SUU

2016-17

ANNUAL FINANCIAL REPORT

Southern Utah University

A COMPONENT UNIT OF THE STATE OF UTAH

SUU SOUTHERN UTAH UNIVERSITY

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Korea

Message from the President

From its beginnings as a branch normal school in 1897, Southern Utah University has grown into Utah's only Selective, Comprehensive Masters' University. Our mission statement describes us well. "Southern Utah University is a dynamic teaching and learning community that engages students in experiential education leading to personal growth, civic responsibility, and professional excellence."

SUU's focus on improving the quality of the educational experience for its students, increasing student outcomes (including graduation and job placement rates), growing enrollments, and building its reputation throughout the region is transforming the University and helping students succeed.

The University is investing considerable resources in developing high quality experiential and integrated learning opportunities for all students, and has received much national recognition for the same. Student outcomes are on the rise. This fall the university's retention rate hit an all-time high for the second year in a row. It now has the highest student outcomes of any public, regional university in the eight Intermountain West states. In fact, SUU's graduation rate is 50% higher than its next closest peer in Utah. The number of students seeking an education at the University has grown over the last three years by more than 25%, with enrollments toping 10,000 during the 2017 fall semester. All these indicators, and many more that can be cited, are a testament to the University's growing reputation.

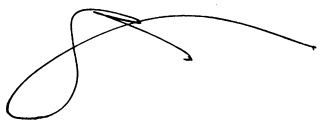
The campus footprint continues to expand with its student body. The University has developed an aviation campus at the Cedar City Airport and just added 17 new T-Bird aircraft to its fleet. In addition to a growing fixed-wing program, SUU has the largest university-based professional rotor-wing program in America. Current projects under construction include a 320-bed residence hall, new Business building, newly renovated Geosciences building, and Sports Performance faculty.

It has been a banner year for T-Bird Athletics. The Men's Cross Country team took 11th place in the nation, the football team secured the Big Sky Championship for the second time in three years, and the ladies gymnastics team won the academic national championship with a team GPA of 3.89—all 18 gymnasts were honored as Scholastic All-Americans.

Southern Utah University's outdoor classrooms include the most incredible natural landscapes. SUU resigned a ten-year partnership this past fall with Bryce Canyon National Park and has productive relationships with the seven national parks located within a four-hour drive of Cedar City (the closest Park being 20 minutes from campus). SUU secured the trademarked "University of the Parks" this past year. The University community competed in the Outdoor Nation Campus Challenge for the second time this year—and for the second time won the National Outdoor Championship.

Each of our successes are made possible by the support of our treasured alumni and friends and we thank you for your continued devotion to our mission.

Sincerely,



Scott L Wyatt

OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Scott L. Wyatt, President
Southern Utah University

Report on the Financial Statements

We have audited the accompanying financial statements of Southern Utah University (the University), a component unit of the State of Utah, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2017, and the changes in its financial position and its 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 schedules of proportionate share and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 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 22, 2017

Introduction

The following discussion and analysis provides an overview of the financial position and activities of Southern Utah University (University) for the year ended June 30, 2017. This discussion was prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

Since its founding in 1897, the University has evolved from a teacher training school into its current role as Utah's comprehensive liberal arts and sciences university. Historically, it has served the southern region of Utah and areas of two contiguous states with undergraduate and graduate programs and applied technology training. More recently, it has expanded its reach both nationally and internationally. People look to the University for public education, outreach services, culture, sporting events, economic and business development, regional history, public affairs, and major academic specialties. The University enrolls approximately 9,300 undergraduate and graduate students.

Financial

The annual report consists of three basic financial statements that provide information on the University as a whole: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Each of these statements will be discussed.

The University's financial statements include, as a blended component unit, the activity of the Southern Utah University Foundation (Foundation). The Foundation was established to support, promote, sponsor, and carryout educational and related activities and objectives at the University.

Statement of Net Position

The Statement of Net Position reports the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University at June 30. Net Position is categorized as "Net Investment in Capital Assets", "Restricted" (Expendable or Nonexpendable), or "Unrestricted." Net Investment in Capital Assets includes fixed assets of the University reduced by accompanying debt and accumulated depreciation. Restricted Nonexpendable assets include endowment and similar funds that are held in perpetuity. Restricted Expendable assets are subject to externally imposed restrictions governing their use. All other assets are listed as Unrestricted. Below is a Condensed Statement of Net Position as of June 30, 2017 and 2016.

Condensed Statement of Net Position

	June 30, 2017	June 30, 2016	Change	% Change
Assets				
Current Assets	$ 50,041,219	$ 50,654,157	$ (612,938)	-1.2%
Noncurrent Assets				
Other Noncurrent Assets	75,271,032	70,014,291	5,256,741	7.5%
Capital Assets	141,690,115	137,524,947	4,165,168	3.0%
Total Assets	267,002,366	258,193,395	8,808,971	3.4%
Deferred Outflows of Resources	5,502,504	5,200,792	301,712	5.8%
Liabilities				
Current Liabilities	18,175,790	23,364,759	(5,188,969)	-22.2%
Noncurrent Liabilities	33,033,714	28,795,610	4,238,104	14.7%
Total Liabilities	51,209,504	52,160,369	(950,865)	-1.8%
Deferred Inflows of Resources	1,535,867	1,174,709	361,158	30.7%
Net Position				
Net Investment in Capital Assets	119,463,131	120,943,486	(1,480,355)	-1.2%
Restricted Nonexpendable	21,738,081	19,469,379	2,268,702	11.7%
Restricted Expendable	42,593,243	28,148,393	14,444,850	51.3%
Unrestricted	35,965,044	41,497,851	(5,532,807)	-13.3%
Total Net Position	$ 219,759,499	$ 210,059,109	$ 9,700,390	4.6%

Current asset decreases were a combination of $4 million decrease in cash and cash equivalents as a result of investment strategy changes and advance deposits on aircraft purchases, a $2.8 million increase in current investments, a $1.2 million increase in receivables for Veteran students, a $2.5 million decrease in receivables from DFCM due to completion of the Center for the Arts project, a $2.3 million increase in current deposits for aircraft purchases, and a decrease of $846 thousand due to a reclassification of insurance reserves from current assets to noncurrent assets.

Other noncurrent assets increased $11 million as a result of noncurrent asset increases due to reinvestment of dividends, the purchase of two (2) Unit Investment Trusts, and market value increases to investments. The gains in noncurrent investments were offset by $3.7 million as a result of moving from an investment strategy of purchasing Agency Bonds rather than Corporate Bonds. This also reduced noncurrent cash and cash equivalents by the same amount. The University also received the Windsor Court Apartments as donated properties from the Festival City Development Foundation, valued at $1.4 million, which resulted in an increase to noncurrent investments. Other noncurrent assets were also increased by $846 thousand as a result of the reclassification of insurance reserves from current assets. Noncurrent pledges receivable were also decreased by $500 thousand primarily due to the completion of the Center for the Arts project.

Capital assets increased by $1.5 million from the acquisition of the Renaissance Properties adjacent to existing campus properties. Also, with the University taking over operations of the Aviation Program, capital assets increased $4.9 million due to the acquisition of aviation hangars, aircraft, and flight simulators.

The decrease in current liabilities is a result of $4.7 million reduction in amounts payable for the Center for the Arts project that was completed in fiscal year 2016. Additionally, there was a $1.8 million reduction in amounts payable to a third-party operator of the Aviation Program as a result of the University taking over operations in August 2016. This was offset by an increase in current liabilities of $1.4M in current leases and notes payable for Aviation Program buildings and equipment. Noncurrent liabilities also increased by $5.3 million as a result of the leases and notes payable related to the Aviation Program. However, a reduction of $1.4 million in noncurrent bonds payable offset the overall increase in noncurrent liabilities.

The University's Net Position increased as a result of the following: Net Investment in Capital Assets increased as a result of the acquisition of the Renaissance property, aviation buildings and equipment, and technology hardware over net depreciation and net asset retirements during the year. Restricted Nonexpendable Net Position increased by $2.2 million as a result of increased receipts of scholarship endowment donations from University friends and alumni. Increases in Restricted Expendable Net Position resulted from the increases in funding for the new Business Building, continued support for the Center for the Arts in the form of gifts, and funding for anticipated projects for a new Athletic Training Facility and a new Child & Family Development Center. The decreases in Unrestricted Net Position are attributed to the recording of the University portion of the liability incurred to acquire Aviation Program buildings and equipment.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the year ended June 30. Below is a Condensed Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30, 2017 and 2016.

