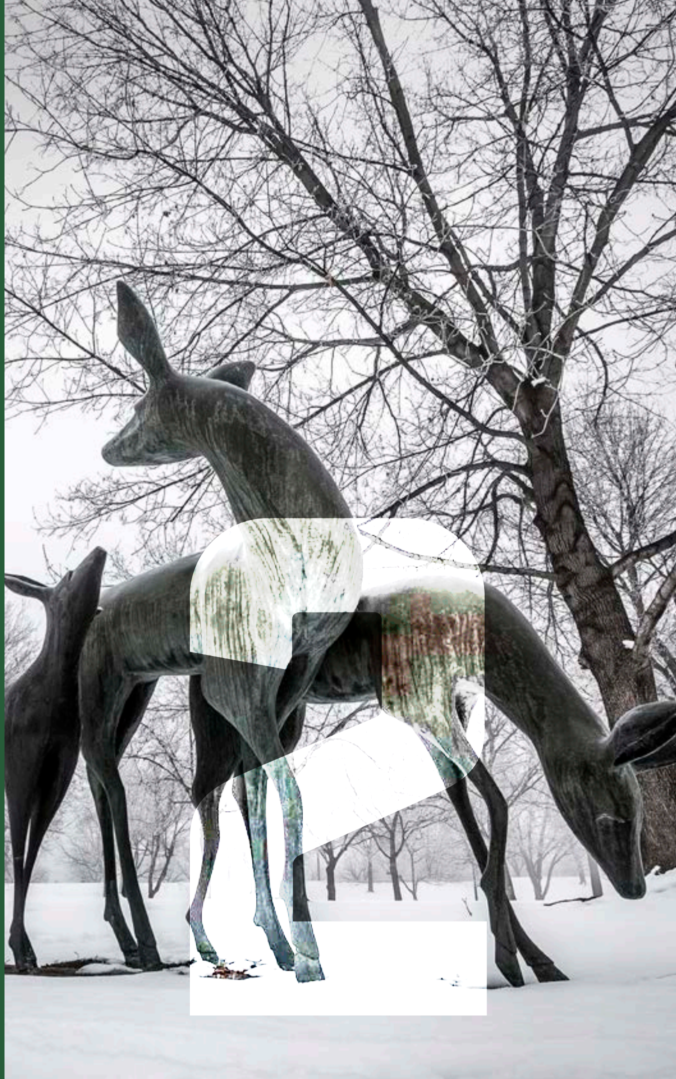
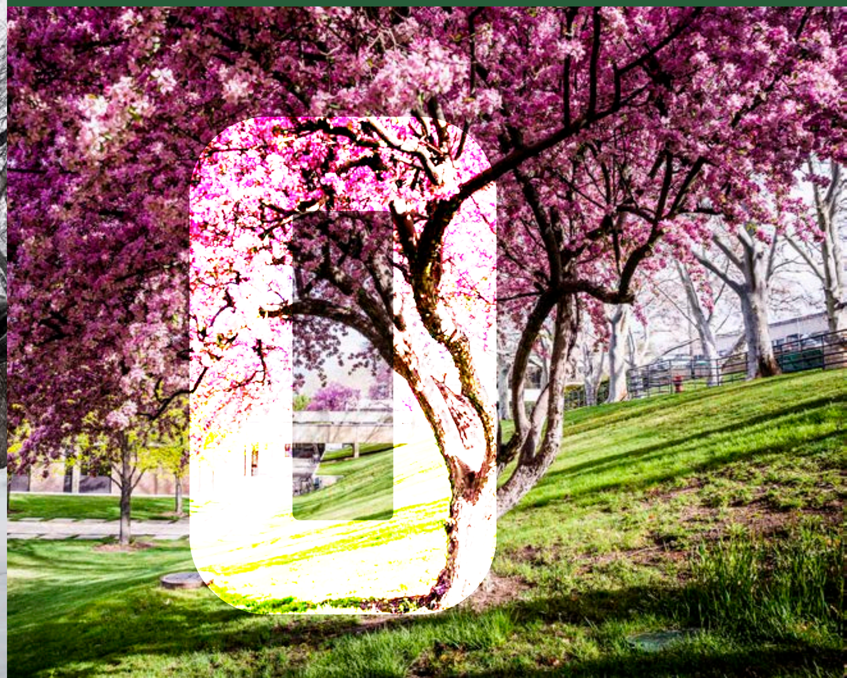
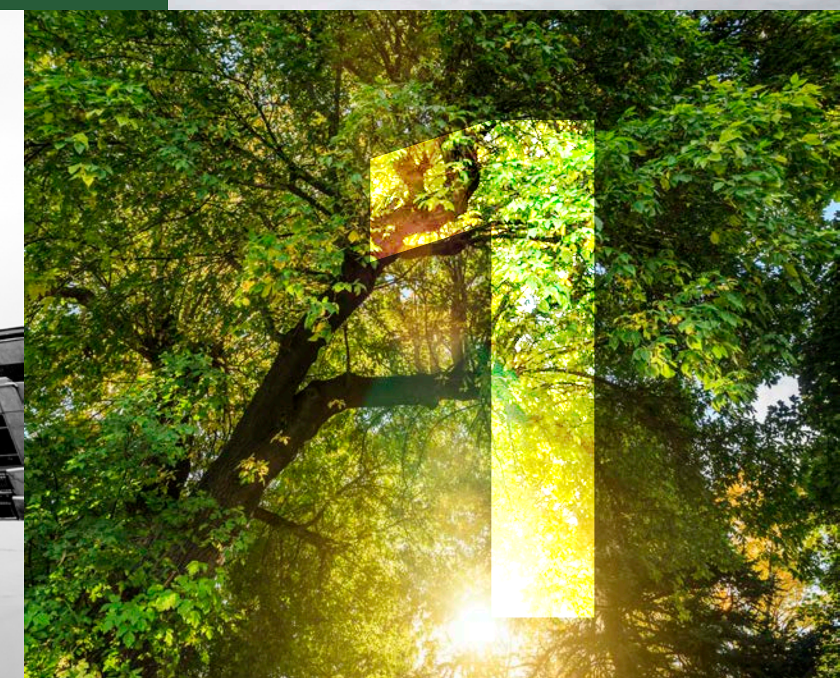
UVU UTAH VALLEY UNIVERSITY

A COMPONENT UNIT OF THE STATE OF UTAH







ANNUAL FINANCIAL REPORT

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PRESIDENT'S MESSAGE

Over the last 75 years, Utah Valley University has responded to the economic realities and educational needs of the Utah Valley community. Today, we stand as the largest institution of higher education in the state of Utah with nearly 35,000 students. As we celebrate our 75th Anniversary, our commitment to providing an academic environment that is serious, engaged, and inclusive is stronger than ever, enabling us to make student success our defining reality. It is the core of all that we do.

Our success as an institution has manifested itself in numerous ways over the last year. Our physical footprint is primed for impressive expansion. In March we received $32 million from the Utah Legislature to build a Performing Arts Center that will make us a premier destination for students, faculty, and interested community members to immerse themselves in the cultural arts. We also broke ground this year for two other privately funded additions to our campus, the Cole Nellesen Autism Building which will house the Melisa Nellesen Autism Program, and the NUVI Basketball Practice Facility.

In May, at our 75th Commencement, we awarded the largest number of undergraduate and graduate degrees in our history as we presented 5,400 students with associate, bachelors, and graduate degrees or certificates of completion. And, in July, the Utah State Board of Regents approved the addition of 5 new masters degrees, classes for which will begin in fall of 2017.

During the 2016 fiscal year, UVU received a 3.8% increase in appropriated base tax funds as well as an additional 8% in tuition revenue from a combination of enrollment increases and tuition rate change. These new revenues, combined with the second phase allocation of Acute Equity funds, supported the addition of 54 faculty and 60 staff. The recent expansion of faculty facilitated the achievement of the university's goal of 55 percent of instruction delivered by fulltime faculty. Reflecting UVU's commitment to student access and affordability, general student fees were reduced, course/lab fees less than $10 were eliminated, and a distance/extended education fee was discontinued. We are positioned better now more than ever to provide our students with the resources they need to achieve their academic goals.

The continued growth of our programs and campus footprint has brought to the fore our need to look into the future. After an engaging and thoughtful 18-month period of institutional and public conversation with various stakeholders, we have reached the final stages of the development of our Campus Master Plan. This 20+ year comprehensive redevelopment of our Orem campus and 225-acre Vineyard property will see UVU increase our academic offerings and programmatic connectivity on our core campus as we expand our athletic facilities, student life offerings, specialty academic programs, and community business connections on the old Geneva Steel site. This Master Plan, which will be presented to the Board of Regents in late fall, is a truly impressive articulation of what is possible thanks to the current strength of our institution, the growth and development of Utah County, and the dedication and support of the Utah Valley University community.

As always, the work that we do at Utah Valley University is built on a foundation of ethical operation and accountability. Faculty, staff, and administration are held to the highest standards of integrity and honesty. The resources with which we have been entrusted are allocated and managed within an environment that supports our mission of serving students, strengthens our professional reputation for excellence, and maintains the public's trust.

As we look forward to the next 75 years, I am more certain than ever that Utah Valley University is in a position of strength that will see us continuing to rise to the challenges of the day, ready to serve the needs of our community with an unfailing excellence that ensures student success.

Matthew S. Holland, President

OFFICE OF THE
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, 2016, 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, 2016, 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.

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 the Proportionate Share of the Net Pension Liability (Asset) and Schedule of the Contributions to the Utah Retirement Systems, 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 January 9, 2017 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
January 9, 2017

INDEPENDENT STATE AUDITOR REPORT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2016, with comparative information for the year ended June 30, 2015. 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 $15.3 million during the fiscal year.
- Enrollment increased by 5.3% in total headcount and 4.9% 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

	2016	2015	Change	% Change
ASSETS				
Current assets	$ 108,760,079	$ 93,585,638	$ 15,174,441	16.2%
Noncurrent assets	46,418,844	46,400,727	18,117	0.0%
Capital assets, net	368,699,727	373,490,365	(4,790,638)	(1.3%)
Total assets	**523,878,650**	**513,476,730**	**10,401,920**	**2.0%**
Deferred Outflows of Resources	11,957,861	3,737,365	8,220,496	220.0%
LIABILITIES				
Current liabilities	30,744,678	29,550,652	1,194,026	4.0%
Noncurrent liabilities	91,152,289	89,791,723	1,360,566	1.5%
Total liabilities	**121,896,967**	**119,342,375**	**2,554,592**	**2.1%**
Deferred Inflows of Resources	2,564,408	1,820,129	744,279	40.9%
NET POSITION				
Net invested in capital assets	309,148,787	308,045,486	1,103,301	0.4%
Restricted expendable	4,779,883	5,489,712	(709,829)	(12.9%)
Unrestricted	97,446,466	82,516,393	14,930,073	18.1%
Total net assets	**$ 411,375,136**	**$ 396,051,591**	**$ 15,323,545**	**3.9%**

The increase in current assets held by the University of $15.2 million is mainly due to an increase in cash of $17.5 million. Cash makes up 81.9% of the current assets balance with $89.0 million. A portion of cash, $4.1 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 decreased by $4.8 million. The University made various capital asset additions during fiscal year 2016. The most significant addition was the purchase of various pieces of equipment at a cost of $4.8 million. A total of $4.0 million was added to buildings from various remodel projects. The net change in capital asset increases and decreases totaled $10.1 million. This net increase in capital assets was offset by a net change in depreciation of $14.9 million, which nets to a decrease in capital assets of $4.8 million.

