UTAH VALLEY UNIVERSITY

A COMPONENT UNIT OF THE STATE OF UTAH

ANNUAL FINANCIAL REPORT

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PRESIDENT'S MESSAGE

ANNUAL FINANCIAL REPORT

Utah Valley University is commemorating a remarkable climb. Over the past seven decades, our institution has partnered with our community to be a continual source of growth while providing students a meaningful education to serve as responsible members of society. The foundation of our progress rests on being a serious, engaged, and inclusive institution—placing student success at the core of our values.

Over the past few years our campus has added several new buildings, funded by combined support from the state legislative body and the generous private contributions of community members. The additions include a classroom building, science building, the Wee Care Center, and Student Life and Wellness Center. These facilities are transforming the physical footprint of the main campus while adding to the dynamic academic environment found at UVU. We excitedly anticipate building future projects including a permanent home for the fine arts and a center for autism. Both of these will fill a great need at our university and community.

During the 2015 fiscal year, UVU received a 7% increase in appropriated base funding from the state. With the increase in funding, 51 additional salaried faculty were hired during the school year, supporting over 600 courses per semester. In addition, 47 salaried staff were hired, increasing the numbers of academic advisors, engaged learning support, academic and administrative IT support, and general counsel and compliance support. We are in a better position now more than ever to provide our large student body with the resources they need to achieve academic success.

Graduation rates for the institution have increased significantly, with a record number of students receiving diplomas. Our wonderful students accomplish this while the majority of them are working either full or part time, 45 percent of them are married, and 23 percent support at least one child. Twenty-four percent are first-generation college students. I am thrilled that many of them received national recognition in various competitions, showcasing their wide range of skills. We truly have outstanding students at UVU.

Utah Valley University is now the largest public institution in Utah, with over 33,000 students. We see this as both an incredible achievement and enormous responsibility. We are doing everything we can to ensure that each student receives a quality education in a learning environment that is serious, engaged, and inclusive.

It is my privilege to work alongside a remarkable set of staff and faculty who are transforming the educational and economic landscape of our community and beyond. They are serious about making every program, activity, and professional service the best it can be. UVU has dramatically expanded its programmatic and curricular offerings with exceptionally trained faculty who are establishing prominent marks of achievement all over the nation.

The state of the University is sound in many ways—among them physical facilities, finances, and our mission. Our future looks bright and promising. Even so, we know we have more peaks to climb and we look forward to those challenges and opportunities. Such challenges and opportunities will be met by maintaining our focus on student success.

Sincerely,

Matthew S. Holland
President, Utah Valley University

TWO THOUSAND FIFTEEN

INDEPENDENT STATE AUDITOR'S REPORT

ANNUAL FINANCIAL REPORT

OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee,
and
Dr. Matthew S. Holland, President
Utah Valley University

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Valley University (the University) and its discretely presented component unit foundation, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents. The University is a component unit of the State of Utah.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit foundation. 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 discretely presented component unit 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 opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its

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discretely presented component unit foundation as of June 30, 2015, and the respective changes in financial position and, where applicable, the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

For fiscal year 2015, the University implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of these required changes in accounting principle, the University recorded a $19,545,190 reduction in beginning net position. The amounts reported for ending net position reflect the newly required net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to the University's participation in defined benefit retirement systems. See Notes 1 and 19 for further information. Our opinion for the University is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015 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
December 23, 2015

TWO THOUSAND FIFTEEN

MANAGEMENT'S DISCUSSION AND ANALYSIS

ANNUAL FINANCIAL REPORT

Introduction

The following discussion and analysis provides an overview of the financial position and results of activities of Utah Valley University (the University) for the year ended June 30, 2015, with comparative information for the year ended June 30, 2014. This discussion is prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow these sections.

The Utah Valley University Foundation (the Foundation) is a separate but affiliated non-profit corporation. The accounts of the Foundation are audited separately and reported in the Component Unit column of the financial statements. The audited financial statements for the Foundation are available through the University's Institutional Advancement Office.

Financial Highlights

- The University's net position increased by $63.0 million during the fiscal year.
- The Classroom Building was completed at a cost of $46.0 million.
- State appropriations increased by $28.9 million
- The University recorded a liability for its portion of the unfunded retirement obligations of the Utah Retirement Systems of $19.4 million due to the implementation of a new Governmental Accounting Standards Board (GASB) Statement.
- Enrollment increased by 6.0% in total headcount and 5.9% in full time equivalents.

Overview of the Financial Statements and Financial Analysis

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

Statement of Net Position

The Statement of Net Position presents financial information on all of the University's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the University is improving or deteriorating. The Statement of Net Position is a point-in-time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the University. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), deferred inflows and outflows, and net position.

From the data presented, readers of the Statement of Net Position are able to determine the assets available for continued operations of the University. A determination can also be made as to the debts owed to vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of resources available for expenditure by the University.

Net position is divided into three major categories: net investment in capital assets, restricted, and unrestricted. The first category, net investment in capital assets, provides the University's equity in property, plant, and equipment owned by the University. The second net position category is restricted, which is divided into two subcategories, nonexpendable and expendable. The corpus of nonexpendable restricted net position is only available for investment purposes. Net position resources categorized as expendable restricted are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available for expenditure for any lawful purpose of the University.

STATEMENT OF NET POSITION, CONDENSED

	June 30, 2015	June 30, 2014	Change	% Change
ASSETS				
Current assets	$ 93,585,638	$ 74,636,068	$ 18,949,570	25.4%
Noncurrent assets	46,400,727	45,062,473	1,338,254	3.0%
Capital assets, net	373,490,365	335,460,279	38,030,086	11.3%
Total assets	**513,476,730**	**455,158,820**	**58,317,910**	**12.8%**
Deferred Outflows of Resources	3,737,365	2,852,276	885,089	31.0%
LIABILITIES				
Current liabilities	29,550,652	28,768,118	782,534	2.7%
Noncurrent liabilities	89,791,723	96,215,602	(6,423,879)	(6.7%)
Total liabilities	**119,342,375**	**124,983,720**	**(5,641,345)**	**(4.5%)**
Deferred Outflows of Resources	1,820,129	-	1,820,129	100.0%
NET POSITION				
Net invested in capital assets	308,045,486	266,201,655	41,843,831	15.7%
Restricted expendable	5,489,712	6,095,988	(606,276)	(9.9%)
Unrestricted	82,516,393	60,729,733	21,786,660	35.9%
Total net assets	**$ 396,051,591**	**$ 333,027,376**	**$ 63,024,215**	**18.9%**

Certain June 30, 2014 balances have been adjusted for comparative purposes as described in Note 19 – Restatement.

The increase in current assets held by the University of $18.9 million is mainly due to an increase in current investments of $8.0 million. Some of the investments that were considered long-term in the prior year are now considered short-term. Cash makes up 76.5% of the current assets balance with $71.5 million. A portion of cash ($5.2 million) is considered restricted due to restrictions placed on how the cash can be spent. In this case, the restrictions come from granting agencies, such as the federal government.

Capital assets increased by $38.0 million. The University made various capital asset additions during fiscal year 2015. The most significant addition was the completion of the Classroom Building at a cost of $46.0 million. A total of $46.6 million was added to buildings. A number of other building additions and remodels were made and various pieces of equipment were purchased and some capital assets were disposed of during the year. The net change in capital asset increases and decreases totaled $52.1 million. This net increase in capital assets was offset by net change in depreciation of $14.1 million, which nets to an increase in capital assets of $38.0 million.

Current liabilities did not change significantly from the prior year. The change of $0.8 million is due mostly to changes in the timing of payments to vendors which impacts accounts payable and other accrued liabilities.

Noncurrent liabilities decreased by $6.4 million during the year. These changes resulted from paying principle payments on debt as well as a reduction in the University's portion of the Utah State Retirements Systems' pension liabilities. The implementation of GASB Statement No. 68 required the University to record its portion of the unfunded pension obligations of the Utah Retirements Systems. The University recorded the liability in the prior year and restated the prior year financial statements. The pension liabilities for fiscal years 2015 and 2014 were $19.4 million and $22.0 million, respectively.

Statement of Revenues, Expenses, and Changes in Net Position

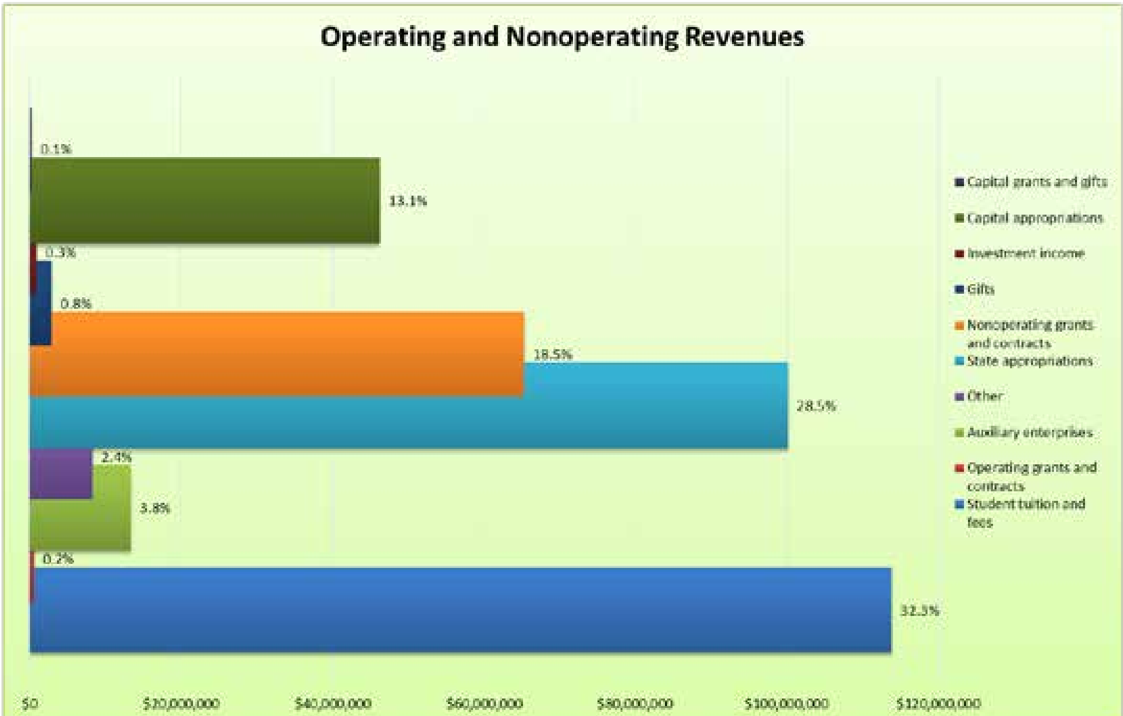
Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the operating and nonoperating revenues received by the University, the operating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

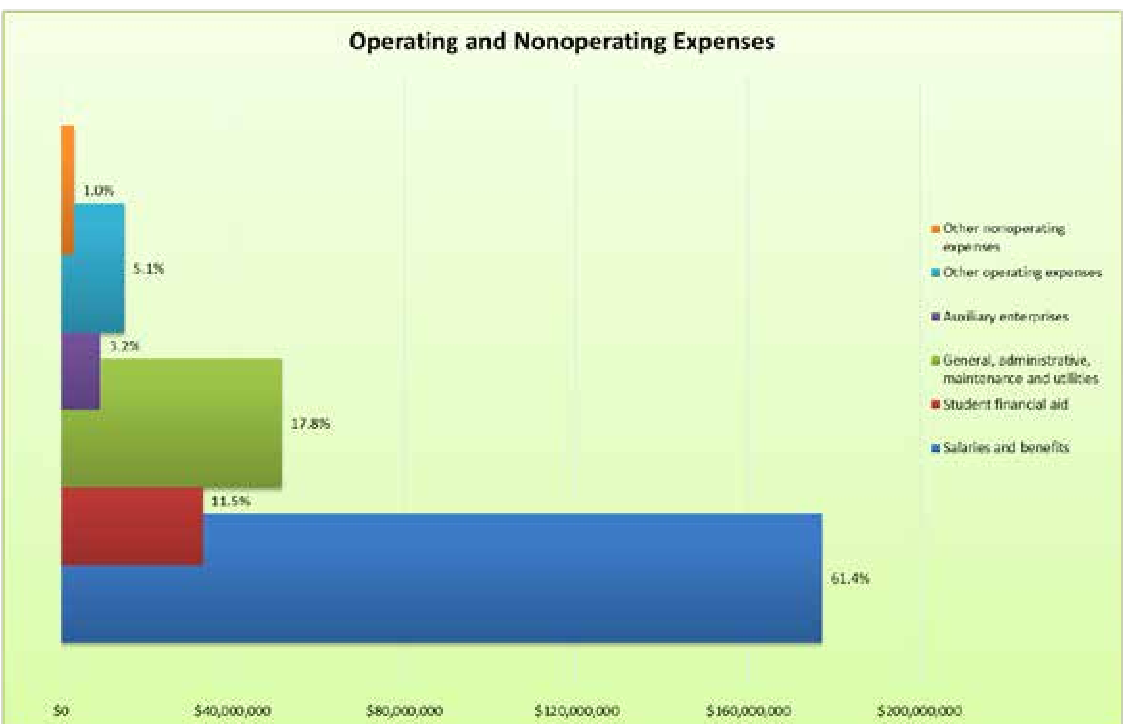
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating revenues because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods or services for those revenues.