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

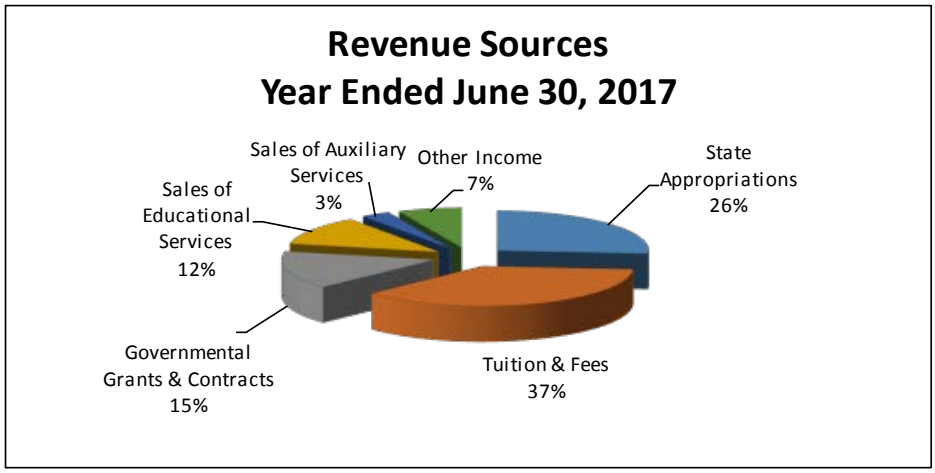
	June 30, 2017	June 30, 2016	Change	% Change
Operating Revenues				
Tuition and Fees	$ 52,906,681	$ 61,233,427	$ (8,326,746)	-13.6%
Grants and Contracts	1,579,808	1,204,876	374,932	31.1%
Sales and Services of Educational Activities	17,081,530	14,972,631	2,108,899	14.1%
Sales and Services of Auxiliary Enterprises	4,397,176	4,512,272	(115,096)	-2.6%
Other	34,437	28,608	5,829	20.4%
Total Operating Revenues	75,999,632	81,951,814	(5,952,182)	-7.3%
Operating Expenses				
Salaries	60,290,146	55,838,831	4,451,315	8.0%
Benefits	22,336,995	22,137,400	199,595	0.9%
Depreciation	6,591,452	5,978,493	612,959	10.3%
Repairs and Maintenance	1,032,296	1,247,540	(215,244)	-17.3%
Services and Supplies	19,082,231	39,936,629	(20,854,398)	-52.2%
Student Aid	8,179,094	6,770,627	1,408,467	20.8%
Utilities	2,411,818	2,267,305	144,513	6.4%
Other Operating Expenses	21,204,805	10,660,527	10,544,278	98.9%
Total Operating Expenses	141,128,837	144,837,352	(3,708,515)	-2.6%
Operating Loss	(65,129,205)	(62,885,538)	(2,243,667)	-3.6%
Nonoperating Revenues (Expenses)				
State Appropriations	37,827,650	35,218,539	2,609,111	7.4%
Grants and Contracts	20,630,409	21,269,140	(638,731)	-3.0%
Private Gifts and Grants	6,439,089	4,310,621	2,128,468	49.4%
Investment Income	3,275,578	1,118,941	2,156,637	192.7%
Other Nonoperating Revenues (Expenses)	(47,431)	(32,789)	(14,642)	-44.7%
Interest on Indebtedness	(745,447)	(650,192)	(95,255)	-14.7%
Net Nonoperating Revenue (Expenses)	67,379,848	61,234,260	6,145,588	10.0%
Income (Loss) Before Other Revenue	2,250,643	(1,651,278)	3,901,921	236.3%
Other Revenues	7,449,747	5,011,594	2,438,153	48.7%
Change in Net Position	9,700,390	3,360,316	6,340,074	188.7%
Net Position - Beginning of Year	210,059,109	206,698,793	3,360,316	1.6%
Net Position - End of Year	$ 219,759,499	$ 210,059,109	$ 9,700,390	4.6%

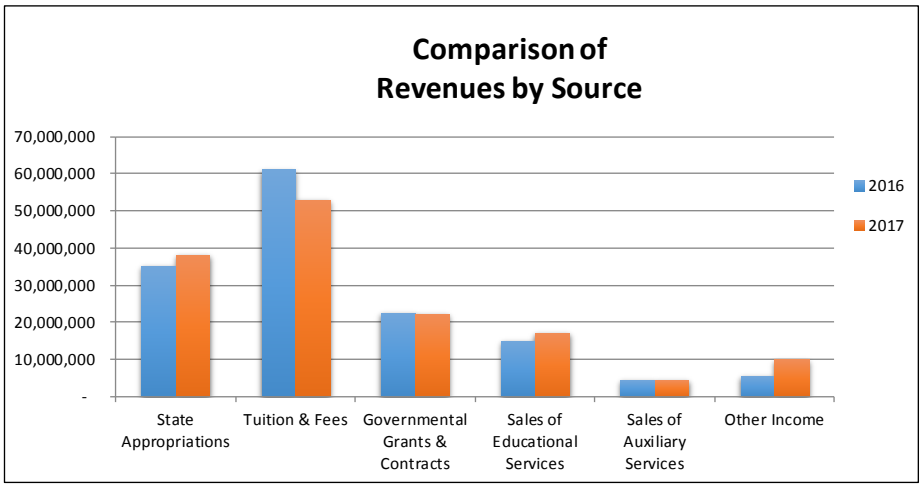
The net decrease in Tuition and Fees was largely a result of a decrease in enrollment in the Aviation Program, resulting in a decrease of $12.1 million in course fees. This was offset by overall enrollment increases at the University resulting in an increase of $3.8 million in net tuition and student fees. Sales and Services of Educational Activities increased primarily due to increases in revenues of $1.8 million for Athletics, including NCAA distributions, game guarantees, ticket sales, and advertising. Increases in enrollment registration fees, and facility rental income also contributed $600 thousand, offset by a $400 thousand reduction in Bookstore revenues.

The increase in salaries was due primarily to market and retention adjustments, additional hiring in several campus departments, as well as development of the Aviation Program. Services and supplies decreased primarily as a result

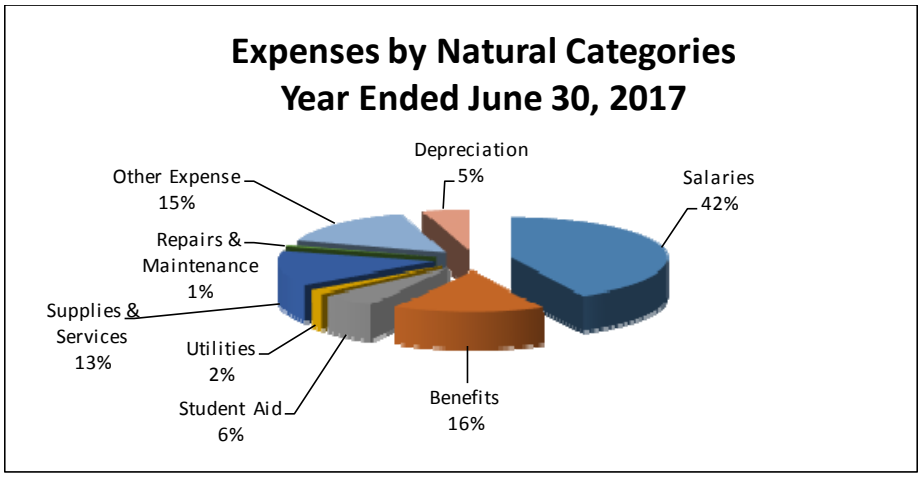
of the termination of the operating agreement with a third-party for the Aviation Program. Student Aid expenses increased as a result of more focused recruitment and retention initiatives, which included additional student aid. Other operating expenses increased due to several factors including additional costs associated with operating the Aviation Program, such as insurance ($2.1 million) and operating leases for aircraft, etc. ($2.6 million). A reduction in reclassification of expenses for repairs and maintenance ($2.6 million) also contributed to the increase, as well as a variety of other categories, such us travel and meals and entertainment expense, overhead, library electronic subscriptions, rent expense, etc. which account for increases $1.8 million. State appropriations increased due to funding for repairs and maintenance ($1.6 million) and additional funding for salaries, operating expenses, and one-time funding for additional operations ($1 million). Private Gifts and Grants revenue increased $1.4 million from the donation of the Windsor Court Apartments as wells as a $1 million library gift. Investment income increased primarily due to unusually high increases on market value for investments held during the prior year.

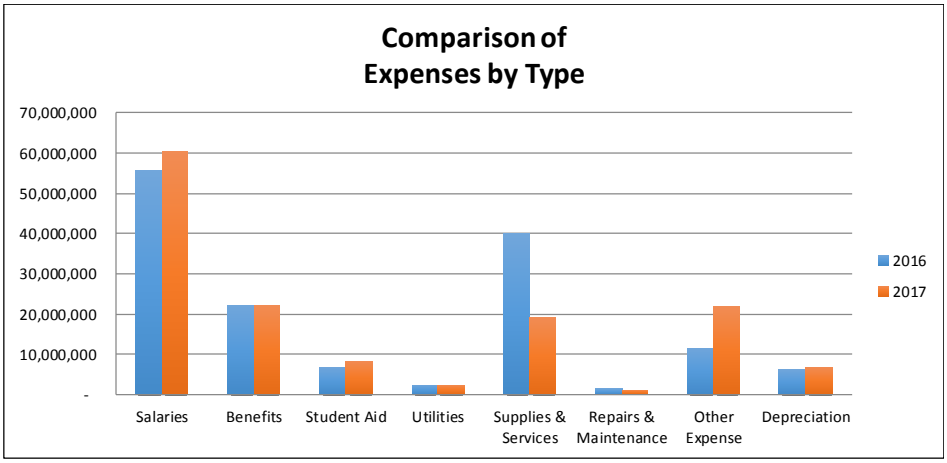
The following graphs illustrate all funding sources, except Capital Appropriations, Capital Grants and Gifts and Additions to Permanent Endowments of the University, as a percentage of total revenues for the year ended June 30, 2017, with a comparison to the prior year:





The following graphs illustrate expenses of the University by natural classification as a percentage of total expense for the year ended June 30, 2017, with a comparison to the prior year:





Statement of Cash Flows

The Statement of Cash Flows provides an additional perspective on the University's financial results for the fiscal year. The statement identifies sources and uses of cash by broad categories of activity including Operations, Noncapital Financing Activities, Capital Financing Activities, and Investing Activities. Below is a Condensed Statement of Cash Flows for the fiscal years ended June 30, 2017 and 2016.

Condensed Statement of Cash Flows

	June 30, 2017	June 30, 2016	Change	% Change
Cash Provided (Used) by:				
Operating Activities	$ (62,373,272)	$ (63,565,103)	$ 1,191,831	1.9%
Noncaptial Financing Activities	64,289,271	63,441,347	847,924	1.3%
Captial Financing Activities	(1,199,153)	(15,694,497)	14,495,344	92.4%
Investing Activities	(8,463,111)	9,329,802	(17,792,913)	-190.7%
Net Increase (Decrease) in Cash	(7,746,265)	(6,488,451)	(1,257,814)	-19.4%
Cash - Beginning of Year	32,082,040	38,570,491	(6,488,451)	-16.8%
Cash - End of Year	$ 24,335,775	$ 32,082,040	$ (7,746,265)	-24.1%

Noncapital Financing Activities include state appropriations, most grants and contracts, noncapital gifts, other non-operating revenue and agency fund activity. Capital Financing Activities are those associated with capital assets such as capital appropriations, gifts, proceeds from capital debt, capital debt payments, proceeds from the sale of capital assets, and capital asset purchases. Investing Activities include proceeds from the sale of investments, interest/dividend earnings, and payments for the purchase of investments.

