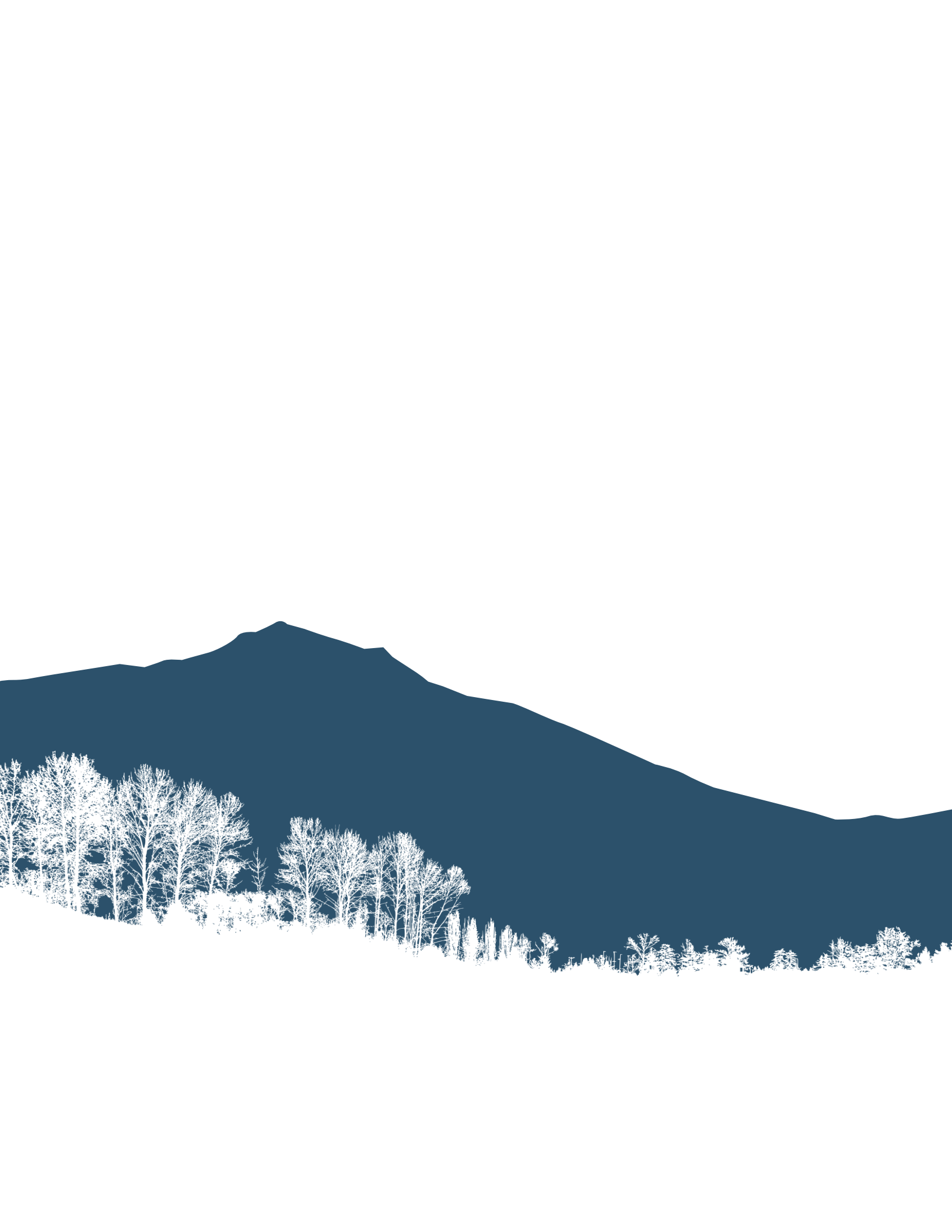


# 2020

Annual  
Financial  
Report



**UtahState**University





# UtahStateUniversity

A COMPONENT UNIT OF THE STATE OF UTAH

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# Letter from the President

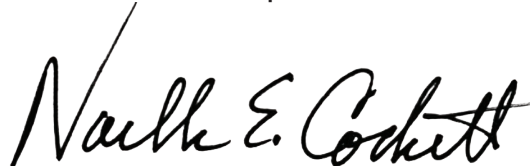


As the land-grant institution of Utah, Utah State University is fortunate to have dedicated faculty with diverse areas of expertise in learning, discovery, and outreach. Specific to our education mission, our faculty provide excellence in teaching on all of our campuses and through our many online degree offerings. Our commitment to education and learning continues to yield accolades. USU was ranked as the No. 2 public university in “National Universities Rankings 2020” by *Washington Monthly* and No. 23 “Best Online Bachelor’s Program” in the nation by *U.S. News and World Report* in 2020.

We have worked hard to ensure we are a high-quality land-grant institution that delivers research and outreach opportunities to students at an affordable price. In 2014, we made updates to our tuition plateau that dramatically affected the number of students who currently take advantage of the savings. Those taking anywhere from 12 to 18 credits only pay tuition and fees for 12 credits, essentially receiving up to six credits for free. This applies to our on-campus classes and our many online classes.

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

The Office of the State Auditor has audited the financial statements for the year ending June 30, 2020. Their definitive opinion is included with this report. The annual financial report is intended to establish the University’s financial position as of the end of June. It is also intended to reflect the flow of financial resources to the University during the fiscal year 2019-20, while disclosing how these resources are applied in accomplishing our mission. We are pleased to share this report with you.



**NOELLE E. COCKETT**

*President*  
*Utah State University*



OFFICE OF THE  
**STATE AUDITOR**

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee  
and  
Noelle E. Cockett, President  
Utah State University

**Report on the Financial Statements**

We have audited the accompanying financial statements of Utah State University (University), a component unit of the State of Utah, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, as listed in the table of contents.

*Management's Responsibility for the Financial Statements*

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

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Utah State University Space Dynamics Laboratory, a blended component unit foundation, which represents 8 percent, 1 percent, and 24 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 State University Space Dynamics Laboratory, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



## *Opinion*

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2020, 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.

## *Other Matters*

### *Required Supplementary Information*

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

### *Other Information*

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2020 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  
October 22, 2020

The background of the page features a photograph of a university building's tower. The tower is a multi-story structure with a prominent, ornate roofline featuring a central spire and several gables. The building's facade is light-colored with arched windows. To the left of the tower, an American flag flies on a tall pole. In the foreground, there are out-of-focus trees with vibrant autumn foliage in shades of orange and yellow. The overall scene is set against a clear blue sky with some light clouds.

# Management's Discussion & Analysis

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

## Introduction

The following unaudited Management's Discussion and Analysis (MD&A) includes an analysis of the financial condition and results of activities of Utah State University (University) for the fiscal year (FY) ended June 30, 2020. The analysis includes the University's condensed and comparative Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows along with related graphs and comparative data. Also included is management's perspective of the University's economic outlook.

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

The Utah State University Space Dynamics Laboratory (USUSDL), the Utah State University Foundation (Foundation) and the Hansen Scholars Support Foundation (HSSF) are blended component units of the University and have been consolidated in these financial statements. USUSDL is governed by a Board of Trustees appointed by the president of Utah State University, under the direction of the University's Board of Trustees. USUSDL is a dependent foundation of Utah State University and is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a Board of Trustees appointed by the president of the University. The Utah State University Foundation is a dependent foundation of Utah State University and serves as a fund-raising arm of the University. The Hansen Scholars Support Foundation is a dependent foundation and is governed by a Board of Trustees. The majority of the HSSF Board of Trustees is selected by the University. The purpose of this foundation is to manage, invest, and distribute

foundation assets to the University to be used for scholarships.

During fiscal year 2020, the University added a new component unit, "Hansen Scholars Support Foundation." The Hansen Scholars Support Foundation holds alternative investments and distributes earnings to the University to be used for scholarships. This addition increased beginning net position in FY20 in the amount of \$7,304,645.

Prior to early 2020, Space Dynamics Laboratory (SDL) operated as a business unit under the Utah State University Research Foundation, wholly-owned by Utah State University. To more fully align with SDL's role as a University Affiliated Research Center, the USU Research Foundation merged with SDL and officially changed its name to Utah State University Space Dynamics Laboratory.

The Utah State University Space Dynamics Laboratory annually publishes audited financial statements. A copy of the audited financial statements can be obtained from Utah State University Space Dynamics Laboratory, 1695 North Research Parkway, North Logan, Utah 84341.

## Overview of Financial Statements and Financial Analysis

The Management's Discussion and Analysis is designed to provide an easily readable analysis of the University's financial activities based on facts, decisions, and conditions known at the date of the auditor's report. The University's financial statements for fiscal year 2020 are presented beginning on page 20. The financial statements, note disclosures, and this discussion are the responsibility of management. This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis – for Public Colleges and Universities*. These financial statements focus on the operations, cash flows, and the main condition of the University as a whole. There are three financial statements presented: Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and Statement of Cash Flows.

