



**WEBER STATE UNIVERSITY**

A Component Unit of the State of Utah

**2017 ANNUAL FINANCIAL REPORT**

**ANNUAL  
FINANCIAL  
REPORT**  
— 2017 —

AMPROS HALL



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MESSAGE  
FROM THE  

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PRESIDENT



I am happy to report that the university is in good financial standing and has benefitted greatly from the constant support of students, faculty, staff, alumni, administrators, elected officials and community members.

During the 2016-17 academic year, Weber State University made progress on buildings and built on progress.

Construction projects include wrapping up the Stewart Library renovation, the beginning of construction on the Ezekiel R. and Katherine W. Dumke Center for Interprofessional Education in Health Care, and the renovation of the Social Science building — soon to be known as Lindquist Hall.

The \$21 million, two-phase renovation of the library included new interior glass walls, raised ceilings, and expansive windows and skylights. The building now houses a testing center and more student study space.

The Ezekiel R. and Katherine W. Dumke Center for Interprofessional Education in Health Care, slated to open in fall of 2018, began construction in May of 2017. Thanks in large part to the Dumkes' generosity, the center will allow students to more easily come together and learn from each other's ideas.

The major renovation of the Social Science building (a.k.a. Lindquist Hall) also began in May of 2017. A substantial gift from John E. Lindquist in honor of his family, and the support of legislators and Gov. Gary Herbert, made the project possible.

WSU also built bridges with its community. The university has entered into a partnership with other community anchor institutions in a collective endeavor known as the Ogden Civic Action Network. OgdenCAN — which includes Ogden City, health, and educational partners in addition to WSU — seeks to benefit the residents of Ogden's East Central Neighborhood.

The financial statements that follow are prepared according to generally accepted accounting principles established by the Governmental Accounting Standards Board. The Office of the State Auditor has reviewed and audited this financial report for the fiscal year that ended June 30, 2017. This financial report is intended to reflect the overall financial position of the university as of June 30, 2017. It also reflects the flow of financial resources to and from the university for the fiscal year that ended June 30, 2017.

With best wishes,

A handwritten signature in black ink, appearing to read "C. Wight". The signature is fluid and cursive, written over a white background.

Charles A. Wight, President

# State Auditor's Report



## OFFICE OF THE STATE AUDITOR

### INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee  
and  
Charles A. Wight, President  
Weber State University

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Weber State University (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 cash

flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The Message 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 this other information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 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  
October 20, 2017



# MANAGEMENT'S DISCUSSION & ANALYSIS

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**Fiscal Year Ended June 30, 2017**

## Introduction

This section of Weber State University's (the University's) Annual Report presents management's discussion and analysis of the University's financial performance during the fiscal year ended June 30, 2017, with comparable information for the fiscal year ended June 30, 2016. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis is designed to provide an easily readable analysis of the University's financial activities based on facts, decisions, and conditions known at the date of the auditor's report. The financial statements, footnotes, and this discussion are the responsibility of management.

## Financial Statements Overview

This annual report consists of a series of financial statements, prepared in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

As required by these accounting principles, the annual report consists of three basic financial statements which 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 one of these statements will be discussed.

## Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the end of the fiscal year. The Statement of Net Position is a point-in-time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of Weber State University. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent),

deferred inflows of resources, and net position (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources). The difference between current and noncurrent assets will be discussed in the footnotes to the financial statements.

A summarized comparison of the University's assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2017 and 2016 is shown below.

### Condensed Statement of Net Position

|  | As of<br>June 30, 2017<br>Amount | As of<br>June 30, 2016<br>Amount | Amount of<br>Increase<br>(Decrease) | Percent<br>Increase<br>(Decrease) |
|--|----------------------------------|----------------------------------|-------------------------------------|-----------------------------------|
| <b>Assets</b>                          |                                  |                                  |                                     |                                   |
| Current assets                         | \$59,192,711                     | \$92,549,717                     | \$(33,357,006)                      | (36.04%)                          |
| Noncurrent assets                      |                                  |                                  |                                     |                                   |
| Capital                                | 358,162,312                      | 343,195,365                      | 14,966,947                          | 4.36%                             |
| Other                                  | 215,621,399                      | 173,016,891                      | 42,604,508                          | 24.62%                            |
| Total assets                           | <u>632,976,422</u>               | <u>608,761,973</u>               | <u>24,214,449</u>                   | <u>3.98%</u>                      |
| Deferred outflows of resources         |                                  |                                  |                                     |                                   |
| Deferred amount of refunding           | 633,282                          | 611,498                          | 21,784                              | 3.56%                             |
| Deferred outflows relating to pensions | 7,893,292                        | 7,428,619                        | 464,673                             | 6.26%                             |
| Total deferred outflows of resources   | <u>8,526,574</u>                 | <u>8,040,117</u>                 | <u>486,457</u>                      | <u>6.05%</u>                      |
| <b>Liabilities</b>                     |                                  |                                  |                                     |                                   |
| Current liabilities                    | 21,442,527                       | 21,339,170                       | 103,357                             | 0.48%                             |
| Noncurrent liabilities                 | 72,839,448                       | 75,814,673                       | (2,975,225)                         | (3.92%)                           |
| Total liabilities                      | <u>94,281,975</u>                | <u>97,153,843</u>                | <u>(2,871,868)</u>                  | <u>(2.96%)</u>                    |
| Deferred inflows of resources          |                                  |                                  |                                     |                                   |
| Deferred inflows relating to pensions  | <u>2,766,226</u>                 | <u>1,760,753</u>                 | <u>1,005,473</u>                    | <u>57.10%</u>                     |
| <b>Net position</b>                    |                                  |                                  |                                     |                                   |
| Net investment in capital assets       | 305,766,039                      | 288,217,599                      | 17,548,440                          | 6.09%                             |
| Restricted - nonexpendable             | 91,739,272                       | 82,975,244                       | 8,764,028                           | 10.56%                            |
| Restricted - expendable                | 67,478,345                       | 62,115,610                       | 5,362,735                           | 8.63%                             |
| Unrestricted                           | 79,471,139                       | 84,579,041                       | (5,107,902)                         | (6.04%)                           |
| Total net position                     | <u>\$544,454,795</u>             | <u>\$517,887,494</u>             | <u>\$26,567,301</u>                 | <u>5.13%</u>                      |

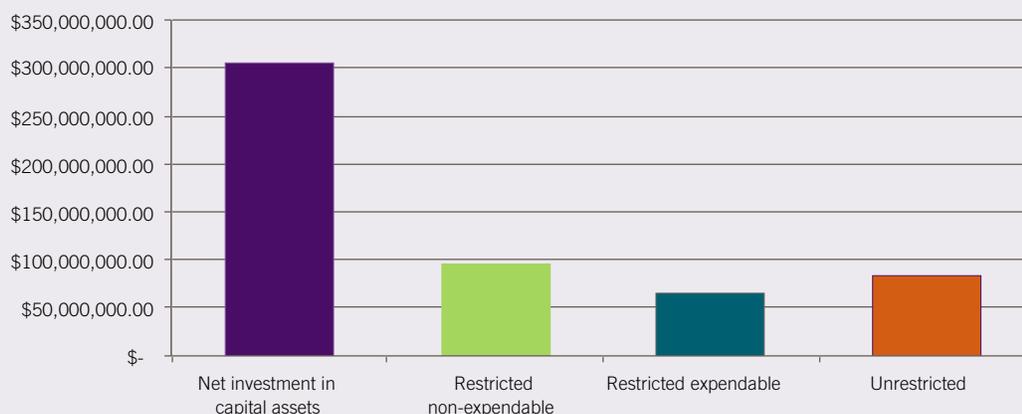
From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes to outside organizations. Finally, the Statement of Net Position provides a picture of the net position (assets plus deferred outflows of resources minus liabilities plus deferred inflows of resources) and its availability for expenditure by the University.

Net position is divided into three major categories. The first category, "net investment in capital assets," provides the University's equity in property, plant, and equipment. The next category is "restricted" net position, which is divided

into two subcategories, "nonexpendable" and "expendable." The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is "unrestricted" net position. Unrestricted net position is generally designated internally by the University for specific institutional purposes.

The composition of the University's net position is displayed in the following graph.

### Composition of the University's Net Position as of June 30, 2017



In fiscal year 2017, current assets decreased \$33.4 million and other non-current assets increased \$42.6 million. This change was largely due to the redemption of \$13.2 million of Certificates Of Deposit, along with purchasing additional non-current corporate notes and government agency bonds. The portfolio of non-current government agency bonds and corporate notes increased \$8.9 million and \$23.8 million respectively. Total assets of the University increased \$24.2 million. Restricted - nonexpendable net position increased 10.6%, largely due to positive market value fluctuations on investments. At the end of fiscal year 2017, the University's current assets of \$59.2 million were sufficient to cover current liabilities of \$21.4 million. Also at the end of fiscal year 2017, total assets of \$633 million were sufficient to

cover total liabilities of \$94.3 million. Deferred outflows and inflows relating to pensions are a result of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. (see notes 1 and 7). Over time, increases or decreases in net position (the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities. One must also consider that the consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the University to better serve the mission of the University.

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

Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University. Generally speaking, operating revenues are received for providing goods and services to the various

customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided.

A summarized comparison of the University's revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016 is shown below.