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

	June 30, 2015	June 30, 2014	Change	% Change
REVENUES				
Operating revenues				
Student tuition and fees	$ 113,798,683	$ 108,674,148	$ 5,124,535	4.7%
Grants and contracts	623,830	948,700	(324,870)	(34.2%)
Auxiliary enterprises	13,354,478	11,710,542	1,643,936	14.0%
Other	8,322,031	7,793,562	528,469	6.8%
Total operating revenues	**136,099,022**	**129,126,952**	**6,972,070**	**5.4%**
EXPENSES				
Operating expenses				
Salaries and benefits	177,340,391	164,355,445	12,984,946	7.9%
Student financial aid	33,073,520	35,113,209	(2,039,689)	(5.8%)
General and administrative, maintenance and utilities	51,478,412	46,827,554	4,650,858	9.9%
Auxiliary enterprises	9,186,864	7,497,447	1,689,417	22.5%
Depreciation	14,749,567	12,842,808	1,906,759	14.8%
Total operating expenses	285,828,754	266,636,463	19,192,291	7.2%
Operating loss	**(149,729,732)**	**(137,509,511)**	**(12,220,221)**	**8.9%**
NONOPERATING REVENUES (EXPENSES)				
State appropriations	100,190,129	71,279,595	28,910,534	40.6%
Grants and contracts	65,309,642	66,107,075	(797,433)	(1.2%)
Gifts	2,945,760	3,041,980	(96,220)	(3.2%)
Investment income	894,508	674,251	220,257	32.7%
Other nonoperating revenues (expenses)	(3,009,924)	(1,291,060)	(1,718,864)	133.1%
Net nonoperating revenues	166,330,115	139,811,841	26,518,274	**19.0%**
Income before other revenues	**16,600,383**	**2,302,330**	**14,298,053**	**621.0%**
Capital appropriations	46,212,164	2,394,607	43,817,557	1,829.8%
Capital grants and gifts	211,668	4,634,667	(4,422,999)	(95.4%)
Other revenues	46,423,832	7,029,274	39,394,558	560.4%
Change in net assets	**63,024,215**	**9,331,604**	**53,692,611**	**575.4%**
Net position – beginning, restated	333,027,376	323,695,772	9,331,604	2.9%
Net position - ending	**$ 396,051,591**	**$ 333,027,376**	**$ 63,024,215**	**18.9%**

The following graphs illustrate operating and nonoperating revenues and expenses as a percent of the total for the year ended June 30, 2015.





The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of $63.0 million. Overall, operating revenues are comparable to the prior year, with a slight increase of 5.4%. Tuition and fees increased by $5.1 million compared the prior reporting period due mainly to an increase in the number of students. There was an increase in Auxiliary enterprises revenue of $1.6 million, which is mostly due to an increase in new book sales and increased revenue from rental of the events center. Operating grants and contracts revenue decreased significantly from the prior year due mainly to a 2014 contract with the FAA that was not received in 2015. Private grants and contracts increased significantly due to a grant from the NCAA.

Operating expenses increased from the prior year by 7.2% or $19.2 million. Salaries and related employee benefits increased by $13.0 million or 7.9%. Salaries and benefits increased due to hiring more faculty and staff, equity and retention increases, and a cost of living increase. The increase in benefits is due to the increase in salaries which subsequently increased the amount of taxes and retirement contributions paid by the University. State appropriations increased dramatically from the prior year and those funds were used in large part to hire adjunct faculty as full time professors. There was an increase in tuition waivers, which have a direct impact on student financial aid. Student financial aid was down $2.0 million or 5.8%. Auxiliary enterprises expenses increased by 22.5% due mainly to an increase in purchasing new books for the bookstore inventory. The increase in cost of sales is related to higher sales at the bookstore and food services across campus.

General and administrative, and maintenance and utilities expenses increased by $4.7 million or 9.9%. Accounting for that change was an increase in computer and software purchases, office furniture purchases, and instructional equipment and supplies. Most of the increases were due to furnishing the new Classroom Building. Adding the new Student Life and Wellness Building in 2014 and the new Classroom Building in 2015 has also increased costs such as utilities.

Total nonoperating revenues and expenses increased dramatically compared to the prior year. State appropriations increased by $28.9 million or 40.6%. Interest on capital related debt increased by 1.6 million or 136.4%. The increase was expected and is part of the bond repayment schedule.

Capital appropriations increased by $43.8 million due to the completion of the Classroom Building. The project was completed by the State and transferred to the University during fiscal year 2015.

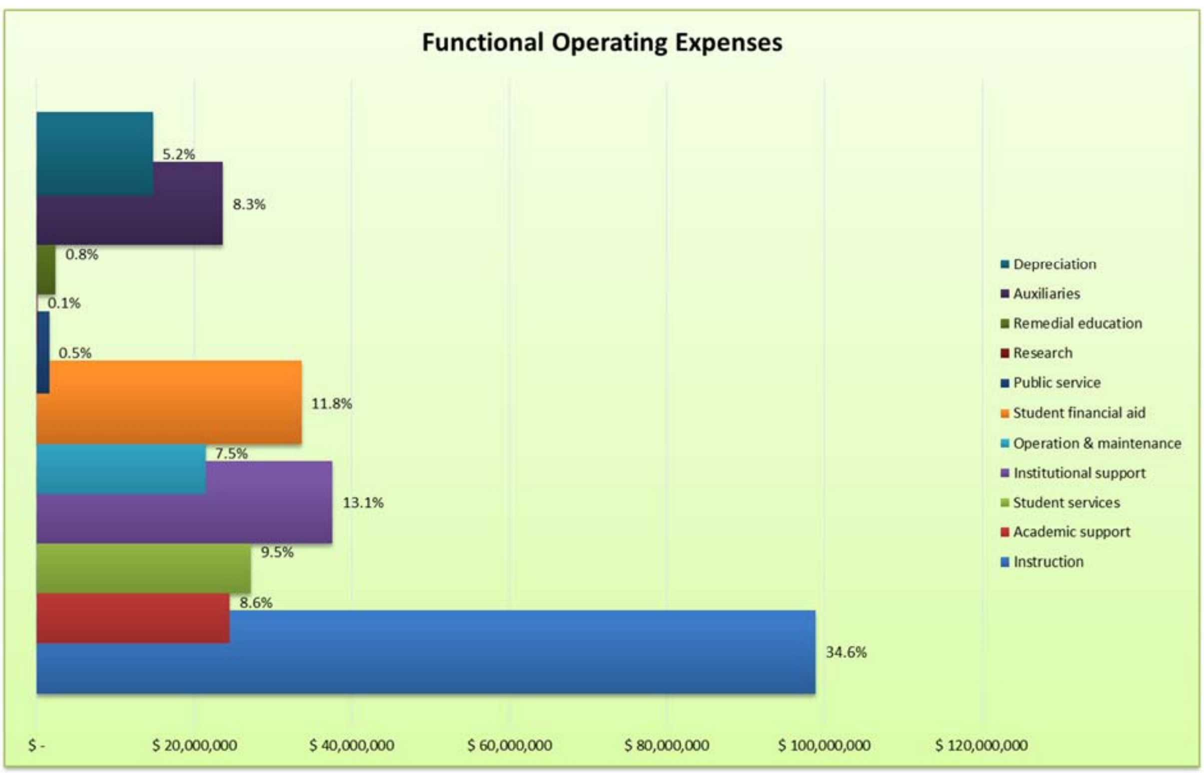
Capital grants and gifts decreased 95.4% due to very successful fundraising effort to pay for the new Wee Care Center with mostly private funds in the prior year.

Depreciation expense increased by 14.8% due to the acquisition of new buildings that have begun depreciating.

The following is a summary of the University's expenses by programmatic (functional) classification for the years ended June 30, 2015, and 2014:

	June 30, 2015	June 30, 2014	Change	% Change
Operating Expenses				
Instruction	$ 98,879,716	$ 91,472,293	$ 7,407,423	8.1%
Academic support	24,500,299	22,878,739	1,621,560	7.1%
Student services	27,209,377	26,346,037	863,340	3.3%
Institutional support	37,583,274	35,279,629	2,303,645	6.5%
Operation & maintenance	21,434,037	19,394,782	2,039,255	10.5%
Student financial aid	33,630,204	35,996,523	(2,366,319)	(6.6%)
Public service	1,602,805	2,073,173	(470,368)	(22.7%)
Research	147,600	239,051	(91,451)	(38.3%)
Remedial education	2,413,953	2,134,837	279,116	13.1%
Auxiliaries	23,677,922	17,978,591	5,699,331	31.7%
Depreciation	14,749,567	12,842,808	1,906,759	14.8%
Total Operating Expenses	**$ 285,828,754**	**$ 266,636,463**	**$ 19,192,291**	**7.2%**

The following graph illustrates functional operating expenses as a percent of the total for the year ended June 30, 2015.



The $7.4 million increase in instruction related costs are due primarily to an increase of $6.8 million in salaries and benefits. Costs associated with academic support increased from the prior year by $1.6 million or 7.1%. The increase was due primarily to an increase of $1.2 million in salaries and benefits and a $0.4 million increase in general and administrative costs.

Operation and maintenance of plant expenditures increased $2.0 million due mainly to general and administrative costs increasing by $1.0 million.

The functional expense of student financial aid decreased significantly by $2.4 million from the prior year. This decrease is attributed to an increase in waivers of $3.2 million.

Public service decreased $0.5 million or 22.7%, which was primarily due to a decrease in salaries and benefits of $0.4 million.

Auxiliary expenses increased by $5.7 million due mostly to an increase in salaries and benefits of $3.2 million and cost of goods sold of $1.7 million. Cost of goods sold increased to due to an increase in new book sales. General and Administrative costs also increased by $1.4 million.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash used for the acquisition and construction of capital related items. The fourth section details the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

STATEMENT OF CASH FLOWS, CONDENSED

	June 30, 2015	June 30, 2014	Change	% Change
Cash provided (used) by:				
Operating activities	$ (129,788,677)	$ (121,452,706)	$ (8,335,971)	6.9%
Noncapital financing activities	162,293,409	137,045,844	25,247,565	18.4%
Capital and related financing activities	(12,428,895)	(47,914,813)	35,485,918	(74.1%)
Investing activities	(11,166,547)	(13,683,977)	2,517,430	(18.4%)
Change in cash	8,909,290	(46,005,652)	54,914,942	(119.4%)
Cash - beginning of year	67,014,014	113,019,666	(46,005,652)	(40.7%)
Cash – end of year	**$ 75,923,304**	**$ 67,014,014**	**$ 8,909,290**	**13.3%**

The University's cash increased by $8.9 million mostly due to an increase in cash from noncapital financing activities of $25.2 million. State appropriation increased $24.8 million from the prior year to provide total cash inflows of $94.7 million. Grants and contracts provided cash of $65.6 million, which was an increase of $1.1 million from the prior year. The cash inflows of 162.3 million provided by noncapital financing activities was offset by cash outflows in operating, capital related financing, and investing activities.

