2018 ANNUAL FINANCIAL REPORT

UTAH VALLEY UNIVERSITY

A COMPONENT UNIT OF THE STATE OF UTAH

TABLE OF CONTENTS

2018 ANNUAL FINANCIAL REPORT

PRESIDENT'S MESSAGE

What a year it has been for Utah Valley University! We celebrated the accomplishments of our students, welcomed innovations at the university, and said goodbye to President Matthew S. Holland and his family. I am deeply grateful for President Holland's leadership and the work that he and leaders at UVU did over nearly a decade to transform UVU into a remarkable, successful and growing university. It is upon this firm foundation that we can continue to live out our great mission and serve the nearly 40,000 students who call UVU home. I also want to thank Senior Vice President Jeffrey E. Olson, who so ably navigated the period of transition this summer in his role as Interim President.

For fiscal year 2018, UVU received a 5.9% increase in appropriated base tax funds as well as an additional 9.6% in tuition revenue from a combination of enrollment increase and tuition rate change. These new revenues supported the addition of 28 full-time faculty and 37 full-time staff to respond to support a growing student body and new academic programs. Because of our commitment to providing a high quality, serious education, we have maintained our goal of delivering over 55 percent of instruction by full-time faculty. Reflecting UVU's commitment to student access and affordability, general student fees remained constant following two years of reductions. Today UVU is positioned better than ever to provide our students affordable access and resources to help them achieve their academic goals.

If you visited our campus over the last year, you may have seen the construction of the Noorda Center for the Performing Arts, a $60 million, 130,000 square foot performing arts facility. This remarkable building reflects the extraordinary generosity of our donors and the Utah legislature. UVU's state-of-the-art venue will host the highest quality artistic productions and facilitate educational courses for our students and others who seek a richer understanding of composition, music history, and instrumental performance. The Noorda Center's 900-seat concert hall will also become the Utah Symphony's home in Utah Valley, creating marvelous musical programs for the region to enjoy. With the Noorda Center, UVU will consolidate its role as a vital institution in the heart of Utah County, offering educational and cultural opportunities for all.

Finally, during the last few months, I have spoken to our faculty, staff, and students in large and small settings, soliciting candid feedback in a still-continuing "listening tour." These conversations have helped me better understand the culture, needs, and strengths of our university. I have also had the opportunity to speak to numerous external stakeholders and now better appreciate UVU's role as an economic engine for our service region and state, as well as a critical player in Utah's higher education landscape.

As we celebrate the accomplishments of the past and pivot to meet the challenges of the future, I would like us to focus on UVU as a place where we INCLUDE all who want to receive a meaningful post-secondary education. We are in the business of preparing people for work and life. We remain committed to open admissions and to the integrated mission of a community college and university.

UVU is also a place where we ENGAGE in rigorous and meaningful academic preparation and experiential learning. But our engagement does not stop there. Each of us engages deeply by bringing our best selves to work every day; owning our responsibilities as students, staff, faculty and administration; and harnessing our resources for the most impactful use.

Finally, UVU is a place where we help one another and our larger community to ACHIEVE dreams and aspirations in education, employment and a dignified life. We are focused on student success. This means not only terminal degrees, but an overall positive university experience that helps each member of our community move forward with hope and resilience.

To INCLUDE, ENGAGE AND ACHIEVE, we will focus on a culture of exceptional care, accountability, and results. We will always aspire to be better than what we are. Among other things, this means stretching ourselves to promote the well-being of our students physically and mentally; improving student learning, retention, and completion; helping our students develop character; behaving with the highest integrity and ethics; using our resources wisely; achieving greater victories in athletics; and setting new standards in the arts. As president of UVU, I am committed to reinforcing and living our values and working with all of you so UVU can shine brighter.

Thank you for the support that you provide the nearly 40,000 students that call UVU their academic home. We are proud of the institution and culture that we are building. We are part of a story and a purpose truly greater than ourselves.

Warmest regards,

Astrid S. Tuminez President

UVU UTAH VALLEY UNIVERSITY

OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Utah Valley University (University), a component unit of the State of Utah, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Utah Valley University Foundation, a blended component unit foundation, which represents 17 percent, 21 percent, and 9 percent, respectively, of total assets, net position, and total revenues of the University. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Utah Valley University Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Utah State Capitol Complex, East Office Building, Suite E310 • P.O. Box 142310 • Salt Lake City, Utah 84114-2310 • Tel: (801) 538-1025 • auditor.utah.gov

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2018, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the Utah Valley University Foundation (Foundation) changed its governance structure. This new structure, when evaluated under generally accepted accounting principles, resulted in changing the Foundation's previous presentation as a discrete component unit to a component unit blended with the University. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the University's basic financial statements. The 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 10, 2019 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 10, 2019

MANAGEMENT'S DISCUSSION & 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, 2018, with comparative information for the year ended June 30, 2017. 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 as a blended component unit in the University's financial statements. This is the first year the Foundation has been reported as a blended component unit (see Note 1). The 2017 balances have been combined with the Foundation in order to make the two years comparable.

Financial Highlights

- The University's net position increased by $43.5 million during the fiscal year.
- Enrollment increased by 7.11% in total headcount and 6.14% 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

Statement of Net Position, Condensed				
	2018	**2017**	**Change**	**% Change**
ASSETS				
Current assets	$ 143,113,874	$ 153,223,691	$ (10,109,817)	(6.6%)
Noncurrent assets	128,838,409	98,478,579	30,359,830	30.8%
Capital assets, net	404,841,717	386,905,224	17,936,493	4.6%
Total assets	**676,794,000**	**638,607,494**	**38,186,506**	**6.0%**
Deferred Outflows of Resources	11,563,644	11,921,630	(357,986)	(3.0%)
LIABILITIES				
Current liabilities	36,472,176	36,708,755	(236,579)	(0.6%)
Noncurrent liabilities	68,586,548	80,809,075	(12,222,527)	(15.1%)
Total liabilities	**105,058,724**	**117,517,830**	**(12,459,106)**	**(10.6%)**
Deferred Inflows of Resources	10,989,462	4,207,930	6,781,532	161.2%
NET POSITION				
Net invested in capital assets	351,471,669	329,467,065	22,004,604	6.7%
Unexpendable: Scholarships	34,757,550	30,277,353	4,480,197	14.8%
Restricted expendable	83,962,083	73,191,374	10,770,709	14.7%
Unrestricted	102,118,156	95,867,572	6,250,584	6.5%
Total net assets	**$ 572,309,458**	**$ 528,803,364**	**$ 43,506,094**	**8.2%**

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.

The decrease in current assets held by the University of $10.1 million is mainly due to a decrease in cash of $14.5 million related to an increase in investments of $17.9 million which is part of the increase in noncurrent assets of $30.4 million. Noncurrent assets also increased by $12.9 million due to pledges and notes receivable. Cash and cash equivalents make up 57.6% of the current assets balance with $82.4 million. A portion of cash, $34.6 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 and donors.

The University made various capital asset additions during fiscal year 2018. Capital assets increased by $17.9 million. The most significant addition was to the construction in progress account related to the Performing Arts Building at a cost of $15.4 million. A total of $10.5 million was added to buildings during the fiscal year. The University also purchased various pieces of equipment at a cost of $5.2 million. The net change in capital asset increases and decreases totaled $27.8 million (excluding depreciation). This net increase in capital assets was offset by a net change in depreciation of $9.9 million, which nets to a increase in capital assets of $17.9 million.

Current liabilities decreased slightly by 0.6% or $0.2 million.

Noncurrent liabilities decreased by $12.2 million during the year. The net pension liability decreased by $7.8 million. Most of the changes result from investment earnings and changes in assumptions. Bonds, notes, and capital leases payable decreased by $3.7 million. These changes resulted from paying principle payments on debt.