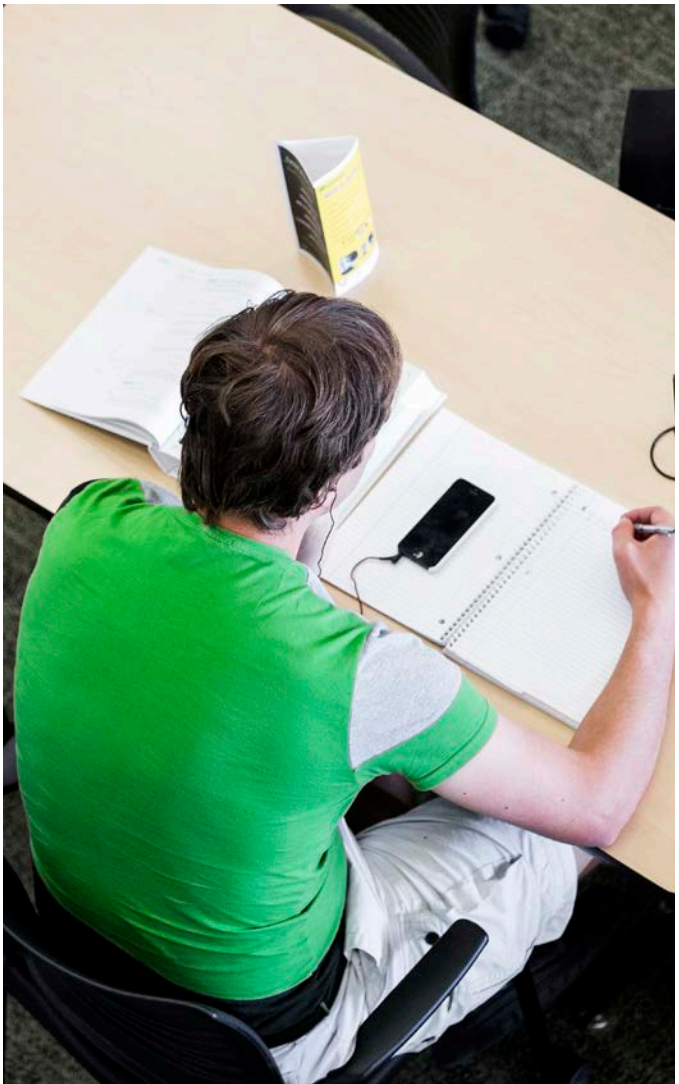
Current liabilities did not change significantly from the prior year. The change of $1.2 million is due mostly to changes in the timing of payments to vendors which impacts accounts payable and other accrued liabilities.

Noncurrent liabilities increased by $1.4 million during the year. These changes resulted from paying principle payments on debt as well as an increase in the University's portion of pension liabilities managed by Utah Retirement Systems. The pension liabilities for fiscal years 2016 and 2015 were $27.2 million and $19.4 million, respectively. Changes in deferred outflows and inflows of resources also resulted from the University's activity in pension plans.

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.

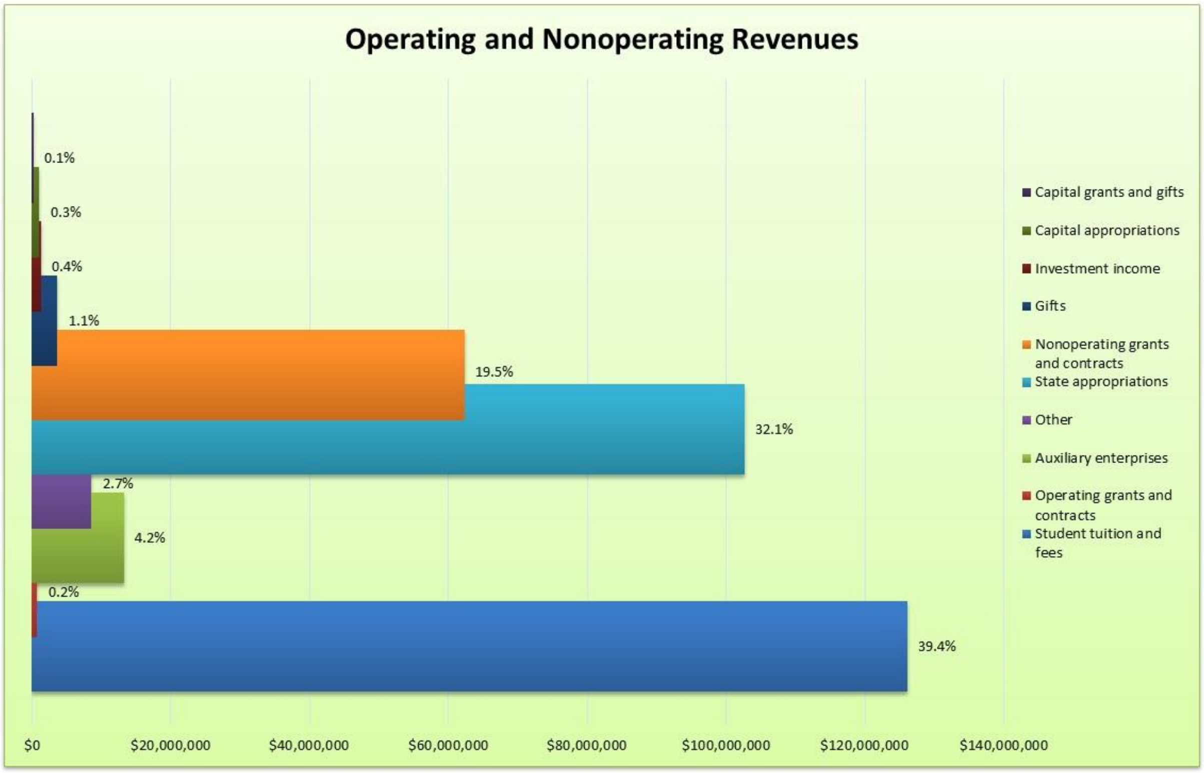
Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission 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 State Legislature to the University without the Legislature directly receiving commensurate goods or services for those revenues.