Operating activities include cash inflows from tuition received ($117.8 million) and sales from auxiliary services ($16.7 million), as well as cash outflows from payments related to employee salaries and benefits ($178.2 million) and student aid in the form of scholarships and fellowships ($33.1 million). Cash outflows from operating activities was 8.3 million more than in 2014. Most of the increase in cash outflows ($15.4 million) was due to payments related employees services and benefits. This increase in cash outflows was partially offset by an increase in cash inflows of tuition and fees of $11.5 million from the prior year.

Cash also decreased due to capital and related financing activities ($12.4 million) and investing activities ($11.2 million). The decrease in cash used for the purchase of capital assets of $45.4 million from the prior year is due to the completion of construction of the Student Life and Wellness Building and parking structure in 2014. There was not similar construction in 2015 where the payments for construction were provided by the University. The Classroom building mentioned earlier did not require cash outflows from the University because it was built by the State and transferred to the University upon completion. The decrease in cash related to investing activities is due to the purchase of investments.

Outlook

The University's overall financial position is strong and the outlook for the future looks bright. The economy of the State of Utah is better than most states but it is not without its own challenges. The State is expecting the economy to gradually strengthen during 2016. State appropriations for higher education are expected to remain at 2015 levels.

For fall of 2015, student enrollment increased by 6.0% and tuition increased by 3.6%. Tuition and fees as a percent of total revenues (32.3%) is greater than the percentage of State appropriations as a percentage of total revenue 28.5% for the University, therefore, the expectation of appropriations being lower at 2015 amounts will be tempered by the increase in tuition and fees collected. The University is projecting enrollment in the next year to be slightly higher than 2015.

The University will continue to take a conservative approach for construction and expansion of facilities.

Utah Valley University is well positioned to overcome the challenges of growth and future economic conditions. The University will make the necessary investments which will secure an even brighter future.

TWO THOUSAND FIFTEEN

FINANCIAL STATEMENTS

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2015

	Primary Institution UVU	Component Unit UVU Foundation	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 66,381,418	$ 12,201,387	$ 78,582,805
Restricted cash, cash equivalents	5,166,659	-	5,166,659
Investments	10,000,000	-	10,000,000
Accounts receivable, net	8,553,579	-	8,553,579
Notes and pledges receivable	259,234	8,649,058	8,908,292
Prepaid expenses	450,554	9,237	459,791
Inventories	2,774,194	-	2,774,194
Total current assets	93,585,638	20,859,682	114,445,320
Noncurrent assets			
Restricted cash, cash equivalents	4,375,227	34,027,968	38,403,195
Investments	35,056,975	-	35,056,975
Accounts receivable, net	5,649,714	-	5,649,714
Notes and pledges receivable	1,292,981	18,303,246	19,596,227
Other long term assets	-	3,566,671	3,566,671
Net pension asset	25,830	-	25,830
Capital Assets			
Non-depreciable capital assets	53,926,058	-	53,926,058
Depreciable capital assets, net	319,564,307	-	319,564,307
Total noncurrent assets	419,891,092	55,897,885	475,788,977
Total assets	**513,476,730**	**76,757,567**	**590,234,297**
DEFERRED OUTFLOWS OF RESOURCES	3,737,365	-	3,737,365
LIABILITIES			
Current liabilities			
Accounts payable	4,047,271	-	4,047,271
Accrued liabilities	11,584,238	-	11,584,238
Other liabilities	366,863	-	366,863
Unearned revenue	9,134,687	-	9,134,687
Current portion of bonds, notes, and capital leases payable	3,733,022	-	3,733,022
Funds held for others	684,571	-	684,571
Total current liabilities	29,550,652	-	29,550,652
Noncurrent liabilities			
Accrued liabilities	3,981,060	323,379	4,304,439
Unearned revenue	651,111	-	651,111
Net pension liability	19,363,244	-	19,363,244
Bonds, notes, and capital leases payable	65,796,308	-	65,796,308
Total noncurrent liabilities	89,791,723	323,379	90,115,102
Total liabilities	**119,342,375**	**323,379**	**119,665,754**
DEFERRED INFLOWS OF RESOURCES	1,820,129	-	1,820,129
NET POSITION			
Net investment in capital assets	308,045,486	-	308,045,486
Restricted			
Nonexpendable: Scholarships	-	21,097,824	21,097,824
Expendable:			
Grants and contracts	3,588,935	-	3,588,935
Scholarships and loans	1,900,777	47,222,411	49,123,188
Unrestricted	82,516,393	8,113,953	90,630,346
Total net position	**$ 396,051,591**	**$ 76,434,188**	**$ 472,485,779**

For the Year Ended June 30, 2015

	Primary Institution UVU	Component Unit UVU Foundation	Total
REVENUES			
Operating revenues			
Student tuition and fees (net of scholarships and allowances of $40,813,183)	$ 113,798,683	$ -	$ 113,798,683
Private grants and contracts	302,433	-	302,433
Grants and contracts	321,397	-	321,397
Sales and services of education departments	3,636,287	-	3,636,287
Auxiliary enterprises (net of scholarships and allowances of $2,230,250)	13,354,478	-	13,354,478
Other operating revenues	4,685,744	-	4,685,744
Total operating revenues	**136,099,022**	**-**	**136,099,022**
EXPENSES			
Operating expenses			
Salaries	131,202,250	-	131,202,250
Fringe benefits	46,138,141	-	46,138,141
Student financial aid	33,073,520	1,579,572	34,653,092
Maintenance and utilities	12,379,674	-	12,379,674
General and administrative	39,098,738	3,411,426	42,510,164
Cost of goods sold - auxiliary enterprises	9,186,864	-	9,186,864
Depreciation	14,749,567	-	14,749,567
Total operating expenses	285,828,754	4,990,998	290,819,752
Operating loss	**(149,729,732)**	**(4,990,998)**	**(154,720,730)**
NONOPERATING REVENUES (EXPENSES)			
State appropriations	100,190,129	-	100,190,129
Federal grants and contracts	57,106,241	-	57,106,241
State grants and contracts	8,203,401	-	8,203,401
Gifts	2,945,760	20,389,911	23,335,671
Investment income (net of Foundation investment expense of $346,786)	894,508	2,046,796	2,941,304
Interest on capital asset-related debt	(2,820,941)	-	(2,820,941)
Other nonoperating revenues (expenses)	(188,983)	-	(188,983)
Net nonoperating revenues (expenses)	166,330,115	22,436,707	188,766,822
Income before other revenues, expenses, gains, or losses	**16,600,383**	**17,445,709**	**34,046,092**
Capital appropriations	46,212,164	-	46,212,164
Gifts to endowments	-	906,842	906,842
Capital grants and gifts	211,668	-	211,668
Total other revenues	46,423,832	906,842	47,330,674
Increase in net assets	**63,024,215**	**18,352,551**	**81,376,766**
NET POSITION			
Net position--beginning of year, as restated	333,027,376	58,081,637	391,109,013
Net position--end of year	**$ 396,051,591**	**$ 76,434,188**	**$ 472,485,779**

For the Year Ended June 30, 2015

	Primary Institution UVU
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 117,784,309
Receipts from grants and contracts	623,830
Receipts from auxiliary and educational sales and services	16,711,369
Collection of loans to students	223,180
Payments to suppliers	(58,180,440)
Payments for employee services and benefits	(178,168,706)
Payments for student aid: scholarships and fellowships	(33,107,416)
Loans issued to students	(447,381)
Other operating receipts	4,772,578
Net cash used by operating activities	**(129,788,677)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	94,726,761
Federal, state and private grants and contracts	64,995,945
Gifts	2,570,703
Net cash provided by noncapital financing activities	**162,293,409**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital appropriations	13,992
Purchases of capital assets	(5,783,013)
Principal paid on capital debt and leases	(3,590,531)
Interest paid on capital related debt	(3,069,343)
Net cash used by capital and related financing activities	**(12,428,895)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	33,517,787
Receipt of interest on investments	968,410
Purchase of investments	(45,652,744)
Net cash used by investing activities	**(11,166,547)**
Net decrease in cash	8,909,290
Cash and cash equivalents - beginning of year	67,014,014
Cash and cash equivalents - end of year	**$ 75,923,304**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	**$ (149,729,732)**
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	14,749,567
DFCM projects not capitalized	2,279,865
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Receivables, net	3,168,847
Inventories	334,884
Prepaid expenses	(112,578)
Accounts payable	9,520
Accrued liabilities	860,875
Unearned revenue	528,508
Funds held for others	(13,334)
Other liabilities	(100,421)
Net pension asset	(16,820)
Deferred outflows of resources	(961,966)
Net pension liability	(2,606,021)
Deferred inflows of resources	1,820,129
Net Cash Used by Operating Activities	**$ (129,788,677)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Donated library books	$ 39,503
Donated assets	172,165
Assets contributed by DFCM	45,943,259
Adjustments to fair market value of investments	56,975
Total Noncash Activities	**$ 46,211,902**

TWO THOUSAND FIFTEEN

NOTES TO THE FINANCIAL STATEMENTS

ANNUAL FINANCIAL REPORT

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Basis of Presentation

Utah Valley University (the University) is a component unit of the State of Utah. It is considered a component unit because it was established under Utah statute, receives funding appropriations from the State, and is financially accountable to the State. The financial activity of the University is included in the State's Comprehensive Annual Financial Report. The accompanying financial statements include all activities that are directly controlled by the University. In addition, the financial statements include the financial position and activities of the University's discretely presented component unit, the Utah Valley University Foundation (the Foundation). A discrete component unit is an entity which is legally separate from the University, but which is financially accountable to the University or whose relationship with the University is such that excluding it would cause the University's financial statements to be misleading or incomplete.

The Foundation is a separate but affiliated non-profit corporation. The Foundation's economic resources are used for the direct benefit of the University. The accounts of the Foundation are reported under the heading "Component Unit" in the financial statements. The Foundation is administered by a Board of Directors comprised of various members of the local community. The President of the University is a permanent non-voting member of the Board.

The Foundation issues separate financial statements which are audited by independent auditors. These statements follow the Financial Accounting Standards Board (FASB) guidelines. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component unit's financial information included in the University's financial report.

The Foundation publishes audited financial statements annually. A copy of the audited financial statements can be obtained from the University's Institutional Advancement Office at 800 West University Parkway, Orem, Utah 84058.

Basis of Accounting

For financial reporting purposes, the University is considered a special purpose government entity 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.

Cash Equivalents

For the purposes of the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurers' Investment Fund (PTIF) are considered cash equivalents.

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 gains (losses) 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.

Accounts Receivable

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

Inventories

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

Capital Assets

Capital assets are recorded at cost on the date of acquisition or in the case of gifts, fair market value at the date of donation. For equipment, the University's capitalization policy includes all items with a unit cost of $5,000 or more and an estimated useful life greater than one year. Buildings, building additions, and building improvements that extend the useful life of the asset or infrastructure, and leasehold and land improvements are capitalized if the cost is over $250,000. Library books are capitalized and depreciated over their useful lives. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings and improvements, 30 years for infrastructure and aircraft (less than 15 years old when acquired), 20 years for the library collection, 15 years for aircraft (greater than 15 years old when acquired), 10 years for land improvements and works of art, and 3 to 5 years for equipment. Leasehold improvements are amortized over the lesser of the useful life of the improvement or the lease term.