Statement of Revenues, Expenses, and Changes in Net Position

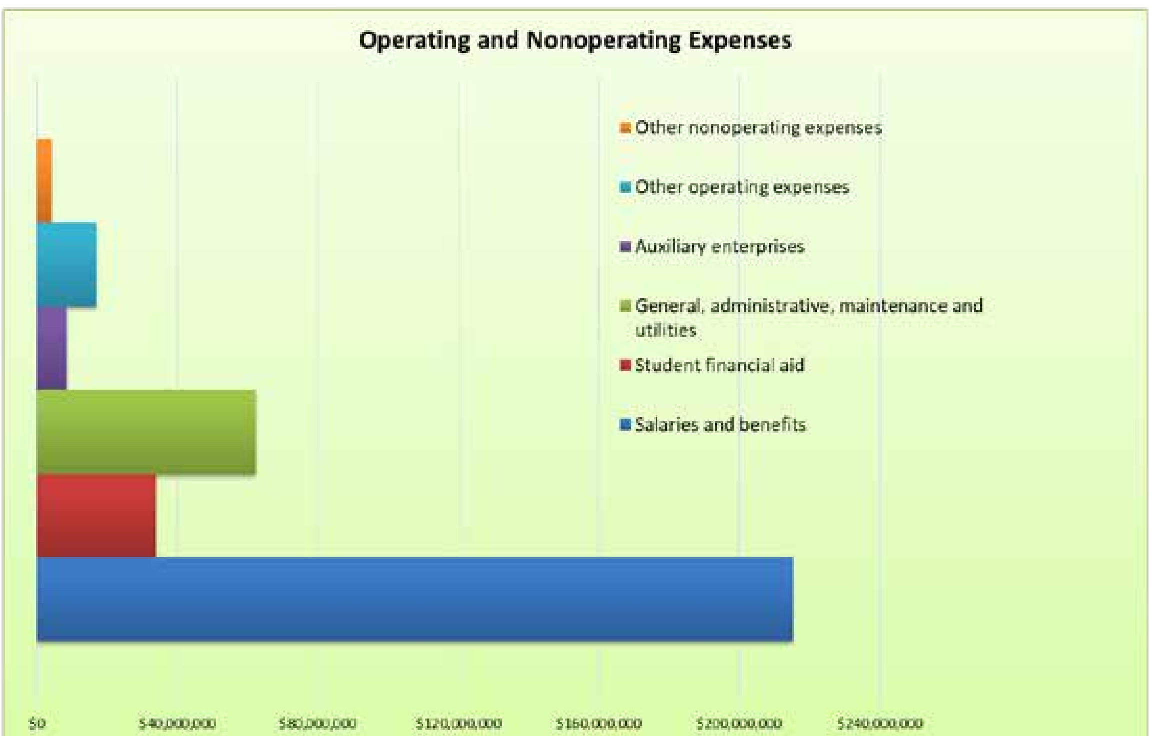
Changes in total net position, as presented on the Statement of Net Position, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the operating and nonoperating revenues received by the University, the operating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

Generally speaking, operating revenues are revenues 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

	2018	2017	Change	% Change
REVENUES				
Operating revenues				
Student tuition and fees	$ 140,772,754	$ 137,605,375	$ 3,167,379	2.3%
Grants and contracts	179,871	525,629	(345,758)	(65.8%)
Auxiliary enterprises	13,350,810	15,023,914	(1,673,104)	(11.1%)
Other	9,379,078	8,792,505	586,573	6.7%
Total operating revenues	**163,682,513**	**161,947,423**	**1,735,090**	**1.1%**
EXPENSES				
Operating expenses				
Salaries and benefits	215,211,874	211,303,897	3,907,977	1.8%
Student financial aid	33,854,932	30,463,806	3,391,126	11.1%
General and administrative, maintenance and utilities	62,354,598	64,010,565	(1,655,967)	(2.6%)
Auxiliary enterprises	8,407,176	8,235,722	171,454	2.1%
Depreciation	17,052,818	16,383,638	669,180	4.1%
Total operating expenses	336,881,398	330,397,628	6,483,770	2.0%
Operating loss	**(173,198,885)**	**(168,450,205)**	**(4,748,680)**	**2.8%**
NONOPERATING REVENUES (EXPENSES)				
State appropriations	112,354,498	106,398,062	5,956,436	5.6%
Grants and contracts	71,512,121	61,130,771	10,381,350	17.0%
Gifts	14,722,992	13,324,952	1,398,040	10.5%
Investment income	5,991,510	7,551,230	(1,559,720)	(20.7%)
Other nonoperating revenues (expenses)	(4,133,796)	(2,690,261)	(1,443,535)	53.7%
Net nonoperating revenues	200,447,325	185,714,754	14,732,571	**7.9%**
Income before other revenues	**27,248,440**	**17,264,549**	**9,983,891**	**57.8%**
Capital appropriations	322,533	3,483,392	(3,160,859)	(90.7%)
Gifts to endowments	4,036,859	6,703,099	(2,666,240)	(39.8%)
Capital grants and gifts	11,898,262	2,124,263	9,773,999	460.1%
Other revenues	16,257,654	12,310,754	3,946,900	32.1%
Change in net assets	**43,506,094**	**29,575,303**	**13,930,791**	**47.1%**
Net position – beginning as adjusted	528,803,364	499,228,061	29,575,303	5.9%
Net position – ending	**$ 572,309,458**	**$ 528,803,364**	**$ 43,506,094**	**8.2%**

The following graphs illustrate operating and nonoperating revenues and expenses for the year ended June 30, 2018.



The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of $43.5 million. Operating revenues increased by 1.1% from the prior year. Tuition and fees increased by $3.2 million or 2.3% compared to the prior reporting period due to an increase in tuition rates of 2.5% and to an increase in the number of students of 7.1%. Auxiliary enterprises decreased by 11.1% or $1.7 million due to less sales in the bookstore and food services.

Operating expenses increased from the prior year by 2.0% or $6.5 million. Salaries and related employee benefits increased by $3.9 million or 1.8%. Salaries and benefits increased due to hiring more faculty and staff, equity and retention increases, and a cost of living increase. The decrease in benefits is due to a reduction in the pension liability.

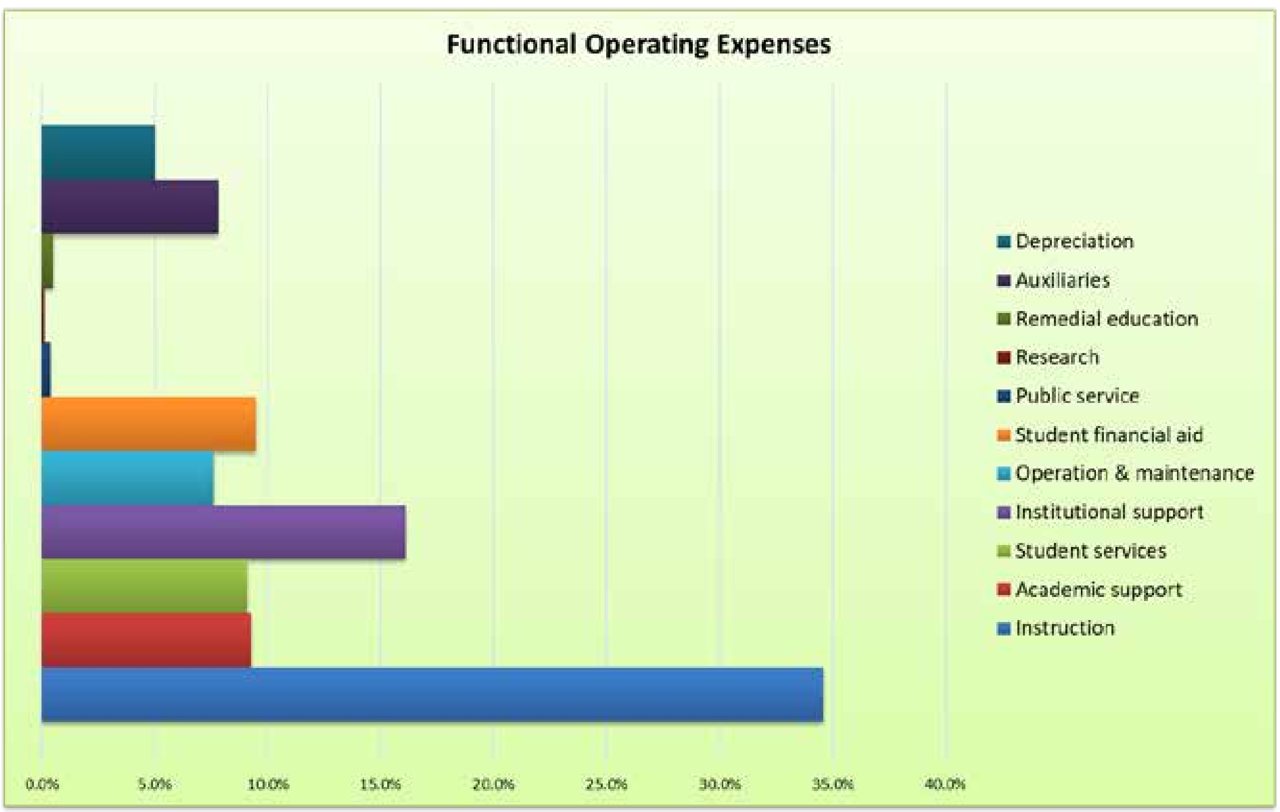
Total nonoperating revenues and expenses increased from the prior year by $14.7 million or 7.9%. State appropriations increased by $5.9 million or 5.6%. Grants and contacts increased by $10.4 million or 17.0%, mostly due to an increase in Pell grants. Investment income decreased $1.6 million or 20.7% due to implementing new investment strategies and an increase in interest rates. Gifts revenue increased by 10.5% or $1.3 million due to efforts to raise funds.

