Annual Financial Report

For the Year Ended June 30, 2017

DSU™

DIXIE STATE UNIVERSITY
A Component Unit of the State of Utah

Report No. 17-04

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A MESSAGE FROM PRESIDENT RICHARD B. WILLIAMS

There is an undeniable sense of momentum at Dixie State University. Since their humble beginnings, Southern Utah communities have been committed to providing educational opportunities. Building on this tradition, DSU gathered with community members and stakeholders a little over two years ago to discuss the university's future. What arose from those discussions laid a solid foundation for our robust strategic plan—Dixie 2020: Status to Stature.

Since the strategic plan rollout, it has been inspiring to see faculty, staff, and community members working together to realize our vision and create a one-of-a-kind learning experience for our students. Along with the strategic plan, our new Trailblazer identity is truly fitting of the great educational innovators here and the students who are transforming our community and world.

Our enrollment continues to grow as do our academic offerings. Last year alone, seven new academic programs were approved in Bioinformatics, Applied Sociology, Studio Art, Health Administration, Population (Public Health), Recreation and Sport Management, and Information Systems and Data Analytics. Additional academic programs are planned in the coming year as well as our first Master's degrees.

No Utah public college or university is growing faster than Dixie State. For the second year in a row, the Utah System of Higher Education (USHE) reported that DSU has the highest enrollment percentage increase in the State at 7.56 percent. In fact, DSU broke its total headcount record this fall with 9,673 students and welcomed its largest ever freshman class. Additionally, there was a 32 percent increase in admitting students with a grade-point average of 3.75 or higher.

In order to accommodate this student growth, DSU was pleased to open the first new residence hall, Campus View Suites, in nearly 50 years. We recently broke ground on the Human Performance Center, a state of the art building that will provide educational opportunities in exercise science and allied health. The new building will also provide the best recreational facilities south of Utah County, including the only Olympic-sized swimming pool south of Provo. Legend Solar Stadium is in the process of doubling its capacity, which will allow DSU to host Utah High School Athletic Association playoff games and events.

DSU has adopted the "active learning. active life" mantra and incorporated it into the student experience as it embarks on its next exciting chapter. We are grateful for our heritage and past and enthusiastic for the future.

Thank you,

Richard B Williams

Richard B. Williams, PhD, ATC
President

OFFICE OF THE
STATE AUDITOR

<u>**INDEPENDENT STATE AUDITOR'S REPORT**</u>

To the Board of Trustees, Audit Committee
and
Dr. Richard B. Williams, President
Dixie State University

Report on the Financial Statements

We have audited the accompanying financial statements of Dixie State University (the University) and its discretely presented component unit foundation, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. The University is a component unit of the State of Utah.

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 opinions on these financial statements based on our audit. We did not audit the financial statements of Dixie Foundation (Foundation), a discretely presented component unit. 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 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards.*

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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its Foundation, as of June 30, 2017, and the respective changes in financial position and, where applicable, 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 and the University's Schedule of Proportionate Share of the Net Pension Liability and Schedule of 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 opinions on the financial statements that collectively comprise the University's basic financial statements. The President's Message has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2017 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
December 21, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

INTRODUCTION

The following discussion and analysis provides an overview of the financial position and activities of Dixie State University and its component unit for the year ended June 30, 2017, with selected comparative information for prior fiscal years. This discussion has been prepared by management and should be read in conjunction with the Financial Statements and the Notes to the Financial Statements, which follow this discussion and analysis.

The University's Financial Statements include revenues, expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position for the entire University entity, including the balances and activities of its component unit: the Dixie Foundation (DF). More information about this entity and its inclusion in the financial statements may be found in Note 1—*Summary of Significant Accounting Policies—Reporting Entity.*

ABOUT DIXIE STATE UNIVERSITY

Dixie State University, located in Saint George, Utah, was established in 1911 as Saint George Academy and became known as Dixie Academy. Originally operated by The Church of Jesus Christ of Latter-day Saints, the College was turned over to the State of Utah in 1933. It was known officially as Dixie Junior College until 1971, when the Utah State Legislature changed the name to Dixie College. In January 2000, the name was changed to Dixie State College when it became eligible to offer four-year degree programs. In February of 2013, the name was changed again to Dixie State University.

The University is a component unit of the State of Utah. The University offers over 40 baccalaureate programs in selected high demand areas and in core or foundational areas consistent with four-year universities. Its approximate 9,000 students and 1,300 employees come from across the United States and the world.

The University is committed to accountability and creativity in delivering quality higher educational opportunities within its service area. The University is a cooperative and conscientious partner with other public and higher-education institutions, ensuring quality undergraduate programs are available to its students.

The financial statements that follow provide additional information on the resources available to the University to accomplish its mission and achieve its goals and objectives. For more information about the University and its programs and initiatives, please visit www.dixie.edu.

OVERVIEW AND ANALYSIS OF THE FINANCIAL STATEMENTS

The financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB) principles. Three financial statements are presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

The Notes to the Financial Statements are an integral part of the statements and provide additional details and information important to an understanding of the University's financial position and results of operations. This discussion and analysis focuses on the University's primary institution operations. The University's discretely presented component unit, the Dixie Foundation, issues separately audited financial statements. These statements can be obtained directly from the Dixie Foundation's administrative office.

The Statement of Net Position presents the financial position of the University at the end of the fiscal year and includes all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University. Net position is one indicator of the current financial condition of the University. Assets, deferred outflows of resources, liabilities, and deferred inflows of resources are generally measured using current values, except for capital assets, which are stated at historical cost less accumulated depreciation.

The Statement of Revenues, Expenses, and Changes in Net Position presents the University's results of operations for the fiscal year.

The net difference between revenues and expenses, and other changes, is the increase (or decrease) in net position for the year. The change in net position is an indicator of whether the overall financial condition has improved or worsened during the year.

The Statement of Cash Flows provides additional information about the University's financial results by reporting the major sources and uses of cash by type of activity—as well as providing a reconciliation to the net operating loss.

The results of operations reflect the University's focus on maintaining its standards academically in a competitive environment. At the same time, the University is addressing constrained base state appropriations, rising health care, regulatory and facility costs with productivity gains to help preserve access to affordable higher education.

STATEMENT OF NET POSITION

A condensed statement of net position for the past two fiscal years is shown in *Figure 1*, below.

Figure 1			
Condensed Statement of Net Position - as of June 30	**2017**	**2016**	**Increase (Decrease)**
Current Assets	$ 21,643,863	$ 22,462,907	$ (819,044)
Noncurrent Assets			
Capital Assets, Net	152,027,720	150,090,865	1,936,855
Other Noncurrent Assets	24,786,350	31,018,102	(6,231,752)
Total Assets	198,457,933	203,571,874	(5,113,941)
Deferred Outflows of Resources	2,396,535	2,322,288	74,247
Current Liabilities	8,773,868	13,802,209	(5,028,341)
Noncurrent Liabilities	32,926,532	34,343,389	(1,416,857)
Total Liabilities	41,700,400	48,145,598	(6,445,198)
Deferred Inflows of Resources	958,812	622,730	336,082
Net Investment in Capital Assets	125,023,908	131,002,023	(5,978,115)
Restricted - Nonexpendable	12,724,877	12,571,839	153,038
Restricted - Expendable	7,398,705	6,533,284	865,421
Unrestricted	13,047,766	7,018,688	6,029,078
Total Net Position	**$ 158,195,256**	**$ 157,125,834**	**$ 1,069,422**

Total net position increased slightly from the prior year due to steady growth in most of the operating revenue categories. These increases indicate steady improvement in financial condition, reflecting the University's prudent management of its resources—despite funding challenges. Funds have been reinvested within the University to add to the margin of educational excellence, upgrade the University's facilities, and provide a prudent reserve for contingencies.

Capital assets increased from the prior year primarily due to the completion of new buildings that had been under construction. Other assets decreased from the prior year primarily due to cash being used in the construction of these buildings.

Deferred outflows of resources increased slightly due to deferred employee benefits. The decrease in liabilities from prior year was also primarily due to the completion of the new buildings and the resulting decrease in payables.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The results of the University's operations for the fiscal year are shown in the Statement of Revenues, Expenses, and Changes in Net Position. A condensed statement of revenues, expenses, and change in net position for the past two fiscal years is shown in *Figure 2*, below.

Operating and Non-operating Revenue: The increase in tuition and fees and in auxiliaries reflects increases in enrollments and the addition of a new student housing facility.

As a public university, Dixie State University receives funds from a variety of sources in support of its operations. While the Statement of Revenues, Expenses, and Changes in Net Position classifies certain funds as "non-operating" for the purposes of financial reporting, such funds

Figure 2

Condensed Statement of Revenues, Expenses, and changes in Net Position - for the years ended June 30	2017	2016	Increase (Decrease)
Operating Revenues			
Tuition and fees, net	$ 38,456,228	$ 35,745,017	$ 2,711,211
Grants and contracts	103,033	80,105	22,928
Auxiliary enterprises, net	9,353,201	7,885,046	1,468,155
Other Revenues	987,416	568,378	419,038
Total operating revenues	**48,899,878**	**44,278,546**	**4,621,332**
Operating Expenses	104,671,595	96,610,840	8,060,755
Operating Loss	(55,771,717)	(52,332,294)	(3,439,423)
Nonoperating revenues			
Appropriations, Grants & Contracts	53,329,205	50,332,553	2,996,652
Gifts	1,285,548	1,129,109	156,439
Investment Income	1,307,212	390,271	916,941
Other net nonoperating revenue (expense)	(1,022,702)	(238,977)	(783,725)
Total nonoperating revenues	**54,899,263**	**51,612,956**	**3,286,307**
Income before Capital and permanent endowment additions	(872,454)	(719,338)	(153,116)
Capital and permanent endowment additions	1,941,876	7,808,339	(5,866,463)
Increase in Net Position	1,069,422	7,089,001	(6,019,579)
Net Position - Beginning of Year	**157,125,834**	**150,036,833**	**7,089,001**
Net Position - End of Year	**$ 158,195,256**	**$ 157,125,834**	**$ 1,069,422**

do, in fact, support the University's operations by covering costs such as salaries and benefits, travel, research expenses, and student aid.

Increases in state appropriations, along with increased earnings on endowment funds, were partially offset by reductions in capital appropriations and capital gifts, due to the completion of the building projects on campus. However, the result of all these changes is a significant increase in overall revenues. State appropriations increased from prior year for modest salary increases, performance-based funding, and funds for strategic plan initiatives.

Investment income fluctuates from year to year and reflects the impact of market performance. For fiscal year 2017, investment income increased due to strong market performance and increased economic growth. In total, non-operating revenue increased for fiscal year 2017 compared to fiscal year 2016.

Federal grants decreased slightly due to lower Pell Grant funding. As described above, investment returns significantly increased due to strong market performance.

The decrease in capital appropriations was due to the completion of Campus View Suites and fewer state-funded campus projects by the Division of Facilities and Construction Management (DFCM). *Chart 1 (below)* and *Figure 3 (pg. 13)*, summarizes the University's revenues for years ended June 30, 2017.

