

**UtahStateUniversity | 2014**  
**ANNUAL FINANCIAL REPORT**

A COMPONENT UNIT  
*of the*  
STATE OF UTAH



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*The Lake Isabella Dam model at the USU Water Research Laboratory with the new labyrinth weir spillway design allows researchers to test and improve the dam's design before construction begins.*

## FROM THE PRESIDENT ...

With the 2014-15 academic year well under way, I would like to share with you some of the ways in which Utah State University has made significant strides despite recent financial challenges. During a time when the national and global economic news and investment climate have been difficult, Utah State University has kept to its promise of providing quality research, teaching, and service to the great state of Utah.

While there is increasing evidence that the recession that has impacted our economy for the last few years is coming to an end, we have been faced with dealing with two additional challenges that impact our budget. First, we have been working to offset revenue losses associated with the change in LDS missionary policy. Our enrollment numbers for fall semester clearly indicate our success in doing that, with robust increases across the USU system. Second, the federal sequestration and budget cuts to federal agencies have had significant negative impacts on research funding. However, we have had success in addressing those challenges. In fact, end-of-the-year numbers indicate a record year in contract and grant funding, a great compliment to our faculty and our colleagues at the Research Foundation. While both of these issues created new budget-related challenges for our university, we are confident that we have been able to navigate these challenges, just as we have dealt with the budget cuts of the past few years caused by the recession.

Utah State University has the energy and vision necessary to be one of the leading institutions for higher education in the nation. In times like these, the University relies on all the members of our community and by working together we will emerge as an even stronger university in the days ahead.

As the economic situation evolves, we will continue to keep you informed about how the University plans to respond. I am very grateful to you for the work you do on behalf of Utah State University and for the people of Utah. Thank you.

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

The State of Utah Auditor's Office has audited the financial statements for the year ending June 30, 2014. Their definitive opinion is included with this report. The annual financial report is intended to establish the University's financial position as of June 30, 2014. It is also intended to reflect the flow of financial resources to the University during the fiscal year 2013-2014, while disclosing how these resources are applied in accomplishing our mission. We are pleased to share this report with you.



*Stan L. Albrecht*  
President  
Utah State University





OFFICE OF THE  
**UTAH STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Trustees, Audit Committee  
and  
Stan L. Albrecht, President  
Utah State University

**Report on the Financial Statements**

We have audited the accompanying financial statements of Utah State University (University), a component unit of the State of Utah, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Utah State University Research Foundation, a blended component unit foundation, which represents approximately 3% of the combined assets and deferred outflows of resources and 10% of the revenues of the University. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Utah State University Research Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## ***Opinion***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2014, 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.

## ***Emphasis of Matter***

As discussed in Note N to the financial statements, the University increased the minimum capitalization levels for various capital asset categories, adopted Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and corrected an error. These actions resulted in adjustments to the beginning net position of the University. Our opinion is not modified with respect to these matters.

## ***Other Matters***

### *Required Supplementary Information*

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

### *Other Information*

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

## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014 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 Utah State Auditor*

Office of the Utah State Auditor  
October 30, 2014



*USU is just 15 minutes from two mountain ranges and within a half day's drive of six national parks, including Yellowstone. It provides big-school opportunities with a small-school feel, and all for a great value.*

*In fact, USU is the #2 public university in the West (and top four in the nation) for lowest tuition on Forbes' list of America's Best College Buys (2014).*



# MANAGEMENT'S DISCUSSION AND ANALYSIS

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

## INTRODUCTION

The following unaudited Management's Discussion and Analysis (MD&A) includes an analysis of the financial condition and results of activities of Utah State University (University) for the fiscal year (FY) ended June 30, 2014. The analysis includes the University's condensed and comparative Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows along with related graphs and comparative data. Also included is management's perspective of the University's economic outlook.

The University is a component unit of the State of Utah. The financial statements include the accounts of Utah State University Agricultural Experiment Station,

Utah State University Water Research Laboratory, Utah State University Cooperative Extension Service, Utah State University Uintah Basin Regional Campus, Utah State University Southeast Region, Utah State University Tooele Regional Campus, Utah State University Brigham City Regional Campus, and Utah State University Eastern (USU Eastern), which are entities separately funded by state appropriations.

The Utah State University Research Foundation (USURF), the Utah State University Foundation (Foundation), the Utah State University Advanced Weather Systems Foundation (AWSF), and the College of Eastern Utah Foundation, component units of the University, have also been consolidated in these financial statements. The Utah State University Research Foundation is governed by a Board of Trustees appointed by the President of Utah State University, under the direction of the University's Board of Trustees. USURF is a dependent foundation of Utah State University. It is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a Board of Trustees appointed by the President of the University. The Utah State University Foundation is a dependent foundation of Utah State University and serves as the main fund-raising arm of the University. AWSF is governed by a Board of Directors appointed by the University. It is a supporting organization of the University that performs scientific research and offers educational opportunities for students. The College of Eastern Utah Foundation is included because it serves as a fund-raising organization whose sole purpose is for the benefit of USU Eastern.

The Utah State University Research Foundation annually publishes audited financial statements. A copy of the audited financial statements can be obtained from the Utah State University Research Foundation, 1695 North Research Parkway, North Logan, Utah 84341. The College of Eastern Utah Foundation unaudited financial statements, compiled by an independent accounting firm, are available from the USU Eastern Development Office, 451 East 400 North, Price, Utah 84501.

## OVERVIEW OF FINANCIAL STATEMENTS AND FINANCIAL ANALYSIS

The Management's Discussion and Analysis is designed to provide an easily readable analysis of the University's financial activities based on facts, decisions, and conditions known at the date of the auditor's report. The University's financial statements for fiscal year 2014 are presented beginning on page 25. The financial statements, note disclosures, and this discussion are the responsibility of management. This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities*. These financial statements focus on the operation, cash flows, and the main condition of the University as a whole. There are three financial statements presented: the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

## STATEMENT OF NET POSITION

The Statement of Net Position outlines the University's financial condition at fiscal year end. This statement reflects the various assets, deferred outflows of resources, liabilities, and net position of the University as of the fiscal year ended June 30, 2014.

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

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, reflects the University's equity in property, plant, and equipment owned by the University. The second category, Restricted, is further divided into two subcategories: Non-Expendable and Expendable. The corpus of restricted – non-expendable resources as it pertains to endowments is only available for investment purposes. Donors have primarily restricted income derived from these investments to fund scholarships and fellowships. The corpus of restricted – non-expendable resources as it pertains

to loan funds is only available for the purpose of issuing loans to students under the terms of the various donor and federal government agreements. Restricted – expendable resources are available for expenditure by the University but must be expended for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The last category, Unrestricted, discloses the resources available to the University to be used for any lawful purpose of the University.

## CONDENSED STATEMENT OF NET POSITION

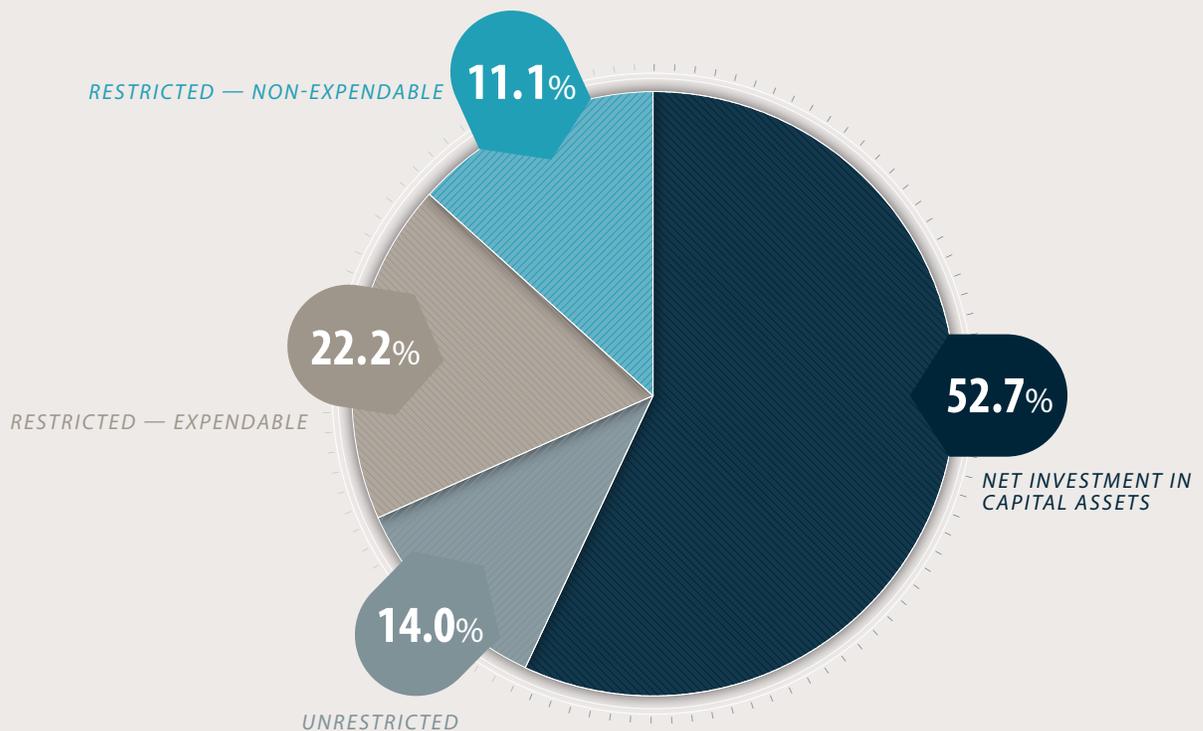
	JUNE 30, 2014	JUNE 30, 2013	CHANGE	% CHANGE
<b>ASSETS</b>				
Current assets	\$144,025,448	\$182,262,473	(\$38,237,025)	-20.98%
Non-current assets				
Net capital assets	681,471,707	671,861,329	9,610,378	1.43%
Other non-current assets	486,729,280	348,138,372	138,590,908	39.81%
Total assets	1,312,226,435	1,202,262,174	109,964,261	9.15%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized losses on bonds	2,286,574	2,543,035	(256,461)	-10.08%
Total deferred outflows of resources	2,286,574	2,543,035	(256,461)	-10.08%
<b>LIABILITIES</b>				
Current liabilities	95,796,599	92,531,119	3,265,480	3.53%
Non-current liabilities	155,664,199	118,158,947	37,505,252	31.74%
Total liabilities	251,460,798	210,690,066	40,770,732	19.35%
<b>NET POSITION</b>				
Net investment in capital assets	560,710,976	563,301,410	(2,590,434)	-0.46%
Restricted – non-expendable				
Primarily scholarships and fellowships	105,102,003	98,754,683	6,347,320	6.43%
Loans	13,119,699	14,518,504	(1,398,805)	-9.63%
Restricted – expendable	235,684,084	183,116,948	52,567,136	28.71%
Unrestricted	148,435,449	134,423,598	14,011,851	10.42%
Total net position	\$1,063,052,211	\$994,115,143	\$68,937,068	6.93%

Certain June 30, 2013 balances have been adjusted for comparative purposes as described in Note N – Prior Period Adjustments of Net Position. In fiscal year 2014, the University’s total net position increased \$68.9 million (6.93%) to \$1.06 billion. The increase reflects those revenues that were received during 2014 but were not used for operations or payment of interest on capital-asset related debt. State appropriations for capital assets of \$7.3 million; contracts, grants, and private gifts for capital purposes of \$18.6 million; investment income of \$30 million, and additions to permanent endowments of \$4.3 million make up \$60.2 million of the increase.