Capital grants and gifts increased by $9.8 million due to capital donations received for the construction of various of capital projects. Capital appropriations decreased by $3.2 million due to amounts received in the prior year related to projects that were funded by the legislature.

The following is a summary of the University's expenses by programmatic (functional) classification for the years ended June 30, 2018, and 2017:

	June 30, 2018	June 30, 2017	Change	% Change
Operating Expenses				
Instruction	$ 119,373,891	$ 113,270,825	$ 6,103,066	5.4%
Academic support	33,824,102	30,419,133	3,404,969	11.2%
Student services	30,766,564	29,621,050	1,145,514	3.9%
Institutional support	49,661,164	56,133,705	(6,472,541)	(11.5%)
Operation & maintenance	23,565,390	24,930,003	(1,364,613)	(5.5%)
Student financial aid	34,557,035	31,142,147	3,414,888	11.0%
Public service	818,167	1,177,230	(359,063)	(30.5%)
Research	451,532	335,903	115,629	34.4%
Remedial education	1,270,216	1,567,253	(297,037)	(19.0%)
Auxiliaries	25,540,519	25,416,741	123,778	0.5%
Depreciation	17,052,818	16,383,638	669,180	4.1%
Total Operating Expenses	**$ 336,881,398**	**$ 330,397,628**	**$ 6,483,770**	**2.0%**

The following graph illustrates functional operating expenses as a percent of the total for the year ended June 30, 2018.



The $6.1 million increase in instruction related costs are due primarily to an increase of $5.7 million in salaries and benefits. Institutional support expenses decreased by $6.4 million or 11.5%. The decrease was due to an decrease in compensation and benefits of $5.0 million due to a reduction in the net pension liability.

Operation and maintenance expenditures decreased $1.4 million due mainly to a decrease in maintenance costs of $1.5 million.

The functional expense of student financial aid increased by $3.4 million from the prior year. This increase is attributed mostly to a net increase in Pell Grants of $1.0 million and an increase of waivers of $1.4 million.

Public service decreased $0.4 million or 30.5% which was primarily due to a decrease in salaries and benefit expenses of $0.2 million. Remedial education decreased by $0.3 million or 19.0% due to a decrease in salaries and benefits of $0.3 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.

Operating activities include cash inflows from tuition received ($141.4 million) and sales from auxiliary services ($17.3 million), as well as cash outflows from payments related to employee salaries and benefits ($216.6 million) and student aid in the form of scholarships and fellowships ($37.4 million). Cash outflows from operating activities was $5.6 million more than in 2017. Most of the increase in cash outflows, $9.8 million, was due to payments related to employee services and benefits, followed in significance by $6.9 million in payments for student financial aid. These increases in cash outflows were partially offset by an increase in cash inflows of tuition and fees of $4.7 million, a reduction in payments to suppliers of $5.0 million, and other operating cash receipts of $3.5 million, from the prior year.

Noncapital financing activities increased from the prior year by $6.1 million. Grants and contracts provided cash of $71.1 million, which was an increase of $10.6 million from the prior year. State appropriations increased $1.1 million from the prior year to provide total cash inflows of $110.2 million. The cash inflows of $183.1 million provided by noncapital financing activities was offset by cash outflows in operating ($155.3 million), capital related financing ($28.8 million), and investing activities ($14.3 million).

Ratios

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

	2018	2017
Primary Reserve Ratio	54.6%	50.8%
Viability Ratio	3.8	3.2
Debt Burden Ratio	1.6%	1.7%
Return on Net Asset Ratio	8.2%	5.2%
Net Operating Revenues Ratio	7.4%	4.9%

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 54.6 percent for fiscal year 2018 and 50.8 percent for fiscal year 2017. Studies suggest institutions have a primary reserve ratio of 40 percent 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 3.8 for fiscal year 2018 and 3.2 for fiscal year 2017.

Debt Burden Ratio – The Debt Burden Ratio measures the cost of servicing the debt of a 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 2018 was 1.6 percent and 1.7 percent for fiscal year 2017. The ratio threshold is considered to be 7.0 percent.

Return on Net Assets Ratio – The Return on Net Assets Ratio determines whether a 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 2018 was 8.2 percent and was 5.2 percent for 2017.

Net Operating Revenues Ratio – The Net Operating Revenues Ratio indicates whether a 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 7.4 percent for fiscal year 2018 and 4.9 percent for fiscal year 2017.

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 continue to strengthen during 2019. State appropriations for higher education are expected to remain at 2018 levels.

Fall semester of fiscal year 2018, student enrollment increased by 7.1% and tuition increased by 2.5%. Tuition and fees as a percentage of total revenues (36.6%) is greater than the percentage of State appropriations as a percentage of total revenue (29.2%) for the University, therefore, the expectation of appropriations being the same as 2018 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 2018.

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.

STATEMENT OF NET POSITION
June 30, 2018

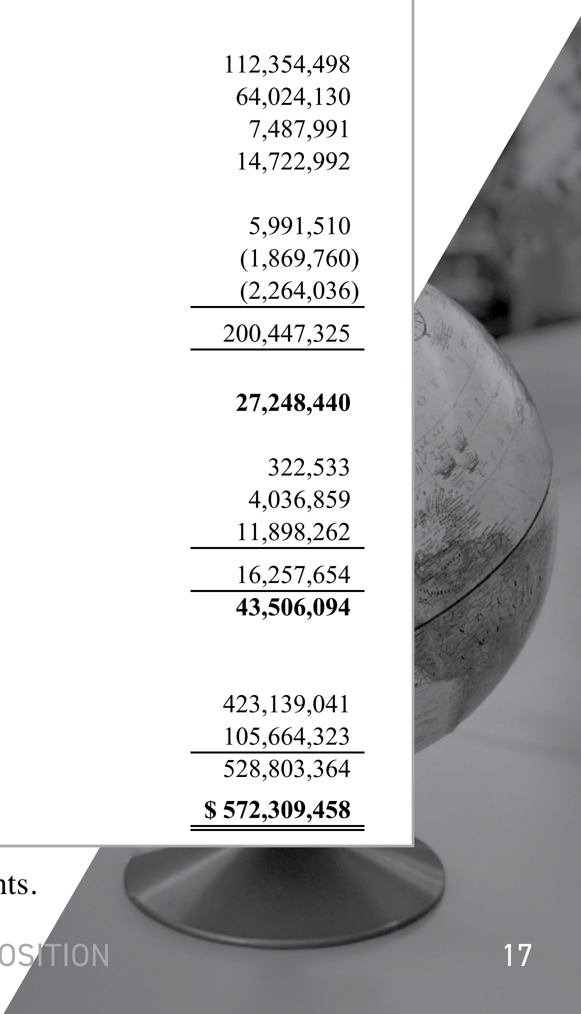
Current assets	
Cash and cash equivalents	$ 47,793,672
Restricted cash, cash equivalents	34,592,709
Investments	41,755,115
Accounts receivable, net	6,123,548
Notes and pledges receivable	8,475,236
Prepaid expenses	1,190,055
Inventories	3,183,539
Total current assets	143,113,874
Noncurrent assets	
Restricted cash, cash equivalents	4,038,437
Investments	90,682,723
Accounts receivable, net	6,231,611
Notes and pledges receivable	25,156,977
Other long term assets	2,728,661
Capital Assets	
Non depreciable capital assets	80,253,752
Depreciable capital assets, net	324,587,965
Total noncurrent assets	533,680,126
Total assets	**676,794,000**
DEFERRED OUTFLOWS OF RESOURCES	11,563,644
LIABILITIES	
Current liabilities	
Accounts payable	6,340,624
Accrued liabilities	16,746,821
Other liabilities	74,614
Unearned revenue	9,002,305
Current portion of bonds, notes, and capital leases payable	3,655,486
Funds held for others	652,326
Total current liabilities	36,472,176
Noncurrent liabilities	
Accrued liabilities	3,672,542
Unearned revenue	667,391
Net pension liability	18,551,188
Bonds, notes, and capital leases payable	45,695,427
Total noncurrent liabilities	68,586,548
Total liabilities	**105,058,724**
DEFERRED INFLOWS OF RESOURCES	10,989,462
NET POSITION	
Net investment in capital assets	351,471,669
Restricted	
Nonexpendable: Scholarships	34,757,550
Expendable:	
Grants and contracts	3,378,394
Scholarships and loans	80,583,689
Unrestricted	102,118,156
Total net position	**$ 572,309,458**