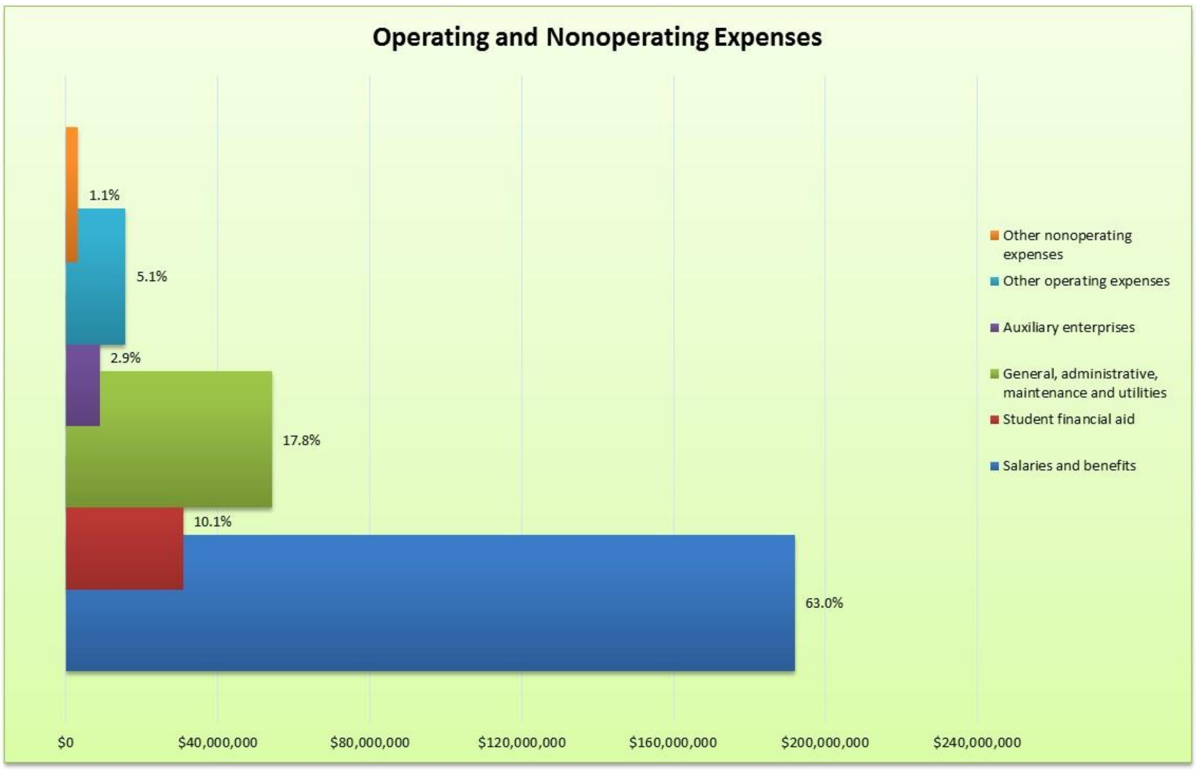


STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION, CONDENSED

	2016	2015	Change	% Change
REVENUES				
Operating revenues				
Student tuition and fees	$ 126,084,478	$ 113,798,683	$ 12,285,795	10.8%
Grants and contracts	733,323	623,830	109,493	17.6%
Auxiliary enterprises	13,281,019	13,354,478	(73,459)	(0.6%)
Other	8,593,495	8,322,031	271,464	3.3%
Total operating revenues	**148,692,315**	**136,099,022**	**12,593,293**	**9.3%**
EXPENSES				
Operating expenses				
Salaries and benefits	191,928,317	177,340,391	14,587,926	8.2%
Student financial aid	30,781,007	33,073,520	(2,292,513)	(6.9%)
General and administrative, maintenance and utilities	54,296,966	51,478,412	2,818,554	5.5%
Auxiliary enterprises	8,821,647	9,186,864	(365,217)	(4.0%)
Depreciation	15,602,305	14,749,567	852,738	5.8%
Total operating expenses	301,430,242	285,828,754	15,601,488	5.5%
Operating loss	**(152,737,927)**	**(149,729,732)**	**(3,008,195)**	**2.0%**
NONOPERATING REVENUES (EXPENSES)				
State appropriations	102,595,797	100,190,129	2,405,668	2.4%
Grants and contracts	62,287,512	65,309,642	(3,022,130)	(4.6%)
Gifts	3,674,456	2,945,760	728,696	24.7%
Investment income	1,279,928	894,508	385,420	43.1%
Other nonoperating revenues (expenses)	(3,065,702)	(3,009,924)	(55,778)	1.9%
Net nonoperating revenues	166,771,991	166,330,115	441,876	**0.3%**
Income before other revenues	**14,034,064**	**16,600,383**	**(2,566,319)**	**(15.5%)**
Capital appropriations	1,061,742	46,212,164	(45,150,422)	(97.7%)
Capital grants and gifts	227,739	211,668	16,071	7.6%
Other revenues	1,289,481	46,423,832	(45,134,351)	(97.2%)
Change in net assets	**15,323,545**	**63,024,215**	**(47,700,670)**	**(75.7%)**
Net position – beginning, restated	396,051,591	333,027,376	63,024,215	18.9%
Net position – ending	**$ 411,375,136**	**$ 396,051,591**	**$ 15,323,545**	**3.9%**

The following graphs illustrate operating and nonoperating revenues and expenses as a percent of the total for the year ended **June 30, 2016:**





The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of $15.3 million. Operating revenues increased by 9.3% from the prior year. Tuition and fees increased by $12.3 million or 10.8% compared the prior reporting period due to an increase in tuition rates of 2.2% and to an increase in the number of students of 5.3%. Operating grants and contracts revenue increased by 17.6% from the prior year due mainly to a new contract with the FAA that was not received in 2015.

Operating expenses increased from the prior year by 5.5% or $15.6 million. Salaries and related employee benefits increased by $14.6 million or 8.2%. 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. There was an increase in tuition waivers, which have a direct impact on student financial aid. Student financial aid was down $2.3 million or 6.9%.

General and administrative, and maintenance and utilities expenses increased by $2.8 million or 5.5%. Accounting for that change was an increase in computer and software purchases, office furniture purchases, and instructional equipment and supplies.

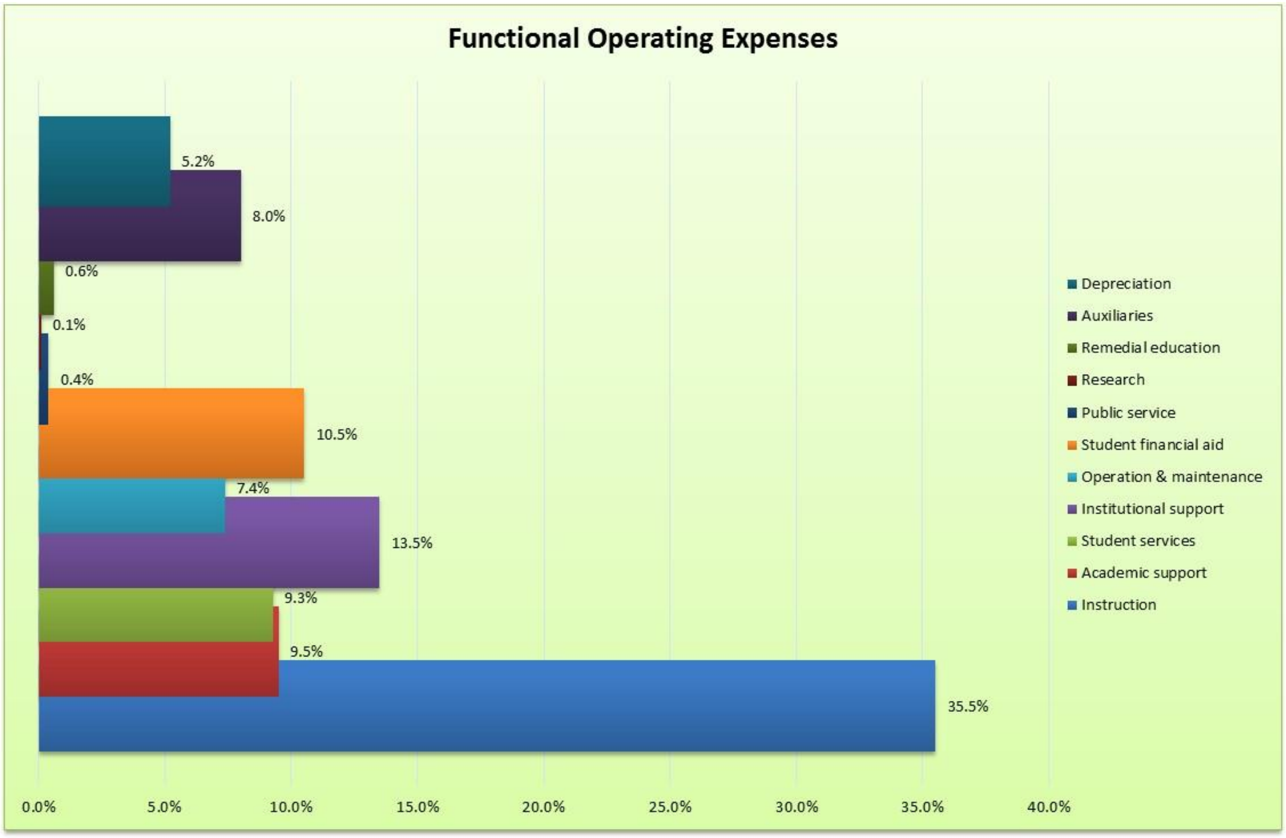
Total nonoperating revenues and expenses remained basically the same as in the prior year. State appropriations increased by $2.4 million or 2.4%. The increase in State appropriations were offset by a 4.6% decrease in grant and contacts or $3.0 million. Investment income increased $0.4 million or 43.1% due to implementing new investment strategies and an increase in interest rates. Gifts also increased by 24.7% or $0.7 million due to efforts to raise funds for the new Performing Arts building and Roots of Knowledge mural.

Capital appropriations decreased by $45.2 million due to the completion of the Classroom Building in 2015. There were no large projects completed and transferred to the University during 2016.

The following is a summary of the university's expenses by programmatic (functional) classification for the year ended in **June 30, 2016, and 2015:**

	June 30, 2016	June 30, 2015	Change	% Change
Operating Expenses				
Instruction	$ 107,058,062	$ 98,879,716	$ 8,178,346	8.3%
Academic support	28,471,884	24,500,299	3,971,585	16.2%
Student services	28,182,768	27,209,377	973,391	3.6%
Institutional support	40,599,824	37,583,274	3,016,550	8.0%
Operation & maintenance	22,497,675	21,434,037	1,063,638	5.0%
Student financial aid	31,532,669	33,630,204	(2,097,535)	(6.2%)
Public service	1,314,713	1,602,805	(288,092)	(18.0%)
Research	292,268	147,600	144,668	98.0%
Remedial education	1,660,728	2,413,953	(753,225)	(31.2%)
Auxiliaries	24,217,346	23,677,922	539,424	2.3%
Depreciation	15,602,305	14,749,567	852,738	5.8%
Total Operating Expenses	**$ 301,430,242**	**$285,828,754**	**$15,601,488**	**5.5%**

The following graph illustrates functional operating expenses as a percent of the total for the year ended in **June 30, 2016:**



Management's Discussion and Analysis

The $8.2 million increase in instruction related costs are due primarily to an increase of $7.6 million in salaries and benefits. Costs associated with academic support increased from the prior year by $4.0 million or 16.2%. The increase was due primarily to an increase of $3.2 million in salaries and benefits and a $0.9 million increase in general and administrative costs. Institutional support expenses increased by $3.0 million or 8.0%. The increases are mostly due to increase in compensation and benefits of $1.5 million and an increase in general and administrative expenses of $1.5 million.

Operation and maintenance of plant expenditures increased $1.1 million due mainly to increases in salaries and benefits of $1.7 million as well as general and administrative costs increasing by $1.6 million. These increases were offset by a decrease in general and administrative costs of $2.2 million.

The functional expense of student financial aid decreased significantly by $2.1 million from the prior year. This decrease is attributed to an increase in waivers of $2.3 million.

Public service decreased $0.3 million or 18.0%, which was primarily due to a decrease in general and administrative expenses of $0.2 million. Remedial education decreased by $0.8 million or 31.2%. Salaries and benefits decreased by $0.7 million from the prior year.

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, 2016	June 30, 2015	Change	% Change
Cash provided (used) by:				
Operating activities	$ (133,242,974)	$ (129,788,677)	$ (3,454,297)	2.7%
Noncapital financing activities	167,624,993	162,293,409	5,331,584	3.3%
Capital and related financing activities	(18,536,703)	(12,428,895)	(6,107,808)	49.1%
Investing activities	1,496,698	(11,166,547)	12,663,245	(113.4%)
Change in cash	17,342,014	8,909,290	8,432,724	94.7%
Cash - beginning of year	75,923,304	67,014,014	8,909,290	13.3%
Cash – end of year	**$ 93,265,318**	**$ 75,923,304**	**$ 17,342,014**	**22.8%**

The University's cash increased by $17.3 million mostly due to an increase in cash from investing activities of $12.7 million. In 2016 the University's net change in investments stayed the same and had investments cash inflows of $1.5 million. In 2015, the University used cash to purchase $11.2 million in investments, resulting in the increase of $12.7 million from the prior year.

Capital and related financing activities cash outflows increased by $6.1 million or 49.1%. This increase in cash outflows is due mainly to an increase in purchasing of capital assets of $4.1 million. There was also an increase in the principle payments of debt of $2.1 million from the prior year.

Operating activities include cash inflows from tuition received ($125.4 million) and sales from auxiliary services ($18.0 million), as well as cash outflows from payments related to employee salaries and benefits ($190.3 million) and student aid in the form of scholarships and fellowships ($30.4 million). Cash outflows from operating activities was $3.4 million more than in 2015. Most of the increase in cash outflows, $12.2 million, was due to payments related to employee services and benefits. This increase in cash outflows was partially offset by an increase in cash inflows of tuition and fees of $7.6 million from the prior year.