The remaining portion of the increase is attributable to private gifts, the purchase of capital assets with revenue from other sources, and the other revenues that were not expended during the current year. Total assets increased \$110 million (9.15%) while total liabilities increased \$40.8 million (19.35%). Current assets decreased \$38.2 million mostly due to \$55.4 million less in short-term investments. Non-current assets increased \$148.2 million mostly due to \$101.6 million more in investments, and \$27.6 million more in restricted investments. The increase of total liabilities is due mostly to the issuance of \$43.3 million of revenue bonds.

*The composition of the University’s net position is displayed in the following graph:*

**COMPOSITION OF THE UNIVERSITY’S NET POSITION**  
**BALANCE AT JUNE 30, 2014**  
**\$1,063,052,211**



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

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

Operating revenues are received for providing goods and services to the various customers and

constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided; for example, state appropriations are non-operating revenues because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services in return for those revenues. Without the non-operating revenues, in particular the state appropriations, private gifts, and financial aid grants, the University would not be able to cover its costs of operations. These sources are critical to the University's financial stability and directly impact the quality of its programs. In fiscal year 2014, funding from these sources was adequate to cover all of the University's costs of operations.



*Utah State professors are filled with passion for what they do. Joyce Kinhead is a dedicated professor and the 2013 Carnegie Professor of the Year for the state of Utah and the 13th honoree from USU.*

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

	FISCAL YEAR 2014	FISCAL YEAR 2013	CHANGE	% CHANGE
<b>OPERATING REVENUES</b>				
Tuition and fees (net of scholarship allowances of: FY 2014 – \$64,753,038; FY 2013 – \$60,561,799)	\$109,763,378	\$105,692,050	\$4,071,328	3.85%
Contracts, grants, and federal appropriations	169,952,835	165,737,614	4,215,221	2.54%
Auxiliary enterprises	44,683,682	43,375,214	1,308,468	3.02%
Other operating revenues	37,733,080	35,808,226	1,924,854	5.38%
Total operating revenues	362,132,975	350,613,104	11,519,871	3.29%
<b>OPERATING EXPENSES</b>				
Salaries and wages	269,666,808	262,130,549	7,536,259	2.88%
Employee benefits	100,054,411	94,396,401	5,658,010	5.99%
Other operating expenses	151,205,039	147,099,966	4,105,073	2.79%
Scholarships and fellowships	30,027,362	29,533,011	494,351	1.67%
Depreciation	41,527,931	42,001,726	(473,795)	-1.13%
Total operating expenses	592,481,551	575,161,653	17,319,898	3.01%
Operating loss	(230,348,576)	(224,548,549)	(5,800,027)	-2.58%
<b>NON-OPERATING REVENUES</b>				
State appropriations	172,237,348	163,135,395	9,101,953	5.58%
Private gifts	19,941,174	12,096,416	7,844,758	64.85%
Financial aid grants	39,474,953	40,313,904	(838,951)	-2.08%
Other	40,779,805	31,033,396	9,746,409	31.41%
Net non-operating revenues	272,433,280	246,579,111	25,854,169	10.49%
Income before other revenues/(expenses)	42,084,704	22,030,562	20,054,142	91.03%
<b>OTHER REVENUES/(EXPENSES)</b>				
State appropriations for capital purposes	7,272,764	6,255,707	1,017,057	16.26%
Private grants and gifts for capital purposes	18,571,938	15,242,985	3,328,953	21.84%
Additions to permanent endowments	4,252,115	6,043,986	(1,791,871)	-29.65%
Other – net	(3,244,453)	(5,023,853)	1,779,400	35.42%
Net other revenues	26,852,364	22,518,825	4,333,539	19.24%
Increase in net position	68,937,068	44,549,387	24,387,681	54.74%
<b>NET POSITION – BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	1,013,388,321	968,838,934	44,549,387	4.60%
Prior period adjustments (Note N)	(19,273,178)	(19,273,178)	0	0.00%
<b>NET POSITION – BEGINNING OF YEAR AS ADJUSTED</b>	994,115,143	949,565,756	44,549,387	4.69%
<b>NET POSITION – END OF YEAR</b>	\$1,063,052,211	\$994,115,143	\$68,937,068	6.93%

The Statement of Revenues, Expenses, and Changes in Net Position shows the activity that resulted in a \$68.9 million increase in net position for the fiscal year ended June 30, 2014.

The University experienced a net operating loss in fiscal year 2014 of \$230.3 million. This operating loss highlights the University's dependency on non-operating revenues such as state appropriations and private gifts to meet its costs of operations and provide funds for the acquisition of capital assets.

Total 2014 operating revenues increased by \$11.5 million (3.29%) over 2013. Contracts and grants provided \$4.2 million of the increase. Tuition and fee revenues increased \$4.1 million (3.85%) which reflects increases in tuition rates to meet budget needs.

State appropriations increased \$9.1 million (5.58%) over 2013. Other grants from the State decreased by \$4.5 million, most of which was a decrease for research through the Utah Science Technology and Research (USTAR) initiative.

The University has continued to receive generous gifts. Private gifts, including additions to permanent endowments, increased by \$6.1 million in 2014, from \$18.1 million in 2013 to \$24.2 million in 2014.

Financial aid grants revenue decreased slightly this year by \$0.8 million (2.08%).

Investment income increased \$14 million over 2013. This is largely due to a stronger investment market and an increase in gifts which increased the amounts available to invest.

State appropriations for capital purposes were \$7.2 million, and private grants and gifts for capital purposes were \$18.6 million. These funds are helping to fund various capital projects which are discussed in the Capital Asset and Debt Administration section on page 16.

Total operating expenses increased \$17.3 million (3.01%) in 2014. Salaries and benefits went up \$13.2 million (3.7%) mainly due to modest salary increases. Other operating expenses increased \$4.1 million (2.79%).



*On-campus clinics provided by the Emma Eccles Jones College of Education and Human Services serve more than 3,000 people annually.*

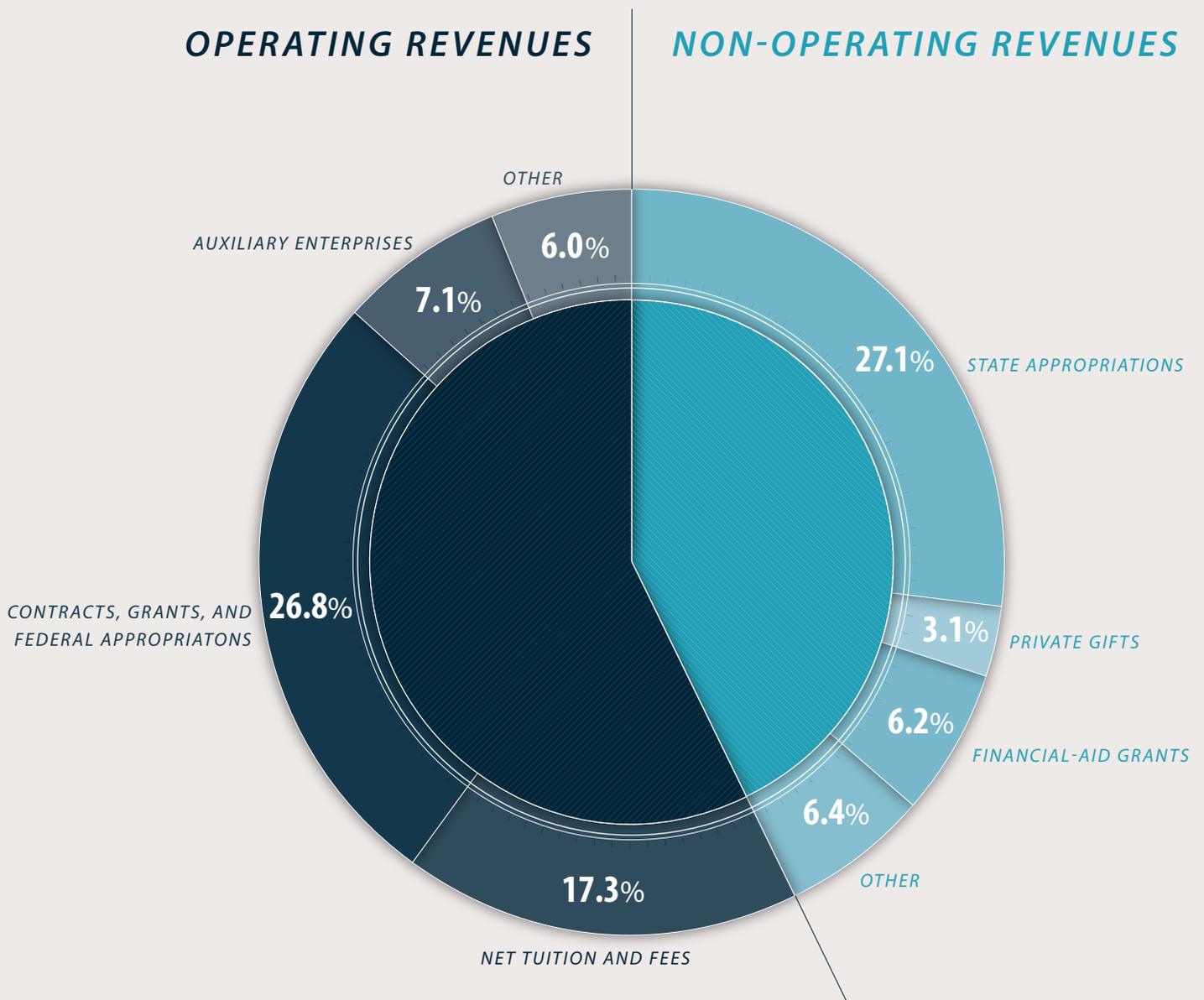
The following graph reflects the University's sources of revenue available to meet current operating costs:

## REVENUES USED FOR OPERATING EXPENSES FOR FISCAL YEAR 2014

**OPERATING REVENUES — \$362,132,975**

**NON-OPERATING REVENUES — \$272,433,280**

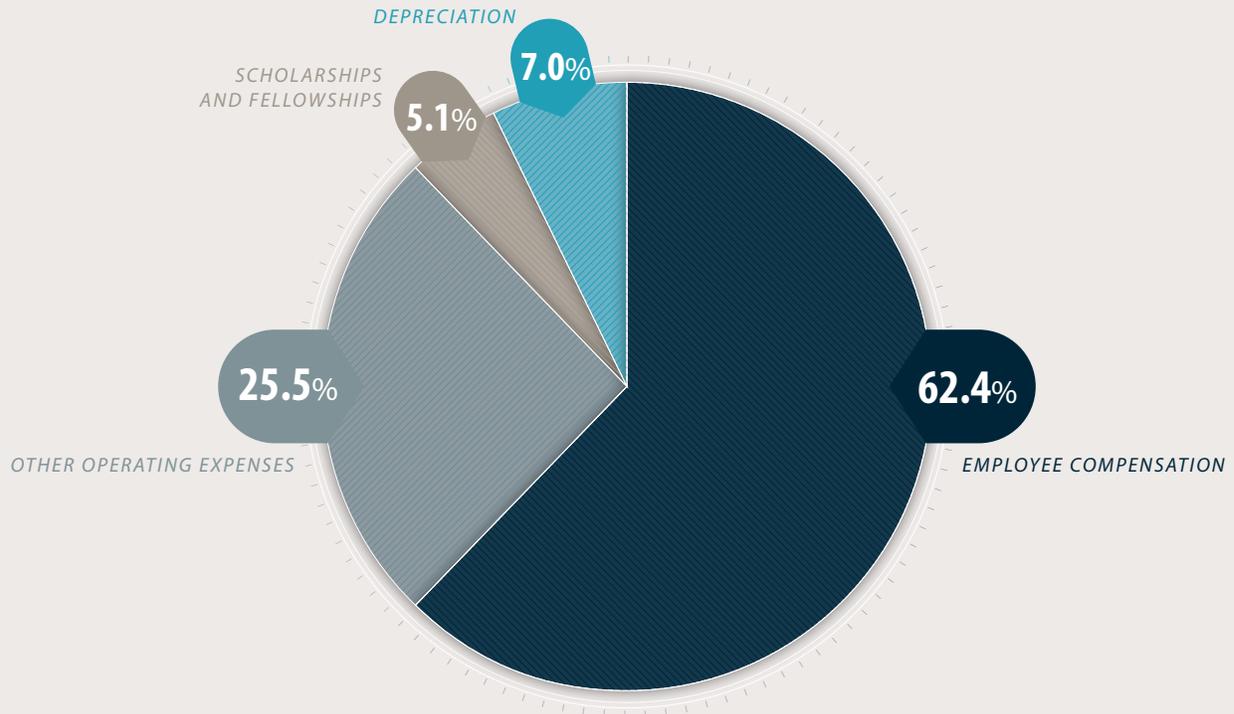
**TOTAL — \$634,566,255**



The graph below outlines the University's operating expenses by classification:

## OPERATING EXPENSES

FISCAL YEAR 2014 — \$592,481,551



## STATEMENT OF CASH FLOWS

The final statement presented by Utah State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by operating activities. The second section includes cash flows from non-capital financing activities. This section includes the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third

section includes cash flows from capital and related financing activities. This section includes the cash used for the acquisition and construction of capital and related items. The fourth section includes the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. A condensed version of these first four sections is provided on the following page. The fifth section of the Statement of Cash Flows is not included in the Condensed Statement of Cash Flows, which reconciles the net cash used for operations to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. This reconciliation is available for review in the Statement of Cash Flows on page 29.

## CONDENSED STATEMENT OF CASH FLOWS

	FISCAL YEAR 2014	FISCAL YEAR 2013	CHANGE	% CHANGE
<b>CASH PROVIDED/(USED) BY:</b>				
(1) Operating activities	(\$187,359,975)	(\$185,963,447)	(\$1,396,528)	-0.75%
(2) Non-capital financing activities	237,880,499	232,783,702	5,096,797	2.19%
(3) Capital and related financing activities	2,693,555	(33,977,857)	36,671,412	107.93%
(4) Investing activities	(33,828,898)	(8,092,761)	(25,736,137)	-318.01%
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>19,385,181</b>	<b>4,749,637</b>	<b>14,635,544</b>	<b>308.14%</b>
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<b>39,517,105</b>	<b>34,767,468</b>	<b>4,749,637</b>	<b>13.66%</b>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b>\$58,902,286</b>	<b>\$39,517,105</b>	<b>\$19,385,181</b>	<b>49.06%</b>

The University's cash and cash equivalents increased by \$19,385,181 for a total of \$58,902,286. This increase resulted from the decision to have more cash on hand, rather than invested, to pay for current obligations.

### CAPITAL ASSET AND DEBT ADMINISTRATION

Construction of the Athletics Strength and Conditioning Center was completed in August 2013. The facility is located at the northwest corner of Romney Stadium. The \$6.5 million, 28,000 square-foot building was built for the student athletes and features areas for weight training, cardiovascular workouts, and speed and agility training, as well as staff offices. The state-of-the-art multi-level facility alleviates overcrowding in the existing 5,800 square-foot strength and conditioning center and is designed to accommodate almost 400 athletes from 16 sports programs. The building is the largest such facility in the Mountain West Conference. The facility was made possible by private donations.

Construction of the USU Eastern, San Juan Residence Hall was completed in August 2013. The \$3.3 million, 18,000 square-foot facility is located on USU Eastern's 150 acre Blanding Campus. The addition of 75 beds to the campus residential community fills the need for more, quality student housing. The facility provides open space and common areas, and allows more opportunities for students.

Construction of the Wayne Estes Center was completed in May 2014. The building is a \$9.6 million state-of-the-art basketball practice facility and volleyball competition venue located west of the Dee Glen Smith Spectrum. The project was funded by private gifts, with a lead gift of \$5.25 million. This is the largest single gift in USU Athletics history. This project required demolition of the University's existing Harris Athletic Center. The Wayne Estes Center is a 33,000 square-foot building which contains a regulation size competition court with chair back seating for 1,400 fans, along with a training room and in-season strength and conditioning area. Office space for both men's and women's basketball and volleyball coaches is also included, as well as a locker room and film room for volleyball. Located inside the foyer of the Wayne Estes Center is a visual tribute to the building's namesake. Wayne Estes was an All-American basketball player for USU from 1963 to 1965 who's career was cut short in a tragic, fatal accident.

Construction of the new Aggie Recreation Center is in process. The \$30 million facility will be located adjacent to the Health Physical Education and Recreation (HPER) Building. The project includes the construction of a 100,000 square-foot facility which will include: a fitness center with new locker rooms, indoor running/jogging/walking track, climbing center, cardio/weight rooms, three full-size basketball/volleyball courts, study lounges, multi-media meeting rooms, multi-activity court that can also serve as a venue for lectures, convocations, entertainment, or theatrical events, and health-



themed cafe/lounge space. The University's Outdoor Recreation Program and the Campus Recreation offices will be relocated within the Aggie Recreation Center. Completion is scheduled for late Summer 2015. Construction of this facility is being funded from the proceeds of revenue bonds issued in August 2013. Debt service for the bonds will be funded from a \$75 per semester student fee beginning in the Fall Semester of 2015. This student building fee was approved by a student body vote in the Spring Semester of 2012.

Construction of the Central Instruction Building continues. The \$20 million, 57,000 square-foot facility is located on the USU Eastern Price campus. The project is designed to integrate with the existing Geary Theatre and features performer and performance support facilities for theatre, music, visual arts, and other academic programs. The building was funded by state appropriations and is scheduled for completion in Fall 2015.

*USU Athletics unveiled the newly completed Wayne Estes Center in May 2014. Named after former USU All-American basketball player Wayne Estes, who was fatally electrocuted in 1965, the 33,000 square-foot basketball practice facility and volleyball competition venue was made possible by key donors Jim Laub and Blake Kirby. The facility contains two regulation-size basketball courts and a regulation-size volleyball competition court with chair back seating for 1,400 fans, along with a training room and in-season strength and conditioning area.*

Utah State University held the groundbreaking ceremony on October 9, 2014 for the new Brigham City Academic Building. The \$15 million, 50,000 square-foot facility will anchor the 45 acre campus that once housed the former Intermountain Indian School. The legislature appropriated \$7.5 million for the building with Brigham City bonding for the remaining \$7.5 million. The new facility will contain broadcast-enabled classrooms, a lecture hall, multi-purpose room, and offices for faculty, advisors, and staff. The building will serve the educational needs of Brigham City and the surrounding region as they continue to grow. The facility is scheduled for completion in Fall 2015.

Construction of the Huntsman Hall continues. The project is a \$46 million, 120,000 square-foot building that will be a state-of-the-art facility that wraps around the south and west sides of the George S. Eccles Business Building. It will feature new case-study classrooms and new student meeting rooms as well as administrative and other academic program spaces. It will help meet the need for technology-infused collaborative spaces where group learning in physical and virtual teams can take place. The building was funded by private donations and state appropriations. Huntsman Hall is scheduled for completion in Spring 2016.

On August 27, 2013, the University issued Student Building Fee Revenue Bonds, Series 2013B for \$43,310,000 with the proceeds to be used for the Aggie Recreation Center and a portion of the Wayne Estes Center.

## ECONOMIC OUTLOOK

Utah's economy continues to expand at a moderate pace. Economic factors such as unemployment rates, job creation, and increased personal income continue to be the most positive signs of increased economic activity in Utah. Construction services are also improving leading to additional new jobs.

Expanding state revenues allowed for new, ongoing, and one-time appropriations for the University from the previous legislative session and expectations of sustained economic growth in the foreseeable future improve the opportunity for increased legislative funding support for the University.

Enrollments across all USU campuses are rebounding following decreases due primarily to a change in guidelines for members of the predominant religion in Utah that allow temporary missionary service to begin at an earlier age. Highly successful recruitment efforts and the return of the first wave of students returning from missionary service are mitigating the temporary enrollment decrease. Although the new church missionary policies are still affecting USU for the current academic year, recruiting momentum remains strong and significant growth is expected in the following year when the returning missionaries will be resuming their higher education pursuits.