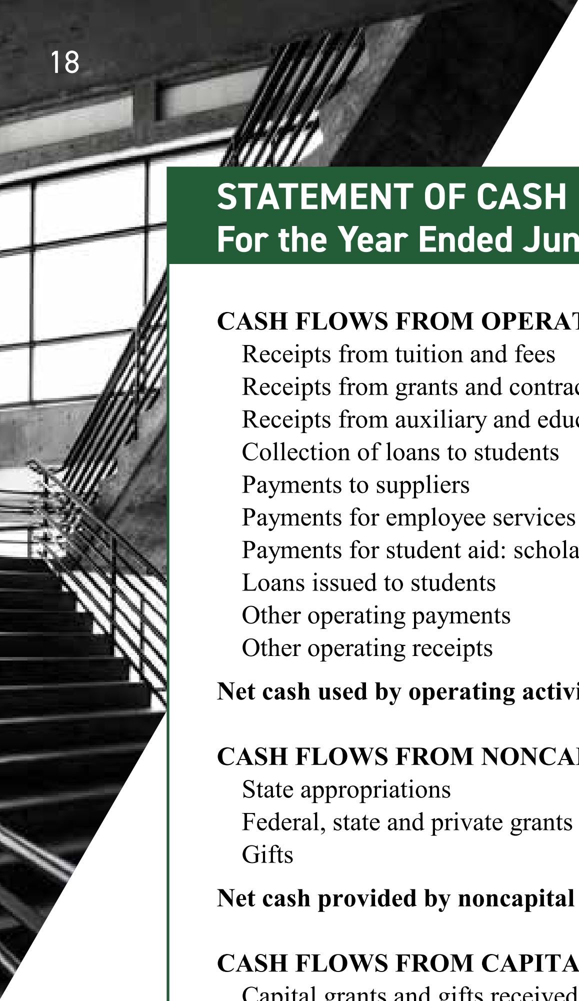
The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

REVENUES	
Operating revenues	
Student tuition and fees (net of scholarships and allowances of $51,392,421)	$ 140,772,754
Private grants and contracts	13,950
Grants and contracts	165,921
Sales and services of education departments	3,986,126
Auxiliary enterprises (net of scholarships and allowances of $2,444,182)	13,350,810
Other operating revenues	5,392,952
Total operating revenues	**163,682,513**
EXPENSES	
Operating expenses	
Salaries	155,389,684
Fringe benefits	59,822,190
Student financial aid	33,854,932
Maintenance and utilities	13,380,565
General and administrative	48,974,033
Cost of goods sold - auxiliary enterprises	8,407,176
Depreciation	17,052,818
Total operating expenses	336,881,398
Operating loss	**(173,198,885)**
NONOPERATING REVENUES (EXPENSES)	
State appropriations	112,354,498
Federal grants and contracts	64,024,130
State grants and contracts	7,487,991
Gifts	14,722,992
Investment income (net of Foundation investment expense of $281,293)	5,991,510
Interest on capital asset-related debt	(1,869,760)
Other nonoperating revenues (expenses)	(2,264,036)
Net nonoperating revenues (expenses)	200,447,325
Income before other revenues, expenses, gains, or losses	**27,248,440**
Capital appropriations	322,533
Gifts to endowments	4,036,859
Capital grants and gifts	11,898,262
Total other revenues	16,257,654
Increase in net assets	**43,506,094**
NET POSITION	
Net position--beginning of year	423,139,041
Adjustment due to consolidation	105,664,323
Net position--beginning of year as adjusted	528,803,364
Net position--end of year	**$ 572,309,458**

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





STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 141,399,719
Receipts from grants and contracts	179,871
Receipts from auxiliary and educational sales and services	17,295,750
Collection of loans to students	244,627
Payments to suppliers	(68,866,951)
Payments for employee services and benefits	(216,599,133)
Payments for student aid: scholarships and fellowships	(37,404,081)
Loans issued to students	(151,938)
Other operating payments	(660,529)
Other operating receipts	9,240,308
Net cash used by operating activities	**(155,322,357)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	110,196,828
Federal, state and private grants and contracts	71,100,235
Gifts	1,753,342
Net cash provided by noncapital financing activities	**183,050,405**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital grants and gifts received	11,423,678
Deferred annuity payments	(92,551)
Purchases of capital assets	(34,788,099)
Principal paid on capital debt and leases	(3,198,915)
Interest paid on capital related debt	(2,123,928)
Net cash used by capital and related financing activities	**(28,779,815)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sales and maturities of investments	82,699,368
Principal received on notes receivable	1,360,109
Receipt of interest on investments	3,803,086
Purchase of investments	(102,128,680)
Net cash used by investing activities	**(14,266,117)**
Net decrease in cash	(15,317,884)
Cash and cash equivalents - beginning of year	101,742,702
Cash and cash equivalents - end of year	**$ 86,424,818**

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

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	**$ (173,198,885)**
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	17,052,818
DFCM projects not capitalized	2,021,358
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources	
Receivables, net	871,182
Inventories	(316,251)
Prepaid expenses, deferred charges	(679,255)
Accounts payable	207,300
Accrued liabilities	(923,952)
Unearned revenue	474,530
Funds held for others	54,674
Other liabilities	(134,690)
Deferred Outflows of Resources	290,423
Net Pension Liability	(7,823,141)
Deferred Inflows of Resources	6,781,532
Net Cash Used by Operating Activities	**$ (155,322,357)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Donated library books	$ 400,683
Donated assets	873,900
Assets contributed by DFCM	322,533
Adjustments to fair market value of investments	2,660,861
Total Noncash Activities	**$ 4,257,977**

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Utah Valley University Foundation (the Foundation), as a blended component unit. A blended component unit is an entity that is legally separate from the University, but 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 that operates exclusively to promote the University. The Foundation's economic resources are used for the benefit of the University. It is administered by a Board of Directors comprised of 18-24 members of the local community and the University. The President of the University and two other key University personnel are permanent members of the Board. Additionally, the President of the University can remove board directors without consent or vote of the Board.

The Foundation's financial statements are prepared separately from those of the University and are prepared in accordance with the Financial Accounting Standards Board (FASB) Standards. The financial statements of the Foundation are audited by independent auditors. 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.