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

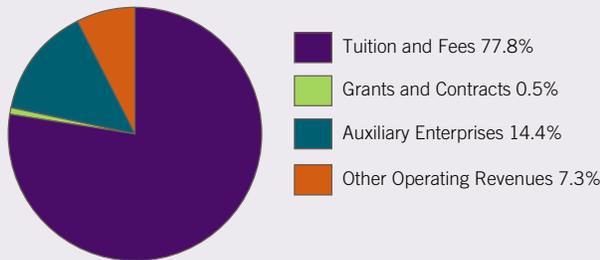
|  | Year Ended<br>June 30, 2017<br>Amount | Year Ended<br>June 30, 2016<br>Amount | Amount of<br>Increase<br>(Decrease) | Percent<br>Increase<br>(Decrease) |
|--|---------------------------------------|---------------------------------------|-------------------------------------|-----------------------------------|
| Operating revenues                     |                                       |                                       |                                     |                                   |
| Tuition and fees                       | \$83,820,133                          | \$82,276,582                          | \$1,543,551                         | 1.88%                             |
| Grants and contracts                   | 497,724                               | 501,498                               | (3,774)                             | (0.75%)                           |
| Auxiliary enterprises                  | 15,533,705                            | 16,591,310                            | (1,057,605)                         | (6.37%)                           |
| Other                                  | 7,882,459                             | 6,029,201                             | 1,853,258                           | 30.74%                            |
| Total operating revenues               | 107,734,021                           | 105,398,591                           | 2,335,430                           | 2.22%                             |
| Operating expenses                     |                                       |                                       |                                     |                                   |
| Salaries and wages                     | 106,095,522                           | 101,929,322                           | 4,166,200                           | 4.09%                             |
| Employee benefits                      | 42,691,319                            | 40,055,686                            | 2,635,633                           | 6.58%                             |
| Scholarships and fellowships           | 15,473,069                            | 17,017,923                            | (1,544,854)                         | (9.08%)                           |
| Depreciation                           | 16,816,285                            | 15,310,909                            | 1,505,376                           | 9.83%                             |
| Other operating expenses               | 55,073,359                            | 52,156,122                            | 2,917,237                           | 5.59%                             |
| Total operating expenses               | 236,149,554                           | 226,469,962                           | 9,679,592                           | 4.27%                             |
| Operating loss                         | (128,415,533)                         | (121,071,371)                         | (7,344,162)                         | (6.07%)                           |
| Nonoperating revenues/(expenses)       |                                       |                                       |                                     |                                   |
| State appropriations                   | 81,511,610                            | 77,273,905                            | 4,237,705                           | 5.48%                             |
| Grants and contracts                   | 34,495,837                            | 35,994,414                            | (1,498,577)                         | (4.16%)                           |
| Other nonoperating revenues/(expenses) | 22,405,812                            | 6,280,803                             | 16,125,009                          | 256.73%                           |
| Net nonoperating revenues/(expenses)   | 138,413,259                           | 119,549,122                           | 18,864,137                          | 15.78%                            |
| Income before other revenue            | 9,997,726                             | (1,522,249)                           | 11,519,975                          | (756.77%)                         |
| Other revenues                         |                                       |                                       |                                     |                                   |
| Capital appropriations                 | 7,240,998                             | 55,115,897                            | (47,874,899)                        | (86.86%)                          |
| Capital grants and gifts               | 6,366,164                             | 9,126,998                             | (2,760,834)                         | (30.25%)                          |
| Additions to permanent endowments      | 2,962,413                             | 2,301,702                             | 660,711                             | 28.71%                            |
| Total other revenue                    | 16,569,575                            | 66,544,597                            | (49,975,022)                        | (75.10%)                          |
| Increase in net position               | 26,567,301                            | 65,022,348                            | (38,455,047)                        | (59.14%)                          |
| Net position - beginning of year       | 517,887,494                           | 452,865,146                           | 65,022,348                          | 14.36%                            |
| Net position - end of year             | \$544,454,795                         | \$517,887,494                         | \$26,567,301                        | 5.13%                             |



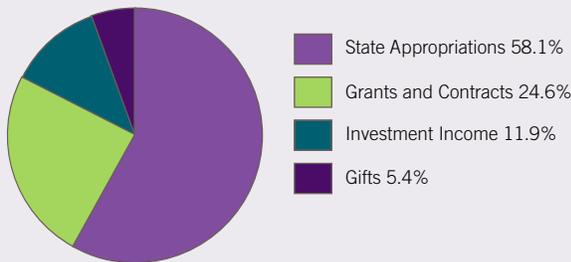
The most significant source of operating revenue for the University is student tuition and fees, which totaled \$83.8 million for fiscal year 2017. Other nonoperating revenues/ (expenses) increased approximately \$16.1 million largely due to positive market value fluctuations on investments. Capital

appropriations decreased \$47.9 due to the new Tracy Hall Science Center completion in fiscal year 2016. The following charts highlight the University's operating and nonoperating revenues for the fiscal year 2017.

### Operating Revenues



### Nonoperating Revenues



The University's operating expenses were \$236.1 million for the fiscal year ended June 30, 2017. Operating expenses are reported by natural classification in the financial statements. The following chart illustrates the University's operating expenses by natural classification for the fiscal year ended 2017.



State appropriations are considered nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues. This will always result in an overall operating loss. A more comprehensive assessment of the operations of the University is reflected in "Income (Loss) Before Other Revenue."

## Statement Of Cash Flows

The final statement presented by the University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year.

The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section shows the net change in cash which reconciles to the end of year cash shown on the Statement of Net Position. The University's cash flows for the fiscal year ended June 30, 2017 are shown below.

### Condensed Statement of Cash Flows

|   | Year Ended<br>June 30, 2017<br>Amount | Year Ended<br>June 30, 2016<br>Amount | Amount of<br>Increase<br>(Decrease) | Percent<br>Increase<br>(Decrease) |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-----------------------------------|
| Cash and cash equivalents provided (used) by: |                                       |                                       |                                     |                                   |
| Operating activities                          | \$(105,703,388)                       | \$(107,314,312)                       | \$1,610,924                         | 1.50%                             |
| Noncapital financing activities               | 128,067,471                           | 121,437,939                           | 6,629,532                           | 5.46%                             |
| Capital financing activities                  | (19,294,951)                          | (21,060,822)                          | 1,765,871                           | 8.38%                             |
| Investing activities                          | (22,729,596)                          | 25,140,268                            | (47,869,864)                        | 190.41%                           |
| Net change in cash and cash equivalents       | (19,660,464)                          | 18,203,073                            | (37,863,537)                        | (208.01%)                         |
| Cash and cash equivalents - beginning of year | 69,574,351                            | 51,371,278                            | 18,203,073                          | 35.43%                            |
| Cash and cash equivalents - end of year       | \$49,913,887                          | \$69,574,351                          | \$(19,660,464)                      | (28.26%)                          |



# MAJOR CONSTRUCTION --- PROJECTS

There were several significant construction projects during the fiscal year. These projects are funded from a number of different sources including private donations, revenue bond proceeds, and state capital appropriations.

## Stewart Library

August of 2017 was the reopening of the Stewart Library after a two-phase renovation which started in May 2016. The library originally opened in 1965 as a 72,000 square-foot facility, followed by an addition in 1976, which doubled the square footage. This recent extensive renovation included replacing the heating, air conditioning, ventilation, electrical, lighting, and data networking. The newly remodeled space features more interior glass, raised ceilings and beautiful expansive windows and skylights, which provide a substantial amount of natural lighting. Overall aesthetics, accessibility, computer access and technological amenities were enhanced. The approximate budget was \$21 million.

