line composite method over the estimated useful life of the assets. The estimated useful lives are: *(Figure A.1)*

**FIGURE A.1**

Buildings	10-40 years
Improvements other than buildings	5-20 years
Equipment	3-15 years
Purchased software	5-10 years
Library physical collections	20 years

The University provides repair and replacement reserves for certain properties as required by the related bond indentures. Routine repairs and maintenance are charged to operating expense in the period in which the expense was incurred.

## PENSION RELATED ASSETS, LIABILITIES, DEFERRED OUTFLOWS, AND DEFERRED INFLOWS

The University records its share of any unfunded liability associated with participation in the defined benefit plans of the Utah Retirement Systems (Systems). For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems' Pension Plan and additions to or deductions from the Systems' fiduciary net position are determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. The Systems' Pension Plan investments are reported at fair value.

## UNEARNED REVENUES

Unearned revenues consist primarily of amounts received during the fiscal year that have not yet been earned and are related to the subsequent accounting period. These sources consist of contract and grant sponsors, amounts received for tuition and fees, and certain auxiliary activities.

## COMPENSATED ABSENCES

Sick leave is not accrued but is reported in the period of actual expenditure. Sick leave does not vest to the employee but is allowed on an earned time basis. At the end of each calendar year, employees who have earned 48 days of sick leave may convert up to four days of sick leave to annual leave, subject to other restrictions of the University.

Annual leave, including converted sick leave, is accrued and reported as earned. Employees are allowed to carry a maximum of 34 days of annual leave. The 34 days is variable depending on the number of sick leave days the employee is allowed to convert at calendar year end.

## GIFTS

The University received \$595,325 of gifts-in-kind that were recorded as revenue and expense during the fiscal year ended June 30, 2019.

## NONCURRENT LIABILITIES

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and contracts payable that are due beyond the next fiscal year. The



remaining noncurrent liabilities include estimated amounts for accrued compensated absences, early retirement, net pension, and the repayment of the federal share for the Perkins Loan program.

## DEFERRED INFLOWS

As of June 30, 2019, the University has recognized \$1,678,082 as a restricted asset along with a deferred inflow of resources in the amount of \$3,673,096 for certain irrevocable split-interest agreements. The University has a beneficial interest or right to a portion of the benefits donated, pursuant to an irrevocable split-interest agreement, in which the donor enters into a trust and transfers resources to an intermediary. Asset recognition criteria include: (1) the government is specified by name as beneficiary in the legal document underlying the donation; (2) the donation agreement is irrevocable; (3) the donor has not granted variance power to the intermediary with respect to the donated resources; (4) the donor does not control the intermediary, such that the actions of the intermediary are not influenced by the donor beyond the specified stipulations of the agreement; and (5) the irrevocable split-interest agreement established a legally enforceable right for the government's benefit (an unconditional beneficial interest).

## NET POSITION

The University's net position is classified as follows:

**NET INVESTMENT IN CAPITAL ASSETS:** This represents the University's total investment in capital assets net of obligations related to those capital assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

**RESTRICTED – NONEXPENDABLE:** Restricted – nonexpendable net position consists of endowment and similar-type funds which, as a condition of the gift instruments, the donors or other outside sources have stipulated that the principal is to be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income. The income may either be expended or added to principal. Also included in this category are funds received from donors for the purpose of providing short and long-term loans to students.

**RESTRICTED – EXPENDABLE:** Restricted – expendable net position includes resources in which the University is legally or contractually obligated to spend in

accordance with restrictions imposed by external third parties.

**UNRESTRICTED:** Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of university departments. These resources are used for transactions relating to the educational and general operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services primarily for students.

## CLASSIFICATION OF REVENUES AND EXPENSES

**OPERATING REVENUES:** Operating revenues include activities that have the characteristics of exchange transactions such as: (1) student tuition and fees, net of scholarship allowances; (2) sales and services of auxiliary enterprises and other departments; (3) most federal, state, and local contracts and grants and federal appropriations; and (4) interest on institutional student loans.

**NONOPERATING REVENUES:** Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts, contributions, and other revenue sources that are defined as nonoperating revenues based on GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. Examples of nonoperating revenues would include state appropriations and investment income.

**OPERATING/NONOPERATING EXPENSES:** All expenses are classified as operating expenses except interest expense, losses on the disposal of capital assets, uncollectible gifts, and the expense recognized in relation to the liability of the Federal Perkins Loan Program.

## SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that revenues from other sources are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship

allowance to eliminate overstating total revenues to the University and properly record the revenues at the original source.

The scholarship allowances for the year ended June 30, 2019, were: (Figure A.2)

Tuition and fees	\$91,968,747
Auxiliary enterprises	910,269
<b>Total scholarship allowances</b>	<b>\$92,879,016</b>

## SEGMENT REPORTING

The University, through the Utah State Board of Regents, issues revenue bonds to finance certain activities. The University has deemed it not necessary to report segments on these bond issues, based upon the criteria provided in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

## B. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Cash and cash equivalents consist of cash and investments with an original maturity of three months or less. Short-term investments consist of investments with an original maturity greater than three months that will mature within one year or less. Cash, depending on source of receipts, is pooled except when legal requirements dictate the use of separate accounts. The cash balances and cash float from outstanding checks are invested principally in short-term investments that conform to the provisions of the Utah Code. It is the practice of the University that the investments ordinarily be held to maturity at which time the par value of the investments will be realized.

The Utah State Treasurer's Office operates the Utah Public Treasurers' Investment Fund (PTIF) which is invested in accordance with the State Money Management Act (the Act). The State of Utah Money Management Council provides regulatory oversight for the PTIF. The PTIF is available for investment of funds administered by any Utah Public Treasurer.

At June 30, 2019, cash and cash equivalents and short-term investments consisted of: (Figure B.1)

## FIGURE B.1 Cash and Cash Equivalents

Cash	\$13,233,670
Money market accounts	16,200,000
Money market mutual funds	21,105,752
Utah Public Treasurers' Investment Fund	29,526,474
<b>Total cash and cash equivalents</b>	<b>\$80,065,896</b>

## Short-Term Investments

Commercial paper and corporate notes	\$37,278,585
Common and preferred stock-options	(44,728)
Municipal bonds	3,492,298
<b>Total short-term investments (fair value)</b>	<b>\$40,726,155</b>

## C. INVESTMENTS

Funds available for investment are pooled to maximize return and minimize administrative cost, except for funds that are authorized by the University administration to be separately invested or which are separately invested to meet legal or donor requirements. Investments received as gifts are recorded at market or appraised value. If no market or appraised value is available, investments received as gifts are recorded at a nominal value. Other investments are also recorded at fair value.

University personnel manage certain portfolios, while other portfolios are managed by banks, investment advisors, or through trust agreements.

According to the University's Investment Policy, the governing board may appropriate for expenditure as much of the net appreciation, realized and unrealized, of an endowment's corpus as is prudent under the facts and circumstances prevailing at the time of the action or decision. The appropriation must be for the purposes for which the endowment is established and also includes a management fee.

The endowment income spending policy at June 30, 2019, was 4 percent of the 12 quarter moving average of the market value of the endowment pool with a one year lag. The spending policy is reviewed periodically and any necessary changes are made.

The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2019, was \$43,476,131. The net appreciation is a component of restricted-expendable net position.

At June 30, 2019, the investment portfolio composition was: (Figure C.1)

## FIGURE C.1 Long-Term Investments

Alternatives	\$56,429,554
Closely held stocks	558,865
Commercial paper and corporate notes	186,650,104
Common and preferred stocks	39,394,340
Municipal bonds	19,714,551
Mutual funds - bonds	43,837,721
Mutual funds - equity	98,739,791
Obligations of the U.S. Government and its agencies	155,084,892
<b>Total long-term investments (fair value)</b>	<b>\$600,409,818</b>

## D. DEPOSITS AND INVESTMENTS

### DEPOSITS

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

At June 30, 2019, the carrying amounts of the University's deposits and bank balances were \$29,249,319 and \$35,454,625, respectively. The bank balances of the University were insured for \$1,097,900 by the Federal Deposit Insurance Corporation. The bank balances in excess of \$1,097,900 were uninsured and uncollateralized, leaving \$34,356,725 exposed to custodial credit risk.

### INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the Utah 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 Money Management Act (Utah Code, Title 51, Chapter 7) (the Act) that relate to the deposit and investment of public funds.

Except for endowment funds, the University follows the requirements of the Act in handling its depository and investment transactions. The Act requires the depositing of University 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 State of Utah Money Management Council.

For endowment funds, the University follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), State Board of Regents Policy R541, *Management and Reporting of Institutional Investments*, and the University's Investment Policy and endowment guidelines.