The structure of the governing board of the Foundation changed in 2018 which gave more control to the University in selecting board members. Due to this change, the financial activity of the Foundation for the year ended June 30, 2018, is reported in the University's financial statements as a blended component unit instead of a discretely presented component unit. The financial statements show a single column reflecting the combination of the Foundation's financial activity with that of the University. Transactions between the University and the Foundation have been eliminated. The blending of the Foundation with the University for financial statement purposes resulted in an adjustment to beginning net position of $105,664,323.

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.

A portion of the Foundation's endowment portfolio is invested in "alternative investments." These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. The University values these investments based on the partnerships' audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions.

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 historical cost on the date of acquisition or in the case of gifts, acquisition 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 of at least two years. 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; (2) estimated amounts for accrued liabilities that will not be paid within the next fiscal year; (3) unearned revenue; and (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 and prepaid rental income 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.

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 blended 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, 2018, $13,139,917 of the University's bank balances of $13,389,917 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.

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 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.

Spending Policy

The Foundation has a policy of appropriating for distribution each year 4-5 percent of its endowment fund's moving-average fair value of the prior 3 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 percent 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 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.

At June 30, 2018, the University had the following recurring fair value measurements:

	Fair Value	Fair Value Measurement at Reporting Date Using: Quoted Prices in Active Markets for Identical Assets/ Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Money market accounts	$ 1,812,774	$ -	$ 1,812,774	$ -
Utah Public Treasurers' Investment Fund	77,365,686	-	77,365,686	-
U.S. Treasuries	42	-	42	-
U.S. Agencies	5,000,000	-	5,000,000	-
Corporate bonds	85,975,720	-	85,975,720	-
Total debt securities	**170,154,222**	**-**	**170,154,222**	**-**
Equity Securities				
Common and preferred stocks	5,805,895	4,175,940	1,629,955	-
Mutual funds	27,269,021	20,452,371	-	6,816,650
Alternatives	3,992,263	-	-	3,992,263
REITs	725,353	-	-	725,353
Total Equity Securities	**37,792,532**	**24,628,311**	**1,629,955**	**11,534,266**
Total investments by fair value level	**207,946,754**	**24,628,311**	**171,784,177**	**11,534,266**
Private real-estate measured using equity method	1,856,812	-	-	1,856,812
Total investments	**$209,803,566**	**$ 24,628,311**	**$171,784,177**	**$ 13,391,078**

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 and U.S. Agencies: quoted prices for identical securities in markets that are not active;
- Corporate Bonds: quoted prices for similar securities in active markets;
- Common and Preferred Stock: quoted prices for similar securities in active markets;
- Money Market Accounts: published fair value per share (unit) for each fund;
- Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the Utah State Treasurer provided a fair value factor to the University's June 30 balance in the fund.

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 University's Foundation. This fund's maturity/liquidation is currently unknown as are the amounts of any future capital contributions calls or distributions. The total amount held in this investment, at fair value, is $2,775,629 at June 30, 2018. The Foundation was required to make several capital contributions totaling $516,822 during the year ended June 30, 2018.

Level 3 investments generally do not have readily obtainable market values. The University values these investments using various sources such as financial statements or other financial valuations provided by the external advisor. June 30 valuations are preferred, if available. However, if June 30 valuations are not available, the value is progressed from the most recently available valuation.

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 nonendowment 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, 2018, the debt investments and maturities were as follows:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Less than One	One to Five	Five to Ten	Ten to Twenty
Money market accounts	$ 1,812,774	$ 1,812,774	$ -	$ -	$ -
Utah Public Treasurers' Investment Fund	77,365,686	77,365,686	-	-	-
U.S. Treasuries	42	42	-	-	-
U.S. Agencies	5,000,000	-	5,000,000	-	-
Corporate bonds	85,975,720	12,673,323	73,302,397	-	-
Total	$170,154,222	$ 91,851,825	$ 78,302,397	$ -	$ -

Credit Risk

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

At June 30, 2018, the University had debt investments and quality ratings as follows:

		Quality Rating			
Investment Type	Fair Value	Aa1 to AA-	A1 to A-	Baa1 to BBB	Unrated
Money market accounts	$ 1,812,774	$ -	$ -	$ -	$ 1,812,774
Utah Public Treasurers' Investment Fund	77,365,686	-	-	-	77,365,686
U.S. Treasuries	42	42	-	-	-
U.S. Agencies	5,000,000	5,000,000	-	-	-
Corporate bonds	85,975,720	3,062,906	53,701,591	29,211,223	-
Totals	$170,154,222	$ 8,062,948	$ 53,701,591	$ 29,211,223	$ 79,178,460

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 at the time of purchase. 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. As of June 30, 2018, the University held no investments in excess of the above mentioned limits.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the entity 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, 2018, the University had $85,975,720 in corporate bonds and $5,000,000 in U.S. agencies, which were uninsured and held by the counterparty's trust department, but not in the University's name.

NOTE 3. ACCOUNTS, NOTES, PLEDGES, AND CONTRIBUTIONS RECEIVABLE

University accounts receivable consisted of the following at June 30, 2018:

Current accounts receivable, net	
Student tuition and fees	$ 1,390,892
Investment interest	369,716
Operating activities	617,219
Auxiliary enterprises	838,299
Grants and contracts	153,223
Total	3,369,349
Less allowance for doubtful accounts	(520,250)
Total	2,849,099
Current accounts receivable-state agency	
Operating activities	130,052
Utah Department of Facilities Construction and Management	186,429
Grants and contracts	2,957,968
Total	3,274,449
Noncurrent accounts receivable, net	
Student tuition and fees	6,629,633
Operating activities	2,081,728
Less allowance for doubtful accounts	(2,479,750)
Total	6,231,611
Total	**$ 12,355,159**

The following table summarized the notes and pledges receivable as of June 30, 2018:

Loans to students	$ 1,335,581
Pledges receivable	26,592,515
Foundation notes receivable	5,704,117
Total notes and pledges receivable	33,632,213
As reported on the financial statements	
Current notes and pledges receivable	8,475,236
Noncurrent notes and pledges receivable	25,156,977
Total notes and pledges receivable	$ 33,632,213

University notes and pledges receivable consisted of the following at June 30, 2018:

Current notes and pledges receivable, net		
Loans to students	$	275,718
Less allowance for doubtful accounts		(60,199)
` Total		215,519
Noncurrent notes and pledges receivable, net		
Loans to students		1,428,573
Less allowance for doubtful accounts		(308,511)
Total		1,120,062
Total	**$**	**1,335,581**

Student loans made through the Federal Perkins Loan Program comprise substantially all of the notes receivable at June 30, 2018. 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, 2018, the allowance for uncollectible loans was $368,710.

Contributions or pledges are recorded when the unconditional promise to give's collection 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, 2018:

UCCU Center	$	3,021,783
Scholarships		189,890
School of business		6,181,387
Performing arts building		4,706,818
Autism building		1,616,198
Athletics practice facility		51,480
Roots of Knowledge		532,203
Library		1,356,021
Professorships		621,792
School of Arts Property		5,700,000
Women's Scholarship		223,911
Center for Constitutional Studies		1,407,074
Other		983,958
Contributions receivable, net	$	26,592,515

Unconditional promises to give will be received (depending on the donor) within one year to ten years. Contributions to be received after June 30, 2018 have been discounted to their net present value using the June 2018 Applicable Federal Rates for the anticipated collection period. The Applicable Federal Rates discount rate ranged from 2.34 to 3.05 percent.

Contributions receivable are as follows at June 30, 2018:

Receivable within one year	$ 6,691,660
Receivable from one to five years	24,999,623
Receivable in more than five years	3,302,584
Total contributions receivable	34,993,867
Discount contributions to net present	(3,193,500)
Allowance for uncollectible contributions	(5,207,852)
Contributions receivable, net	$ 26,592,515

The Foundation sold donated partnership interests by accepting notes receivable. The notes receivable all bear interest at 5 percent, require annual payments with accrued interest, and mature from December 2018 to 2021. The amount due is $2,681,067 (including accrued interest of $66,317) at June 30, 2018.

The Foundation received a note for $3,800,000 during the year ended June 30, 2016. This note bears interest at 2.23 percent, requires monthly payments of $35,358, and matures March 2026. The amount due is $3,023,050 (including accrued interest of $5,420) at June 30, 2018.