## Tracy Hall Science Center

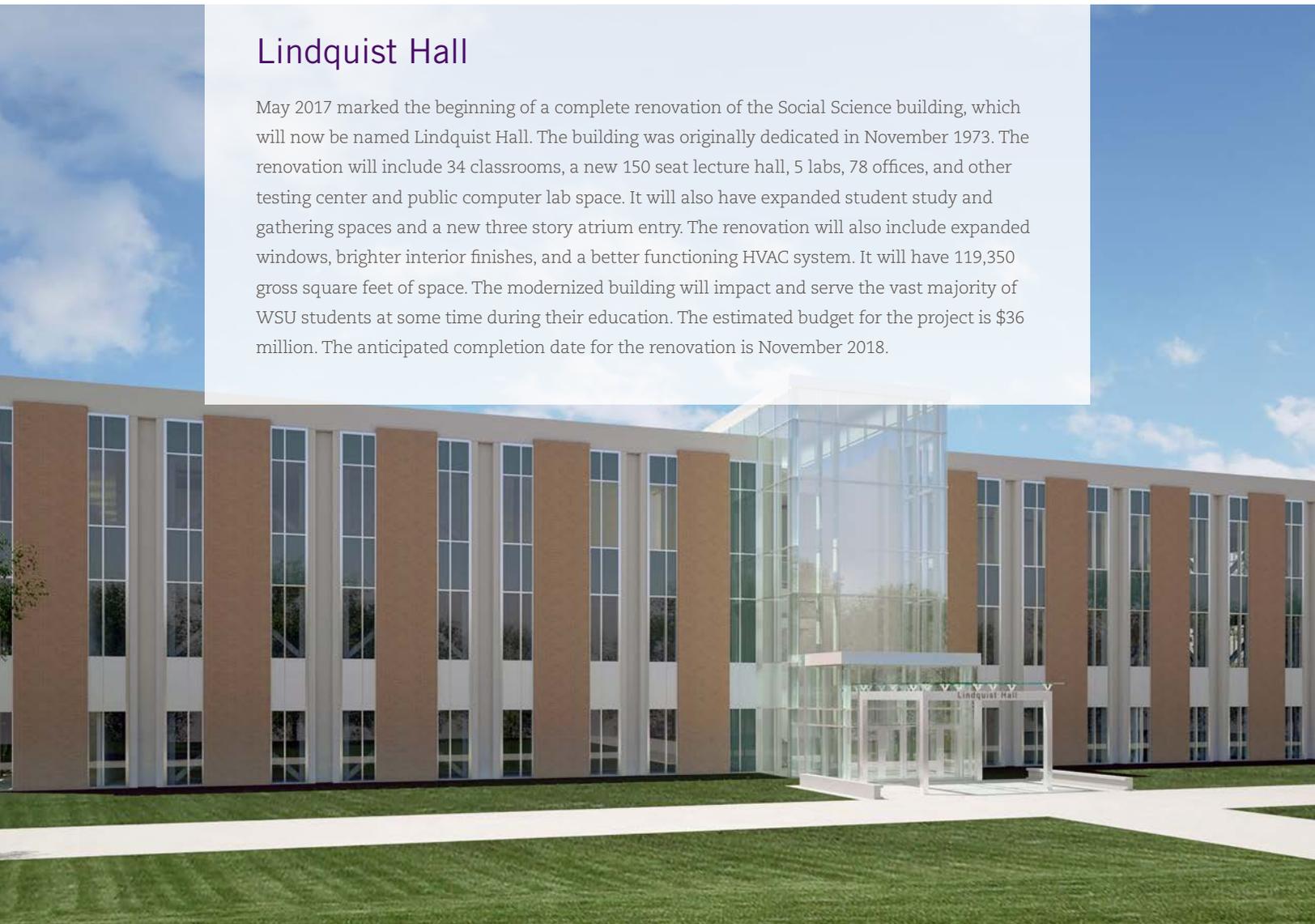
Fall semester of 2016, marked the opening of doors to a new era of science education at Weber State University, following approximately two years of construction on the new Tracy Hall Science Center. Groundbreaking took place on May 16, 2014 for the new Tracy Hall Science Center. This new facility replaced the current Science Lab building which was dedicated in 1969 and was showing its age. This beautiful new facility provides an outstanding learning environment for science, technology, engineering, and math and will also inspire other students to go into those fields. The budget for the new Science Building, stemming from Utah State capital appropriations and generous donations, was approximately \$74 million.

## Athletic Academic Center

Construction of the new Athletic Academic Center (Stadium House) project began in the spring of 2015; and it began its official use in September 2016. The official Ribbon Cutting ceremony opened the new 4044 square foot facility which is dedicated to student athlete academic success. The Stadium House features a new computer lab, individual tutoring rooms, academic advising offices, indoor and outdoor group study areas, and a welcoming atrium and lounge. This new facility will serve the University for many years to come. It is the first of its kind within the Big Sky Conference, highlighting the importance Weber State University has placed on academic success for its student athletes. The approximate budget for this new facility was \$2 million.

## Lindquist Hall

May 2017 marked the beginning of a complete renovation of the Social Science building, which will now be named Lindquist Hall. The building was originally dedicated in November 1973. The renovation will include 34 classrooms, a new 150 seat lecture hall, 5 labs, 78 offices, and other testing center and public computer lab space. It will also have expanded student study and gathering spaces and a new three story atrium entry. The renovation will also include expanded windows, brighter interior finishes, and a better functioning HVAC system. It will have 119,350 gross square feet of space. The modernized building will impact and serve the vast majority of WSU students at some time during their education. The estimated budget for the project is \$36 million. The anticipated completion date for the renovation is November 2018.



# ECONOMIC --- OUTLOOK

A crucial element in the University's future continues to be a strong relationship with the State of Utah. The University's operating budget for the fiscal year ending June 30, 2017 is supported by two major sources of revenue: appropriations from the State of Utah (\$81.5 million) and net student tuition and fees (\$83.8 million). Weber State University's budget conditions remained solid during the Fiscal Year 2017, assisted by 3.5% tuition and 3.22% fee increases.

Utah's growing economy continues to be recognized among the top performing states. Given the historical inverse relationship between student enrollment growth and a strong state economy, only a slight enrollment increase is projected for Fiscal Year 2018. Conservative budgeting, 3.5% tuition and 3.0% fee increases, and \$4.6 million of new appropriations should continue to keep the University's financial position stable during the fiscal year 2017-2018.

Current conditions are likely to influence the University to examine future tuition and fee increases for additional funding. The institution is also implementing a strategic enrollment plan, for fiscal year 2017-2018, targeted at enrollment growth. As the financial statements and footnotes indicate, the University remains on a solid financial foundation. A conservative financial management approach will continue to be employed in managing the resources of the University.

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*Norman C. Tarbox, Jr., Ed.D.,  
Vice President for Administrative Services*





**BASIC**  

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**FINANCIAL  
STATEMENTS**

# Statement of Net Position

Weber State University  
As of June 30, 2017

## ASSETS

### Current Assets

|   | <b>2017</b>       |
|---|-------------------|
| Cash and cash equivalents (Note 2)      | \$34,445,149      |
| Short-term investments (Note 2)         | 10,200,780        |
| Accounts receivable, net (Note 5)       | 3,725,827         |
| Receivable from state agencies (Note 5) | 2,254,814         |
| Interest receivable                     | 208,080           |
| Inventories                             | 4,125,842         |
| Prepaid expenses                        | 1,657,129         |
| Student loans receivable, net (Note 5)  | 1,132,197         |
| Pledges receivable, net (Note 5)        | 1,021,404         |
| Other assets                            | 421,489           |
| <b>Total current assets</b>             | <b>59,192,711</b> |

### Noncurrent Assets

|   |                    |
|---|--------------------|
| Restricted cash and cash equivalents (Note 2) | 15,468,738         |
| Investments (Note 2)                          | 188,836,463        |
| Accounts receivable, net (Note 5)             | 3,711,768          |
| Student loans receivable, net (Note 5)        | 4,557,543          |
| Pledges receivable, net (Note 5)              | 3,046,887          |
| Capital assets, net (Note 3)                  | 358,162,312        |
| <b>Total noncurrent assets</b>                | <b>573,783,711</b> |
| <b>Total Assets</b>                           | <b>632,976,422</b> |

## DERERRED OUTFLOWS OF RESOURCES

|  |                  |
|--|------------------|
| Deferred Outflows relating to Pensions (Notes 1 and 7) | 7,893,292        |
| Deferred amount of refunding                           | 633,282          |
| <b>Total Deferred Outflows of Resources</b>            | <b>8,526,574</b> |

## LIABILITIES

### Current Liabilities

|  |                   |
|--|-------------------|
| Accounts payable (Note 5)                            | 2,049,147         |
| Accrued liabilities                                  | 614,820           |
| Accrued payroll                                      | 170,000           |
| Payable to state agencies                            | 2,697,819         |
| Compensated absences & termination benefits (Note 3) | 3,083,162         |
| Unearned revenue                                     | 8,182,553         |
| Bonds payable (Notes 3 and 4)                        | 2,829,362         |
| Other liabilities                                    | 1,815,664         |
| <b>Total current liabilities</b>                     | <b>21,442,527</b> |

### Noncurrent Liabilities

|  |                   |
|--|-------------------|
| Compensated absences & termination benefits (Note 3) | 3,593,241         |
| Annuities payable (Note 3)                           | 430,248           |
| Bonds payable (Notes 3 and 4)                        | 50,200,194        |
| Net pension liability (Notes 1 and 7)                | 18,615,765        |
| <b>Total noncurrent liabilities</b>                  | <b>72,839,448</b> |
| <b>Total Liabilities</b>                             | <b>94,281,975</b> |

## DEFERRED INFLOWS OF RESOURCES

|   |                  |
|---|------------------|
| Deferred Inflows Relating to Pensions (Notes 1 and 7) | 2,766,226        |
| <b>Total Deferred Inflows of Resources</b>            | <b>2,766,226</b> |

## NET POSITION

|  |                      |
|--|----------------------|
| Net investment in capital assets       | 305,766,039          |
| Restricted:                            |                      |
| Nonexpendable                          |                      |
| Primarily scholarships and fellowships | 91,739,272           |
| Expendable                             |                      |
| Primarily scholarships and fellowships | 46,114,680           |
| Capital projects                       | 10,532,174           |
| Loans                                  | 7,799,520            |
| Sponsored projects                     | 1,799,952            |
| Debt service                           | 1,232,019            |
| Unrestricted                           | 79,471,139           |
| <b>Total Net Position</b>              | <b>\$544,454,795</b> |

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

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

**Weber State University**  
For the Fiscal Year Ended June 30, 2017

## REVENUES

| <b>Operating Revenues</b>                    | <b>2017</b>        |
|--|--------------------|
| Student tuition and fees, net (Note 1)       | \$83,820,133       |
| Federal grants and contracts                 | 378,911            |
| State and local grants and contracts         | 88,111             |
| Nongovernmental grants and contracts         | 30,702             |
| Sales and services of educational activities | 2,920,103          |
| Auxiliary enterprises, net (Note 1)          | 15,533,705         |
| Other operating revenues                     | 4,962,356          |
| <b>Total Operating Revenues</b>              | <u>107,734,021</u> |