Operating and Non-operating Expenses: Increases in operating expenditures from prior year were primarily due to increases in compensation and benefits, increases in capital and equipment expenses due to the completion of new buildings, and interest expenses due to the loans added for the new building. While any change in compensation and benefits can have a significant impact on operating expenses, salaries have generally been held in check due to funding constraints; however, recruitment and retention of University professors does require competitive salaries. More detail on operating expenses appears in *Chart 2 (pg. 13)* and *Figure 4 (pg. 14)*.

Chart 1 : Sources of Revenue in Support of Operations

For the Year Ended June 30, 2017

Tuition and Fees	$ 38,456,228
State Appropriations	38,129,581
Grants and Contracts	16,770,533
Auxiliaries and Other	9,404,447
Gifts	1,759,548
Sales and Services	987,416
Investment Income	1,307,212

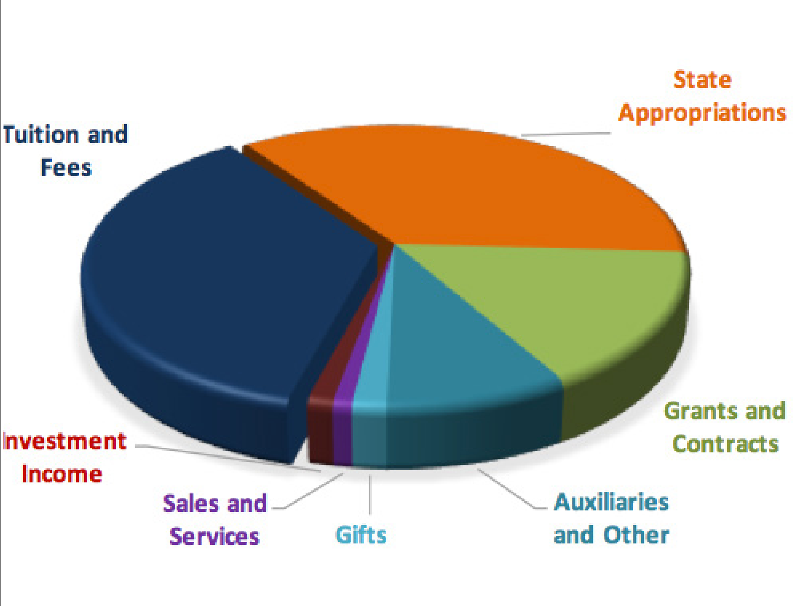


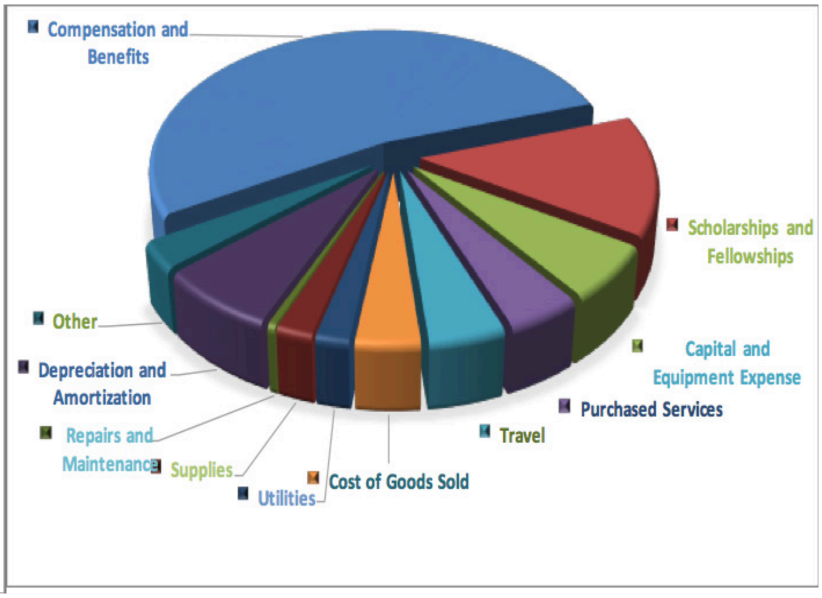
Figure 3

Sources of Revenue in Support of Operations	2017	2016
Operating Revenues		
Student Tuition and Fees, net	$ 38,456,228	$ 35,745,017
Grants and Contracts	103,033	80,105
Auxiliary Enterprises, net	9,353,201	7,885,046
Other Operating Revenues	987,416	568,378
Total Operating Revenues	**48,899,878**	**44,278,546**
Nonoperating Revenues		
State Appropriations	36,661,705	33,570,501
Federal Grants	15,618,112	15,660,944
State and Local Grants	1,046,678	1,087,708
Non-governmental Grants	2,710	13,400
Gifts	1,285,548	1,129,109
Investment Income	1,307,212	390,271
Other Nonoperating Revenues	51,246	284,292
Total Nonoperating Revenues	**55,973,211**	**52,136,225**
Other Revenues		
Capital Appropriations	1,467,876	5,980,676
Capital Grants and Gifts	192,299	1,680,871
Additions to Permanent Endowments	281,701	146,792
Total Other Revenues	1,941,876	7,808,339
Total Revenues	**$ 106,814,965**	**$ 104,223,110**

Chart 2 **Operating Expenses**

For the Year Ended June 30, 2017

Compensation and Benefits	$ 56,369,642
Scholarships and Fellowships	14,515,249
Capital and Equipment Expense	6,364,397
Purchased Services	4,579,468
Travel	4,663,670
Cost of Goods Sold	3,904,404
Utilities	2,051,585
Supplies	2,215,984
Repairs and Maintenance	471,231
Depreciation and Amortization	7,394,666
Other	3,215,247



STATEMENT OF CASH FLOWS

Cash flows from operating activities primarily consist of tuition and fees, grants and contracts, and auxiliaries. Significant sources of cash provided by noncapital financing activities, as defined by GASB, include state appropriations, Federal Pell Grants and private gift funds.

Figure 5 and *Chart 3 (pg. 15)* is a condensed version of the Statement of Cash Flows. The University actively manages its investment portfolio by balancing returns and liquidity,

Figure 4

Operating and Nonoperating Expenses

		2017		2016
Operating Expenses				
Compensation and benefits	$	56,369,642	$	52,956,181
Scholarships and Fellowships		14,515,249		14,534,693
Utilities		2,051,585		1,944,812
Cost of Goods Sold		3,904,404		3,717,948
Depreciation		6,117,520		5,633,804
Actuarial Calculated Pension		1,277,146		1,219,817
Total Operating Expenses before Other		**84,235,546**		**80,007,255**
Other Operating Expenses				
Advertising, Awards, Luncheons, Publications		1,208,230		1,597,441
Bad Debt Expense		312,648		247,274
Capital and Equipment Expense		6,364,397		3,223,752
Licenses, Fees, Taxes and Insurance		1,070,483		1,009,309
Office Supplies		294,893		196,966
Professional Services		3,371,238		2,913,363
Rental of Equipment and Space		422,757		387,552
Repairs and Maintenance		471,231		684,439
Supplies		1,921,091		2,183,287
Telephone, Postage and Freight		335,411		337,903
Travel		4,663,670		3,822,299
Total Other Operating Expenses		**20,436,049**		**16,603,585**
Total Operating Expenses		**104,671,595**		**96,610,840**
Nonoperating Expenses				
Interest on Capital Asset Related Debt		1,073,948		683,597
Total Nonoperating Expenses		**1,073,948**		**683,597**
Total Expenses	**$**	**105,745,543**	**$**	**97,294,437**

which may cause changes in cash balances. Cash and cash equivalents are held to the minimum needed to support operations with any excess invested with varying maturity dates.

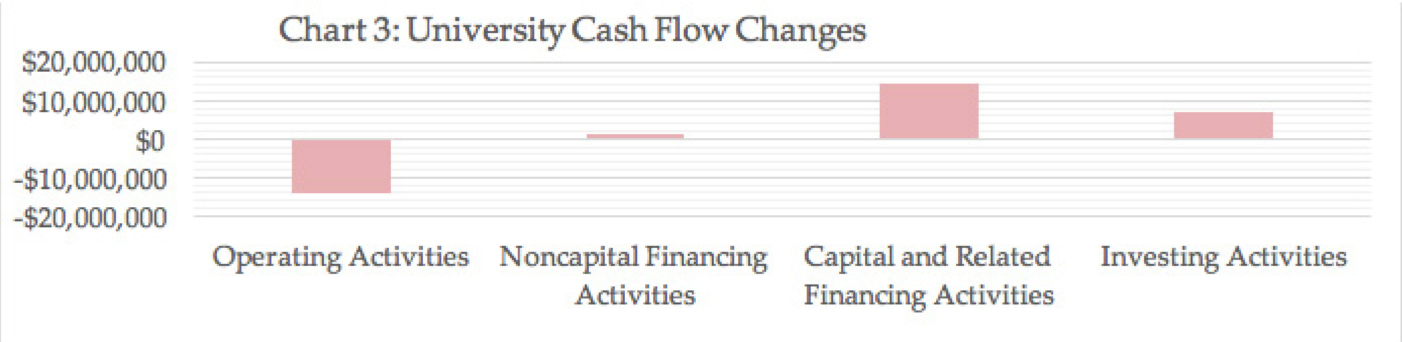
The increase in cash outflows from operating activities is matched by the decrease in cash outflows for capital and related financing activities. Both of these changes, as well as the decrease in cash flows in investing activities, are the result of the construction of Campus View Suites, a new student housing building on campus. The increase in cash for noncapital financing activities is due to increases in appropriations.

CAPITAL AND DEBT ACTIVITIES

Capital Assets: Investment in capital assets includes land, land improvements, buildings, equipment, library books, and construction in progress. The University finished numerous capital projects in fiscal year 2017, which significantly lowered the figures shown in construction-in-progress from the prior fiscal year.

Figure 5

Condensed Statement of Cash Flows - For the years ended June 30		2017		2016		Change in Inflows (Outflows)	Percentage of Change in Inflows (Outflows)
Cash Provided (Used) by:							
Operating Activities	$	(52,665,412)	$	(38,489,507)	$	(14,175,905)	36.83%
Noncapital Financing Activities		53,010,970		51,802,962		1,208,008	2.33%
Capital and Related Financing Activities		(10,490,291)		(24,635,589)		14,145,298	(57.42%)
Investing Activities		(2,910,442)		(9,731,100)		6,820,658	(70.09%)
Net Increase (Decreae) in cash		(13,055,175)		(21,053,234)		7,998,059	(37.99%)
Cash - Beginning of Year		**27,695,924**		**48,749,158**		**(21,053,234)**	**(43.19%)**
Cash - End of Year	**$**	**14,640,749**	**$**	**27,695,924**	**$**	**(13,055,175)**	**(47.14%)**



Capitalized buildings increased by $27,152,256 with the following projects being finished and capitalized in fiscal year 2017:

- South Administration remodel at $140,231;
- Smith Computer Center remodel at $778,706;
- Burns North addition at $3,550,627; and
- Campus View Suites at $22,682,692.

Additional information about the University's capital assets can be found in Note 10 to the financial statements.

Chart 4 (pg. 16) summarizes the University's changes in capital assets between June 30, 2016 and 2017.