The amount of cash used by Operating Activities decreased as a result of decreased payments to suppliers; however, these decreases in operating cash outflows were offset by decreased receipts from tuition and fees, increased receipts from auxiliary and educational services, and increased payments for student financial aid. Cash provided by Noncapital Financing Activities increased as a result of receipts from state appropriations. Cash used for Capital Financing Activities decreased as a result of purchases of capital assets; however, some of these capital financing cash outflows were offset by increased capital appropriations and proceeds from capital grants and gifts as well as additional capital debt. Cash flows used by Investing Activities increased because of the purchase of investments and fewer proceeds from the sale and maturity of investments; although receipts from interest and dividends offset the increase.

Future Economic Factors that May Affect the University

Economists and business leaders continue to be optimistic about the state's economy and forecast that economic growth in the state will continue to grow at a rate higher than the national average. Utah's unemployment rate continues to drop, and the state's consumer attitude continues to rise, leading to an overall healthy economic outlook for Utah.

The University is also continuing to see modest growth in enrollments, with current projections for continued enrollment growth. With increased enrollment and modest increases in tuition and fees, combined with the critical need of continued funding from the State of Utah, the University believes it is well positioned to manage current and future budget challenges.

Summary

The accompanying financial statements, including footnotes, reflect the budgeting challenges of this past year while continuing to show that the University's financial position remains solid during these challenging times.

SOUTHERN UTAH UNIVERSITY

STATEMENT OF NET POSITION — AS OF JUNE 30, 2017

ASSETS	University	Southern Utah University Foundation	Total
Current Assets:			
Cash and Cash Equivalents (Note B)	$ 17,912,645	$ 1,301,144	$ 19,213,789
Short-term Investments (Note B)	13,939,319	257,000	14,196,319
Receivables, Net of Allowance (Note C)	7,299,261	249,705	7,548,966
Due From Related Parties (Note D)	431,332	-	431,332
Loans and Notes Receivable, Net (Note E)	670,576	-	670,576
Inventories (Note F)	1,554,319	-	1,554,319
Prepaid Expenses (Note G)	6,425,918	-	6,425,918
Total Current Assets	48,233,370	1,807,849	50,041,219
Noncurrent Assets:			
Restricted Cash and Cash Equivalents (Note B)	5,121,986	-	5,121,986
Investments (Note B)	49,841,834	2,646,251	52,488,085
Pledges Receivable (Note C)	5,766,503	-	5,766,503
Loans and Notes Receivable, Net (Note E)	11,048,570	-	11,048,570
Capital Assets, Net of Accumulated Depreciation (Note H)	141,690,115	-	141,690,115
Other Noncurrent Assets (Note I)	845,752	-	845,752
Net Pension Asset (Note O)	136	-	136
Total Noncurrent Assets	214,314,896	2,646,251	216,961,147
Total Assets	262,548,266	4,454,100	267,002,366
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions (Note O)	5,147,034	-	5,147,034
Deferred Outflows Related to Refunding of Debt (Note M)	355,470	-	355,470
Total Deferred Outflows of Resources	5,502,504	-	5,502,504

Continued on next page…

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

SOUTHERN UTAH UNIVERSITY

STATEMENT OF NET POSITION — AS OF JUNE 30, 2017

	University	Southern Utah University Foundation	Total
LIABILITIES			
Current Liabilities:			
Accounts and Interest Payable (Note J)	2,436,207	455	2,436,662
Due to Related Parties (Note D)	581,174	-	581,174
Payroll and Withholding Taxes Payable (Note J)	937,252	-	937,252
Accrued Benefits & Deductions Payable (Note Q)	1,782,162	-	1,782,162
Deposits and Other Liabilities (Note K)	652,583	-	652,583
Unearned Revenues (Note G)	6,626,121	-	6,626,121
Compensated Absences and Termination Benefits (Note L)	2,311,513	-	2,311,513
Bonds, Notes, and Contracts Payable (Note M)	2,818,711	29,612	2,848,323
Total Current Liabilities	18,145,723	30,067	18,175,790
Noncurrent Liabilities:			
Compensated Absences and Termination Benefits (Note L)	1,024,914	-	1,024,914
Bonds, Notes, and Contracts Payable (Note M)	19,586,880	137,973	19,724,853
Net Pension Liability (Notes L & O)	12,283,947	-	12,283,947
Total Noncurrent Liabilities	32,895,741	137,973	33,033,714
Total Liabilities	51,041,464	168,040	51,209,504
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions (Note O)	1,535,867	-	1,535,867
Total Deferred Inflows of Resources	1,535,867	-	1,535,867
NET POSITION:			
Net Investment in Capital Assets	119,463,131	-	119,463,131
Restricted Nonexpendable:			
Pensions	136	-	136
Scholarships	14,639,969	-	14,639,969
Other	7,097,976	-	7,097,976
Restricted Expendable:			
Scholarships	4,012,098	-	4,012,098
Capital Projects	22,557,083	-	22,557,083
Loans	8,527,765	-	8,527,765
Other	5,557,479	1,938,818	7,496,297
Unrestricted	33,617,801	2,347,243	35,965,044
Total Net Position	$ 215,473,438	$ 4,286,061	$ 219,759,499

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

SOUTHERN UTAH UNIVERSITY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION — FISCAL YEAR ENDED JUNE 30, 2017

	University	Southern Utah University Foundation	Total
Operating Revenues			
Student Tuition and Fees	52,906,681	-	52,906,681
(net of scholarship discounts and allowances of $27,299,102)			
Governmental Grants and Contracts	1,579,808	-	1,579,808
Sales and Services of Educational Activities	17,067,201	14,329	17,081,530
Sales and Services of Auxiliary Enterprises	4,397,176	-	4,397,176
(net of scholarship discounts and allowances of $1,108,759)			
Interest Income on Student Loans	34,437	-	34,437
Total Operating Revenues	75,985,303	14,329	75,999,632
Operating Expenses			
Salaries	60,290,146	-	60,290,146
Benefits	22,336,995	-	22,336,995
Depreciation	6,591,452	-	6,591,452
Repairs and Maintenance	1,030,275	2,021	1,032,296
Services and Supplies	19,081,686	545	19,082,231
Student Aid	8,179,094	-	8,179,094
Utilities	2,407,556	4,262	2,411,818
Other Operating Expenses	21,199,675	5,130	21,204,805
Total Operating Expenses	141,116,879	11,958	141,128,837
Operating Income (Loss)	(65,131,576)	2,371	(65,129,205)
Nonoperating Revenues (Expenses)			
Government Appropriations - State	37,827,650	-	37,827,650
Government Grants and Contracts	20,630,409	-	20,630,409
Private Gifts and Grants	5,024,482	1,414,607	6,439,089
Investment Income	3,261,818	13,760	3,275,578
Other Nonoperating Revenue (Expense)	(47,431)	-	(47,431)
Interest on Indebtedness	(730,601)	(14,846)	(745,447)
Net Nonoperating Revenue	65,966,327	1,413,521	67,379,848
Income (Loss) Before Other Revenue	834,751	1,415,892	2,250,643
Other Revenue			
Capital Appropriations	1,663,105	-	1,663,105
Capital Grants & Gifts	5,334,640	-	5,334,640
Nonreciprocal Transfers In (Out)	750,000	(750,000)	-
Additions to Permanent Endowments	452,002	-	452,002
Total Other Revenue	8,199,747	(750,000)	7,449,747
Increase (Decrease) in Net Position	9,034,498	665,892	9,700,390
Net Position - Beginning of Year	206,438,940	3,620,169	210,059,109
Net Position - End of Year	215,473,438	4,286,061	219,759,499

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

SOUTHERN UTAH UNIVERSITY

STATEMENT OF CASH FLOWS — FISCAL YEAR ENDED JUNE 30, 2017

	University	Southern Utah University Foundation	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Tuition and Fees	$ 51,601,013	$ -	$ 51,601,013
Receipts from Grants/Contracts	1,604,691	-	1,604,691
Receipts from Auxiliary and Educational Services	20,779,932	14,329	20,794,261
Collection of Loans to Students and Employees	227,159	-	227,159
Loans Issued to Students and Employees	(244,448)	-	(244,448)
Payments for Employee Services and Benefits	(82,734,483)	-	(82,734,483)
Payments to Suppliers	(45,430,413)	(11,958)	(45,442,371)
Payments for Student Financial Aid	(8,179,094)	-	(8,179,094)
Net Cash Provided (Used) by Operating Activities	(62,375,643)	2,371	(62,373,272)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
State Appropriations	37,827,650	-	37,827,650
Receipts from Grants/Contracts	18,867,535	-	18,867,535
Gifts/Grants for Other Than Capital Purposes	6,893,635	722,115	7,615,750
Agency Account Receipts	2,991,300	-	2,991,300
Agency Account Payments	(3,012,964)	-	(3,012,964)
Net Cash Provided (Used) by Noncapital Financing Activities	63,567,156	722,115	64,289,271
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Receipts from Capital Appropriations	7,779	-	7,779
Receipts from Capital Grants/Gifts	5,048,294	-	5,048,294
Nonreciprocal Transfers In (Out)	750,000	(750,000)	-
Purchases of Capital Assets	(3,336,375)	-	(3,336,375)
Principal Paid on Capital Debt/Leases	(1,669,788)	-	(1,669,788)
Interest Paid on Capital Debt/Leases	(1,234,217)	(14,846)	(1,249,063)
Net Cash Provided (Used) by Capital Financing Activities	(434,307)	(764,846)	(1,199,153)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from Sale/Maturity of Investments	32,388,366	-	32,388,366
Receipt of Interest/Dividends from Investments	1,262,548	13,760	1,276,308
Purchase of Investments	(42,216,119)	88,334	(42,127,785)
Net Cash Provided (Used) by Investing Activities	(8,565,205)	102,094	(8,463,111)
Net Increase (Decrease) in Cash	(7,807,999)	61,734	(7,746,265)
Cash & Cash Equivalents - Beginning of Year	30,842,630	1,239,410	32,082,040
Cash & Cash Equivalents - End of Year	$ 23,034,631	$ 1,301,144	$ 24,335,775