**CONDENSED STATEMENT OF NET POSITION**

AS OF JUNE 30

	2020	2019	Change	% Change
<b>ASSETS</b>				
Current assets	\$256,423,232	\$172,591,707	\$83,831,525	48.57 %
Noncurrent assets				
Net capital assets	998,845,348	956,964,463	41,880,885	4.38 %
Other noncurrent assets	704,407,150	668,602,274	35,804,876	5.36 %
Total assets	1,959,675,730	1,798,158,444	161,517,286	8.98 %
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized losses on bonds	7,826,853	7,090,171	736,682	10.39 %
Resources related to pensions	26,899,291	30,887,156	(3,987,865)	(12.91)%
Total deferred outflows of resources	34,726,144	37,977,327	(3,251,183)	(8.56)%
<b>LIABILITIES</b>				
Current liabilities	134,137,882	134,659,950	(522,068)	(0.39)%
Noncurrent liabilities	391,158,800	313,088,508	78,070,292	24.94 %
Total liabilities	525,296,682	447,748,458	77,548,224	17.32 %
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Split-interest agreements	4,107,182	3,673,096	434,086	11.82 %
Deferred gift revenue	143,600	558,865	(415,265)	(74.31)%
Resources related to pensions	16,361,580	13,171,087	3,190,493	24.22 %
Total deferred inflows of resources	20,612,362	17,403,048	3,209,314	18.44 %
<b>NET POSITION</b>				
Net investment in capital assets	758,128,109	742,503,197	15,624,912	2.10 %
Restricted – nonexpendable	155,829,338	149,442,413	6,386,925	4.27 %
Restricted – expendable	244,405,552	243,224,120	1,181,432	0.49 %
Unrestricted	290,129,831	235,814,535	54,315,296	23.03 %
Total net position	\$1,448,492,830	\$1,370,984,265	\$77,508,565	5.65 %

**Statement of Net Position**

The Statement of Net Position outlines the University's financial condition at fiscal year end. This statement reflects the various assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the University as of the fiscal year ended June 30, 2020.

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

Net position is divided into three major categories. The first category, Net Investment in Capital Assets, reflects the University's equity in property, plant, and equipment owned by the University. The second category, Restricted, is further divided into two subcategories: Nonexpendable and Expendable. The corpus of restricted nonexpendable resources as it pertains to endowments is only available for investment purposes. Donors have primarily restricted income derived from these investments to fund scholarships and fellowships. The corpus of restricted nonexpendable resources as it pertains to loan funds is only available for the purpose of issuing loans to students under the terms of the various donor and federal government agreements. Restricted expendable resources are available for expenditure by the University but must be expended for purposes as determined by donors.

# Utah State University

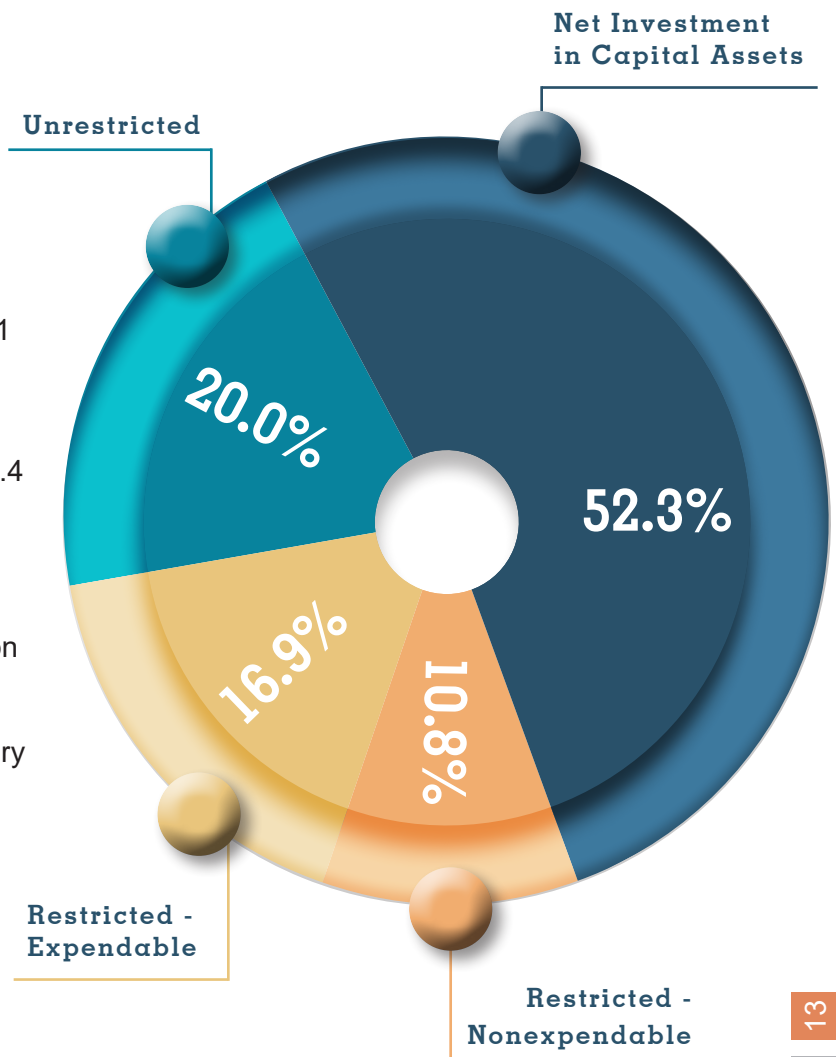
and/or external entities that have placed time or purpose restrictions on the use of the assets. The last category, Unrestricted, discloses the resources available to the University to be used for any lawful purpose of the University.

In fiscal year 2020, the University's total net position increased \$77.5 million (5.7%) to \$1.45 billion. The increase reflects those revenues that were received during fiscal year 2020 but were not used for operations or payment of interest on capital asset related debt.

Total assets increased \$161.5 million (9%) while total liabilities increased \$77.5 million (17.3%). Current assets increased by \$83.8 million (48.6%). Cash and cash equivalents increased \$55.2 million largely due to the sale of investments. Short-term investments increased \$28 million largely due to sales of long-term investments when long-term investments matured. Accounts receivable decreased \$1.2 million mainly due to a decrease in contracts and grants from state agencies. Prepaid expenses increased \$1.3 million largely due to more annual software contracts purchased during the year. Noncurrent assets increased \$77.7 million due to a net increase of \$41.9 million in capital assets, a decrease of \$43.1 million in investments, an \$81 million increase in restricted cash and cash equivalents, a \$2.5 million decrease in accounts receivable, a \$0.3 million increase in real estate held for resale, a \$0.4 million increase in the net pension asset, and a \$0.3 million decrease in split-interest agreements. The net increase in capital assets is comprised of construction projects completed or in progress, purchases of equipment, and offset by depreciation expense of all depreciable capital assets. Several large construction projects were completed or in progress, including the Space Dynamics Laboratory Building, the Biology and Natural Resources Building, the Gateway Parking Terrace, and the Mountain View Tower Residence Building replacement. The University capitalized \$19.8 million, \$20.1 million, \$10 million, and \$2.7 million, respectively, for these projects during fiscal year 2020. The increase in restricted cash and cash equivalents is largely due to the net increase of bond construction proceeds. Prior year construction proceeds were spent throughout the year for the Space Dynamics Laboratory Building, and additional proceeds were received

from new bond issues to be used to construct the Gateway Parking Terrace, the Mountain View Tower Residence Building replacement, and the Space Dynamics Laboratory High Bay and Research Buildings. Current liabilities decreased \$0.5 million (0.4%), while noncurrent liabilities increased \$78.1 million (25%). The majority of the increase in total liabilities is due to an increase of \$2.1 million primary government liability, a decrease of \$4.2 million payable to suppliers, a decrease of \$31.9 million in the net pension liability, a \$3.9 million increase in the compensated absences liability, and an increase of \$106.3 million in bonds, notes and contracts payable.

The composition of the University's net position at June 30, 2020 was:



## Statement of Revenues, Expenses, and Changes in Net Position

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

Operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided; for example, state appropriations are nonoperating revenues because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services in return for those revenues. Without the nonoperating revenues, in particular the state appropriations, private gifts, and financial aid grants, the University would not be able to cover its costs of operations. These sources are critical to the University's financial stability and directly impact the quality of its programs. In fiscal year 2020, funding from these sources was adequate to cover all of the University's costs of operations.

The Statement of Revenues, Expenses, and Changes in Net Position shows the activity that resulted in a \$77.5 million increase in net position for the fiscal year ended June 30, 2020.

The University experienced a net operating loss in fiscal year 2020 of \$274.5 million. This operating loss highlights the University's dependency on nonoperating revenues such as state appropriations and private gifts to meet its costs of operations.

Total fiscal year 2020 operating revenues increased by \$21.4 million (4%) over 2019. Tuition and fee

revenues increased \$6.1 million (4.1%) which reflects increases in tuition rates. Contracts, grants, and federal appropriations increased 8.6 percent, providing \$24.4 million of an increase in operating revenues, reflecting the University's expanding research efforts, particularly at the Utah State University Space Dynamics Lab. Other operating revenues, comprising sales and services of educational departments, service and auxiliary enterprises, and others, decreased \$9.1 million mainly due to the decreased on-campus student and staff populations during the COVID-19 pandemic public health and sanitation protocols.

Nonoperating revenues decreased \$12.8 million (4%). State appropriations decreased \$12.8 million largely due to the State of Utah budget cuts. Financial aid grants decreased \$3 million as fewer grants were issued. Private gifts decreased \$3 million primarily due to a lower number of donors, particularly to the athletics department. State grants increased \$7.8 million largely due to \$6 million of Utah State Higher Education performance money. Investment income decreased \$17.2 million. Although there was an increase in total investments, there was a significant decrease in unrealized gains on investments as there were more short-term and fewer long-term investments, and a decreased average rate of return on investments. Interest on capital asset related debt increased \$1.1 million due to the issuance of bonds during the year. Other nonoperating expense decreased \$10 million mainly because, the Federal Perkins Student Loan Program was discontinued in fiscal year 2019, resulting in a nonoperating expense of \$10.2 million for that year. The University received \$6.5 million of Federal CARES Act funds.