Noncurrent Liabilities

Noncurrent liabilities include: (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for accrued liabilities that will not be paid within the next fiscal year (3) unearned revenue, (4) the University's share of any unfunded liability associated with participation in the defined benefit plans of the Utah Retirement Systems.

Unearned Revenues

Unearned revenues include amounts received for tuition and fees prior to the end of the fiscal year but related to the subsequent accounting period. Unearned revenues also include amounts received from grants and contract sponsors that have not yet been earned.

Compensated Absences

Salaried, non-faculty full-time employees are entitled to accrue and carry forward at a calendar year-end a maximum of 30 days of annual vacation leave. Upon termination of employment, employees are entitled to be paid for accumulated unused annual vacation leave up to 30 days, but are not entitled to any payment for unused sick leave. The compensated absences liability includes accrued annual leave and compensatory overtime leave earned for which the employees are entitled to paid time off or payment at termination. The University calculates the compensated absences liability based on recorded balances of unused leave for which the employer expects to compensate employees through paid time off or cash payments at termination. That liability is calculated at fiscal year-end current salary costs and the cost of the salary-related benefit payments. The net change in the liability is recorded in the current year in the applicable functional expenditure category.

Classification of Revenues and Expenses

The University has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) applicable federal, state and local grants and contracts, and (4) fees charged to institutional loans.

Nonoperating Revenues: Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating cash flows by GASB No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and by GASB No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments,* such as state appropriations, investment income, and Pell Grants and like revenues.

Operating Expenses: With the exception of interest expense and losses on the disposal of capital assets, all expense transactions are classified as operating expenses.

Deferred Outflows/Inflows of Resources

The University records its share of any unfunded liability associated with participation in the defined benefit plans of the Utah Retirement Systems (Systems). For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems' Pension Plan and additions to/deductions from the Systems' fiduciary net position are determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

A deferred outflow of resources charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt (See Note 8).

Restricted and Unrestricted Resources

When expenses are incurred for purposes for which both restricted and unrestricted resources are available, it is the University's general policy to use restricted resources first.

Net Position

The University's net position is classified as follows:

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

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

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

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

Implementation of New Pronouncements

The GASB issued Statement No. 68, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 27,* and Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date,* became effective for fiscal year 2015. This new accounting and reporting standard impacted the University's recognition and timing of assets and liabilities in the financial statements. The requirements of this statement require restating beginning net position (See Note 19).

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

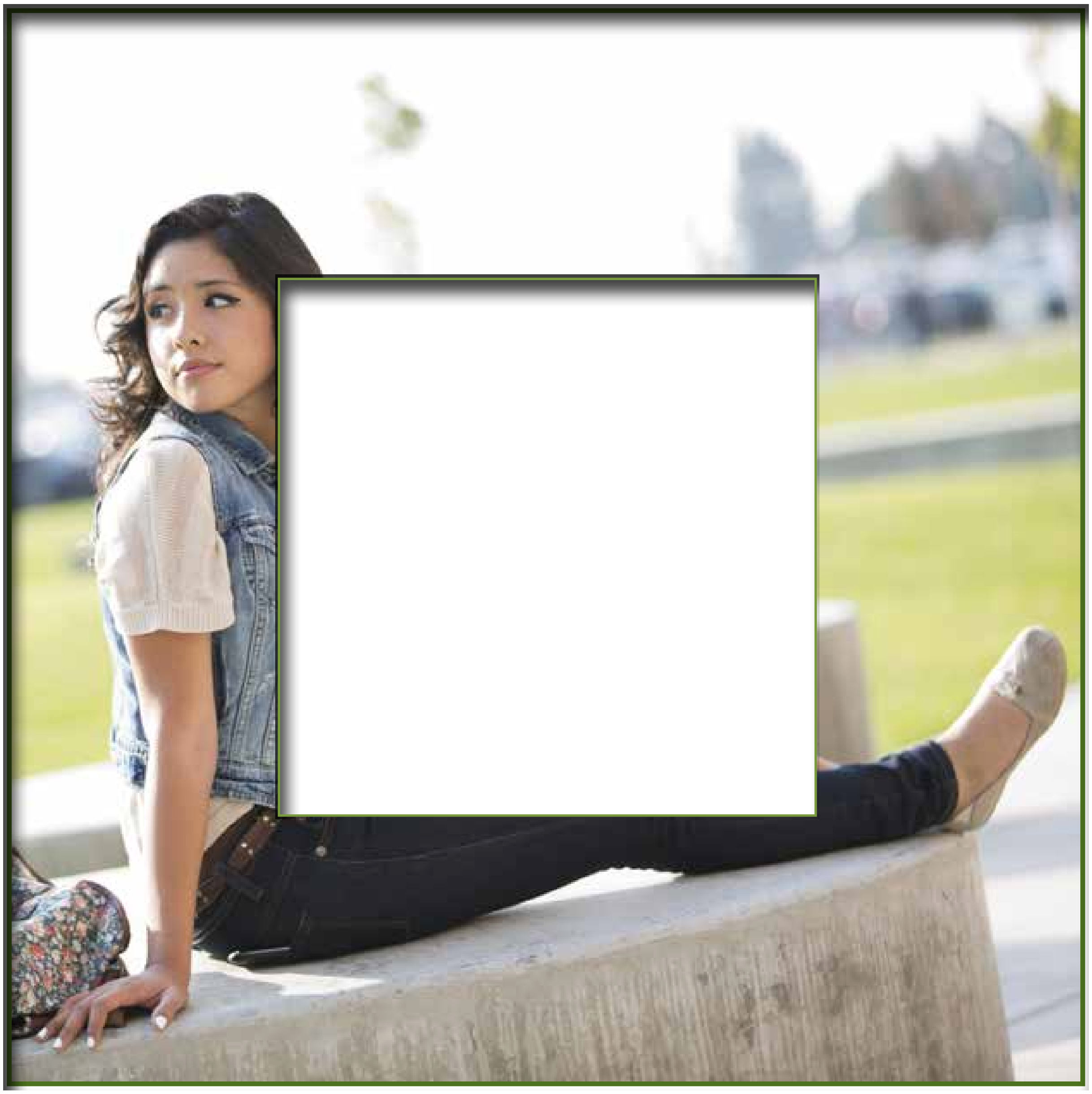
Income Taxes

The University is a political subdivision of the State of Utah and is consequently exempt from federal and state income taxes. The University also qualifies as an organization exempt from taxation under section 501 (c)(3) of the internal revenue code.

The Utah Valley University Foundation, a discretely presented component unit of the University, qualifies as an organization exempt from taxation under section 501 (c)(3) of the internal revenue code. Consequently, it is also exempt from state income tax.

Scholarship Allowance

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance.



NOTE 2. DEPOSITS AND INVESTMENTS

THE UNIVERSITY

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

The University follows the requirements of the Act (*Utah Code*, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of University funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the State of Utah Money Management Council.

For endowment funds, the University follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541).

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the University's deposits may not be returned to the University. The University does not have a formal deposit policy for custodial credit risk. At June 30, 2015, the carrying amounts of the University's deposits and bank balances were $8,636,288 and $8,997,282, respectively. $250,000 of the bank balances of the University was insured by the Federal Deposit Insurance Corporation (FDIC). 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. University's policy for reducing this risk of loss is to deposit all such balances in qualified depositories, as defined and required by the Act.

Investments

The Act defines the types of securities authorized as appropriate investments for the University's non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of the investment securities.

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

The UPMIFA and Rule 541 allow the University to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the Securities and Exchange Commission; investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Act, (Utah Code, Title 51, Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses of the PTIF, net of administration fees, 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.

As of June 30, 2015, the University had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than One**	**One to Five**	**Five to Ten**	**Ten to Twenty**
PTIF	$ 67,221,916	$ 67,221,916	$ -	$ -	$ -
Corporate bonds	13,061,375	10,000,000	3,061,375	-	-
Municipal/public bonds	2,008,841	-	2,008,841	-	-
U.S. Agencies	29,986,759	-	29,986,759	-	-
Total	$ 112,278,891	$ 77,221,916	$ 35,056,975	$ -	$ -

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act also restricts the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of institutions of higher education to 10 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University's policy for reducing its exposure to credit risk is to comply with the Act, the UPMIFA, and Rule 541, as previously discussed.

At June 30, 2015, the University had investments and quality ratings as follows:

		Quality Rating			
Investment Type	**Fair Value**	**AAA**	**AA**	**BBB**	**Unrated**
PTIF	$ 67,221,916	$ -	$ -	$ -	$ 67,221,916
Corporate bonds	13,061,375	-	-	13,061,375	-
Municipal/public bonds	2,008,841	2,008,841	-	-	-
U.S. Agencies	29,986,759	-	29,986,759	-	-
Totals	$ 112,278,891	$ 2,008,841	$ 29,986,759	$ 13,061,375	$ 67,221,916

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The University's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to between 5 and 10% depending upon the total dollar amount held in the portfolio. For endowment funds, Rule 541 requires that a minimum of 25% of the overall endowment portfolio be invested in fixed income or cash equivalents. Also, the overall endowment portfolio cannot consist of more than 75% equity investments. Rule 541 also limits investments in alternative investment funds, as allowed by Rule 541, to between 0% and 30% based on the size of the University's endowment fund. The University held more than 5 percent of its total investments in the Federal Home Loan Bank, Fannie Mae, and the Federal Farm Credit Bank. These investments represent 6.24 percent, 8 percent, and 8.46 percent, respectively, of the University's total investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk. At June 30, 2015, the University had $13,061,375 in corporate bonds $2,008,841 in municipal/public bonds, and $29,986,759 in U.S. Agency bonds which were uninsured and held by the counterparty's trust department, but not in the University's name.

THE FOUNDATION

Deposits – The Foundation

The Foundation maintains its cash balances in the PTIF and in several financial institutions. The amount on deposit at June 30, 2015, in the PTIF account was $12,199,944 and was combined with the University's PTIF account. Although this amount is not covered by federal depository insurance nor guaranteed by the State, PTIF balances are secured by investments purchased in compliance with the Act, are unrated, and have an average maturity of less than one year.

Custodial Credit Risk – The Foundation

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned to the Foundation. The Foundation does not have a formal deposit policy for custodial credit risk. The total amount deposited in various other financial institutions at June 30, 2015, was $1,443, all of which was insured by the FDIC.