Noncapital financing activities increased slightly from the prior year, but there were some increases and decreases within this category worthy of mention. State appropriation increased $8.6 million from the prior year to provide total cash inflows of $103.3 million. Grants and contracts provided cash of $61.0 million, which was a decrease of $4.0 million from the prior year. The cash inflows of $167.6 million provided by noncapital financing activities was offset by cash outflows in operating and capital related financing.

RATIOS

Ratios can provide useful information about the University's financial condition. Below are various ratios and their explanation:

	2016	2015
Primary Reserve Ratio	.34	.30
Viability Ratio	1.61	1.27
Debt Burden Ratio	2.9%	2.4%
Return On Net Asset Ratio	3.6%	5.0%
Net Operating Revenues Ratio	4.4%	5.4%

Primary Reserve Ratio – The Primary Reserve Ratio measures the financial strength of the University. It is calculated by dividing expendable net position by operating expenses and provides a snapshot of financial strength and flexibility by indicating the ability of the University to continue operating at current levels, within current restrictions, without future revenues. A ratio of 1.0 denotes that an institution would have the ability to cover its expenses for one year without a revenue stream. The University's Primary Reserve Ratio was 0.30 for fiscal year 2015 and .34 for fiscal year 2016. Studies suggest institutions have a primary reserve ratio of .40 or higher, which would give an institution the ability to cover about 5 months of expenses without an inflow of revenue.

Viability Ratio – The Viability Ratio is a measure of clear financial health which is the availability of expendable net position to cover debt, including bonds, notes, and capital leases, should the University need to settle its obligations as of the fiscal year end. A ratio of 1.00 or greater indicates an institution has sufficient expendable net position to satisfy debt requirements. The University's Viability Ratio was 1.27 for fiscal year 2015 and 1.61 for fiscal year 2016.

Debt Burden Ratio – The Debt Burden Ratio measures the cost of servicing the debt of the university. This ratio examines the institution's dependence on borrowed funds. It compares the level of current debt service with the institution's total expenditures. Total debt service includes the interest and principal payments. Total expenditures include total expenses less depreciation plus debt service principal and interest payments. The University's Debt Burden Ratio for fiscal year 2015 was 2.4 percent and 2.9 percent for fiscal year 2016. The ratio threshold is considered to be 7.0 percent.

Return on Net Assets Ratio – The Return on Net Assets Ratio determines whether the university is financially better off than in previous years by measuring total economic return. The change in net position has been reduced by capital appropriations to more closely reflect operational activities. A positive ratio indicates a net increase in total net position at the end of the year. The University's Return on Net Assets Ratio for fiscal year 2015 was 5.0 percent and was 3.6 percent for 2016.

Net Operating Revenues Ratio – The Net Operating Revenues Ratio indicates whether the university has an operating surplus or deficit for the year. A positive ratio indicates that the university experienced an operating surplus for the year. The University's Net Operating Revenues Ratio was 5.4 percent for fiscal year 2015 and 4.4 percent for fiscal year 2016.

OUTLOOK

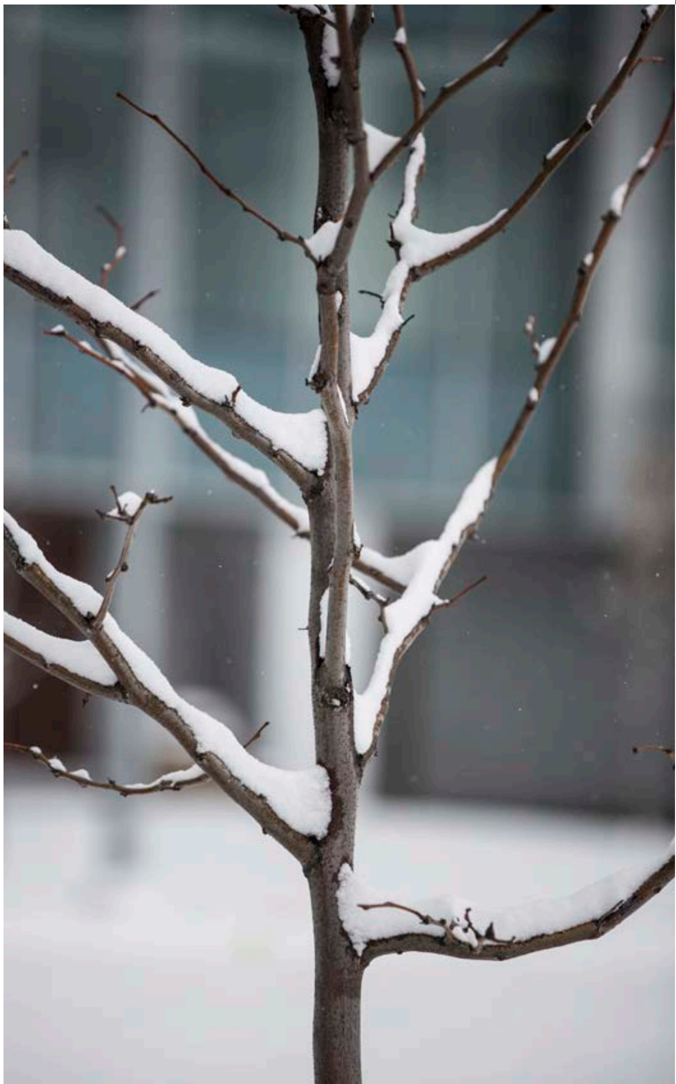
The University’s overall financial position is strong and the outlook for the future looks bright. The economy of the State of Utah is better than most states but it is not without its own challenges. The State is expecting the economy to gradually strengthen during 2017. State appropriations for higher education are expected to remain at 2016 levels.

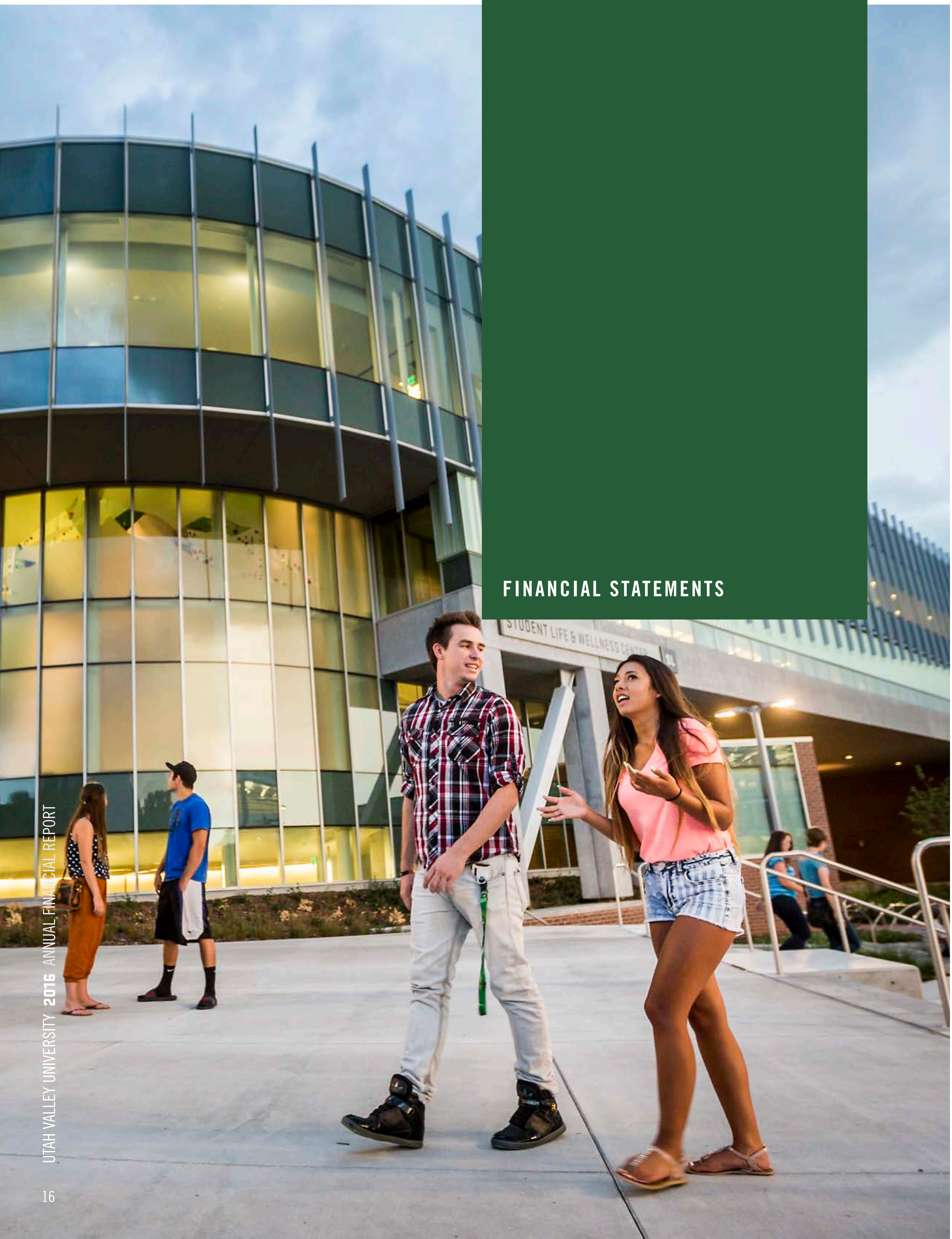
For fall of fiscal year 2017, student enrollment increased by 5.3% and tuition increased by 2.2%. Tuition and fees as a percent of total revenues (39.6%) is greater than the percentage of State appropriations as a percentage of total revenue (32.2%) for the University, therefore, the expectation of appropriations being the same as 2016 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 2016.

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.