Debt Activities: Strong debt ratings carry substantial advantages for the University, such as continued and wider access to capital markets when the University issues debt, lower interest rates on bonds, and the ability to negotiate favorable bond terms.

The University's Administration takes its role of financial stewardship seriously and works hard to manage its financial resources effectively. Continued high debt ratings, currently Aa according to Moody's and AA according to S&P, for our General Revenue Bond System are important indicators of the University's success in this area.

Contracts and Capital Leases: The University debt decreased in fiscal year 2017 due to normal payments made on University debt. Additional information related to the University's liabilities is presented in Note 11 of the financial statements.

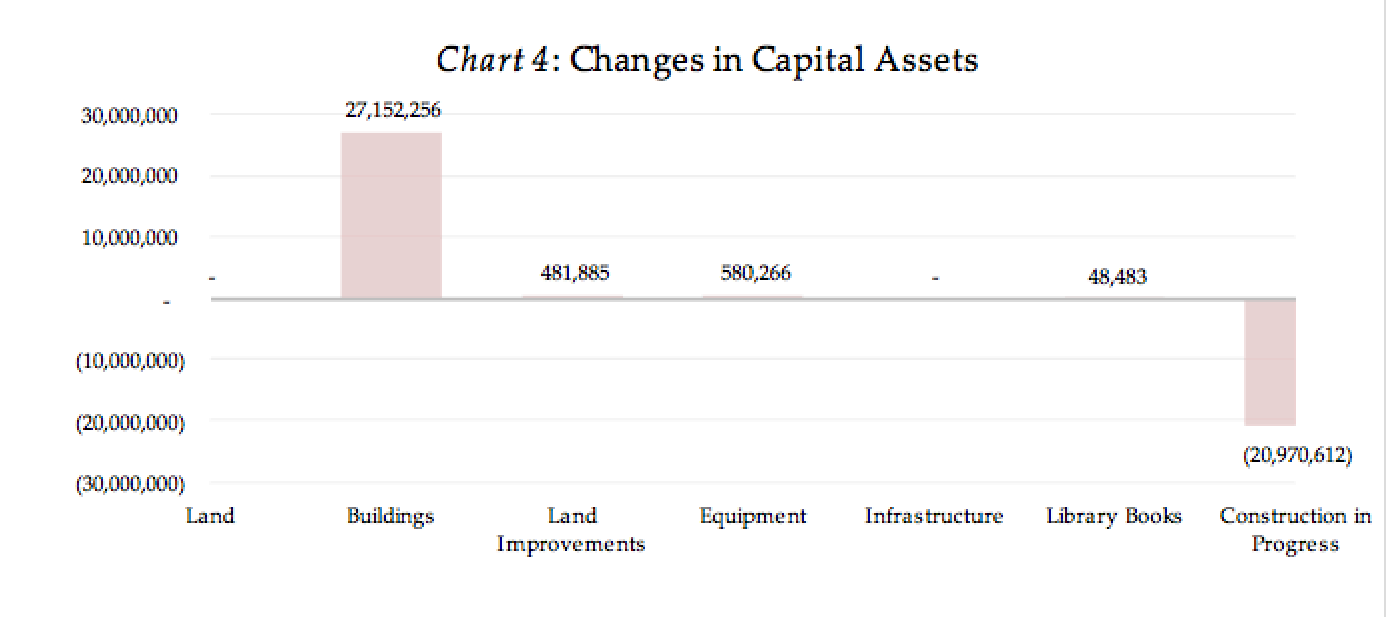
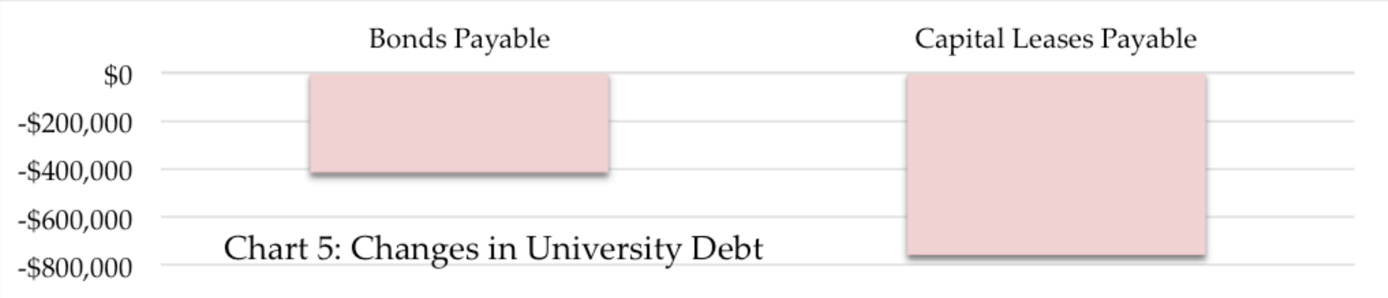


Figure 6 and *Chart 5* summarizes outstanding University debt at June 30, 2016 and 2017:

Figure 6

University Debt		2017		2016		Increase (Decrease)	Increase (Decrease)
Bonds Payable	$	20,900,000	$	21,315,000	$	(415,000)	(1.95%)
Capital Leases Payable		6,095,621		6,852,725		(757,104)	(11.05%)
Total Debt	$	26,995,621	$	28,167,725	$	(1,172,104)	(4.16%)



OUTLOOK FOR THE COMING FISCAL YEAR

The University's enrollment for Fall 2017 is up slightly from Fall 2016 (6.5%) with first-time freshmen up 5.6%. The University is seeing the success of a change in recruiting efforts across the State. Enrollment at the undergraduate level is dependent on two factors, pool and participation, that are both heavily influenced by factors within the State. The available pool of potential students age 18 through 29 is projected to climb steadily through 2023. Enrollment increases should stabilize and steadily increase based on the pool of potential Utah public school students.

During the 2017 legislative session, the University's recurring budget for 2017-2018 was increased by 4.6%, compared to 2016–2017, which included funding to increase salaries, performance-based funding, and ongoing support for market-demand programs. Economic growth in Utah is expected to continue during 2017 with job growth forecast to increase at 3.3% for the year. Unemployment in Utah was 3.7% at the end of August 2017, as compared to 4.9% nationally. We are optimistic that the 2018 legislative session will continue to provide additional increases in funding.

During fiscal year 2017, the University raised $1.5 million from annual giving from private sources, including corporate funding, building donations, endowments, and gift funding. The University continues to benefit from the generosity of its donors and supporters, and the number of active donors continues to increase.

The University exercises a prudent approach to the issuance of debt. With the need for expanded student housing comes the need to issue debt to support construction. In addition, the University evaluates existing debt versus current interest rates to identify opportunities to refinance at better rates.

The University's endowment funds are available for mission critical programs and initiatives—now and into the future. The University has invested in a portfolio of equity, fixed income and alternative assets whose valuations are impacted by market conditions, sometimes negatively in the short term. However, we believe our portfolio will provide solid financial footing for the University's endowments over the long term. With the change to university status, continued growth of the St. George area, and the completion of an extensive strategic planning initiative, the University is now experiencing the highest student growth rate in the Utah System of Higher Education.

Overall, the University is in a sound financial position. The institution has strong strategic leadership and prudent financial management that work together to ensure it's mission is met in the future.

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

DIXIE STATE UNIVERSITY |

Statement of Net Position as of June 30, 2017

	Primary Institution	Component Unit Foundation
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 2)	$ 13,653,933	$ 1,645,669
Investments (Note 3)	3,035,482	3,582,436
Accounts and Notes Receivable, Net (Note 5)	1,707,173	706,768
Accounts Receivable - Primary Government/Related Parties (Note 5)	2,261,021	28,150
Inventories (Note 7)	693,436	-
Student Loans Receivable, Net (Note 5)	186,953	-
Prepaid Expenses	105,865	-
Total Current Assets	21,643,863	5,963,023
Noncurrent Assets		
Restricted Cash and Cash Equivalents (Note 2)	986,816	194,425
Investments (Note 3)	21,209,082	9,107,696
Accounts and Notes Receivable, Net (Note 5)	1,649,099	191,855
Student Loans Receivable, Net (Note 5)	941,008	-
Net Pension Asset (Note 13)	345	-
Investments in Real Estate	-	750,000
Capital Assets, Net (Note 10)	152,027,720	2,408,634
Total Noncurrent Assets	176,814,070	12,652,610
Total Assets	198,457,933	18,615,633
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Relating to Pensions (Note 13)	2,396,535	-
Total Deferred Outflows of Resources	2,396,535	-
LIABILITIES		
Current Liabilities		
Accounts Payable (Note 5)	1,489,482	-
Accounts Payable - Primary Government/Related Parties	1,483,513	-
Accrued Liabilities	1,486,168	-
Compensated Absences and Termination Benefits (Note 13)	1,670,214	-
Deposits	301,273	-
Unearned Revenue	1,205,090	-
Bonds, Notes, and Capital Leases Payable (Note 11)	1,138,128	108,111
Total Current Liabilities	8,773,868	108,111
Noncurrent Liabilities		
Compensated Absences and Termination Benefits (Note 13)	1,038,018	-
Bonds, Notes, and Capital Leases Payable (Note 11)	25,857,493	848,826
Notes Payable	-	1,019,369
Net Pension Liability (Note 13)	6,031,021	-
Total Noncurrent Liabilities	32,926,532	1,868,195
Total Liabilities	41,700,400	1,976,306

Continued on next page...

The accompanying notes are an integral part of these financial statements

Statement of Net Position as of June 30, 2017

DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Relating to Pensions (Note 13)	958,812	-
Total Deferred Inflows of Resources	958,812	-
NET POSITION		
Net Investment in Capital Assets	125,023,908	-
Restricted For		
Nonexpendable		
Scholarships and Fellowships	10,193,149	-
Other	2,531,728	-
Foundation	-	9,107,696
Expendable		
Scholarships and Fellowships	3,427,877	-
Loans	1,133,724	-
Capital Projects	1,626,128	-
Debt Service	190,073	-
Other	1,020,903	-
Foundation	-	6,721,712
Unrestricted	13,047,766	809,919
Total Net Position	$ 158,195,256	$ 16,639,327

The accompanying notes are an integral part of these financial statements

DIXIE STATE UNIVERSITY | Statement of Revenues, Expenses, and Changes in Net Position for the Year Ended June 30, 2017