Capital appropriations, and capital grants and gifts are helping to fund various capital projects that are discussed in the Capital Asset and Debt Administration section on page 18. Capital appropriations, managed through the Division of Facilities Construction and Management, were \$31.7 million, consisting of \$18.2 million for the Biology and Natural Resources Building renovation, and \$13.5 million for various buildings and infrastructure upgrades and improvements. Capital grants and gifts totaled \$7.2 million.

# UtahStateUniversity

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

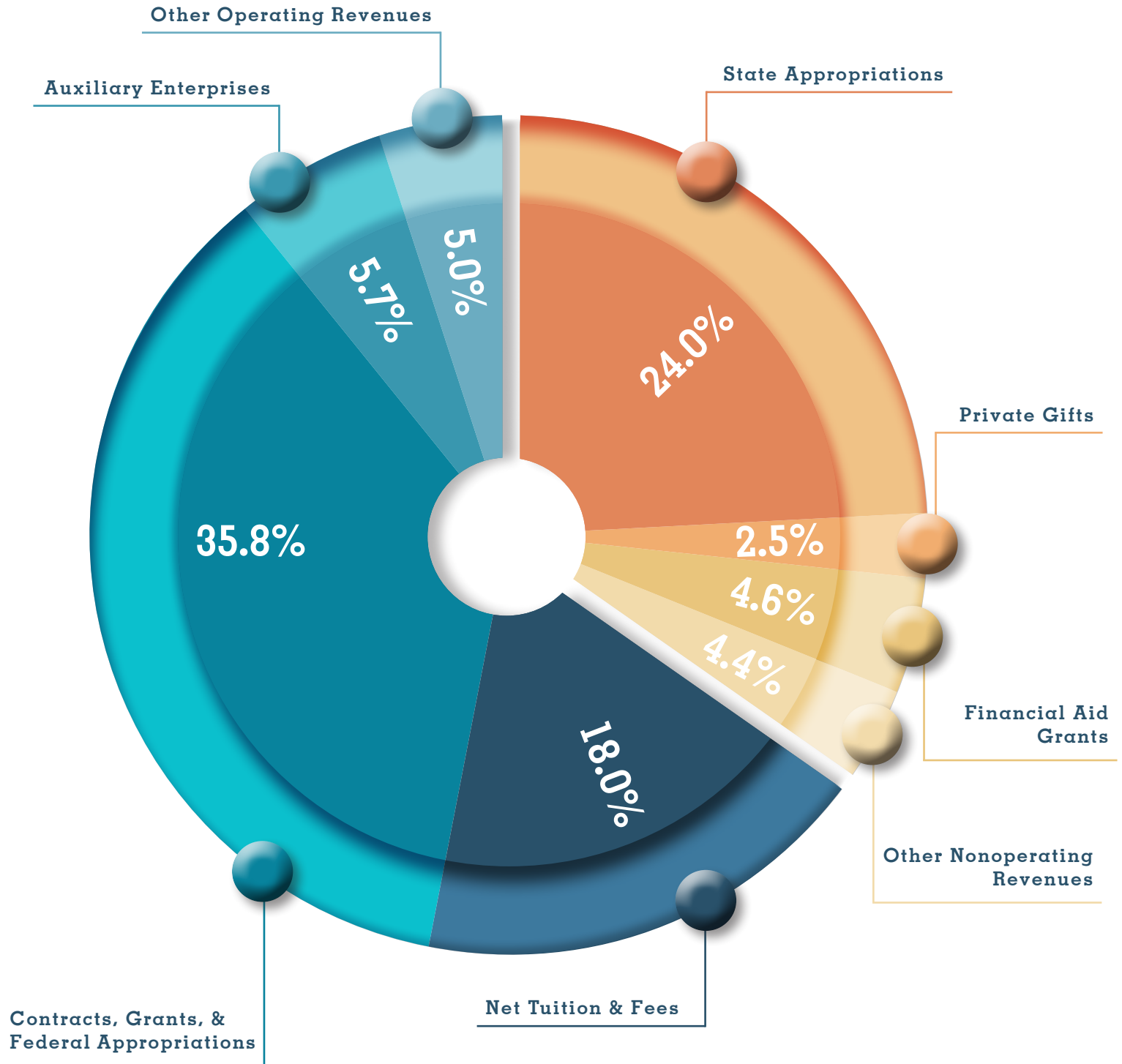
FOR THE YEARS ENDED JUNE 30

	2020	2019	Change	% Change
<b>OPERATING REVENUES</b>				
Tuition and fees (net of scholarship allowances of: FY 2020 – \$88,224,115; FY 2019 – \$91,968,747)	\$156,368,202	\$150,248,218	\$6,119,984	4.07 %
Contracts, grants, and federal appropriations	309,962,647	285,524,851	24,437,796	8.56 %
Auxiliary enterprises (net of scholarship allowances of: (FY 2020 – \$1,045,845; FY 2019 – \$910,269)	49,694,890	54,434,140	(4,739,250)	(8.71)%
Other operating revenues	43,187,750	47,615,200	(4,427,450)	(9.30)%
<b>Total operating revenues</b>	<b>559,213,489</b>	<b>537,822,409</b>	<b>21,391,080</b>	<b>3.98 %</b>
<b>OPERATING EXPENSES</b>				
Salaries and wages	382,703,777	354,956,030	27,747,747	7.82 %
Employee benefits	133,535,235	147,707,259	(14,172,024)	(9.59)%
Other operating expenses	224,042,551	232,117,228	(8,074,677)	(3.48)%
Scholarships and fellowships	40,410,875	34,454,937	5,955,938	17.29 %
Depreciation	53,059,756	51,165,284	1,894,472	3.70 %
<b>Total operating expenses</b>	<b>833,752,194</b>	<b>820,400,738</b>	<b>13,351,456</b>	<b>1.63 %</b>
<b>Operating loss</b>	<b>(274,538,705)</b>	<b>(282,578,329)</b>	<b>8,039,624</b>	<b>2.85 %</b>
<b>NONOPERATING REVENUES</b>				
State appropriations	207,618,928	220,450,232	(12,831,304)	(5.82)%
Financial aid grants	39,569,200	42,554,071	(2,984,871)	(7.01)%
Private gifts	21,530,594	24,564,629	(3,034,035)	(12.35)%
Other	37,844,876	31,747,994	6,096,882	19.20 %
<b>Net nonoperating revenues</b>	<b>306,563,598</b>	<b>319,316,926</b>	<b>(12,753,328)</b>	<b>(3.99)%</b>
<b>Income before other revenues</b>	<b>32,024,893</b>	<b>36,738,597</b>	<b>(4,713,704)</b>	<b>(12.83)%</b>
<b>OTHER REVENUES</b>				
Capital appropriations	31,712,270	49,536,533	(17,824,263)	(35.98)%
Capital grants and gifts	7,175,623	4,654,726	2,520,897	54.16 %
Additions to permanent endowments	6,595,779	3,805,710	2,790,069	73.31 %
<b>Total other revenues</b>	<b>45,483,672</b>	<b>57,996,969</b>	<b>(12,513,297)</b>	<b>(21.58)%</b>
<b>Increase in net position</b>	<b>77,508,565</b>	<b>94,735,566</b>	<b>(17,227,001)</b>	<b>(18.18)%</b>
Net position – beginning of year	1,363,679,620	1,269,381,044	94,298,576	7.43 %
Adjustment to beginning net position (Note A)	7,304,645	6,867,655	436,990	6.36 %
Net position – beginning of year as adjusted	1,370,984,265	1,276,248,699	94,735,566	7.42 %
<b>NET POSITION – END OF YEAR</b>	<b>\$1,448,492,830</b>	<b>\$1,370,984,265</b>	<b>\$77,508,565</b>	<b>5.65 %</b>

Total operating expenses increased \$13.4 million (1.6%) in fiscal year 2020. Salaries, wages, and benefits went up \$13.6 million (2.7%) due to an increase of 231 benefited employees to a total of 4,658 benefited employees, and salary increases. Other operating expenses decreased \$8.1 million (3.5%) mostly due to the reduced usage of facilities

and reduced number of activities caused by the COVID-19 shut down. Scholarships and fellowships increased \$6 million due to funding provided by Higher Education Emergency Relief Funds in response to the COVID-19 pandemic.

The University's sources of revenue available to meet current operating costs at June 30, 2020, were:



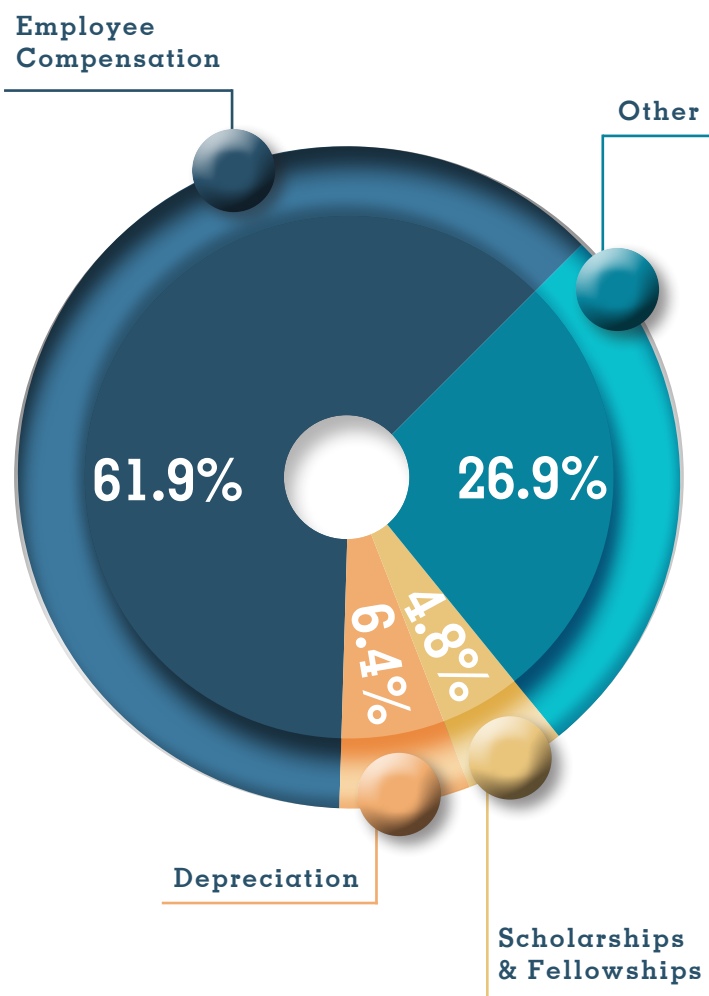


# UtahStateUniversity

The University's operating expenses by classification at June 30, 2020, were:

## Statement of Cash Flows

The final statement presented by Utah State University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the fiscal year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by operating activities. The second section includes cash flows from noncapital financing activities. This section includes the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section includes cash flows from capital and related financing activities. This section includes the cash used for the acquisition and construction of capital and related items. The fourth section includes the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. A condensed version of these first four sections is below. The fifth section of the Statement of Cash Flows is not included in the Condensed Statement of Cash Flows, which reconciles the net cash used for operations to the operating loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. This reconciliation is available for review in the Statement of Cash Flows on page 27.



## CONDENSED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30

	2020	2019	Change	% Change
<b>CASH PROVIDED (USED) BY:</b>				
(1) Operating activities	(\$240,228,770)	(\$228,242,011)	(\$11,986,759)	(5.25)%
(2) Noncapital financing activities	297,126,512	302,604,876	(5,478,364)	(1.81)%
(3) Capital and related financing activities	37,936,561	(56,722,307)	94,658,868	166.88 %
(4) Investing activities	41,371,578	(19,295,217)	60,666,795	314.41 %
Net increase (decrease) in cash and cash equivalents	136,205,881	(1,654,659)	137,860,540	8,331.66 %
Cash and cash equivalents - beginning of year	80,065,896	82,091,616	(2,025,720)	(2.47)%
Adjustments to beginning cash and cash equivalents (Note A)	929,796	558,735	371,061	66.41 %
Cash and cash equivalents - beginning as adjusted	80,995,692	82,650,351	(1,654,659)	(2.00)%
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$217,201,573</b>	<b>\$80,995,692</b>	<b>\$136,205,881</b>	<b>168.16 %</b>

The University's cash and cash equivalents had a net increase of \$136,205,881 to a total of \$217,201,573. Current cash and cash equivalents increased by \$55.2 million as more current investments were purchased, and noncurrent cash and cash equivalents increased by \$81.0 million largely due to the net increase of the balances of bond construction proceeds.

## Capital Asset and Debt Administration

Construction of a 78,893 square-foot, three story building for the Space Dynamics Laboratory located at the USU Innovation Campus is nearly complete. The building will provide additional office and laboratory space to meet the growing demand for Space Dynamics Laboratory research projects. The project was funded with the proceeds of the University's \$32,210,000 Research Revenue Bonds, Series 2018B, that were issued in June of 2018.

The \$26 million renovation of the Biology Natural Resources Building began in May of 2019, following the appropriation from the state in the 2018 legislative session. The building is located adjacent to the newly constructed Life Sciences Building. The Biology and Natural Resources (BNR) renovation consists of 136,948 gross square-feet of renovated space and 4,555 gross square-feet of new space. The project includes a full renovation of the north wing, and a partial renovation of the west wing. The renovated circulation core provides ADA, restroom, exit stair, and elevator upgrades for the building. An addition to the west entrance provides a lobby and student study space outside the existing 300 seat auditorium.

Construction of the Mountain View Residence Hall replacement began in Spring 2020. The project includes the demolition and replacement of the aging high rise residence hall on central campus. The new residence hall will be a six-story student apartment building containing four and six bed suites, that will provide up to 402 beds. Construction is expected to be completed in August of 2022. The \$41.6 million project is funded with a portion of the proceeds of the University's \$54,995,000 Student Fee and Housing System

Revenue Bonds, Series 2019, that were issued in August of 2019.

Construction of the Gateway Parking Terrace began in Fall 2019. It is a four level parking structure with 403 spaces. Construction was substantially completed in August of 2020. The \$11.7 million project is funded with a portion of the proceeds of the University's \$54,995,000 Student Fee and Housing System Revenue Bonds, Series 2019, that were issued in August of 2019.

Construction of the \$12.2 million, 28,611 gross square-foot Information Technology Services Building has begun. The building will house the consolidated Information Technology (IT) Department. The IT Department currently occupies space in three different buildings. The new building will enable the department to operate more efficiently, and it will free up space in the other buildings for other departments. The anticipated completion is August of 2021.

Construction of the 35,524 gross square-foot Space Dynamics Laboratory High Bay facility, located at the USU Innovation Campus, has recently begun. The project will provide large scale equipment testing spaces for NASA and other government funded projects, and space to conduct testing for space based sensor programs and calibration activities. It will include office space, lab facilities, cleanrooms, and high bay integration and test facilities. It will compliment current facilities, especially the Calibration and Optical Research facility, and will be well situated to provide a solid foundation for executing multiple, major space sensor programs simultaneously at the lab. The \$15.2 million project is funded with a portion of the proceeds of the University's \$61,865,000 Research Revenue and Refunding Bonds, Series 2019B, that were issued in December of 2019.

Utah State University Space Dynamics Laboratory continues to receive significant contract funding which is driving the need for additional space. A new secure research facility (SAI&T Building) is in the planning stage, and will soon begin construction at the USU Innovation Campus. The building will provide additional office and laboratory space to meet the growing demand for Space Dynamics Laboratory research projects. The \$38.2 million project is funded with a portion of the proceeds of

# Utah State University

the University's \$61,865,000 Research Revenue and Refunding Bonds, Series 2019B, that were issued in December of 2019.

In August of 2019, the University's \$54,995,000 Student Fee and Housing System Revenue Bonds, Series 2019, were issued for the purpose of financing the costs of constructing a six-story student apartment building (containing four and six bed suites, housing up to 402 beds); a multi-level parking structure with 403 parking spaces; paying capitalized interest; funding a debt service reserve account and paying the costs associated with the issuance of the 2019 bonds.

In October of 2019, the University's \$5,745,000 Series 2019A Research Revenue Refunding Bonds were issued for the purpose of refunding the Series 2018A Research Revenue Bonds that were issued to provide funding for the acquisition of a building and associated land in Salt Lake County, Utah. This refunding resulted in a reduction in the future debt service payments of \$305,094, and an economic gain (difference between the present value of the old and new debt service payments) of \$219,567.

In December of 2019, the University's \$61,865,000 Series 2019B Research Revenue and Refunding Bonds were issued for the purpose of financing the construction of two research facilities for the Space Dynamics Laboratory located on the USU Innovation Campus; paying capitalized interest; funding a debt service reserve account; paying the costs associated with the issuance of the 2019B Bonds; and refunding a portion of the Series 2016 Research Revenue Bonds that were issued to provide funding for the construction of another research facility on the USU Innovation Campus. This refunding resulted in a reduction in the future debt service payments of \$238,696 and an economic gain (difference between the present value of the old and new debt service payments) of \$168,541.

## Economic Outlook

Although the pandemic has created recent economic challenges and uncertainty, the negative economic affects have been lower in Utah compared to most states in the nation. At 4.1 percent, the August 2020 unemployment rate

in Utah is the second lowest in the country and only 0.1 percent behind the highest ranked state. Utah has maintained its impressive economic performance both during and prior to the coronavirus epidemic as economic conditions in Utah before COVID-19 were far stronger than they were in most of the country. Although the University received new ongoing and one-time appropriations during the previous legislative session, due in part to expanding State revenues from a strong Utah economy, COVID-19 affects and concerns caused legislators to pull back some new allocations before the new fiscal year began. However, the forecast for sustained economic growth improves the opportunity for increased legislative funding support for the University going forward.

State-wide projections for the Utah System of Higher Education (USHE) expect an additional 57,000 student enrollments to USHE institutions over the next decade, with many of those new students anticipated to enroll at Utah State University campuses. Modest growth has been and continues to be financially healthy for the institution and beneficial to the academic experience and success for students. Headcount enrollment for Fall semester 2020 across all USU campuses was flat. Timely completion initiatives implemented over the past few years resulted in large numbers of graduates in 2020 similar to the previous year. For the second straight year this resulted in a lower number of returning students, but those enrollment losses were offset by a larger incoming freshmen class and improved retention rates of current students. Headcount on the main campus was up only slightly from the previous year and continues to hover at just under 20,000 students with overall USU enrollment near 28,000.

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

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



# Financial Statements

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The financial statements consist of the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Each statement presents a different financial perspective of the University for the fiscal year ended June 30, 2020.





