



UtahState
University

2013

ANNUAL FINANCIAL REPORT

A Component Unit *of the State of Utah*

CONTENTS

LETTER FROM THE PRESIDENT..... 03
INDEPENDENT STATE AUDITOR’S REPORT 04

07 **MANAGEMENT’S DISCUSSION AND ANALYSIS**

21 **FINANCIAL STATEMENTS**

STATEMENT OF NET POSITION..... 22
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION 23
STATEMENT OF CASH FLOWS..... 24

27 **NOTES TO FINANCIAL STATEMENTS**

EXECUTIVE OFFICERS AND BOARD OF TRUSTEES 49



FROM THE PRESIDENT...

With the 2013-14 academic year well under way, I would like to share with you how 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 are now dealing with two additional challenges that impact our budget. First, we are working to offset revenue losses associated with the change in LDS missionary policy. Enrollment impacts will likely be short term, but they have significant consequences for tuition and auxiliary revenues. Second, the federal sequestration is having significant negative impacts on our research funding. While both of these issues create new budget-related challenges for our university, we are confident that we will be 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.

The State of Utah Auditor's Office has audited the financial statements for the year ended June 30, 2013. 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, 2013. It is also intended to reflect the flow of financial resources to the University during the fiscal year 2012-2013, 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, 2013, 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% and 11%, respectively, of the assets and 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, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, 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 23, 2013 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 23, 2013



Students from a variety of programs on campus take part in tree planting activities that go well beyond Arbor Day. The USU campus has a wide range of tree types used for forestry and horticultural education as well as for esthetics and environmental benefits.



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, 2013. 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 2013 are presented beginning on page 21. 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: 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, liabilities, and net position of the University as of the fiscal year ended June 30, 2013.

From the data presented, readers of the Statement of Net Position have the information to determine the assets available to continue the operations of the University. They can also determine how much the University owes vendors, investors, and lending institutions. Finally, the Statement of Net Position outlines the net position (assets 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, Net Position Restricted, is further divided into two sub-categories: Non-Expendable and Expendable. The corpus of non-expendable restricted 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 non-expendable restricted 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. Expendable Restricted Net Position consists of resources 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, Net Position Unrestricted, discloses the resources available to the University to be used for any lawful purpose of the University.

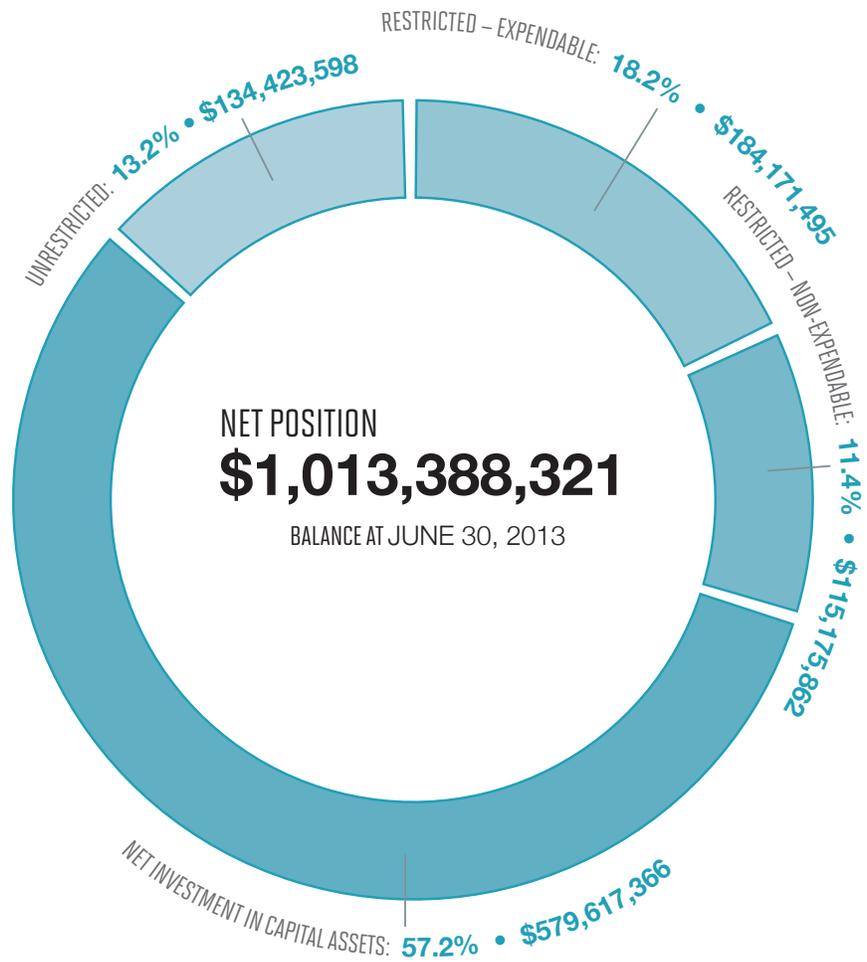
CONDENSED STATEMENT OF NET POSITION

	JUNE 30, 2013	JUNE 30, 2012	CHANGE	% CHANGE
ASSETS				
Current assets	\$183,317,020	\$157,339,448	\$25,977,572	16.51%
Non-current assets				
Capital assets – net	688,177,285	687,817,640	359,645	0.05%
Other	350,041,047	333,787,409	16,253,638	4.87%
Total assets	1,221,535,352	1,178,944,497	42,590,855	3.61%
LIABILITIES				
Current liabilities	92,531,119	88,617,539	3,913,580	4.42%
Non-current liabilities	115,615,912	121,488,024	(5,872,112)	-4.83%
Total liabilities	208,147,031	210,105,563	(1,958,532)	-0.93%
NET POSITION				
Net investment in capital assets	579,617,366	576,057,990	3,559,376	0.62%
Restricted – non-expendable				
Primarily scholarships and fellowships	100,657,358	93,294,196	7,363,162	7.89%
Loans	14,518,504	13,854,486	664,018	4.79%
Restricted – expendable	184,171,495	164,417,616	19,753,879	12.01%
Unrestricted	134,423,598	121,214,646	13,208,952	10.90%
Total net position	\$1,013,388,321	\$968,838,934	\$44,549,387	4.60%

In fiscal year 2013, the University's total net position increased \$44.5 million (4.60%) to \$1 billion. The increase reflects those revenues that were received during 2013 but were not used for operations or payment of interest on capital asset related debt. State appropriations for capital assets of \$6.3 million; grants, contracts, and private gifts for capital purposes of \$15.2 million; and additions to permanent endowments of \$6 million make up \$27.5 million of the increase. The remaining portion of the increase is attributable to investment income, 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 \$42.6 million (3.61%) while total liabilities decreased \$2 million (0.93%). Current assets increased \$26 million mostly due to \$22.8 million more in short-term investments. Non-current assets increased \$16.6 million mostly due to \$14.9 million more in investments and \$1.4 million more in restricted short-term investments. Total liabilities decreased due to the normal annual payments of principal on existing debt.

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, 2013
\$1,013,388,321

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 and contracts, 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 2013, funding from these sources was adequate to cover all of the University's costs of operations.