	Primary Institution	Component Unit Foundation
OPERATING REVENUES AND EXPENSES		
Revenues		
Student Tuition and Fees, net (Note 1)	$ 38,456,228	$ -
Federal Grants and Contracts	103,033	-
Auxiliary Enterprises, net (Note 1)	9,353,201	152,432
Foundation Contributions Received	-	2,208,720
Other Operating Revenues	987,416	2,000
Total Operating Revenues	48,899,878	2,363,152
Expenses		
Salaries and Wages	41,941,958	-
Employee Benefits	14,427,684	-
Actuarial Calculated Pension Expense (Note 13)	1,277,146	-
Student Financial Aid	14,515,249	-
Donation to the College	-	1,370,075
Utilities	2,051,585	-
Cost of Goods Sold	3,904,404	-
Depreciation	6,117,520	-
Other Operating Expenses	20,436,049	524,394
Total Operating Expenses	104,671,595	1,894,469
Operating Income (Loss)	(55,771,717)	468,683
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	36,661,705	-
Federal Grants	15,618,112	-
State Grants	981,678	-
Local Grants	65,000	-
Private Grants	2,710	-
Gifts	1,285,548	-
Investment Income	1,307,212	1,695,517
Interest on Capital Asset Related Debt	(1,073,948)	-
Other Nonoperating Revenues (Expenses)	51,246	472,188
Total Nonoperating Revenues (Expenses)	54,899,263	2,167,705
Income Before Capital and Permanent Endowment Additions	(872,454)	2,636,388
CAPITAL AND PERMANENT ENDOWMENT ADDITIONS		
Capital Appropriations	1,467,876	-
Capital Grants and Gifts	192,299	-
Additions to Permanent Endowments	281,701	612,967
Total Capital and Permanent Endowment Additions	1,941,876	612,967
Increase (Decrease) in Net Position	1,069,422	3,249,355
NET POSITION		
Net Position - Beginning of Year	157,125,834	13,389,972
Net Position - End of Year	158,195,256	16,639,327

The accompanying notes are an integral part of these financial statements

DIXIE STATE UNIVERSITY | Statement of Cash Flows
For Year Ended June 30, 2017

		Primary Institution
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tuition and Fees	$	38,401,148
Receipts from Grants and Contracts		103,033
Receipts from Auxiliary Enterprises		10,344,593
Payments for Compensation and Benefits		(56,718,385)
Payments to Vendors and Suppliers		(30,301,207)
Payments for Scholarships and Fellowships		(15,008,539)
Receipt of Student Loan Proceeds		659,368
Loans Issued to Students		(145,423)
Net Cash Provided (Used) by Operating Activities		(52,665,412)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		34,743,768
State Grants		981,678
Federal Student Financial Aid		15,618,112
Other Grants		(175,859)
Gifts and Endowments		1,566,647
Receipts from William D. Ford National Direct Student Loan		17,681,103
Payments to William D. Ford National Direct Student Loan		(17,678,458)
Other		273,979
Net Cash Provided (Used) by Noncapital Financing Activities		53,010,970
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Grants		184,607
Acquisition and Construction of Capital Assets		(8,417,625)
Principal Paid on Capital Debt and Leases		(1,172,104)
Interest Paid on Capital Debt and Leases		(1,085,169)
Net Cash Provided (Used) by Capital and Related Financing Activities		(10,490,291)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales and Maturities of Investments		5,161,794
Interest and Dividends		590,929
Purchase of Investments and Related Fees		(8,663,165)
Net Cash Provided (Used) by Investing Activities		(2,910,442)
Net Increase (Decrease) in Cash and Cash Equivalents		(13,055,175)
Cash and Cash Equivalents - Beginning of Year		27,695,924
Cash and Cash Equivalents - End of Year	$	14,640,749

The accompanying notes are an integral part of these financial statements

(continued)

		Primary Institution
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Income (Loss)	$	(55,771,717)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation Expense		6,117,520
Difference between Actuarial Calculated Pension Expense and Actual Contributions		36,306
Provision for Uncollectible Loans and Writeoffs		80,746
Changes in Assets and Liabilities:		
Receivables, Net		(271,258)
Inventories		116,303
Prepaid Items		69,444
Notes Receivable, Net		20,654
Accounts Payable and Accrued Liabilities		1,097,595
Accounts Payable - Primary Government/Related Parties		(4,479,652)
Unearned Revenue		220,157
Compensated Absences		98,490
Total Adjustments		3,106,305
Net Cash Provided (Used) by Operating Activities	$	(52,665,412)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Completed Construction Projects Transferred from the State of Utah		1,467,876
Acquired Through a Gift		7,692
Change in Fair Value of Investments		393,970
Capital Asset Write-Offs		837,955
Total Noncash Investing, Capital, and Financing Activities		2,707,493

The accompanying notes are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements report the financial activity of Dixie State University, including the Dixie Foundation shown as a discretely presented component unit. The University is a component unit of the State of Utah.

Component units are entities that are legally separate from the University, but are financially accountable to the University, or whose relationships with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete.

The Dixie Foundation (Foundation) is a legally separate, but affiliated, self-sustaining not-for-profit organization. Since the Foundation was established to receive gifts almost entirely for the benefit of the University, it is considered a discretely presented component unit and is included in the University's audited financial statements under the heading "Component Unit Foundation." Independent auditors have audited the Foundation, and a separate report has been issued, thereon, and is available at the Foundation's administrative office.

B. Basis of Accounting

For financial reporting purposes, Dixie State 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.

Operating activities include all revenues and expenses derived on an exchange basis used to support the instructional, research and public service efforts, and other University priorities. Significant recurring sources of the University's revenues are considered non-operating, as defined by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and required by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities.*

Operating revenues include tuition and fees, grants and contracts, and revenue from various auxiliary and public service functions. Non-operating revenues include state appropriations, Pell grants and certain government grants, gifts, and investment income.

Operating expenses include compensation and benefits, student aid, supplies, repairs and maintenance, utilities, etc. Non-operating expenses primarily include interest on debt obligations.

The Foundation follows FASB pronouncements and has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications are required to the discretely presented component unit's financial information when included in the University's financial report.

When both restricted and unrestricted resources are available, such resources are tracked and spent at the discretion of the department, subject to donor restrictions, where applicable.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the University recognizes gifts, grants, appropriations, and the estimated net realizable value of pledges as revenue as soon as all eligibility requirements imposed by the provider have been met.

C. 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 distributes earnings from pooled investments based on the average daily investment of each participating account, or for endowments, distributes according to the University's spending policy.

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. See Note 4 for more information regarding these investments and the University's outstanding commitments under the terms of the partnership agreements.

The University values these investments based on the partnerships' 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 calls and distributions.

D. Allowances

In accordance with GASB Statement No. 34, certain expenses are netted against revenues as allowances. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded allowances against student tuition and fees and auxiliary enterprises revenue.

The following schedule in *Figure 1* presents scholarship revenue allowance for the year ended June 30, 2017:

Figure 1 **: Scholarship Revenue Allowances**		
Tuition and Fees	$	11,892,466
Auxiliary		87,431

E. Compensated Absences & Early Retirement

Employee vacation leave is accrued at a rate of eight hours each month for the first three years and increases to a rate of 14.66 hours each month after eleven years of service. There is no requirement to use vacation leave, but a maximum of thirty-five days may be carried forward at the beginning of each calendar year. Eligible employees are reimbursed for unused vacation leave upon termination, and vacation leave is expended when used or reimbursed. The liability for vacation leave at June 30, 2017, was approximately $1.65 million.

Employees earn sick leave at a rate of eight hours each month. The University does not reimburse employees for unused sick leave. Each year, eligible employees may convert up to four days of unused sick leave to vacation leave based on their use of sick leave during the year. Sick leave is expended when used.

In addition, the University may provide early retirement benefits, if approved by the Administration and by the Board of Trustees, for certain employees who have attained the age of 57 with at least five years of continuous service and whose age and years of service add to at least 75.

The University pays each early retiree an annual amount equal to the lesser of 20% of the retiree's final salary or their predicted social security benefit at full retirement age. This incentive is paid to the eligible employee until the earlier of five years or full retirement age. The employee is also eligible to receive the same coverage of medical insurance and dental insurance the employee was receiving at the early retirement date, which coverage continues for a maximum period of five years or to age 65, whichever comes first. These benefits are deducted from the early retirement incentive the employee receives on the same basis as non-retired employees.

In accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, the amount recognized on the financial statements was calculated at the discounted present value of the projected future costs, which includes an estimated annual increase of 3.0%. A discount rate of 5.0% was used and is based on the average rate earned by the University on investments for the fiscal year.

As of June 30, 2017, 18 eligible employees have elected to participate in the early retirement program. The funding for these termination benefits is provided on a pay-as-you-go basis. For the year ended June 30, 2017, the stipend and benefits expense for the early retirement program totaled $263,485 and $221,696, respectively, and the calculated remaining termination benefits liability is $991,145.

F. Construction

The Utah State Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for state institutions, maintains records, and furnishes cost information for recording plant assets on the books of the University. Construction projects administered by DFCM are not recorded on the books of the University until the facility is available for occupancy.

G. Deferred Outflows and Inflows

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* deferred outflows and deferred inflows of resources related to pensions have been recorded. Further information regarding pension reporting can be found in Note 13.

H. Pensions

For purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems Pension Plan (Systems), and additions to/deductions from the Systems fiduciary net position have been 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 benefit terms. Investments are reported at fair value.

I. 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 outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

Restricted Net Position, 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 Net Position: Unrestricted net position represent resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the 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 for students, faculty, and staff.

2. CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents consist of cash and short-term, liquid investments with an original maturity of three months or less. Cash, depending on source of receipts, is pooled except for cash and cash equivalents when legal requirements dictate the use of separate accounts. The cash balances 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.

Figure 2: Cash and cash equivalents at June 30, 2017:

***Figure* 2: Cash and Cash Equivalents**		
Cash	$	1,296,613
Money market funds		308,064
Utah Public Treasurers' Investment Fund		13,036,072
Total (fair value)	$	14,640,749

The Utah State Treasurer's Office operates the Utah Public Treasurers' Investment Fund (PTIF), which is managed in accordance with the State of Utah Money Management Act (Act) and is available for investment of funds administered by any Utah public treasurer.

3. 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 fair value on the date of receipt. 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA), Section 51-8 of the *Utah Code,* the institution may appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for uses, benefits, purposes, and duration for which the endowment was established.

The endowment income spending practice at June 30, 2017, was 4% of the twelve-quarter moving average of the market value of the endowment pool. The spending practice 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, 2017, was $2,221,118. The net appreciation is a component of restricted expendable net position.

At June 30, 2017, the investment portfolio composition was as follows in *Figure 3:*

Figure 3 **Investments**		
Common & Preferred Stock	$	24,523
Corporate Notes & Bonds		5,393,660
Mutual Funds		13,805,415
U.S. Agencies		4,572,089
U.S. Treasuries		448,877
Total (Fair Value)	$	24,244,564

4. DEPOSITS AND INVESTMENTS

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

Except for endowment funds, the University follows the requirements of the Act (*Utah Code*, Section 51, Chapter 7), 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 Utah Money Management Council.

For endowment funds, the University follows the requirements of the UPMIFA, the State Board of Regents' Rule 541, *Management and Reporting of Institutional Investments* and the University's investment policy and endowment guidelines.

A. Deposits

Custodial Credit Risk: Custodial credit risk for deposits is the risk that in the event of a bank failure the University's deposits may not be returned.

At June 30, 2017, the carrying amount of the University's deposits and bank balances is $1,787,456. The Federal Deposit Insurance Corporation (FDIC) provides deposit insurance coverage up to $250,000 for demand deposits and $250,000 for time and savings deposits at each banking institution. As a result, the bank balances of the University were insured for $250,000 by the FDIC. The bank balances in excess of $250,000 were uninsured and uncollateralized, leaving $1,537,456 exposed to custodial credit risk. The University's policy for reducing this risk of loss is to deposit all such balances in qualified depositories as defined and required by the Act. Custodial credit risk deposits for year ending June 30, 2017, are shown in *Figure 4:*

Figure 4: **Custodial Credit Risk - Deposits**

	Deposit Amt	FDIC Surety Insured	Amount Uninsured/ Uncollateralized
University Deposits	1,787,456	250,000	1,537,456
Totals	$ 1,787,456	$ 250,000	$ 1,537,456

B. Investments

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. These statutes authorize the University to invest within the following guidelines:

- Negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories;

- Re-purchase 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; and

- Shares or certificates in a money market mutual fund as defined in the Act and The Utah State Public Treasurers' Investment Fund (PTIF).