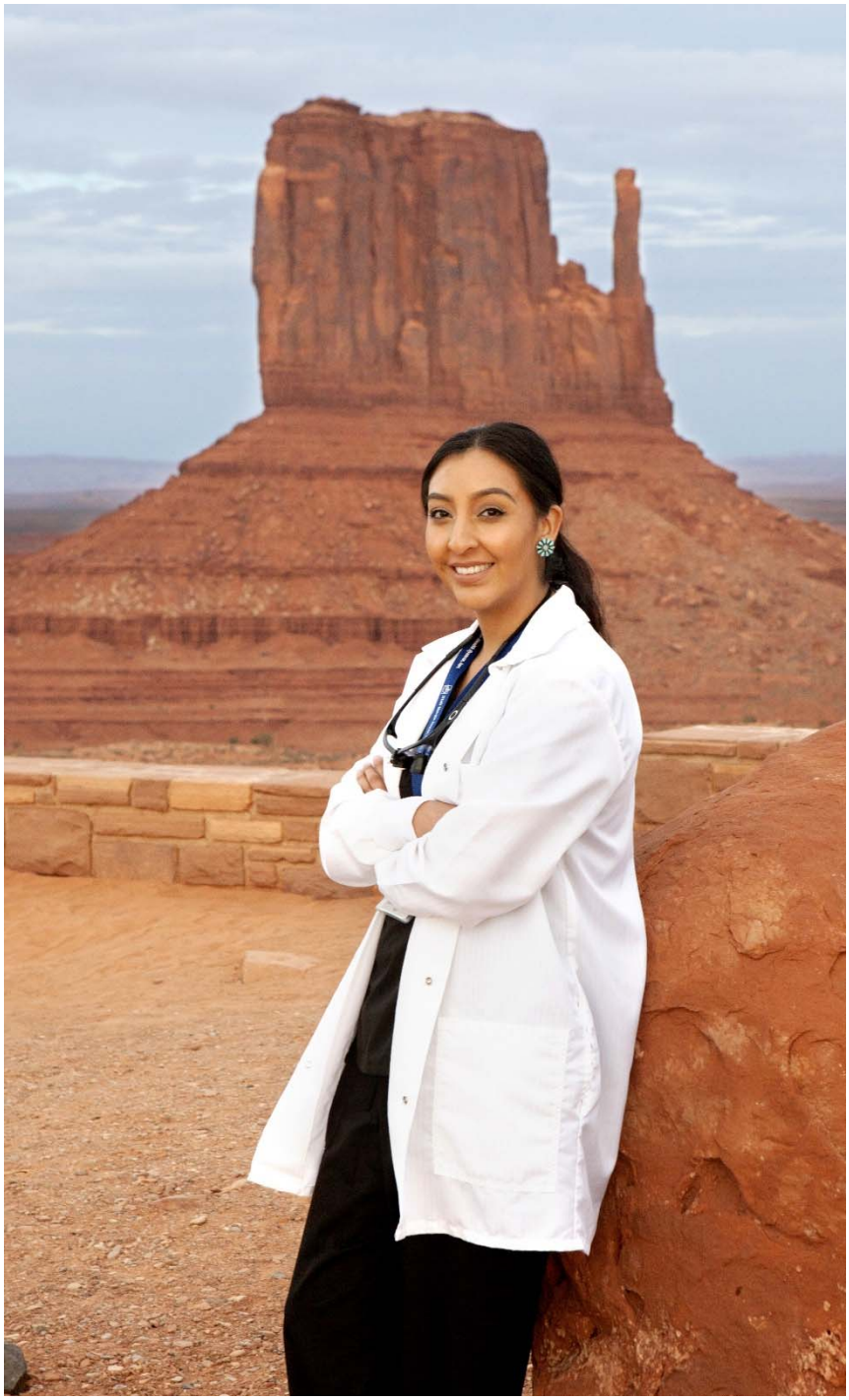
The accompanying notes are an integral part of these financial statements.

SOUTHERN UTAH UNIVERSITY

STATEMENT OF CASH FLOWS (CONTINUED) FISCAL YEAR ENDED JUNE 30, 2017

	University	Southern Utah University Foundation	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	$ (65,131,576)	$ 2,371	$ (65,129,205)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	6,591,452	-	6,591,452
Operations and Maintenance Expense paid by Division of Facility Construction and Management	1,656,925	-	1,656,925
Difference between Actuarial Calculated Pension Expense and Actual Contributions	62,259	-	62,259
Changes in Assets and Liabilities:			
Receivables (Net)	(902,894)	-	(902,894)
Due from Related Parties	84,383	-	84,383
Student Loans Receivable	41,237	-	41,237
Inventories	(566,978)	-	(566,978)
Prepaid Expenses	(1,342,001)	-	(1,342,001)
Accounts Payable	(2,874,340)	-	(2,874,340)
Due to Related Parties	257,336	-	257,336
Accrued Liabilities	352,010	-	352,010
Accrued Payroll	(230,095)	-	(230,095)
Unearned Revenues	(502,323)	-	(502,323)
Compensated Absences	128,962	-	128,962
Net Cash Provided (Used) by Operating Activities	$ (62,375,643)	$ 2,371	$ (62,373,272)
Noncash Noncapital Financing, Capital Financing, and Investing Transactions			
Repairs and Maintenance paid by Division of Facility Construction and Management (DFCM)	$ 1,656,925	$ -	$ 1,656,925
Capital Projects paid by DFCM	1,655,326	-	1,655,326
Loss on Retirement of Capital Assets	(47,431)	-	(47,431)
Investment Securities donated	70,413	-	70,413
Change in Fair Value of Investments Recognized as Investment Income	1,635,868	-	1,635,868
Re-investment of Investment Dividends and Interest	412,394	-	412,394
Deferred Outflows of Resources related to Refunding of Debt	503,616	-	503,616
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position			
Cash and Cash Equivalents Classified as Current Assets	$ 17,912,645	$ 1,301,144	$ 19,213,789
Cash and Cash Equivalents Classified as Noncurrent Assets	5,121,986	-	5,121,986
Total Cash and Cash Equivalents	$ 23,034,631	$ 1,301,144	$ 24,335,775

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



NOTE A. Summary of Significant Accounting Policies

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

Reporting Entity

The University is a component unit of the State of Utah as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity.* The financial activity of the University is included in the State's Comprehensive Annual Financial Report as a non-major discrete component unit.

The University's financial statements include the accounts of the University, all auxiliary enterprises, and other restricted and unrestricted funds of the University. In addition, the financial statements include the Southern Utah University Foundation (the Foundation).

The Foundation is a legally separate, non-profit organization, incorporated under Utah law in 1996. The Foundation is included in the University's financial statements as a blended component unit because the University appoints a controlling number of positions on the Board of Directors of the Foundation and the University has the ability to impose their will on the Foundation, significantly influencing the programs, projects and activities of the Foundation. Additionally, the Foundation provides services entirely or almost entirely to the University.

The Foundation was established to provide support for the University, its students and faculty, and to promote, sponsor, and carry out educational, scientific, charitable, and related activities and objectives at the University. A blended component unit is an entity which is legally separate from the University but which is so intertwined with the University that it is, in substance, the same as the University. Separate unaudited financial statements of the Foundation can be obtained from the University.

Basis of Accounting

Under the provisions of the GASB standards, the University is permitted to report as a special-purpose government engaged in business-type activities (BTA). BTA reporting requires the University to present only the basic financial statements and required supplementary information (RSI) for an enterprise fund. The basic financial statements include a Management's Discussion and Analysis, a Statement of Net Position or Balance Sheet, a Statement of Revenues, Expenses, and Changes in Net Position, a Statement of Cash Flows, and notes to the financial statements. The required basic financial statements described above are prepared using the economic resources measurement focus and the accrual basis of accounting.

Cash and Cash Equivalents and Investments

Cash and cash equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value or net asset value (NAV) 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 earnings according to the University's spending policy.

According to the Uniform Prudent Management of Institutional Funds Act, Section 51-8 of the Utah Code, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized and unrealized, of the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

The endowment income spending policy at June 30, 2017, was 2.50% of the 12-quarter moving average of the fair value of the endowment pool. The spending policy is reviewed periodically and any necessary changes are made. The amount of net appreciation on investments of donor-restricted endowments available for authorization for expenditure at June 30, 2017 was approximately $575,000. The net appreciation was a component of restricted, expendable net position.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, staff, and other private parties. Accounts receivable also include amounts due from federal, state, and local governments, or private sources in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated

uncollectible amounts. Donor pledges are also included as accounts receivable. Only those pledges deemed by management as collectible are recorded; therefore, no estimate is made for uncollectible amounts.

Inventories
Inventories are carried at the lower of cost or market on the first-in, first-out ("FIFO") method.

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

Capital Assets
Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. All land is capitalized and not depreciated. New buildings with a cost of $100,000 or more are capitalized. Renovations to buildings, infrastructure, and land improvements that increase the value or extend the useful life of the structure with a cost of $100,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. For equipment and intangibles, the University's capitalization policy includes all items with a unit cost of $5,000 or more ($3,000 or more for fiscal years prior to 2015), and an estimated useful life of greater than one year. All library books are capitalized with a useful life of 20 years. Collections and works of art valued in excess of $2,000 are capitalized. Useful lives for collections and works of art shall be determined on a case by case basis, typically 20 years. Depreciation is computed for all capital assets using the straight-line method over the estimated useful lives of the assets; generally 30 to 40 years for buildings, 20 to 40 years for infrastructure, land improvements, library and other collections, 3 to 20 years for equipment, and 3 to 5 years for intangibles. Leasehold improvements are depreciated over the life of the lease.