Investments – The Foundation

As of June 30, 2015, the Foundation had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than One	One to Five	Five to Ten	Ten to Twenty
Mutual funds	$ 17,218,722	$ 17,212,503	$ 6,219	$ -	$ -
Money market accounts	1,023,003	1,023,003	-	-	-
Certificates of deposits	566,889	-	566,889	-	-
Total	**18,808,614**	**$ 18,235,506**	**$ 573,108**	**$ -**	**$ -**
Common and preferred stocks	15,219,354				
Total	**$ 34,027,968**				

Interest Rate Risk – The Foundation

Investments with interest rates that are fixed for longer periods are likely to be subject to more variability in their fair values as a result of future changes in interest rates. The Foundation investment policy limits investing in any issuance with a maturity over 30 years and requires the overall portfolio average life to be less than 15 years as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The Foundation

Credit quality can be a depiction of potential variable cash flows and credit risk. The credit rating reported is a weighted average of the Standard & Poor's rating of all Foundation holdings. The Foundation does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

At June 30, 2015, the Foundation's credit quality ratings for investments in debt securities were as follows:

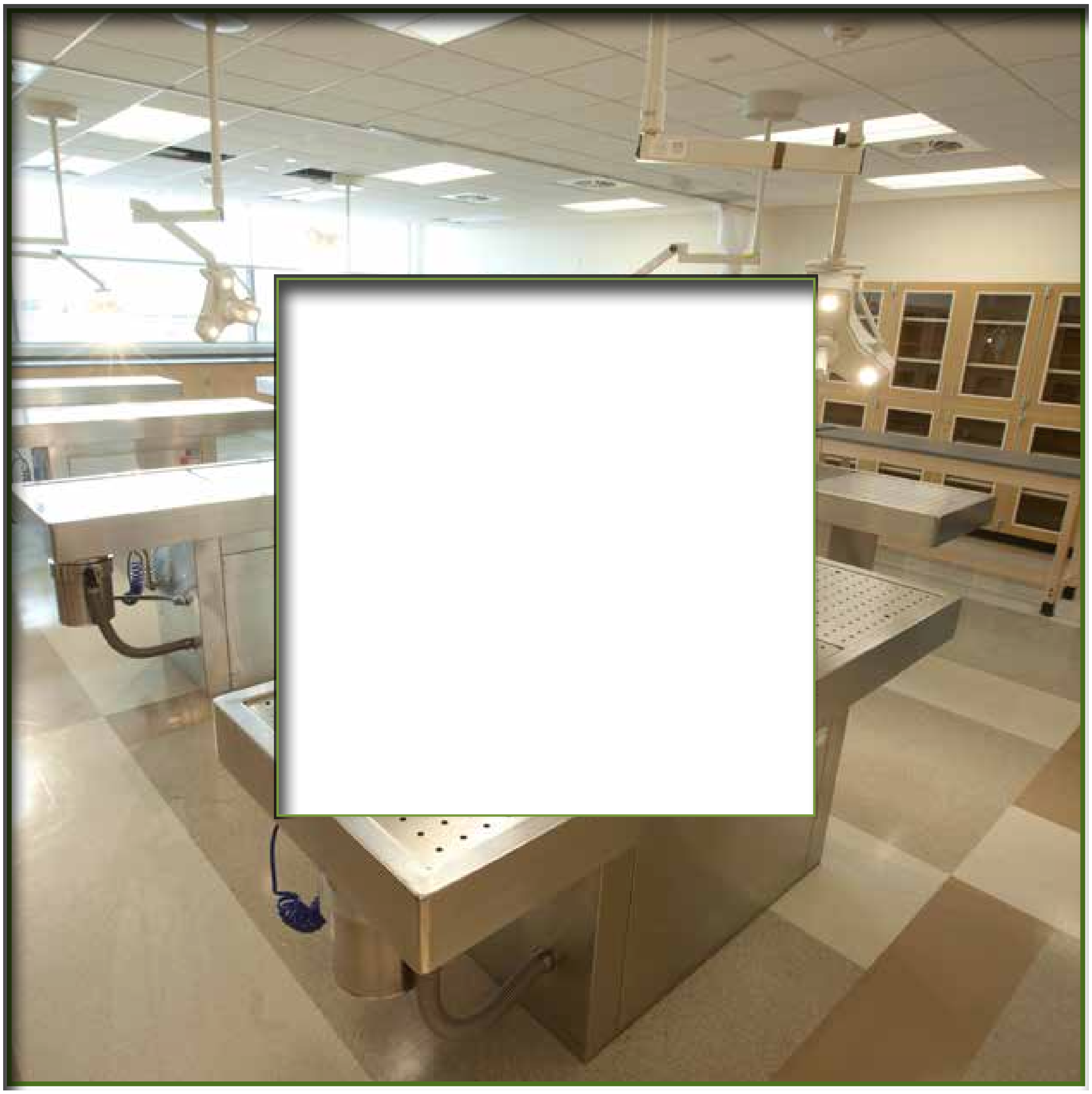
		Quality Rating			
Investment Type	**Fair Value**	**AAA to A+**	**A**	**B**	**Unrated**
Mutual funds	$ 17,218,722	$ -	$ -	$ -	$ 17,218,722
Money market accounts	1,023,003	-	-	-	1,023,003
Certificates of deposit	566,889	-	-	-	566,889
Totals	**$ 18,808,614**	**$ -**	**$ -**	**$ -**	**$ 18,808,614**

Custodial Credit Risk – The Foundation

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Foundation will not be able to recover the value of the investments that are in the possession of an outside party. The Foundation does not have a formal investment policy for custodial credit risk in regard to the custody of the Foundation's investments.

Concentration of Credit Risk – The Foundation

Although investments intrinsically carry credit risk, when investments are concentrated in one issuer, this concentration presents a heightened risk of potential loss. The Foundation's investment policy limits to 3% of the total portfolio fair value the amount the Foundation may invest in any one issuer.



NOTE 3. ACCOUNTS, NOTES, AND PLEDGES RECEIVABLE

University accounts receivable consisted of the following at June 30, 2015:

Current accounts receivable, net	
Student tuition and fees	$ 1,127,654
Investment interest	163,665
Operating activities	847,901
Auxiliary enterprises	1,502,559
Grants and contracts	942,948
Total	4,584,727
Less allowance for doubtful accounts	(449,529)
Total	4,135,198
Current accounts receivable-state agency	
Operating activities	67,403
Utah Department of Facilities Construction and Management	3,438,416
Grants and contracts	912,562
Total	4,418,381
Noncurrent accounts receivable, net	
Student tuition and fees	5,143,708
Operating activities	2,556,477
Less allowance for doubtful accounts	(2,050,471)
Total	5,649,714
Total	**$ 14,203,293**

University notes and pledges receivable consisted of the following at June 30, 2015:

Current notes and pledges receivable, net		
Loans to students	$	332,569
Less allowance for doubtful accounts		(73,335)
Total		259,234
Noncurrent notes and pledges receivable, net		
Loans to students		1,547,863
Less allowance for doubtful accounts		(254,882)
Total		1,292,981
Total	**$**	**1,552,215**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the notes receivable at June 30, 2015. Under this perpetual loan program, the federal government provided approximately 75% of the initial funds contributed to the program which in turn are issued as loans to students. The University provided a matching contribution to the fund of 25%. Under certain conditions, loans can be forgiven at annual rates of 10% to 30% of the balance up to maximums of 50% to 100% of the balance of the loan.

As the University determines that loans are uncollectible and not eligible to be forgiven by the federal government, the loans are written off and assigned to the U.S. Department of Education. The University has provided an allowance for uncollectible loans which in management's opinion, is sufficient to absorb loans that will ultimately be written off. At June 30, 2015, the allowance for uncollectible loans was $328,217.

NOTE 4. INVENTORIES

Auxiliary enterprises	$	2,147,109
Supplies and other inventory		627,085
Total	**$**	**2,774,194**

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

University accounts payable consisted of the following at June 30, 2015:

Current accounts payable	
Interest payable	$ 398,589
Vendors payable	2,156,455
Grants and contracts	363,061
Employee deposits payable	246,857
Total	3,164,962
Current accounts payable-related party	
Interest payable	98,243
Current accounts payable-state agency	
State taxes payable	15,384
Other payable	133,018
Division of Facilities and Construction Management payable	635,664
Total accounts payable - state agency	784,066
Total	**$ 4,047,271**

University accrued liabilities consisted of the following at June 30, 2015:

Current accrued liabilities	
Federal taxes payable	$ 1,205,858
Wages payable	3,803,817
Early retirement payable	267,564
Accrued leave payable	1,982,198
Medical and dental claims payable	1,580,227
Student reimbursements	40,063
Payroll liabilities	1,457,409
Total	10,337,136
Current accrued liabilities-state agency	
State taxes payable	640,046
Payroll liabilities	607,056
Total	1,247,102
Noncurrent accrued liabilities	
Early retirement payable	525,233
Accrued leave payable	3,455,827
Total	3,981,060
Total	**$ 15,565,298**

NOTE 6. UNEARNED REVENUE

Unearned revenue of the University consisted of the following at June 30, 2015:

Current unearned revenue	
Prepaid tuition and fees	$ 8,188,238
Grants and contracts	946,449
Total	9,134,687
Noncurrent unearned revenue	
Grants and contracts	651,111
Total unearned revenue	**$ 9,785,798**

NOTE 7. CAPITAL ASSETS

The following are the changes in capital assets of the University for the year ended June 30, 2015:

	Beginning Book Value	Increases	Decreases	Ending Book Value
Capital assets not being depreciated				
Land	$ 44,422,770	$ 10,845	$ -	$ 44,433,615
Land improvements- non depreciable	6,911,491	-	-	6,911,491
Works of art and historical treasures	1,541,353	172,165	-	1,713,518
Construction in process	34,142	1,340,922	(507,630)	867,434
Total not being depreciated	52,909,756	1,523,932	(507,630)	53,926,058
Capital assets being depreciated				
Land improvements – depreciable	9,182,046	-	-	9,182,046
Infrastructure	23,608,743	19,992	-	23,628,735
Buildings	321,975,061	46,598,219	-	368,573,280
Leasehold Improvements	2,543,205	-	-	2,543,205
Equipment	45,746,668	4,865,512	(612,765)	49,999,415
Library books	6,768,788	289,010	(96,063)	6,961,735
Total being depreciated	409,824,511	51,772,733	(708,828)	460,888,416
Less accumulated depreciation				
Land improvements – depreciable	(4,925,277)	(646,842)	-	(5,572,119)
Infrastructure	(6,423,055)	(782,452)	-	(7,205,507)
Buildings	(79,957,533)	(8,691,877)	-	(88,649,410)
Leasehold Improvements	(460,061)	(81,688)	-	(541,749)
Equipment	(32,272,016)	(4,227,781)	603,384	(35,896,413)
Library Books	(3,236,046)	(318,927)	96,062	(3,458,911)
Total accumulated depreciation	(127,273,988)	(14,749,567)	699,446	(141,324,109)
Total depreciable capital assets, net	282,550,523	37,023,166	(9,382)	319,564,307
Total capital assets, net	**$ 335,460,279**	**$ 38,547,098**	**$ (517,012)**	**$ 373,490,365**

NOTE 8. DEFERRED OUTFLOWS/ DEFERRED INFLOWS OF RESOURCES

The University has the following deferred outflows and inflows of resources at June 30, 2015:

Deferred Outflows of Resources	
Deferred amount on refunding of bonds	$ 360,335
Difference between projected and actual earnings on pension investments	392,229
Pension contributions made after the measurement date	2,984,801
Total	$ 3,737,365

Deferred Inflows of Resources	
Difference between expected and actual pension experience	$ 1,175,123
Change in actuarial assumptions	645,006
Total	$ 1,820,129

Pension associated deferred outflows and inflows of resources are related to the adoption of the new GASB Statements No. 68 and No. 71 (See Note 14).