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

	FISCAL YEAR 2013	FISCAL YEAR 2012	CHANGE	% CHANGE
OPERATING REVENUES				
Tuition and fees (net of scholarship allowances of: FY 2013 – \$60,561,799; FY 2012 – \$59,469,524)	\$105,692,050	\$100,132,189	\$5,559,861	5.55%
Contracts, grants, and federal appropriations	165,737,614	161,747,508	3,990,106	2.47%
Auxiliary enterprises	43,375,214	42,761,478	613,736	1.44%
Other	35,808,226	35,694,992	113,234	0.32%
Total operating revenues	350,613,104	340,336,167	10,276,937	3.02%
OPERATING EXPENSES				
Salaries and wages	262,130,549	252,807,368	9,323,181	3.69%
Employee benefits	94,396,401	95,696,086	(1,299,685)	-1.36%
Other operating expenses	147,099,966	142,679,470	4,420,496	3.10%
Scholarships and fellowships	29,533,011	28,694,927	838,084	2.92%
Depreciation	42,001,726	40,044,284	1,957,442	4.89%
Total operating expenses	575,161,653	559,922,135	15,239,518	2.72%
Operating loss	(224,548,549)	(219,585,968)	(4,962,581)	2.26%
NON-OPERATING REVENUES				
State appropriations	163,135,395	161,608,416	1,526,979	0.94%
Private gifts	12,096,416	8,504,098	3,592,318	42.24%
Financial aid grants and contracts	40,313,904	39,609,911	703,993	1.78%
Other	31,033,396	24,896,462	6,136,934	24.65%
Net non-operating revenues	246,579,111	234,618,887	11,960,224	5.10%
Income before other revenues/(expenses)	22,030,562	15,032,919	6,997,643	46.55%
OTHER REVENUES/(EXPENSES)				
State appropriations for capital purposes	6,255,707	53,071,628	(46,815,921)	-88.21%
Grants, contracts, and gifts for capital purposes	15,242,985	1,736,360	13,506,625	777.87%
Additions to permanent endowments	6,043,986	2,143,521	3,900,465	181.97%
Other - net	(5,023,853)	(3,697,031)	(1,326,822)	-35.89%
Net other revenues	22,518,825	53,254,478	(30,735,653)	-57.71%
Increase in net position	44,549,387	68,287,397	(23,738,010)	-34.76%
NET POSITION – BEGINNING OF YEAR	968,838,934	900,551,537	68,287,397	7.58%
NET POSITION – END OF YEAR	\$1,013,388,321	\$968,838,934	\$44,549,387	4.60%

The Statement of Revenues, Expenses, and Changes in Net Position shows the activity that resulted in a \$44.5 million increase in net position for the fiscal year ended June 30, 2013.

The University experienced a net operating loss in fiscal year 2013 of \$224.5 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 equipment.

Total 2013 operating revenues increased by \$10.3 million (3.02%) over 2012. The \$5.6 million increase (5.55%) in tuition and fee revenues comprises most of the increase, which reflects increases in tuition rates to meet budget needs. Grants and contracts provided \$3.8 million of the increase.

State appropriations increased \$1.5 million (0.94%) over 2012. Other grants from the State increased by \$4.4 million, most of which is 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 \$7.5 million in

2013, from \$10.6 million in 2012 to \$18.1 million in 2013.

Financial aid grants and contracts revenue increased, slightly, by \$0.7 million (1.78%).

Investment income increased \$1.6 million over 2012. 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 \$6.3 million, and private grants and gifts for capital purposes were \$15.2 million. These funds are helping to fund various capital projects which are discussed in the Capital Asset and Debt Administration section on page 15.

Total operating expenses increased \$15.2 million (2.72%) in 2013. An increase of \$2 million of depreciation is a result of the depreciation for one new building and additional capital assets. Salaries and benefits went up \$8 million (2.30%) mainly due to modest salary increases. Other operating expenses increased \$4.4 million (3.10%).

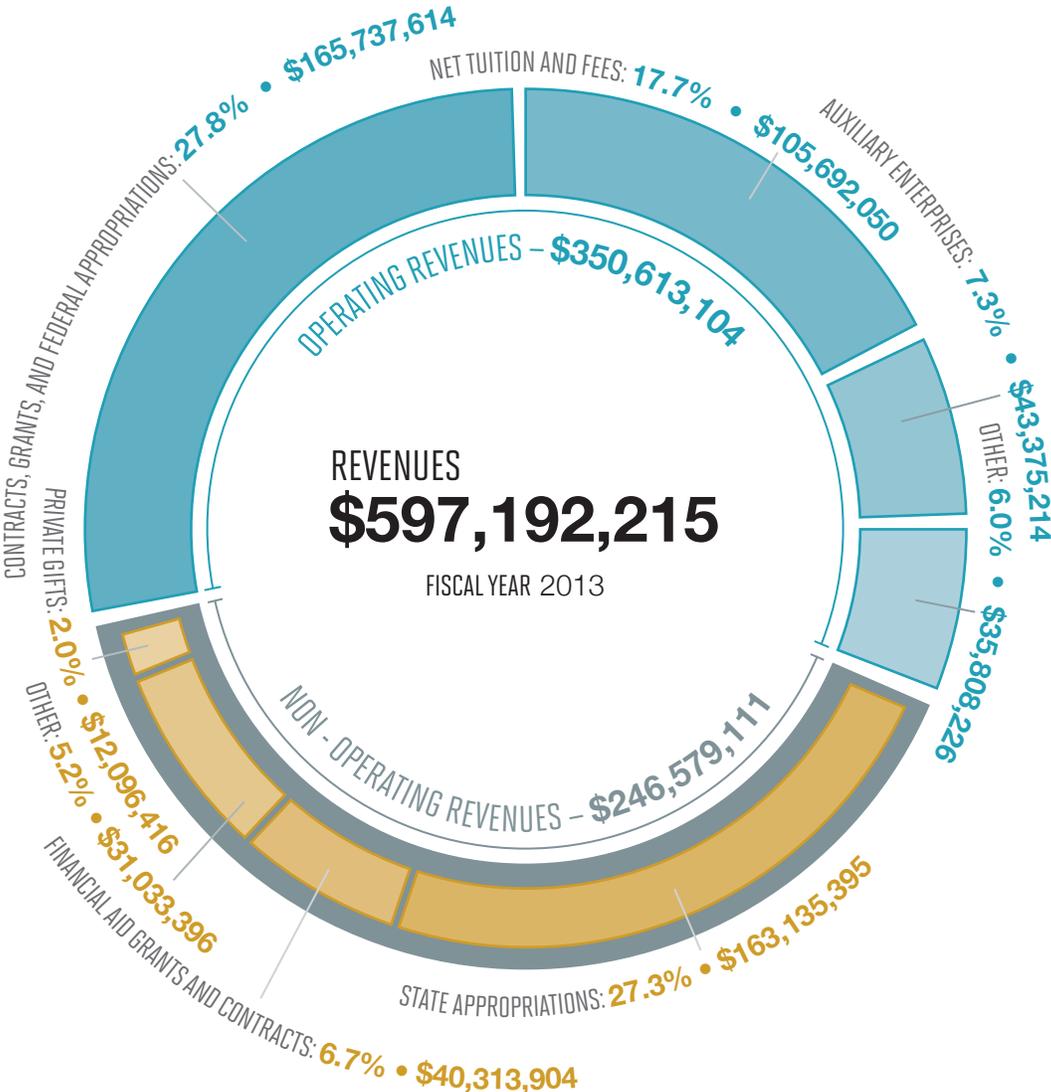


At the annual Utah Governor's Energy Development Summit in Salt Lake City in January 2013, Utah Governor Gary Herbert and Senator Orrin Hatch awarded Utah State University's Wireless Power Transfer Team the Energy Technology Innovation of the Year award for its work on the Aggie Bus. The Aggie Bus is the first wirelessly powered electric bus developed and designed in North America.