POPE SCIENCE





FINANCIAL STATEMENTS

STATEMENT OF NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Primary Institution UVU	Component Unit UVU Foundation	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 84,953,521	$ 24,161,781	$ 109,115,302
Restricted cash, cash equivalents	4,087,833	-	4,087,833
Investments	10,500,000	-	10,500,000
Accounts receivable, net	5,474,359	-	5,474,359
Notes and pledges receivable	253,672	11,837,144	12,090,816
Prepaid expenses	757,449	9,198	766,647
Inventories	2,733,245	-	2,733,245
Total current assets	108,760,079	36,008,123	144,768,202
Noncurrent assets			
Restricted cash, cash equivalents	4,223,964	-	4,223,964
Investments	34,703,856	35,002,836	69,706,692
Accounts receivable, net	6,139,676	-	6,139,676
Notes and pledges receivable	1,349,123	13,932,911	15,282,034
Other long term assets	-	3,205,610	3,205,610
Net pension asset	2,225	-	2,225
Capital Assets			
Nondepreciable capital assets	55,287,795	-	55,287,795
Depreciable capital assets, net	313,411,932	-	313,411,932
Total noncurrent assets	415,118,571	52,141,357	467,259,928
Total assets	**523,878,650**	**88,149,480**	**612,028,130**
DEFERRED OUTFLOWS OF RESOURCES	11,957,861	-	11,957,861
LIABILITIES			
Current liabilities			
Accounts payable	3,433,438	-	3,433,438
Accrued liabilities	13,543,423	-	13,543,423
Other liabilities	315,089	-	315,089
Unearned revenue	9,010,101	-	9,010,101
Current portion of bonds, notes, and capital leases payable	3,751,137	-	3,751,137
Funds held for others	691,490	-	691,490
Total current liabilities	30,744,678	-	30,744,678
Noncurrent liabilities			
Accrued liabilities	3,606,460	296,556	3,903,016
Unearned revenue	495,524	-	495,524
Net pension liability	27,208,212	-	27,208,212
Bonds, notes, and capital leases payable	59,842,093	-	59,842,093
Total noncurrent liabilities	91,152,289	296,556	91,448,845
Total liabilities	**121,896,967**	**296,556**	**122,193,523**
DEFERRED INFLOWS OF RESOURCES	2,564,408	-	2,564,408
NET POSITION			
Net investment in capital assets	309,148,787	-	309,148,787
Restricted			
Nonexpendable: Scholarships	-	22,396,842	22,396,842
Expendable:			
Grants and contracts	2,928,886	-	2,928,886
Scholarships and loans	1,850,997	57,267,118	59,118,115
Unrestricted	97,446,466	8,188,964	105,635,430
Total net position	**$ 411,375,136**	**$ 87,852,924**	**$ 499,228,060**

* The accompanying notes are an integral part of the Financial Statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Primary Institution UVU	Component Unit UVU Foundation	Total
REVENUES			
Operating revenues			
Student tuition and fees (net of scholarships and allowances of $42,851,659)	$ 126,084,478	$ -	$ 126,084,478
Private grants and contracts	283,118	-	283,118
Grants and contracts	450,205	-	450,205
Sales and services of education departments	3,894,485	-	3,894,485
Auxiliary enterprises (net of scholarships and allowances of $2,257,487)	13,281,019	-	13,281,019
Other operating revenues	4,699,010	-	4,699,010
Total operating revenues	**148,692,315**	**-**	**148,692,315**
EXPENSES			
Operating expenses			
Salaries	138,625,421	-	138,625,421
Fringe benefits	53,302,896	-	53,302,896
Student financial aid	30,781,007	1,770,472	32,551,479
Maintenance and utilities	14,137,092	-	14,137,092
General and administrative	40,159,873	3,675,714	43,835,587
Cost of goods sold - auxiliary enterprises	8,821,647	-	8,821,647
Depreciation	15,602,306	-	15,602,306
Total operating expenses	301,430,242	5,446,186	306,876,428
Operating loss	**(152,737,927)**	**(5,446,186)**	**(158,184,113)**
NONOPERATING REVENUES (EXPENSES)			
State appropriations	102,595,797	-	102,595,797
Federal grants and contracts	55,500,625	-	55,500,625
State grants and contracts	6,786,887	-	6,786,887
Gifts	3,674,456	13,755,701	17,430,157
Investment income (net of Foundation investment expense of $232,236)	1,279,928	1,793,948	3,073,876
Interest on capital asset-related debt	(2,680,848)	-	(2,680,848)
Other nonoperating revenues (expenses)	(384,854)	-	(384,854)
Net nonoperating revenues (expenses)	166,771,991	15,549,649	182,321,640
Income before other revenues, expenses, gains, or losses	**14,034,064**	**10,103,463**	**24,137,527**
Capital appropriations	1,061,742	-	1,061,742
Gifts to endowments	-	1,315,273	1,315,273
Capital grants and gifts	227,739	-	227,739
Total other revenues	1,289,481	1,315,273	2,604,754
Increase in net position	**15,323,545**	**11,418,736**	**26,742,281**
NET POSITION			
Net position--beginning of year	396,051,591	76,434,188	472,485,779
Net position--end of year	**$ 411,375,136**	**$ 87,852,924**	**$ 499,228,060**

* The accompanying notes are an integral part of the Financial Statements

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Institution UVU
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 125,419,948
Receipts from grants and contracts	733,323
Receipts from auxiliary and educational sales and services	18,029,762
Collection of loans to students	240,624
Payments to suppliers	(61,467,907)
Payments for employee services and benefits	(190,366,885)
Payments for student aid: scholarships and fellowships	(30,468,298)
Loans issued to students	(338,260)
Other operating receipts	4,974,719
Net cash used by operating activities	**(133,242,974)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	103,330,221
Federal, state and private grants and contracts	60,990,827
Gifts	3,303,945
Net cash provided by noncapital financing activities	**167,624,993**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(9,881,573)
Principal paid on capital debt and leases	(5,641,601)
Interest paid on capital related debt	(3,013,529)
Net cash used by capital and related financing activities	**(18,536,703)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	40,000,000
Receipt of interest on investments	1,496,698
Purchase of investments	(40,000,000)
Net cash used by investing activities	**1,496,698**
Net increase in cash	17,342,014
Cash and cash equivalents - beginning of year	75,923,304
Cash and cash equivalents - end of year	**$ 93,265,318**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	**$ (152,737,927)**
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	15,602,305
DFCM projects not capitalized	2,383,967
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Receivables, net	11,271
Inventories	40,949
Prepaid expenses	(320,234)
Accounts payable	(327,648)
Accrued liabilities	1,584,585
Unearned revenue	285,686
Funds held for others	(38,947)
Other liabilities	(51,774)
Net pension asset	23,605
Deferred outflows of resources	(8,288,059)
Net pension liability	7,844,968
Deferred inflows of resources	744,279
Net Cash Used by Operating Activities	**$ (133,242,974)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Donated library books	$ 62,739
Donated assets	165,000
Assets contributed by DFCM	1,175,036
Adjustments to fair market value of investments	203,856
Total Noncash Activities	**$ 1,606,631**

* The accompanying notes are an integral part of the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

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. Note 21 contains selected notes from the Foundation's audited financial statements.

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 AND CASH EQUIVALENTS

Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date. Funds invested through the Utah Public Treasurers' Investment Fund (PTIF) are considered cash equivalents.

INVESTMENTS

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The University distributes earnings from pooled investments based on the average daily investment of each participating account.

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 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 is 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 its participation in the defined benefit plans managed by 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, 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 student tuition and fees, grants and contracts, and revenue from various auxiliary and public service functions.

Nonoperating Revenues: Nonoperating revenues include state appropriations, Pell grants and certain government grants, gifts, and investment income.

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 related to 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 consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal 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

GASB Statement No. 72, *Fair Value Measurement and Application,* became effective for fiscal year 2016. This new accounting and reporting standard impacted the University's disclosure of the fair value of investments.

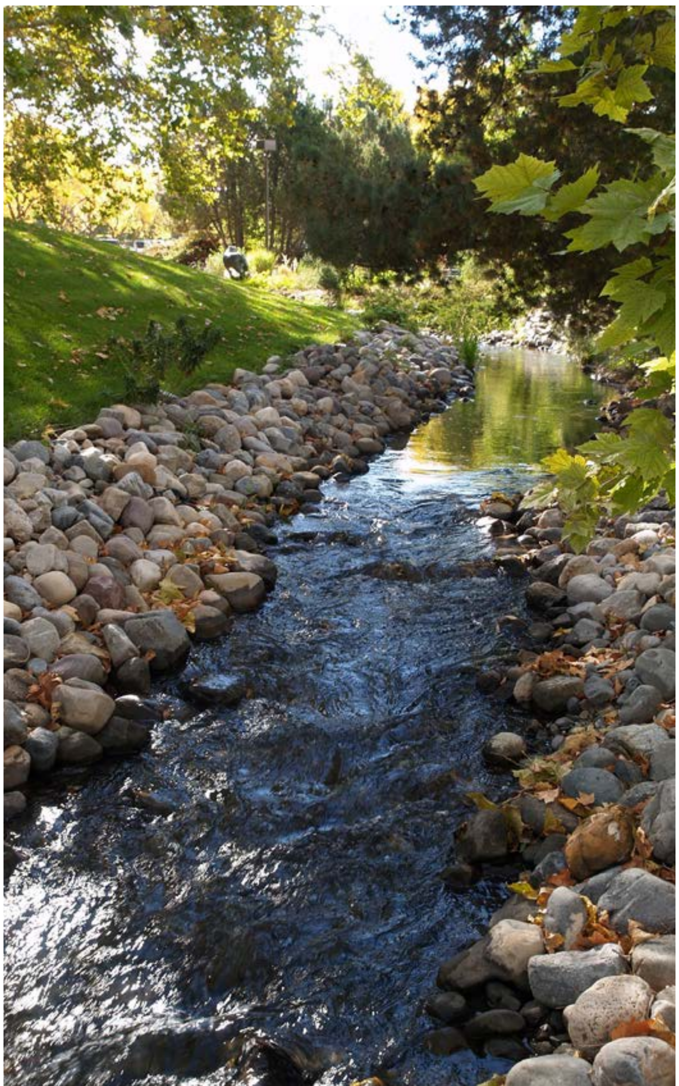
INCOME TAXES

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 federal and 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

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the entity's deposits may not be returned. The University does not have a formal deposit policy for custodial credit risk. As of June 30, 2016, $12,168,861 of the University's bank balances of $12,418,861 were uninsured and uncollateralized.

INVESTMENTS

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

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

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

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

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

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, 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 to participants monthly on the ratio of the participant's share to the total funds in the PTIF based on the participant's average daily balance.

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

Fair Value of Investments

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

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

As of **June 30, 2016**, the University had the following recurring fair value measurements:

		Fair Value Measurement at Reporting Date Using		
	Fair Value	**Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
PTIF	$ 81,683,659	$ -	$ 81,683,659	$ -
Corporate bonds	39,698,955	-	39,698,955	-
Municipal/public bonds	2,004,901	-	2,004,901	-
U.S. Agencies	3,500,000	-	3,500,000	-
Total	**$ 126,887,515**	**$ -**	**$ 126,887,515**	**$ -**

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

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- Utah Public Treasurers' Investment Fund: the Utah State Treasurer provides a fair value factor to the University based on the average daily balance in the Fund.