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

Statutes authorize the University to invest in negotiable or non-negotiable deposits of qualified or permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. Government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); 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 of certificates in a money market mutual fund as defined in the Act; reciprocal deposits and negotiable brokered certificates of deposit in accordance with the Act; and the Utah State Public Treasurers' Investment Fund (PTIF).

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission as an investment company. The PTIF is authorized and regulated by the Act. The Act established the State of Utah Money Management Council which oversees the activities of the Utah 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 UPMIFA and Policy R541 allow the University to invest endowment funds (including gifts, devises, or

bequests of property of any kind from any source) in any of the above investments or any of the following, subject to certain criteria: mutual funds registered with the Securities and Exchange Commission, investments sponsored by the Commonfund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

The University's Investment Policy allows the University to invest endowment funds in investments authorized by the Act or any of the following investments: readily marketable equities, which are diversified across a spectrum of market capitalizations, multiple regions, by issue, industry, and sector; readily marketable fixed income investments diversified by country, issue, sector, coupon, and quality; bonds having a minimum quality of "A" or better; and alternative investments that derive returns primarily from high-yield and distressed debt (hedged or non-hedged), natural resources, private capital (including venture capital, private equity, both domestic and international), commodities, private real estate assets or absolute return, and long/short hedge funds. In addition endowment funds may be invested as specifically directed by donor agreements.

**FAIR VALUE OF INVESTMENTS:** The University measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

**Level 1:** Quoted prices for identical investments in active markets

**Level 2:** Observable inputs other than quoted market prices

**Level 3:** Unobservable inputs

At June 30, 2019, the University had recurring fair value measurements of: *(Figure D.1)*

**FIGURE D.1**

— Fair Value Measurements Using —

	Total	Level 1	Level 2	Level 3
<b>INVESTMENTS BY FAIR VALUE LEVEL</b>				
Debt securities				
Money market mutual funds	\$21,105,752	\$21,105,752	—	—
Utah Public Treasurers' Investment Fund	29,526,474	—	\$29,526,474	—
Commercial paper and corporate notes	223,928,689	—	223,928,689	—
Municipal bonds	23,206,849	—	23,206,849	—
Mutual funds – bonds	43,837,721	459,814	14,082,211	\$29,295,696
U.S. agencies	150,971,824	—	150,971,824	—
U.S. treasury securities	4,113,068	3,998,720	114,348	—
<b>Total debt securities</b>	<b>496,690,377</b>	<b>25,564,286</b>	<b>441,830,395</b>	<b>29,295,696</b>
Equity securities				
Closely held stock	558,865	—	—	558,865
Common and preferred stock	39,394,340	39,394,340	—	—
Common and preferred stock-options	(44,728)	(44,728)	—	—
Mutual funds - equity	98,739,791	1,180,856	64,687,586	32,871,349
<b>Total equity securities</b>	<b>138,648,268</b>	<b>40,530,468</b>	<b>64,687,586</b>	<b>33,430,214</b>
<b>Total investments by fair value level</b>	<b>635,338,645</b>	<b>\$66,094,754</b>	<b>\$506,517,981</b>	<b>\$62,725,910</b>
<b>INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)</b>				
Emerging markets equity	4,881,158			
Hedge funds	4,758,070			
International equity	9,188,821			
Private equity core real estate	8,479,040			
Private equity natural resources	4,104,791			
Private equity partnerships	10,482,878			
Private equity real estate funds	10,230,255			
Private infrastructure	2,479,234			
Venture capital funds	1,825,307			
<b>Total investments measured at (NAV)</b>	<b>56,429,554</b>			
<b>Total investments at fair value</b>	<b>\$691,768,199</b>			



Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches:

**U.S. Treasuries, U.S. Agencies, and Commercial Paper:** quoted prices for identical securities in markets that are not active

**Corporate and Municipal Bonds:** quoted prices for similar securities in active markets

**Bond and Equity Mutual Funds:** published fair value per share (unit) for each fund

**Utah Public Treasurers' Investment Fund:** application of the June 30, 2019, fair value factor, as calculated by the Utah State Treasurer, to the University's June 30 balance in the fund

Securities, namely bond mutual funds, closely held stock, and equity mutual funds classified in Level 3 are valued manually using various sources such as issuer, investment manager, client, etc., or default price if a price is not provided.

Investments valued using the net asset value per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. A portion of the University's endowment portfolio is invested in alternative investments. The University values these investments based on the values provided by the partnerships as well as their audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent capital calls and distributions.

The unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the University's alternative investments measured at NAV were: *(Figure D.2)*



**FIGURE D.2**

Investments measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Emerging markets equity	\$4,881,158	—	N/A	N/A
Hedge funds	4,758,070	—	Quarterly	100 Days
International equity	9,188,821	—	Quarterly	100 Days
Private equity core real estate	8,479,040	—	Quarterly	30 - 60 Days
Private equity natural resources	4,104,791	\$4,414,456	N/A	N/A
Private equity partnerships	10,482,878	6,853,090	N/A	N/A
Private equity real estate funds	10,230,255	11,395,136	N/A	N/A
Private infrastructure	2,479,234	5,901,277	N/A	N/A
Venture capital funds	1,825,307	75,000	N/A	N/A
<b>Total investments measured at NAV</b>	<b>\$56,429,554</b>	<b>\$28,638,959</b>		

**INTEREST RATE RISK:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the University’s Investment Policy, as applicable. For non-endowment funds, the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed-rate negotiable deposits, and fixed-rate corporate obligations to 270 days – 15 months or fewer. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions

of the State to five years. In addition variable-rate negotiable deposits and variable-rate securities may not have a remaining term to final maturity exceeding three years. For endowment funds, the University’s Investment Policy requires only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2019, the University’s investments and maturities consisted of: *(Figure D.3)*

**FIGURE D.3**

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 – 5	6 – 10	Greater than 10
Money market mutual funds	\$21,105,752	\$21,105,752	—	—	—
Utah Public Treasurers’ Investment Fund	29,526,474	29,526,474	—	—	—
Commercial paper and corporate notes	223,928,689	37,278,585	\$126,478,709	\$3,179,692	\$56,991,703
Municipal bonds	23,206,849	3,492,298	8,437,954	7,640,299	3,636,298
Mutual funds – bonds	43,837,721	—	36,485,291	7,352,430	—
U.S. agencies	150,971,824	—	30,042,586	120,332,699	596,539
U.S. treasury securities	4,113,068	—	4,113,068	—	—
<b>Totals</b>	<b>\$496,690,377</b>	<b>\$91,403,109</b>	<b>\$205,557,608</b>	<b>\$138,505,120</b>	<b>\$61,224,540</b>

**FIGURE D.4**

Investment Type	Fair Value	AAA	AA
Money market mutual funds	\$21,105,752	—	—
Utah Public Treasurers' Investment Fund	29,526,474	—	—
Commercial paper and corporate notes	223,928,689	\$1,943,931	\$23,814,128
Municipal bonds	23,206,849	14,557,799	7,202,016
Mutual funds – bonds	43,837,721	—	—
U.S. agencies	150,971,824	—	130,624,582
U.S. treasury securities	4,113,068	—	—
Totals	\$496,690,377	\$16,501,730	\$161,640,726

**CREDIT RISK:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University's policy for reducing its exposure to credit risk is to comply with the State Money Management Act and the University's Investment Policy, as previously discussed. As of June 30, 2019, the University had investments with quality ratings of: (Figure D.4)

**CONCENTRATION OF CREDIT RISK:** Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the rules of the State of Utah Money Management Council. For endowment funds, the University policy requires diversification of investments across a broad spectrum and specific limits to concentration of securities within categories of equities, fixed income, and alternatives. Rule 17 of the State of Utah Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10 percent depending upon the total dollar amount held in the portfolio at the time of purchase. The State of Utah Money Management Council limitations do not apply to securities issued by the U.S. Government and its agencies.