THE FOLLOWING GRAPH REFLECTS
 THE UNIVERSITY'S SOURCES OF
 REVENUE AVAILABLE TO MEET
 CURRENT OPERATING COSTS:

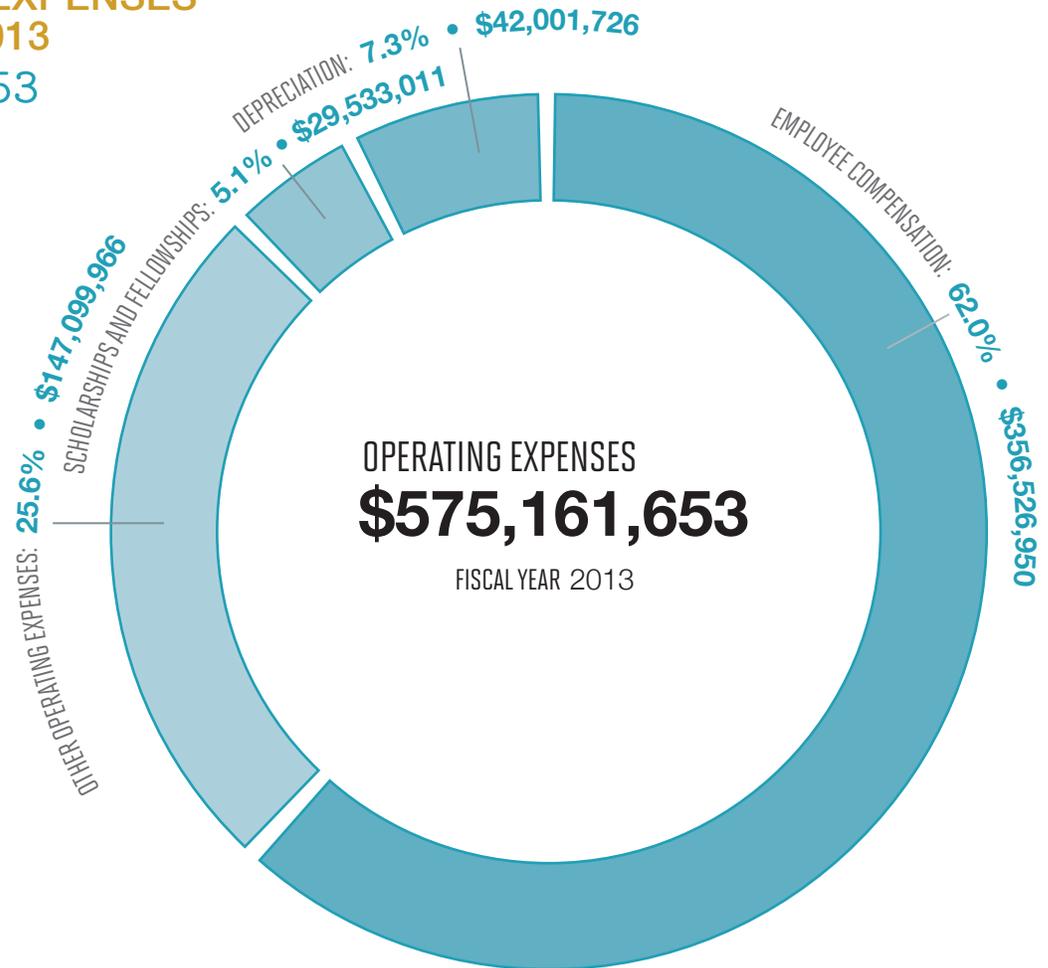
**REVENUES USED FOR OPERATING
 EXPENSES FOR FISCAL YEAR 2013**

Operating Revenues – \$350,613,104
 Non-Operating Revenues – \$246,579,111
 Total – \$597,192,215



THE GRAPH BELOW OUTLINES
THE UNIVERSITY'S OPERATING
EXPENSES BY OBJECT:

OPERATING EXPENSES Fiscal Year 2013 \$575,161,653



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 25.

CONDENSED STATEMENT OF CASH FLOWS

	FISCAL YEAR 2013	FISCAL YEAR 2012	CHANGE	% CHANGE
CASH PROVIDED/(USED) BY:				
(1) Operating activities	(\$185,963,447)	(\$173,664,902)	(\$12,298,545)	-7.08%
(2) Non-capital financing activities	232,783,702	224,193,594	8,590,108	3.83%
(3) Capital and related financing activities	(33,977,857)	(39,092,019)	5,114,162	13.08%
(4) Investing activities	(8,092,761)	(9,898,449)	1,805,688	18.24%
NET INCREASE IN CASH AND CASH EQUIVALENTS	4,749,637	1,538,224	3,211,413	208.77%
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	34,767,468	33,229,244	1,538,224	4.63%
CASH AND CASH EQUIVALENTS - END OF YEAR	\$39,517,105	\$34,767,468	\$4,749,637	13.66%

The University's cash and cash equivalents increased by \$4,749,637 for a total of \$39,517,105. This increase resulted from the need to have more cash on hand, rather than invested, to pay for current obligations.

CAPITAL ASSET AND DEBT ADMINISTRATION

Construction of the new Regional Campuses and Distance Education Building was completed in October 2012. The 40,000 square-foot building is located on 700 North, between the Lillywhite and Industrial Science buildings. Offices for some instructional designers and staff in the University's Center for Innovative Design and Instruction are housed in the building, along with multiple technology-enhanced rooms that seat 25-60 students. These classrooms have increased the University's capacity to deliver more courses and programs to the University's regional campuses and centers throughout Utah. The state-of-the-art technologies incorporated in this building enable the University to effectively and efficiently deliver more than 750 broadcast and online courses while offering the choice of 45 different degrees and programs to students throughout the state and around the world through online, interactive video broadcast, and face-to-face classes. The Utah Education Network also houses a technical support center in the building to monitor and serve its entire network.

The \$2.3 million Aggie Legacy Fields project was completed in October 2012. The project is locat-

ed in the area north of the Health, Physical Education, and Recreation (HPER) Building and south of the Dee Glen Smith Spectrum. It consists of a large synthetic turf field with appropriate lighting in a park-like setting. The fields include one 75,000 square-foot regulation collegiate soccer field, two 36,000 square-foot flag-football fields, and two regulation softball fields. The fields provide year-round usage by students and include open recreation use, HPER classes, Campus Recreation non-credit classes, camps, and special events.

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 \$6.4 million, 26,000 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.

Construction of USU Eastern's, San Juan Residence Hall was completed in August 2013. The \$3.3 million, 17,200 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 Huntsman Hall continues. This \$42 million addition to the Jon M. Huntsman School of Business will be a state-of-the-art 120,000 square-foot building that will wrap around the south and west sides of the George S. Eccles Business Building. It will feature 21 new case-study classrooms and 21 new student meeting rooms as well as administrative and programming space. It will help meet the need for technology-infused collaborative spaces where group learning, in physical and virtual teams, can take place. Two-thirds of the building's funding is from private donors and one-third is from the State. Huntsman Hall is scheduled for completion in late summer 2015.

Construction of the Wayne Estes Center began in June 2013. This will be a \$9.5 million state-of-the-art basketball practice facility and volleyball competition venue located west of the Dee Glen Smith Spectrum. The project is being funded by private gifts, with the lead gift of \$5.25 million. This is the largest single gift in the University Athletics history. This project includes demolition of the University's existing Harris Athletic Facility and the acquisition, construction, improvement, equipping, and furnishing of the new competition and practice facility for basketball and volleyball and related facilities. The Wayne Estes Center will be a 32,000 square-foot building which will contain 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 will also be included, as well as a locker room and film room for volleyball. Completion is scheduled for August 2014. Located inside the foyer of the Wayne Estes Center will be a visual tribute to the building's namesake. Wayne Estes was an All-American basketball player for the University from 1963 to 1965 whose career was cut short in a tragic, fatal accident.

The construction of the new Student Recreation and Wellness Center is in the planning process. The \$30 million facility will be located adjacent to the HPER Building. The project includes the construction of a 100,000 square-foot facility which will include a fitness center with new locker rooms; an indoor running/jogging/walking track; a climbing center; cardio/weight rooms; three full-size basketball/volleyball courts; study lounges and multi-media meeting rooms; a 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 Student Recreation and Wellness Center. Construction is to begin in April 2014 with completion scheduled for August 2015. Funding for the construction will be from proceeds of the 2013B Student Building Fee 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.

On March 12, 2013, the University's \$8,405,000 Series 2013 Student Building Fee Revenue Refunding Bonds were issued for the purpose of refunding in advance of their maturity a portion of the Series 2004A Student Fee Revenue Bonds that were previously issued. This refunding resulted in an increase of \$395,626 in the net carrying amount of the refunded debt, a reduction in the future debt service payments of \$1,616,093, and an economic gain (difference between the present value of the old and new debt service payments) of \$1,347,933.