## STATEMENT OF NET POSITION

JUNE 30, 2020

### ASSETS

Current assets	
Cash and cash equivalents (Notes A, B, and D)	\$110,026,531
Short-term investments (Notes B and D)	65,828,699
Accounts receivable from primary government (Note E)	2,151,353
Accounts receivable from others - net (Note E)	65,929,424
Credits receivable (Note E)	205,191
Notes receivable - net (Note E)	2,466,220
Inventories (Note A)	4,218,968
Prepaid expenses	5,596,846
<b>Total current assets</b>	<b>256,423,232</b>
Noncurrent assets	
Restricted	
Cash and cash equivalents (Notes A, B, and D)	107,175,042
Short-term investments (Notes B and D)	1,041,466
Investments (Notes C and D)	218,230,262
Accounts receivable - net (Note E)	7,815,788
Notes receivable - net (Note E)	44,684
Real estate held for resale	680,000
Split-interest agreements	1,428,082
Accounts receivable - net (Note E)	14,501,304
Notes receivable - net (Note E)	6,082,932
Investments (Notes C and D)	347,039,883
Other noncurrent assets	222
Net pension assets (Note K)	367,485
Property, plant, and equipment - net (Note F)	998,845,348
<b>Total noncurrent assets</b>	<b>1,703,252,498</b>
<b>Total assets</b>	<b>1,959,675,730</b>
DEFERRED OUTFLOWS OF RESOURCES	
Unamortized refunding losses on bonds	7,826,853
Resources related to pensions (Note K)	26,899,291
<b>Total deferred outflows of resources</b>	<b>34,726,144</b>

*Table continued on next page*



Utah State Agricultural College Fans, 1920s

## STATEMENT OF NET POSITION (continued)

JUNE 30, 2020

### LIABILITIES

#### Current liabilities

Accounts payable and accrued liabilities to primary government (Note G)	7,829,448
Accounts payable and accrued liabilities to others (Note G)	67,760,543
Liability for compensated absences (Note H)	16,057,521
Liability for early retirement (Note H)	6,088,397
Unearned revenue and deposits	24,230,415
Other current liabilities (Note H)	2,110,440
Funds held for others	108,155
Notes payable to primary government (Note H)	49,472
Bonds, notes, and contracts payable (Notes H and I)	9,903,491
<b>Total current liabilities</b>	<b>134,137,882</b>

#### Noncurrent liabilities

Liability for compensated absences (Note H)	9,626,367
Liability for early retirement (Note H)	10,338,031
Unearned revenue and deposits	1,459,771
Notes payable to primary government (Note H)	86,269
Other noncurrent liabilities (Note H)	8,294,642
Net pension liability (Note K)	21,978,153
Bonds, notes, and contracts payable (Notes H and I)	339,375,567
<b>Total noncurrent liabilities</b>	<b>391,158,800</b>
<b>Total liabilities</b>	<b>525,296,682</b>

### DEFERRED INFLOWS OF RESOURCES

Split-interest agreements	4,107,182
Deferred gift revenue (Notes C and D)	143,600
Resources related to pensions (Note K)	16,361,580
<b>Total deferred inflows of resources</b>	<b>20,612,362</b>

### NET POSITION

Net investment in capital assets	758,128,109
Restricted	
Nonexpendable	
Scholarships and fellowships	99,327,929
Instruction	36,865,688
Loans	2,252,515
Other	17,383,206
Expendable	
Research, instruction, and public service	219,094,860
Capital projects	25,310,692
Unrestricted	290,129,831
<b>Total net position</b>	<b>\$1,448,492,830</b>

The Notes to the Financial Statements are an integral part of this statement

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

FOR THE YEAR ENDED JUNE 30, 2020

**OPERATING REVENUES**

Tuition and fees - net (Note A)	\$156,368,202
Federal appropriations	5,459,940
Federal contracts and grants	275,433,792
State contracts and grants	10,329,617
Local contracts and grants	1,407,780
Private contracts and grants	17,331,518
Sales and services	21,837,781
Service departments	514,968
Auxiliary enterprises - net (Note A)	49,694,890
Other	20,835,001
Total operating revenues	559,213,489

**OPERATING EXPENSES**

Salaries and wages	382,703,777
Employee benefits	148,286,007
Actuarial calculated pension expense (Note K)	(14,750,772)
Other operating expenses	224,042,551
Scholarships and fellowships	40,410,875
Depreciation	53,059,756
Total operating expenses	833,752,194
Operating loss	(274,538,705)

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	207,618,928
State grants	16,543,767
State land grant revenues	248,621
Financial aid grants	39,569,200
Federal CARES Act Funds	6,526,418
Private gifts	21,530,594
Investment income	26,251,548
Interest on capital asset related debt	(9,841,796)
Other	(1,883,682)
Total nonoperating revenues (expenses)	306,563,598
Income before other revenues	32,024,893

**OTHER REVENUES**

Capital appropriations	31,712,270
Capital grants and gifts	7,175,623
Additions to permanent endowments	6,595,779
Total other revenues	45,483,672
Increase in net position	77,508,565
Net position – beginning of year	1,363,679,620
Adjustment to beginning net position (Note A)	7,304,645
Net position – beginning of year as adjusted	1,370,984,265
<b>NET POSITION – END OF YEAR</b>	<b>\$1,448,492,830</b>

The Notes to the Financial Statements are an integral part of this statement





**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED JUNE 30, 2020

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees receipts	\$154,702,705
Federal appropriations receipts	5,459,940
Contracts and grants receipts	309,256,472
Sales and services receipts	21,837,781
Receipts from service departments	467,125
Receipts from auxiliary enterprises	50,150,294
Other operating receipts	20,501,294
Payments to employees for salaries and benefits	(534,565,217)
Payments to suppliers	(229,189,626)
Payments for scholarships and fellowships	(40,410,875)
Loans issued to students	(5,200)
Loan payments received from students	1,566,537
Net cash used by operating activities	(240,228,770)

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations	207,653,377
State grants	16,543,767
State land grant revenues	220,954
Financial aid grants	39,468,962
Federal CARES Act funds	6,361,783
Private gifts	25,265,530
Split-interest agreements	1,587,595
Federal direct loans issued to students	(54,924,027)
Federal direct loan payments received from federal government	54,829,785
Other additions	118,786
Net cash provided by noncapital financing activities	297,126,512

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital appropriations	13,542,938
Capital grants and gifts	5,009,861
Proceeds from capital debt	129,282,878
Other deductions	(2,058,712)
Cash paid for capital assets	(75,097,050)
Payment of capital debt and leases	(22,649,891)
Interest paid on capital asset related debt	(10,093,463)
Net cash provided by capital and related financing activities	37,936,561

Table continued on next page

## STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED JUNE 30, 2020

### CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of investments	(273,734,454)
Proceeds from sale of investments	293,270,124
Interest and dividends received from investments	21,835,908
Net cash provided by investing activities	41,371,578
Net increase in cash and cash equivalents	136,205,881
Cash and cash equivalents – beginning of year	80,065,896
Adjustments to beginning cash and cash equivalents (Note A)	929,796
Cash and cash equivalents - beginning as adjusted	80,995,692
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b>\$217,201,573</b>

### RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating loss	(\$274,538,705)
Adjustments to reconcile operating loss to net cash used by operating activities	
Depreciation expense	53,059,756
Gifts-in-kind and transfers reducing payments to suppliers	503,105
Changes in assets and liabilities	
Accounts receivable	1,925,036
Inventories	(217,580)
Prepaid expenses	(1,303,538)
Accounts payable and accrued expenses	(1,913,845)
Unearned revenues and deposits	812,569
Compensated absences and early retirement	4,515,707
Net pension liability	(25,057,129)
Net student loan activity	1,985,854
Net cash used by operating activities	(\$240,228,770)

### NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Completed construction projects transferred from State of Utah	\$18,922,452
Change in fair value of investments recognized as a component of investment income	3,456,775
Amortization of premiums, discounts, and net loss on bonds	(251,667)
Additions to pledges receivable for noncapital financing activities	1,033,459
Additions to pledges receivable for capital and related financing activities	2,002,580
Disposal of capital assets due to write off	(401,307)
Gifts of capital assets	1,870,005
Total noncash investing, capital, and financing activities	\$26,632,297

The Notes to the Financial Statements are an integral part of this statement

A photograph of a modern building facade with a grid of glass and metal panels, featuring a prominent overhang structure. The image is partially obscured by a dark blue vertical bar on the left side, which contains the text.

# Notes to Financial Statements

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

## A. Summary of Significant Accounting Policies

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

### Basis of Presentation

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

The Utah State University Space Dynamics Laboratory (USUSDL), the Utah State University Foundation (Foundation) and the Hansen Scholars Support Foundation (HSSF) are blended component units of the University and have been consolidated in these financial statements. USUSDL is governed by a Board of Trustees appointed by the president of Utah State University, under the direction of the University's Board of Trustees. USUSDL is a dependent foundation of Utah State University and is reported as a part of the University because its primary purpose is to support the mission of Utah State University in regards to research. The Utah State University Foundation is also governed by a Board of Trustees appointed by the president of the University. The Utah State University Foundation is a dependent foundation of Utah State University and serves as a fund-raising arm of the University. The Hansen Scholars Support Foundation is a dependent foundation and is governed by a Board of Trustees. The majority of the HSSF Board of Trustees is selected by the University. The purpose of this foundation is to manage, invest, and distribute foundation assets to the University to be used for scholarships.

During fiscal year 2020, the University added a new component unit, "Hansen Scholars Support Foundation." The Hansen Scholars Support

Foundation holds alternative investments and distributes earnings to the University to be used for scholarships. This addition increased beginning net position in FY20 in the amount of \$7,304,645.

Prior to early 2020, Space Dynamics Laboratory (SDL) operated as a business unit under the Utah State University Research Foundation, wholly-owned by Utah State University. To more fully align with SDL's role as a University Affiliated Research Center, the USU Research Foundation merged with SDL and officially changed its name to Utah State University Space Dynamics Laboratory.

The Utah State University Space Dynamics Laboratory annually publishes audited financial statements. A copy of the audited financial statements can be obtained from Utah State University Space Dynamics Laboratory, 1695 North Research Parkway, North Logan, Utah 84341.