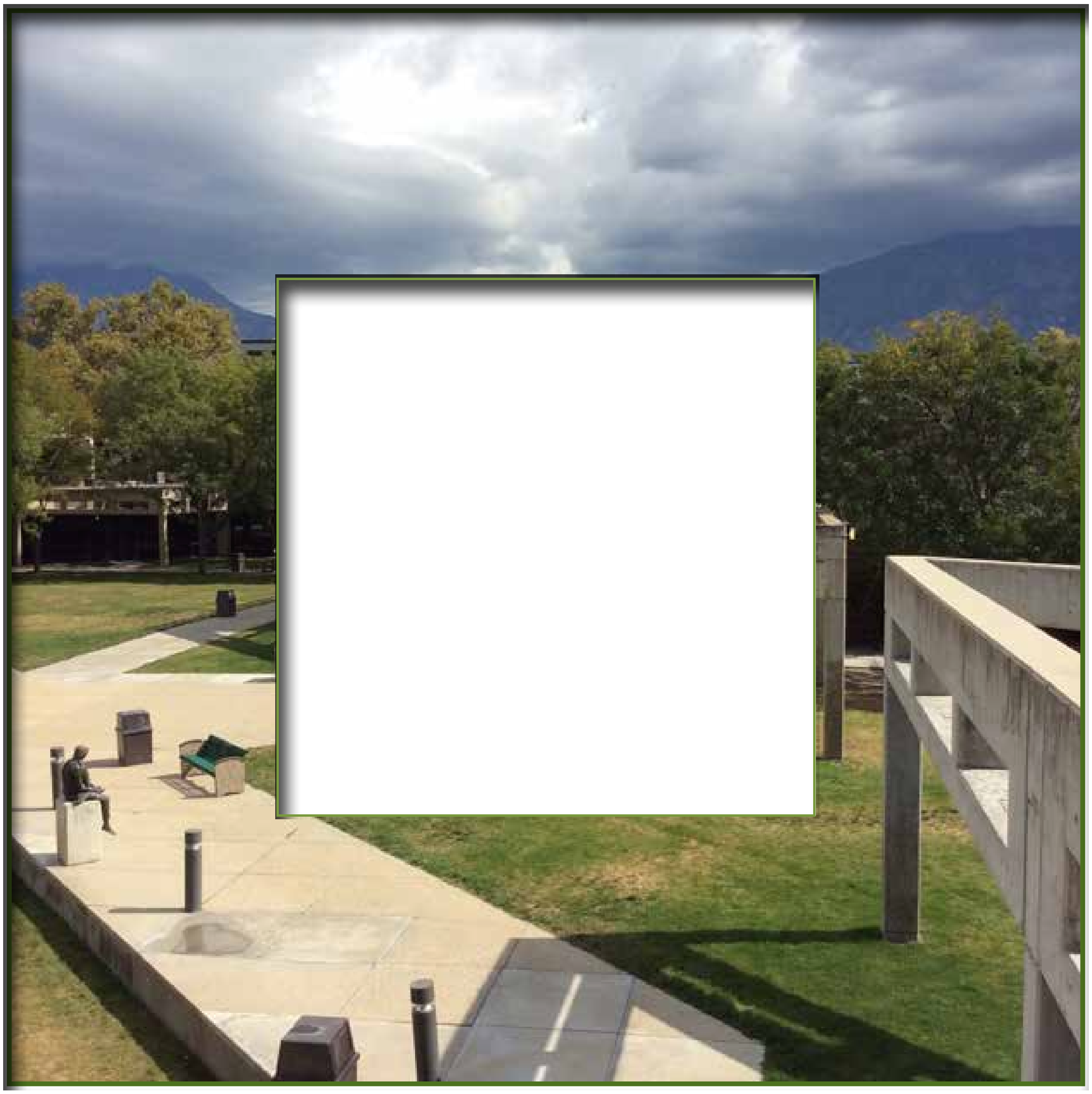
NOTE 9. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of the changes to the University's long-term liabilities during the fiscal year ended June 30, 2015:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 51,755,000	$ -	$ (2,555,000)	$ 49,200,000	$ 2,350,000
Premium	5,544,052	-	(298,940)	5,245,112	295,541
Discount	(6,249)	-	1,042	(5,207)	(1,042)
Total bonds payable	57,292,803	-	(2,852,898)	54,439,905	2,644,499
Capital leases	5,623,845	-	(599,148)	5,024,697	629,503
Notes payable	10,501,110	-	(436,382)	10,064,728	459,020
Total bonds, notes and capital leases	73,417,758	-	(3,888,428)	69,529,330	3,733,022
Net pension liability	21,969,265	-	(2,606,021)	19,363,244	-
Early retirement	696,591	317,255	(221,049)	792,797	267,564
Accrued leave	4,555,398	4,001,776	(3,119,149)	5,438,025	1,982,198
Total	**$ 100,639,012**	**$ 4,319,031**	**$ (9,834,647)**	**$ 95,123,396**	**$ 5,982,784**

The Foundation's liabilities for the years ending June 30 were as follows:

	2015	2014
Deferred annuity payments	$ 323,379	$ 353,246



NOTE 10. BONDS PAYABLE

Bonds payable consist of the Municipal Building Authority of Utah County, Utah, Lease Revenue Bonds, (Federally Taxable) Series 2004A {MBA 2004A}, the State Board of Regents of the State of Utah, Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2004A {SBR 2004A} and the State Board of Regents of the State of Utah, Utah Valley University, Student Center Building Fee and Unified System Revenue Bonds, Series 2012 A {SBR 2012A}.

The Municipal Building Authority of Utah County, Utah, issued Lease Revenue Bonds, (Federally Taxable) Series 2004A (Utah Valley State College Project), in the amount of $3,900,000 (Utah Valley State College Project) on August 3, 2004. The Authority leased the 2004 Projects to Utah County, Utah pursuant to a Master Lease Agreement dated August 1, 2004. The County, in turn, subleased the Series 2004 Projects to the State Board of Regents of the State of Utah on behalf of the University, pursuant to a Sublease Agreement dated as of August 1, 2004. The MBA 2004A (i) financing the acquisition and construction of a baseball stadium and related improvements; (ii) satisfying a reserve fund requirement; and (iii) paying the costs associated with the issuance of the 2004 Bonds.

The State Board of Regents of the State of Utah issued Student Center Building Fee and Unified System Revenue Refunding Bonds, Series 2004A, in the amount of $11,020,000, and Student Center Building Fee and Unified System Revenue Refunding Bonds, (Federally Taxable) Series 2004B, in the amount of $4,035,000 for and on behalf of the University on August 3, 2004. The SBR 2004 A&B Bonds were issued for the purpose of (i) refunding all of the State Regent's outstanding 2000 Bonds and the 1995A Bonds; (ii) satisfying a reserve fund requirements; and (iii) paying the costs associated with the issuance of the 2004 Bonds. The SBR 2004B Bonds were paid off in November of 2011.

The State Board of Regents of the State of Utah issued Student Center Building Fee and Unified System Revenue Bonds, Series 2012A, in the amount of $49,250,000. The SBR 2012A Bonds were issued for the purpose of (i) financing the acquisition and construction of a Student Life and Wellness building and a parking structure; (ii) satisfying a reserve fund requirement; (iii) paying capitalized interest; and (iv) paying the costs associated with the issuance of the 2012A Bonds.

Bonds payable at June 30, 2015 consisted of the following:

Description	Original Issue	Balance June 30, 2015	Due Within One Year
MBA 2004A Lease Revenue Bonds (federally taxable), due in annual installments through 2019, interest rates 5.5% to 6.0%	$ 3,900,000	$ 1,675,000	$ 295,000
Less discount	(16,666)	(5,208)	(1,042)
Total net MBA 2004A	3,883,334	1,669,792	293,958
SBR 2004A Student Center Building Fee and Unified System Revenue Refunding Bonds, due in annual installments through 2020, interest rates 4.0% to 4.5%	11,020,000	2,180,000	325,000
Plus premium	105,719	37,312	6,219
Total net SBR 2004A	11,125,719	2,217,312	331,219
SBR 2012A Student Center Building Fee and Unified System Revenue Bonds, due in annual installments through 2033, interest rates 3% to 5%	49,250,000	45,345,000	1,730,000
Plus premium	6,075,767	5,207,801	289,322
Total net SBR 2012A	55,325,767	50,552,801	2,019,322
Total net bonds	**$ 70,334,820**	**$ 54,439,905**	**$ 2,644,499**

Principal and interest on the SBR 2004A Bonds, the MBA 2004A Bonds, and the SBR 2012A Bonds are secured by pledged revenues. "Pledged Revenues" is defined under the Indenture as (i) Net Operating Revenues, (ii) all Student Center Building Fees, (iii) all earnings on all funds and accounts created under the Indenture (other than moneys held in any rebate fund) and (iv) to the extent applicable and permitted by law any debt service grants from the United States of America.

The following is a summary of the pledged revenues for fiscal year 2015 and the bond payments due in fiscal year 2016:

Pledged revenues		
Building fee – Spring	$	2,090,727
Building fee – Summer		580,081
Building fee – Fall		2,215,004
Total building fees		4,885,812
Interest income		20,996
Unified system revenues		381,787
Total pledged revenues		5,288,595
Principal and interest payments for fiscal year 2016		
SBR 2004A Bonds		412,290
MBA 2004A&B Bonds		386,650
SBR 2012A Bonds		3,688,050
Total principal and interest payments to be covered by pledged revenues	$	4,486,990

In addition, the SBR 2004A Bonds and the MBA 2004A Bonds are insured by a financial guaranty insurance policy issued by XL Capital Assurance Inc. The SBR 2004A Bonds and the MBA 2004A Bonds Debt Service Reserve Requirements have been met by the purchase of a Reserve Instrument from XL Capital Assurance Inc. As required by the SBR 2012A Bond, a reserve fund has been established with a balance of $3,722,288.

The scheduled maturities of bonds payable at June 30, 2015, are as follows:

Year	Principal	Interest	Total
2016	$ 2,350,000	$ 2,136,990	$ 4,486,990
2017	2,440,000	2,052,162	4,492,162
2018	2,530,000	1,954,404	4,484,404
2019	2,635,000	1,843,113	4,478,113
2020	2,750,000	1,726,695	4,476,695
2021-2025	11,740,000	6,983,412	18,723,412
2026-2030	14,440,000	3,795,125	18,235,125
2031-2033	10,315,000	629,700	10,944,700
Total	**$ 49,200,000**	**$ 21,121,601**	**$ 70,321,601**

NOTE 11. OPERATING LEASES

The University leases airport facilities and land under non-cancelable operating leases. Total costs for such leases were $46,843 for the year ended June 30, 2015.

The following is a schedule by year of future operating lease payments for the previously described operating leases:

Fiscal Year Ending June 30	**Operating Leases**
2016	$ 40,864
2017	40,864
2018	40,864
2019	40,864
2020	41,031
2021-2025	212,380
2026-2030	77,416
Total future minimum lease payments	**$ 494,283**

NOTE 12. CAPITAL LEASE OBLIGATIONS

The University has acquired certain equipment under various lease-purchase contracts or other capital lease agreements. The cost of University assets held under capital leases totaled $11,603,993 as of June 30, 2015. Accumulated depreciation of leased assets totaled $3,671,016 at June 30, 2015.

The assets acquired through capital leases are as follows:

Aircraft	$ 863,427
Less: accumulated depreciation	(268,490)
Mail meter equipment	16,831
Less: accumulated depreciation	(7,166)
ESCO Energy Savings Projects	10,723,735
Less: accumulated depreciation	(3,395,360)
Total net capital lease assets	**$ 7,932,977**

The following is a schedule by year of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2015:

Fiscal Year Ending June 30	Capital Leases
2016	$ 858,745
2017	811,824
2018	838,439
2019	862,387
2020	891,192
2021-2022	1,678,100
Total future minimum lease payments	5,940,687
Amounts representing interest	(915,990)
Present value of net minimum lease payments	**$ 5,024,697**

NOTE 13. EARLY RETIREMENT LIABILITY

The University provides an early retirement option to qualified employees who are approved by the administration in accordance with University policy as approved by the State Board of Regents. Employees who retire from the University on or after age 57 and whose combined total of age and years of service is 75 or greater may be qualified to receive benefits.

Benefits are payable for five years or until the retiree reaches age 65, whichever occurs first. The benefits include a stipend equal to 20 percent of the retiree's salary at the time of active employment along with medical and dental insurance. The stipend is paid semi-monthly. During the fiscal year ended June 30, 2015, 20 employees participated in the early retirement plan, most of which received both stipends and medical benefits. Of the 20 early retirees participating in the program, 15 participants received medical and dental insurance benefits and 17 participants received stipends.

The projected future cost of these stipends, and medical and dental insurance benefits have been calculated based on current payments plus projected increases expected of 1.19% and 7.46% respectively, based on historical data. The amount recognized on the financial statements was calculated at the discounted present value of the projected future costs.

The discount rate used of 0.5% was based on the estimated yield expected to be earned on the investments of the University. These benefits are funded on a pay-as-you-go basis from current funds each year. For the year ended June 30, 2015, the expenses for the 20 percent incentive stipend were $171,748 and the expenses for medical and dental insurance were $125,939.

NOTE 14. PENSION PLANS AND RETIREMENT BENEFITS

In compliance with State law, eligible employees of the University are covered by either defined benefit plans and/or defined contribution plans sponsored by the Utah Retirement Systems (Systems) or the University's 401(a) defined contribution plan with investment options through Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) and Fidelity Investments (Fidelity). Employees may also participate in defined contribution plans consisting of 401(k) and 457 plans managed by the Systems.