On August 27, 2013, the University's \$43,310,000 Series 2013B Student Building Fee Revenue Bonds were issued for the purpose of paying a portion of the costs of constructing, equipping, and furnishing the Wayne Estes Center, and the Student Recreation and Wellness Center.

ECONOMIC OUTLOOK

The State of Utah continues to be among the top states in the nation for projected economic growth. 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, professional and business services, and information lead the list of employment sectors with the highest expected job creation rates. Expectations of sustained economic growth in the foreseeable future improve the opportunity for increased legislative funding support for Utah State University.

As anticipated, University campuses experienced enrollment declines due primarily to new guidelines for members of the predominant religion in Utah that allow temporary missionary service to begin at an earlier age. However, increased

recruitment efforts were highly successful in mitigating the temporary enrollment decrease to just over 3 percent, lower than originally expected. Although the new church missionary policies will put pressure on enrollment for one additional academic year, recruiting momentum remains strong and USU feels that it is well positioned to maintain current enrollment levels next year. Strong growth is expected in the following year when returning missionaries will be resuming 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 fi-

nancial 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







A student team from USU's Mechanical and Aerospace Engineering Department in the College of Engineering won the Air Force University Design Challenge. Seven students and two faculty competed against 18 teams, taking first place in the nationwide competition. The challenge: to get four personnel over a 20-foot gap. The solution: a mobile bridge, called the BAMBI, made of carbon fiber. The bridge is very light, weighing only 27 pounds and it can fit in a backpack. It has multiple uses, from crossing streams, to climbing, and transporting the injured. USU students have won the design competition two years in a row.



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, 2013.

STATEMENT OF NET POSITION

JUNE 30, 2013

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents (Notes A, B, and D)		\$37,254,827
Short-term investments (Notes B and D)		80,949,500
Accounts receivable (net of allowances of \$512,537) (Note E)		
From primary government		8,857,848
From others		46,694,034
Credits receivable (Note E)		329,714
Notes receivable (net of allowances of \$59,760) (Note E)		1,146,866
Inventories (Note A)		4,604,882
Prepaid expenses		3,479,349
TOTAL CURRENT ASSETS		183,317,020
NON-CURRENT ASSETS		
Restricted		
Cash and cash equivalents (Notes A, B, and D)		2,262,278
Short-term investments (Notes B and D)		5,421,325
Investments (Notes C and D)		130,229,697
Accounts receivable (Note E)		21,453,837
Notes receivable (Note E)		67,409
Real estate held for resale		1,070,320
Accounts receivable (Note E)		11,646,238
Notes receivable (net of allowances of \$176,422) (Note E)		11,305,549
Investments (Notes C and D)		166,479,380
Other		105,014
Property, plant, and equipment - net (Note F)		688,177,285
TOTAL NON-CURRENT ASSETS		1,038,218,332
TOTAL ASSETS		1,221,535,352
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (Note G)		
To primary government		4,991,740
To others		43,948,652
Liability for compensated absences (Note H)		11,129,300
Liability for early retirement (Note H)		6,159,695
Unearned revenues and deposits		17,074,848
Other (Note H)		78,145
Funds held for others		715,939
Note payable to primary government (Note H)		462,366
Bonds, notes, and contracts payable (Notes H and I)		7,970,434
TOTAL CURRENT LIABILITIES		92,531,119
NON-CURRENT LIABILITIES		
Liability for compensated absences (Note H)		5,565,319
Liability for early retirement (Note H)		8,914,511
Due to primary government		
Notes payable (Note H)		769,689
Deposit (Note H)		465,000
Other (Note H)		543,965
Bonds, notes, and contracts payable (Notes H and I)		99,357,428
TOTAL NON-CURRENT LIABILITIES		115,615,912
TOTAL LIABILITIES		208,147,031
NET POSITION		
NET INVESTMENT IN CAPITAL ASSETS		579,617,366
RESTRICTED FOR		
Non-expendable		
Primarily scholarships and fellowships		100,657,358
Loans		14,518,504
Expendable		
Research, instruction, and public service		149,781,003
Capital projects		34,390,492
UNRESTRICTED		134,423,598
TOTAL NET POSITION		\$1,013,388,321

See notes
to financial
statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

OPERATING REVENUES	
Tuition and fees (net of scholarship allowance of \$60,561,799)	\$105,692,050
Federal appropriations	5,018,732
Federal contracts and grants	131,105,348
State contracts and grants	9,347,641
Local contracts and grants	2,548,420
Private contracts and grants	17,717,473
Sales and services of educational departments	12,252,380
Conferences and institutes (non-credit)	6,849,133
Service departments	3,272,909
Auxiliary enterprises	43,375,214
Other	13,433,804
TOTAL OPERATING REVENUES	350,613,104
OPERATING EXPENSES	
Salaries and wages	262,130,549
Employee benefits	94,396,401
Other operating expenses	147,099,966
Scholarships and fellowships	29,533,011
Depreciation	42,001,726
TOTAL OPERATING EXPENSES	575,161,653
OPERATING LOSS	(224,548,549)
NON-OPERATING REVENUES/(EXPENSES)	
State appropriations	163,135,395
State grants	14,187,095
State land grant revenues	809,703
Financial aid grants and contracts	40,313,904
Private gifts	12,096,416
Investment income	16,600,369
Other	(563,771)
NON-OPERATING REVENUES – NET	246,579,111
INCOME BEFORE OTHER REVENUES/(EXPENSES)	22,030,562
OTHER REVENUES/(EXPENSES)	
State appropriations for capital purposes	6,255,707
Private grants and gifts for capital purposes	15,242,985
Interest on capital asset related debt	(4,220,468)
Additions to permanent endowments	6,043,986
Other - net	(803,385)
NET OTHER REVENUES	22,518,825
INCREASE IN NET POSITION	44,549,387
NET POSITION – BEGINNING OF YEAR	968,838,934
NET POSITION – END OF YEAR	\$1,013,388,321

See notes
to financial
statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	\$106,461,523
Federal appropriations	5,018,732
Contracts and grants	156,305,329
Sales and services of educational departments	12,252,380
Conferences and institutes (non-credit)	6,849,133
Service departments	3,246,508
Auxiliary enterprises	44,197,893
Other operating receipts	12,606,312
Payments to employees for salaries and benefits	(355,070,254)
Payments to suppliers	(147,674,327)
Payments for scholarships and fellowships	(29,533,011)
Loans issued to students	(2,652,264)
Loan payments received from students	2,028,599
Net cash used by operating activities	(185,963,447)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
State appropriations	163,635,991
State grants	11,859,698
State land grant revenues	772,768
Financial aid	40,268,536
Private gifts	17,019,362
Federal direct loan receipts	59,567,044
Federal direct loan payments	(59,667,303)
Other deductions	(672,394)
Net cash provided by non-capital financing activities	232,783,702
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
State appropriations for capital purposes	5,382,581
Private grants and gifts for capital purposes	9,725,919
Proceeds from capital debt	16,375,929
Other additions	892,000
Cash paid for capital assets	(42,558,156)
Repayment of capital debt and leases	(19,372,571)
Interest paid on capital asset related debt	(4,423,559)
Net cash used by capital and related financing activities	(33,977,857)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013

CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of investments	(\$295,984,901)
Proceeds from sale of investments	263,344,632
Interest and dividends received from investments	24,547,508
Net cash used by investing activities	(8,092,761)
Net increase in cash and cash equivalents	4,749,637
Cash and cash equivalents - beginning of year	34,767,468
Cash and cash equivalents - end of year	\$39,517,105
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	(\$224,548,549)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	42,001,726
Gifts-in-kind and transfers reducing payments to suppliers	869,483
Changes in assets and liabilities	
Accounts receivable	(3,340,444)
Inventories	520,869
Prepaid expenses	(1,506,774)
Accounts payable and accrued expenses	1,212,677
Unearned revenues and deposits	223,019
Compensated absences and early retirement	(213,920)
Net student loan activity	(1,181,534)
Net cash used by operating activities	(\$185,963,447)
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Fixed assets acquired by incurring capital lease obligations	\$3,917,117
Completed construction projects transferred from State of Utah	1,152,115
Change in fair value of investments recognized as a component of investment income	3,321,086
Amortization of costs of issuance, original issue discount, reoffering premium, and net loss on bonds	(28,497)
Additions to pledges receivable for non-capital financing activities	678,444
Additions to pledges receivable for capital and related financing activities	12,754,500
Disposal of capital assets due to write off	(1,680,008)
Gifts of capital assets	358,900
Total non-cash investing, capital, and financing activities	\$20,473,657

See notes
to financial
statements



Utah State University accepted an invitation for its athletic teams to become members of the Mountain West Conference in July 2013. The Mountain West, which is based in Colorado Springs, Colorado, was founded in 1998. Utah State fields teams in 16 different sports including 7 men's sports of basketball, cross country, football, golf, indoor track and field, outdoor track and field, and tennis and 9 women's sports of basketball, cross country, gymnastics, indoor track and field, outdoor track and field, soccer, softball, tennis, and volleyball.