The Utah State Treasurer's Office operates the Utah State Public Treasurers' Investment Fund (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 (SEC) as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The UPMIFA and State Board of Regents Rule 541, *Management and Reporting of Institutional*

Investments (Rule 541), allows 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 satisfying certain criteria:

• Mutual funds registered with the SEC, investments sponsored by the Common Fund;

• 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.

UPMIFA also permits institutions within the Utah System of Higher Education to accept and invest funds on behalf of other institutions.

Dixie State University and the University of Utah maintain an agreement that Dixie State University will transfer funds to the University of Utah to invest in its unitized endowment pool (Pool).

The Pool is not registered with the SEC as an investment company and is not rated. The University of Utah invests funds in accordance with UPMIFA, Rule 541, and University of Utah investment policies, as approved by the Board of Regents. Deposits in the Pool are not insured or otherwise guaranteed by the University of Utah, and participants share proportionately in any realized gains or losses on investments.

The Pool operates and reports to participants on a fair market value basis. The income, gains and losses, net of administration fees are allocated monthly on the ratio of Dixie State University's ending monthly balance to the total funds in the Pool.

C. 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:

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

• *Level 2:* Observable inputs other than quoted market prices; and,

• *Level 3*: Unobservable inputs.

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 and U.S. Agencies: quoted prices for identical securities in markets that are not active.

• Corporate and Municipal Bonds and Negotiable Certificates of Deposit: quoted prices for similar securities in active markets.

• Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund.

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

• University of Utah Endowment Pool: application of the June 30, 2017, fair value factor as calculated by the University of Utah to the University's average quarterly balance in the Fund.

Debt and equity securities classified as *Level 3* may include common and preferred equity securities, partnership interests and ownership in similar entities, and, other privately issued securities. Many of these investments are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and may be limited partnerships. When observable prices are not available for these securities or identical assets, the University uses the net asset value (NAV) per share (or its equivalent) technique, for which sufficient and reliable data is available as follows:

• The University values these investments based on the partnerships' audited financial statements. If June 30, financial 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 calls and distributions.

At June 30, 2017, the University had the following recurring fair value measurements: *Figure 5.*

Figure 5: **Fair Value Measurements Using**				
	June 30, 2017	**Level 1**	**Level 2**	**Level 3**
Investment by Fair Value Level				
Debt Securities				
U.S. Treasuries	$ 448,877		$ 448,877	$ -
U.S. Agencies	4,572,089	-	4,572,089	-
Corporate Notes & Bonds	5,393,660	-	5,393,660	-
Money Market Mutual Funds	308,064	-	308,064	-
Bond Mutual Funds	566,409	-	566,409	-
Utah Public Treasurers' Investment Fund	13,036,072	-	13,036,072	-
Total Debt Securities	24,325,171	-	24,325,171	-
Equity Securities				
Common and Preferred Stock	24,523	24,523	-	-
Equity Mutual Funds	1,198,649	-	1,198,649	-
University of Utah Endowment Pool	11,868,680	-	11,868,680	-
Total Equity Securities	13,091,852	24,523	13,067,329	-
Total Investments by Fair Value Level	37,417,023	$ 24,523	$37,392,500	$ -
Investments Measured at the Net Asset Value (NAV)				
Private Equity Partnerships	171,677			
Total Investments Measured at NAV	171,677			
Total Investments Measured at Fair Value	$ 37,588,700			

Figure 6 presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the University's alternative investments measured at NAV:

Figure 6: **Investments Measured at Net Asset Value (NAV)**				
Investment Class	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Morgan Stanley Private Equity Access Fund II Limited Partnerships (MSPE ACCESS II LP)	$ 89,180	$ 14,843	Initial 10 year, with five 1-year extensions	60 Days
Managed Futures Strategic Alternatives, LP (STRATALT LP)	82,497	-	Monthly	10 Days
Total Private Equity Partnerships	171,677	14,843		
Total Investment Measured at NAV	$ 171,677	$ 14,843		

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 UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. 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 less. 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 10 years for institutions of higher education. 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, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2017, the University's investments had the following maturities: *Figure 7.*

Figure 7: **Maturities**		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1-5	6-10
Money Market Mutual Funds	$ 308,064	$ 308,064	$ -	$ -
Bond Mutual Funds	566,409	-	328,800	237,609
Corporate Notes & Bonds	5,393,660	3,035,482	2,358,178	-
U.S. Agencies	4,572,089	-	4,472,440	99,649
U.S. Treasuries	448,877	-	-	448,877
Utah Public Treasurers' Investment Fund	13,036,072	13,036,072	-	-
Totals	$ 24,325,171	$ 16,379,618	$ 7,159,418	$ 786,135

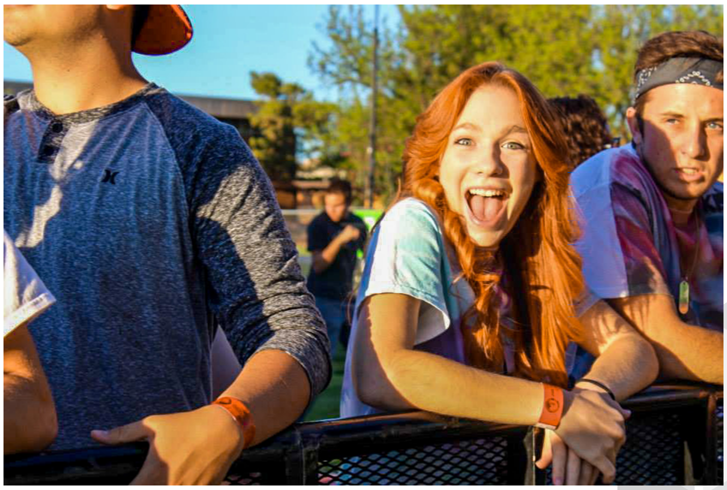
Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Money Management Act, the UPMIFA, and Rule 541, as previously discussed. At June 30, 2017, the University's investments had the following quality ratings in *Figure 8:*

Figure 8				Quality Ratings			
Debt Investments	**Fair Value**	**AAA**	**AA**	**A**	**BBB**	**Unrated**
Money Market Mutual Funds	$ 308,064	$ -	$ -	$ -	$ -	$ 308,064
Bond Mutual Funds	566,409	-	-	-	-	566,409
Corporate Notes & Bonds	5,393,661	-	352,394	2,204,341	2,836,926	-
U.S. Agencies	4,572,088	497,889	4,074,199	-	-	-
U.S. Treasuries	448,877	448,877	-	-	-	-
Utah Public Treasurers' Investment Fund	13,036,072	-	-	-	-	13,036,072
Totals	$ 24,325,171	$ 946,766	$4,426,593	$ 2,204,341	$ 2,836,926	$ 13,910,545

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 its investments or collateral securities that are in the possession of an outside party. The University's policy for reducing its exposure to custodial credit risk is to comply with applicable provisions of the Act. As required by the Act, all applicable securities purchased were delivered versus payment and held in safekeeping by a bank. Also, as required, the ownership of book-entry-only securities, such as U.S. Treasury or Agency securities, by the University's custodial bank was reflected in the book-entry records of the issuer and the University's ownership was represented by a receipt, confirmation, or statement issued by the custodial bank.

At June 30, 2017, the University had $171,677 in alternative investments, $1,223,172 in equity securities, $5,960,070 in bond and corporate debt, $4,572,089 and U.S. agencies, which were held by the counterparty and not in the University's name. The University had $448,877 in U.S treasuries, which were held by the counterparty's trust department and not in the University's name. *Figure 9* represents the University's custodial credit risk investments.

Figure 9 : Custodial Credit Risk - Investments		
Custodial Credit Risk - Investments	With Counterparty	With Counterparty's Trust Department or Agent
Equity Securities - Domestic	$ 1,223,172	$ -
Bond Mutual Funds/Corporate Debt	5,960,070	-
U.S. Agencies	4,572,089	-
U.S. Treasuries	-	448,877
	$ 11,755,331	$ 448,877



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 Money Management Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio at the time of purchase.

For endowment funds, the University follows Rule 541, which requires that an institution's overall endowment portfolio shall be invested in accordance with the following allocation ranges as shown in *Figure 10:*

***Figure 10:* Allocation Ranges**	
Fixed income and cash equivalents	25-100%
Equity Investments	0-75%
Alternative Investments	0-30%

The overall endowment portfolio for the University, excluding the University of Utah investments, are shown in *Figure 11:*

***Figure 11:* Asset Category**		Endowment Amount	Percent of Pool
Fixed Income and Cash Equivalents	$	1,217,695	38%
Equity Investments		1,789,581	56%
Alternative Investments		171,677	6%
	$	3,178,953	100%

D. Dixie Foundation Deposits and Investments

At June 30, 2017, the Foundation had the following cash and cash equivalents: *Figure 12:*

Figure 12: Cash and Cash Equivalents		Balance
Cash on Hand	$	62
Cash in Bank		1,223,693
Certificate of Deposit		75,697
Money Market Funds (Held by Equity Managers)		346,217
Total	$	1,645,669

Deposits: Custodial Credit Risk: Cash in Bank is insured by the Federal Deposit Insurance Corporation. Money Market Funds are covered against broker theft by the Securities Investors Protection Corporation. Cash and cash equivalents have the general characteristics of demand deposits so that funds may be withdrawn at any time without prior notice. $546,460 of cash in bank is insured by the Federal Deposit Insurance Corporation.

Credit Risks: Investments with a market value of $12,690,132 represent a risk factor subject to loss due to the volatility of the stock and bond markets.

Investments:Investments are carried at *Fair Value Measurements* (FASB 157) on the Foundation's financial statements. The resultant cumulative net unrealized gain at June 30, 2017, was $977,539 of which $775,506 is the current year's unrealized gain.

Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements* (FASB 157), establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (*Level 1* measurements) and the lowest priority to unobservable in inputs (*Level 3* measurements). Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72), establishes the framework for measuring fair value for governmental entities. Except for alternative investments, GASB 72 reflects the same fair value measurement framework as FASB 15.