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

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



David T. Cowley  
Vice President for Business and Finance  
Utah State University



*The Agricultural Sciences Building opened in February 2012 on the east end of Utah State University's historic Quad. The prestigious location highlights the continuing commitment of USU to agriculture research, the agricultural industry, and USU's land-grant mission.*





*At a place where conventional wisdom is challenged and reimagined constantly, USU faculty researchers are engaging in fields of study the world cannot live without. With a record-breaking \$220 million in external funding received in fiscal year 2014, USU has grown into a thriving research university known and respected around the world.*





*USU student Amberley Snyder is powering through life's no excuse option. An avid horse barrel racer, Amberley was involved in a car accident in 2010 that left her paralyzed from the waist down. However, that did not stop Amberley from pursuing her dream as she continues to compete at rodeos and serve as president of Utah's 6,000-member Future Farmers of America organization. She has been an inspirational keynote speaker at schools and myriad events.*





## FINANCIAL STATEMENTS

*The financial statements consist of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Each statement presents a different financial perspective of the University for the fiscal year ended June 30, 2014.*

## STATEMENT OF NET POSITION

JUNE 30, 2014

<b>ASSETS</b>	
Current assets	
Cash and cash equivalents (Notes A, B, and D)	\$57,195,235
Short-term investments (Notes B and D)	25,505,138
Accounts receivable from primary government (Note E)	9,131,120
Accounts receivable from others – net of allowances \$604,933 (Note E)	43,377,513
Credits receivable (Note E)	428,481
Notes receivable – net of allowances \$26,098 (Note E)	1,321,185
Inventories (Note A)	4,871,672
Prepaid expenses	2,195,104
<b>Total current assets</b>	<b>144,025,448</b>
Non-current assets	
Restricted	
Cash and cash equivalents (Notes A, B, and D)	1,707,051
Short-term investments (Notes B and D)	1,421,228
Investments (Notes C and D)	155,908,344
Accounts receivable (Note E)	28,248,178
Notes receivable (Note E)	64,543
Real estate held for resale	1,917,520
Accounts receivable (Note E)	17,943,000
Notes receivable – net of allowances \$174,253 (Note E)	11,192,329
Investments (Notes C and D)	268,105,619
Real estate held for resale	90,000
Other non-current assets	131,468
Property, plant, and equipment – net (Note F)	681,471,707
<b>Total non-current assets</b>	<b>1,168,200,987</b>
<b>Total assets</b>	<b>1,312,226,435</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Unamortized refunding losses on bonds	2,286,574
<b>Total deferred outflows of resources</b>	<b>2,286,574</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable and accrued liabilities to primary government (Note G)	6,091,383
Accounts payable and accrued liabilities to others (Note G)	45,017,876
Liability for compensated absences (Note H)	11,598,822
Liability for early retirement (Note H)	5,272,590
Unearned revenue and deposits	17,795,545
Other current liabilities (Note H)	180,676
Funds held for others	1,021,010
Notes payable to primary government (Note H)	405,307
Bonds, notes, and contracts payable (Notes H and I)	8,413,390
<b>Total current liabilities</b>	<b>95,796,599</b>
Non-current liabilities	
Liability for compensated absences (Note H)	5,347,141
Liability for early retirement (Note H)	8,515,026
Notes payable to primary government (Note H)	435,382
Deposit due to primary government (Note H)	465,000
Other non-current liabilities (Note H)	1,340,215
Bonds, notes, and contracts payable (Notes H and I)	139,561,435
<b>Total non-current liabilities</b>	<b>155,664,199</b>
<b>Total liabilities</b>	<b>251,460,798</b>
<b>NET POSITION</b>	
Net investment in capital assets	560,710,976
Restricted	
Non-expendable	
Primarily scholarships and fellowships	105,102,003
Loans	13,119,699
Expendable	
Research, instruction, and public service	172,228,884
Capital projects	63,455,200
Unrestricted	148,435,449
<b>Total net position</b>	<b>\$1,063,052,211</b>

*See notes to financial statements*

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>OPERATING REVENUES</b>	
Tuition and fees – net of scholarship allowance of \$64,753,038	\$109,763,378
Federal appropriations	4,357,530
Federal contracts and grants	136,412,545
State contracts and grants	9,651,278
Local contracts and grants	2,712,988
Private contracts and grants	16,818,494
Sales and services of educational departments	11,692,912
Conferences and institutes (non-credit)	7,406,687
Service departments	2,126,930
Auxiliary enterprises	44,683,682
Other operating revenues	16,506,551
<b>Total operating revenues</b>	<b>362,132,975</b>
<b>OPERATING EXPENSES</b>	
Salaries and wages	269,666,808
Employee benefits	100,054,411
Other operating expenses	151,205,039
Scholarships and fellowships	30,027,362
Depreciation	41,527,931
<b>Total operating expenses</b>	<b>592,481,551</b>
Operating loss	(230,348,576)
<b>NON-OPERATING REVENUES/(EXPENSES)</b>	
State appropriations	172,237,348
State grants	9,784,182
State land-grant revenues	454,314
Financial aid grants	39,474,953
Private gifts	19,941,174
Investment income	30,547,478
Other – net	(6,169)
<b>Net non-operating revenues</b>	<b>272,433,280</b>
<b>Income before other revenues/(expenses)</b>	<b>42,084,704</b>
<b>OTHER REVENUES/(EXPENSES)</b>	
State appropriations for capital purposes	7,272,764
Private grants and gifts for capital purposes	18,571,938
Interest on capital asset related debt	(4,214,355)
Additions to permanent endowments	4,252,115
Other	969,902
<b>Net other revenues</b>	<b>26,852,364</b>
<b>Increase in net position</b>	<b>68,937,068</b>
<b>NET POSITION – BEGINNING OF YEAR AS PREVIOUSLY REPORTED</b>	<b>1,013,388,321</b>
Prior period adjustments	(19,273,178)
<b>NET POSITION – BEGINNING OF YEAR AS ADJUSTED</b>	<b>994,115,143</b>
<b>NET POSITION – END OF YEAR</b>	<b>\$1,063,052,211</b>

*See notes to financial statements*

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED JUNE 30, 2014

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Tuition and fees	\$109,998,098
Federal appropriations	4,357,530
Contracts and grants	163,829,606
Sales and services of educational departments	11,692,912
Conferences and institutes (non-credit)	7,406,687
Service departments	2,104,247
Auxiliary enterprises	44,420,083
Other operating receipts	17,951,140
Payments to employees for salaries and benefits	(369,247,552)
Payments to suppliers	(149,867,822)
Payments for scholarships and fellowships	(30,027,362)
Loans issued to students	(1,834,084)
Loan payments received from students	1,856,542
Net cash used by operating activities	(187,359,975)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>	
State appropriations	171,501,722
State grants	9,908,904
State land-grant revenues	313,659
Financial aid grants	39,390,754
Private gifts	15,739,430
Federal direct loan receipts	59,366,099
Federal direct loan payments	(59,251,152)
Other additions	911,083
Net cash provided by non-capital financing activities	237,880,499
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
State appropriations for capital purposes	7,116,284
Private grants and gifts for capital purposes	8,875,757
Proceeds from capital debt	56,557,171
Other additions and deductions	2,767,447
Cash paid for capital assets	(49,820,601)
Payment of capital debt and leases	(18,379,266)
Interest paid on capital asset related debt	(4,423,237)
Net cash provided by capital and related financing activities	2,693,555

**STATEMENT OF CASH FLOWS** *(continued)*  
**FOR THE YEAR ENDED JUNE 30, 2014**

<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of investments	(\$300,483,573)
Proceeds from sale of investments	249,413,941
Interest and dividends received from investments	17,240,734
Net cash used by investing activities	(33,828,898)
Net increase in cash and cash equivalents	19,385,181
Cash and cash equivalents – beginning of year	39,517,105
Cash and cash equivalents – end of year	\$58,902,286
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating loss	(\$230,348,576)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	41,527,931
Gifts-in-kind and transfers reducing payments to suppliers	783,242
Changes in assets and liabilities	
Accounts receivable	(2,664,641)
Inventories	(266,790)
Prepaid expenses	231,995
Accounts payable and accrued expenses	2,097,683
Unearned revenues and deposits	803,828
Compensated absences and early retirement	(1,035,246)
Net student loan activity	1,510,599
Net cash used by operating activities	(\$187,359,975)
<b>NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>	
Fixed assets acquired by incurring capital lease obligations	\$2,176,127
Completed construction projects transferred from State of Utah	654,088
Change in fair value of investments recognized as a component of investment income	18,156,515
Amortization of original issue premium, reoffering premium, and net loss on bonds	208,882
Additions to pledges receivable for non-capital financing activities	15,168
Additions to pledges receivable for capital and related financing activities	8,802,787
Disposal of capital assets due to write off	(252,562)
Gifts of capital assets	2,346,085
Total non-cash investing, capital, and financing activities	\$32,107,090

*See notes to financial statements*





*The Utah State University Observatory, located on the roof of the Science Engineering Research Building, is open several times a year to offer stargazing opportunities to the public. USU students are the primary beneficiaries of the observatory. It is operated by the USU Physics Department.*

## NOTES TO FINANCIAL STATEMENTS

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

# A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## BASIS OF PRESENTATION

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

The Utah State University Research Foundation (USURF), the Utah State University Foundation (Foundation), the College of Eastern Utah Foundation, and Utah State University Advanced Weather Systems Foundation (AWSF) are blended component units of the University and have been consolidated in these financial statements. USURF is governed by a Board of Trustees appointed by the President of Utah State University, under the direction of the University's Board of Trustees. USURF is a dependent foundation of Utah State University and is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a Board of Trustees appointed by the President of the University. The Foundation is a dependent foundation of Utah State University and serves as the main fund-raising arm of the University. The College of Eastern Utah Foundation is governed by a Board of Trustees appointed by a nominating committee of current members of the Board of Trustees. Its primary role is to support the mission of USU Eastern. AWSF is governed by a Board of Directors appointed by Utah State University. AWSF is a supporting organization of the University that performs scientific research and offers educational opportunities for students.

USURF annually publishes audited financial statements. A copy of the audited financial statements can be obtained from USURF, 1695 North Research Parkway, North Logan, Utah 84341. The College of Eastern Utah Foundation unaudited financial statements, compiled by an independent accounting firm, are available in the USU Eastern Development Office, 451 East 400 North, Price, Utah 84501.

## BASIS OF ACCOUNTING

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

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

## CASH AND CASH EQUIVALENTS

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

## INVESTMENTS

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain/(loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Position.

A portion of the University's endowment portfolio is invested in "alternative investments". These investments, unlike more traditional investments, generally do not have readily obtainable market values and

typically take the form of limited partnerships. The University values these investments based on the values provided by the partnerships as well as their audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent capital calls and distributions.

## INVENTORIES

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

## NON-CURRENT ASSETS

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

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

## PROPERTY, PLANT, AND EQUIPMENT

The University componentizes certain research facilities to accommodate the different useful lives of components for depreciation purposes.

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

The University capitalizes all equipment with a unit cost of \$5,000 or more and an estimated useful life

greater than one year. Purchased software is capitalized when acquisition costs are \$100,000 or more. Buildings costing \$250,000 or more are capitalized, as are improvements to buildings costing \$250,000 or more that extend the useful life of the building. Improvements other than buildings costing \$250,000 or more are also capitalized. All library physical collections inventoried in the University's recognized libraries are capitalized regardless of cost. Art and special collections held by the University are capitalized but not depreciated.