For endowments, the University, under Policy R541, is permitted to establish its own investment policy which adheres to the guidelines established by UPMIFA. Accordingly, the University's asset allocation guidelines allocate endowment funds in the following asset classes: (Figure D.5)

**FIGURE D.5**

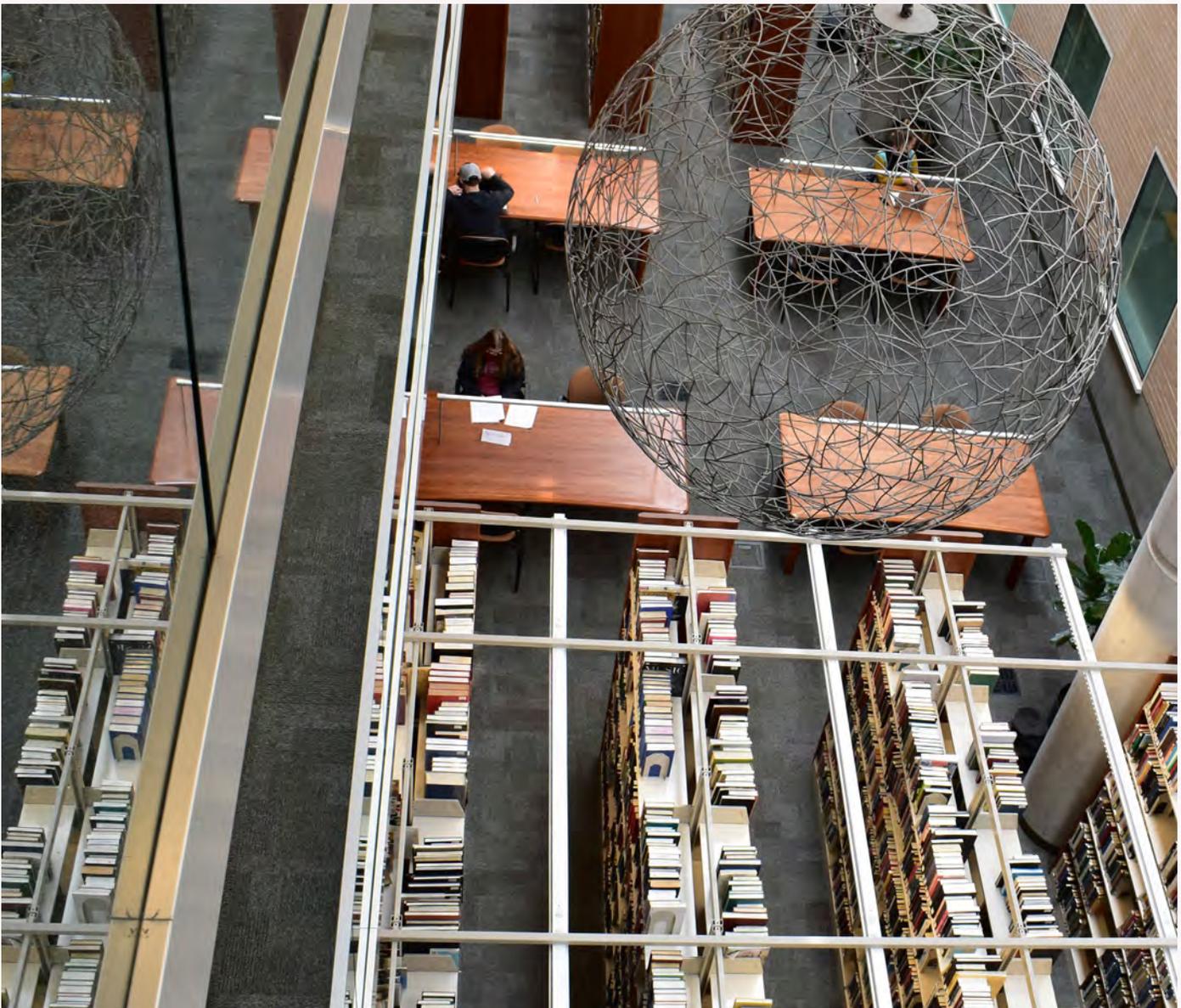
Asset Category	Broad Asset Allocation Targets	
	Target (%)	Range (%)
Global Equity	45	35-55
Investment Grade Fixed Income	15	10-20
Opportunistic Fixed Income	15	10-20
Alternative Assets	25	10-30

At June 30, 2019, the University held more than 5 percent of total investments in securities of the Federal Home Loan Bank and Federal Farm Credit Bank. These investments represent 7.91 and 8.78 percent, respectively, of the total investments.

**CUSTODIAL CREDIT RISK:** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The University does not have a formal investment policy for custodial credit risk. At June 30, 2019, the University had \$39,394,340 in common and preferred stock, (\$44,728) in common and preferred stock-options, \$223,928,689 in commercial paper and corporate notes, \$23,206,849 in municipal bonds, and \$150,596,877 in U.S. agencies which were uninsured and held by the counterparty, but not in the University's name.

## Quality Rating

	A	BBB	BB	B	Unrated	No Risk
	—	—	—	—	\$21,105,752	—
	—	—	—	—	29,526,474	—
	\$114,868,312	\$74,266,635	\$2,495,000	—	6,540,683	—
	1,396,256	50,778	—	—	—	—
	—	—	—	—	43,837,721	—
	—	—	—	—	19,972,295	\$374,947
	—	—	—	—	—	4,113,068
	\$116,264,568	\$74,317,413	\$2,495,000	\$0	\$120,982,925	\$4,488,015



## E. ACCOUNTS, CREDITS, AND STUDENT LOANS RECEIVABLE

As of June 30, 2019, accounts receivable consisted of: (Figure E.1)

Credits receivable, \$115,086, reflect amounts due from vendors doing business primarily with the University's Campus Store.

Student loans receivable are comprised primarily of loans issued through the Federal Perkins Loan Program

<b>FIGURE E.1</b>	Current	Noncurrent	Total
<b>DUE FROM PRIMARY GOVERNMENT</b>			
State contracts and grants	\$1,765,536	—	\$1,765,536
State grant – USTAR	545,248	—	545,248
Land-grant revenue	119,271	—	119,271
Division of Facilities Construction and Management	834,854	—	834,854
Due from State of Utah	24,254	—	24,254
<b>DUE FROM OTHERS</b>			
Contracts and grants	57,110,229	—	57,110,229
Pledges receivable	1,519,165	\$22,930,632	24,449,797
Auxiliary and service enterprises	1,207,559	—	1,207,559
Other activities	6,821,075	423,775	7,244,850
<b>Total accounts receivable</b>	<b>69,947,191</b>	<b>23,354,407</b>	<b>93,301,598</b>
Less allowance for doubtful accounts	(676,845)	—	(676,845)
<b>Net accounts receivable</b>	<b>\$69,270,346</b>	<b>\$23,354,407</b>	<b>\$92,624,753</b>

(FPLP) and short-term loans issued from funds set aside by the University for that purpose.

The FPLP loans provide for cancellation of a loan at rates of 10 percent to 30 percent per year up to a maximum of 100 percent if the participant complies with certain provisions. The FPLP loans become payable by the student after completion of academic degrees or termination as a student, with a term of ten years and an interest rate of 5 percent. The federal government is no longer providing funds for the FPLP program. The University has been directed to not issue additional loans. The University will continue to collect on outstanding loans and remit the federal

portion as the money is collected. As of June 30, 2019, the outstanding liability to the federal government was \$10,292,202.

As the University determines that loans are uncollectible and not eligible for reimbursement by the federal government, the loans are written off and assigned to the U.S. Department of Education.

Other University short-term loans have a term of two to four months and carry an interest rate of 7 percent to 12 percent. The 12 percent rate applies if the loan becomes delinquent. Notes receivable consisted of: (Figure E.2)

<b>FIGURE E.2</b>	Current	Noncurrent	Total Receivables
Federal Perkins Loan Program	\$1,850,419	\$7,341,740	\$9,192,159
Other	411,494	48,698	460,192
<b>Total notes receivable</b>	<b>2,261,913</b>	<b>7,390,438</b>	<b>9,652,351</b>
Less allowance for doubtful accounts	(27,464)	(68,058)	(95,522)
<b>Net notes receivable</b>	<b>\$2,234,449</b>	<b>\$7,322,380</b>	<b>\$9,556,829</b>

## F. PROPERTY, PLANT, AND EQUIPMENT

Interest capitalized as part of building construction was \$510,862 and was included as part of construction in progress. The University's investment in property, plant, and equipment consisted of: (Figure F.1)