## EXPENSES

|                                 |                      |
|---------------------------------|----------------------|
| <b>Operating Expenses</b>       |                      |
| Salaries and wages              | 106,095,522          |
| Employee benefits               | 42,691,319           |
| Scholarships and fellowships    | 15,473,069           |
| Depreciation                    | 16,816,285           |
| Other operating expenses        | 55,073,359           |
| <b>Total Operating Expenses</b> | <u>236,149,554</u>   |
| <b>Operating Loss</b>           | <u>(128,415,533)</u> |

## NONOPERATING REVENUES (EXPENSES)

|   |                    |
|---|--------------------|
| State appropriations                          | 81,511,610         |
| Federal grants and contracts                  | 31,455,773         |
| State and local grants and contracts          | 2,690,505          |
| Nongovernmental grants and contracts          | 349,559            |
| Gifts   | 7,614,639          |
| Investment income (net of investment expense) | 16,640,394         |
| Interest on capital assets-related debt       | (1,849,221)        |
| <b>Net Nonoperating Revenues</b>              | <u>138,413,259</u> |
| <b>Income Before Other Revenue</b>            | <u>9,997,726</u>   |

## OTHER REVENUES

|                                   |                   |
|-----------------------------------|-------------------|
| Capital appropriations            | 7,240,998         |
| Capital grants and gifts          | 6,366,164         |
| Additions to permanent endowments | 2,962,413         |
| <b>Total other revenue</b>        | <u>16,569,575</u> |
| <b>Increase in Net Position</b>   | <u>26,567,301</u> |

## NET POSITION

|   |                      |
|---|----------------------|
| <b>Net Position - Beginning of Year</b> | <u>517,887,494</u>   |
| <b>Net Position - End of Year</b>       | <u>\$544,454,795</u> |

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

# Statement of Cash Flows

Weber State University  
For the Fiscal Year Ended June 30, 2017

## CASH FLOWS FROM OPERATING ACTIVITIES

|   | <b>2017</b>          |
|---|----------------------|
| Tuition and fees  | \$85,605,245         |
| Receipts from grants/contracts                          | 497,724              |
| Receipts from auxiliary and educational services        | 18,453,808           |
| Collection of loans from students                       | 1,085,935            |
| Loans issued to students                                | (57,913)             |
| Payments for scholarships and fellowships               | (15,630,580)         |
| Payments for employee services and benefits             | (148,289,373)        |
| Other operating receipts                                | 4,945,113            |
| Payments to suppliers                                   | (52,313,347)         |
| <b>Net cash provided (used) by Operating Activities</b> | <b>(105,703,388)</b> |

## CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

|  |                    |
|--|--------------------|
| State appropriations   | 81,511,610         |
| Receipts from grants/contracts                                     | 34,495,837         |
| Agency receipts including direct lending program                   | 43,426,557         |
| Agency disbursements including direct lending program              | (43,327,300)       |
| Receipts from gifts  | 9,016,821          |
| Receipts for permanent endowments                                  | 2,962,413          |
| Other noncapital financing activities                              | (18,467)           |
| <b>Net cash provided (used) by Noncapital Financing Activities</b> | <b>128,067,471</b> |

## CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

|   |                     |
|---|---------------------|
| Receipts from capital grants/gifts  | 8,190,135           |
| Proceeds from bond issuance   | 7,215,000           |
| Purchases of capital assets   | (22,275,865)        |
| Principal paid on capital debt/leases                                       | (10,575,000)        |
| Interest paid on capital debt/leases  | (1,849,221)         |
| <b>Net cash provided (used) by Capital and related Financing Activities</b> | <b>(19,294,951)</b> |

## CASH FLOWS FROM INVESTING ACTIVITIES

|   |                     |
|---|---------------------|
| Proceeds from sale/maturity of investments              | 25,857,141          |
| Receipt of interest/dividends from investments          | 9,211,893           |
| Purchase of investments                                 | (57,798,630)        |
| <b>Net cash provided (used) by Investing Activities</b> | <b>(22,729,596)</b> |

**Net Increase (decrease) in Cash and Cash Equivalents** (19,660,464)

**Cash and Cash Equivalents - Beginning of Year** 69,574,351

**Cash and Cash Equivalents - End of Year** \$49,913,887

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

# Statement of Cash Flows (continued)

**Weber State University**  
For the Fiscal Year Ended June 30, 2017

## Reconciliation of net operating income (loss) to net cash provided (used) by operating activities:

|   | <u>2017</u>            |
|---|------------------------|
| <b>Operating income (loss)</b>  | \$(128,415,533)        |
| Difference between actuarial calculated pension expense and actual contributions                | \$517,539              |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: |                        |
| Depreciation expense  | 16,909,214             |
| Changes in assets and liabilities:  |                        |
| Receivables (net)   | 1,261,637              |
| Student loans receivable  | 757,536                |
| Pledge Receivable   | 2,700,000              |
| Inventories   | 625,754                |
| Prepaid expenses  | (682,185)              |
| Other current assets  | (32,917)               |
| Accounts payable  | 16,874                 |
| Accrued liabilities   | 57,841                 |
| Accrued payroll   | 15,371                 |
| Unearned revenue  | 523,475                |
| Compensated absences and early retirement   | (93,283)               |
| Other current liabilities   | 135,289                |
| <b>Net cash provided (used) by Operating Activities</b>   | <u>\$(105,703,388)</u> |
| <b>Noncash Investing, Capital, and Financing Activities:</b>                                    |                        |
| Increase (decrease) in fair value of investments  | \$7,330,751            |
| Capital assets acquired from State of Utah (DFCM)   | 7,240,998              |
| Donated property and equipment  | 236,861                |
| <b>Total Noncash Investing, Capital, and Financing Activities</b>                               | <u>\$14,808,610</u>    |

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





**NOTES TO**  
**FINANCIAL**  
**STATEMENTS**

# 1. Summary Of Significant Accounting Policies

Significant accounting policies followed by Weber State University (the University) are set forth below:

## Reporting Entity:

The University is a component unit and an integral part of the State of Utah. The University is considered a component unit of the State of Utah because it receives appropriations from the State and is financially accountable to the State. The financial activity of the University is included in the State's Comprehensive Annual Financial Report, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

The financial statements include the accounts of the University, all auxiliary enterprises, and other restricted and unrestricted funds of the University, the Weber State University Foundation (the Foundation) and the Weber State University Research Foundation (the Research Foundation). The Foundation and the Research Foundation, non-profit organizations, were incorporated under Utah law in 1972 and 2009, respectively. The Foundation was established to provide support for the University, its faculty and students, and to promote, sponsor, and carry-out educational, scientific, charitable, and related activities and objectives at the University. The Research Foundation was established to further the educational and research mission of the University. The University has a controlling number of positions on the Board of Directors of the Foundation and the Research Foundation.

The Foundation and the Research Foundation are included in the financial statements of the University as blended component units. 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. It is reported as part of the University. Financial statements of the Foundation and the Research Foundation can be obtained from the University. In Note 10, condensed financial statements have been prepared for the Foundation. Due to minimal financial activity, condensed financial statements have not been prepared for the Research Foundation.

## 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. This includes an MD&A, a statement of net position, a statement of revenues, expenses, and changes in net position, a statement of cash flows, notes to the financial statements, and other applicable RSI. The required basic financial statements described above are prepared using the economic resources measurement focus and the accrual basis of accounting. Operating activities include all revenues and expenses, derived on an exchange basis, used to support the instructional, research and public efforts, and other University priorities. Fund financial statements are not required for BTA reporting.

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

## Cash Equivalents:

For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah State Treasurers' Investment Pool are also considered cash equivalents.

## Investments:

The University accounts for its investments at fair value or NAV (net asset value) in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University distributes earnings from pooled investments according to the University Policy No. 5-14 *Investment of Public Funds*.

## Inventories:

Inventories held for resale are stated at the lower of cost (first-in, first-out method) or market or on a basis which approximates cost determined on the first-in, first-out method. Non-resale inventories are expensed as purchased. Bookstore inventories are valued using the retail inventory method.

## Deferred Outflows/Inflows:

In addition to assets, financial statements will sometimes report separate sections for deferred outflows/inflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period (s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period (s) and will not be recognized as an inflow of resources (revenue) until that time. Also, in accordance with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, losses incurred due to refunding of bond debt are reported as deferred outflows rather than as bond liabilities.

## Capital Assets:

Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements with a cost of \$250,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. All land is capitalized and not depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 40 years for buildings, 20 years for infrastructure, land improvements, and library collections, and 3 to 10 years for equipment.

## Unearned Revenues:

Unearned revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to 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 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 November 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 in excess of 8 days may be converted at the option of the employee to vacation days. A liability is recognized in the Statement of Net Position for vacation payable to the employees at the statement date.

## Non-current Liabilities:

Non-current liabilities include (1) principal amounts of revenue bonds payable and other obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences 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 non-current assets.

## 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 (Systems) and additions to/deductions from the Systems fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

**Restricted net position - expendable:** Restricted expendable net position includes resources in which the University is legally

or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

**Unrestricted net position:** Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include unrestricted quasi-endowments.