The University computes depreciation using the straight-line composite method over the estimated useful life of the assets. The estimated useful lives are as follows: (Figure A.1)

**FIGURE A.1**

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

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

## UNEARNED REVENUES

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

## COMPENSATED ABSENCES

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

Annual leave, including converted sick leave, is accrued and reported as earned. Employees are allowed to carry a maximum of 34 days annual leave.

The 34 days is variable depending on the number of sick leave days the employee is allowed to convert at calendar year end.

## GIFTS

The University received \$783,242 of gifts-in-kind, which were recorded as revenue and expense during the fiscal year ended June 30, 2014.

## NON-CURRENT LIABILITIES

Non-current liabilities include principal amounts of revenue bonds payable, notes payable, and contracts payable that are due beyond the next fiscal year, estimated amounts for accrued compensated absences, early retirement, and long-term deposits.

## NET POSITION

*The University's net position is classified as follows:*

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

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

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

**UNRESTRICTED:** Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments. These resources are used for transactions relating to the educational and general

operations of the University and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services primarily for students.

## INCOME TAXES

The University is excluded from income taxes under Section 115(1) of the Internal Revenue Code. The University is also considered a Section 501(c)(3) charitable organization.

## CLASSIFICATION OF REVENUES AND EXPENSES

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

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

**OPERATING/NON-OPERATING EXPENSES:** With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

## SCHOLARSHIP ALLOWANCES

Student tuition and fee revenues are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between

the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that revenues from other sources are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance to eliminate overstating total revenues to the University and properly record the revenues at the original source.

## SEGMENT REPORTING

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

## EFFECT OF NEW GASB PRONOUNCEMENT

The Governmental Accounting Standards Board issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, effective for fiscal year 2015.

This new accounting and reporting standard will impact the University's recognition and timing of assets and liabilities in the financial statements. The requirements of this statement will require restating the beginning net position. The University has elected to not early implement this statement and has made no estimation of the effect this statement will have on the financial statements.

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

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

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

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

At June 30, 2014, cash and cash equivalents and short-term investments consisted of the following: (Figure B.1)

*Figure B.1*

<b>CASH AND CASH EQUIVALENTS</b>	
Cash	\$12,114,309
Money market accounts	7,100,000
Money market mutual funds	1,258,940
Repurchase agreements	3,382,193
Utah Public Treasurers' Investment Fund	35,046,844
<b>Total</b>	<b>\$58,902,286</b>
<b>SHORT-TERM INVESTMENTS</b>	
Commercial paper and corporate notes	\$26,866,836
Time certificates of deposit	59,530
<b>Total</b>	<b>\$26,926,366</b>

## C. INVESTMENTS

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

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

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

The endowment income spending policy at June 30, 2014, is 4 percent of the 12 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 on investments of donor-restricted endowments that was available for authorization for expenditure at June 30, 2014, was \$27,044,649. The net appreciation is a component of restricted expendable net position.

At June 30, 2014, the investment portfolio composition was as follows: (Figure C.1)

Alternatives	\$16,219,641
Commercial paper and corporate notes	50,439,622
Common and preferred stocks	11,094,798
Municipal bonds	23,767,037
Mutual funds	117,295,185
Obligations of the U.S. Government and its agencies	201,637,130
Time certificates of deposit	3,560,550
Total investments (fair value)	\$424,013,963

## D. DEPOSITS AND INVESTMENTS

The Utah State 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 non-negotiable 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), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares of certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurers' Investment Fund.

The PTIF is not registered with the Securities and Exchange Commission as an investment company. The PTIF is authorized and regulated by the State Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the State Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses - net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

State law allows endowment funds of higher education institutions to be invested in accordance with the Utah State Board of Regents (Board of Regents) default investment guidelines or in accordance with policies adopted by the institution's Board of Trustees and approved by the Board of Regents. The University invests endowment funds in accordance with policies adopted by the Board of Trustees and approved by the Board of Regents.

The University's Investment Policy allows the University to invest endowment funds in investments

authorized by the Utah State Money Management Act or any of the following investments: readily marketable equities, which are diversified across a spectrum of market capitalizations, multiple regions, by issue, industry, and sector; readily marketable fixed income investments diversified by country, issue, sector, coupon, and quality; bonds having a minimum quality of "A" or better; non-investment grade securities, limited to 20 percent of a manager's portfolio; foreign securities, limited to 15 percent of a manager's portfolio and alternative investments that derive returns primarily from high-yield and distressed debt (hedged or non-hedged), natural resources, private capital (including venture capital, private equity, both domestic and international), commodities, private real estate assets or absolute return, and long/short hedge funds. In addition endowment funds may be invested as specifically directed by donor agreement.

## DEPOSITS

At June 30, 2014, the carrying amounts of the University's deposits and bank balances were \$19,164,706 and \$26,539,240 respectively. The bank balances of the University were insured for \$1,681,634 by the Federal Deposit Insurance Corporation. The bank balances in excess of \$1,681,634 were uninsured and uncollateralized, leaving \$24,857,606 exposed to custodial credit risk. All deposits were held by a qualified depository as defined by the Utah State Money Management Act. The State of Utah does not require collateral on deposits.

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

## INVESTMENTS

As of June 30, 2014, the University had the following investments and maturities: (Figure D.1)

<i>Figure D.1</i>		<b>INVESTMENT MATURITIES (IN YEARS)</b>			
<b>INVESTMENT TYPE</b>	<b>FAIR VALUE</b>	<b>LESS THAN 1</b>	<b>1 – 5</b>	<b>6 – 10</b>	<b>GREATER THAN 10</b>
Money market mutual funds	\$1,258,940	\$1,258,940	-	-	-
Utah Public Treasurers' Investment Fund	35,046,844	35,046,844	-	-	-
Commercial paper and corporate notes	77,306,458	26,866,836	\$30,921,274	\$1,551,142	\$17,967,206
Municipal bonds	23,767,037	-	7,684,437	3,880,200	12,202,400
Mutual funds – bonds	32,942,941	-	20,134,725	12,808,216	-
Repurchase agreements	3,382,193	3,382,193	-	-	-
Negotiable certificates of deposit	3,560,550	-	-	-	3,560,550
U.S. agencies	200,016,976	-	88,426,118	17,855,551	93,735,307
U.S. treasury securities	1,620,154	-	995,915	624,239	-
<b>Totals</b>	<b>378,902,093</b>	<b>\$66,554,813</b>	<b>\$148,162,469</b>	<b>\$36,719,348</b>	<b>\$127,465,463</b>
Common and preferred stock	11,094,798				
Mutual funds – equities	84,352,244				
Alternatives	16,219,641				
<b>Total</b>	<b>\$490,568,776</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 University's Investment Policy, as applicable. For non-endowment funds, Section 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 fewer. In addition variable-rate negotiable deposits and variable-rate securities may not have a remaining term to final

maturity exceeding three years. For endowment funds, the University's Investment Policy requires only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

**CREDIT RISK:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act and the University's Investment Policy, as previously discussed.

At June 30, 2014, the University had the following investments with quality ratings: (Figure D.2)

<i>Figure D.2</i>		QUALITY RATING			
INVESTMENT TYPE	FAIR VALUE	AAA	AA	A	BBB
Money market mutual funds	\$1,258,940	-	-	-	-
Utah Public Treasurers' Investment Fund	35,046,844	-	-	-	-
Commercial paper and corporate notes	77,306,458	\$2,653,679	\$1,954,506	\$36,133,158	\$29,368,015
Municipal bonds	23,767,037	5,746,500	14,747,067	3,273,470	-
Mutual funds – bonds	32,942,941	-	-	-	-
Repurchase agreements	3,382,193	-	-	-	-
Negotiable certificates of deposit	3,560,550	-	-	-	-
U.S. agencies	200,016,976	-	199,680,415	-	-
U.S. treasury securities	1,620,154	-	-	-	-
Totals	\$378,902,093	\$8,400,179	\$216,381,988	\$39,406,628	\$29,368,015
		QUALITY RATING (continued)			
INVESTMENT TYPE	BB	UNRATED	NO RISK		
Money market mutual funds	-	\$1,258,940	-		
Utah Public Treasurers' Investment Fund	-	35,046,844	-		
Commercial paper and corporate notes	\$3,084,630	4,112,470	-		
Municipal bonds	-	-	-		
Mutual funds – bonds	-	32,942,941	-		
Repurchase agreements	-	3,382,193	-		
Negotiable certificates of deposit	-	3,560,550	-		
U.S. agencies	-	-	\$336,561		
U.S. treasury securities	-	-	1,620,154		
Totals	\$3,084,630	\$80,303,938	\$1,956,715		

**CUSTODIAL CREDIT RISK:** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments that are in the possession of an outside party. The University does not have a formal investment policy for custodial credit risk. At June 30, 2014, the University had \$3,382,193 in repurchase agreements where the underlying securities were uninsured and held by the counterparty, but not in the University's name. At June 30, 2014, the University also had \$11,094,798 in common and preferred stock, \$200,016,976 in U.S. agencies, \$77,306,458 in commercial paper and corporate notes, \$3,560,550 in negotiable certificates of deposit, and \$23,767,037 in municipal bonds which were uninsured and held by the counterparty, but not in the University's name.

**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. For endowment funds, the University policy requires diversification of investments across a broad spectrum and specific limits to concentration of securities within categories of equities, fixed income, and alternatives. Rule 17 of the State Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5 percent. The Money Management

Council limitations do not apply to securities issued by the U.S. Government and its agencies.

At June 30, 2014, the University held more than 5 percent of total investments in securities of the Federal Farm Credit Bank, Federal Home Loan Bank, and the Federal Home Loan Mortgage Corporation. These investments represent 13.95, 11.80, and 11.57 percent respectively of the total investments.

Under the terms of various limited partnership agreements approved by the Board of Trustees or by University officers, the University is obligated to make periodic payments for advance commitments to venture capital, natural resource, and private equity investments. As of June 30, 2014, the University had committed, but not paid, a total of \$9,755,840 in funding for these alternative investments.

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

Accounts receivable consist of the following at June 30, 2014: (Figure E.1)

<i>Figure E.1</i>	CURRENT	NON-CURRENT	TOTAL
Due from primary government			
State contracts and grants	\$1,908,161	-	\$1,908,161
State appropriations	1,659,648	-	1,659,648
State grant – USTAR	4,156,332	-	4,156,332
Land-grant revenue	286,302	-	286,302
Due from State Treasurer	1,120,677	-	1,120,677
Due from others			
Contracts and grants	33,978,866	\$239,119	34,217,985
Pledges receivable	3,139,768	45,752,086	48,891,854
Auxiliary and service enterprises	1,970,019	-	1,970,019
Other activities	4,893,793	199,973	5,093,766
Total accounts receivable	53,113,566	46,191,178	99,304,744
Less allowance for doubtful accounts	(604,933)	-	(604,933)
Net accounts receivable	\$52,508,633	\$46,191,178	\$98,699,811

Credits receivable of \$428,481 reflect amounts due from vendors doing business primarily with the University's Campus Store.