NOTE 4. INVENTORIES

Inventories at June 30, 2018 were as follows:

Auxiliary enterprises	$ 2,451,408
Supplies and other inventory	732,131
Total	**$ 3,183,539**

NOTE 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

University accounts payable consisted of the following at June 30, 2018:

Current accounts payable	
Interest payable	$ 338,965
Vendors payable	2,797,988
Grants and contracts	603,839
Employee deposits payable	264,547
Total	4,005,339
Current accounts payable-state agency	
State taxes payable	42,114
Other payable	23,754
Division of Facilities and Construction Management payable	2,269,416
Total	2,335,284
Total	**$ 6,340,623**

University accrued liabilities consisted of the following at June 30, 2018:

Current accrued liabilities	
Federal taxes payable	$ 1,427,761
Wages payable	4,748,783
Early retirement payable	334,298
Accrued leave payable	2,695,973
Medical and dental claims payable	3,730,329
Student reimbursements	372,921
Payroll liabilities	2,009,274
Total	15,319,339
Current accrued liabilities-state agency	
State taxes payable	846,905
Payroll liabilities	580,577
Total	1,427,482
Noncurrent accrued liabilities	
Future annuity payments	238,848
Early retirement payable	521,883
Accrued leave payable	2,911,811
Total	3,672,542
Total	**$ 20,419,363**

NOTE 6. UNEARNED REVENUE

Unearned revenue of the University consisted of the following at June 30, 2018:

Current unearned revenue	
Prepaid tuition and fees	$ 8,651,503
Grants and contracts	225,515
Prepaid rental income	93,844
Total	8,970,862
Current unearned revenue - State agency	
Grants and contracts	31,443
Noncurrent unearned revenue	
Grants and contracts	245,094
Prepaid rental income	422,297
Total	667,391
Total	**$ 9,669,696**

NOTE 7. CAPITAL ASSETS

The following are the changes in capital assets of the University for the year ended June 30, 2018:

	Beginning Book Value	Increases	Decreases	Ending Book Value
Capital assets not being depreciated				
Land	$ 45,930,901	$ 2,784,500	$ (12,027)	$ 48,703,374
Land improvements – nondepreciable	6,911,491	-	-	6,911,491
Works of art and historical treasures	4,080,424	65,900	-	4,146,324
Construction in process	6,463,418	26,063,171	(12,034,026)	20,492,563
Total not being depreciated	63,386,234	28,913,571	(12,046,053)	80,253,752
Capital assets being depreciated				
Land improvements – depreciable	10,635,019	1,881,980	-	12,516,999
Infrastructure	23,628,735	-	-	23,628,735
Buildings	392,839,861	10,474,579	-	403,314,440
Leasehold Improvements	2,543,205	-	-	2,543,205
Equipment	58,231,030	5,161,673	(6,766,416)	56,626,287
Library books	7,069,232	627,946	(380,741)	7,316,437
Total being depreciated	494,947,082	18,146,178	(7,147,157)	505,946,103
Less accumulated depreciation				
Land improvements – depreciable	(6,908,984)	(770,138)	-	(7,679,122)
Infrastructure	(8,769,747)	(782,120)	-	(9,551,867)
Buildings	(107,386,184)	(9,925,519)	-	(117,311,703)
Leasehold Improvements	(705,124)	(81,688)	-	(786,812)
Equipment	(43,974,595)	(5,154,409)	6,742,031	(42,386,973)
Library Books	(3,683,458)	(338,944)	380,741	(3,641,661)
Total accumulated depreciation	(171,428,092)	(17,052,818)	7,122,772	(181,358,138)
Total depreciable capital assets, net	323,518,990	1,093,360	(24,385)	324,587,965
Total capital assets, net	**$ 386,905,224**	**$ 30,006,931**	**$ (12,070,438)**	**$ 404,841,717**

NOTE 8. DEFERRED OUTLFOWS / DEFERRED INFLOWS OF RESOURCES

The University has the following deferred outflows and inflows of resources at June 30, 2018:

Deferred Outflows of Resources	
Deferred amount on refunding of bonds	$ 157,647
Difference between expected and actual experience	1,869
Changes in assumptions	4,700,919
Net difference between projected and actual earnings on pension investments	3,450,027
Changes in proportion and differences between contributions and proportionate share of contributions	506,217
Pension contributions made subsequent to the measurement date	2,746,965
Total	$ 11,563,644
Deferred Inflows of Resources	
Difference between expected and actual pension experience	$ 1,109,797
Change in actuarial assumptions	144,537
Net difference between projected and actual earnings on pension investments	8,658,705
Changes in proportion and differences between contributions and proportionate share of contributions	1,076,423
Total	$ 10,989,462

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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Revenue bonds	$ 44,410,000	$ -	$ (2,530,000)	$ 41,880,000	$ 2,635,000
Premium	4,654,030	-	(295,541)	4,358,489	295,541
Discount	(3,123)	-	1,041	(2,082)	(1,042)
Total bonds payable	49,060,907	-	(2,824,500)	46,236,407	2,929,499
Capital leases	3,783,420	-	(668,912)	3,114,508	725,987
Total bond and capital leases	52,844,327	-	(3,493,412)	49,350,915	3,655,486
Net pension liability	26,374,329	-	(7,823,141)	18,551,188	-
Early retirement	1,004,757	203,185	(351,761)	856,181	334,298
Accrued leave	5,712,134	4,994,964	(5,099,314)	5,607,784	2,695,973
Total	**$ 85,935,547**	**$ 5,198,149**	**$ (16,767,628)**	**$ 74,366,068**	**$6,685,757**

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, 2018 consisted of the following:

Description	Original Issue	Balance June 30, 2018	Due Within One Year
MBA 2004A Lease Revenue Bonds (Federally Taxable), due in annual installments through 2019, interest rate of 6.0%	$ 3,900,000	$ 730,000	$ 355,000
Less discount	(16,666)	(2,083)	(1,042)
Total net MBA 2004A	3,883,334	727,917	353,958
SBR 2004A Student Center Building Fee and Unified System Revenue Refunding Bonds, due in annual installments through 2020, interest rates 4.35% to 4.5%	11,020,000	1,160,000	370,000
Plus premium	105,719	18,656	6,219
Total net SBR 2004A	11,125,719	1,178,656	376,219
SBR 2012A Student Center Building Fee and Unified System Revenue Bonds, due in annual installments through 2033, interest rates 4% to 5%	49,250,000	39,990,000	1,910,000
Plus premium	6,075,767	4,339,834	289,322
Total net SBR 2012A	55,325,767	44,329,834	2,199,322
Total net bonds	**$ 70,334,820**	**$ 46,236,407**	**$ 2,929,499**

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. 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 $56,858,046.

The following is a summary of the pledged revenues for fiscal year 2018 and the bond payments due in fiscal year 2019:

Pledged revenues		
Building fee – Spring	$	2,170,723
Building fee – Summer		633,418
Building fee – Fall		2,294,838
Total building fees		5,098,979
Interest income		72,460
Unified system revenues		1,127,521
Total pledged revenues		6,298,960
Principal and interest payments for fiscal year 2019		
SBR 2004A Bonds		413,213
MBA 2004A Bonds		388,150
SBR 2012A Bonds		3,676,750
Total principal and interest payments to be covered by pledged revenues	$	4,478,113

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 $3,733,128.

The scheduled maturities of bonds payable at June 30, 2018, are as follows:

Year	Principal	Interest	Total
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	2,150,000	1,512,600	3,662,600
2023	2,260,000	1,402,350	3,662,350
2024-2028	13,100,000	5,155,500	18,255,500
2029-2033	16,515,000	1,721,025	18,236,025
Total	**$41,880,000**	**$14,978,046**	**$56,858,046**

NOTE 11. OPERATING LEASES

The University leases airport facilities and land under non-cancelable operating leases. Total costs for such leases were $422,454 for the year ended June 30, 2018.

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
2019	$ 400,694
2020	162,150
2021	42,868
2022	42,868
2023	42,868
2024-2028	133,546
2029-2033	27,649
Total future minimum lease payments	**$ 852,643**

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 10,723,735 as of June 30, 2018. Accumulated depreciation of leased assets totaled $4,467,733 at June 30, 2018.