## Classification of Revenues and Expenses:

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

**Operating revenues:** Operating revenues 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 educational activities and auxiliary enterprises, net of scholarship discounts and allowances, (3) federal, state, local, and nongovernmental research grants and contracts, and (4) interest on institutional student loans.

**Non-operating revenues:** Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as (1) gifts and contributions, (2) non-research federal, state, local, and nongovernmental grants and contracts and (3) other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

**Operating expenses:** Operating expenses include activities that have the characteristics of exchange transactions, such as (1) salaries and wages, (2) employee benefits, (3) scholarships and fellowships, (4) depreciation, and (5) other operating expenses.

**Non-operating expenses:** Non-operating expenses primarily include interest on debt obligations.

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

**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. The following schedule presents revenue allowances for the year ended June 30, 2017:

| Revenue               | 2017         |
|-----------------------|--------------|
| Tuition and Fees      | \$33,246,585 |
| Auxiliary enterprises | \$713,698    |

## 2. Cash & 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, Management and Reporting of Institutional Investments (Rule 541).

### 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 policy for custodial credit risk that further limits what is required by the State Money Management Act. As of June 30, 2017, the University had bank and deposit balances of \$7,491,927 at Wells Fargo, of which \$7,241,927 was uninsured and uncollateralized. The Foundation had \$61,010 held by Key Bank, and \$141,211 held by Morgan Stanley Smith Barney, all of which was insured. The State of Utah does not require collateral on deposits.

#### Investments

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 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 Commonfund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

According to the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Title 51-8 of the *Utah Code*, the University may appropriate for expenditure or accumulate so much of an endowment fund as the University determines to be prudent for uses, benefits, purposes, and duration for which the endowment was established. The endowment income spending policy at June 30, 2017, is 4% of the twelve quarter moving average of the market value of the endowment pool. The spending policy is reviewed periodically and any necessary changes are made. The amount of net appreciation investments of donor-restricted endowments that were available for authorization for expenditure at June 30, 2017 was approximately \$9.1 million. The net appreciation is a component of restricted expendable net assets.

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*, Title 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.

## 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.

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

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund; and,

- Utah Public Treasurers' Investment Fund: application of the June 30, 2017 fair value factor, as calculated by the Utah State Treasurer, to the University average daily balance in the Fund.

Securities classified in Level 3 are valued using the following approaches:

- Other, namely donated real estate, are valued using the real estate's value;

The Bond and Equity Mutual funds listed below are held and managed by Commonfund. For these funds Commonfund is not required to register as an investment company, and has not registered as such. For these funds, Commonfund received a ruling from the Commodity Futures Trading Commission that it is entitled to relief from regulation as a Commodity Pool Operator. In terms of regulatory oversight, these funds are subject to regulatory reporting under Form PF, National Futures Association/Commodity Futures Trading Commission pool quarterly and annual reporting (for commodity pools).

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

|  | 6/30/2017      | Fair Value Measurements Using |               |            |
|--|----------------|-------------------------------|---------------|------------|
|  | Total          | Level 1                       | Level 2       | Level 3    |
| <b>Investments by Fair Value Level</b>             |                |                               |               |            |
| Debt Securities                                    |                |                               |               |            |
| U.S. Agencies                                      | \$ 47,888,715  |                               | \$47,888,715  |            |
| Corporate Notes                                    | 23,784,871     |                               | 23,784,871    |            |
| Money Market Mutual Funds                          | 1,703,238      | 1,703,238                     |               |            |
| Bond Mutual Funds                                  | 24,911,540     |                               | 24,911,540    |            |
| Utah Public Treasurers' Investment Fund            | 42,204,771     |                               | 42,204,771    |            |
| Total Debt Securities                              | 140,493,135    | 1,703,238                     | 138,789,897   | -          |
| Equity Securities                                  |                |                               |               |            |
| Common and Preferred Stock                         | 7,686,394      | 7,686,394                     |               |            |
| Exchange Traded/Closed-End Funds                   | 586,875        | 586,87                        |               |            |
| Equity Mutual Funds                                | 89,536,855     |                               | 89,536,855    |            |
| Total Equity Securities                            | 97,810,124     | 8,273,269                     | 89,536,855    | -          |
| Other  |                |                               |               |            |
| Donated Assets (Real Estate)                       | 256,005        |                               |               | 256,005    |
| Total Other  | 256,005        |                               |               | 256,005    |
| Total investments by Fair Value Level              | \$ 238,559,264 | \$ 9,976,507                  | \$228,326,752 | \$ 256,005 |
| <b>Investments Measured at Net Asset Value NAV</b> |                |                               |               |            |
| Global Distressed                                  | \$ 112,884     |                               |               |            |
| Private Equity Partnerships                        | 2,141,879      |                               |               |            |
| Venture Capital Funds                              | 756,861        |                               |               |            |
| Natural Resources Partners                         | 357,964        |                               |               |            |
| Interest in an LLC                                 | 1,016,400      |                               |               |            |
| Total Investments Measured at NAV                  | 4,385,988      |                               |               |            |
| Total Investments Measured at Fair Value           | \$ 242,945,252 |                               |               |            |

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 or limited liability companies. The University values these investments based on the values provided by the partnerships as well as the audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking

into account subsequent capital calls and distributions. In order to mitigate market volatility and provide diversification to traditional investments, the University has opted to invest portions of its portfolio in alternative assets, including private capital. Private capital partnerships utilize investments strategies that focuses on managers who buy and sell privately owned companies. The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the University’s alternative investments measured at NAV:

**Investments Measured at NAV**

|  | Fair Value       | Unfunded Commitments | Redemption | Redemption Notice Period |
|--|------------------|----------------------|------------|--------------------------|
| Global Distressed                        | 112,884          | 76,300               | N/A        | N/A                      |
| Private Equity Partnerships              | 2,141,879        | 4,765,500            | N/A        | N/A                      |
| Venture Capital Funds                    | 756,861          | 1,698,000            | N/A        | N/A                      |
| Natural Resources Partners               | 357,964          | 1,280,000            | N/A        | N/A                      |
| Interest in an LLC                       | 1,016,400        | 0                    | N/A        | N/A                      |
| <b>Total Investments Measured at NAV</b> | <b>4,385,988</b> | <b>7,819,800</b>     |            |                          |

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State’s Money Management Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Title 51-7-11 of the Money Management 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 terms 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. 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 debt investments and maturities:

| Investment Type                                  | Fair Value           | Investment Maturities (in Years) |                     |                     |
|--|----------------------|----------------------------------|---------------------|---------------------|
|  |                      | Less than 1                      | 1-5                 | 6-10                |
| State of Utah Public Treasurers’ Investment Fund | \$42,204,771         | \$42,204,771                     | \$ -                | \$ -                |
| Bond Mutual Funds                                | 24,911,540           |                                  | 10,886,894          | 14,024,646          |
| U.S. Agencies                                    | 47,888,715           | 9,986,780                        | 14,987,805          | 22,914,130          |
| Corporate Notes                                  | 23,784,871           | -                                | 23,784,871          | -                   |
| Money Market Mutual Funds                        | 1,703,238            | 1,703,238                        | -                   | -                   |
| <b>Total</b>                                     | <b>\$140,493,135</b> | <b>\$53,894,789</b>              | <b>\$49,659,570</b> | <b>\$36,938,776</b> |

## 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

State's Money Management Act, the UPMIFA, and Rule 541, as previously discussed.

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

| Investment Type                                  | Fair Value    | Quality Ratings |            |              |
|--|---------------|-----------------|------------|--------------|
|  |               | AA              | A          | Unrated      |
| State of Utah Public Treasurer's Investment Fund | \$42,204,771  |                 |            | \$42,204,771 |
| Bond Mutual Funds                                | 24,911,540    |                 |            | 24,911,540   |
| U.S. Agencies                                    | 47,888,715    | 47,888,715      |            |              |
| Corporate Notes                                  | 23,784,871    | 4,999,800       | 18,785,071 |              |
| Money Market Mutual Funds                        | 1,703,238     |                 |            | 1,703,238    |
| Total  | \$140,493,135 | 52,888,515      | 18,785,071 | 68,819,549   |

## 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. 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, as allowed by Rule 541, to between 0% and 30% based on the size of the University's endowment fund. At June 30, 2017, the University was in compliance with these rules.

## 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 that further limits what is required by the State Money Management Act. As of June 30, 2017, the University had \$47,888,715 in U.S. agencies, \$23,784,871 in corporate notes, and \$509,400 in stock, that are uninsured and held by the counterparty but not in the University's name.