Student loans receivable are comprised primarily of loans issued through the Federal Perkins Loan Program (FPLP) and short-term loans issued from funds set aside by the University for that purpose.

The FPLP loans provide for cancellation of a loan at rates of 10 percent to 30 percent per year up to a maximum of 100 percent if the participant complies with certain provisions. The FPLP loans become payable by the student after completion of academic degrees or termination as a student, with a term of ten years and an interest rate of 5 percent. In the

event the University should withdraw from the FPLP or the government were to cancel the program, the amount the University would be liable to the federal government for, as of June 30, 2014, is \$10,893,131.

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

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

<i>Figure E.2</i>	<b>CURRENT</b>	<b>NON-CURRENT</b>	<b>TOTAL RECEIVABLE</b>
Federal Perkins Loan Program	\$813,075	\$11,366,582	\$12,179,657
Other notes receivable	534,208	64,543	598,751
Total notes receivable	1,347,283	11,431,125	12,778,408
Less allowance for doubtful accounts	(26,098)	(174,253)	(200,351)
Net notes receivable	\$1,321,185	\$11,256,872	\$12,578,057



*The arts are a vital part of Utah State University with performance opportunities for many students, including the Utah State University Symphony Orchestra, a part of the Caine College of the Arts.*

## F. PROPERTY, PLANT, AND EQUIPMENT

Interest capitalized as part of building construction was \$1,465,203 and is included as part of construction in progress.

The University's investment in property, plant, and equipment consists of the following: (Figure F.1)

<i>Figure F.1</i>	BALANCE JUNE 30, 2013	ADDITIONS	TRANSFERS	DISPOSALS	BALANCE JUNE 30, 2014
<b>PROPERTY, PLANT, AND EQUIPMENT NOT DEPRECIATED</b>					
Land	\$36,080,714	\$1,986,161	-	(\$309,400)	\$37,757,475
Construction in progress					
Buildings*	15,664,684	32,426,064	(\$26,631,600)	-	21,459,148
Improvements other than buildings*	0	474,732	-	-	474,732
Equipment	546,816	185,706	(519,895)	(26,919)	185,708
Art and special collections	19,942,895	3,225,363	-	-	23,168,258
Total property, plant, and equipment not depreciated	\$72,235,109	\$38,298,026	(\$27,151,495)	(\$336,319)	\$83,045,321
<b>OTHER PROPERTY, PLANT, AND EQUIPMENT</b>					
Buildings*	\$765,284,660	\$33,405	\$26,631,600	(\$2,064,745)	\$789,884,920
Improvements other than buildings*	74,109,005	-	-	-	74,109,005
Equipment*	160,337,974	13,512,286	519,895	(5,382,228)	168,987,927
Library collections	73,964,063	1,092,136	-	(875)	75,055,324
Total other property, plant, and equipment	1,073,695,702	14,637,827	27,151,495	(7,447,848)	1,108,037,176
Less accumulated depreciation					
Buildings*	(273,760,906)	(22,500,441)	-	948,580	(295,312,767)
Improvements other than buildings*	(41,034,757)	(3,134,387)	-	-	(44,169,144)
Equipment*	(108,244,781)	(13,401,125)	-	5,037,168	(116,608,738)
Library collections	(51,029,038)	(2,491,978)	-	875	(53,520,141)
Total accumulated depreciation	(474,069,482)	(41,527,931)	0	5,986,623	(509,610,790)
Net other capital assets	\$599,626,220	(\$26,890,104)	\$27,151,495	(\$1,461,225)	\$598,426,386
<b>CAPITAL ASSETS – SUMMARY</b>					
Capital assets not depreciated	\$72,235,109	\$38,298,026	(\$27,151,495)	(\$336,319)	\$83,045,321
Other capital assets at cost	1,073,695,702	14,637,827	27,151,495	(7,447,848)	1,108,037,176
Total cost of capital assets	1,145,930,811	52,935,853	0	(7,784,167)	1,191,082,497
Less accumulated depreciation	(474,069,482)	(41,527,931)	-	5,986,623	(509,610,790)
Net capital assets	\$671,861,329	\$11,407,922	\$0	(\$1,797,544)	\$681,471,707

\*Balances at June 30, 2013 include a beginning balance adjustment of \$16,315,956. Minimum capitalization levels were increased for buildings, improvements other than buildings, and purchased software. Capital assets previously capitalized below the increased minimum capitalization levels were written off (Note N).

## G. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable consisted of the following at June 30, 2014: (Figure G.1)

Salaries and benefits payable (\$2,717,627 due to primary government)	\$32,316,239
Due to primary government	3,373,756
Suppliers payable	14,294,348
Interest payable	847,116
Other	277,800
<b>Total accounts payable and accrued liabilities</b>	<b>\$51,109,259</b>

## H. BONDS, NOTES, CONTRACTS, AND OTHER NON-CURRENT LIABILITIES

Assets pledged for payment of bonds and contracts include the net revenue of auxiliary enterprises, land-grant funds, specific student fees, and reimbursed facilities and administrative costs. The gross amount of capital assets purchased under capital lease as of June 30, 2014, was \$35,211,108. Bonds, notes, and contracts outstanding at June 30, 2014 were as follows: (Figure H.1)

	JUNE 30, 2014
<b>BONDS PAYABLE</b>	
Stadium/Spectrum and Student Recreation Bonds	
Series 2013 2.00%-4.00%, 2013-2026, \$8,405,000	\$8,315,000
Series 2013B 3.00%-5.00%, 2014-2045, \$43,310,000	43,310,000
<b>Total Stadium/Spectrum and Student Recreation Bonds</b>	<b>51,625,000</b>
Student Housing System Revenue Bonds	
Series 2007 4.00%-5.00%, 2005-2035, \$39,155,000	39,155,000
Series 2009 2.00%-4.00%, 2010-2015, \$8,130,000	1,700,000
<b>Total Student Housing System Revenue Bonds</b>	<b>40,855,000</b>
Research Revenue Bonds	
Series 2003 1.90%-4.40%, 2003-2016, \$705,000	133,000
Series 2009 2.00%-5.00%, 2009-2031, \$22,000,000	19,350,000
Series 2010 2.00%-5.00%, 2010-2017, \$11,070,000	8,805,000
<b>Total Research Revenue Bonds</b>	<b>28,288,000</b>
<b>Total bonds payable</b>	<b>120,768,000</b>
<b>NOTES AND CAPITAL LEASES PAYABLE</b>	
State of Utah – Building Ownership Authority, 7.16%, 1998-2018	540,712
Bank of America, 4.18%, 2007-2022	1,158,153
Bank of America, 4.35%, 2010-2022	1,590,647
Bank of America, 1.49%, 2013-2018	645,930
CalFirst Bank, 3.49%, 2011-2016	119,830
Capital One Public Finance, 3.89%, 2014-2029	1,170,164
State of Utah – DFCM, 0%, 2011-2016	77
State of Utah – DFCM, 0%, 2011-2016	39,587
State of Utah – DFCM, 0%, 2011-2016	147,250
State of Utah – DFCM, 0%, 2013-2015	29,666

table continued on next page

<i>Figure H.1 (continued)</i>	<b>JUNE 30, 2014</b>
<b>NOTES AND CAPITAL LEASES PAYABLE</b>	
State of Utah – DFCM, 0%, 2013-2015	\$83,397
SunTrust Leasing Corp., 3.97%, 2008-2018	242,816
SunTrust Leasing Corp., 2.6956%, 2011-2016	132,610
SunTrust Leasing Corp., 2.334%, 2013-2022	734,582
SunTrust Leasing Corp., 2.078%, 2013-2020	301,571
SunTrust Leasing Corp., 2.54%, 2014-2024	8,754,251
SunTrust Leasing Corp., 3.75%, 2008-2018	71,471
SunTrust Leasing Corp., 4.5%, 2008-2018	56,965
SunTrust Leasing Corp., 3.34%, 2011-2018	441,585
SunTrust Leasing Corp., 2.84%, 2012-2019	167,360
SunTrust Leasing Corp., 2.81%, 2013-2019	466,888
SunTrust Leasing Corp., 2.72%, 2013-2023	2,692,936
SunTrust Leasing Corp., 2.334%, 2013-2018	224,571
SunTrust Leasing Corp., 2.69%, 2013-2020	183,228
SunTrust Leasing Corp., 3.11%, 2014-2021	259,571
Total notes and capital leases payable	20,255,818
<b>EQUIPMENT CONTRACTS PAYABLE, 2010-2019</b>	2,122,962
Total bonds, notes, and equipment contracts payable	143,146,780
<b>UNAMORTIZED PREMIUMS AND REOFFERING PREMIUMS (RP) ON BONDS</b>	
2007 Bonds – RP	2,919,395
2009 Bonds – RP	445,629
2009 Bonds (housing) – RP	34,409
2010 Bonds – RP	467,148
2013 Bonds – RP	537,574
2013B Bonds – premium	1,264,579
Total unamortized premiums and reoffering premiums on bonds	5,668,734
Total bonds, notes, and equipment contracts payable net of unamortized premiums and reoffering premiums on bonds	\$148,815,514

Below is a summary of the changes in bonds, notes, and equipment contracts payable for the fiscal year ended June 30, 2014: (Figure H.2)

<i>Figure H.2</i>	<b>BONDS</b>	<b>NOTES AND CAPITAL LEASES</b>	<b>EQUIPMENT CONTRACTS</b>	<b>TOTAL PAYABLE</b>	<b>UNAMORTIZED PREMIUM AND REOFFERING PREMIUMS</b>	<b>TOTAL NET OF PREMIUM AND REOFFERING PREMIUMS</b>
Balance at June 30, 2013	\$82,520,000	\$21,892,729	\$1,852,249	\$106,264,978	\$2,294,939	\$108,559,917
Additions	43,310,000	10,756,519	1,194,549	55,261,068	1,296,103	56,557,171
Deletions	(5,062,000)	(12,393,430)	(923,836)	(18,379,266)	2,077,692	(16,301,574)
Balance at June 30, 2014	\$120,768,000	\$20,255,818	\$2,122,962	\$143,146,780	\$5,668,734	\$148,815,514

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

<i>Figure H.3</i>	<b>BONDS</b>	<b>BOND INTEREST</b>	<b>NOTES AND CAPITAL LEASES</b>	<b>NOTES AND CAPITAL LEASES INTEREST</b>	<b>EQUIPMENT CONTRACTS</b>	<b>EQUIPMENT CONTRACTS INTEREST</b>	<b>TOTAL AMOUNT REQUIRED</b>
FY 2015	\$5,235,000	\$5,278,611	\$2,675,390	\$567,034	\$908,307	\$45,475	\$14,709,817
FY 2016	5,583,000	5,119,105	2,501,223	491,396	729,667	23,808	14,448,199
FY 2017	5,680,000	4,948,858	2,426,044	415,417	368,156	7,482	13,845,957
FY 2018	5,895,000	4,735,646	2,523,790	338,917	87,122	1,895	13,582,370
FY 2019	3,765,000	4,546,242	1,964,909	269,702	29,710	322	10,575,885
FY's 2020-2024	21,625,000	19,937,772	7,729,289	567,796	-	-	49,859,857
FY's 2025-2029	24,235,000	14,771,524	435,173	38,564	-	-	39,480,261
FY's 2030-2034	22,705,000	9,079,165	-	-	-	-	31,784,165
FY's 2035-2039	12,000,000	4,608,540	-	-	-	-	16,608,540
FY's 2040-2044	11,405,000	2,084,535	-	-	-	-	13,489,535
FY 2045	2,640,000	55,000	-	-	-	-	2,695,000
Totals	\$120,768,000	\$75,164,998	\$20,255,818	\$2,688,826	\$2,122,962	\$78,982	\$221,079,586

The outstanding balance of bonds defeased and refunded in prior years totaled \$0 at June 30, 2014. The bond liabilities of the defeased and refunded bonds are not included on the Statement of Net Position.