<b>FIGURE F.1</b>	June 30, 2018	Additions	Deletions	June 30, 2019
<b>PROPERTY, PLANT, AND EQUIPMENT NOT DEPRECIATED</b>				
Land	\$42,270,976	\$1,664,663	—	\$43,935,639
Construction in progress				
Buildings	44,933,097	29,498,551	\$54,627,197	19,804,451
Improvements other than buildings	965,462	3,326,773	2,564,277	1,727,958
Equipment	612,051	335,125	319,672	627,504
Art and special collections	37,218,786	6,520,643	—	43,739,429
Total property, plant, and equipment not depreciated	126,000,372	41,345,755	57,511,146	109,834,981
<b>OTHER PROPERTY, PLANT, AND EQUIPMENT</b>				
Buildings	1,081,693,958	94,617,956	—	1,176,311,914
Improvements other than buildings	76,706,455	2,564,277	—	79,270,732
Equipment	192,741,153	15,562,566	6,214,669	202,089,050
Library collections	78,151,681	506,221	78,960	78,578,942
Total other property, plant, and equipment	1,429,293,247	113,251,020	6,293,629	1,536,250,638
<b>LESS ACCUMULATED DEPRECIATION</b>				
Buildings	395,734,643	32,463,627	—	428,198,270
Improvements other than buildings	43,641,391	3,916,126	—	47,557,517
Equipment	141,853,404	12,687,370	5,799,342	148,741,432
Library collections	62,604,736	2,098,161	78,960	64,623,937
Total accumulated depreciation	643,834,174	51,165,284	5,878,302	689,121,156
Net other capital assets	785,459,073	62,085,736	415,327	847,129,482
<b>CAPITAL ASSETS - SUMMARY</b>				
Capital assets not depreciated	126,000,372	41,345,755	57,511,146	109,834,981
Other capital assets at cost	1,429,293,247	113,251,020	6,293,629	1,536,250,638
Total cost of capital assets	1,555,293,619	154,596,775	63,804,775	1,646,085,619
Less accumulated depreciation	643,834,174	51,165,284	5,878,302	689,121,156
Net capital assets	\$911,459,445	\$103,431,491	\$57,926,473	\$956,964,463

## G. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As of June 30, 2019, accounts payable and accrued liabilities consisted of: (Figure G.1)

<b>FIGURE G.1</b>	
Salaries and benefits payable	\$40,841,537
Salaries and benefits payable due to primary government	3,574,026
Due to primary government	1,690,189
Suppliers payable	29,485,056
Interest payable	1,306,458
Other	59,882
<b>Total accounts payable and accrued liabilities</b>	<b>\$76,957,148</b>

## H. BONDS, NOTES, CONTRACTS, AND OTHER NONCURRENT LIABILITIES

Assets pledged for payment of bonds and contracts include the net revenue of auxiliary enterprises, land-grant funds, specific student fees, and reimbursed facilities and administrative costs. The gross amount of capital assets purchased under capital leases as of June 30, 2019, was \$32,874,492 with associated accumulated depreciation of \$23,929,362. Bonds, notes, and contracts outstanding at June 30, 2019, were: (Figure H.1)

<b>FIGURE H.1</b>	
<b>BONDS PAYABLE</b>	
Stadium/Spectrum and Student Recreation Bonds	
Series 2013 2.00%-4.00%, 2013-2026, \$8,405,000	\$5,280,000
Series 2013B 3.00%-5.00%, 2014-2023, \$43,310,000	3,540,000
Series 2015 3.00%-5.00%, 2016-2046, \$23,900,000	22,570,000
Series 2017 2.00%-5.00%, 2018-2045, \$38,825,000	38,675,000
<b>Total Stadium/Spectrum and Student Recreation Bonds</b>	<b>70,065,000</b>
Student Housing System Revenue Bonds	
Series 2007 4.00%-5.25%, 2007-2035, \$39,155,000	34,045,000
Series 2015 3.00%-5.00%, 2016-2038, \$24,455,000	22,850,000
Series 2016 2.50%-5.00%, 2017-2046, \$19,540,000	18,280,000
<b>Total Student Housing System Revenue Bonds</b>	<b>75,175,000</b>
Research Revenue Bonds	
Series 2015 1.17%-4.75%, 2016-2047, \$19,500,000	18,765,000
Series 2015B 3.00%-5.00%, 2016-2031, \$13,145,000	13,145,000
Series 2016 1.025%-4.049%, 2017-2047, \$10,135,000	9,700,000
Series 2018A 3.05%, 2018-2028, \$6,231,000	5,690,000
Series 2018B 3.00%-5.00%, 2018-2050, \$32,210,000	32,210,000
<b>Total Research Revenue Bonds</b>	<b>79,510,000</b>
<b>Total bonds payable</b>	<b>224,750,000</b>

Table continued on next page

## FIGURE H.1 (continued)

### NOTES AND CAPITAL LEASES PAYABLE

State of Utah, 0%, 2018-2023	185,213
Bank of America, 4.18%, 2007-2022	426,592
Bank of America, 2.54%, 2014-2024	4,654,408
Capital One Public Finance, 3.89%, 2014-2029	837,956
Zions Bank, 3.01%, 2017-2022	1,386,992
SunTrust Leasing Corp., 2.34%, 2013-2022	291,645
SunTrust Leasing Corp., 2.078%, 2013-2020	15,118
SunTrust Leasing Corp., 2.72%, 2013-2023	1,200,934
SunTrust Leasing Corp., 2.69%, 2013-2020	28,337
SunTrust Leasing Corp., 3.11%, 2014-2021	70,811
SunTrust Leasing Corp., 2.71%, 2014-2019	6,299
SunTrust Leasing Corp., 3.04%, 2014-2021	63,299
<b>Total notes and capital leases payable</b>	<b>9,167,604</b>
<b>EQUIPMENT CONTRACTS PAYABLE</b>	<b>0</b>
<b>Total bonds, notes, and equipment contracts payable</b>	<b>233,917,604</b>

### UNAMORTIZED PREMIUMS, REOFFERING PREMIUMS (RP), AND DISCOUNTS ON BONDS

2007 Bonds - RP	2,215,927
2013 Bonds - RP	308,819
2013B Bonds - premium	18,342
2015 (building) Bonds - premium	444,781
2015 (housing) Bonds - premium	696,778
2015 (research) Bonds - discount	(75,466)
2015B (research) Bonds - premium	1,463,130
2016 (housing) Bonds - premium	755,557
2017 (building) Bonds - premium	1,078,684
2018B (research) Bonds - premium	1,472,643
<b>Total unamortized premiums, RPs, and discounts on bonds</b>	<b>8,379,195</b>
<b>Total bonds, notes, and equipment contracts payable including net unamortized premiums, RPs, and discounts on bonds</b>	<b>\$242,296,799</b>

The changes in bonds, notes, and equipment contracts payable for the fiscal year ended June 30, 2019 were: (Figure H.2)

<b>FIGURE H.2</b>	Bonds	Notes and Capital Leases	Equipment Contracts	Total Payable	Unamortized Premiums and Discounts	Total Net of Premiums and Discounts
<b>June 30, 2018</b>	\$231,451,000	\$11,578,543	\$29,710	\$243,059,253	\$8,875,292	\$251,934,545
Additions	—	—	—	—	—	—
Deletions	(6,701,000)	(2,410,939)	(29,710)	(9,141,649)	(496,097)	(9,637,746)
<b>June 30, 2019</b>	\$224,750,000	\$9,167,604	\$0	\$233,917,604	\$8,379,195	\$242,296,799

The University has complied with the restrictive covenants of its bond agreements. Amounts due on bonds and contracts payable in future years are: (Figure H.3)

<b>FIGURE H.3</b>	Bonds	Bonds Interest	Notes and Capital Leases	Notes and Capital Leases Interest	Equipment Contracts	Equipment Contracts Interest	Total Amount Required
2020	\$6,838,000	\$8,729,022	\$2,254,891	\$227,733	—	—	\$18,049,646
2021	7,660,000	8,424,031	2,252,963	164,787	—	—	18,501,781
2022	7,993,000	8,089,360	1,880,859	103,337	—	—	18,066,556
2023	8,351,000	7,736,902	1,278,129	61,710	—	—	17,427,741
2024	8,695,000	7,379,361	1,065,589	32,022	—	—	17,171,972
2025-2029	46,148,000	30,982,339	435,173	38,564	—	—	77,604,076
2030-2034	45,835,000	21,886,470	—	—	—	—	67,721,470
2035-2039	37,650,000	13,656,758	—	—	—	—	51,306,758
2040-2044	34,100,000	7,401,381	—	—	—	—	41,501,381
2045-2049	19,730,000	1,585,098	—	—	—	—	21,315,098
2050-2054	1,750,000	25,521	—	—	—	—	1,775,521
Totals	\$224,750,000	\$115,896,243	\$9,167,604	\$628,153	\$0	\$0	\$350,442,000

The outstanding balance of bonds defeased and refunded in current and prior years totaled \$36,770,000 at June 30, 2019. The bond liabilities of the defeased and refunded bonds are not included on the balance sheet.