### Basis of Accounting

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

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

### Cash and Cash Equivalents

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

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

A portion of the University's endowment portfolio is invested in "alternative investments". These investments, unlike more traditional investments, generally do not have readily obtainable market values and typically take the form of limited partnerships. The University values these investments based on the values provided by the partnerships as well as their audited financial statements. If June 30 statements are available, those values are used preferentially. However,

some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent capital calls and distributions.

## Inventories

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

## Noncurrent Assets

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

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

## Property, Plant, and Equipment

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

The University capitalizes all equipment with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Purchased software is capitalized when acquisition costs are \$100,000 or more. Buildings costing \$250,000 or more are capitalized, as are improvements to buildings costing \$250,000 or more that extend the useful life of the building. Improvements other than buildings costing \$250,000 or more are also capitalized. All library physical collections inventoried in the



Old Main & President's Residence, undated

University's recognized libraries are capitalized regardless of cost. Art and special collections held by the University are capitalized but not depreciated. The University computes depreciation using the straight-line composite method over the estimated useful life of the assets. The estimated useful lives are: (Figure A.1)

**Figure A.1**

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

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

## Pension Related Assets, Liabilities, Deferred Outflows, and Deferred Inflows

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 related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems' Pension Plan and additions to or 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. The Systems' Pension Plan investments are reported at fair value.

## Unearned Revenues

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

## Compensated Absences

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

Annual leave, including converted sick leave, is accrued and reported as earned. Employees are allowed to carry a maximum of 34 days of annual leave. The 34 days is variable depending on the number of sick leave days the employee is allowed to convert at calendar year end.

## Gifts

The University received \$503,105 of gifts-in-kind that were recorded as revenue and expense during the fiscal year ended June 30, 2020.

## Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, and contracts payable that are due beyond the next fiscal year. The remaining noncurrent liabilities include estimated amounts for accrued compensated absences, early retirement, net pension, and the repayment of the federal share for the Perkins Loan program.

## Deferred Inflows

In accordance with GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, as of June 30, 2020, the University has recognized certain donated assets as investments along with a deferred inflow of resources for certain irrevocable split-interest agreements. The University has a beneficial interest or right to a portion of the benefits donated, pursuant to an irrevocable split-interest agreement, in which the donor enters into a trust and transfers resources to an intermediary. Asset recognition criteria include: (1) the government is specified by name as beneficiary in the legal document underlying the donation; (2) the donation agreement is irrevocable; (3) the donor has not granted variance power to the intermediary

with respect to the donated resources; (4) the donor does not control the intermediary, such that the actions of the intermediary are not influenced by the donor beyond the specified stipulations of the agreement; and (5) the irrevocable split-interest agreement established a legally enforceable right for the government's benefit (an unconditional beneficial interest).

## Net Position

The University's net position is classified as follows:

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

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

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

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

## Classification of Revenues and Expenses

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

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

**OPERATING/NONOPERATING EXPENSES:** All expenses are classified as operating expenses except interest expense, losses on the disposal of capital assets, uncollectible gifts, and the expense recognized in relation to the liability of the Federal Perkins Loan Program.

## Scholarship Allowances

Student tuition and fee revenues are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf. To the extent that revenues from other sources are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance to eliminate overstating total revenues to the University and properly record the revenues at the original source.



The scholarship allowances for the year ended June 30, 2020, were: (Figure A.2)

Figure A.2 SCHOLARSHIP ALLOWANCES	
Tuition and fees	\$88,224,115
Auxiliary enterprises	1,045,845
<b>Total scholarship allowances</b>	<b>\$89,269,960</b>

## Segment Reporting

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

## B. Cash and Cash Equivalents and Short-Term Investments

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

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

At June 30, 2020, cash and cash equivalents and short-term investments consisted of: (Figure B.1)

Figure B.1 CASH AND CASH EQUIVALENTS	
Cash	\$36,770,366
Money market accounts	46,200,000
Money market mutual funds	3,477,138
Utah Public Treasurers' Investment Fund	130,754,069
<b>Total cash and cash equivalents</b>	<b>\$217,201,573</b>
SHORT-TERM INVESTMENTS	
Commercial paper and corporate notes	\$64,090,403
Municipal bonds	2,255,868
Obligations of United States Government	523,894
<b>Total short-term investments (fair value)</b>	<b>\$66,870,165</b>

## C. Investments

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

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

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

The endowment income spending policy at June 30, 2020, was 4 percent of the 12 quarter moving average of the market value of the endowment pool with a one year lag. The spending policy is reviewed periodically and any necessary changes are made.

The amount of net appreciation on investments of donor-restricted endowments available for



authorization for expenditure at June 30, 2020, was \$38,864,020. The net appreciation is a component of restricted-expendable net position.

At June 30, 2020, the investment portfolio composition was: (Figure C.1)

**Figure C.1**

**LONG-TERM INVESTMENTS**

Alternatives	\$54,208,073
Closely held stocks	143,600
Commercial paper and corporate notes	284,043,616
Common and preferred stocks	31,222,436
Municipal bonds	17,918,966
Mutual funds - bonds	44,482,764
Mutual funds - equity	120,070,005
Obligations of the U.S. Government and its agencies	13,180,685
<b>Total long-term investments (fair value)</b>	<b>\$565,270,145</b>

## D. Deposits and Investments

### Deposits

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

At June 30, 2020, the carrying amounts of the University's deposits and bank balances were

\$82,841,243 and \$89,275,478, respectively. The bank balances of the University were insured for \$1,467,624 by the Federal Deposit Insurance Corporation. The bank balances in excess of \$1,467,624 were uninsured and uncollateralized, leaving \$87,807,854 exposed to custodial credit risk.

### Investments

The State of Utah Money Management Council has the responsibility to advise the Utah 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 Money Management Act (Utah Code, Title 51, Chapter 7) (the Act) that relate to the deposit and investment of public funds.

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

# Utah State University

For endowment funds, the University follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), Utah Board of Higher Education Policy R541, *Management and Reporting of Institutional Investments*, and the University's Investment Policy and endowment guidelines.

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

Statutes authorize the University to invest in negotiable or non-negotiable deposits of qualified or permitted 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 of certificates in a money market mutual fund as defined in the Act; reciprocal deposits and negotiable brokered certificates of deposit in accordance with the Act; and the Utah State Public Treasurers' Investment Fund (PTIF).

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission as an investment company. The PTIF is authorized and regulated by the Act. The Act established the State of Utah Money Management Council which oversees the activities of the Utah 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 Policy R541 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 certain criteria: mutual funds registered with the Securities and Exchange Commission, investments sponsored by the Commonfund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

The University's Investment Policy allows the University to invest endowment funds in investments authorized by the Act or any of the following investments: readily marketable equities, which are diversified across a spectrum of market capitalizations, multiple regions, by issue, industry, and sector; readily marketable fixed income investments diversified by country, issue, sector, coupon, and quality; bonds having a minimum quality of "A" or better; and alternative investments that derive returns primarily from high-yield and distressed debt (hedged or non-hedged), natural resources, private capital (including venture capital, private equity, both domestic and international), commodities, private real estate assets or absolute return, and long/short hedge funds. In addition, endowment funds may be invested as specifically directed by donor agreements.

**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 of:

**LEVEL 1:** Quoted prices for identical investments in active markets

**LEVEL 2:** Observable inputs other than quoted market prices

**LEVEL 3:** Unobservable inputs

At June 30, 2020, the University had recurring fair value measurements of: *(Figure D.1)*

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

**U.S. TREASURIES, U.S. AGENCIES, AND COMMERCIAL PAPER:** quoted prices for identical securities in markets that are not active

**CORPORATE AND MUNICIPAL BONDS:** quoted prices for similar securities in active markets

**BOND AND EQUITY MUTUAL FUNDS:** published fair value per share (unit) for each fund

**UTAH PUBLIC TREASURERS' INVESTMENT FUND:** application of the June 30, 2020, fair value factor, as calculated by the Utah State Treasurer, to the University's June 30 balance in the fund

Securities, namely bond mutual funds, closely held stock, and equity mutual funds classified in Level 3 are valued manually using various sources such as issuer, investment manager, client, etc., or default price if a price is not provided.