### 3. Capital Assets and Long-Term Liabilities

Changes in capital assets and long-term liabilities for the year ended June 30, 2017 are summarized below:

#### Capital Assets

|                                     | <b>Beginning Balances</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Ending Balance</b> |
|-------------------------------------|---------------------------|---------------------|---------------------|-----------------------|
| Land                                | \$10,829,652              | \$220,000           | \$ -                | \$11,049,652          |
| Land improvements & infrastructure  | 43,254,997                | 4,613,854           | 47,555              | 47,821,296            |
| Buildings                           | 438,877,821               | 18,248,789          | 9,749,989           | 447,376,621           |
| Leasehold improvements              | 1,309,530                 | -                   | -                   | 1,309,530             |
| Equipment                           | 28,644,497                | 3,223,478           | 1,045,396           | 30,822,580            |
| Library collections                 | 23,351,696                | 203,201             | 4,258,885           | 19,296,012            |
| CIP                                 | 5,198,036                 | 20,926,630          | 15,559,790          | 10,564,876            |
| <b>Total</b>                        | <b>551,466,229</b>        | <b>47,435,952</b>   | <b>30,661,615</b>   | <b>568,240,567</b>    |
| Less: Accumulated depreciation for: |                           |                     |                     |                       |
| Land improvements & infrastructure  | 14,257,812                | 2,268,703           | 47,555              | 16,478,960            |
| Buildings                           | 154,282,655               | 11,446,862          | 9,657,060           | 156,072,457           |
| Leasehold improvements              | 65,477.00                 | 130,953             | -                   | 196,430               |
| Equipment                           | 22,928,254                | 2,189,425           | 1,045,396           | 24,072,283            |
| Library collections                 | 16,736,666                | 780,344             | 4,258,885           | 13,258,125            |
| <b>Total</b>                        | <b>208,270,864</b>        | <b>16,816,287</b>   | <b>15,008,896</b>   | <b>210,078,255</b>    |
| <b>Capital assets, net</b>          | <b>\$343,195,365</b>      | <b>\$30,619,665</b> | <b>\$15,652,719</b> | <b>\$358,162,312</b>  |

#### Long Term Liabilities

|                                     | <b>Beginning Balances</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Ending Balance</b> | <b>Current Portion</b> |
|-------------------------------------|---------------------------|---------------------|---------------------|-----------------------|------------------------|
| Bonds Payable:                      |                           |                     |                     |                       |                        |
| Bonds payable                       | \$53,440,000              | \$7,215,000         | \$10,575,000        | \$50,080,000          | \$2,610,000            |
| Unamortized bond premium            | 2,149,264                 | 1,124,954           | 324,662             | 2,949,556             | 219,362                |
| Total contract and bond obligations | 55,589,264                | 8,339,954           | 10,899,662          | 53,029,556            | 2,829,362              |
| Other Liabilities:                  |                           |                     |                     |                       |                        |
| Compensated absences                | 3,832,664                 | 2,032,933           | 1,936,983           | 3,928,614             | 1,852,747              |
| Termination benefits payable        | 2,937,022                 | 1,060,210           | 1,249,443           | 2,747,789             | 1,230,416              |
| Net pension liability               | 18,640,027                | -                   | 24,262              | 18,615,765            | -                      |
| Annuities payable                   | 498,096                   | 30,914              | 49,381              | 479,629               | 49,381                 |
| Total other liabilities             | 25,907,809                | 3,124,057           | 3,260,069           | 25,771,797            | 3,132,544              |
| <b>Total long-term liabilities</b>  | <b>\$81,497,073</b>       | <b>\$11,464,011</b> | <b>\$14,159,731</b> | <b>\$78,801,353</b>   | <b>\$5,961,906</b>     |

## 4. Revenue Bonds Payable

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

|   |  |                      |
|---|--|----------------------|
| Student Facilities System Refunding       |  |                      |
| Revenue Bonds, Series 2015, \$18,135,000  |  | \$ 16,255,000        |
| 2%-5% maturing 2015 through 2030          |  |                      |
| <br>                                      |  |                      |
| Student Facilities System                 |  |                      |
| Revenue Bonds, Series 2012, \$17,380,000  |  | 14,105,000           |
| 3%-4% maturing 2013 through 2032          |  |                      |
| <br>                                      |  |                      |
| Student Facilities System                 |  |                      |
| Revenue Bonds, Series 2010A, \$14,015,000 |  | 12,505,000           |
| 1.75%-5.15% maturing 2014 through 2040    |  |                      |
| <br>                                      |  |                      |
| Student Facilities System Refunding       |  |                      |
| Revenue Bonds, Series 2017, \$7,215,000   |  | \$7,215,000          |
| 2.00%-5.00% maturing 2018 through 2030    |  |                      |
|   |  | <u>50,080,000</u>    |
| Plus unamortized bond premium             |  | <u>2,949,556</u>     |
| Total bonds payable                       |  | <u>\$ 53,029,556</u> |

Principal and interest on these revenue bonds are collateralized by a first lien on certain revenue and other income of the University operations. The Student Facilities System includes the Student Union Building; the University bookstore; the Dee Events Center, including the parking and all concessions; Series 2012 System Facilities; and student housing facilities. The general purpose for which the secured debt was issued is student facilities capital additions and improvements. All revenues from these facilities and student building fees are

pledged to the Series 2010A, Series 2012, Series 2015, and Series 2017 Revenue Bonds and are included in Student Tuition & Fees and Auxiliary Enterprises Revenue. In addition, the Bonds are insured by the Municipal Bond Insurance Association, the Assured Guaranty Municipal Corporation (formerly Financial Security Assurance, Inc.), or by a debt service reserve account, for the timely payment of principal and interest. For the year ended June 30, 2017, the receipts and disbursements of pledged revenues were as follows:

|  |                    |
|--|--------------------|
| Receipts                                     |                    |
| Pledged auxiliary operating revenue          | \$17,563,585       |
| Pledged discretionary investment income      | 1,063,000          |
| Student building fees                        | <u>3,919,286</u>   |
| Total receipts                               | <u>22,545,871</u>  |
| Disbursements                                |                    |
| Pledged auxiliary operating expenses         | <u>17,107,756</u>  |
| Excess of pledged receipts over expenses     | <u>\$5,438,115</u> |
| Debt service principal and interest payments | <u>\$4,512,759</u> |

The scheduled maturities of the revenue bonds are as follows:

|           | <b>Principal</b>     | <b>Interest</b>      | <b>Total Payments</b> |
|-----------|----------------------|----------------------|-----------------------|
| 2018      | 2,610,000            | 2,020,765            | 4,630,765             |
| 2019      | 2,690,000            | 1,936,918            | 4,626,918             |
| 2020      | 2,760,000            | 1,865,068            | 4,625,068             |
| 2021      | 2,860,000            | 1,753,558            | 4,613,558             |
| 2022      | 2,990,000            | 1,623,588            | 4,613,588             |
| 2023-2027 | 16,860,000           | 6,093,814            | 22,953,814            |
| 2028-2032 | 13,915,000           | 2,760,465            | 16,675,465            |
| 2033-2037 | 3,205,000            | 1,052,900            | 4,257,900             |
| 2038-2040 | 2,190,000            | 223,716              | 2,413,716             |
| Totals    | <b>\$ 50,080,000</b> | <b>\$ 19,330,792</b> | <b>\$ 69,410,792</b>  |

### Defeased Revenue Bonds

In fiscal year 2017, the University issued Student Facilities System Revenue Refunding Bonds, Series 2017, in the amount of \$7,215,000 and defeased the 2007 Bonds, by placing proceeds from the 2017 Bonds, together with other legally available moneys, with Wells Fargo Bank, the Escrow Agent. The aggregate amount of \$8,280,797.81 was deposited with Wells Fargo Bank in an irrevocable trust escrow account to refund, in advance of their stated maturity, the 2007 Bonds. Amounts in the

Escrow Account will be used to pay principal of and interest on all of the 2007 Bonds maturing on or after April 1, 2018, at a redemption price of 100% of the principal amount thereof on April 1, 2017. This refunding resulted in a reduction of the University's aggregate debt service payments of approximately \$1,418,423 over 14 years and an increase in cash flows of \$998,511.



## 5. Accounts Receivable and Payable

Accounts receivable consist primarily of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Utah. Grants and contracts receivable include amounts due from the Federal Government, local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grant and contracts. The receivable from State agencies

includes amounts due from State agencies in connection with the reimbursement of allowable expenses made pursuant to the University's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts. The following schedule presents receivables as of June 30, 2017, including approximately \$3,711,768, \$4,557,543, and \$3,046,887 of net, noncurrent accounts, student loans, and pledges receivable:

|                                       |                     |
|---------------------------------------|---------------------|
| Accounts                              | \$11,234,013        |
| Grants and contracts                  | 670,501             |
| Student loans                         | 5,922,924           |
| Pledges                               | 4,151,317           |
| Receivable from state agencies        | 2,314,009           |
| Interest                              | 208,080             |
| Total receivables                     | <u>24,500,844</u>   |
| Less allowances for doubtful accounts | <u>(4,842,324)</u>  |
| Receivables, net                      | <u>\$19,658,520</u> |

The following schedule presents the major components of accounts payable at June 30, 2017:

|                        |                    |
|------------------------|--------------------|
| Payable to State       | \$2,697,819        |
| Vendors                | 2,049,147          |
| Interest               | 505,192            |
| Other                  | 709,876            |
| Total Accounts Payable | <u>\$5,962,034</u> |



## 6. Operating Leases

The University leases several buildings for classes and various programs. Total payments for such leases were \$445,669 for the year ended June 30, 2017. The following is a schedule by year of

future operating lease payments for the previously described operating leases:

| Fiscal Year Ending June 30          | Operating Leases |
|-------------------------------------|------------------|
| 2018                                | 408,532          |
| 2019                                | 408,897          |
| 2020                                | 418,469          |
| 2021                                | 428,360          |
| 2022                                | 438,403          |
| 2023-2026                           | 1,312,997        |
| Total future minimum lease payments | \$3,415,658      |

## 7. Pension Plans and Retirement Benefits

As required by State law, eligible non-exempt employees of the University (as defined by the U.S. Fair Labor Standards Act) are covered by either the State and School Contributory, Noncontributory, or Tier 2 Retirement Systems (Systems), and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA).