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 (GASB).

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and deposits with an original maturity of three months or less (see Note B).

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 partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

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. Buildings costing \$50,000 or more are capitalized, as are improvements to buildings costing \$50,000 or more that extend the useful life of the building. Improvements other than buildings costing \$50,000 or more are also capitalized. All library books 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
Library 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 as operating expenses in the period in which the expense is incurred.

UNEARNED REVENUES

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

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 \$869,483 of gifts-in-kind, which were recorded as revenue and expense during the fiscal year ended June 30, 2013.

NON-CURRENT LIABILITIES

Non-current liabilities include principal amounts of revenue bonds payable, notes payable, 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 net investment in capital assets obligation 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: Non-expendable restricted 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 with the restriction that the funds will be used to provide short and long-term loans to students, with all collections, both principal and interest, also restricted for this purpose.

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(l) 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 PRONOUNCEMENTS

The Governmental Accounting Standards Board issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirement of this Statement is effective for fiscal year 2014. In addition, GASB issued Statement No. 67, *Financial Reporting for Pension Plans - an Amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27*, effective for fiscal years 2014 and 2015 respectively.

These new accounting and reporting standards may impact the University's recognition and timing of assets and liabilities in the financial statements. The requirements of these statements may require restating the beginning net position. The University has elected to not early implement these statements and has made no estimation of the effect these statements 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 Treasurer's Investment Fund (PTIF) which is invested in accordance with the State Money Management 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, 2013, cash and cash equivalents and short-term investments consisted of: (*Figure B.1*)

<i>Figure B.1</i>	
Cash and Cash Equivalents	
Cash	\$1,436,332
Money market accounts	16,100,000
Money market mutual funds	345,560
Repurchase agreements	4,771,470
Utah Public Treasurer's Investment Fund	16,863,743
Total	\$39,517,105
Short-Term Investments	
Commercial paper and corporate notes	\$67,311,295
Time certificates of deposit	19,059,530
Total	\$86,370,825

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, 2013, 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, 2013, was \$16,066,285. The net appreciation is a component of restricted - expendable net position.

At June 30, 2013, the investment portfolio composition was as follows: *(Figure C.1)*

Figure C.1

Alternatives	\$9,517,782
Commercial paper and corporate notes	46,823,583
Common and preferred stocks	8,661,470
Municipal bonds	15,796,671
Mutual funds	109,934,532
Obligations of the U.S. Government and its agencies	102,427,034
Time certificates of deposit	3,548,005
Total investments (fair value)	\$296,709,077

D. DEPOSITS AND INVESTMENTS

The Utah State Money Management Act (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 Treasurer's 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, 2013, the carrying amounts of the University's deposits and bank balances were \$36,401,849 and \$41,026,380 respectively. The bank balances of the University were insured for \$1,739,459 by the Federal Deposit Insurance Corporation. The bank balances in excess of \$1,739,459 were uninsured and uncollateralized, leaving \$39,286,921 exposed to custodial credit risk. All deposits were held by a qualified depository as defined by the 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, 2013, the University had the following investments and maturities: (Figure D.1)

INVESTMENT TYPE	FAIR VALUE	INVESTMENT MATURITIES (in years)			
		LESS THAN 1	1 - 5	6 - 10	GREATER THAN 10
Money market mutual funds	\$345,560	\$345,560	-	-	-
Utah Public Treasurer's Investment Fund	16,863,743	16,863,743	-	-	-
Commercial paper and corporate notes	114,134,878	67,311,295	\$33,530,420	-	\$13,293,163
Municipal bonds	15,796,671	-	4,332,036	\$4,001,880	7,462,755
Mutual funds - bonds	40,816,240	94,384	18,670,020	16,490,525	5,561,311
Repurchase agreements	4,771,470	4,771,470	-	-	-
Negotiable certificates of deposit	3,548,005	-	-	-	3,548,005
U.S. agencies	102,087,057	-	-	474,090	101,612,967
U.S. treasury securities	339,977	-	15,000	224,977	100,000
Totals	298,703,601	\$89,386,452	\$56,547,476	\$21,191,472	\$131,578,201
Common and preferred stock	8,661,470				
Mutual funds - equities	69,118,292				
Alternatives	9,517,782				
Total	\$386,001,145				

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 two 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, 2013, the University had the following investments with quality ratings:
(Figure D.2 below)

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, 2013, the University had \$4,771,470 in repurchase agreements where the underlying securities were uninsured and held by the counterparty, but not in the University's name. At June 30, 2013, the University also had \$8,661,470 in common and preferred stock, \$102,087,057 in U.S. agencies, \$114,134,878 in commercial paper and corporate

Figure D.2		QUALITY RATING			
INVESTMENT TYPE	FAIR VALUE	AAA	AA	A	BBB
Money market mutual funds	\$345,560	-	-	-	-
Utah Public Treasurer's Investment Fund	16,863,743	-	-	-	-
Commercial paper and corporate notes	114,134,878	-	\$1,062,500	\$81,660,061	\$27,206,067
Municipal bonds	15,796,671	\$5,651,150	10,145,521	-	-
Mutual funds - bonds	40,816,240	-	-	-	-
Repurchase agreements	4,771,470	-	-	-	-
Negotiable certificates of deposit	3,548,005	-	-	-	-
U.S. agencies	102,087,057	-	102,087,057	-	-
U.S. treasury securities	339,977	-	-	-	-
Totals	\$298,703,601	\$5,651,150	\$113,295,078	\$81,660,061	\$27,206,067
		QUALITY RATING (continued)			
INVESTMENT TYPE	BB	UNRATED	NO RISK		
Money market mutual funds	-	\$345,560	-		
Utah Public Treasurer's Investment Fund	-	16,863,743	-		
Commercial paper and corporate notes	\$1,502,500	2,703,750	-		
Municipal bonds	-	-	-		
Mutual funds - bonds	-	40,816,240	-		
Repurchase agreements	-	4,771,470	-		
Negotiable certificates of deposit	-	3,548,005	-		
U.S. agencies	-	-	-		
U.S. treasury securities	-	-	\$339,977		
Totals	\$1,502,500	\$69,048,768	\$339,977		

notes, \$3,548,005 in negotiable certificates of deposit, and \$15,796,671 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, 2013, 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 8.81, 7.52, and 7.61 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, 2013, the University had committed, but not paid, a total of \$9,126,205 in funding for these alternative investments.

E. ACCOUNTS, CREDITS, AND STUDENT LOANS RECEIVABLE

Accounts receivable consist of the following at June 30, 2013: (See Figure E.1 below)

Credits receivable, \$329,714, 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, 2013, is \$10,893,131.