Debt securities, namely collateralized debt obligations if any, classified in Level 3 are valued using consensus pricing.

Interest Rate Risk

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

As of **June 30, 2016**, 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	$ 81,683,659	$ 81,683,659	$ -	$ -	$ -
Corporate bonds	39,698,955	10,498,333	29,200,622	-	-
Municipal/public bonds	2,004,901	-	2,004,901	-	-
U.S. Agencies	3,500,000	-	3,500,000	-	-
Total	$ 126,887,515	$ 92,181,992	$ 34,705,523	$ -	$ -

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.

As of **June 30, 2016**, the University had investments and quality ratings as follows:

		Quality Rating			
Investment Type	**Fair Value**	**Aa1 to AA-**	**A1 to A-**	**Baa1 to BBB**	**Unrated**
PTIF	$ 81,683,659	$ -	$ -	$ -	$ 81,683,659
Corporate bonds	39,698,955	501,463	14,462,774	24,734,718	-
Municipal/public bonds	2,004,901	2,004,901	-	-	-
U.S. Agencies	3,500,000	3,500,000		-	-
Totals	$ 126,887,515	$ 6,006,364	$ 14,462,774	$ 24,734,718	$ 81,683,659

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% of its total investments in the Bank of America Corporation (corporate bonds). These investments represent 6.0% 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, 2016, the University had $39,698,955 in corporate bonds $2,004,901 in municipal/public bonds, and $3,500,000 in U.S. Agency bonds which were uninsured and held by the counterparty's trust department, but not in the University's name.

NOTE 3. ACCOUNTS, NOTES, AND PLEDGES RECEIVABLE

University accounts receivable consisted of the following at **June 30, 2016:**

Current accounts receivable, net		
Student tuition and fees	$	1,379,466
Investment interest		137,117
Operating activities		837,599
Auxiliary enterprises		712,754
Grants and contracts		985,927
Total		4,052,863
Less allowance for doubtful accounts		(511,123)
Total		3,541,740
Current accounts receivable-state agency		
Operating activities		125,480
Utah Department of Facilities Construction and Management		206,731
Grants and contracts		1,600,408
Total		1,932,619
Noncurrent accounts receivable, net		
Student tuition and fees		5,907,539
Operating activities		2,421,014
Less allowance for doubtful accounts		(2,188,877)
Total		6,139,676
Total	**$**	**11,614,035**

University notes and pledges receivable consisted of the following at **June 30, 2016:**

Current notes and pledges receivable, net		
Loans to students	$	306,567
Less allowance for doubtful accounts		(52,895)
Total		253,672
Noncurrent notes and pledges receivable, net		
Loans to students		1,622,578
Less allowance for doubtful accounts		(273,455)
Total		1,349,123
Total	**$**	**1,602,795**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the notes receivable at June 30, 2016. 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, 2016, the allowance for uncollectible loans was $326,350.

NOTE 4. INVENTORIES

Inventories at **June 30, 2016** were as follows:

Auxiliary enterprises	$ 2,160,915
Supplies and other inventory	572,330
Total	**$ 2,733,245**

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

University accounts payable consisted of the following at **June 30, 2016**:

Current accounts payable	
Interest payable	$ 380,666
Vendors payable	1,901,016
Grants and contracts	298,045
Employee deposits payable	232,347
Total	2,812,074
Current accounts payable-related party	
Interest payable	10,422
Current accounts payable-state agency	
State taxes payable	14,365
Other payable	141,354
Division of Facilities and Construction Management payable	455,223
Total accounts payable - state agency	610,942
Total	**$ 3,433,438**

University accrued liabilities consisted of the following at **June 30, 2016**:

Current accrued liabilities	
Federal taxes payable	$ 1,353,239
Wages payable	4,197,282
Early retirement payable	270,436
Accrued leave payable	2,369,067
Medical and dental claims payable	2,127,548
Student reimbursements	354,272
Payroll liabilities	1,551,124
Total	12,222,968
Current accrued liabilities-state agency	
State taxes payable	713,369
Payroll liabilities	607,086
Total	1,320,455
Noncurrent accrued liabilities	
Early retirement payable	545,415
Accrued leave payable	3,061,045
Total	3,606,460
Total	**$ 17,149,883**

NOTE 6. UNEARNED REVENUE

Unearned revenue of the University consisted of the following at **June 30, 2016**:

Current unearned revenue	
Prepaid tuition and fees	$ 8,344,569
Grants and contracts	515,532
Prepaid rental income	150,000
Total	9,010,101
Noncurrent unearned revenue	
Grants and contracts	495,524
Total unearned revenue	**$ 9,505,625**

NOTE 7. CAPITAL ASSETS

The following are changes in capital assets of the University for the year ended **June 30, 2016**:

	Beginning Book Value	Increases	Decreases	Ending Book Value
Capital assets not being depreciated				
Land	$ 44,433,615	$ -	$ -	$ 44,433,615
Land improvements – nondepreciable	6,911,491	-	-	6,911,491
Works of art and historical treasures	1,713,518	95,000	-	1,808,518
Construction in process	867,434	4,765,089	(3,498,352)	2,134,171
Total not being depreciated	53,926,058	4,860,089	(3,498,352)	55,287,795
Capital assets being depreciated				
Land improvements – depreciable	9,182,046	284,169	-	9,466,215
Infrastructure	23,628,735	-	-	23,628,735
Buildings	368,573,280	4,047,617	-	372,620,897
Leasehold Improvements	2,543,205	-	-	2,543,205
Equipment	49,999,415	4,834,465	(581,276)	54,252,604
Library books	6,961,735	284,346	(125,659)	7,120,422
Total being depreciated	460,888,416	9,450,597	(706,935)	469,632,078
Less accumulated depreciation				
Land improvements – depreciable	(5,572,119)	(661,089)	-	(6,233,208)
Infrastructure	(7,205,507)	(782,120)	-	(7,987,627)
Buildings	(88,649,410)	(9,222,628)	-	(97,872,038)
Leasehold Improvements	(541,749)	(81,687)	-	(623,436)
Equipment	(35,896,413)	(4,528,769)	580,610	(39,844,572)
Library Books	(3,458,911)	(326,013)	125,659	(3,659,265)
Total accumulated depreciation	(141,324,109)	(15,602,306)	706,269	(156,220,146)
Total depreciable capital assets, net	319,564,307	(6,151,709)	(666)	313,411,932
Total capital assets, net	**$ 373,490,365**	**$ (1,291,620)**	**$ (3,499,018)**	**$ 368,699,727**

NOTE 8. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The University has the following deferred outflows and deferred inflows of resources at **June 30, 2016**:

Deferred Outflows of Resources	
Deferred amount on refunding of bonds	$ 292,772
Difference between projected and actual earnings on pension investments	7,692,441
Changes in proportion and differences between contributions and proportionate share of contributions	1,086,313
Pension contributions made after the measurement date	2,886,335
Total	$ 11,957,861
Deferred Inflows of Resources	
Difference between expected and actual pension experience	$ 2,050,995
Change in actuarial assumptions	513,413
Total	$ 2,564,408

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, 2016**:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 49,200,000	$ -	$ (2,350,000)	$ 46,850,000	$ 2,440,000
Premium	5,245,112	-	(295,540)	4,949,572	295,541
Discount	(5,207)	-	1,042	(4,165)	(1,042)
Total bonds payable	54,439,905	-	(2,644,498)	51,795,407	2,734,499
Capital leases	5,024,697	-	(629,503)	4,395,194	611,774
Notes payable	10,064,728	-	(2,662,099)	7,402,629	404,864
Total bonds, notes and capital leases	69,529,330	-	(5,936,100)	63,593,230	3,751,137
Net pension liability	19,363,244	13,645,138	(5,800,170)	27,208,212	-
Early retirement	792,797	286,392	(263,338)	815,851	270,436
Accrued leave	5,438,025	4,420,676	(4,428,589)	5,430,112	2,369,067
Total	**$ 95,123,396**	**$ 18,352,206**	**$ (16,428,197)**	**$ 97,047,405**	**$6,390,640**

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 were issued for the purpose of (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 for and on behalf of the University on June 20, 2012. 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, 2016** consisted of the following:

Description	Original Issue	Balance June 30, 2016	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	$ 1,380,000	$ 315,000
Less discount	(16,666)	(4,165)	(1,042)
Total net MBA 2004A	3,883,334	1,375,835	313,958
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	1,855,000	340,000
Plus premium	105,719	31,093	6,219
Total net SBR 2004A	11,125,719	1,886,093	346,219
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	43,615,000	1,785,000
Plus premium	6,075,767	4,918,479	289,322
Total net SBR 2012A	55,325,767	48,533,479	2,074,322
Total net bonds	**$ 70,334,820**	**$ 51,795,407**	**$ 2,734,499**

Principal and interest on the SBR 2004A Bonds, the MBA 2004A Bonds, and the SBR 2012A Bonds are secured by pledged revenues which consist of all (i) net operating revenues of the Bookstore, the Student Center, and all University Food Services; (ii) Student Center building fees; (iii) investment income; and (iv) a HUD subsidy grant. The revenues are pledged until fiscal year 2033 when the last bond is retired. The total pledged revenues are estimated to be equal to future debt service payments of $65,834,612.

The following is a summary of the pledged revenues for fiscal year 2016 and the bond payments due in fiscal 2017:

Pledged revenues	
Building fee – Spring	$ 2,131,932
Building fee – Summer	594,887
Building fee – Fall	2,251,140
Total building fees	4,977,959
Interest income	29,208
Unified system revenues	686,541
Total pledged revenues	5,693,708
Principal and interest payments for fiscal year 2017	
SBR 2004A Bonds	413,488
MBA 2004A Bonds	388,350
SBR 2012A Bonds	3,690,324
Total principal and interest payments to be covered by pledged revenues	$ 4,492,162

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 $3,724,315.

The scheduled maturities of bonds payable at **June 30, 2016**, are as follows:

Year	Principal	Interest	Total
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	2,470,000	1,616,763	4,086,763
2022-2026	11,885,000	6,404,125	18,289,125
2027-2031	15,130,000	3,104,150	18,234,150
2032-2033	7,010,000	283,200	7,293,200
Total	**$46,850,000**	**$18,984,612**	**$65,834,612**

NOTE 11. OPERATING LEASES

The University leases airport facilities and land under non-cancelable operating leases. Total costs for such leases were $48,529 for the year ended June 30, 2016.

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
2017	$ 40,864
2018	40,864
2019	40,864
2020	41,031
2021	42,868
2022-2026	186,102
2027-2030	60,827
Total future minimum lease payments	**$ 453,420**

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 $10,740,566 as of June 30, 2016. Accumulated depreciation of leased assets totaled $3,763,350 at June 30, 2016.