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, 2018:

Fiscal Year Ending June 30	Capital Leases
2019	$ 862,387
2020	891,192
2021	920,958
2022	757,142
Total future minimum lease payments	3,431,679
Amounts representing interest	(317,171)
Present value of net minimum lease payments	**$ 3,114,508**

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, 2018, 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, 18 participants received medical and dental insurance benefits and 13 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 1.82% 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, 2018, the expenses for the 20% incentive stipend were $180,209 and the expenses for medical and dental insurance were $171,552.

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

* With actuarial reductions

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

Contributions: As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the 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, 2018, 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	18.44%

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

For the year ended June 30, 2018, the University and employee contributions to the plans were as follows:

Systems	Employer Paid	Employee Paid
Noncontributory System	$ 4,288,812	N/A
Contributory System	86,260	N/A
Tier 2 Public Employees System	997,933	N/A
	$ 5,373,005	

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, 2017. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017, 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 2017. At December 31, 2017, the University's proportionate shares in the defined benefit pension plans were as follows:

	Proportionate Share	Net Pension Asset	Net Pension Liability	Proportionate Share December 31, 2016	Change
Contributory System	2.2692109%	$ -	$ 149,323	2.6063328%	0.3371219%
Noncontributory System	0.7504796%	-	18,351,945	0.7670871%	0.0166075%
Tier 2 Public Employees System	0.5661958%	-	49,920	0.7665995%	0.2004037%
Total Net Pension Asset/Liability		$ -	$ 18,551,188		

For the year ended June 30, 2018, the University reported pension expense of $4,747,902. At June 30, 2018, 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
Difference between expected and actual experience	$ 1,869	$ 1,109,797
Change in assumptions	4,700,919	144,537
Net difference between projected and actual earnings on pension plan investments	3,450,027	8,658,705
Changes in proportion and differences between contributions and proportionate share of contributions	506,217	1,076,423
Contributions subsequent to the measurement date	2,746,965	-
	$ 11,405,997	$ 10,989,462

Contributions made between January 1, 2018, and June 30, 2018, of $2,746,965 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 Inflows (Outflows) of Resource:
2018	$ 362,777
2019	648,941
2020	(1,502,075)
2021	(1,879,578)
2022	(10,643)
Thereafter	50,148
	$ (2,330,430)

Actuarial assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.25% - 9.75%, average, including inflation
Investment rate return	6.95%, 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, 2017 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

Changes in Assumptions: The following actuarial assumption changes were adopted January 1, 2018. The assumed investment return assumption was decreased from 7.20% to 6.95% and the assumed inflation rate was decreased from 2.60% to 2.50%.

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%	6.15%	2.46%
Debt securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private equity	9%	9.95%	0.90%
Absolute return	16%	2.85%	0.46%
Cash and cash equivalents	0%	0%	0%
Totals	100%		4.75%
Inflation			2.50%
Expected arithmetic nominal return			7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95%. 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. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95% from 7.2% from the prior year measurement period.

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 liability (asset) calculated using the discount rate of 6.95%, as well as, what the proportionate share would be if calculated using a discount rate that is one percentage point lower (5.95%) or one percentage point higher (7.95%) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	$ 40,070,058	$ 18,351,944	$ 199,972
Contributory System	1,967,907	149,323	(1,398,939)
Tier 2 Public Employees System	587,783	49,920	(364,850)
Total	$ 42,625,748	$ 18,551,187	$ (1,563,817)

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 and Fidelity: Under the University's 401(a) plan, TIAA 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 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, 2018, 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 1.5% to 1.58% 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 20.02% of the employees' salary of which 10% is paid into a 401(k)/457 plan while the remainder is contributed to the non-Tier 2 Public Employee System, as required by law.

Contributions to the defined contributions plans for the fiscal year ending June 30, 2018, were as follows:

Defined Contribution Plans	Employer Paid	Employee Paid
Tier 2 Public Employee System	$ 129,985	N/A
TIAA and Fidelity	13,673,904	$ 1,770,510
401(k) Plan	502,254	560,796
457 Plan	-	84,311
Roth IRA Plan	N/A	73,792

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, are as follows:

	2018	2017
Estimated claims liability - beginning of year	$ 4,652,857	$ 2,127,548
Current year claims and changes in estimates	28,572,976	30,735,922
Claim payments and administrative expenses	(29,495,504)	(28,210,613)
Estimated claims liability - end of year	**$ 3,730,329**	**$ 4,652,857**

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, 2018, the University had the following outstanding commitments to DFCM for various projects:

Computer Science Building	4,860
Health Professional Building	19,346
Campus infrastructure	224,033
Basketball Practice Facility	118,699
Provo Airport Parking Improvements	943,270
Pope Science Building Remodel	25,870
Student Center HVAC	38,656
UVU Canyon Business Park	868,089
Sorensen Center Remodel	352,492
Campus irrigation and well design and construction	526,694
Performing Arts Building	7,100,981
Total	**$ 10,222,990**

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

NOTE 18. NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

The University's operating expenses by functional classification for June 30, 2018, were as follows:

Year Ended June 30, 2018
Natural Classification

	Compensation	Benefits	Financial Aid	Maintenance	General and Administrative	Auxiliary	Depreciation	Total
Functional Classification								
Instruction	$ 80,241,644	$ 29,744,046	$ -	$ 484,629	$ 8,903,572	$ -	$ -	$ 119,373,891
Academic Support	18,725,978	7,670,064	-	201,523	7,226,537	-	-	33,824,102
Student Services	16,496,732	7,502,845	-	155,714	6,611,273	-	-	30,766,564
Institutional Support	23,763,581	7,733,103	-	1,655,628	16,508,852	-	-	49,661,164
Operation and Maintenance of Plant	7,088,136	4,184,490	-	9,637,648	2,655,116	-	-	23,565,390
Student Financial Aid	684,224	17,879	33,854,932	-	-	-	-	34,557,035
Public Service	428,097	169,589	-	7,582	212,899	-	-	818,167
Research	215,200	30,354	-	-	205,978	-	-	451,532
Remedial Education	900,554	345,050	-	-	24,612	-	-	1,270,216
Auxiliaries	6,845,538	2,424,770	-	1,237,841	6,625,194	8,407,176	-	25,540,519
Depreciation	-	-	-	-	-	-	17,052,818	17,052,818
Total Expenses	**$ 155,389,684**	**$ 59,822,190**	**$ 33,854,932**	**$ 13,380,565**	**$ 48,974,033**	**$ 8,407,176**	**$ 17,052,818**	**$ 336,881,398**

NOTE 19. BLENDED COMPONENT UNIT

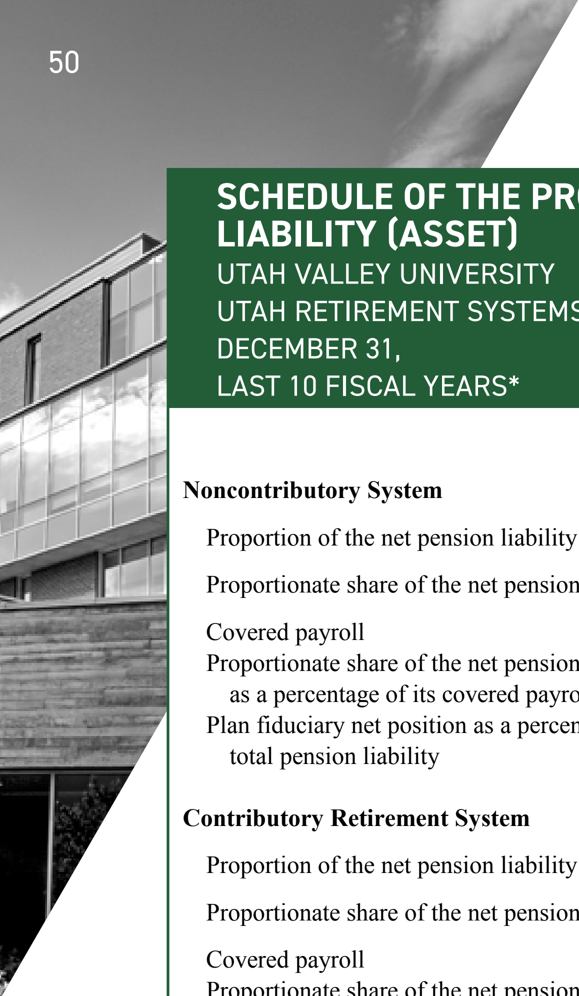
The following schedules present condensed statements of net position, statements of changes in net position, and statements of cashflows for the Utah Valley University Foundation. Amounts are for the year ended June 30, 2018.