The fair value measurement of Foundation investments at June 30, 2017, are shown in *Figure 13:*

Figure 13: Investments	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
Alternative Funds	$ 478,206	$ 69,933	$ (12,501)	$ 535,638
Fixed Income Bond Funds	2,699,904	68,894	(46,059)	2,722,739
Obligations of the U.S. Government	971,793	143	-	971,936
Obligations of Corporations and Agencies	2,172,430	26,370	-	2,198,800
Corporate Securities - Domestic	4,289,858	708,639	-	4,998,497
Corporate Securities - International	1,086,761	162,142	(22)	1,248,881
Other	13,641	-	-	13,641
Total	$ 11,712,593	1,036,121	$ (58,582)	12,690,132
Less Losses		(58,582)		
Total Cumulative Net Gain (Loss)		977,539		
Less Assets Held in Trust				-
Investments				$ 12,690,132
Cumulative Net Unrealized Gain (Loss) 6/30/16		$ 224,192		
Changes from Contributions, Realized Gains and Losses, and Changes in Assets Held in Trust		(22,159)		
2017 Unrealized Gain (Loss)		775,506		
Cumulative Net Unrealized Gain (Loss) 6/30/17		$ 977,539		

Figure 14 sets forth by level, within the fair value hierarchy, the Foundation's investments at fair value as of June 30, 2017:

Figure 14		Fair Value Measurements Using		
	June 30, 2017	Level 1	Level 2	Level 3
Investment by Fair Value Level				
Alternative Funds	$ 535,638	$ 535,638	$ -	$ -
Fixed Income Bond Funds	2,722,739	2,722,739	-	-
Obligations of U.S. Government	971,936	971,936	-	-
Obligations of Corporations and Agencies	2,198,800	2,198,800	-	-
Corporate Securities - Domestic	4,998,497	4,998,497	-	-
Corporate Securities - International	1,248,881	1,248,881	-	-
Other	13,641	13,641	-	-
Total	$ 12,690,132	$ 12,690,132	$ -	$ -

5. RECEIVABLES AND ACCOUNTS PAYABLE

Accounts, pledges, and interest receivable include tuition and fees, and auxiliary enterprise and services. Loans receivable predominantly consist of student loans. Accounts receivable also include amounts due from the federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts.

Allowances for doubtful accounts are established by charges to operations to cover anticipated losses from accounts receivable generated by sales and services and student loans. Such accounts are charged to the allowance when collection appears doubtful. Any subsequent recoveries are credited to the allowance accounts. Allowances are not established for pledges or in those instances where receivables consist of amounts due from governmental units or where receivables are not material in amount.

Figure 15 presents receivables at June 30, 2017, including approximately $1.6 million of non-current accounts and notes and $0.9 million of non-current student loans, respectively:

Figure 15: **Receivables**		**Year Ended June 30, 2017**
Student Loans	$	1,544,836
Student Tuition and Fees		2,352,188
Auxiliary Enterprises and Other		703,140
Contracts and Grants		291,945
Pledges		1,200,000
Primary Government / Related Parties		2,261,021
		8,353,130
Less Allowances for Doubtful Accounts		(1,607,876)
Receivables, Net	$	6,745,254

Figure 16 presents the major components of accounts payable at June 30, 2017:

Figure 16 **: Accounts Payable**		
Vendors	$	1,276,809
Interest		176,897
Student Refunds		35,776
Total Accounts Payable	$	1,489,482

6. UNEARNED REVENUE

Unearned revenue consists of summer session tuition and fees, advance payments on grants and contracts, advance ticket sales for various athletic and cultural events, and results of normal operations of auxiliary enterprises and service units.

7. INVENTORIES

Inventories consist primarily of books and merchandise held in the campus bookstores. Other inventories include food products and fuel. The University uses internal testing of inventory counts to verify inventory amounts. The University Campus Store's inventories are valued using the retail inventory method. All other inventories are stated at the lower of cost or market using the first in, first-out method or, on a basis that approximates cost, determined on the first-in, first-out method.

Figure 17 presents the components of inventories at June 30, 2017:

Figure 17		Year Ended June 30, 2017
Bookstore	$	567,744
Dining Services		66,444
IT Services		31,312
Fuel		27,936
Total Inventories	$	693,436

8. INCOME TAXES

The University is a political subdivision of the State for federal income tax purposes. The University is an Internal Revenue Code (IRC) Section 115 organization. This status exempts the University from paying federal income tax on revenue generated by activities that are directly related to the University's mission. This exemption does not apply to unrelated business activities. On these activities, the University is required to report and pay federal and state income tax.

9. RISK MANAGEMENT

The University maintains insurance coverage for commercial general liability, automobile, errors and omissions, and property (building and equipment) through policies administered by the Utah State Division of Risk Management. Employees of the University and authorized volunteers are covered by workers compensation and employees' liability through the Workers Compensation Fund. In addition, the University maintains self-insurance funds for claims under $1,000.

10. CAPITAL ASSETS

Buildings, infrastructure and improvements, which include roads, curb and gutter, streets and sidewalks, and lighting systems, land, equipment, library materials, and intangible assets (primarily software) are valued at historical cost or at acquisition value at the date of donation. Buildings, infrastructure and improvements, and additions to existing assets are capitalized when acquisition cost equals or exceeds $100,000 for the University. Equipment is capitalized when acquisition costs exceed $5,000. All costs incurred in the acquisition of library materials are capitalized. Purchased software is capitalized when acquisition costs are $100,000 or greater. Land acquisitions have been valued at original cost or fair market value at the date of donation in the case of gifts. Buildings, improvements, land, and equipment of component unit have been valued at cost at the date of acquisition.

The University has certain works of art that are not capitalized, nor depreciated. These assets are held for public exhibition, education, or research rather than financial gain. These assets are also protected, unencumbered, and preserved and are subject to policies requiring the proceeds from sales of collection items to be used to acquire other collection items. The University's assets of this nature include Native American artifacts, photographs, prints, paintings, monuments, statues, and other historical documents.

Capital assets of the University and its component unit are depreciated on a straight-line basis over their estimated useful lives. The estimated useful lives of University assets extends to forty years on buildings, up to thirty years for building improvements, forty to fifty years on infrastructure and improvements, five to twenty years for land improvements, twenty years on library books, from three to twenty years on equipment, and from three to ten years on software. Land, art and special collections, and construction in progress are not depreciated.

Capital assets at June 30, 2017, are shown in *Figure 18,* below.

At June 30, 2017, the University had no outstanding construction commitments. However, as of June 30, 2017, the University did have a significant outstanding commitment of $528,750 for the purchase of a new bus for our Road Scholar department.

Figure 18	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets, Non-depreciable:				
Land and Permanent Easements	$ 14,251,205	$ -	$ -	$ 14,251,205
Construction in Progress	23,575,248	2,577,736	23,548,348	2,604,636
Total Capital Assets, Non-depreciable	37,826,453	2,577,736	23,548,348	16,855,841
Capital Assets, Depreciable:				
Buildings	145,233,230	27,152,256	-	172,385,486
Machinery and Equipment	13,779,126	916,654	336,388	14,359,392
Art, Literature, and Artifacts	2,378,519	55,647	7,164	2,427,002
Land Improvements	12,502,772	976,288	494,403	12,984,657
General Infrastructure	4,343,451	-	-	4,343,451
Total Before Depreciation	178,237,098	29,100,845	837,955	206,499,988
Less Accumulated Depreciation For:				
Buildings	48,416,478	4,373,674	-	52,790,152
Machinery and Equipment	9,361,192	1,180,285	260,532	10,280,945
Art, Literature, and Artifacts	1,400,836	102,337	7,163	1,496,010
Land Improvements	6,503,143	371,782	494,402	6,380,523
General Infrastructure	291,037	89,442	-	380,479
Total Accumulated Depreciation	65,972,686	6,117,520	762,097	71,328,109
Total Capital Assets, Depreciable, Net	112,264,412	22,983,325	75,858	135,171,879
Total Capital Assets, Net	**$ 150,090,865**	**$ 25,561,061**	**$ 23,624,206**	**$ 152,027,720**

Dixie Foundation Capital Assets

Capital Assets of the Foundation at June 30, 2017, are shown in *Figure 19*:

Figure 19: Fixed Assets	Year Ended June 30, 2016	Increases	Decreases	Year Ended June 30, 2017
Land	$ 1,074,106	$ 181,000	$ -	$ 1,255,106
Buildings	511,794	724,000	-	1,235,794
Total	1,585,900	905,000	-	2,490,900
Accumulated Depreciation	(63,975)	(27,491)	-	(91,466)
Capital Assets, Net	$ 1,521,925	$ 877,509	$ -	$ 2,399,434
Collectible Art - Foundation	$ 9,200	$ -	$ -	$ 9,200

11. BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES

The long-term debt of the University consists of bonds payable, capital lease obligations, compensated absences, net pension liability, and other obligations.

The State Board of Regents issues revenue bonds to provide funds for the construction and renovation of major capital facilities and the acquisition of capital equipment for the University.

The revenue bonds are special limited obligations of the University. The obligation for repayment is solely that of the University and payable from the net revenues of auxiliary enterprise, student building fees, Road Scholar, travel study, and parking fees. Neither the full faith and credit nor the taxing power of the State or any other political subdivision of the State is pledged to the payment of the bonds, the distributions, or other costs associated with the bonds.

In June 2015, the University issued a new general revenue bond in the amount of $21,315,000 to finance the construction of student housing. Construction on the student housing was completed in September of 2016.

The University is currently paying on a 2006 lease revenue bond that was entered into through the Utah State Board of Regents to acquire Avenna Center and other buildings. For financial statement purposes, the 2006 bond issue is considered a capital lease. Capital leased building assets for fiscal year 2017, and their depreciation amounts are $8,971,201 and $4,281,355, respectively.

Over a number of years, the University has entered into capital lease agreements to acquire equipment. Equipment currently financed under a capital lease and its accumulated depreciation amounts are $1,453,283 and $580,833, respectively. As seen in *Figure 21* (pg.42), the remaining principal balance on notes and capital leases payable at June 30, 2017, is $6,095,621.

Figure 20 lists the outstanding bonds payable of the University at June 30, 2017:

Figure 21 lists the outstanding notes and capital leases payable at June 30, 2017:

Figure 22 summarizes the changes in long-term liabilities for the year ended June 30, 2017:

Figure 23 shows maturities of principal and interest requirements for long-term debt payable are as follows:

Figure 20: Outstanding Bonds Payable						
		Maturity		Original	Current	Balance
Issue	Date Issued	Date	Interest Rate	Issue	Liability	6/30/
Series 2015-Revenue	6/24/2015	6/1/2046	2%-5%	$ 21,315,000	$425,000	$20,900,000

Figure 21: Notes and Capital Leases Payable		Interest Rate	Balance
Bank of America Public Capital Corp	2011-2028	4.50%	2,986,916
Revco Leasing	2013-2018	13.56%	4,291
US Bancorp Government Leasing and Finance, Inc.	2014-2024	3.02%	364,204
Wells Fargo	2007-2020	4.6%-4.75%	116,750
Zions Bank	2006-2023	3.6%-4.65%	2,180,000
JPMorgan Chase Bank	2016-2023	1.74%	443,460
Total Notes and Capital Leases Payable			**6,095,621**

Figure 22	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds, Notes, and Capital Leases Payable					
Bonds Payable	$ 21,315,000	$ -	$ 415,000	$ 20,900,000	$ 425,000
Capital Leases Payable	6,852,725	-	757,104	6,095,621	713,128
Total Bonds, Notes, and Capital Leases Payable	28,167,725	-	1,172,104	26,995,621	1,138,128
Other Liabilities					
Net Pension Liability	6,257,177	-	226,156	6,031,021	-
Compensated Absences	1,424,627	1,361,651	1,069,191	1,717,087	1,255,777
Termination Benefits	1,180,446	254,105	443,406	991,145	414,437
Total Other Liabilities	$ 8,862,250	$ 1,615,756	$ 1,738,753	$ 8,739,253	$ 1,670,214

Figure 23

Year Ending June 30	Capital Leases	Bonds Payable	Total Principal	Total Interest	Total Principal and Interest
2018	$ 713,128	$ 425,000	$ 1,138,128	$ 1,050,908	$ 2,189,036
2019	745,308	435,000	1,180,308	1,014,201	2,194,509
2020	782,974	440,000	1,222,974	975,562	2,198,536
2021	779,222	455,000	1,234,222	929,793	2,164,015
2022	827,428	475,000	1,302,428	879,352	2,181,780
2023-2027	1,878,692	2,620,000	4,498,692	3,803,404	8,302,096
2028-2032	368,869	3,145,000	3,513,869	2,969,530	6,483,399
2033-2037	-	3,830,000	3,830,000	2,275,013	6,105,013
2038-2042	-	4,640,000	4,640,000	1,458,800	6,098,800
2043-2047	-	4,435,000	4,435,000	452,200	4,887,200
Totals	**$ 6,095,621**	**$ 20,900,000**	**$ 26,995,621**	**$ 15,808,764**	**$ 42,804,385**

Dixie Foundation Bonds Payable and Other Long-Term Liabilities

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

Future principal and interest payments for the Annuity are shown in *Figure 24*.