The changes in liabilities for the year ended June 30, 2019, were: (Figure H.4)

**FIGURE H.4**

	June 30, 2018	Additions	Reductions	June 30, 2019	Amounts Due Within One Year
<b>BONDS, NOTES, AND EQUIPMENT CONTRACTS PAYABLE INCLUDING NET UNAMORTIZED PREMIUMS, RPS, AND DISCOUNTS ON BONDS</b>					
Bonds payable including net unamortized premiums, RPs, and discounts	\$240,326,292	—	(\$7,197,097)	\$233,129,195	\$6,838,000
Notes and capital leases payable	11,331,490	—	(2,349,099)	8,982,391	2,205,419
Notes payable to primary government	247,053	—	(61,840)	185,213	49,472
Equipment contracts payable	29,710	—	(29,710)	—	—
<b>Total bonds, notes, and contracts payable</b>	<b>251,934,545</b>	<b>\$0</b>	<b>(9,637,746)</b>	<b>242,296,799</b>	<b>9,092,891</b>
<b>OTHER NONCURRENT LIABILITIES</b>					
Liability for compensated absences	19,716,042	16,776,599	(14,730,992)	21,761,649	15,087,413
Liability for early retirement	15,910,619	5,840,698	(5,918,357)	15,832,960	5,482,822
Other liabilities	1,850,266	12,273,793	(1,927,310)	12,196,749	4,447,245
Net pension liability	35,354,433	18,491,722	—	53,846,155	—
<b>Total other noncurrent liabilities</b>	<b>72,831,360</b>	<b>53,382,812</b>	<b>(22,576,659)</b>	<b>103,637,513</b>	<b>25,017,480</b>
<b>Total noncurrent liabilities</b>	<b>\$324,765,905</b>	<b>\$53,382,812</b>	<b>(\$32,214,405)</b>	<b>\$345,934,312</b>	<b>\$34,110,371</b>

## I. PLEDGED BOND REVENUE

The University issues revenue bonds to provide funds for the construction and renovation of major capital facilities. Investors in these bonds rely solely on the net revenue pledged by the following activities for the retirement of outstanding bonds payable.

**STUDENT FEE AND HOUSING SYSTEM** is comprised of the net revenue from specific auxiliary enterprises and student building fee assessments. The Student Fee and Housing System includes all University housing, Parking Services, certain University Dining Services operations, the net revenues of the Taggart Student Center, Student Building Fees specifically identified in the bond resolution, and land-grant revenues. The University has pledged future net revenues of the Student Fee and Housing System to repay \$39,155,000, \$24,455,000, and \$19,540,000 in bonds issued in May 2007, September 2015, and July 2016, respectively. Proceeds from the 2007 bonds were used to refund bonds issued in 2004 that were issued to provide financing for the construction and renovation of six Student Fee and Housing System buildings, a parking structure, and a dining facility. Proceeds from the 2015 bonds provided financing for the construction of a Student Fee and Housing System building. Proceeds from the 2016 bonds

were used to acquire three apartment buildings and associated land. Student Fee and Housing System annual net revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$108,577,229. The bonds are payable solely from the Student Fee and Housing System and are payable through 2046.

**STUDENT FEE STADIUM/SPECTRUM RECREATION FACILITIES SYSTEM** is comprised of those student fees specifically identified in the bond resolution and paid by students for the use and availability of the facilities. The University has pledged future revenues of the specifically identified student fees to repay \$8,405,000, \$43,310,000, \$23,900,000, and \$38,825,000 in bonds issued in March 2013, August 2013, July 2015, and December 2017, respectively. Proceeds from the 2013 bonds were used to refund a portion of the bonds issued in 2004 that were issued to provide financing for renovating and remodeling portions of the University's football stadium and a student recreation center. Proceeds from the 2013B bonds provided financing for a portion of the cost of constructing, equipping, and furnishing a student recreation center and a facility for basketball practice and volleyball competition. Proceeds from the 2015 bonds provided financing for the construction and renovation of facilities at the University's football

stadium. Proceeds from the 2017 bonds were used to refund a portion of the 2013B bonds. Student fee revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$105,182,631. The bonds are payable solely from the Student Fee Stadium/Spectrum Recreation Facilities System and are payable through 2046.

**RESEARCH REVENUE SYSTEM** is comprised of the revenue generated from the recovery of allocated facilities and administration costs to contracts and grants based on federally approved negotiated rate agreements. The University has pledged future revenues of the Research Revenue System to repay \$19,500,000, \$13,145,000, \$10,135,000, \$6,231,000, and \$32,210,000 in bonds issued in October 2015, December 2015, July 2016, February 2018, and June 2018, respectively. Proceeds from the 2015B bonds were used to refund a portion of the bonds issued in 2009 that were issued to provide financing for the

cost of constructing two research facilities located at the University's main campus and the Vernal, Utah campus. Proceeds from the 2015 and 2016 bonds provided financing for the construction of a research facility on the USU Innovation Campus. Proceeds from the 2018A bonds were used to acquire a building and associated land located in Salt Lake County, Utah. Proceeds from the 2018B bonds provide financing for the construction of a research facility on the USU Innovation Campus. Research Revenue System revenues are projected to produce at least 250 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$126,886,384. The bonds are payable solely from the Research Revenue System and are payable through 2050.

The net revenue pledged to the applicable bond system and the principal and interest paid for the year ended June 30, 2019, was: *(Figure I.1)*

<b>FIGURE I.1</b>	<b>Student Fee Stadium/Spectrum Recreation Facilities System</b>		
	<b>Student Fee and Housing System</b>	<b>Recreation Facilities System</b>	<b>Research Revenue System</b>
<b>REVENUE</b>			
Operating revenue/gross profit	\$30,788,212	\$6,328,761	\$47,284,002
Nonoperating revenue	234,265	—	—
<b>Total revenue</b>	<b>31,022,477</b>	<b>6,328,761</b>	<b>47,284,002</b>
<b>EXPENSES</b>			
Operating expenses	18,749,387	—	—
<b>Total expenses</b>	<b>18,749,387</b>	<b>0</b>	<b>0</b>
Net pledged revenue	\$12,273,090	\$6,328,761	\$47,284,002
<b>PRINCIPAL PAID AND INTEREST EXPENSE</b>	<b>\$5,798,182</b>	<b>\$4,608,325</b>	<b>\$4,099,124</b>
<b>DEBT SERVICE RATIO</b>	<b>2.12X</b>	<b>1.37X</b>	<b>11.54X</b>

## J. OPERATING LEASES

As lessor, the University leases ground under noncancelable operating lease agreements which expire in fiscal year 2058. Rental revenue on the operating leases for the fiscal year ended June 30, 2019, was \$159,780. Future minimum rental revenues for these noncancelable operating leases are: *(Figure J.1)*

<b>FIGURE J.1</b>	
<b>FISCAL YEARS ENDING JUNE 30:</b>	
2020	\$159,780
2021	159,780
2022	159,780
2023	159,780
2024	159,780
Later years	9,864,749
<b>Total revenues</b>	<b>\$10,663,649</b>



As lessee, the USU Research Foundation leases various office, warehouse, and other facilities under noncancelable operating lease agreements with expiration dates ranging from fiscal year 2020 through fiscal year 2024. Rental expense on the operating leases for the fiscal year ended June 30, 2019, was \$2,244,331. Future minimum rental payments for these noncancelable operating leases are: *(Figure J.2)*

**FIGURE J.2**

**FISCAL YEARS ENDING JUNE 30:**

2020	\$3,055,274
2021	4,025,802
2022	4,101,693
2023	4,312,150
2024	4,533,928
<b>Total payments</b>	<b>\$20,028,847</b>

## K. PENSION PLANS AND RETIREMENT BENEFITS

Eligible employees of the University are covered by the Utah Retirement Systems (Systems), Teachers Insurance and Annuity Association (TIAA), and/or Fidelity Investments (Fidelity). Employees may also participate in defined contribution plans consisting of 401(k) and 457 plans managed by the Systems, TIAA, Fidelity, or Educators Mutual Insurance Association (EMIA).

## DEFINED BENEFIT PENSION PLANS

Eligible employees of the University are provided with the following defined benefit pension plans (cost-sharing, multiple-employer plans) administered by the Utah Retirement Systems:

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Public Employees Contributory Retirement System (Tier 1 Contributory System)
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Contributory System)
- Public Safety Retirement System (Public Safety System)
- Tier 2 Public Safety and Firefighter Contributory Retirement Systems (Tier 2 Public Safety Firefighters System)

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System. The University began participating in the Tier 2 Public Safety and Firefighter System in 2017.