<i>Figure E.1</i>	CURRENT	NON-CURRENT	TOTAL
Due from primary government			
State contracts and grants	\$1,849,140	-	\$1,849,140
State appropriations	882,995	-	882,995
State grant - USTAR	4,370,938	-	4,370,938
Land-grant revenue	141,971	-	141,971
Due from State Treasurer	1,612,804	-	1,612,804
Due from others			
Contracts and grants	31,338,316	\$299,906	31,638,222
Pledges receivable	3,640,863	31,723,832	35,364,695
Auxiliary and service enterprises	1,678,918	-	1,678,918
Other activities	10,548,474	1,076,337	11,624,811
Total accounts receivable	56,064,419	33,100,075	89,164,494
Less allowance for doubtful accounts	(512,537)	-	(512,537)
Net accounts receivable	\$55,551,882	\$33,100,075	\$88,651,957

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>	CURRENT	NON-CURRENT	TOTAL RECEIVABLE
Federal Perkins Loan Program	\$725,645	\$11,481,971	\$12,207,616
Other	480,981	67,409	548,390
Total notes receivable	1,206,626	11,549,380	12,756,006
Less allowance for doubtful accounts	(59,760)	(176,422)	(236,182)
Net notes receivable	\$1,146,866	\$11,372,958	\$12,519,824



Michael Christiansen, professor of guitar at Utah State University, is Utah's 2012 Carnegie Foundation for the Advancement of Teaching Professor of the Year. The award salutes the most outstanding undergraduate educators in the country — those who excel in teaching and positively influence the lives and careers of students. Christiansen was the 12th Utah State University professor to win the award.

F. PROPERTY, PLANT, AND EQUIPMENT

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

<i>Figure F.1</i>	BALANCE JUNE 30, 2012	ADDITIONS	TRANSFERS	DISPOSALS	BALANCE JUNE 30, 2013
PROPERTY, PLANT, AND EQUIPMENT NOT DEPRECIATED					
Land	\$35,065,002	\$1,015,712	-	-	\$36,080,714
Construction in progress					
Buildings	14,208,716	19,456,103	(\$17,358,699)	(\$43,173)	16,262,947
Improvements other than buildings	4,527,704	2,847,886	(7,197,834)	-	177,756
Equipment	56,051	62,886	427,879	-	546,816
Art and special collections	16,018,512	3,924,383	-	-	19,942,895
Total property, plant, and equipment not depreciated	\$69,875,985	\$27,306,970	(\$24,128,654)	(\$43,173)	\$73,011,128
OTHER PROPERTY, PLANT, AND EQUIPMENT					
Buildings	\$774,544,197	\$1,503,049	\$17,358,699	(\$1,316,550)	\$792,089,395
Improvements other than buildings	80,716,354	-	7,197,834	(734,927)	87,179,261
Equipment	155,387,063	14,368,041	(427,879)	(6,908,085)	162,419,140
Library collections	73,457,417	878,696	-	(372,050)	73,964,063
Total other property, plant, and equipment	1,084,105,031	16,749,786	24,128,654	(9,331,612)	1,115,651,859
Less accumulated depreciation					
Buildings	(266,856,383)	(23,289,420)	-	1,032,231	(289,113,572)
Improvements other than buildings	(47,385,892)	(3,325,462)	-	247,426	(50,463,928)
Equipment	(103,174,901)	(12,731,956)	-	6,027,693	(109,879,164)
Library collections	(48,746,200)	(2,654,888)	-	372,050	(51,029,038)
Total accumulated depreciation	(466,163,376)	(42,001,726)	0	7,679,400	(500,485,702)
Other capital assets - net	\$617,941,655	(\$25,251,940)	\$24,128,654	(\$1,652,212)	\$615,166,157
CAPITAL ASSETS - SUMMARY					
Capital assets not depreciated	\$69,875,985	\$27,306,970	(\$24,128,654)	(\$43,173)	\$73,011,128
Other capital assets at cost	1,084,105,031	16,749,786	24,128,654	(9,331,612)	1,115,651,859
Total cost of capital assets	1,153,981,016	44,056,756	0	(9,374,785)	1,188,662,987
Less accumulated depreciation	(466,163,376)	(42,001,726)	-	7,679,400	(500,485,702)
Capital assets - net of depreciation	\$687,817,640	\$2,055,030	\$0	(\$1,695,385)	\$688,177,285

G. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable consisted of the following at June 30, 2013: *(Figure G.1)*

<i>Figure G.1</i>	
Salaries and benefits payable (\$2,554,877 due to primary government)	\$30,807,326
Due to primary government	2,436,863
Suppliers payable	14,936,648
Interest payable	732,035
Other	27,520
Total accounts payable and accrued liabilities	\$48,940,392

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, 2013, was \$35,118,761. Bonds, notes, and contracts outstanding at June 30, 2013 were as follows: *(Figure H.1)*



The Aggie Legacy Fields provide members of the campus community with safe, fully-lit arenas to stretch their competitive legs. The fields accommodate multiple sports and are overseen by Campus Recreation, a division of Student Services.

Figure H.1	JUNE 30, 2013
BONDS PAYABLE	
Stadium/Spectrum and Student Recreation Bonds	
Series A (2004) 2.00%-5.00%, 2004-2014, \$11,065,000	\$440,000
Series 2013 2.00%-4.00%, 2013-2026, \$8,405,000	8,405,000
Total Stadium/Spectrum and Student Recreation Bonds	8,845,000
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	3,365,000
Total Student Housing System Revenue Bonds	42,520,000
Research Revenue Bonds	
Series 2003 1.90%-4.40%, 2003-2016, \$705,000	195,000
Series 2009 2.00%-5.00%, 2009-2031, \$22,000,000	20,150,000
Series 2010 2.00%-5.00%, 2010-2017, \$11,070,000	10,810,000
Total Research Revenue Bonds	31,155,000
Total bonds payable	82,520,000
NOTES AND CAPITAL LEASES PAYABLE	
Caterpillar Financial Services, 3.95%, 2003-2025	9,479,192
Caterpillar Financial Services, 4.65%, 2005-2025	89,813
State of Utah - Building Ownership Authority, 7.16%, 1998-2018	654,304
Bank of America, 4.18%, 2007-2022	1,287,167
Bank of America, 4.35%, 2010-2022	1,757,466
Bank of America, 1.49%, 2013-2018	780,242
CalFirst Bank, 3.49%, 2011-2016	173,078
State of Utah - DFCM, 0%, 2011-2016	12,357
State of Utah - DFCM, 0%, 2011-2016	62,867
State of Utah - DFCM, 0%, 2011-2016	311,250
State of Utah - DFCM, 0%, 2013-2015	88,888
State of Utah - DFCM, 0%, 2013-2015	102,388
SunTrust Leasing Corp., 3.97%, 2008-2018	311,451
SunTrust Leasing Corp., 2.6956%, 2011-2016	194,856
SunTrust Leasing Corp., 2.334%, 2013-2022	817,138
SunTrust Leasing Corp., 2.078%, 2013-2020	355,377
SunTrust Leasing Corp., 3.75%, 2008-2018	89,764
SunTrust Leasing Corp., 4.5%, 2008-2018	69,677
SunTrust Leasing Corp., 3.34%, 2011-2018	543,079
SunTrust Leasing Corp., 2.84%, 2012-2019	200,428
SunTrust Leasing Corp., 2.81%, 2013-2019	552,646
SunTrust Leasing Corp., 2.72%, 2013-2023	2,967,797
SunTrust Leasing Corp., 2.33%, 2013-2018	277,516
SunTrust Leasing Corp., 2.69%, 2013-2020	212,308
Zions Bank, 5.15%, 2009-2016	124,983
Zions Bank, 4.54%, 2009-2016	86,342
Zions Credit Corp., 5.12%, 2010-2030	290,355
Total notes and capital leases payable	21,892,729
EQUIPMENT CONTRACTS PAYABLE, 2009-2018	1,852,249
Total bonds, notes, and equipment contracts payable	106,264,978
UNAMORTIZED REOFFERING PREMIUMS (RP) AND REFUNDING LOSS ON BONDS	
2004A Bonds - RP	122
2007 Bonds - refunding loss	(1,494,554)
2007 Bonds - RP	3,060,089
2009 Bonds - RP	473,574
2009 Bonds (housing) - RP	116,990
2009 Bonds (housing) - refunding loss	(15,756)
2010 Bonds - RP	603,874
2010 Bonds - refunding loss	(646,193)
2013 Bonds - RP	583,325
2013 Bonds - refunding loss	(386,532)
Total RP and refunding loss on bonds	2,294,939
Total bonds, notes, and equipment contracts payable net of unamortized RP and refunding loss on bonds	\$108,559,917