The assets acquired through capital leases are as follows:

Student Services equipment	$ 16,831
Less accumulated depreciation	(10,532)
ESCO Energy Savings Projects	10,723,735
Less accumulated depreciation	(3,752,818)
Total net capital lease assets	**$ 6,977,216**

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, 2016**:

Fiscal Year Ending June 30	Capital Leases
2017	$ 811,824
2018	838,439
2019	862,387
2020	891,192
2021	920,958
2022	757,142
Total future minimum lease payments	5,081,942
Amounts representing interest	(686,748)
Present value of net minimum lease payments	**$ 4,395,194**

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% 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, 2016, 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 1.59% and 1.01% 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, 2016, the expenses for the 20% incentive stipend were $118,849 and the expenses for medical and dental insurance were $144,489.

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), 403(b) and 457 plans managed by the Systems.

DEFINED BENEFIT PLANS

Eligible employees of the University are provided with the following plans administered by Utah Retirement Systems (the 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 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.

Benefits provided: The Systems provide retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits for each defined benefit plan are as follows:

System	Final Average Salary	Years of Service 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 25 Years any age* 20 Years age 60* 10 Years age 62* 4 Years age 65	1.25% per year to June 1975 2.00% per year July 1975 to present	up to 4%
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 ac ompounding 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.

For the year ended **June 30, 2016**, the University's required contribution rates for the plans were as follows:

Systems	Employee Paid	Employer Paid for Employee	Employer Contribution Rates
Noncontributory System	N/A	N/A	22.19%
Contributory System	N/A	6.00%	17.70%
Tier 2 Public Employees System*	N/A	N/A	18.24%

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

For the year ended **June 30, 2016**, the University and employee contributions to the plans were as follows:

Systems	Employer Paid	Employee Paid
Noncontributory System	$ 4,317,851	N/A
Contributory System	141,988	N/A
Tier 2 Public Employees System	1,255,126	N/A
	$ 5,714,965	

Pension assets, liabilities, pension expense, and deferred outflows of resources, and deferred inflows of resources related to pensions: The net pension asset and liability were measured as of December 31, 2015. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015, 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 defined pension plans from the census data submitted to the plan for pay periods ending in 2015. At December 31, 2015, the University's proportionate shares in the defined benefit pension plans were as follows:

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.8118658%	$ -	$ 25,503,030
Contributory System	2.7210978%	-	1,705,182
Tier 2 Public Employees System	1.0192718%	2,225	-
Total		$ 2,225	$ 27,208,212

For the year ended June 30, 2016, the University reported pension expense of $6,124,963. At June 30, 2016, the University reported the 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	$ -	$ 2,050,995
Changes in assumptions	-	513,413
Net difference between projected and actual earnings on pension plan investments	7,692,441	-
Changes in proportion and differences between conributions and proportionate share of contributions	1,086,313	
Contributions subsequent to the measurement date	2,886,335	-
Total	$ 11,665,089	$ 2,564,408

Contributions made between January 1, 2016, and June 30, 2016, of $2,886,335 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
2016	$ 1,447,544
2017	1,447,544
2018	1,516,243
2019	1,834,926
2020	(5,930)
Thereafter	(25,981)

Actuarial assumptions: The total pension liability in the December 31, 2015, 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

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

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

Changes in Assumptions: The following assumption changes were adopted from the most recent actuarial experience study. There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%. Also there was a modification to the rate of salary increases for most groups. The payroll growth assumption was decreased from 3.5% to 3.25%. There was an improvement in the post-retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption.

There were additional changes to certain demographic assumptions as follows: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.

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

	Expected Return Arithmetic Basis		
Asset Class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long-Term Expected Real Rate of Return**
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
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 assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the 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.

Sensitivity of the University's proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension asset and liability calculated using the discount rate of 7.5%, 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:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Contributory system	$ 3,855,454	$ 1,705,182	$ (118,872)
Noncontributory	46,159,521	25,503,030	8,182,534
Tier 2 Public Employees System	408,038	(2,225)	(313,166)
Total	$ 50,423,013	$ 27,205,987	$ 7,750,496

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

DEFINED CONTRIBUTION PLANS

TIAA-CREF and Fidelity: 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, 2016, 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.

Tier 2 Employees System, 401(k), 457 and 403(b) Plans: 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 employer and according to Utah Title 49. Participants are fully vested at the time contributions are made except for Tier 2 required employer contributions and associated earnings are vested after the first four years of employment.

The Contributory and Noncontributory Systems require the University to contribute of 1.5% to 1.78% of the employee's salary into a 401(k)/457 plan. For 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.

Contributions to the defined contributions plans for the fiscal year ending **June 30, 2016**, were as follows:

Defined Contribution Plans	Employer Paid	Employee Paid
Tier 2 Public Employee System	$ 90,545	N/A
TIAA-CREF and Fidelity	11,455,303	$ 1,757,984
401(k) Plan	502,306	680,274
457 Plan	-	97,637
Roth IRA Plan	N/A	61,335

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

On 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, 2016**, are as follows:

	2016	2015
Estimated claims liability - beginning of year	$ 1,580,227	$ 2,201,252
Current year claims and changes in estimates	25,434,839	21,881,298
Claim payments and administrative expenses	(24,887,518)	(22,502,323)
Estimated claims liability - end of year	**$ 2,127,548**	**$ 1,580,227**

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% 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, 2016**, the University had the following outstanding commitments to DFCM for various projects:

Autism Building	$ 5,241,461
Canyon Park	1,152,300
Wolverine Service Center	108,254
Basketball Practice Facility	2,956,575
PE Building Court Conversion	363,700
Pope Science Building Remodel	3,002,331
Dance Studio	4,391
Losee Center Remodel	196,888
Performing Arts Building	2,050,835
Total	**$ 15,076,735**

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% with semi-annual payments of $254,932. This note matures in June 2034. The amount due as of June 30, 2016, was $5,779,278.

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% interest rate with semi-annual payments of $129,787. The amount due as of June 30, 2016, was $1,610,850. During fiscal year 2016, the University made and additional payment of $1,037,297. The expected maturity is March 2024.

The principal maturities on these notes as of June 30, 2016, is as follows:

	Notes Payable	
	Principal	Interest
2017	$ 392,364	$ 377,073
2018	382,904	386,534
2019	405,166	364,272
2020	428,724	340,713
2021	453,655	315,782
2022-2026	2,063,025	1,184,913
2027-2031	1,871,760	677,555
2032-2035	1,392,529	137,060
Total	**$ 7,390,127**	**$ 3,783,902**

B. During the year ended June 30, 2016, 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, 2016, 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. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

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

Year Ended June 30, 2016
Natural Classification

	Compensation	Benefits	Financial Aid	Maintenance	General and Administrative	Auxiliary	Depreciation	Total
Functional Classification								
Instruction	$ 72,084,380	$ 26,192,294	$ -	$ 424,686	$ 8,356,702	$ -	$ -	$ 107,058,062
Academic Support	15,539,018	6,301,939	-	176,120	6,454,807	-	-	28,471,884
Student Services	15,154,350	6,446,381	-	107,354	6,474,683	-	-	28,182,768
Institutional Support	19,902,477	7,501,481	-	1,887,826	11,308,040	-	-	40,599,824
Operation and Maintenance of Plant	6,709,094	3,943,872	-	10,163,763	1,680,946	-	-	22,497,675
Student Financial Aid	731,929	19,733	30,781,007	-	-	-	-	31,532,669
Public Service	621,155	261,619	-	9,864	422,075	-	-	1,314,713
Research	168,322	34,734	-	44,624	44,588	-	-	292,268
Remedial Education	1,269,220	388,513	-	813	2,182	-	-	1,660,728
Auxiliaries	6,445,476	2,212,330	-	1,322,042	5,415,851	8,821,647	-	24,217,346
Depreciation	-	-	-	-	-	-	15,602,305	15,602,305
Total Expenses	**$ 138,625,421**	**$ 53,302,896**	**$ 30,781,007**	**$ 14,137,092**	**$ 40,159,874**	**$ 8,821,647**	**$ 15,602,305**	**$ 301,430,242**

NOTE 20. SUBSEQUENT EVENTS

The University's received a loan from the UVU Foundation for $1,819,665 to purchase property.

In August 2016, the Utah Retirement Systems board approved to change the discount rate of 7.5%, previously used to calculate the net pension liability, to 7.2%. This reduction will increase both the collective net pension liability to be calculated as of December 31, 2016, and the University's share of this liability. However, the monetary effect of this change is not known.

NOTE 21. SELECTED NOTES FROM THE UVU FOUNDATION

UVU Foundation is a separate entity reported as a discretely presented component unit. The following are selected notes from the UVU Foundation's audited financial statements.

Contributions Receivable (see UVU Foundation Note 4)

Contributions are recorded when the unconditional promise to give is expected in the near term and is probable. An allowance for uncollectible contributions is estimated as a percentage of contributions receivable at year end based on the Foundation's historical collection experience. All contributions receivable (at their net present value and net of an allowance for uncollectible amounts) are restricted for various purposes at June 30, 2016 as follows:

UCCU Center	$ 588,332
Scholarships	226,678
School of Business	3,022,905
Performing Arts building	5,833,458
Autism building	743,793
Other	1,330,456
Contributions receivable, net	$ 11,745,622

Unconditional promises to give will be received (depending on the donor) from within one year to ten years. Contributions to be received after June 30, 2016, have been discounted to their net present value using the June 2016 Applicable Federal Rates for the anticipated collection period. The Applicable Federal Rates discount rate ranged from 0.64% to 2.24%.