The Utah Retirement Systems are established and governed by the respective sections of Title 49 of the Utah Code. The Systems' defined benefit plans are amended statutorily by the Utah Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction

of the board, whose members are appointed by the governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. The Systems are a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. The Utah Retirement Systems issues a publicly available financial report that may be obtained by writing to the Utah Retirement

Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

**BENEFITS PROVIDED:** The Systems provide retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits for each defined benefit plan are: *(Figure K.1)*

**FIGURE K.1**

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Tier 1 Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4.0%
Tier 1 Contributory System	Highest 5 years	30 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4.0%
Tier 2 Contributory System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4.0% depending upon employer
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\*With actuarial reductions | \*\*All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

**CONTRIBUTIONS:** As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Systems' board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any

unfunded actuarial accrued liability. For the year ended June 30, 2019, the University required contribution rates for the plans were: *(Figure K.2)*

<b>FIGURE K.2</b>				
System	Rates Paid by Employee	Rates Paid by University for Employee	University Contribution Rates	
Tier 1 Noncontributory System	N/A	N/A	22.19 %	
Tier 1 Contributory System	N/A	6.00 %	17.70 %	
Tier 2 Contributory System*	N/A	N/A	18.87 %	
Public Safety System	N/A	N/A	41.35 %	
Tier 2 Public Safety and Firefighter System*	N/A	N/A	29.80 %	

\*Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For the year ended June 30, 2019, the University and employee contributions to the plans were: (Figure K.3)

<b>FIGURE K.3</b>			
System	University's Contributions	Employees' Contributions	
Tier 1 Noncontributory System	\$8,392,320	N/A	
Tier 1 Contributory System	64,560	\$21,885	
Tier 2 Contributory System*	1,463,112	—	
Public Safety System	145,397	—	
Tier 2 Public Safety and Firefighter System*	30,156	—	
Total contributions	\$10,095,545	\$21,885	

\*Contributions reported are the Utah State Retirement Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

**PENSION ASSETS, LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS:** At June 30, 2019, the University reported a net pension asset of \$0 and a net pension liability of \$53,846,155. The net pension asset and liability were measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability were determined by an actuarial

valuation as of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The University's proportion of the net pension asset and liability was based upon actual historical employer contributions to defined benefit pension plans for pay periods ending in 2018. At December 31, 2018, the University's net pension asset and liability were: (Figure K.4)

<b>FIGURE K.4</b>	DECEMBER 31, 2018			DECEMBER 31, 2017	
	System	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share
Tier 1 Noncontributory System	—	\$51,286,704	1.3784832 %	1.4130362 %	(0.0345530) %
Tier 1 Contributory System	—	1,495,487	2.1063074 %	1.8581414 %	0.2481660 %
Tier 2 Contributory System	—	279,503	0.6526210 %	0.8092698 %	(0.1566488) %
Tier 2 Public Safety and Firefighter System	—	1,267	0.0505758 %	0.0319725 %	0.0186033 %
Public Safety System	—	783,194	0.3271828 %	0.3490530 %	(0.0218702) %
Total net pension asset/liability	\$0	\$53,846,155			

For the year ended June 30, 2019, the University recognized pension expense of \$12,313,453. At June 30, 2019, the University reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from these sources: (Figure K.5)

<b>FIGURE K.5</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$280,329	\$795,157
Changes in assumptions	5,343,132	5,068
Net difference between projected and actual earnings on pension plan investments	9,238,991	—
Changes in proportion and differences between contributions and proportionate share of contributions	371,278	1,894,963
Contributions subsequent to the measurement date	5,177,527	—
<b>Total</b>	<b>\$20,411,257</b>	<b>\$2,695,188</b>

Contributions made between January 1, 2019, and June 30, 2019, of \$5,177,527 were reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense. (Figure K.6)

<b>FIGURE K.6</b>	Deferred Outflows (Inflows) of Resources
Years Ended December 31	
2019	\$5,534,624
2020	\$1,578,604
2021	\$992,688
2022	\$4,386,827
2023	\$7,467
Thereafter	\$38,332

**ACTUARIAL ASSUMPTIONS:** The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: (Figure K.7)

<b>FIGURE K.7</b>		
Inflation	2.50%	
Salary increases	3.25%-9.75%	Average, including inflation
Investment rate of return	6.95%	Net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by Society of Actuaries.

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

**CHANGES IN ASSUMPTIONS:** The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are: (Figure K.8)

**FIGURE K.8**

**Expected Return Arithmetic Basis**

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00 %	6.15 %	2.46 %
Debt securities	20.00 %	0.40 %	0.08 %
Real assets	15.00 %	5.75 %	0.86 %
Private equity	9.00 %	9.95 %	0.89 %
Absolute return	16.00 %	2.85 %	0.46 %
Cash and cash equivalents	0.00 %	0.00 %	0.00 %
<b>Total</b>	<b>100.00 %</b>		<b>4.75 %</b>
Inflation			2.50 %
Expected arithmetic nominal return			7.25 %

The 6.95 percent assumed investment rate of return is comprised of an inflation rate of 2.5 percent and a real return of 4.45 percent that is net of investment expense.

**DISCOUNT RATE:** The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Systems’ Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not

use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

**SENSITIVITY OF THE UNIVERSITY’S PROPORTIONATE SHARE OF THE NET PENSION ASSET AND LIABILITY TO CHANGES IN THE DISCOUNT RATE:** The following presents the proportionate share of the net pension asset and liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share would be if calculated using a discount rate that is one percentage point lower (5.95%) or one percentage point higher (7.95%) than the current rate: *(Figure K.9)*

**PENSION PLAN FIDUCIARY NET POSITION:** Detailed information about the pension plan’s fiduciary net position is available in the separately issued Systems’ financial report.

**FIGURE K.9**

**Proportionate Share of Net Pension Liability (Asset)**

System	1% Decrease 5.95%	Discount Rate 6.95%	1% Increase 7.95%
Tier 1 Noncontributory System	\$92,185,855	\$51,286,704	\$17,069,457
Tier 1 Contributory System	3,133,999	1,495,487	97,301
Tier 2 Contributory System	1,119,745	279,503	(368,952)
Public Safety System	1,411,873	783,194	266,427
Tier 2 Public Safety and Firefighter System	9,558	1,267	(5,077)
<b>Total net pension liability</b>	<b>\$97,861,030</b>	<b>\$53,846,155</b>	<b>\$17,059,156</b>

## DEFINED CONTRIBUTION PLANS

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required employer contributions and associated earnings are vested after four years of employment. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

**401(k), TIER 2 DC, AND 457 PLANS:** For employees participating in defined benefit plans, the University is also required to contribute 0.74 - 1.5 percent of the employee's salary into a 401(k)/457 plan. For employees who choose to participate in the Tier 2 Public Employee or Public Safety and Firefighter defined contribution plans (Tier 2 DC), the University is required to contribute 20.02 or 30.54 percent of the employees' salary of which 10 or 12 percent is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Systems, as required by law.

**EMIA:** EMIA provides a 401(k) defined contribution plan that can be utilized by employees on the Utah Retirement State and School System – Noncontributory plan. This contribution is in lieu of the 1.5 percent that would have been contributed to the Utah Retirement System's 401(k) plan. The contribution made by the University is at 1.5 percent of gross earnings. Contributions by the University become vested at the time the contribution is made.

**TIAA AND/OR FIDELITY:** TIAA and/or Fidelity provide individual defined contribution retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contracts 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. Benefits provided to retired employees are based on the value of individual contracts and the estimated life expectancy of the employee at retirement. The University's

contribution to this multiple employer defined contribution plan is 14.2 percent of the employees' annual salary. The University has no further liability once annual contributions are made.

Employees can make additional contributions to defined contribution plans subject to limitations. Contributions to the defined contribution plans for the fiscal year ending June 30, 2019, were: (Figure K.10)

**FIGURE K.10**

Defined Contribution Plans	University's Contributions	Employees' Contributions
Tier 2 Defined Contribution Plan	\$306,536	—
401(k) Plan	\$1,014,086	\$1,061,289
457 Plan and other individual plans	—	\$82,383
EMIA	\$15,893	\$44,327
TIAA, Fidelity, and/or other investment companies	\$35,388,372	\$9,919,865

## L. TERMINATION BENEFITS

The University provides an early retirement option to employees who qualify and are approved by administration in accordance with University policy. This option is available to all employees whose accumulated age and years of service are equal to or greater than 75, that have met the minimum age requirements, and where early retirement is in the mutual best interest of the employee and the University.

The policy provides two mutually exclusive early retirement options for eligible employees; either six years (16.67 percent of base salary per year) or five years (20 percent of base salary per year). The six-year option requires a minimum age of 56 and the five-year option requires a minimum age of 57. Benefits include a monthly stipend equal to the agreed upon percent of the retiree's salary at the time of active employment along with medical and dental insurance.

The projected future cost of these stipends and the medical and dental insurance benefits have been calculated based on the known amount to be paid out in the next fiscal year plus projected increases of 1.2 percent (University), 3 percent (USU Research Foundation) for stipends and 6.3 to 9.0 percent (University), 9 percent (USU Research Foundation) for medical and dental premiums. These increases are based on historical data. The premiums for medical and dental benefits have also been increased by an age adjusted factor of 2.85. The net present value of the

total projected costs is calculated using the estimated yield of 2.092 percent (University) and 4.17 percent (USU Research Foundation). The net present value is the amount recognized on the financial statements as the liability for early retirement.