The Foundation had the following notes payable at June 30, 2017: A note payable with a current portion of $55,305 and a long-term portion of $1,019,369 bears interest at 5%, $8,982 is payable monthly until the last payment due on April 22, 2031. The note payable is secured by the purchased property. The note will be paid off in July of 2017, when the property is sold to private developers. The amounts due for each of the next five years and thereafter are shown in *Figure 25.*

Figure 24: Year Ending June 30	Principal	Interest	Totals
2018	$ 52,806	$ 20,252	$ 73,058
2019	56,193	16,865	73,058
2020	57,460	15,598	73,058
2021	51,913	21,145	73,058
2022	52,858	20,200	73,058
Thereafter	532,278	35,347	567,625
Totals	$ 803,508	$ 129,407	$ 932,915

Figure 25: Year Ending June 30	Principal	Interest	Totals
2018	$ 55,305	$ 52,478	$ 107,783
2019	58,134	49,648	107,782
2020	61,109	46,673	107,782
2021	64,235	43,548	107,783
2022	67,521	40,261	107,782
Thereafter	768,370	183,709	952,079
Totals	$ 1,074,674	$ 416,317	$ 1,490,991

Figure 26 presents the net revenue pledged and the principal and interest paid and accrued for the year ended June 30, 2017.

Figure 26		
PLEDGED BOND REVENUE:		
Revenues		
Operating Revenue	$	13,721,725
Nonoperating Revenue		374,858
Total Revenues		14,096,583
Expenses		
Operating Expenses		11,797,474
Nonoperating Expenses		-
Total Expenses		11,797,474
Net Pledged Revenue	$	2,299,109
Principal & Interest Payments		
Total Principal & Interest Paid and Accrued	$	1,215,812
Less Principal & Interest Paid w/ Dedicated Bond Proceeds		397,576
Net Principal & Interest to be Covered by Pledged Revenues	$	818,236

12. PLEDGED BOND REVENUE

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

13. PENSION PLANS AND RETIREMENT BENEFITS

As required by State law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the University are covered by defined benefit plans sponsored by the Utah Retirement Systems (Systems), and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by defined contribution plans, such as the Teachers Insurance and Annuity Association Fund (TIAA), 401(k), 457(b), or Roth IRA plans.

Defined Benefit Plans

Eligible plan participants are provided with pensions through the following systems:

- Public Employee Noncontributory Retirement System (Noncontributory-System) and the Public Employee Contributory Retirement System (Contributory System), which are multiple employer, cost sharing, public employee retirement systems.

- The Public Safety Retirement System (Public Safety), which is a cost-sharing, multiple-employer, public employee retirement system.

- Tier 2 Public Employee Contributory Retirement System (Tier 2 Public Employee System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter System), which are multiple employers, cost-sharing, public employee retirement systems.

The Tier 2 Public Employees System and the Tier 2 Public Safety and Firefighter System were created July 1, 2011. All eligible employees who have no previous service credit with any of the Utah Retirement Systems prior to that date are members of the Tier 2 Retirement Systems.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefits) trust funds and are

Summary of Benefits by System, *Figure 27:*

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefits	Benefit Percent per Year of Service	COLA**
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%
Contributory System	Highest 5 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.0% per year July 1975 to present	Up to 4%
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% depending upon employer
Tier 2 Public Employees 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%
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.*

a component unit of the State of Utah. Chapter 49 of the Utah Code grants the authority to establish and amend the benefit terms. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, Utah 84102, or visiting the website: www.urs.org.

The Systems provide retirement benefits as shown in *Figure 27 (pg.45).*

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 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.

Contributions reported are the URS Board approved required contributions, represented by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as shown in the first figure below:

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 1,002,286	N/A
Contributory System	8,031	-
Public Safety System	88,037	-
Tier 2 Public Employees System	126,881	-
Tier 2 Public Safety and Firefighter System	9,987	-
Total Contributions	$ 1,235,222	$ -

Contribution rates are as follows in *Figure 28:*

Figure 28	Rates Paid by Employee	Rates Paid by DSU for Employee	DSU Contribution Rates
Noncontributory System			
State and School Division Tier 1	N/A	N/A	22.19%
Contributory System			
Public Employees Tier 1	N/A	6.00%	17.70%
Public Employees Tier 2	N/A	N/A	18.24%
Public Safety Retirement System			
Public Safety	N/A	N/A	41.35%
Public Safety and Firefighter	N/A	N/A	29.21%

At June 30, 2017, the University's net pension asset and liability were as follows, *Figure 29.*

Figure 29	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2015	Change (Decrease)
Noncontributory	$ -	$5,514,109	0.1701404%	0.1803108%	(0.0101704%)
Contributory	-	92,293	0.1684310%	0.2809442%	(0.1125132%)
Public Safety	-	415,242	0.1942121%	0.1937159%	0.0004962%
Tier 2 Public Employees	-	9,377	0.0840620%	0.0987636%	(0.0147016%)
Tier 2 Public Safety and Firefighter	345	-	0.0396935%	0.0517351%	(0.0120416%)
Total Net Pension Asset / Liability	$ 345	$6,031,021			

The net pension asset and liability were measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016, and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2016.

For the year ended June 30, 2017, pension expense of $1,277,146 was recorded. At June 30, 2017, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources in *Figure 30 (*below).

Figure 30	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 255	$ 328,841
Changes in assumptions	631,706	78,395
Net difference between projected and actual earnings on pension plan investments	1,153,136	331,074
Changes in proportion and differences between contributions and proportionate share of contributions	13,491	220,502
Contributions subsequent to the measurement date	597,947	-
Total	$ 2,396,535	$ 958,812

The amount of $597,947 was reported as deferred outflows of resources related to pensions resulted from contributions made by the University prior to its fiscal year end, but subsequent to the measurement date of December 31, 2016. These contributions will be recognized as a reduction of the 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 as follows in *Figure 31:*

Figure 31 Year Ending December 31	Deferred Outflows (Inflows) of Resources
2017	$ 246,777
2018	275,075
2019	373,976
2020	(60,042)
2021	328
Thereafter	3,665

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions in *Figure 32,* below, applied to all periods included in the measurement.

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 the Society of Actuaries.

The following assumption changes were adopted January 1, 2016. The assumed investment return assumption was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflations assumptions were decreased by 0.15% from the prior year's assumption.

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013. The long-term expected rate of return on 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 summarized in *Figure 33 (pg. 49).*

Figure 32	
Inflation	2.60 Percent
Salary Increases	3.35 - 10.35 Percent, Average, including Inflation
Investment Rate of Return	7.20 Percent, net of pension plan investment expense, including Inflation

Figure 33			
		Expected Return Arithmetic Basis	
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash & Cash Equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
Inflation			2.60%
Expected Arithmetic Nominal Return			7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense. The discount rate used to measure the total pension liability was 7.20%. 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 was reduced to 7.20% from 7.50% from the prior measurement period.

Figure 34 presents the proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.20%) or one percentage point higher (8.20%) than the current rate:

Figure 34: **Sensitivity of Proportionate Share of Net Pension (Asset)/Liability**			
System	**1% Decrease (6.20%)**	**Discount Rate (7.20%)**	**1% Increase (8.20%)**
Noncontributory System	$ 10,110,219	$ 5,514,109	$ 1,662,120
Contributory System	226,901	92,293	(22,026)
Public Safety System	751,357	415,242	138,434
Tier 2 Public Employees System	63,826	9,377	(32,045)
Tier 2 Public Safety and Firefighter System	2,411	(345)	(2,462)
Total	$ 11,154,714	$ 6,030,676	$ 1,744,021

Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Plans

TIAA provides individual retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any of all of the providers, and the contributions to the employee's contract(s) 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 the individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2017, the University's contribution to these defined contribution pension plans was 14.20% of the employees' annual salaries. Additional contributions are made by the University based on employee contracts. The University has no further liability once contributions are made.

Employees of the University may also contribute to the 457(b), 403(b), Roth IRA, or a 401(k) plan while the remainder is contributed to the Tier 1 Systems, as required by law. For employees participating in the Noncontributory, Tier 2 Public Employee, or Tier 2 Public Safety and Firefighter Systems, the University is also required to contribute 1.50%, 1.78%, or 1.33%, respectively, of the employee's salary into a 401(k) plan.

For employees participating in the Tier 2 Public Employee defined contribution plan (Tier 2 DC), the University is required to contribute 20.02% of the employees' salary, of which 10% is paid into a 401(k)/457 plan while the remainder is contributed to the Employees Contributory System, as required by law.

Defined Contribution Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

For the year ended June 30, 2017, the University's contributions to the defined contribution plans were equal to the required amounts, as shown in *Figure 35:*

Figure 35: Defined Contribution Plan

	University's Contributions	Employee Contributions
TIAA	-	$ 3,709,197
401(k) Plans	86,876	80,003
403(b) Plans	-	462,072
457 Plans	-	74,030
Roth IRA	-	2,400
Total Contributions	$ 86,876	$ 4,327,702

14. RELATED PARTY TRANSACTIONS

In a prior year, the Foundation purchased a property that is referred to as the Larkin property. At the time of the purchase, the University entered into an agreement with the Foundation to rent and manage this property on a month-to-month basis. The monthly rental amount that is being paid for the Larkin property is $8,982, with the yearly total in 2017 of $107,784.

15. CONTINGENT LIABILITIES

As mentioned above in Note 14, the University has entered into a management agreement with the Foundation. In this agreement, there is a provision that the University will cover any cash shortfall that may occur while managing this property. The University's current rental payment for the Larkin property approximately equals the amount of the Foundation's monthly mortgage payment; therefore, this payment covers a significant portion of the cash outflow already. In order to mitigate these potential shortfalls, the University set aside funding to cover the shortfalls if they occur; however, with the sale of the property in early fiscal year 2018, no shortfalls occurred.