Below is a summary of the changes in bonds, notes, and equipment contracts payable for the fiscal year ended June 30, 2013: (Figure H.2)

<i>Figure H.2</i>	BONDS	NOTES AND CAPITAL LEASES	EQUIPMENT CONTRACTS	TOTAL PAYABLE	UNAMORTIZED RP AND REFUNDING LOSS	TOTAL NET OF RP AND REFUNDING LOSS
Balance at June 30, 2012	\$86,500,000	\$21,622,902	\$1,340,142	\$109,463,044	\$2,296,606	\$111,759,650
Additions	8,405,000	6,634,173	1,135,332	16,174,505	201,423	16,375,928
Deletions	(12,385,000)	(6,364,346)	(623,225)	(19,372,571)	(203,090)	(19,575,661)
Balance at June 30, 2013	\$82,520,000	\$21,892,729	\$1,852,249	\$106,264,978	\$2,294,939	\$108,559,917

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

<i>Figure H.3</i>	BONDS	BOND INTEREST	NOTES AND CAPITAL LEASES	NOTES AND CAPITAL LEASES INTEREST	EQUIPMENT CONTRACTS	CONTRACTS INTEREST	TOTAL AMOUNT REQUIRED
FY 2014	\$5,062,000	\$3,483,589	\$2,605,165	\$735,726	\$765,635	\$40,450	\$12,692,565
FY 2015	5,235,000	3,291,311	2,593,636	652,255	504,904	22,623	12,299,729
FY 2016	4,908,000	3,143,617	2,472,451	566,092	353,975	10,295	11,454,430
FY 2017	4,930,000	2,994,933	2,310,847	481,320	184,400	3,490	10,904,990
FY 2018	5,120,000	2,804,658	2,411,535	396,978	43,335	356	10,776,862
FY's 2019-2023	16,325,000	11,717,439	8,226,819	953,170	-	-	37,222,428
FY's 2024-2028	18,635,000	7,708,754	1,235,739	40,372	-	-	27,619,865
FY's 2029-2033	16,470,000	3,483,419	36,537	1,342	-	-	19,991,298
FY's 2034-2035	5,835,000	368,313	-	-	-	-	6,203,313
Totals	\$82,520,000	\$38,996,033	\$21,892,729	\$3,827,255	\$1,852,249	\$77,214	\$149,165,480

The outstanding balance of bonds defeased and refunded in prior years totaled \$48,075,000 at June 30, 2013. 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, 2013 is as follows: (Figure H.4)

<i>Figure H.4</i>	BEGINNING BALANCE JUNE 30, 2012	ADDITIONS	REDUCTIONS	ENDING BALANCE JUNE 30, 2013	AMOUNTS DUE WITHIN ONE YEAR
BONDS, NOTES, AND CONTRACTS PAYABLE					
Bonds payable	\$88,796,606	\$8,606,423	(\$12,588,090)	\$84,814,939	\$5,062,000
Notes and capital leases payable	20,279,564	6,380,594	(5,999,484)	20,660,674	2,142,799
Notes payable to primary government	1,343,338	253,579	(364,862)	1,232,055	462,366
Contracts payable	1,340,142	1,135,332	(623,225)	1,852,249	765,635
Total bonds, notes, and contracts payable	111,759,650	16,375,928	(19,575,661)	108,559,917	8,432,800
OTHER LIABILITIES					
Liability for compensated absences	16,412,773	10,612,331	(10,330,485)	16,694,619	11,129,300
Liability for early retirement	15,569,972	5,081,218	(5,576,984)	15,074,206	6,159,695
Deposit due to primary government	465,000	-	-	465,000	-
Other	697,843	-	(75,733)	622,110	78,145
Total other liabilities	33,145,588	15,693,549	(15,983,202)	32,855,935	17,367,140
Total non-current liabilities	\$144,905,238	\$32,069,477	(\$35,558,863)	\$141,415,852	\$25,799,940

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 \$69,753,559. 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 \$11,065,000 and \$8,405,000 in bonds issued in June 2004 and March 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. This refunding resulted in an increase of \$395,626 in the net carrying amount of the refunded debt, a reduction in the future debt service payments of \$1,616,093, and an economic gain (difference between the present value of the old and new debt service payments) of \$1,347,933. 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 \$10,704,216. The

bonds are payable solely from the Student Fee Stadium/Spectrum Recreation Facilities System and are payable through 2026.

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 \$23,735,000; \$705,000; \$22,000,000; and \$11,070,000 in bonds issued in July 2002, 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, approxi-

mately 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 \$41,058,258. The bonds are payable solely from the Research Revenue System and are payable through 2031.

The following schedule presents the net revenue pledged to the applicable bond system and the principal and interest paid for the year ended June 30, 2013. (Figure I.1)

<i>Figure I.1</i>	STUDENT FEE AND HOUSING SYSTEM	STUDENT FEE STADIUM/SPECTRUM RECREATION FACILITIES SYSTEM	RESEARCH REVENUE SYSTEM
REVENUE			
Operating revenue/gross profit	\$22,712,308	\$1,271,186	\$29,168,954
Non-operating revenue	824,392	-	-
Total revenue	23,536,700	1,271,186	29,168,954
EXPENSES			
Operating expenses	15,876,746	-	-
Total expenses	15,876,746	0	0
Net pledged revenue	\$7,659,954	\$1,271,186	\$29,168,954
PRINCIPAL PAID AND INTEREST EXPENSE	\$3,678,229	\$796,044	\$4,062,388
DEBT SERVICE RATIO	2.08X	1.60X	7.18X

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, 2013, and the two previous years were as follows: (Figure J.1)

			CONTRIBUTIONS		
<i>Figure J.1</i>	YEAR	COMPENSATION	DEFINED BENEFIT PLANS	DEFINED CONTRIBUTION PLANS 401(K)	TOTAL
UTAH RETIREMENT SYSTEMS					
State and School System – Contributory	2013	\$4,212,028	\$416,961	-	\$416,961
	2012	1,952,662	214,370	-	214,370
	2011	616,240	110,196	-	110,196
State and School System – Non-Contributory (includes amounts (see note below) contributed to a 401(k) plan with Educators Mutual Insurance Association (EMIA))	2013	36,016,837	6,949,647	\$692,328	7,641,975
	2012	40,154,027	6,709,673	697,534	7,407,207
	2011	37,363,709	6,124,421	629,068	6,753,489
Public Safety with Social Security System – Non-Contributory	2013	528,817	138,459	-	138,459
	2012	562,846	135,408	-	135,408
	2011	315,243	104,135	-	104,135
401(k) Plan and Tier 2 DC Only – Contributory	2013	265,347	398	-	398
	2012	-	-	-	0
	2011	-	-	-	0
TIAA-CREF AND/OR FIDELITY					
	2013	166,780,421	-	23,682,706	23,682,706
	2012	159,291,882	-	22,619,447	22,619,447
	2011	154,162,461	-	21,891,069	21,891,069
NON-ELIGIBLE EMPLOYEES					
	2013	59,249,971	-	-	0
	2012	55,358,753	-	-	0
	2011	55,597,458	-	-	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 Board and the contribution rates are actuarially determined. For the years ended June 30, 2013, 2012, and 2011, University contributions to the systems were equal to the required amounts (*Figure J.1 page 43*). For employees in the Tier 1 Contributory plan, the University contributes at a rate of 20.27 percent of gross earnings. Of this, 6 percent is credited as the individual's contribution and 14.27 percent is considered the University's contribution. For employees in the Tier 2 Contributory plan, the contribution rate is 15.06 percent. For employees in the Tier 1 State and School System - Non-contributory plan, the University contributes 20.26 percent of gross earnings. Of this, 1.5 percent is contributed to a 401(k) plan and 18.76 percent is credited as the University's contribution. For the employees in the Utah Public Safety with Social Security System - Non-contributory plan, the University contributes 37.29 percent of gross earnings. Employer contributions to the 401(k) for the years ended June 30, 2013, 2012, and 2011, were \$671,128; \$675,000; and \$605,491 respectively. During the fiscal years ended June 30, 2013, 2012, and 2011, the University's contributions to all other Utah retirement plans were \$7,505,465; \$7,059,451; and \$6,338,752 respectively. Employee contributions to the 401(k) plan for the same years were \$874,977; \$972,562; and \$929,280 respectively. Employee contributions to the 457 plan were \$36,553; \$51,357; and \$52,995 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 administra-