Defined Benefits Plans

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

- Tier 1 Public Employees Noncontributory Retirement System (Noncontributory System) and the Public Employees Contributory Retirement System (Contributory System) are multiple employer cost-sharing, public employee retirement systems.
- Tier 2 Public Employees Hybrid Retirement System (Tier 2 Public Employee System) is a multiple employer, cost sharing, public employee retirement system.

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

The Utah Retirement Systems (the Systems) are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and are a component unit of the State of Utah. Chapter 49 of the Utah Code grants the authority to establish and amend the benefit terms. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website www.urs.org.

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

Summary of Benefits by System

System	Final Average Salary	Age of Eligibility	Benefit % Per Year	COLA**
Noncontributory Systerm	Highest 3 Years	30 Years any age 25 Years any age* 20 Years age 60* 10 Years age 62* 4 Years age 65	2% per year all years	up to 4%
Contributory System	Highest 5 Years	30 Years any age 20 Years age 60* 10 Years age 62* 4 Years age 65	1.25% per year to June 1975 2.00% per year July 1975 to present	up to 4%
Tier 2 Public Employees System	Highest 5 Years	35 Years any age 20 Years age 60* 10 Years age 62* 4 Years age 65	1.5% per year to all years	up to 2.5%

* With actuarial reductions

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

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

	Employee Paid	Employer Paid	Employer Contribution Rates
Contributory System			
State and School Division Tier 1 (12)	N/A	6.00%	17.70%
State and School Division Tier 2 (112)	N/A	N/A	18.27%
Noncontributory System			
State and School Division Tier 1 (16)	N/A	N/A	22.19%

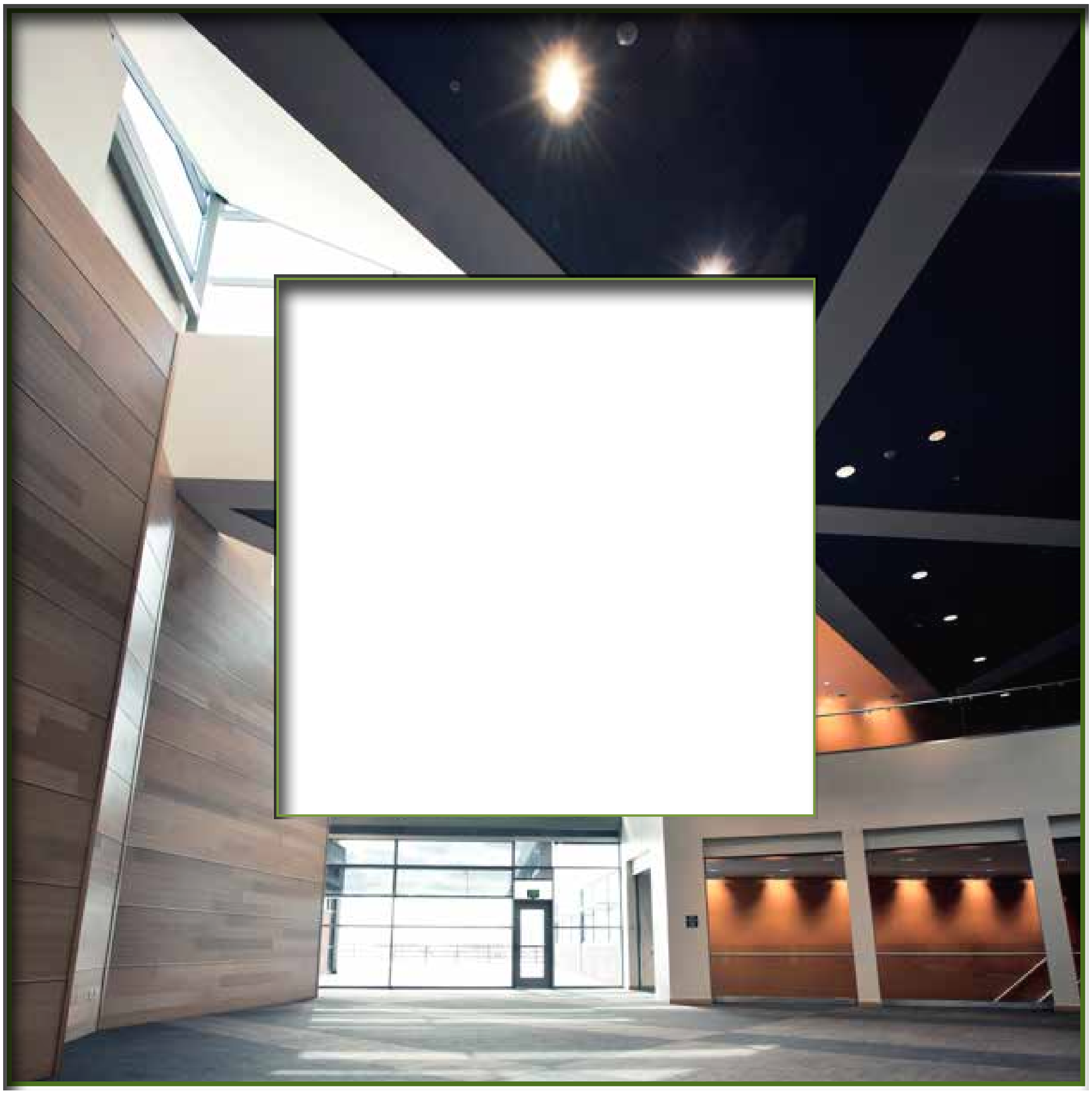
At December 31, 2014 the University's net pension asset and liability were as follows:

	Proportionate Share	**Net Pension Asset**	**Net Pension Liability**
Tier 1 Noncontributory System	0.7603048%	$ -	$ 19,102,876
Tier 1 Contributory System	2.3745669%	-	260,368
Tier 2 Contributory System	0.8523389%	25,830	-
Total		$ 25,830	$ 19,363,244

The net pension asset and liability were measured as of December 31, 2014. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability were based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014 pension expense of $3,926,620 was recorded. At December 31, 2014, the University's portion of the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ -	$ 1,175,123
Changes of assumptions	-	645,006
Net difference between projected and actual earnings on pension plan investments	392,229	-
Contributions subsequent to the measurement date	2,984,801	-
Total	$ 3,377,030	$ 1,820,129



Contributions made between January 1, 2015 and June 30, 2015 of $2,984,801 are reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending December 31,	Deferred Outflows (Inflows) of Resources
2015	$ (365,999)
2016	(365,999)
2017	(365,999)
2018	(301,664)
2019	(4,518)
Thereafter	(23,721)

Actuarial assumptions: The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% - 10.50%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Active mortality rates are a function of the participant's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Participant Mortality Class of Participant
Educators
Men RP (90%)
Women (100%)
Local Government, Public Employees
Men RP 2000mWC (100%)
Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

PR 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2014.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis: Target Allocation	Real Return Arithmetic Basis	Expected Real Rate of
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Total	100%		5.23%
Inflation			2.75%
Expected arithmetic nominal return			7.98%

The 7.5% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Systems' Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Detailed information about the pension plans' fiduciary net position is available in the separately issued URS financial report.

Sensitivity of the University's proportionate share of the net pension (asset) liability to changes in the discount rate: The following presents the proportionate share of the net pension (asset) liability calculated using the discount rate of 7.5%, as well as, what the proportionate share would be if calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension (asset) liability			
Contributory system	$ 2,184,418	$ 260,368	$ (1,367,062)
Noncontributory	38,059,330	19,102,876	3,226,814
Tier 2 Public Employees System	189,959	(25,830)	(188,542)
Total	$ 40,433,707	$ 19,337,414	$ 1,671,210

Defined Contribution Plans

Under the University's 401(a) plan, TIAA-CREF and Fidelity provide eligible employees 401(a) retirement accounts and investment options. Participating employees allocate employer provided contributions to the investment options of their choosing through TIAA-CREF and/or Fidelity. Contributions are vested at the time the contribution is made. Employees are eligible to participate from the date of eligible employment and no employee contributions are required. Benefits provided to retired employees are based on employer contributions and investment performance. For the year ended June 30, 2015, the University's contribution to these defined contribution plans was 14.20% of the employees' eligible employment earnings. The University has no further liability once contributions are made. The payments to this plan were as follows:

	FY 2015	FY 2014	FY 2013
Employer Contributions	$ 10,475,895	$ 10,013,258	$ 9,368,791
Employee Contributions	1,465,116	1,397,911	1,432,917
	$ 11,941,011	$ 11,411,169	$ 10,801,708

Employees are also eligible to (under certain IRS and plan restrictions) make individual contributions on a tax-deferred and after-tax bases to 401 (k), 457, 403(b), Traditional IRA, Roth IRA, and Roth 457 & 403(b) defined contribution plans. These plans are available as supplemental plans to the basic retirement plans offered by the University and as a primary retirement plan for some Tier 2 Public Employee System participants. Under certain IRS and plan restrictions, employees can make additional contributions. Employer contributions may be made into the plans at rates determined by the employers and according to Utah Title 49. The Defined Contribution Plans account balances are fully vested to the participants at the time of deposit except for Tier 2 required employer contributions and associated earnings during the first four years of employment.

Specific Systems defined benefit plans require the University contribute of 1.5% - 1.78% of the employee's salary into a 401 (k)/457 plan. Employees who participate in the Systems Tier 2 retirement and elect the defined contribution option (instead of the defined benefit option, Hybrid Retirement System), the University is required to contribute 20.05% of the employees' salary of which 10% is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Public Employee System, as required by law. Employer and employee contributions to the 401(k)/457 plans for fiscal years ending June 30 were as follows:

	FY 2015	FY 2014	FY 2013
Employer Contributions	$ 465,254	$ 404,364	$ 348,014
Employee Contributions	784,132	782,859	651,945
	$ 1,249,386	$ 1,187,223	$ 999,959

NOTE 15. RISK MANAGEMENT

Due to the diverse risk exposure of the University, the insurance portfolio contains a full variety of coverage. The University participates in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Utah Department of Risk Management. The University's liabilities for this policy are limited to the cost of premiums. In addition to these basic policies, the University's Department of Risk, Plant, and Property Management establishes guidelines in risk assessment, risk avoidance, risk transfer, and risk acceptance. The University's buildings and contents are insured for replacement value. Each loss incident is subject to a $1,000 deductible.

NOTE 16. SELF-INSURANCE FOR EMPLOYEE HEALTH AND DENTAL CARE

As of July 1, 2006 the University established a self-funded insurance plan for employee health and dental care costs. As part of the plan, the University has established a reserve fund. Also, the University has purchased excess insurance coverage (stop-loss coverage) to pay specific claims exceeding $250,000 and aggregate claims exceeding 125% of expected claims. The University has a contract with EMI Health of Utah and United Healthcare (UMR) to provide excess insurance and certain administrative and management services such as the evaluation and payment of claims for dental and health, respectively. Amounts of settlements have not exceeded insurance coverage in the past three years. In addition a consulting firm has been hired by the University to advise the University with regards to the plan. The estimated claims liability was based upon past experience adjusted for current trends. The estimate reflects the ultimate cost of settling the claims.

Changes in the University's estimated self-insurance claims as of June 30, are as follows:

	2015	2014
Estimated claims liability - beginning of year	$ 2,201,252	$ 2,135,580
Current year claims and changes in estimates	21,881,298	20,179,525
Claim payments and administrative expenses	(22,502,323)	(20,113,853)
Estimated claims liability - end of year	**$ 1,580,227**	**$ 2,201,252**

NOTE 17. COMMITMENTS AND CONTINGENT LIABILITIES

The University, through an Inter-local Cooperation Agreement (the Agreement), is a participant with Utah County (the County) in a joint venture to operate the UCCU Center (the Center) located on the University's campus. The Agreement provides that the title to the Center be held by the University and neither the County nor any other party may obtain any property interest in the land or the facility. The agreement also provides that in consideration of the financial contribution made by the County, at least 40 percent of the usage of the Center be for public and/or community use. The investment in the Center and the operating results are accounted for in the University's financial statements. There are no separately issued financial statements for this joint venture.