Other Noncurrent Assets
Other noncurrent assets include funds held in reserve by third parties that are not likely to be liquidated within the next fiscal year.

Unearned Revenues
Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but earned in the subsequent accounting period. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences
Non-academic University employee vacation pay is accrued at year-end for financial statement purposes. The liabilities and expenses incurred are recorded at year-end as a component of compensated absences and termination benefits in the Statement of Net Position, and as a component of salaries and benefits expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Pensions
For purposes 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 (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. 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.

Noncurrent Liabilities
Noncurrent liabilities include: (1) principal amounts of revenue bonds, notes, and contracts (leases) payable with contractual maturities greater than one year; (2) estimated amounts for compensated absences and termination benefits and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as noncurrent assets.

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 accumulated depreciation and outstanding debt obligations related to those capital assets.

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

Restricted – nonexpendable: Nonexpendable restricted net position consist of endowment and similar type funds

which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

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

When both restricted and unrestricted resources are available for use, it is the University's policy to use restricted resources first, then unrestricted resources as they are needed.

Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or non-operating revenues and expenses according to the following criteria:

Operating Revenues and Expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) some federal, state, and local grants and contracts, (4) interest on institutional student loans (5) the cost of providing services, (6) administration expenses, and (7) depreciation of capital assets.

Non-operating Revenues and Expenses: Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, expenses not meeting the definition of operating expenses, and other revenue sources that are defined as non-operating cash flows by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*, such as state appropriations, grants, and investment income.

Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. 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 a scholarship discount and allowance.

NOTE B. Deposits and Investments

At June 30, 2017, cash and cash equivalents and investments consisted of:

	University	Foundation	Total
Cash and Cash Equivalents - Current:			
Cash	$ 4,081,176	$ 26,034	$ 4,107,210
Utah PTIF	13,831,469	1,275,110	15,106,579
Total (fair value)	$ 17,912,645	$ 1,301,144	$ 19,213,789
Cash and Cash Equivalents - Restricted:			
Cash and Money Market	$ 950,653	$ -	$ 950,653
Utah PTIF	4,171,333	-	4,171,333
Total (fair value)	$ 5,121,986	$ -	$ 5,121,986
Current Investments:			
Certificates of Deposit	$ 1,018,173	$ -	$ 1,018,173
Securities	12,921,146	-	12,921,146
Other Equity Investments	-	257,000	257,000
Total (fair value)	$ 13,939,319	$ 257,000	$ 14,196,319
Noncurrent Investments:			
Common Stocks	$ 753,531	$ -	$ 753,531
Securities	32,313,946	-	32,313,946
Mutual Funds	16,006,407	-	16,006,407
Donated Property Held for Resale	51,400	2,646,251	2,697,651
Alternative Investments	716,550	-	716,550
Total (fair value)	$ 49,841,834	$ 2,646,251	$ 52,488,085

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that, in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a formal deposit policy for custodial credit risk. As of June 30, 2017, the University's bank balances were $6,127,287, of which $5,377,287 was uninsured and uncollateralized.

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 State of Utah Money Management Act that relate to the deposit and investment of public funds.

Except for endowment funds, the University follows the requirements of the Utah Money Management Act (*Utah Code*, Title 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 Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541).

The Money Management Act defines the types of securities authorized as appropriate investments for the University's

non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the University to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the 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 SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (*Utah Code*, Section 51, Chapter 7). 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 Rule 541 allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the Securities and Exchange Commission; 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.

Fair Value of Investments – The University measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

At June 30, 2017 the University had the following recurring fair value measurements:

		Fair Value Measurements Using		
	Fair Value	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
Corporate Notes	$ 31,018,929	$ -	$ 30,019,249	$ -
Utah Public Treasurers' Investment Fund	19,277,912	-	19,277,912	-
U.S. Agencies	14,216,163	-	15,215,843	-
Total Debt Securities	$ 64,513,004	$ -	$ 64,513,004	$ -
Equity Securities				
Common Stock	$ 753,531	$ 753,531	$ -	$ -
Equity Mutual Funds	16,006,407	-	16,006,407	-
Total Equity Securities	$ 16,759,938	$ 753,531	$ 16,006,407	$ -
Other				
Real Estate Held for Sale	$ 2,697,651	$ -	$ -	$ 2,697,651
Total Investments by Fair Value Level	$ 83,970,593	$ 753,531	$ 80,519,411	$ 2,697,651
Investments Measured at Net Asset Value (NAV)				
Private Equity Partnerships	$ 716,550			
Flexible Premium Deferred Annuity	257,000			
Total Investments Measured at NAV	$ 973,550			
Total Investments Measured at Fair Value	$ 84,944,143			

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:

- Corporate Bonds: quoted prices for similar securities in active markets;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2017 fair value factor, as calculated by the Utah State Treasurer, to the University's June 30 balance in the Fund.
- U. S. Agencies: quoted prices for identical securities in markets that are not active;
- Money Market and Equity Mutual Funds: published fair value per share (unit) for each fund.

Real Estate Held for Sale classified in Level 3 consists of property donated to the University and is valued using information obtained from the donor at the time of acquisition.

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The University values these investments based on the partnerships' audited financial statements. Where June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions. The following table presents the unfunded commitments, redemption frequency, and the redemption notice period for the University's alternative investment measured at NAV:

Investments Measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Partnerships	$ 716,550	-	Quarterly	45-60 days
Flexible Premium Deferred Annuity	257,000	-	N/A	N/A
Total Investments Measured at NAV	$ 973,550	$ -		

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 Utah Money Management 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 3 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 had the following investments with the following maturities:

		Investment Maturities (in Years)			
Investment Type:	Fair Value	Less than 1	1-5	6-10	More than 10
Corporate Notes	$ 31,018,929	$ 12,837,646	$ 18,181,283	$ -	$ -
Utah PTIF	19,277,912	19,277,912	-	-	-
U. S. Agencies	14,216,163	-	14,216,163	-	-
	$ 64,513,004	$ 32,115,558	$ 32,397,446	$ -	$ -

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 Utah Money Management Act, the UPMIFA, and Rule 541 as previously discussed.

At June 30, 2017, the University had the following investments with the following quality ratings:

		Quality Ratings				
Investment Type:	Fair Value	AA	A	BB	BBB	Unrated
Corporate Notes	$ 31,018,929	$ -	$ 10,972,494	$ 1,268,625	$ 18,777,810	$ -
Utah PTIF	19,277,912	-	-	-	-	19,277,912
U. S. Agencies	14,216,163	11,226,688	2,989,475	-	-	-
Total	$ 64,513,004	$ 11,226,688	$ 13,961,969	$ 1,268,625	$ 18,777,810	$ 19,277,912

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 acquisition. For endowment funds, Rule 541 requires that a minimum of 25% of the overall endowment portfolio be invested in fixed income or cash equivalents. Also, the overall endowment portfolio cannot consist of more than 75% equity investments. Rule 541 also limits investments in alternative investment funds to between 0% and 30% based on the size of the University's endowment fund.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the 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 does not have a formal policy for custodial credit risk. As of June 30, 2017, the University had $45,235,092 in debt securities and $753,531 in equity securities which were held by the investment's counterparty.

NOTE C. Receivables, Net of Allowance for Doubtful Accounts

Receivables consisted of the following at June 30, 2017:

	University	Foundation	Total	Current Portion	Noncurrent Portion
Student Tuition and Fees	$ 2,609,655	$ -	$ 2,609,655	$ 2,033,655	$ -
Federal, State, and Private Grants and Contracts	1,015,156	-	1,015,156	1,015,156	-
Auxiliary Service Charges	34,065	-	34,065	34,065	-
Continuing & Professional Studies Fees	266,666	-	266,666	266,666	-
Utah Shakespearean Festival Ticket Sales	579,826	-	579,826	579,826	-
Interest and Dividends Receivable	242,436	-	242,436	242,436	-
Other Operating	1,705,259	-	1,705,259	1,705,259	-
Allowance for Doubtful Accounts	(576,000)	-	(576,000)		-
Total Receivables, net of Allowance	5,877,063	-	5,877,063	5,877,063	-
Contributions and Gifts (Pledges)	7,188,701	249,705	7,438,406	1,671,903	5,766,503
Total	$ 13,065,764	$ 249,705	$ 13,315,469	$ 7,548,966	$ 5,766,503

NOTE D. Due To/Due From Related Parties

The University receives and provides services, supplies, repairs and maintenance, and capital projects through departments, agencies, and other component units of the State of Utah. The following tables are a summary of the net amount due to the Division of Facilities and Construction Management (DFCM) for repairs and maintenance and capital projects and amounts due from and due to all other related parties for services and supplies as of the year ended June 30, 2017.

Related Party Receivables consisted of the following at June 30, 2017:

	Balance
DFCM	$ 298,871
State of Utah	72,172
Utah Vocational Rehabilitation	28,650
Governor's Office of Economic Development	14,708
Utah State University	12,089
University of Utah	5,000
Other	(158)
Total	$ 431,332

Related Party Payables consisted of the following at June 30, 2017:

	Balance
DFCM	$ 323,224
Other related parties	257,950
Total	$ 581,174

NOTE E. Loans Receivable

Student loans made through the Federal Perkins Loan Program (the Program) comprised a significant portion of the loans receivable at June 30, 2017. The Program provided for cancellations of loans at rates of 10% to 30% per year up to a maximum of 100% if the participant complied with certain provisions. In the past, the Federal Government has reimbursed the University for amounts cancelled under these provisions; however, for the past few years there have been no reimbursements. As the University determines that loans are uncollectible and not eligible for reimbursement by the Federal Government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans, which in management's opinion, is sufficient to absorb loans that will ultimately be written off.