Investments valued using the net asset value per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. A portion of the

Figure D.1	FAIR VALUE MEASUREMENTS USING			
	Total	Level 1	Level 2	Level 3
<b>INVESTMENTS BY FAIR VALUE LEVEL</b>				
Debt securities				
Money market mutual funds	\$3,477,138	\$3,477,138	—	—
Utah Public Treasurers' Investment Fund	130,754,069	—	\$130,754,069	—
Commercial paper and corporate notes	348,134,019	—	348,134,019	—
Municipal bonds	20,174,834	—	20,174,834	—
Mutual funds – bonds	44,482,764	294,705	14,822,680	\$29,365,379
U.S. agencies	10,082,694	—	10,082,694	—
U.S. treasury securities	3,621,885	2,979,224	642,661	—
<b>Total debt securities</b>	<b>560,727,403</b>	<b>6,751,067</b>	<b>524,610,957</b>	<b>29,365,379</b>
Equity securities				
Closely held stock	143,600	—	—	143,600
Common and preferred stock	31,222,436	31,222,436	—	—
Mutual funds - equity	120,070,005	969,949	57,923,645	61,176,411
<b>Total equity securities</b>	<b>151,436,041</b>	<b>32,192,385</b>	<b>57,923,645</b>	<b>61,320,011</b>
<b>Total investments by fair value level</b>	<b>712,163,444</b>	<b>\$38,943,452</b>	<b>\$582,534,602</b>	<b>\$90,685,390</b>
<b>INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)</b>				
Hedge funds	7,260,919			
Private equity core real estate	8,312,045			
Private equity natural resources	3,434,156			
Private equity partnerships	12,803,893			
Private equity real estate funds	18,613,870			
Private infrastructure	2,120,433			
Venture capital funds	1,662,757			
<b>Total investments measured at (NAV)</b>	<b>54,208,073</b>			
<b>Total investments at fair value</b>	<b>\$766,371,517</b>			



**Figure D.2**

Investments measured at NAV	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds	\$7,260,919	—	Quarterly	100 Days
Private equity core real estate	8,312,045	—	Quarterly	30 - 60 Days
Private equity natural resources	3,434,156	\$3,905,611	N/A	N/A
Private equity partnerships	12,803,893	13,651,776	N/A	N/A
Private equity real estate funds	18,613,870	4,621,414	N/A	N/A
Private infrastructure	2,120,433	5,758,672	N/A	N/A
Venture capital funds	1,662,757	55,000	N/A	N/A
<b>Total investments measured at NAV</b>	<b>\$54,208,073</b>	<b>\$27,992,473</b>		

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

The unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the University's alternative investments measured at NAV were: (Figure D.2)

**INTEREST RATE RISK:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act or the University's Investment Policy, as applicable. For non-endowment funds, the Act requires that the remaining term to maturity

of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed-rate negotiable deposits, and fixed-rate corporate obligations to 270 days – 15 months or fewer. 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 five years. In addition, variable-rate negotiable deposits and variable-rate securities may not have a remaining term to final maturity exceeding three years. For endowment funds, the University's Investment Policy requires only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2020, the University's investments and maturities consisted of: (Figure D.3)

**Figure D.3**

Investment Type	Fair Value	INVESTMENT MATURITIES (in years)			
		Less than 1	1 – 5	6 – 10	Greater than 10
Money market mutual funds	\$3,477,138	\$3,477,138	—	—	—
Utah Public Treasurers' Investment Fund	130,754,069	130,754,069	—	—	—
Commercial paper and corporate notes	348,134,019	64,090,403	\$212,509,668	\$4,057,248	\$67,476,700
Municipal bonds	20,174,834	2,255,868	5,131,502	7,799,666	4,987,798
Mutual funds – bonds	44,482,764	—	34,032,289	10,450,475	—
U.S. agencies	10,082,694	—	35,256	6,518,176	3,529,262
U.S. treasury securities	3,621,885	523,894	893,597	1,653,488	550,906
<b>Totals</b>	<b>\$560,727,403</b>	<b>\$201,101,372</b>	<b>\$252,602,312</b>	<b>\$30,479,053</b>	<b>\$76,544,666</b>

**Figure D.4**

Investment Type	Fair Value	AAA	AA
Money market mutual funds	\$3,477,138	—	—
Utah Public Treasurers' Investment Fund	130,754,069	—	—
Commercial paper and corporate notes	348,134,019	\$2,636,230	\$20,561,004
Municipal bonds	20,174,834	13,404,958	5,227,915
Mutual funds – bonds	44,482,764	—	—
U.S. agencies	10,082,694	1,346,506	—
U.S. treasury securities	3,621,885	—	—
Totals	\$560,727,403	\$17,387,694	\$25,788,919

**CREDIT RISK:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The University's policy for reducing its exposure to credit risk is to comply with the State Money Management Act and the University's Investment Policy, as previously discussed. As of June 30, 2020, the University had investments with quality ratings of: (Figure D.4)

**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 State of Utah Money Management Council. For endowment funds, the University policy requires diversification of investments across a broad spectrum and specific limits to concentration of securities within categories of equities, fixed income, and alternatives. Rule 17 of the State of Utah Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10 percent depending upon the total dollar amount held in the portfolio at the time of purchase. The State of Utah Money Management Council limitations do not apply to securities issued by the U.S. Government and its agencies.

For endowments, the University, under Policy R541, is permitted to establish its own investment policy which adheres to the guidelines established by UPMIFA. Accordingly, the University's asset allocation guidelines allocate endowment funds in the asset classes consisting of: (Figure D.5)

**Figure D.5**

Asset Category	BROAD ASSET ALLOCATION TARGETS	
	Target (%)	Range (%)
Global Equity	45	35-55
Investment Grade Fixed Income	15	10-20
Opportunistic Fixed Income	15	10-20
Alternative Assets	25	10-30

**CUSTODIAL CREDIT RISK:** Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the University will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. The University does not have a formal



Sigma Chi members, circa 1960s

# UtahStateUniversity

## QUALITY RATING

A	BBB	BB	B	Unrated	No Risk
—	—	—	—	\$3,477,138	—
—	—	—	—	130,754,069	—
\$179,109,230	\$138,771,630	\$1,981,772	—	5,074,153	—
651,377	790,584	—	—	100,000	—
—	—	—	—	44,482,764	—
6,368,138	—	—	—	1,757,788	\$610,262
—	—	—	—	—	3,621,885
\$186,128,745	\$139,562,214	\$1,981,772	\$0	\$185,645,912	\$4,232,147

investment policy for custodial credit risk. At June 30, 2020, the University had \$143,600 in closely held stock, \$31,222,436 in common and preferred stock, \$348,134,019 in commercial paper and corporate notes, \$20,174,834 in municipal bonds, and \$10,082,694 in U.S. agencies which were uninsured and held by the counterparty, but not in the University's name.

## E. Accounts, Credits, and Student Loans Receivable

As of June 30, 2020, accounts receivable consisted of: (Figure E.1)

Credits receivable, \$205,191, reflect amounts due from vendors doing business primarily with the University's Campus Store.

Student loans receivable are comprised primarily of loans issued through the Federal Perkins Loan

Program (FPLP) and short-term loans issued from funds set aside by the University for that purpose.

The FPLP loans provide for cancellation of a loan at rates of 10 percent to 30 percent per year up to a maximum of 100 percent if the participant complies with certain provisions. The FPLP loans become payable by the student after completion of academic degrees or termination as a student, with a term of ten years and an interest rate of 5 percent. The federal government is no longer providing funds for the FPLP program. The University has been directed to not issue additional loans. The University will continue to collect on outstanding loans and remit the federal portion as the money is collected. As of June 30, 2020, the outstanding liability to the federal government was \$7,867,994.

As the University determines that loans are uncollectible and not eligible for reimbursement by

**Figure E.1**

	Current	Noncurrent	Total
<b>DUE FROM PRIMARY GOVERNMENT</b>			
State contracts and grants	\$1,140,028	—	\$1,140,028
Land-grant revenue	146,938	—	146,938
Division of Facilities Construction and Management	830,197	—	830,197
Due from State of Utah	34,190	—	34,190
<b>DUE FROM OTHERS</b>			
Contracts and grants	56,445,679	—	56,445,679
Pledges receivable	1,562,606	\$21,865,561	23,428,167
Auxiliary and service enterprises	533,949	—	533,949
Other activities	8,033,504	451,531	8,485,035
Total accounts receivable	68,727,091	22,317,092	91,044,183
Less allowance for doubtful accounts	(646,314)	—	(646,314)
Net accounts receivable	\$68,080,777	\$22,317,092	\$90,397,869



the federal government, the loans are written off and assigned to the U.S. Department of Education.

Other University short-term loans have a term of two to four months and carry an interest rate

of 7 percent to 12 percent. The 12 percent rate applies if the loan becomes delinquent. The long-term loans have a term of three years and carry an interest rate of 6 percent to 13 percent. Notes receivable consisted of: *(Figure E.2)*

**Figure E.2**

	Current	Noncurrent	Total Receivable
Federal Perkins Loan Program	\$1,720,799	\$5,578,427	\$7,299,226
Other	800,628	694,684	1,495,312
Total notes receivable	2,521,427	6,273,111	8,794,538
Less allowance for doubtful accounts	(55,207)	(145,495)	(200,702)
Net notes receivable	\$2,466,220	\$6,127,616	\$8,593,836



# UtahStateUniversity

## F. Property, Plant, and Equipment

Interest capitalized as part of building construction was \$2,169,534 and was included as part of

construction in progress. The University's investment in property, plant, and equipment consisted of: (Figure F.1)

<b>Figure F.1</b>				
	June 30, 2019	Additions	Deletions	June 30, 2020
<b>PROPERTY, PLANT, AND EQUIPMENT NOT DEPRECIATED</b>				
Land	\$43,935,639	\$552,895	\$300,508	\$44,188,026
Construction in progress				
Buildings	19,804,451	43,417,373	9,640,520	53,581,304
Improvements other than buildings	1,727,958	4,916,946	4,198,277	2,446,627
Equipment	627,504	1,470,777	259,491	1,838,790
Art and special collections	43,739,429	6,675,447	—	50,414,876
Total property, plant, and equipment not depreciated	109,834,981	57,033,438	14,398,796	152,469,623
<b>OTHER PROPERTY, PLANT, AND EQUIPMENT</b>				
Buildings	1,176,311,914	35,469,874	1,594,666	1,210,187,122
Improvements other than buildings	79,270,732	4,198,277	—	83,469,009
Equipment	202,089,050	12,811,232	5,379,976	209,520,306
Library collections	78,578,942	273,199	136,395	78,715,746
Total other property, plant, and equipment	1,536,250,638	52,752,582	7,111,037	1,581,892,183
<b>LESS ACCUMULATED DEPRECIATION</b>				
Buildings	428,198,270	33,741,941	1,594,665	460,345,546
Improvements other than buildings	47,557,517	4,024,169	—	51,581,686
Equipment	148,741,432	13,351,792	4,992,210	157,101,014
Library collections	64,623,937	1,941,854	77,579	66,488,212
Total accumulated depreciation	689,121,156	53,059,756	6,664,454	735,516,458
Net other capital assets	847,129,482	(307,174)	446,583	846,375,725
<b>CAPITAL ASSETS – SUMMARY</b>				
Capital assets not depreciated	109,834,981	57,033,438	14,398,796	152,469,623
Other capital assets at cost	1,536,250,638	52,752,582	7,111,037	1,581,892,183
Total cost of capital assets	1,646,085,619	109,786,020	21,509,833	1,734,361,806
Less accumulated depreciation	689,121,156	53,059,756	6,664,454	735,516,458
Net capital assets	\$956,964,463	\$56,726,264	\$14,845,379	\$998,845,348