### Defined Contribution Plans

TIAA provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. For the year ending June 30, 2017, the University's contribution to this defined contribution plan was 14.2% of the participating employees' annual salaries (12.25% for post-retired employees), or \$10,032,639 which is included in the benefits expense. The compensation for employees covered by TIAA (including

post-retired employees), for the year ended June 30, 2017, was \$70,662,112. The University has no further liability once annual contributions are made.

Employees who participate in the State and School Noncontributory and Tier 2 pension plans also participate in qualified contributory 401(k) and 457 savings plans administered by the Utah Retirement Systems. The University contributes 1.5%, and 1.78% respectively of participating employees' annual salaries to a 401(k) plan administered by the Systems. For employees participating in the Tier 2 Public Employee defined contribution plan, the University is required to contribute 20.02% of the employee's salary, of which 10% is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Plans, as required by law. During the year ended June 30, 2017, the University's contribution totaled \$331,349 which was included in the benefits expense, and the participating employees' voluntary contributions totaled \$534,652. Employees hired after November 16, 2015 can't elect to participate in the URS system unless they had already participated in a URS plan from a previous employer.

## Defined Benefit Plans

Eligible plan participants are provided with pensions through the Systems. The University participates in the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) and Public Employees Contributory Retirement System (Contributory System or Tier 1): multiple employer, cost sharing, public employees retirement systems.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System): a multiple employer, cost sharing, public employees retirement system.

The Tier 2 Public Employees System was established July 1, 2011. All eligible employees beginning on or after July 1, 2011,

who have no previous service credit with the Utah Retirement Systems, are members of the Tier 2 Retirement System.

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 direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds 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' publicly available financial report can be obtained by writing Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

The Systems provide retirement benefits 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<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2.0% per year all years   | Up to 4%   |
| Contributory System            | Highest 5 years      | 30 years any age<br>25 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65  | 1.25% per year to June 1975;<br>2.00% per year July 1975 to present | Up to 4%   |
| Tier 2 Public Employees System | Highest 5 years      | 35 years any age<br>20 years age 60*<br>10 years age 62*<br>4 years age 65                      | 1.5% per year all years   | Up to 2.5% |

\* with actuarial reductions

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

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS 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 as of June 30, 2017 are as follows:

|   | Paid by Employer | Employee Paid | Employer Contribution Rate |
|---|------------------|---------------|----------------------------|
| Contributory System                     |                  |               |                            |
| 12 - State and School Division Tier 1   | 6.00 %           | N/A           | 17.70 %                    |
| 112 - State and School Division Tier 2* | N/A              | N/A           | 18.24 %                    |
| Noncontributory System                  |                  |               |                            |
| 16 - State and School Division Tier 1   | N/A              | N/A           | 22.19 %                    |

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

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

| System                         | Employer Contributions | Employee Contributions |
|--------------------------------|------------------------|------------------------|
| Noncontributory System         | \$3,160,740            | N/A                    |
| Contributory System            | 85,327                 | -                      |
| Tier 2 Public Employees System | 643,870                | -                      |
| <b>Total Contributions</b>     | <b>\$3,889,937</b>     | <b>\$ -</b>            |

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

### Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources relating to Pensions

At June 30, 2017, the University reported a net pension asset of \$0 and a net pension liability of \$18,615,765.

|  | (Measurement Date): December 31, 2016 |                       |                     |                                  |                   |
|--|---------------------------------------|-----------------------|---------------------|----------------------------------|-------------------|
|  | Net Pension Asset                     | Net Pension Liability | Proportionate Share | Proportionate Share Dec 31, 2015 | Change (Decrease) |
| Noncontributory System                     | \$ -                                  | \$17,586,502          | 0.5426397%          | 0.05649436%                      | (0.0223039)%      |
| Contributory System                        | -                                     | 987,128               | 1.8014682%          | 1.4258809%                       | 0.3755873%        |
| Tier 2 Public Employees System             | -                                     | 42,135                | 0.3777285%          | 0.4586583%                       | (0.0809298)%      |
| <b>Total Net Pension Asset / Liability</b> | <b>\$ -</b>                           | <b>\$18,615,765</b>   |                     |                                  |                   |

The net pension asset and liability were measured as of December 31, 2016. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan

year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, the University recognized pension expense of \$4,402,968 for the defined benefit pension plans.

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   | \$ -                           | \$983,692                     |
| Changes in assumption  | 1,891,899                      | 221,963                       |
| Net difference between projected and actual earnings on pension plan investments                     | 3,820,742                      | 1,095,882                     |
| Changes in proportion and differences between contributions and proportionate share of contributions | 245,301                        | 464,689                       |
| Contributions subsequent to the measurement date   | 1,935,350                      | -                             |
| <b>Total</b>   | <b>\$7,893,292</b>             | <b>\$2,766,226</b>            |

\$1,935,350 was 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:

| <b>Year Ended December 31, Net Deferred Outflows (inflows) of Resources</b> |             |
|---|-------------|
| 2017  | \$1,001,794 |
| 2018  | \$1,047,711 |
| 2019  | \$1,317,517 |
| 2020  | (\$188,766) |
| 2021  | \$1,129     |
| Thereafter  | \$12,331    |

**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 Percent

**Salary increases:** 3.35 - 10.35 percent, average, including inflation

**Investment rate of return:** 7.20 percent, net of pension plan investment expense, including inflation

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 actuarial assumption changes were adopted January 1, 2016. The assumed investment return assumption

was decreased from 7.50% to 7.20% and the assumed inflation rate was decreased from 2.75% to 2.60%. With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from the prior year's assumption.

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

| <b>Asset class</b>                 | <b>Target Asset Allocation</b> | <b>Real Return Arithmetic Basis</b> | <b>Long-Term expected portfolio real rate of return</b> |
|------------------------------------|--------------------------------|-------------------------------------|---|
| 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% and a real return of 4.60% that is net of investment expense.

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by

the URS 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 percent from 7.50 percent 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 liability calculated using the discount rate of 7.20 percent, as well

as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

|                         | <b>1% Decrease (6.20%)</b> | <b>Discount Rate (7.20%)</b> | <b>1% Increase (8.20%)</b> |
|-------------------------|----------------------------|------------------------------|----------------------------|
| Noncontributory         | \$32,245,170               | \$17,586,502                 | \$5,301,107                |
| Contributory            | 2,426,835                  | 987,128                      | (235,584)                  |
| Tier 2 Public Employees | 286,801                    | 42,135                       | (143,994)                  |
| <b>Total</b>            | <b>\$34,958,806</b>        | <b>\$18,615,765</b>          | <b>\$4,921,529</b>         |

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

## 8. Construction Commitments

The Utah State Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for state institutions, maintains records, and furnishes cost information for recording land assets on the books of the University. State-funded construction projects administered by DFCM will not be recorded on the books of the University until the facility is available for occupancy. At June 30, 2017, the University had outstanding commitments for the construction and remodeling of University buildings of approximately \$5,780,598.

## 9. Termination Benefits

In addition to the pension benefits described in Note 7, the University may provide an early retirement program to qualified employees that are approved by the administration in accordance with University policy as approved by the State Board of Regents. Full-time salaried employees who will have 15 years of full-time service and are within ten years of the Full Retirement Age (FRA) on the date of the proposed retirement are eligible to apply for the early retirement program. Full Retirement Age (FRA), or normal retirement age, is the age a person can receive full (100%) social security benefits as specified by the Social Security Administration. Full-time service will include approved leaves of absence with pay such as sabbaticals. Hourly service is not credited. The benefits include a semi-monthly stipend of between 14.28% to 30% of the retiree's salary at the end of active employment along with health and dental insurance. The benefits are paid by the University at a rate of 71.4% to 100% for medical and 57.1% to 80.0% for dental benefits. Benefits are payable for 7 years or until the retiree

reaches age 65 for health and dental insurance and until the employee reaches Full Retirement Age (FRA) for the stipend.

There are currently 59 retirees who are receiving benefits under the University's early retirement program. The University has recorded a liability for the cost of these benefits at their net present value in the year the individuals retire using a discount rate of 2%. To offset increasing healthcare and dental costs, the University has also adjusted the liability by 3% to account for these estimated future increases. The expense for the early retirement program for the year ended June 30, 2017, was \$1,249,443.

## 10. WSU Foundation – Blended Presentation Component Unit

The Weber State University Foundation (the Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement resources that are available to the University in support of its programs. The majority of the resources or income the Foundation holds and invests is restricted to the activities of the University by the donors. Additionally, the University Board of Trustees approves the individuals who are appointed to serve on the Foundation's governing board. These restricted resources held by the Foundation can only be used by, or for the benefit of the University. For these reasons the Foundation is considered a component unit of the University and is presented in the University financial statements as a blended component unit. Separately issued financial statements for the Foundation can be obtained from the University at 3850 Dixon Parkway Department 1014, Ogden Utah 84408-1014.

The following is a condensed version of their financial statements for the fiscal year ended June 30, 2017.