At June 30, 2019, there were 135 participants in the early retirement program. The program is funded on a pay-as-you-go basis from current funds. Payments for the stipends and insurance benefits for the fiscal year ending June 30, 2019, were \$1,814,389 and \$1,237,280, respectively.

## M. RISK MANAGEMENT

### GENERAL LIABILITY INSURANCE

The University maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund. The University 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 University 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 University employees are covered by worker's compensation insurance, including employer's liability coverage by the Worker's Compensation Fund of Utah.

### SELF-INSURANCE FOR EMPLOYEE HEALTH AND DENTAL CARE

The University has a self-insurance fund for employee health and dental care. In addition, the University has purchased a stop-loss insurance policy to cover specific participant claims exceeding \$400,000 per term, an aggregating specific stop-loss deductible of \$600,000 per term, and a laser deductible of \$900,000 per term. This policy also covers aggregate claims exceeding 125 percent of expected claims up to \$10 million. GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements. The estimated claims liability is based upon past experience adjusted for current trends. The estimate reflects the ultimate

cost of settling the claims. The University's estimated self-insurance claims liability at June 30, 2019, and June 30, 2018, were: (Figure M.1)

FIGURE M.1	2019	2018
Estimated claims liability at beginning of year	\$5,648,148	\$6,012,390
Current year claims and changes in estimates	58,420,448	51,734,363
Claim payments, including related legal and administrative expenses	(56,248,056)	(52,098,605)
Estimated claims liability at end of year	\$7,820,540	\$5,648,148

The University has recorded the investment of the health and dental care funds at June 30, 2019, and the estimated liability for self-insurance claims at that date in the Statement of Net Position. The income on fund investments, the expenses related to the administration of the self-insurance, and the estimated provision for the claims liabilities for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Net Position.

### CONTINGENCIES

The University has been named in several lawsuits where litigation is pending. It is unlikely that any judgments against the University will be established or would otherwise be material in nature. Most lawsuits are such that any financial settlement would be covered primarily by insurance held by the University through the State's Division of Risk Management.

The USU Research Foundation has a bank revolving line of credit with a limit of \$5 million. At June 30, 2019, the outstanding balance was zero. The line of credit bears interest at an initial rate of 5.5 percent, is unsecured, due on demand, and expires on September 25, 2020.

### COMMITMENTS

At June 30, 2019, the University had outstanding construction commitments of approximately \$27.6 million.

## N. NATURAL AND FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by natural and functional classifications for the fiscal year ended June 30, 2019, were: (Figure N.1)

**FIGURE N.1**

Functional Classification	Natural Classification					Total
	Salaries and Wages	Employee Benefits	Other Operating Expenses	Scholarships and Fellowships	Depreciation	
Instruction	\$125,375,847	\$51,614,742	\$27,680,899	—	—	\$204,671,488
Research	77,420,581	35,673,742	97,130,283	—	—	210,224,606
Public service	34,096,634	12,378,902	32,974,128	—	—	79,449,664
Academic support	23,540,810	9,803,206	9,682,495	—	—	43,026,511
Student services	15,201,277	5,597,355	7,721,632	—	—	28,520,264
Institutional support	35,925,467	15,660,271	14,538,081	—	—	66,123,819
Operation and maintenance	13,890,282	5,541,936	30,924,610	—	—	50,356,828
Scholarships and fellowships	—	—	—	\$34,454,937	—	34,454,937
Service departments	9,111,642	4,103,189	(12,040,283)	—	—	1,174,548
Auxiliary enterprises	20,393,490	7,333,916	23,503,433	—	—	51,230,839
Depreciation	—	—	—	—	\$51,165,284	51,165,284
<b>Total operating expenses</b>	<b>\$354,956,030</b>	<b>\$147,707,259</b>	<b>\$232,115,278</b>	<b>\$34,454,937</b>	<b>\$51,165,284</b>	<b>\$820,398,788</b>



## O. BLENDED PRESENTATION OF COMPONENT UNITS

The following is a condensed version of the USU Research Foundation's and Utah State University Foundation's financial statements for the fiscal year ended June 30, 2019: (Figure O.1, O.2, and O.3)

<b>FIGURE O.1</b>				
<b>Component Units</b>				
<b>Condensed Statement of Net Position</b>				
June 30, 2019				
	USU Research Foundation	Foundation	Eliminations	Total
<b>ASSETS</b>				
Current assets	\$50,642,758	\$78,177,112	(\$88,538)	\$128,731,332
Noncurrent assets	93,487,705	1,568,447	(22,704,876)	72,351,276
Total assets	144,130,463	79,745,559	(22,793,414)	201,082,608
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Resources related to pensions	1,605,990	—	—	1,605,990
Total deferred outflows of resources	1,605,990	0	0	1,605,990
<b>LIABILITIES</b>				
Current liabilities	29,550,430	—	(3,171,093)	26,379,337
Noncurrent liabilities	75,055,297	—	(64,772,178)	10,283,119
Total liabilities	104,605,727	0	(67,943,271)	36,662,456
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Resources related to pensions	53,336	—	—	53,336
Total deferred inflows of resources	53,336	0	0	53,336
<b>NET POSITION</b>				
Net investment in capital assets	25,745,849	—	43,667,302	69,413,151
Restricted - nonexpendable	—	69,375,546	—	69,375,546
Restricted - expendable	—	10,259,379	—	10,259,379
Unrestricted	15,331,541	110,634	1,482,555	16,924,730
Total net position	\$41,077,390	\$79,745,559	45,149,857	165,972,806

**FIGURE 0.2**

**Component Units**  
**Condensed Statement of Revenues, Expenses,**  
**and Changes in Net Position**  
For the Year Ended June 30, 2019

	USU Research Foundation	Foundation	Eliminations	Total
<b>OPERATING REVENUES</b>				
Project revenues	\$133,336,648	—	(\$9,014)	\$133,327,634
Project unit indirect costs, general and administrative costs, and cost of money	34,444,688	—	—	34,444,688
Project fees	10,803,695	—	—	10,803,695
Administrative reimbursement, USU	147,605	—	(147,605)	—
Royalty income	200,950	—	—	200,950
Other	1,763,608	—	(1,654,757)	108,851
Total operating revenues	180,697,194	\$0	(1,811,376)	178,885,818
<b>OPERATING EXPENSES</b>				
Salaries and wages	56,502,337	—	—	56,502,337
Employee benefits	31,755,009	—	—	31,755,009
Subcontracts	33,112,025	—	(185,399)	32,926,626
Depreciation and amortization	4,340,973	—	—	4,340,973
Research support to USU	510,731	—	(510,731)	—
Other	43,076,305	—	(1,462,553)	41,613,752
Total operating expenses	169,297,380	0	(2,158,683)	167,138,697
Operating income	11,399,814	0	347,307	11,747,121
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Private gifts	160,000	—	—	160,000
Other – net	(1,167,621)	14,361,064	2,433,585	15,627,028
Total nonoperating revenues (expenses)	(1,007,621)	14,361,064	2,433,585	15,787,028
Income before other revenues	10,392,193	14,361,064	2,780,892	27,534,149
<b>OTHER REVENUES</b>				
Additions to permanent endowments	—	4,529,835	—	4,529,835
Other	—	—	—	—
Total other revenues	—	4,529,835	—	4,529,835
Increase in net position	10,392,193	18,890,899	2,780,892	32,063,984
<b>NET POSITION - BEGINNING OF YEAR</b>	30,685,197	60,854,660	42,368,965	133,908,822
<b>NET POSITION - END OF YEAR</b>	\$41,077,390	\$79,745,559	\$45,149,857	\$165,972,806

**FIGURE 0.3**

**Component Units**  
**Condensed Statement of Cash Flows**  
 For the Year Ended June 30, 2019

	USU Research Foundation	Foundation	Eliminations	Total
<b>NET CASH PROVIDED (USED) BY:</b>				
(1) Operating activities	\$13,455,064	—	\$13,106,372	\$26,561,436
(2) Noncapital financing activities	—	\$17,909,600	—	17,909,600
(3) Capital and related financing activities	(22,567,365)	—	2,433,585	(20,133,780)
(4) Investing activities	116,339	(17,909,539)	—	(17,793,200)
Net increase (decrease) in cash and cash equivalents	(8,995,962)	61	\$15,539,957	6,544,056
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	49,146,360	610,738		49,757,098
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$40,150,398	\$610,799		\$56,301,154

## P. SUBSEQUENT EVENTS

In August of 2019, the University's \$54,995,000 Student Fee and Housing System Revenue Bonds, Series 2019, were issued for the purpose of financing the costs of constructing a six-story student apartment building (containing four to six units, housing 402 beds); a multi-level parking structure with 403 parking spaces; paying capitalized interest; funding a debt service reserve account and paying the costs associated with the issuance of the 2019 bonds.