In August 2014, the University entered into a loan agreement with a third party borrower in the amount of $10,149,500 to partially finance the construction of the Center for the Arts. The note has a 40-year term with interest at 1.39%. Interest-only payments are required for the first seven years of the note. Thereafter, principal and interest payments sufficient to pay off the note will be required. The note is secured by an interest in the building and an associated ground lease.

At June 30, 2017, the current and long-term loans receivable amounts net of allowance were $670,576 and $11,048,570, respectively. The allowance for uncollectible loans was $68,000.

NOTE F. Inventories

Total inventories at June 30, 2017 were $1,554,319. They consisted of Bookstore inventory in the amount of $1,091,205, Aviation parts inventory of $450,284, and a gifted collection of *Westward America,* Deluxe and Collector Editions held for resale in the amount of $12,830.

NOTE G. Prepaid Expenses and Unearned Revenues

Prepaid expenses are those disbursements for goods or services applicable to the subsequent fiscal year when they will be recorded as expenses. Unearned revenues are receipts of funds that are applicable to the subsequent fiscal year when they become earned and recorded as revenues.

Prepaid Expenses and Unearned Revenues at June 30, 2017, consisted of the following:

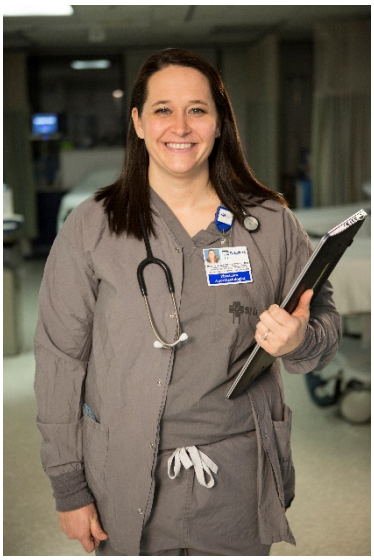
	Prepaid Expenses	Unearned Revenues
Utah Shakespeare Festival	$ 3,768,383	$ 2,482,450
Tuition & Fees	-	3,651,273
Aviation Advance Deposits	2,280,720	-
Grants and Contracts	-	148,641
Miscellaneous	376,815	343,757
Total	$ 6,425,918	$ 6,626,121

NOTE H. Capital Assets

Capital assets are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts and consisted of the following at June 30, 2017:

	Balance June 30, 2016	Acquisitions	Retirements	Balance June 30, 2017
Land	$ 8,303,090	$ 1,563,530	$ (42,833)	$ 9,823,787
Land Improvements	10,447,313	-	-	10,447,313
Buildings	181,239,228	4,129,149	-	185,368,377
Leasehold Improvements	12,108,193	187,029	-	12,295,222
Equipment	12,882,895	4,183,967	(511,458)	16,555,404
Vehicles	1,612,429	113,374	(109,513)	1,616,290
Intangibles	571,934	6,700	-	578,634
Artwork	3,088,210	104,000	-	3,192,210
Library Collections	7,131,020	84,617	-	7,215,637
Construction-in-Progress	6,387	438,073	(6,387)	438,073
Total	237,390,699	10,810,439	(670,191)	247,530,947
Less: Accumulated Depreciation				
Land Improvements	8,165,524	582,056	-	8,747,580
Buildings	73,870,982	4,768,372	-	78,639,354
Equipment	11,154,005	821,217	(507,225)	11,467,997
Vehicles	1,364,122	84,066	(109,148)	1,339,040
Intangibles	571,933	559	-	572,492
Artwork	642,255	25,569	-	667,824
Library Collections	4,096,931	309,614	-	4,406,545
Total	99,865,752	6,591,453	(616,373)	105,840,832
Capital Assets, net	$ 137,524,947	4,218,986	(53,818)	$ 141,690,115

The 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 capital assets on the books of the University. Construction projects are recorded on the books of the University as funds are expensed or when projects are substantially completed if funded through State Appropriations administered through DFCM. The University is committed to the completion of all projects that are added to construction in progress. Remaining (unpaid) costs of $8,561,927 were contractually committed to DFCM as of June 30, 2017, the balance to be committed by the University.



NOTE I: Other Noncurrent Assets

Total Other Noncurrent Assets were $845,752. They consisted of medical plan and dental plan reserve amounts held by a third-party in the amount of $779,752 and $66,000, respectively.

NOTE J. Accounts, Interest, and Payroll Related Payables

Accounts and Interest payable consisted of the following at June 30, 2017:

	University	Foundation	Total
Vendors	$ 1,634,760	$ 455	$ 1,635,215
Veterans Administration	591,082	-	591,082
Interest	82,730	-	82,730
Sales Tax	607	-	607
Other	127,028	-	127,028
Total	$ 2,436,207	$ 455	$ 2,436,662

Payroll and Withholding Taxes payable consisted of the following at June 30, 2017:

	Balance
Accrued Payroll	$ 886,809
FICA & Medicare	50,443
Total Payroll & Withholding Taxes	$ 937,252

NOTE K. Deposits and Other Liabilities

Deposits and Other Liabilities consisted of the following at June 30, 2017:

	Balance
Agency Funds	$ 277,668
International Students	85,315
Gift Certificates	141,724
Utah Shakespeare Festival	19,976
Enrollment	127,900
Total	$ 652,583

NOTE L. Compensated Absences, Termination Benefits and Net Pension Liability

Compensated absences, termination benefits, and net pension liability activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion	Noncurrent Portion
Compensated Absences	$ 1,734,666	$ 1,874,037	$ (1,713,455)	$ 1,895,248	$ 1,783,034	$ 112,215
Termination Benefits	1,472,799	434,960	(466,580)	1,441,179	528,480	912,700
Sub-total	3,207,465	2,308,997	(2,180,035)	3,336,427	2,311,513	1,024,914
Net Pension Liability	11,925,921	358,026	-	12,283,947	-	12,283,947
Total	$ 15,133,386	$ 2,667,023	$ (2,180,035)	$ 15,620,374	$ 2,311,513	$ 13,308,861

Compensated Absences

Non-academic full-time and certain part-time University employees earn vacation leave for each month worked at a rate between 12 and 22 days per year. Vacation time may be used as it is earned. A maximum of 240 hours can be carried over into the next vacation year, which begins each July 1. Upon termination, no more than the maximum plus the current year earned vacation is payable to the employee.

Non-academic full-time and certain part-time University employees earn sick leave at the rate of one day earned for each month worked. No payment is made for unused sick leave in the event of termination. After an employee has accumulated 18 days of unused sick leave, any sick leave days accumulated by the end of the sick leave year may be converted at the option of the employee to vacation days, up to a maximum of four (4) days. A liability is recognized in the Statement of Net Position for vacation payable to the employees at the statement date.

Termination Benefits

The University, as authorized by its Board of Trustees, offers an early retirement incentive option to eligible employees that includes a stipend of an amount equal to the lesser of 20 percent of the employee's annual base salary at the time of early retirement or the employee's estimated Social Security benefit at full retirement age, along with the continuation of certain health care insurance premiums for a period of the lesser of 5 years or until the employee reaches Social Security full retirement age. Full-time University employees whose accumulated age plus years of service equal at least 75 and are at least 57 are eligible to apply. The cost of early retiree benefits is funded on a pay-as-you-go basis. The total early retiree stipend and benefits payments for the year ended June 30, 2017 was $408,987. The number of participants for the year ended June 30, 2017 was 23.

The projected future cost of the early retirement stipends and early retirement medical and dental insurance benefits has been calculated based on the known amount to be paid out in the next fiscal year plus projected increases of 1.88 and 2.52 percent, respectively. These increases are based on historical data. The net present value of the total projected costs is calculated using the estimated yield (1.33 percent) for short term investments. The net present value is the amount recognized on the financial statements as a liability for termination benefits.

NOTE M. Bonds, Notes, and Contracts Payables

Bonds, Notes, and Contracts liability activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current Portion	Noncurrent Portion
Bonds Payable	$ 15,590,000	$ -	$ (1,205,000)	$ 14,385,000	$ 1,250,000	$ 13,135,000
Unamortized Bond Premium	985,073	-	(148,658)	836,415	148,658	687,757
Notes/Leases Payable	-	6,981,263	(316,129)	6,665,134	1,368,070	5,297,064
Charitable Remainder Annuity Trust and Unitrust	539,411	-	(20,369)	519,042	51,983	467,059
Sub-total University Portion	17,114,484	6,981,263	(1,690,156)	22,405,591	2,818,711	19,586,880
Charitable Remainder Annuity Trust - University Foundation	195,470	-	(27,885)	167,585	29,612	137,973
Sub-total University Foundation Portion	195,470	-	(27,885)	167,585	29,612	137,973
Total	$ 17,309,954	$ 6,981,263	$ (1,718,041)	$ 22,573,176	$ 2,848,323	$ 19,724,853

Bonds Payable

On May 11, 2016, the Board of Regents of the State of Utah issued, for and on behalf of the University, Auxiliary System and Student Building Fee Revenue Refunding Bonds, Series 2016 (2016 Bonds) in the amount of $8,420,000. At the time of issuance, the University funded an advance refunding of the 2008 Series Bonds which represented the difference between the reacquisition price of the 2016 Bonds and the net carrying amount of the 2008 Series Bonds. This amount was placed into escrow, and together with interest earnings, is necessary to pay interest and principal to fully refund the 2008 Series Bonds. As a result, the University recognized a deferred outflow of resources related to refunding of debt in the amount of $710,939 of which $355,469 was amortized in fiscal year 2017. The outstanding balance of bonds defeased and refunded in prior years totaled $355,470 at June 30,2017. The remaining unamortized amount is to be amortized in fiscal year 2018, at which time the defeasance of the 2008 Series Bonds will be complete.