tion 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, Utah 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 at 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, 2013, 2012, and 2011, the University's contribution to this 401(k) plan was \$21,200; \$22,534; and \$23,577 respectively. The University has no further liability once contributions are made. Employee contributions for the same years were \$66,396; \$62,947; and \$137,307 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, 2013, 2012, and 2011, the University's contribution to this multiple employer defined contribution plan was 14.2 percent (12.26 percent for post retirees) of the employees' annual salary or \$23,682,706; \$22,619,447; and \$21,891,069 respectively. The University has no further liability once annual contributions are made. Employee contributions for the same years were \$6,184,720; \$5,251,177; and \$4,978,102 respectively.

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

administration in accordance with University policy. This option is available to employees whose accumulated age and years of service are equal to or greater than 75, that have met the minimum age requirements, and where the 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 0.6 percent (University), 3 percent (USURF) for stipends and 5.55 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 2.9. The net present value of the total projected costs is calculated using the estimated yield (3.909%) 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, 2013, there were 172 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, 2013, 2012, and 2011 were \$1,737,496; \$1,942,353; and \$2,111,009 respectively. Payments for the health care and life insurance benefits for the years ended June 30, 2013, 2012, and 2011 were \$1,264,885; \$1,543,761; and \$1,434,095 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. 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, 2013, and June 30, 2012, are as follows: (Figure K.1)

Figure K.1	2013	2012
Estimated claims liability at beginning of year	\$4,136,972	\$4,229,618
Current year claims and changes in estimates	38,641,851	37,638,925
Claim payments, including related legal and administrative expenses	(37,920,422)	(37,731,571)
Estimated claims liability at end of year	\$4,858,401	\$4,136,972

The University has recorded the investment of the health and dental care funds at June 30, 2013, 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

\$2 million. At June 30, 2013, the outstanding balance was zero. It is unsecured, due on demand, and expires October 22, 2014.

At June 30, 2013, the University had outstanding commitments for the construction and remodeling of University buildings of approximately \$4.3 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, 2013. (Figures L.1, L.2, and L.3)

COMPONENT UNITS		
CONDENSED STATEMENT OF NET POSITION		
JUNE 30, 2013		
<i>Figure L.1</i>	USURF	FOUNDATION
ASSETS		
Current assets	\$16,909,163	\$1,502,490
Current assets due from the University	397,079	31,527,970
Non-current assets	-	1,827,823
Non-current assets due from the University	715,620	-
Capital assets – net	20,562,390	-
Total assets	38,584,252	34,858,283
LIABILITIES		
Current liabilities	9,613,662	-
Current liabilities due to the University	687,787	-
Non-current liabilities	13,903,568	-
Non-current liabilities due to the University	(27,240)	-
Total liabilities	24,177,777	0
NET POSITION		
Net investment in capital assets	6,460,446	-
Restricted		
Non-expendable		
Primarily scholarships and fellowships	-	30,361,209
Expendable		
Research, instruction, and public service	-	3,494,584
Unrestricted	7,946,029	1,002,490
Total net position	\$14,406,475	\$34,858,283

COMPONENT UNITS
**CONDENSED STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION**
FOR THE YEAR ENDED JUNE 30, 2013

<i>Figure L.2</i>	USURF	FOUNDATION
OPERATING REVENUES		
Project revenues	\$44,143,755	-
Project unit indirect costs, general and administrative costs, and cost of money	16,500,886	-
Project fees	3,674,789	-
Administrative reimbursement, USU	1,905,265	-
Royalty income	53,716	-
Other	605,862	-
Total operating revenues	66,884,273	\$0
OPERATING EXPENSES		
Salaries and wages	27,265,448	-
Employee benefits	15,129,458	-
Subcontracts	4,121,572	-
Depreciation and amortization	2,525,537	-
Research support to USU	772,786	-
Other	15,596,018	-
Total operating expenses	65,410,819	0
Operating income	1,473,454	0
NON-OPERATING REVENUES/(EXPENSES)		
Private gifts	74,176	5,970,401
Other	(524,612)	1,939,411
Total non-operating revenues/(expenses)	(450,436)	7,909,812
Income before other revenues/(expenses)	1,023,018	7,909,812
OTHER REVENUES/(EXPENSES)		
Additions to permanent endowments	-	15,181
Net other revenues	0	15,181
Increase in net position	1,023,018	7,924,993
NET POSITION – BEGINNING OF YEAR	13,383,457	26,933,290
NET POSITION – END OF YEAR	\$14,406,475	\$34,858,283

COMPONENT UNITS
CONDENSED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2013

<i>Figure L.3</i>	USURF	FOUNDATION
NET CASH PROVIDED/(USED) BY:		
(1) Operating activities	\$3,241,210	-
(2) Non-capital financing activities	74,176	\$5,579,122
(3) Capital and related financing activities	(2,449,279)	-
(4) Investing activities	12,466	(5,282,297)
NET INCREASE IN CASH AND CASH EQUIVALENTS	878,573	296,825
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	5,937,051	1,205,791
CASH AND CASH EQUIVALENTS - END OF YEAR	\$6,815,624	\$1,502,616

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. SUBSEQUENT EVENT

On August 27, 2013, the University issued \$43,310,000 of Student Building Fee Revenue Bonds, Series 2013B for the purpose of paying a portion of the costs of constructing, equipping, and furnishing the Student Recreation and Wellness Center, and the Wayne Estes Center, which will be a basketball practice facility and volleyball competition venue. Student fee revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. Although these bonds are secured by a pledge of Student Building Fee revenues, it is anticipated that private donations will cover the portion of the debt service associated with the Wayne Estes Center. The bonds are payable through December 1, 2044.



EXECUTIVE OFFICERS

STAN L. ALBRECHT

President

RAYMOND T. COWARD

Executive Vice President and Provost

ROBERT T. BEHUNIN

Vice President for Commercialization and Regional Development

NOELLE E. COCKETT

Vice President for Extension and Dean of the College of Agriculture and Applied Sciences

DAVID T. COWLEY

Vice President for Business and Finance

MARK R. MCLELLAN

Vice President for Research and Dean of the School of Graduate Studies

JAMES D. MORALES

Vice President for Student Services

BOARD OF TRUSTEES

RONALD W. JIBSON, *Chair*

SCOTT R. WATTERSON, *Vice Chair*

JODY K. BURNETT

DOUGLAS K. FIEFIA

ROBERT L. FOLEY

MARK K. HOLLAND

SUSAN D. JOHNSON

J. SCOTT NIXON

STEPHEN F. NOEL

FRANK PECZUH, JR.

SUZANNE PIERCE-MOORE

SYDNEY M. PETERSON, *Secretary*

Utah State University alum, Lars Peter Hansen, is one of three Americans named a recipient of the 2013 Nobel Prize in Economics. "My years at USU were very important to my development as a scholar," he said. "I remember well the influences of my professors Mike Windham in mathematics, Bartell Jensen and Ken Lyons in economics, and Doug Alder in history." A Cache Valley native, Hansen earned bachelor's degrees in mathematics and political science with a minor in economics from USU in 1974. He is a son of the late R. Gaurth Hansen, renowned biochemist and former USU provost.