Contributions receivable are as follows at **June 30, 2016**::

Receivable within one year	$ 8,542,697
Receivable from one to five years	7,675,086
Receivable in more than five years	1,388,962
Total contributions receivable	17,606,745
Discount contributions to net present value	(778,658)
Allowance for uncollectible contributions	(5,082,465)
Contributions receivable, net	$ 11,745,622

Investments (see UVU Foundation Note 5)

Investments consist of the following at **June 30, 2016**:

Common and preferred stocks	$ 8,166,156
Mutual funds	18,611,269
Money market accounts	983,260
Alternatives	7,242,151
Certificate of deposit	-
Total deposits	$ 35,002,836

The net return on investments is as follows for the year ended **June 30, 2016**:

Interest and dividend income	$ 599,846
Gains and changes in fair values	565,715
Investment costs	(232,236)
Net return on investments	$ 933,325

The Foundation's investments have the following maturities at **June 30, 2016**:

		Investment Maturities (in Years)			
	Fair Value	Less than 1	1 to 5	5 to 10	10 to 20
Mutual funds	$ 18,611,269	$ 18,611,207	$ -	$ -	$ -
Money market accounts	983,260	983,260	-	-	-
Total investments with a maturity	$19,594,529	$ 19,594,467	$ -	$ -	$ -
Common and preferred stocks	8,166,156				
Alternatives	7,242,151				
	$ 35,002,836				

Credit quality ratings for investments in debt securities are as follows at June 30, 2016:

		Credit Rating			
	Fair Value	AAA to A+	A to A-	B or Lower	Unrated
Mutual funds	$ 18,611,269	$ -	$ -	$ -	$ 18,611,269
Money market accounts	983,260	-	-	-	983,260
	$ 19,594,529	$ -	$ -	$ -	$ 19,594,529

Credit Risk - 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 & Poors ratings of all Foundation holdings. The Foundation does not have a formal investment policy that limits its investment choices in regard to credit quality ratings.

Interest Rate Risk - 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's investment policy limits investing in any issuance with a maturity of 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.

Custodial Credit Risk - 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 - 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.

Uniform Prudent Management of Institutional Funds Act - The Board of Directors of the Foundation has interpreted the State of Utah's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters and Strategies - The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 4% to 5% percent, while growing the funds if possible. Therefore, the Foundation expects its endowment assets, over time, to produce an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy - The Foundation has a policy of appropriating for distribution each year 4% to 5% of its endowment fund's moving-average fair value of the prior 5 years through the calendar year-end proceeding the fiscal year in which the distribution is planned. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Foundation expects the current spending policy to allow its endowment funds to grow at a nominal average rate of 3% annually, which is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

Fair Value Measurements (see UVU Foundation Note 6)

A description of the valuation methodologies used for assets measured at fair value is as follows:

Common and preferred stocks and U.S. government securities - Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds and money market accounts - Valued at the net asset value (NAV) of shares.

Alternatives - Valued at the net asset value (NAV) of units owned as determined by the underlying assets of the investment.

Certificates of deposit - Valued at the original amount deposited at the financial institution plus interest earned on the certificate through the end of the fiscal year.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value at **June 30, 2016.**

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Common and preferred stocks	$ 8,166,156	$ 8,166,156	$ -	$ -
Mutual funds	18,611,269	12,749,639	5,861,630	-
Money market accounts	983,260	983,260	-	-
Alternatives	7,242,151	-	-	7,242,151
	$ 35,002,836	$ 21,899,055	$ 5,861,630	$ 7,242,151

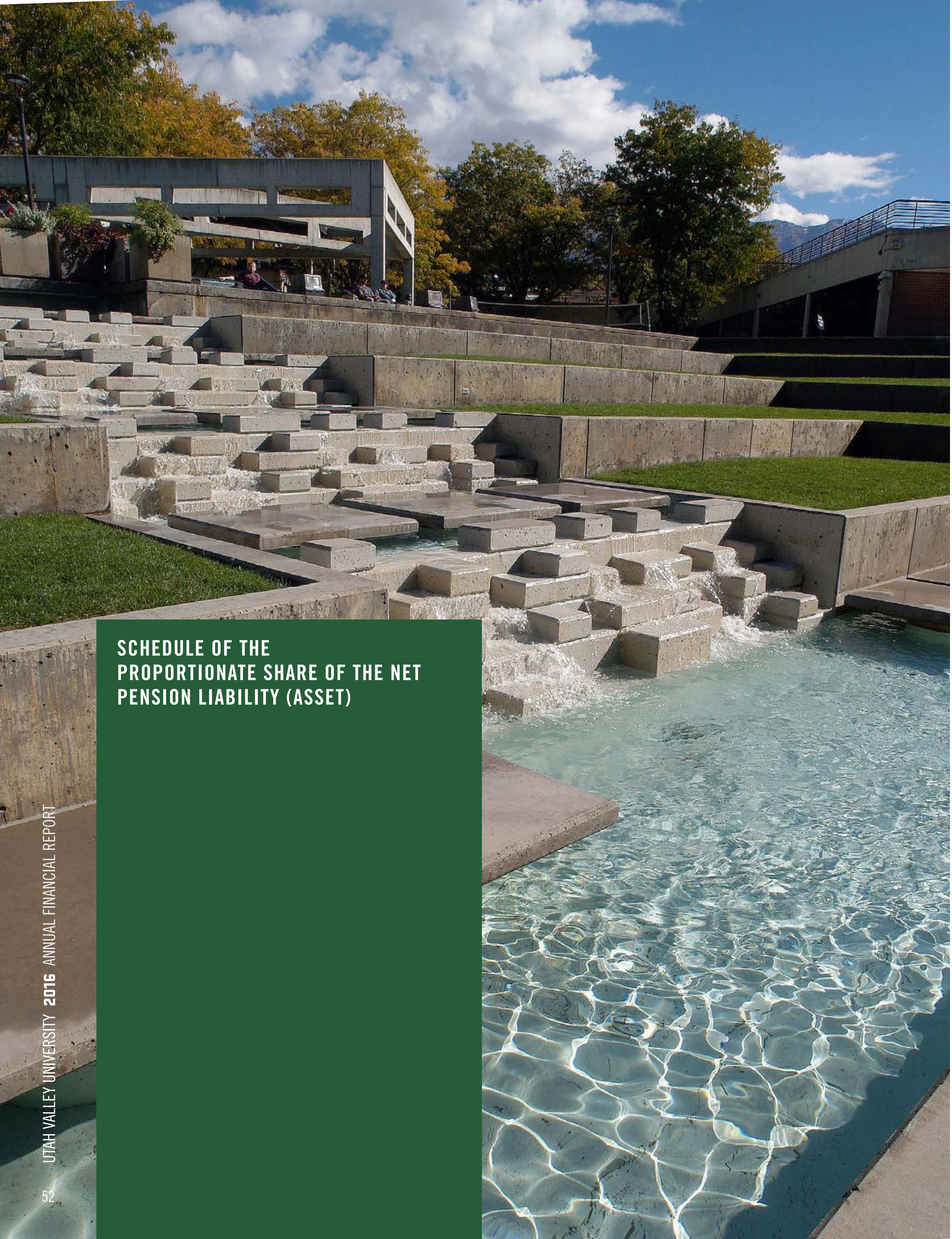
Investments that trade in inactive markets, but are valued based on quoted market prices are classified as Level 2. Other investments (alternatives) have been classified as Level 3 because they have been valued based on unobservable inputs from third parties.

Alternative investments, managed by external advisors, include investments in partnerships with investments focused on fixed income, natural resources, and various hedging investments. These investments are not readily marketable and are reported at fair value utilizing the most current information provided by the external advisor, subject to assessments that the information is representative of fair value.

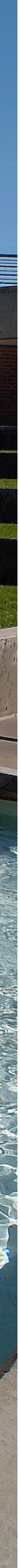
Alternative investments generally have limited redemption options for the Foundation. The majority of these investments require 14 to 60 days' notice prior to any amount being redeemed. One investment has no redemption option and may make future capital contribution calls and/or make distributions to the Foundation. This fund's maturity/liquidation is currently unknown as are the amounts of any future capital contributions calls or distributions. The Foundation's total amount held in this investment, at fair value, is $2,458,782 at June 30, 2016. The Foundation was required to make one capital contribution of $116,331 during the year ended June 30, 2016.

The following table sets forth a reconciliation of the Foundation's Level 3 assets for the year ended **June 30, 2016.**

	Alternatives
Beginning balance, July 1, 2015	$ -
Gains (losses) for the year:	
Realized	(160,735)
Unrealized	1,071,391
Purchases	7,370,760
Sales	(1,039,265)
Ending balance, June 30, 2016	$ 7,242,151



SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)



SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Utah Valley University • Utah Retirement Systems • December 31, 2015 • Last 10 Fiscal Years*

	2016	2015
Noncontributory System		
Proportion of the net pension liability (asset)	0.8118658%	0.7603048%
Proportionate share of the net pension liability (asset)	$ 25,503,030	$ 19,102,876
Covered payroll	20,299,268	19,753,477
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	125.64%	96.71%
Plan fiduciary net position as a percentage of the total pension liability	84.50%	87.20%
Contributory Retirement System		
Proportion of the net pension liability (asset)	2.7210978%	2.3745669%
Proportionate share of the net pension liability (asset)	$ 1,705,182	$ 260,368
Covered payroll	861,981	855,876
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	197.82%	30.42%
Plan fiduciary net position as a percentage of the total pension liability	92.40%	98.70%
Tier 2 Public Employees System		
Proportion of the net pension liability (asset)	(1.0192718%)	(0.8523389%)
Proportionate share of the net pension liability (asset)	$ (2,225)	$ (25,830)
Covered payroll	6,584,988	4,183,034
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	(0.03%)	(0.62%)
Plan fiduciary net position as a percentage of the total pension liability	100.20%	103.50%

* The University implemented GASB Statement 68 in 2015. The 10-year history will be built prospectively.

SCHEDULE OF THE CONTRIBUTIONS TO THE UTAH STATE RETIREMENT SYSTEMS

SCHEDULE OF THE CONTRIBUTIONS OF THE UTAH STATE RETIREMENT SYSTEMS

Utah Valley University • Utah Retirement Systems • June 30, 2016 • Last 10 Fiscal Years*

	2016	2015
Noncontributory System		
Contractually required contribution	$ 4,317,851	$ 4,463,325
Contributions in relation to the contractually required contribution	(4,317,851)	(4,463,325)
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 19,650,773	$ 20,311,773
Contributions as a percentage of covered-employee payroll	21.97%	21.97%
Contributory Retirement System		
Contractually required contribution	$ 141,988	$ 156,906
Contributions in relation to the contractually required contribution	(141,988)	(156,906)
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 802,191	$ 886,472
Contributions as a percentage of covered-employee payroll	17.70%	17.70%
Tier 2 Public Employees System		
Contractually required contribution	$ 1,255,126	$ 999,809
Contributions in relation to the contractually required contribution	(1,255,126)	(999,809)
Contribution deficiency (excess)	$ -	$ -
Covered employee payroll	$ 6,877,886	$ 5,470,804
Contributions as a percentage of covered-employee payroll	18.25%	18.28%

* The University implemented GASB Statement 68 in 2015. The 10-year history will be built prospectively.

UTAH VALLEY UNIVERSITY

2016

ANNUAL FINANCIAL REPORT

UTAH VALLEY UNIVERSITY **2016** ANNUAL FINANCIAL REPORT