Revenue bonds payable consisted of the following at June 30, 2017:

	Date of Issue	Interest Rate	Original Amount of Issue	Retired or Paid	Balance June 30, 2017
Bonds Payable					
Auxiliary System, Series 2008	7/22/2008	3.500-5.250%	$ 12,025,000	$ 11,615,000	$ 410,000
Auxiliary System, Series 2011	8/11/2011	2.000-4.000%	8,285,000	2,730,000	5,555,000
Auxiliary System, Series 2016	4/27/2016	2.000-3.000%	8,420,000	-	8,420,000
Total Bonds Payable			$ 28,730,000	$ 14,345,000	$ 14,385,000

The scheduled maturities of the revenue bonds are as follows at June 30, 2017:

Year	Principal	Interest	Total
2018	$ 1,250,000	$ 496,381	$ 1,746,381
2019	1,325,000	446,381	1,771,381
2020	1,360,000	402,381	1,762,381
2021	1,400,000	357,181	1,757,181
2022	1,465,000	310,581	1,775,581
2023-2027	3,720,000	886,906	4,606,906
2028-2032	3,180,000	367,819	3,547,819
2033	685,000	20,550	705,550
Total Bonds payable before unamortized premium/discount	$ 14,385,000	$ 3,288,181	$ 17,673,181

Principal and interest on these revenue bonds are collateralized by a first lien on and pledge of Student Center Building Fees, net revenues derived from the operation of the Auxiliary Enterprise System and investment income of the bond security reserve funds (See Note N).

The University is required to maintain certain debt service reserves aggregating $1,066,000. As of June 30, 2017, the balance in the debt service reserve funds met or exceeded this requirement.

Notes and Leases Payable

On August 22, 2016, the University took over full operation of the SUU Aviation Program. Consequently, the University has entered into multiple funding arrangements for the purchase of several capital assets as follows:

- Aircraft hangars (2) for $1,216,000 funded through a 10-year interest-bearing note, with interest at 2.15%, and maturing in October 2026;
- Flight simulators (2) for $775,000 funded through a seven-year capital lease, with interest at 2.75% and maturing in November 2023;
- Helicopters (7) and Fixed-wing Aircraft (12) funded through a seven-year capital lease, with interest at 2.78% and maturing in April 2024. This agreement includes a line of credit in the amount of $7,753,575, of which the University drew down $4,271,790 as of June 30, 2017. An additional $2,615,620 was drawn down in fiscal year 2018, with $866,165 still available on the line of credit.

On April 28, 2017, the University also entered into a four-year lease-purchase agreement as a means of financing the purchase of equipment to strengthen the technology infrastructure of the University. This lease agreement is in the amount of $718,473.58, with an interest rate of 2.92% and maturing in May 2021.

The balance owing on Notes and Leases Payable at June 30, 2017 is $6,665,134.

Remainder Annuity and Unitrusts Payable

Remainder Annuity and Unitrust payable are due in monthly or annual installments for the lifetime of the donors or through the end of the agreement. Annuities payable consisted of the following at June 30, 2017:

	Date Created	Interest Rate	Present Value	Current Portion
Charitable Remainder Annuity Trusts:				
J & C Wadsworth	9/25/2001	6.200%	$ 167,585	$ 29,612
K & H Englehart	11/10/2015	6.000%	485,530	41,599
Unitrust:				
Rodney A Brown	7/12/2000	7.500%	33,512	10,383
Total Annuities Payable			$ 686,627	$ 81,595

The estimates of future annuities payable are as follows:

Year	Principal	Interest	Payments
2018	$ 81,595	$ 31,206	$ 112,801
2019	85,066	27,768	112,834
2020	86,962	23,979	110,941
2021	79,634	20,304	99,938
2022	82,699	17,240	99,939
2023 - 2027	239,264	60,416	299,680
2028 - 2032	264,362	35,319	299,681
2033 - 2037	212,203	8,445	220,648
Total	$ 1,131,785	$ 224,677	$ 1,356,462

Operating Leases

The University has entered into operating leases to rent additional office and classroom space, as well as aircraft for instruction in the Aviation Program. The terms of the leases vary depending on the lease and the lessor. Additionally, the University has entered into an operating lease to rent both land and buildings that comprise the Englestad Shakespeare Theatre for a period of twenty (20) years commencing on June 1, 2016. For the fiscal year ended June 30, 2017, payments of $3,142,274 were paid on these leases and are included in Other Operating Expenses on the Statement of Revenues, Expenses, and Changes in Net Position.

Future minimum payments of the operating leases are as follows:

Fiscal Year	Payments
2018	$ 2,167,333
2019	974,378
2020	414,694
2021	347,365
2022	489,847
2023 - 2027	3,528,924
2028 - 2032	2,661,690
2033 - 2037	2,180,164
Total	$ 12,764,395

NOTE N. Auxiliary System Bond Revenue Fund

The following schedule reflects the pledged receipts and disbursements of the Bond Revenue Fund of the Auxiliary System for the year ended June 30, 2017:

Pledged Receipts:		
Operating Revenues	$	8,272,132
Operating & Maintenance Expenses		(5,415,525)
Total Pledged Net Receipts	$	2,856,607
Transfers to:		
Debt Service	$	1,723,060
Trustee and Other Fees		6,000
Renewal & Replacement Reserves		940,177
Other Lawful Purposes		187,369
Total Transfers of Pledged Receipts	$	2,856,606
Debt Service Reconciliation:		
Debt Service Principal and Interest payments	$	1,734,271
Bond Reserve Interest applied to Debt Service		(11,211)
Total Transfer to Debt Service	$	1,723,060
Debt Service Ratio		1.66

NOTE O. Retirement Plans

As required by State law, eligible non-exempt employees (as defined by the U.S. Fair Labor Standards Act) of the University are covered by the Utah Retirement Systems (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the defined contribution plans, such as Teachers Insurance and Annuity Association (TIAA) or Fidelity Investments (Fidelity).

Defined Benefit Plan

Eligible plan participants are provided with pensions through the following cost-sharing, multiple-employer public employee retirement systems:

- Public Employees Noncontributory Retirement System (Noncontributory System); Public Employees Contributory Retirement System (Contributory System);
- The Public Safety Retirement System (Public Safety System);
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) and Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter System);

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Systems, are members of the Tier 2 Retirement System.

The Systems are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the directions of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds, and are a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. The Systems issue a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

System	Final Average Salary	Years of service required and/or age eligible for benefit	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; 2.00% 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% to 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 also limited to the actual Consumer Price Index (CPI) increase for the year,*

Contributions

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

Contribution rates are as follows:

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

**Tier 2 rates include a 9.94% required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.*

For the year ended June 30, 2017, the University and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 2,161,713	N/A
Contributory System	5,589	-
Public Safety System	87,724	-
Tier 2 Public Employees System	516,860	-
Tier 2 Public Safety and Firefighter	8,416	-
Total Contributions	$ 2,780,302	$ -

Contributions reported are the Systems Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.
For the year ended June 30, 2017, the University reported a net pension asset of $136 and a net pension liability of $12,283,947.

	Net Pension Asset	Net Pension Liability	Proportionate Share December 31, 2016	Proportionate Share December 31, 2015	Change
Noncontributory System	$ -	$ 11,794,753	0.3639326%	0.3636182%	0.0003144%
Contributory System	-	64,545	0.1177917%	0.1022645%	0.0155272%
Public Safety System	-	397,109	0.1857309%	0.2041688%	-0.0184379%
Tier 2 Public Employees System	-	27,540	0.2468898%	0.1795573%	0.0673325%
Tier 2 Public Safety and Firefighter	136	-	0.0156266%	0.0000000%	0.0156266%
Total Net Pension Asset/Liability	$ 136	$ 12,283,947			

The net pension asset and liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension asset and liability were 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 is equal to the ratio of the University's actual contributions to the Systems during the plan year over the total of all University contributions to the Systems during the plan year.

For the year ended June 30, 2017, the University recognized pension expense of $2,870,081. At June 30, 2017, the University reported deferred outflows of

resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 100	$ 681,698
Changes in assumptions	1,307,412	157,527
Net difference between projected and actual earnings on pension plan investments	2,319,059	665,820
Changes in proportion and differences between contributions and proportionate share of contributions	99,532	30,822
Contributions subsequent to the measurement date	1,420,931	-
Total	$ 5,147,034	$ 1,535,867

The $1,420,931 reported as deferred outflows of resources related to pensions results from contributions made by the University prior to our 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:

Year Ended December 31,	Net Deferred Outflows (Inflows) of Resources
2017	$ 660,359
2018	704,207
2019	906,922
2020	(90,306)
2021	710
Thereafter	8,346

Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: Inflation – 2.60%; Salary increases 3.35 – 10.35%, average, including inflation; Investment rate of return – 7.20%, net of pension plan investment expense, including inflation.

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

The following assumption changes were adopted from the most recent actuarial experience study: a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%, a modification to the rate of salary increases for most groups, a decrease in the payroll growth assumption from 3.50% to 3.25%. The post retirement mortality assumption for female educators improved and the pre-retirement mortality assumption had minor changes. Additional changes were made to certain demographic assumptions. As a result, more members are anticipated to terminate employment prior to retirement, slightly fewer members are expected to become disabled, and members are expected to retire at a slightly later age.

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. 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 the following table:

	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 and 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.