In October of 2019, the University's \$5,745,000 Series 2019A Research Revenue Refunding Bonds were issued for the purpose of refunding the Series 2018A Research Revenue Bonds that were issued to provide funding for the acquisition of a building and associated land in Salt Lake County, Utah. This refunding resulted in a reduction in the future debt service payments of \$305,094, and an economic gain (difference between the present value of the old and new debt service payments) of \$219,567.



# REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information is to accompany the basic financial statements and is considered an essential part of financial reporting.

## Proportionate Share of Net Pension Liability

As of December 31

2018      2017      2016      2015      2014

### TIER 1 NONCONTRIBUTORY SYSTEM

Proportion of net pension liability (asset)	1.3784832 %	1.4130362 %	1.4648385 %	1.4867052 %	1.4526055 %
Proportionate share of net pension liability (asset)	\$51,286,704	\$34,553,853	\$47,474,199	\$46,701,668	\$36,497,130
Covered payroll	\$37,966,324	\$37,654,734	\$38,162,282	\$37,975,366	\$37,798,518
Proportionate share of net pension liability (asset) as a percentage of covered payroll	135.08 %	91.76 %	124.40 %	122.98 %	96.56 %
Plan fiduciary net position as a percentage of total pension liability	84.1 %	89.2 %	84.9 %	84.5 %	87.2 %

### TIER 1 CONTRIBUTORY SYSTEM

Proportion of net pension liability (asset)	2.1063074 %	1.8581414 %	1.6628695 %	1.3777110 %	1.2745733 %
Proportionate share of net pension liability (asset)	\$1,495,487	\$122,273	\$911,182	\$863,346	\$139,755
Covered payroll	\$408,779	\$422,780	\$445,761	\$436,427	\$460,897
Proportionate share of net pension liability (asset) as a percentage of covered payroll	365.84 %	28.92 %	204.41 %	197.82 %	30.32 %
Plan fiduciary net position as a percentage of total pension liability	91.4 %	99.2 %	93.4 %	92.4 %	98.7 %

### TIER 2 CONTRIBUTORY SYSTEM

Proportion of net pension liability (asset)	0.6526196 %	0.8092727 %	1.1108095 %	1.4678273 %	1.5274314 %
Proportionate share of net pension liability (asset)	\$279,503	\$71,351	\$123,910	(\$3,204)	(\$46,288)
Covered payroll	\$7,628,237	\$7,926,941	\$9,109,512	\$9,484,328	\$7,493,666
Proportionate share of net pension liability (asset) as a percentage of covered payroll	3.66 %	0.90 %	1.36 %	(0.03)%	(0.62)%
Plan fiduciary net position as a percentage of total pension liability	90.8 %	97.4 %	95.1 %	100.2 %	103.5 %

### PUBLIC SAFETY SYSTEM

Proportion of net pension liability (asset)	0.3271828 %	0.3490530 %	0.3459203 %	0.3435487 %	0.3425260 %
Proportionate share of net pension liability (asset)	\$783,194	\$606,957	\$739,607	\$739,614	\$636,495
Covered payroll	\$609,931	\$604,061	\$636,766	\$607,776	\$566,992
Proportionate share of net pension liability (asset) as a percentage of covered payroll	128.41 %	100.48 %	116.15 %	121.69 %	112.26 %
Plan fiduciary net position as a percentage of total pension liability	83.2 %	87.4 %	83.5 %	82.3 %	84.3 %

### TIER 2 PUBLIC SAFETY AND FIREFIGHTER SYSTEM

Proportion of net pension liability (asset)	0.0505758 %	0.0319725 %	0.0069305 %	N/A	N/A
Proportionate share of net pension liability (asset)	\$1,267	(\$370)	(\$60)	N/A	N/A
Covered payroll	\$67,358	\$33,753	\$5,726	N/A	N/A
Proportionate share of net pension liability (asset) as a percentage of covered payroll	1.88 %	(1.10)%	(1.05)%	N/A	N/A
Plan fiduciary net position as a percentage of total pension liability	95.6 %	103.0 %	103.6 %	N/A	N/A

Note: The University implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in fiscal year 2015. Information on the University's portion of the plan's net pension liability (asset) is not available for periods prior to fiscal year 2015.

## Schedule of Contributions to the Utah Retirement Systems

For Fiscal Years Ending June 30

2019

2018

2017

2016

### TIER 1 NONCONTRIBUTORY SYSTEM

Contractually required contribution	\$8,392,320	\$8,221,506	\$8,329,180	\$8,355,894
Contributions in relation to the contractually required contribution	8,392,320	8,221,506	8,329,180	8,355,894
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$38,370,432	\$37,531,241	\$37,968,122	\$37,998,840
Contributions as a percentage of covered payroll	21.87 %	21.91 %	21.94 %	21.99 %

### TIER 1 CONTRIBUTORY SYSTEM \*

Contractually required contribution	\$64,560	\$75,098	\$77,250	\$78,211
Contributions in relation to the contractually required contribution	64,560	75,098	77,250	78,211
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$413,387	\$423,200	\$436,438	\$441,871
Contributions as a percentage of covered payroll	15.62 %	17.75 %	17.70 %	17.70 %

### TIER 2 CONTRIBUTORY SYSTEM \*\*

Contractually required contribution	\$1,463,112	\$1,429,747	\$1,514,256	\$1,862,036
Contributions in relation to the contractually required contribution	1,463,112	1,429,747	1,514,256	1,862,036
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$7,753,638	\$7,746,141	\$8,300,188	\$10,208,536
Contributions as a percentage of covered payroll	18.87 %	18.46 %	18.24 %	18.24 %

### PUBLIC SAFETY SYSTEM

Contractually required contribution	\$145,397	\$147,467	\$181,751	\$167,710
Contributions in relation to the contractually required contribution	145,397	147,467	181,751	167,710
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$575,853	\$583,908	\$632,820	\$600,578
Contributions as a percentage of covered payroll	25.25 %	25.26 %	28.72 %	27.92 %

### TIER 2 PUBLIC SAFETY AND FIREFIGHTER SYSTEM \*\*

Contractually required contribution	\$30,156	\$9,732	\$4,820	N/A
Contributions in relation to the contractually required contribution	30,156	9,732	4,820	N/A
Contribution deficiency (excess)	\$0	\$0	\$0	N/A
Covered payroll	\$101,194	\$33,238	\$16,500	N/A
Contributions as a percentage of covered payroll	29.80 %	29.28 %	29.21 %	N/A

\*The Tier 2 Public Employees System (Tier 2) was created in fiscal year 2012. However, the contractually required contributions and covered payroll for Tier 2 were included in the Contributory System for fiscal years 2012 and 2013, since prior to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, Tier 2 information was not separately available.

	2015	2014	2013	2012	2011	2010
	\$9,328,000	\$7,664,202	\$6,949,647	\$6,709,673	\$6,124,421	\$5,535,903
	9,328,000	7,664,202	6,949,647	6,709,673	6,124,421	5,535,903
	\$0	\$0	\$0	\$0	\$0	\$0
	\$37,836,787	\$35,009,064	\$36,016,837	\$40,154,027	\$37,363,709	\$38,965,526
	24.65 %	21.89 %	19.30 %	16.71 %	16.39 %	14.21 %
	\$102,041	\$604,902	\$416,961	\$214,370	\$110,196	\$111,532
	102,041	604,902	416,961	214,370	110,196	111,532
	\$0	\$0	\$0	\$0	\$0	\$0
	\$430,553	\$6,387,208	\$4,212,028	\$1,952,662	\$616,240	\$708,916
	23.70 %	9.47 %	9.90 %	10.98 %	17.88 %	15.73 %
	\$694,490	N/A	N/A	N/A	N/A	N/A
	694,490	N/A	N/A	N/A	N/A	N/A
	\$0	N/A	N/A	N/A	N/A	N/A
	\$8,337,218	N/A	N/A	N/A	N/A	N/A
	8.33 %	N/A	N/A	N/A	N/A	N/A
	\$162,713	\$137,607	\$138,459	\$135,408	\$104,135	\$119,548
	162,713	137,607	138,459	135,408	104,135	119,548
	\$0	\$0	\$0	\$0	\$0	\$0
	\$582,052	\$506,773	\$528,817	\$562,846	\$315,243	\$396,118
	27.96 %	27.15 %	26.18 %	24.06 %	33.03 %	30.18 %
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A
	N/A	N/A	N/A	N/A	N/A	N/A

\*\*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

## CHANGES IN ASSUMPTIONS:

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.



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