Statement of Net Position, Condensed

	Foundation	Eliminations	Total
ASSETS			
Current assets	$ 71,913,806	$ 14,753,044	$ 86,666,850
Noncurrent assets	46,502,219	(7,356,317)	39,145,902
Total assets	**118,416,025**		**125,812,752**
LIABILITIES			
Noncurrent liabilities	238,848		238,848
Total liabilities	**238,848**		**238,848**
NET POSITION			
Restricted:			
Unexpendable: Scholarships	34,757,550		34,757,550
Expendable	78,833,789		78,833,789
Unrestricted	4,585,838	(7,396,727)	11,982,565
Total net assets	**$ 118,177,177**		**$ 125,573,904**

Statement of Revenues, Expenses, and Changes in Net Position, Condensed			
	Foundation	**Eliminations**	**Total**
EXPENSES			
Operating expenses			
Student financial aid	1,635,790	(1,635,790)	-
General and administrative, maintenance and utilities	19,667,093	(17,930,158)	1,736,935
Total operating expenses	21,302,883		1,736,935
Operating loss	**(21,302,883)**		**(1,736,935)**
NONOPERATING REVENUES (EXPENSES)			
Gifts	14,475,231	-	14,475,231
Investment income	3,405,385	470,709	2,934,676
Net nonoperating revenues	17,880,616		17,409,907
Income before other revenues	**(3,422,267)**		**15,672,972**
Capital grants and gifts	15,935,121		15,935,121
Change in net assets	**12,512,854**		**31,608,093**
Net position – beginning	105,664,323	11,698,512	93,965,811
Net position – ending	**$ 118,177,177**		**$ 125,573,904**

Statement of Cash Flows, Condensed			
	Foundation	**Eliminations**	**Total**
Net cash used by operating activities	$ (18,156,769)	$ 16,419,833	$ (1,736,936)
Net cash provided by noncapital financing activities	12,875,826	(11,353,662)	1,522,164
Net cash used by capital and related financing activities	(92,551)	11,423,678	11,331,127
Net cash provided by investing activities	3,278,226	(1,086,138)	2,192,088
Net decrease in cash	**(2,095,268)**	**15,403,711**	**13,308,443**
Cash and cash equivalents - beginning of year	36,007,300		36,007,300
Cash and cash equivalents - end of year	**$ 33,912,032**	**15,403,711**	**$ 49,315,743**

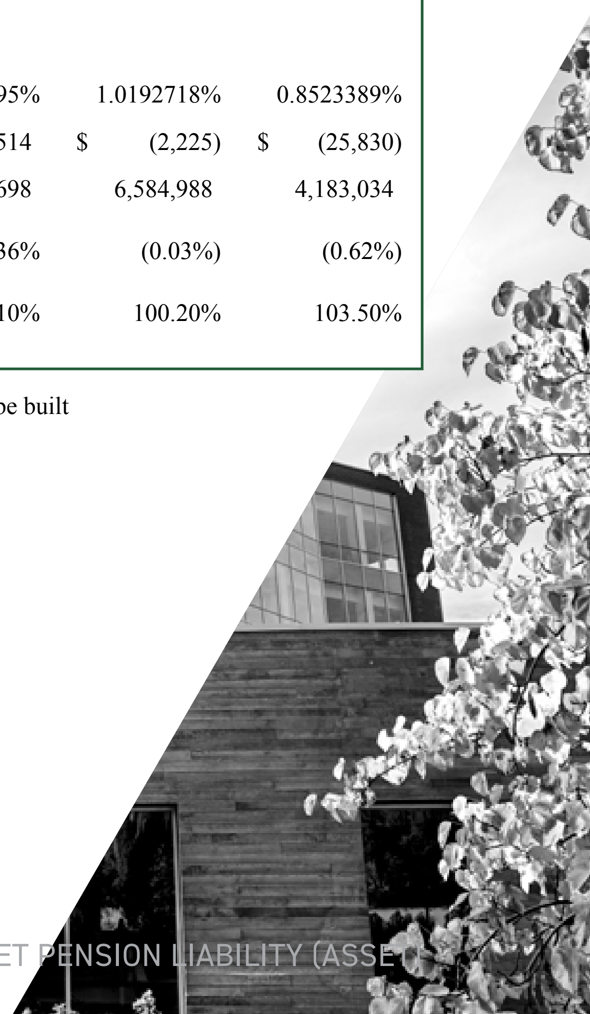


SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

UTAH VALLEY UNIVERSITY
UTAH RETIREMENT SYSTEMS
DECEMBER 31,
LAST 10 FISCAL YEARS*

	2017	2016	2015	2014
Noncontributory System				
Proportion of the net pension liability (asset)	0.7504796%	0.7670871%	0.8118658%	0.7603048%
Proportionate share of the net pension liability (asset)	$ 18,351,944	$ 24,860,655	$ 25,503,030	$ 19,102,876
Covered payroll	19,450,412	19,485,686	20,299,268	19,753,477
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	94.35%	127.58%	125.64%	96.71%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	84.90%	84.50%	87.20%
Contributory Retirement System				
Proportion of the net pension liability (asset)	2.6921090%	2.6063328%	2.7210978%	2.3745669%
Proportionate share of the net pension liability (asset)	$ 149,323	$ 1,428,160	$ 1,705,182	$ 260,368
Covered payroll	516,311	698,671	861,981	855,876
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	28.92%	204.41%	197.82%	30.42%
Plan fiduciary net position as a percentage of the total pension liability	99.20%	93.40%	92.40%	98.70%
Tier 2 Public Employees System				
Proportion of the net pension liability (asset)	0.5661958%	0.7665995%	1.0192718%	0.8523389%
Proportionate share of the net pension liability (asset)	$ 49,920	$ 85,514	$ (2,225)	$ (25,830)
Covered payroll	5,546,305	6,286,698	6,584,988	4,183,034
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	0.90%	1.36%	(0.03%)	(0.62%)
Plan fiduciary net position as a percentage of the total pension liability	97.40%	95.10%	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

UTAH VALLEY UNIVERSITY
UTAH RETIREMENT SYSTEMS
JUNE 30,
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015
Noncontributory System				
Contractually required contribution	$ 4,288,812	$ 4,263,696	$ 4,317,851	$ 4,463,325
Contributions in relation to the contractually required contribution	(4,288,812)	(4,263,696)	(4,317,851)	(4,463,325)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 19,539,022	$ 19,394,236	$ 19,650,773	$ 20,311,773
Contributions as a percentage of covered-employee payroll	21.95%	21.98%	21.97%	21.97%
Contributory Retirement System				
Contractually required contribution	$ 86,260	$ 99,355	$ 141,988	$ 156,906
Contributions in relation to the contractually required contribution	(86,260)	(99,355)	(141,988)	(156,906)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 487,344	$ 561,329	$ 802,191	$ 886,472
Contributions as a percentage of covered-employee payroll	17.70%	17.70%	17.70%	17.70%
Tier 2 Public Employees System				
Contractually required contribution	$ 997,933	$ 1,074,235	$ 1,255,126	$ 999,809
Contributions in relation to the contractually required contribution	(997,933)	(1,074,235)	(1,255,126)	(999,809)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 5,411,787	$ 5,889,438	$ 6,877,886	$ 5,470,804
	18.44%	18.24%	18.25%	18.28%

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

As a result of an experience study conducted as of December, 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

2018
ANNUAL
FINANCIAL
REPORT

UTAH VALLEY UNIVERSITY
A COMPONENT UNIT OF THE STATE OF UTAH