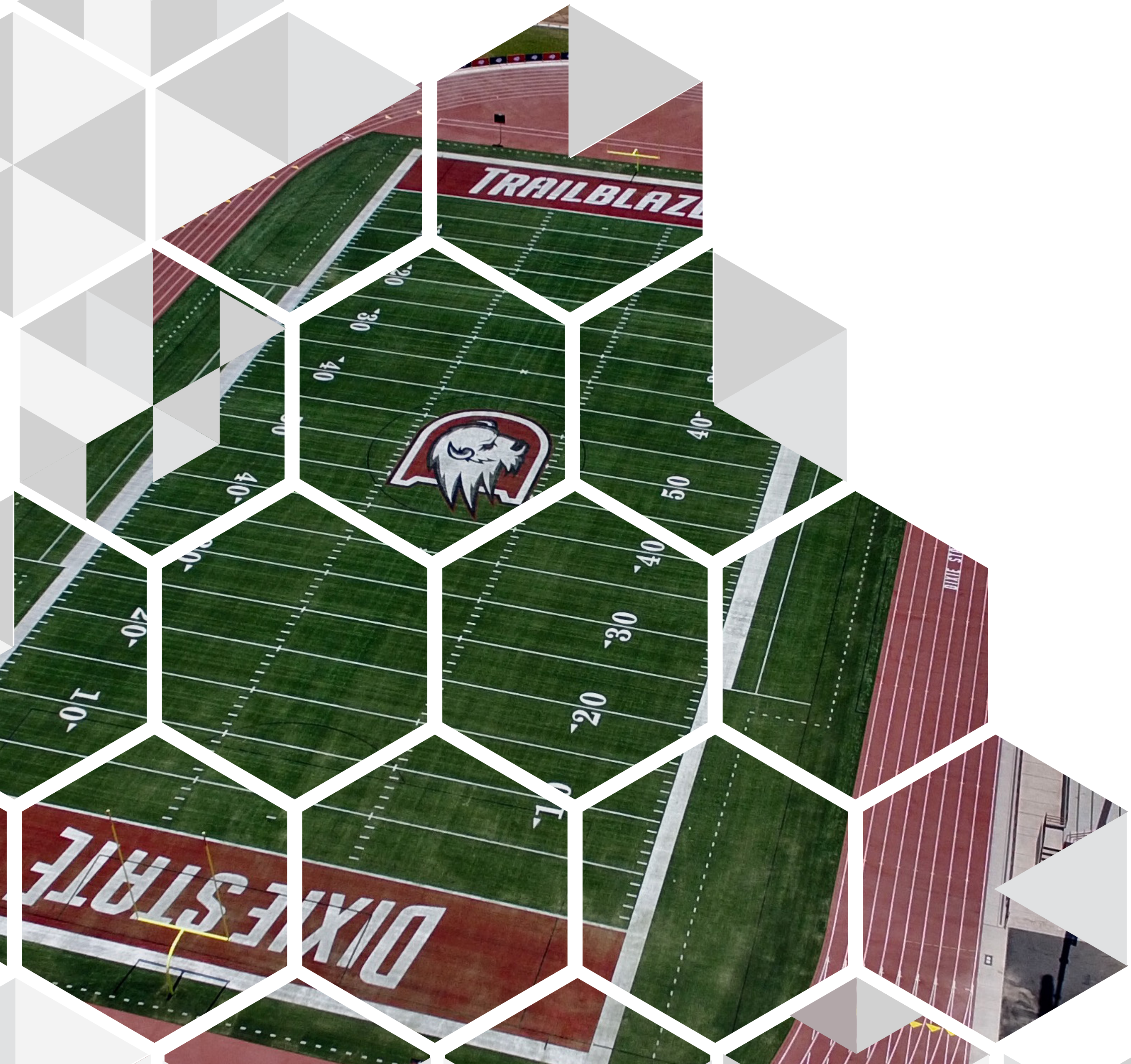
16. SUBSEQUENT EVENTS

The Larkin property was sold for a financial gain in early fiscal year 2018. The property was sold to private parties who agreed, as part of the sale, to build student housing on the site.

January 1, 2017, the URS Board reduced the actuarial return assumption to 6.95%, and adjusted many other assumption changes in relation to inflation, cost-of-living, mortality, retirement, termination, and payroll growth rates. These changes are reflected as part of the actuarial experience study conducted every three years looking at the actual plan experience over the previous five years of data. These assumption changes approved by the URS Board will be recognized in the FY2018 pension disclosure since it occurred after the URS Plan's measurement date of December 31, 2017.

In July 2017, the University issued a new Federally Taxable General Revenue Bond, series 2017A, in the amount of $1.055 million and a General Revenue Bond, series 2017B, in the amount of $19.715 million for the construction of the Human Performance Building and the east grandstand of Legend Solar Stadium. Principal on the bonds is due annually commencing June 1, 2020 through June 1, 2049. Bond interest is due semi-annually commencing December 1, 2017 at rates ranging from 2.00% to 5.00%. This bond will supplement the $25,000,000 appropriated by the Utah Legislature and $7,500,000 in capital gifts to complete the projected $63,500,000 in construction costs.

REQUIRED SUPPLEMENTARY INFORMATION



Schedule of Dixie State University's Proportionate Share of the Net Pension Liability

Utah Retirement Systems

	December 31,		
Noncontributory System	**2016**	**2015**	**2014**
Proportion of Net Pension Liability (Asset)	0.17014040%	0.18031080%	0.18064140%
Proportionate Share of Net Pension Liability (Asset)	$ 5,514,109	$ 5,664,079	$ 4,538,667
Covered Payroll	$ 5,047,851	$ 5,341,127	$ 5,245,808
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	109.24%	106.05%	86.50%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.90%	84.50%	87.20%
Contributory System	**2016**	**2015**	**2014**
Proportion of Net Pension Liability (Asset)	0.16843100%	0.28094420%	0.28692570%
Proportionate Share of Net Pension Liability (Asset)	$ 92,293	$ 176,054	$ 31,461
Covered Payroll	$ 45,151	$ 88,995	$ 103,443
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	204.41%	197.82%	30.40%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	93.40%	92.40%	98.70%
Public Safety System	**2016**	**2015**	**2014**
Proportion of Net Pension Liability (Asset)	0.19421210%	0.19371590%	0.18916470%
Proportionate Share of Net Pension Liability (Asset)	$ 415,242	$ 417,044	$ 351,513
Covered Payroll	$ 223,944	$ 212,317	$ 204,903
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	185.42%	196.42%	171.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	83.50%	82.30%	84.30%
Tier 2 Public Employees System	**2016**	**2015**	**2014**
Proportion of Net Pension Liability (Asset)	0.08406200%	0.09876360%	0.10467660%
Proportionate Share of Net Pension Liability (Asset)	$ 9,377	$ (216)	$ (3,172)
Covered Payroll	$ 689,380	$ 638,190	$ 513,385
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	1.36%	-0.03%	-0.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.10%	100.20%	103.50%
Tier 2 Public Safety and Firefighter System	**2016**	**2015**	**2014**
Proportion of Net Pension Liability (Asset)	0.03969350%	0.05173510%	0.07165880%
Proportionate Share of Net Pension Liability (Asset)	$ (345)	$ (756)	$ (1,060)
Covered Payroll	$ 32,795	$ 30,780	$ 29,601
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	-1.05%	-2.46%	-3.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.60%	110.70%	120.50%

The University implemented GASB Statement No. 68 in fiscal year 2015. Information on the University's portion of the plans' net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

Schedule of Dixie State University's Defined Benefit Pension Contributions

Utah Retirement Systems

Last 10 Fiscal Years

Noncontributory System	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 1,002,286	$ 1,078,513	$ 1,132,464	$ 1,009,059	$ 973,112	$ 881,179	$ 812,533	$ 714,128	$ 715,859	$ 747,588
Contributions in Relation to the Contractually Required Contribution	(1,002,286)	(1,078,513)	(1,132,464)	(1,009,059)	(973,112)	(881,179)	(812,533)	(714,128)	(715,859)	(747,588)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,849,980	$ 5,274,072	$ 5,240,619	$ 5,294,042	$ 5,385,984	$ 5,374,032	$ 4,993,110	$ 5,021,993	$ 5,034,167	$ 5,257,298
Contributions as a Percentage of Covered Payroll	20.67%	20.45%	21.61%	19.06%	18.07%	16.40%	16.27%	14.22%	14.22%	14.22%

Contributory System	2017	2016	2015	2014*	2013*	2012*	2011*	2010	2009	2008
Contractually Required Contribution	$ 8,031	$ 10,704	$ 18,102	$ 16,659	$ 47,609	$ 21,902	$ 11,125	$ 8,845	$ 8,758	$ 8,429
Contributions in Relation to the Contractually Required Contribution	(8,031)	(10,704)	(18,102)	(16,659)	(47,609)	(21,902)	(11,125)	(8,845)	(8,758)	(8,429)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 45,375	$ 60,473	$ 102,272	$ 104,314	$ 486,900	$ 222,788	$ 94,045	$ 90,907	$ 90,007	$ 86,626
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	15.97%	9.78%	9.83%	11.83%	9.73%	9.73%	9.73%

* Contractually Required Contributions, Contributions, and Covered Payroll include information for Tier 2 Employees. The Tier 2 Public Employees System was created in fiscal year 2011. Prior to the implementation of GASB Statement No. 68, Tier 2 information was not separately available.

Public Safety System	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 88,037	$ 90,450	$ 91,062	$ 79,124	$ 81,729	$ 68,166	$ 62,557	$ 59,032	$ 51,899	$ 41,368
Contributions in Relation to the Contractually Required Contribution	(88,037)	(90,450)	(91,062)	(79,124)	(81,729)	(68,166)	(62,557)	(59,032)	(51,899)	(41,368)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 212,907	$ 218,742	$ 206,738	$ 201,282	$ 219,171	$ 199,782	$ 191,015	$ 195,598	$ 183,776	$ 154,646
Contributions as a Percentage of Covered Payroll	41.35%	41.35%	44.05%	39.31%	37.29%	34.12%	32.75%	30.18%	28.24%	26.75%

Tier 2 Public Employees System *	2017	2016	2015	2014*	2013*	2012*	2011*	2010*	2009*	2008*
Contractually Required Contribution	$ 126,881	$ 129,774	$ 44,354	$ 79,924	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(126,881)	(129,774)	(44,354)	(79,924)						
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -						
Covered Payroll	$ 695,619	$ 711,479	$ 532,459	$ 477,160						
Contributions as a Percentage of Covered Payroll	18.24%	18.24%	8.33%	16.75%						

Tier 2 Public Safety and Firefighter System *	2017	2016	2015	2014	2013*	2012*	2011*	2010*	2009*	2008*
Contractually Required Contribution	$ 9,987	$ 9,159	$ 3,262	$ 6,589	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(9,987)	(9,159)	(3,262)	(6,589)						
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -						
Covered Payroll	$ 34,190	$ 31,357	$ 30,203	$ 24,046						
Contributions as a Percentage of Covered Payroll	29.21%	29.21%	10.80%	27.40%						

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