Summary of changes in liabilities for the year ended June 30, 2014 is as follows: (Figure H.4)

<i>Figure H.4</i>	<b>BEGINNING BALANCE JUNE 30, 2013</b>	<b>ADDITIONS</b>	<b>REDUCTIONS</b>	<b>ENDING BALANCE JUNE 30, 2014</b>	<b>AMOUNTS DUE WITHIN ONE YEAR</b>
<b>BONDS, NOTES, AND CONTRACTS PAYABLE</b>					
Bonds payable	\$84,814,939	\$44,606,103	(\$2,984,308)	\$126,436,734	\$5,235,000
Notes and capital leases payable	20,660,674	10,685,519	(11,931,064)	19,415,129	2,270,083
Notes payable to primary government	1,232,055	71,000	(462,366)	840,689	405,307
Equipment contracts payable	1,852,249	1,194,549	(923,836)	2,122,962	908,307
Total bonds, notes, and contracts payable	108,559,917	56,557,171	(16,301,574)	148,815,514	8,818,697
<b>OTHER NON-CURRENT LIABILITIES</b>					
Liability for compensated absences	16,694,619	11,380,805	(11,129,461)	16,945,963	11,598,822
Liability for early retirement	15,074,206	4,873,105	(6,159,695)	13,787,616	5,272,590
Deposit due to primary government	465,000	-	-	465,000	-
Other liabilities	622,110	976,927	(78,146)	1,520,891	180,676
Total other non-current liabilities	32,855,935	17,230,837	(17,367,302)	32,719,470	17,052,088
Total non-current liabilities	\$141,415,852	\$73,788,008	(\$33,668,876)	\$181,534,984	\$25,870,785

# I. PLEDGED BOND REVENUE

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

**STUDENT FEE AND HOUSING SYSTEM** is comprised of the net revenue from specific Auxiliary enterprises and student building fee assessments. The Student Fee and Housing System includes all University housing except the Student Living Center, Parking Services, all of University Dining Services, the net revenues of the Taggart Student Center, Student Building Fees specifically identified in the bond resolution, and land-grant revenues. The University has pledged future net revenues of the Student Fee and Housing System to repay \$39,155,000 and \$8,130,000 in bonds issued in May 2007 and October 2009 respectively. Proceeds from the 1994 and 2004 bonds provided financing for the construction and renovation of the Student Fee and Housing System facilities. Proceeds from the 2007 bonds were used to refund bonds issued in 2004. Proceeds from the 2009 bonds were used to refund bonds issued in 1999, which were issued to refund bonds issued in 1994. Student Fee and Housing System annual net revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$66,071,672. The bonds are payable solely from the Student Fee and Housing System and are payable through 2035.

**STUDENT FEE STADIUM/SPECTRUM RECREATION FACILITIES SYSTEM** is comprised of those student fees specifically identified in the bond resolution and paid by students for the use and availability of the facilities. The University has pledged future revenues of the specifically identified student fees to repay \$8,405,000 and \$43,310,000 in bonds issued in March 2013 and August 2013 respectively. Proceeds from the 2004 bonds provided financing for the renovating and remodeling of the University's football stadium and a student recreation center. Proceeds from the 2013 bonds were used to refund a portion of the bonds

issued in 2004. Proceeds from the 2013B bonds are providing financing for a portion of the cost of constructing, equipping, and furnishing a student recreation center, and a basketball practice facility and volleyball competition venue. Proceeds from the 2013B bonds are also providing financing for the debt service payments during the period of construction of the two facilities. Student fee revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$92,868,132. The bonds are payable solely from the Student Fee Stadium/Spectrum Recreation Facilities System and are payable through 2045.

**RESEARCH REVENUE SYSTEM** is comprised of the revenue generated from the recovery of allocated facilities and administration costs to contracts and grants based on federally approved negotiated rate agreements. The University has pledged future revenues of the Research Revenue System to repay \$705,000; \$22,000,000; and \$11,070,000 in bonds issued in March 2003, May 2009, and July 2010 respectively. Proceeds from the 2002 bonds provided financing for the cost of acquiring, constructing, furnishing, and equipping three buildings as office and research facilities on the Utah State University Innovation Campus. Proceeds from the 2003 bonds provided for the acquisition of 550 acres of farmland, approximately 12 miles northwest of Logan, to replace University farmland now assigned to the University's Innovation Campus. Proceeds from the 2009 bonds provided financing for the cost of acquiring, constructing, and equipping two research facilities located at the University's main campus and the Vernal, Utah campus. Proceeds from the 2010 bonds were used to refund a portion of the bonds issued in 2002. Annual principal and interest payments on the bonds are expected to require less than 20 percent of revenues. The total principal and interest remaining to be paid on the bonds is \$36,993,194. The bonds are payable solely from the Research Revenue System and are payable through 2031.

The schedule on the following page presents the net revenue pledged to the applicable bond system and the principal and interest paid for the year ended June 30, 2014. (Figure I.1)

	STUDENT FEE AND HOUSING SYSTEM	STUDENT FEE STADIUM/SPECTRUM RECREATION FACILITIES SYSTEM	RESEARCH REVENUE SYSTEM
<i>Figure I.1</i>			
<b>REVENUE</b>			
Operating revenue/gross profit	\$22,635,805	\$2,012,710	\$29,891,203
Non-operating revenue	466,446	-	-
Total revenue	23,102,251	2,012,710	29,891,203
<b>EXPENSES</b>			
Operating expenses	15,730,073	-	-
Total expenses	15,730,073	0	0
Net pledged revenue	\$7,372,178	\$2,012,710	\$29,891,203
<b>PRINCIPAL PAID AND INTEREST EXPENSE</b>	\$3,681,888	\$964,246	\$4,065,064
<b>DEBT SERVICE RATIO</b>	2.00X	2.09X	7.35X

## J. 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 the Utah

Retirement Systems. 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-CREF) and/or Fidelity Investments (Fidelity). The total employee compensation and the total contribution for each pension plan for the year ending June 30, 2014, and the two previous years were as follows: (Figure J.1)

<i>Figure J.1</i>	YEAR	COMPENSATION	CONTRIBUTIONS		
			DEFINED BENEFIT PLANS	DEFINED CONTRIBUTION PLANS 401(K)	TOTAL
<b>UTAH RETIREMENT SYSTEMS</b>	2014	\$6,387,208	\$604,902	-	\$604,902
State and School System – Contributory	2013	4,212,028	416,961	-	416,961
	2012	1,952,662	214,370	-	214,370
State and School System – Non-Contributory (includes amounts (see note below) contributed to a 401(k) plan with Educators Mutual Insurance Association (EMIA))	2014	35,009,064	7,664,202	\$788,172	8,452,374
	2013	36,016,837	6,949,647	692,328	7,641,975
	2012	40,154,027	6,709,673	697,534	7,407,207
Public Safety with Social Security System – Non-Contributory	2014	506,773	137,607	-	137,607
	2013	528,817	138,459	-	138,459
	2012	562,846	135,408	-	135,408
401(k) Plan and Tier 2 DC Only – Contributory	2014	1,135,767	1,022	-	1,022
	2013	265,347	398	-	398
	2012	-	-	-	0
<b>TIAA-CREF AND/OR FIDELITY</b>	2014	172,434,935	-	24,490,207	24,490,207
	2013	166,780,421	-	23,682,706	23,682,706
	2012	159,291,882	-	22,619,447	22,619,447
<b>NON-ELIGIBLE EMPLOYEES</b>	2014	59,231,776	-	-	0
	2013	59,249,971	-	-	0
	2012	55,358,753	-	-	0

Utah Retirement Systems plans include multiple-employer, cost sharing, defined benefit plans, and defined contribution plans consisting of 401(k) and 457 plans. The defined benefit plans provide defined benefits based on years of service and highest average salaries. The defined contribution plans provide benefits based on total contributions and the accumulated earnings. These systems cover substantially all eligible public employees of the State of Utah, educational employees, and employees of participating local governmental entities. The pension benefit is vested at the end of four years under all Utah Retirement Systems plans in which University employees are participating. The amount credited as the individual's contribution is vested at the time the contribution is made. The contribution requirements of the systems are authorized by statute and specified by the Utah State Retirement Board and the contribution rates are actuarially determined. For the years ended June 30, 2014, 2013, and 2012, University contributions to the systems were equal to the required amounts (*Figure J.1*). For employees in the Tier 1 Contributory plan, the University contributes at a rate of 21.97 percent of gross earnings. Of this, 6 percent is credited as the individual's contribution and 15.97 percent is considered the University's contribution. For employees in the Tier 2 Contributory plan, the contribution rate is 16.75 percent of gross earnings with an additional 1.59 percent contributed to a 401(k) plan. For employees in the Tier 1 State and School System – Non-contributory plan, the University contributes 20.46 percent of gross earnings with an additional 1.5 percent contributed to a 401(k) plan. For the employees in the Utah Public Safety with Social Security System – Non-contributory plan, the University contributes 39.31 percent of gross earnings. Employer contributions to the 401(k) for the years ended June 30, 2014, 2013, and 2012, were \$768,275; \$671,128; and \$675,000 respectively. During the fiscal years ended June 30, 2014, 2013, and 2012, the University's contributions to all other Utah retirement plans were \$8,407,733; \$7,505,465; and \$7,059,451 respectively. Employee contributions to the 401(k) plan for the same years were \$909,172; \$874,977; and \$972,562 respectively. Employee contributions to the 457 plan were \$51,576; \$36,553; and \$51,357 respectively.