## Statement of Net Position

|                                    |                     |
|------------------------------------|---------------------|
| Assets                             |                     |
| Current Assets                     |                     |
| Other Current Assets               | \$421,489           |
| Non Current Assets                 |                     |
| Restricted Cash & Cash Equivalents | 226,185             |
| Investments                        | 12,054,942          |
|                                    | <u>12,702,616</u>   |
| Total Assets                       |                     |
| Liabilities                        |                     |
| Current Liabilities                |                     |
| Current Liabilities                | 49,381              |
| Noncurrent Liabilities             |                     |
| Annuities Payable                  | 430,248             |
|                                    | <u>479,629</u>      |
| Total Liabilities                  |                     |
| Net Position                       |                     |
| Restricted                         |                     |
| Restricted                         | 12,222,987          |
|                                    | <u>\$12,222,987</u> |
| Total Net Position                 |                     |

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

|  |                     |
|--|---------------------|
| Operating Revenues                     |                     |
| Gifts                                  | \$52,500            |
|  | <u>52,500</u>       |
| Total Operating Revenues               |                     |
| Operating Expenses                     |                     |
| Other Expenses                         | 25,893              |
| Transfers to University                | 504,830             |
|  | <u>530,723</u>      |
| Total Operating Expenses and Transfers |                     |
| Operating Income (Loss)                |                     |
|  | <u>(478,223)</u>    |
| Nonoperating Revenues                  |                     |
| Investment Income (Loss)               | 1,176,243           |
|  | <u>698,020</u>      |
| Change in Net Position                 |                     |
| Net Position at beginning of year      |                     |
|  | <u>11,524,967</u>   |
| Net Position at end of year            |                     |
|  | <u>\$12,222,987</u> |

## Statement of Cash Flows

|   |                  |
|---|------------------|
| Cash Flows from Operating Activities                |                  |
| Cash Received through contributions                 | \$52,500         |
| Cash Payments for operations                        | (78,259)         |
| Transfers to University                             | (504,830)        |
|   | <u>(530,589)</u> |
| Net Cash Provided by (used in) Operating Activities |                  |
| Cash Flows from Investing Activities                |                  |
| Investment Income                                   | 708,467          |
| Investment Purchases/Proceeds                       | (230,050)        |
|   | <u>478,417</u>   |
| Net Cash Provided by (used in) Investing Activities |                  |
| Decrease in Cash and Cash Equivalents               |                  |
|   | <u>(52,172)</u>  |
| Cash and Cash Equivalents at beginning of year      |                  |
|   | <u>278,357</u>   |
| Cash and Cash Equivalents at end of year            |                  |
|   | <u>\$226,185</u> |

## 11. Risk Management

The University maintains insurance coverage for commercial general liability, automobile, errors and omissions, and property (buildings and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the University and authorized volunteers are covered by workers' compensation and employees' liability through the Workers' Compensation Fund of Utah.

## 12. Subsequent Events

In August 2017, the Utah Retirement Systems board approved to change the discount rate of 7.2%, previously used to calculate the net pension liability, to 6.95%. This reduction will increase both the collective net pension liability to be calculated as of December 31, 2017 and the University's share of this liability. However, the monetary effect of this change is not known.

## Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability Noncontributory, Contributory, & Tier 2 Public Employees Systems of the Utah Retirement Systems

|   | December 31, 2016      |                     |                                |
|---|------------------------|---------------------|--------------------------------|
|   | Noncontributory System | Contributory System | Tier 2 Public Employees System |
| Proportion of Net Pension Liability (Asset)   | 0.5426397%             | 1.8014682%          | 0.3777285%                     |
| Proportionate Share of Net Pension Liability (Asset)                                    | \$17,586,502           | \$987,128           | \$42,135                       |
| Covered Payroll   | \$14,565,724           | \$482,911           | \$3,097,679                    |
| Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll | 120.74%                | 204.41%             | 1.36%                          |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability                  | 84.9%                  | 93.4%               | 95.1%                          |
|   | December 31, 2015      |                     |                                |
|   | Noncontributory System | Contributory System | Tier 2 Public Employees System |
| Proportion of Net Pension Liability (Asset)   | 0.5649436%             | 1.4258809%          | 0.4586583%                     |
| Proportionate Share of Net Pension Liability (Asset)                                    | \$17,746,496           | \$893,531           | \$(1,001)                      |
| Covered Payroll   | \$14,964,592           | \$451,684           | \$2,963,149                    |
| Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll | 118.59%                | 197.82%             | -0.03%                         |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability                  | 84.5%                  | 92.4%               | 100.2%                         |
|   | December 31, 2014      |                     |                                |
|   | Noncontributory System | Contributory System | Tier 2 Public Employees System |
| Proportion of Net Pension Liability (Asset)   | 0.54930260%            | 1.19379800%         | 0.4999827%                     |
| Proportionate Share of Net Pension Liability (Asset)                                    | \$13,801,385           | \$130,898           | \$(15,152)                     |
| Covered Payroll   | \$14,708,544           | \$429,730           | \$2,452,491                    |
| Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll | 93.80%                 | 30.50%              | (0.60%)                        |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability                  | 87.20%                 | 98.70%              | 103.50%                        |

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

Schedule of Defined Benefit Pension Contributions Noncontributory, Contributory, & Tier 2 Public Employees Systems of the Utah Retirement Systems Last 10 Fiscal Years

**Noncontributory System**

|  | 2017         | 2016         | 2015         | 2014         | 2013         | 2012         | 2011         | 2010         | 2009         | 2008         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution                                  | \$3,148,336  | \$3,204,447  | \$3,239,631  | \$2,914,501  | \$2,692,824  | \$2,406,594  | \$2,313,852  | \$2,040,927  | \$2,225,286  | \$2,148,480  |
| Contributions in Relation to the Contractually Required Contribution | (3,148,336)  | (3,204,447)  | (3,239,631)  | (2,914,501)  | (2,692,824)  | (2,406,594)  | (2,313,852)  | (2,040,927)  | (2,225,286)  | (2,148,480)  |
| Contribution Deficiency (Excess)                                     | \$-          | \$-          | \$-          | \$-          | \$-          | \$-          | \$-          | \$-          | \$-          | \$-          |
| Covered Payroll  | \$14,188,087 | \$14,440,949 | \$14,599,504 | \$14,244,873 | \$14,354,071 | \$14,273,985 | \$14,178,027 | \$14,352,514 | \$15,648,983 | \$15,108,865 |
| Contributions as a Percentage of Covered Payroll                     | 22.19%       | 22.19%       | 22.19%       | 20.46%       | 18.76%       | 16.86%       | 16.32%       | 14.22%       | 14.22%       | 14.22%       |

**Contributory System**

|  | 2017      | 2016      | 2015      | 2014      | 2013      | 2012      | 2011      | 2010      | 2009      | 2008      |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Contractually Required Contribution                                  | \$114,251 | \$111,545 | \$104,601 | \$93,105  | \$84,937  | \$86,171  | \$92,796  | \$82,107  | \$86,762  | \$82,331  |
| Contributions in Relation to the Contractually Required Contribution | (114,251) | (111,545) | (104,601) | (93,105)  | (84,937)  | (86,171)  | (92,796)  | (82,107)  | (86,762)  | (82,331)  |
| Contribution Deficiency (Excess)                                     | \$-       | \$-       | \$-       | \$-       | \$-       | \$-       | \$-       | \$-       | \$-       | \$-       |
| Covered Payroll  | \$482,070 | \$470,656 | \$441,353 | \$423,784 | \$419,028 | \$469,082 | \$520,448 | \$521,979 | \$551,572 | \$523,404 |
| Contributions as a Percentage of Covered Payroll                     | 23.70%    | 23.70%    | 23.70%    | 21.97%    | 20.27%    | 18.37%    | 17.83%    | 15.73%    | 15.73%    | 15.73%    |

**Tier 2 Public Employees System**

|  | 2017        | 2016        | 2015        | 2014        | 2013        | 2012      | 2011** | 2010** | 2009** | 2008** |
|--|-------------|-------------|-------------|-------------|-------------|-----------|--------|--------|--------|--------|
| Contractually Required Contribution                                  | \$643,870   | \$628,814   | \$526,517   | \$367,060   | \$187,733   | \$54,317  | N/A    | N/A    | N/A    | N/A    |
| Contributions in Relation to the Contractually Required Contribution | (643,870)   | (628,814)   | (526,517)   | (367,060)   | (187,733)   | (54,317)  |        |        |        |        |
| Contribution Deficiency (Excess)                                     | \$-         | \$-         | \$-         | \$-         | \$-         | \$-       | \$-    | \$-    | \$-    | \$-    |
| Covered Payroll  | \$3,529,983 | \$3,447,449 | \$2,881,559 | \$2,191,402 | \$1,246,565 | \$426,352 |        |        |        |        |
| Contributions as a Percentage of Covered Payroll                     | 18.24%      | 18.24%      | 18.27%      | 16.75%      | 15.06%      | 12.74%    |        |        |        |        |

\*\*Contributions in Tier 2 include an amortization rate to help fund the unfunded liability in the Tier 1 Noncontributory and Contributory systems. The Tier 2 Public Employees System was created in fiscal year 2011.

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\*As of June 30, 2017



**WEBER STATE**  
UNIVERSITY

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2017 ANNUAL  
FINANCIAL REPORT

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