The University participates in certain federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. It is highly unlikely that any disallowances would be material.

The Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for State institutions, maintains records, and furnishes cost information for recording capital assets on the books of the University. Construction projects are recorded on the books of the University as funds are expensed, or when projects are substantially completed if funded through State Appropriations administered through DFCM.

As of June 30, 2015, the University had the following outstanding commitments to DFCM for various projects:

Student wellness center and parking structure	$	67,254
McKay Education Building		184,000
PE Building Court Conversion		576,451
Pope Science Building Remodel		2,065,066
Losee Center Remodel		1,142,922
Total	**$**	**4,035,693**

These commitments represent funds needed in the future and are not recorded on the books.

NOTE 18. RELATED PARTY TRANSACTIONS

The University entered into various agreements involving the Foundation:

A. During the year ended June 30, 2014, the University borrowed $6,138,268 to acquire land. The note carries a term of 20 years and bears an interest rate of 5.5 percent with semi-annual payments of $254,932. This note matures in June 2034. The amount due as of June 30, 2015 was $5,963,641.

During the year ended June 30, 2012, the University borrowed $3 million to acquire land. The note carries a term of 20 years and bears a 6 percent interest rate with semi-annual payments of $129,787, and matures September 2031. The amount due as of June 30, 2015 was $2,695,133.

During the year ended June 30, 2009 the University borrowed $2,000,000 from the Foundation to acquire a number of buildings adjacent to campus. The note carries a term of 15 years and bears a 6 percent interest rate with semi-annual payments of $102,039 and matures August 2023. The amount due as of June 30, 2015, was $1,343,451.

The principal maturities on these notes as of June 30, is as follows:

	Notes Payable	
	Principal	**Interest**
2016	$ 409,020	$ 564,495
2017	432,981	540,534
2018	458,348	515,166
2019	485,205	488,310
2020	513,638	459,877
2021-2025	2,741,280	1,820,177
2026-2030	2,786,072	1,061,115
2031-2034	2,175,681	253,132
Total	**$ 10,002,225**	**$ 5,702,806**

B. During the year ended June 30, 2015, the Foundation had certain additional transactions with the University in its capacity to support the University. The Foundation forwarded funds and donated in-kind materials and equipment to the University for scholarships, awards, departments, and general use. Funds forwarded to departments during the year ended June 30, 2015 were used towards wages and purchases of items to enhance University programs. The University provides facilities and services to the Foundation, the value of which is undetermined and is not recorded on the financial statements.

NOTE 19. RESTATEMENT

In 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71*, Pension Transition for Contributions Made Subsequent to the Measurement Date*.

The new standards require the University to recognize a liability or asset in its statement of net position for its proportionate share of the net pension liability or asset (of all employers for benefits provided through the pension plans as administered by Utah Retirement Systems). The University is also required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions. University contributions to the pension plans subsequent to the measurement date (December 31) of the collective net pension liability also are required to be reported as deferred outflows of resources related to pensions.

The beginning net position reported in the financial statements of the University has been restated to reflect the new standards as follows:

Beginning net position, as previously stated	$	352,572,566
Net pension asset		9,010
Net pension liablity		(21,969,264)
Deferred outflows of resources related to pensions		2,415,064
Beginning net position, as restated	$	333,027,376

The notes to the basic financial statements now include additional information about the defined benefit pension plans. Also, the University will be presenting in required supplementary information 10-year schedules containing a) the net pension liability and asset and certain related ratios and b) information about statutorily required contributions, contributions to the pension plans, and related ratios. Because this is the first year such information is available, only one year of required supplementary information is presented with these financial statements; information for additional years will be presented in future reports as it becomes available.

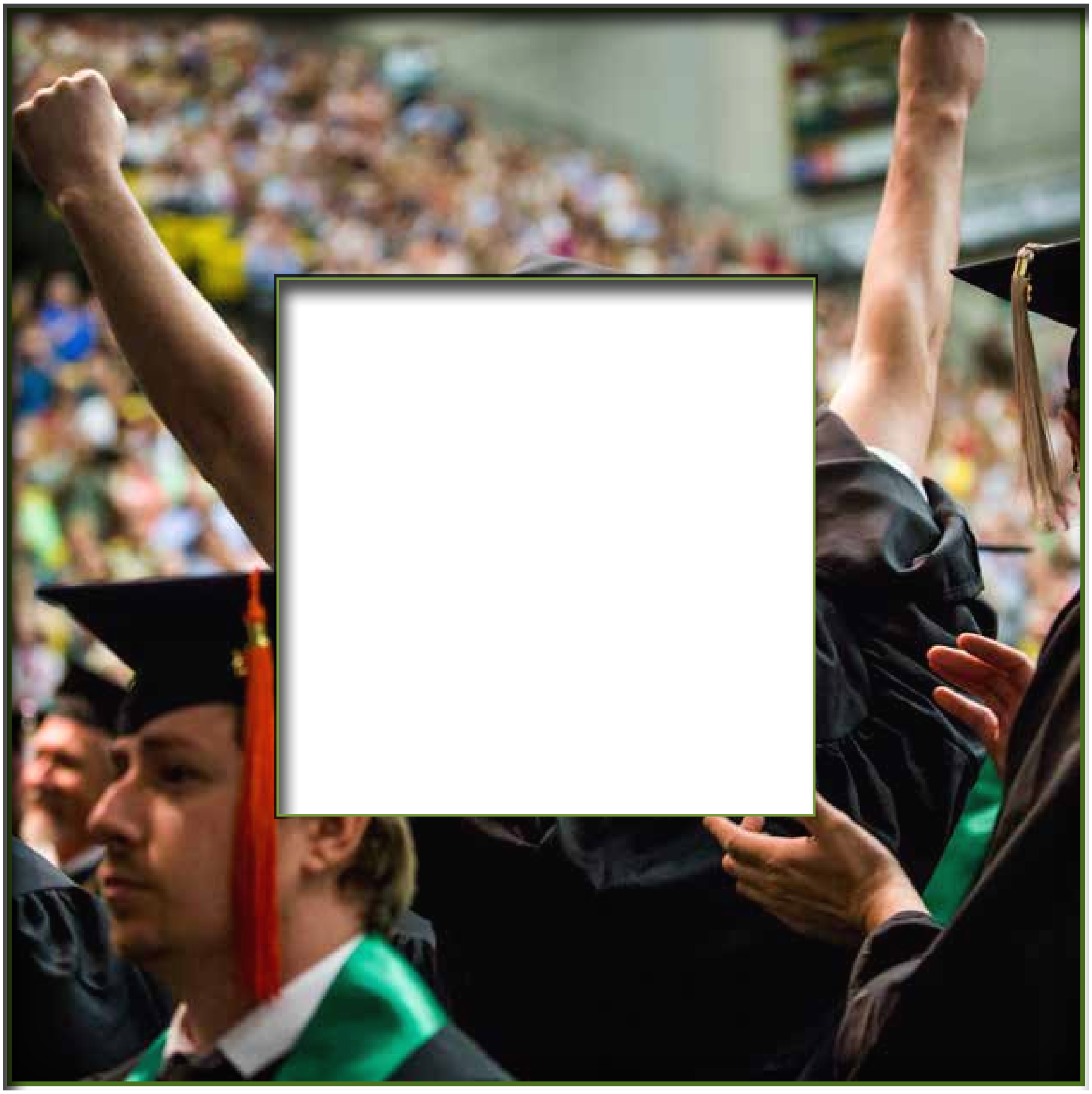
The University's unrestricted net position at June 30, 2015 is $82,516,393. This balance includes the University's proportionate share of the unfunded obligation of the defined benefit pension plans administered by URS as described in Note 14 to the basic financial statements.

NOTE 20. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification were as follows:

Year Ended June 30, 2015
Natural Classification

	Compensation	Benefits	Financial Aid	Maintenance	General and Administrative	Auxiliary	Depreciation	Total
Functional Classification								
Instruction	$ 67,889,019	$ 22,816,112	$ -	$ 495,374	$ 7,679,211	$ -	$ -	$ 98,879,716
Academic Support	13,605,764	5,077,750	-	243,656	5,573,129	-	-	24,500,299
Student Services	15,431,076	5,670,576	-	149,493	5,958,232	-	-	27,209,377
Institutional Support	18,903,266	6,967,821	-	1,889,112	9,823,075	-	-	37,583,274
Operation and Maintenance of Plant	6,017,577	2,929,873	-	8,596,951	3,889,636	-	-	21,434,037
Student Financial Aid	541,981	14,703	33,073,520	-	-	-	-	33,630,204
Public Service	681,107	274,661	-	10,119	636,918	-	-	1,602,805
Research	85,095	8,206	-	-	54,299	-	-	147,600
Remedial Education	1,820,821	574,212	-	284	18,636	-	-	2,413,953
Auxiliaries	6,226,544	1,804,227	-	994,685	5,465,602	9,186,864	-	23,677,922
Depreciation	-	-	-	-	-	-	14,749,567	14,749,567
Total Expenses	**$ 131,202,250**	**$ 46,138,141**	**$ 33,073,520**	**$ 12,379,674**	**$ 39,098,738**	**$ 9,186,864**	**$ 14,749,567**	**$ 285,828,754**



TWO THOUSAND FIFTEEN

REQUIRED SUPPLEMENTAL INFORMATION

ANNUAL FINANCIAL REPORT

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
UTAH VALLEY UNIVERSITY
UTAH RETIREMENT SYSTEMS
DECEMBER 31, 2014
LAST 10 FISCAL YEARS*

	2015
Noncontributory System	
Proportion of the net pension liability (asset)	0.7603048%
Proportionate share of the net pension liability (asset)	$ 19,102,876
Covered employee payroll	19,753,477
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	96.71%
Plan fiduciary net position as a percentage of the total pension liability	87.20%
Contributory Retirement System	
Proportion of the net pension liability (asset)	2.3745669%
Proportionate share of the net pension liability (asset)	$ 260,368
Covered employee payroll	855,876
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	30.42%
Plan fiduciary net position as a percentage of the total pension liability	98.70%
Tier 2 Public Employees System	
Proportion of the net pension liability (asset)	(0.8523389%)
Proportionate share of the net pension liability (asset)	$ (25,830)
Covered employee payroll	4,183,034
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(0.62%)
Plan fiduciary net position as a percentage of the total pension liability	103.50%

* The schedule above is only for the current year. The 10-year history will be built prospectively.

SCHEDULE OF THE CONTRIBUTIONS TO THE UTAH STATE RETIREMENT SYSTEMS
UTAH VALLEY UNIVERSITY
UTAH RETIREMENT SYSTEMS
JUNE 30, 2015
LAST 10 FISCAL YEARS*

	2015
Noncontributory System	
Contractually required contribution	$ 4,463,325
Contributions in relation to the contractually required contribution	(4,463,325)
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 20,311,773
Contributions as a percentage of covered-employee payroll	21.97%
Contributory Retirement System	
Contractually required contribution	$ 210,094
Contributions in relation to the contractually required contribution	(210,094)
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 886,472
Contributions as a percentage of covered-employee payroll	23.70%
Tier 2 Public Employees System	
Contractually required contribution	$ 1,062,981
Contributions in relation to the contractually required contribution	(1,062,981)
Contribution deficiency (excess)	$ -
Covered employee payroll	$ 6,095,400
Contributions as a percentage of covered-employee payroll	17.44%

* The schedule above is only for the current year. The 10-year history will be built prospectively.

TWO THOUSAND FIFTEEN

UTAH VALLEY
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UNIVERSITY

ANNUAL FINANCIAL REPORT

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