The Utah Retirement Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems

and plans under the direction of the Utah State Retirement Board, whose members are appointed by the governor. The Utah Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for the State and School System – Contributory Retirement plan, State and School System – Non-contributory Retirement plan, and Public Safety Retirement System plan. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102-2099, or by calling 1-800-753-7361.

Educators Mutual Insurance Association provides a 401(k) defined contribution plan that can be utilized by employees on the Utah Retirement State and School System – Non-contributory plan. This contribution is in lieu of the 1.5 percent that would have been contributed to the Utah Retirement System's 401(k) plan. The contribution made by the University is 1.5 percent of gross earnings. Contributions by the University become vested at the time the contribution is made. During the fiscal years ended June 30, 2014, 2013, and 2012, the University's contribution to this 401(k) plan was \$19,896; \$21,200; and \$22,534 respectively. The University has no further liability once contributions are made. Employee contributions for the same years were \$65,549; \$66,396; and \$62,947 respectively.

TIAA-CREF and/or Fidelity provide individual defined contribution retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contracts become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of individual contracts and the estimated life expectancy of the employee at retirement. For the years ended June 30, 2014, 2013, and 2012, the University's contribution to this multiple employer defined contribution plan was 14.2 percent (12.12 percent for post retirees) of the employees' annual salary or \$24,490,207; \$23,682,706; and \$22,619,447 respectively. The University has no further liability once annual contributions are made. Employee contributions for the same years were \$6,704,498; \$6,184,720; and \$5,251,177 respectively.

The University provides an early retirement option to employees who qualify and are approved by admin-

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

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

The projected future cost of these stipends and the medical and dental insurance benefits have been calculated based on the known amount to be paid out in the next fiscal year plus projected increases of 0.4 percent (University), 3 percent (USURF) for stipends and 5.25 to 9.75 percent (University), 9 percent (USURF) for medical and dental premiums. These increases are based on historical data. The premiums for medical and dental benefits have also been increased by an age-adjusted factor of 3.39. The net present value of the total projected costs is calculated using the estimated yield (3.447%) for University investments in the Cash Management Investment Pool and (4.17%) for USURF. The net present value is the amount recognized on the financial statements as the liability for early retirement.

At June 30, 2014, there were 121 participants in the early retirement program. The program is funded on a pay-as-you-go basis from current funds. Payments for the stipend in the years ended June 30, 2014, 2013, and 2012 were \$1,748,648; \$1,737,496; and \$1,942,353 respectively. Payments for the health care and life insurance benefits for the years ended June 30, 2014, 2013, and 2012 were \$1,292,698; \$1,264,885; and \$1,543,761 respectively.

## K. RISK MANAGEMENT

### GENERAL LIABILITY INSURANCE

The University maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10 million per occurrence through policies administered by the Utah State Risk Management Fund. The University also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$1,000 per occurrence. All revenues from University operations, rental income for its residence halls, and tuition are insured against loss due to business interruption caused by fire or other insurable perils with the Utah State Risk Management Fund. All University employees are covered by worker's compensation insurance, including employer's liability coverage by the Worker's Compensation Fund of Utah.

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

The University has a self-insurance fund for employee health and dental care. In addition, the University has purchased a stop-loss insurance policy to cover specific participant claims exceeding \$400,000 per term and aggregate claims exceeding 125% of expected claims up to \$10 million. GASB Statement No. 10 requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements. The University's estimated self-insurance claims liability at June 30, 2014, and June 30, 2013, are as follows: (Figure K.1)

<i>Figure K.1</i>	<b>2014</b>	<b>2013</b>
Estimated claims liability – beginning of year	\$4,858,401	\$4,136,972
Current year claims and changes in estimates	41,835,094	38,641,851
Claim payments, including related legal and administrative expenses	(41,215,908)	(37,920,422)
Estimated claims liability – end of year	\$5,477,587	\$4,858,401

The University has recorded the investment of the health and dental care funds at June 30, 2014, and the estimated liability for self-insurance claims at that date in the Statement of Net Position. The income on fund investments, the expenses related to the administration of the self insurance, and the estimated provision for the claims liabilities for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Net Position.

## CONTINGENCIES

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

Utah State University Research Foundation has a bank revolving line of credit with a limit of \$3 million. At June 30, 2014, the outstanding balance was zero. It is unsecured, due on demand, and expires January 10, 2016.

At June 30, 2014, the University had outstanding commitments for the construction and remodeling of University buildings of approximately \$37.1 million.

## L. BLENDED PRESENTATION OF COMPONENT UNITS

The following is a condensed version of Utah State University Research Foundation and Utah State University Foundation's financial statements for the fiscal year ended June 30, 2014. (Figures L.1, L.2, L.3)

<b>COMPONENT UNITS</b>		
<b>CONDENSED STATEMENT OF NET POSITION</b>		
<b>JUNE 30, 2014</b>		
<i>Figure L.1</i>	<b>USURF</b>	<b>FOUNDATION</b>
<b>ASSETS</b>		
Current assets	\$19,513,777	\$1,284,612
Current assets due from the University	281,224	37,919,267
Non-current assets	-	1,777,498
Non-current assets due from the University	427,865	-
Net capital assets	19,523,855	-
Total assets	39,746,721	40,981,377
<b>LIABILITIES</b>		
Current liabilities	8,995,995	-
Current liabilities due to the University	1,910,797	-
Non-current liabilities	7,859,244	-
Non-current liabilities due to the University	4,291,536	-
Total liabilities	23,057,572	0
<b>NET POSITION</b>		
Net investment in capital assets	7,189,850	-
Restricted		
Non-expendable		
Primarily scholarships and fellowships	-	33,578,524
Expendable		
Research, instruction, and public service	-	6,618,241
Unrestricted	9,499,299	784,612
Total net position	\$16,689,149	\$40,981,377

**COMPONENT UNITS**  
**CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<i>Figure L.2</i>	<b>USURF</b>	<b>FOUNDATION</b>
<b>OPERATING REVENUES</b>		
Project revenues	\$45,740,976	-
Project unit indirect costs, general and administrative costs, and cost of money	17,245,289	-
Project fees	3,816,611	-
Administrative reimbursement, USU	1,695,062	-
Royalty income	53,553	-
Other operating revenues	594,215	-
Total operating revenues	69,145,706	\$0
<b>OPERATING EXPENSES</b>		
Salaries and wages	27,221,451	-
Employee benefits	15,530,661	-
Subcontracts	7,341,235	-
Depreciation and amortization	2,552,979	-
Research support to USU	577,193	-
Other operating expenses	13,264,396	-
Total operating expenses	66,487,915	0
Operating income	2,657,791	0
<b>NON-OPERATING REVENUES/(EXPENSES)</b>		
Private gifts	46,400	2,762,319
Other – net	(421,517)	3,116,274
Net non-operating revenues/(expenses)	(375,117)	5,878,593
Income before other revenues/(expenses)	2,282,674	5,878,593
<b>OTHER REVENUES</b>		
Additions to permanent endowments	-	244,501
Net other revenues	0	244,501
Increase in net position	2,282,674	6,123,094
<b>NET POSITION – BEGINNING OF YEAR</b>	14,406,475	34,858,283
<b>NET POSITION – END OF YEAR</b>	\$16,689,149	\$40,981,377

**COMPONENT UNITS**  
**CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2014**

<i>Figure L.3</i>	<b>USURF</b>	<b>FOUNDATION</b>
<b>NET CASH PROVIDED/(USED) BY:</b>		
(1) Operating activities	\$2,898,737	-
(2) Non-capital financing activities	46,400	\$3,009,233
(3) Capital and related financing activities	(3,712,639)	-
(4) Investing activities	8,740	(3,137,108)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	(758,762)	(127,875)
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	6,815,624	1,502,616
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	\$6,056,862	\$1,374,741

The University has not included the Advanced Weather Systems Foundation and the College of Eastern Utah Foundation financial statements because they are not considered to be material.

# M. NATURAL AND FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by natural and functional classifications for the fiscal year ended June 30, 2014 were as follows: (Figure M.1)

Figure M.1

FUNCTIONAL CLASSIFICATION	NATURAL CLASSIFICATION					Total operating expenses
	Salaries and wages	Employee benefits	Other operating expenses	Scholarships and fellowships	Depreciation	
Instruction	\$95,422,845	\$35,986,989	\$20,482,177	-	-	\$151,892,011
Research	60,328,081	23,210,663	47,455,729	-	-	130,994,473
Public service	24,919,806	8,643,840	19,360,820	-	-	52,924,466
Academic support	17,413,540	6,721,815	8,879,668	-	-	33,015,023
Student services	10,343,551	3,568,737	6,389,259	-	-	20,301,547
Institutional support	25,728,550	9,413,716	13,731,209	-	-	48,873,475
Operation and maintenance	11,670,129	4,539,685	23,922,668	-	-	40,132,482
Scholarships and fellowships	-	-	-	\$30,027,362	-	30,027,362
Service departments	7,595,987	2,794,718	(10,456,738)	-	-	(66,033)
Auxiliary enterprises	16,244,319	5,174,248	21,440,247	-	-	42,858,814
Depreciation	-	-	-	-	\$41,527,931	41,527,931
Total operating expenses	\$269,666,808	\$100,054,411	\$151,205,039	\$30,027,362	\$41,527,931	\$592,481,551

## N. PRIOR PERIOD ADJUSTMENTS OF NET POSITION

The University increased the minimum capitalization levels of various capital assets, including buildings, improvements other than buildings, and purchased software. Capital assets recorded in prior years that were capitalized below the increased minimum capitalization levels were written off. The beginning balance of asset costs decreased by \$42,732,175 and the beginning balance of associated accumulated depreciation decreased by \$26,416,219. The effect of this restatement reduced the University's fiscal year 2014 beginning net position by \$16,315,956.

The Governmental Accounting Standards Board issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of this statement were effective for fiscal year 2014. A requirement of this statement is the recognition

of debt issuance costs as outflows of resources in the period in which they are incurred, rather than deferred outflows of resources. The implementation of this statement required the restating of the beginning net position. The cumulative effect of this restatement reduced the University's fiscal year 2014 beginning net position by \$1,054,547.

It was determined that the University had recorded funds held in trust by others in prior years. Funds held in trust by others are neither in the possession of nor under the management of the University. These funds should not be recorded on the University's financial records because they arose from contributions held and administered by external fiscal agents selected by the donors. Fiscal agents distribute income earned by such funds to the University where revenue is recorded when received. A prior period adjustment of \$1,902,675 was made to restate the University's fiscal year 2014 beginning net position.

The cumulative effect of the three adjustments was a reduction of the University's fiscal year 2014 beginning net position of \$19,273,178.

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