Discount Rate

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 contributions 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. Therefore, 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.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension asset and liability calculated using the discount rate of 7.20%, as well as what the proportionate share of the net pension asset and liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.20%) or 1 percentage point higher (8.20%) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	$ 21,625,894	$ 11,794,753	$ 3,555,297
Contributory System	158,682	64,545	(15,404)
Public Safety System	718,545	397,109	132,389
Tier 2 Public Employees System	187,458	27,540	(94,117)
Tier 2 Public Safety and Firefighter	949	(136)	(969)
Total Net Pension (asset)/liability	$ 22,691,528	$ 12,283,811	$ 3,577,196

Pension Plan Fiduciary Net Position:
Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

Defined Contribution Savings Plans
Certain Defined Contribution Savings Plans are administered by the Systems' Board and are generally supplemental plans to the basic retirement benefits of the 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. The University participates in the following Defined Contribution Savings Plans with the Systems: 401(k) Plan, 457(b) Plan, and Roth IRA Plan. Employee and University contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, 2017, were as follows:

401(k) Plan	
Employer Contributions	$ 244,199
Employee Contributions	228,852
457 Plan	
Employer Contributions	-
Employee Contributions	9,541
Roth IRA Plan	
Employer Contributions	N/A
Employee Contributions	15,020

TIAA and/or Fidelity provide individual defined contribution retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contracts become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2017, the University's contribution to this multiple employer defined contribution plan was 14.2% of the employees' annual

salary or $4,886,423, and the fiscal year 2017 contributions are included in pension expense. The University has no further liability once annual contributions are made. Employee contributions for the year ended June 30, 2017 were $820,457.

For employees participating in a System Defined Benefit Contribution Savings Plan, the University is required to contribute 1.50% - 1.78% of the employee's salary into a 401(k)/457 plan. For employees who choose to participate in the Tier 2 Public Employee defined contribution plan (Tier 2 DC), the University is required to contribute 20.05% of the employees' salary of which 10% is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Contributory Public Employee System, as required by law.

NOTE P. Funds Held in Trust by Others

Funds held in trust by others were neither in the possession of nor under the management of the University. These funds, which were not recorded on the University's financial records and which arose from contributions, were held and administered by external fiscal agents, selected by the donors, who distributed net income earned by such funds to the University, where it was recorded when received. Funds held in trust at June 30, 2017 were $346,092 at cost and $372,829 at fair value.

NOTE Q. Insurance Coverage

The University insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage through policies administered by the State of Utah Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a $1,000 per occurrence deductible. All revenues from the University operations, rental income for its residence halls, and tuition are insured against loss due to business interruption caused by fire or other insurable perils. Additionally, the University is protected against employee dishonesty exposures under a $10 million crime policy. The Utah State Risk Management Fund provides coverage to the University for general, automobile, personal injury, errors or omissions, and malpractice liability at $10 million per occurrence. The University qualifies as a "governmental body" under the Utah Governmental Immunity Act (*Utah Code* Title 63G, Chapter 7, Section 604) which limits applicable claim settlements to $583,900 for one person in any one occurrence or $2,000,000 for two or more persons in any one occurrence and $233,600 for property damage liability in any one occurrence.

All University employees are covered by worker's compensation insurance, including employer's liability coverage, by the Worker's Compensation Fund of Utah. The University has established a self-insurance fund for employee medical and dental care plans that are administered through Educators Mutual Insurance Company (both plans referred to as Health Care Plan). When claims paid by the Plan on behalf of a member during a plan year exceed a specific threshold (currently $125,000), the specific stop loss insurance will reimburse the Plan for eligible claims paid above the threshold level. GASB Statement No. 10 requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The University has recorded the investments of the Health Care Plan funds at June 30, 2017 and the estimated liability for self-insurance claims at that date in the Statement of Net Position. The income and expenses related to the administration of the self-insurance and estimated provision for the claims liabilities for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Position.

Changes in the University's estimated self-insurance claims liability are as follows:

Medical & Dental Claims Payable:	2017	2016
Estimated Claims Liability - Beginning of Year	$ 1,336,896	$ 1,995,015
Net Current Year Claims and Administration Expenses	11,760,247	10,071,653
Cash Paid for Claims	(11,314,981)	(10,729,772)
Estimated Claims Liability - End of Year	$ 1,782,162	$ 1,336,896

NOTE R. Subsequent Events

In January 2017, URS conducted an actuarial experience study to review performance of the retirement system over the preceding five years. As a result, several actuarial assumptions were changed relating to inflation, cost of living, mortality, retirement, termination and payroll growth rates and, the actuarial return assumption was reduced to 6.95%. The changes were approved by the URS Board and will be recognized in the fiscal 2018 pension disclosures.

Schedule of Proportionate Share of the Net Pension Liability

	Measurement Date		
	December 31, 2016	December 31, 2015	December 31, 2014
Noncontributory System			
Proportion of Systems net pension liability (asset)	0.3639326%	0.3636182%	0.3579107%
Proportionate share of Systems net pension liability (asset)	$ 11,794,753	$ 11,422,289	$ 8,992,609
Covered payroll	$ 9,953,525	$ 10,122,213	$ 9,923,414
Proportionate share of Systems net pension liability (asset) as a percentage of its covered payroll	118.50%	112.84%	90.62%
Plan fiduciary net position as a percentage of the total pension liability	84.9%	84.5%	87.2%
Contributory System			
Proportion of Systems net pension liability (asset)	0.1177917%	0.1022645%	0.0922137%
Proportionate share of Systems net pension liability (asset)	$ 64,545	$ 64,084	$ 10,111
Covered payroll	$ 31,576	$ 32,395	$ 33,177
Proportionate share of Systems net pension liability (asset) as a percentage of its covered payroll	204.41%	197.82%	30.48%
Plan fiduciary net position as a percentage of the total pension liability	93.4%	92.4%	98.7%
Public Safety System			
Proportion of Systems net pension liability (asset)	0.1857309%	0.2041688%	0.1980694%
Proportionate share of Systems net pension liability (asset)	$ 397,109	$ 439,548	$ 368,060
Covered payroll	$ 222,402	$ 238,257	$ 227,905
Proportionate share of Systems net pension liability (asset) as a percentage of its covered payroll	178.55%	184.48%	161.5%
Plan fiduciary net position as a percentage of the total pension liability	83.5%	82.3%	84.3%
Tier 2 Public Employees System			
Proportion of Systems net pension liability (asset)	0.2468898%	0.1795573%	0.1861719%
Proportionate share of Systems net pension liability (asset)	$ 27,540	$ (392)	$ (5,642)
Covered payroll	$ 2,024,701	$ 1,160,145	$ 913,709
Proportionate share of Systems net pension liability (asset) as a percentage of its covered payroll	1.36%	-0.03%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	95.1%	100.2%	103.5%
Tier 2 Public Safety and Firefighter System*			
Proportion of Systems net pension liability (asset)	0.0156266%	N/A	N/A
Proportionate share of Systems net pension liability (asset)	$ (136)	N/A	N/A
Covered payroll	$ 12,911	N/A	N/A
Proportionate share of Systems net pension liability (asset) as a percentage of its covered payroll	-1.05%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	103.6%	N/A	N/A

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

Schedule of Contributions
Last 10 Fiscal Years

Noncontributory System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 2,161,713	$ 2,153,271	$ 2,319,809	$ 2,027,040	$ 1,946,347	$ 1,748,575	$ 1,806,858	$ 1,248,622	$ 1,276,825	$ 1,216,323
Contributions in Relation to the Contractually Required Contribution	(2,161,713)	(2,153,271)	(2,319,809)	(2,027,040)	(1,946,347)	(1,748,575)	(1,806,858)	(1,248,622)	(1,276,825)	(1,216,323)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 9,999,130	$ 9,970,411	$ 10,143,115	$ 9,817,043	$ 10,307,651	$ 10,528,325	$ 10,162,265	$ 8,698,149	$ 8,911,382	$ 8,553,593
Contributions as a Percentage of Covered Payroll	21.62%	21.60%	22.87%	20.65%	18.88%	16.61%	17.78%	14.36%	14.33%	14.22%

Contributory System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 5,589	$ 5,734	$ 5,739	$ 5,117	$ 4,399	$ 6,661	$ 9,125	$ 8,255	$ 14,885	$ 13,775
Contributions in Relation to the Contractually Required Contribution	(5,589)	(5,734)	(5,739)	(5,117)	(4,399)	(6,661)	(9,125)	(8,255)	(14,885)	(13,775)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 31,576	$ 32,395	$ 32,426	$ 32,041	$ 30,828	$ 53,848	$ 51,180	$ 52,477	$ 94,627	$ 87,574
Contributions as a Percentage of Covered Payroll	17.70%	17.70%	17.70%	15.97%	14.27%	12.37%	17.83%	15.73%	15.73%	15.73%

Public Safety System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 87,724	$ 98,109	$ 96,577	$ 92,803	$ 80,840	$ 67,093	$ 64,377	$ 50,086	$ 35,320	$ 30,879
Contributions in Relation to the Contractually Required Contribution	(87,724)	(98,109)	(96,577)	(92,803)	(80,840)	(67,093)	(64,377)	(50,086)	(35,320)	(30,879)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 212,151	$ 237,266	$ 233,559	$ 236,079	$ 216,787	$ 243,744	$ 196,571	$ 181,145	$ 132,038	$ 115,437
Contributions as a Percentage of Covered Payroll	41.35%	41.35%	41.35%	39.31%	37.29%	27.53%	32.75%	27.65%	26.75%	26.75%

Schedule of Contributions (cont.)
Last 10 Fiscal Years

Tier 2 Public Employees System*

	2017	2016	2015	2014	2013	2012	2011*	2010*	2009*	2008*
Contractually Required Contribution	$ 516,860	$ 251,738	$ 85,958	$ 66,156	$ 49,068	$ 14,621	N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(516,860)	(251,738)	(85,958)	(66,156)	(49,068)	(14,621)				
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -				
Covered Payroll	$ 2,833,666	$ 1,380,385	$ 1,315,692	$ 967,391	$ 632,088	$ 192,641				
Contributions as a Percentage of Covered Payroll	18.24%	18.24%	6.53%	6.84%	7.76%	7.59%				

Tier 2 Public Safety and Firefighter System*

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	$ 8,416	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(8,416)									
Contribution Deficiency (Excess)	$ -									
Covered Payroll	$ 28,891									
Contributions as a Percentage of Covered Payroll	29.13%									

*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.

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Annual Financial Report prepared by
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