## G. Accounts Payable and Accrued Liabilities

As of June 30, 2020, accounts payable and accrued liabilities consisted of: (Figure G.1)

<b>Figure G.1</b>	
Salaries and benefits payable	\$42,873,949
Salaries and benefits payable due to primary government	3,756,831
Due to primary government	4,072,617
Suppliers payable	22,958,618
Interest payable	1,853,146
Other	74,830
Total accounts payable and accrued liabilities	\$75,589,991

## H. Bonds, Notes, Capital Leases, and Other Noncurrent Liabilities

Assets pledged for payment of bonds and contracts include the net revenue of auxiliary enterprises, land-grant funds, specific student fees, and

reimbursed facilities and administrative costs. The gross amount of capital assets purchased under capital leases as of June 30, 2020, was \$33,927,625 with associated accumulated depreciation of \$24,691,976. Bonds, notes, and capital leases outstanding at June 30, 2020, were: (Figure H.1)



**Figure H.1**

**BONDS PAYABLE**

Stadium/Spectrum and Student Recreation Bonds	
Series 2013 2.00%-4.00%, 2013-2026, \$8,405,000	\$4,605,000
Series 2013B 3.00%-5.00%, 2014-2023, \$43,310,000	2,710,000
Series 2015 3.00%-5.00%, 2016-2046, \$23,900,000	22,095,000
Series 2017 2.00%-5.00%, 2018-2045, \$38,825,000	38,525,000
<b>Total Stadium/Spectrum and Student Recreation Bonds</b>	<b>67,935,000</b>
Student Housing System Revenue Bonds	
Series 2007 4.00%-5.25%, 2007-2035, \$39,155,000	32,610,000
Series 2015 3.00%-5.00%, 2016-2038, \$24,455,000	22,010,000
Series 2016 2.50%-5.00%, 2017-2046, \$19,540,000	17,880,000
Series 2019 2.125%-5.00%, 2019-2052, \$54,995,000	54,995,000
<b>Total Student Housing System Revenue Bonds</b>	<b>127,495,000</b>
Research Revenue Bonds	
Series 2015 1.17%-4.75%, 2016-2047, \$19,500,000	18,385,000
Series 2015B 3.00%-5.00%, 2016-2031, \$13,145,000	12,270,000
Series 2016 1.025%-4.049%, 2017-2027, \$10,135,000	1,680,000
Series 2018B 3.00%-5.00%, 2018-2050, \$32,210,000	32,210,000
Series 2019A 1.88%, 2020-2028, \$5,745,000	5,120,000
Series 2019B 2.60%-5.00%, 2018-2050, \$61,865,000	61,865,000
<b>Total Research Revenue Bonds</b>	<b>131,530,000</b>
<b>Total bonds payable</b>	<b>326,960,000</b>

**NOTES AND CAPITAL LEASES PAYABLE**

State of Utah, 0%, 2018-2023	135,741
Bank of America, 4.18%, 2007-2022	261,230
Bank of America, 2.54%, 2014-2024	3,770,156
Capital One Public Finance, 3.89%, 2014-2029	763,484
Zions Bank, 3.01%, 2017-2022	844,594
SunTrust Leasing Corp., 2.34%, 2013-2022	196,688
SunTrust Leasing Corp., 2.72%, 2013-2023	877,454
SunTrust Leasing Corp., 3.11%, 2014-2021	28,765
SunTrust Leasing Corp., 3.04%, 2014-2021	34,601
<b>Total notes and capital leases payable</b>	<b>6,912,713</b>
<b>Total bonds, notes, and capital leases payable</b>	<b>333,872,713</b>

**UNAMORTIZED PREMIUMS, REOFFERING PREMIUMS (RP), AND DISCOUNTS ON BONDS**

2007 Bonds - RP	2,075,233
2013 Bonds - RP	263,068
2013B Bonds - premium	12,974
2015 (building) Bonds - premium	428,256
2015 (housing) Bonds - premium	659,616
2015 (research) Bonds - discount	(72,713)
2015B (research) Bonds - premium	1,330,699
2016 (housing) Bonds - premium	727,312
2017 (building) Bonds - premium	1,036,244
2018B (research) Bonds - premium	1,424,228
2019 (housing) Bonds - premium	3,678,307
2019B (research) Bonds - premium	3,978,862
<b>Total unamortized premiums, RPs, and discounts on bonds</b>	<b>15,542,086</b>
<b>Total bonds, notes, and capital leases payable including net unamortized premiums, RPs, and discounts on bonds</b>	<b>\$349,414,799</b>

The changes in bonds, notes, and capital leases payable for the fiscal year ended June 30, 2020, were: (Figure H.2)

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

**Figure H.2**

	Bonds	Notes and Capital Leases	Total Payable	Unamortized Premiums and Discounts	Total Net of Premiums and Discounts
June 30, 2019	\$224,750,000	\$9,167,604	\$233,917,604	\$8,379,195	\$242,296,799
Additions	122,605,000	—	122,605,000	7,824,889	130,429,889
Reductions	(20,395,000)	(2,254,891)	(22,649,891)	(661,998)	(23,311,889)
June 30, 2020	\$326,960,000	\$6,912,713	\$333,872,713	\$15,542,086	\$349,414,799

**Figure H.3**

Fiscal Years	Bonds	Bonds Interest	Notes and Capital Leases	Notes and Capital Leases Interest	Total Amount Required
2021	\$7,700,000	\$11,997,391	\$2,252,963	\$164,787	\$22,115,141
2022	8,220,000	11,666,001	1,880,859	103,337	21,870,197
2023	10,345,000	11,271,935	1,278,129	61,710	22,956,774
2024	10,785,000	10,820,214	1,065,589	32,022	22,702,825
2025	11,250,000	10,335,016	90,293	15,054	21,690,363
2026-2030	58,880,000	44,077,087	344,880	23,510	103,325,477
2031-2035	62,425,000	31,968,780	—	—	94,393,780
2036-2040	52,550,000	21,780,112	—	—	74,330,112
2041-2045	56,415,000	12,834,581	—	—	69,249,581
2046-2050	38,175,000	4,380,907	—	—	42,555,907
2051-2055	10,215,000	323,738	—	—	10,538,738
Totals	\$326,960,000	\$171,455,762	\$6,912,713	\$400,420	\$505,728,895

**Figure H.4**

	June 30, 2019	Additions	Reductions	June 30, 2020	Current Portion
<b>BONDS, NOTES, AND CAPITAL LEASES PAYABLE INCLUDING NET UNAMORTIZED PREMIUMS, RPS, AND DISCOUNTS ON BONDS</b>					
Bonds payable including net unamortized premiums, RPs, and discounts	\$233,129,195	\$130,429,889	(\$21,056,998)	\$342,502,086	\$7,700,000
Notes and capital leases payable	8,982,391	—	(2,205,419)	6,776,972	2,203,491
Notes payable to primary government	185,213	—	(49,472)	135,741	49,472
Total bonds, notes, and capital leases payable	242,296,799	130,429,889	(23,311,889)	349,414,799	9,952,963
<b>OTHER NONCURRENT LIABILITIES</b>					
Liability for compensated absences	21,761,649	18,630,825	(14,708,586)	25,683,888	16,057,521
Liability for early retirement	15,832,960	6,082,001	(5,488,533)	16,426,428	6,088,397
Other liabilities	12,196,749	2,455,578	(4,247,245)	10,405,082	2,110,440
Net pension liability	53,846,155	—	(31,868,002)	21,978,153	—
Total other noncurrent liabilities	103,637,513	27,168,404	(56,312,366)	74,493,551	24,256,358
Total noncurrent liabilities	\$345,934,312	\$157,598,293	(\$79,624,255)	\$423,908,350	\$34,209,321

The outstanding balance of bonds defeased and refunded in current and prior years totaled \$44,570,000 at June 30, 2020. The bond liabilities of the defeased and refunded bonds are not included on the balance sheet.

The changes in liabilities for the year ended June 30, 2020, were: (Figure H.4)

## I. Pledged Bond Revenue

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

**STUDENT FEE AND HOUSING SYSTEM** is comprised of the net revenue from specific auxiliary enterprises and student building fee assessments. The Student Fee and Housing System includes all University housing, Parking Services, certain University Dining Services operations, the net revenues of the Taggart Student Center, Student Building Fees specifically identified in the bond resolution, and land-grant revenues. The University has pledged future net revenues of the Student Fee and Housing System to repay \$39,155,000, \$24,455,000, \$19,540,000, and \$54,995,000 in bonds issued in May 2007, September 2015, July 2016, and August 2019, respectively. Proceeds from the 2007 bonds were used to refund bonds issued in 2004 that were issued to provide financing for the construction and renovation of six Student Fee and Housing System buildings, a parking structure, and a dining facility. Proceeds from the 2015 bonds provided financing for the construction of a Student Fee and Housing System building. Proceeds from the 2016 bonds were used to acquire three apartment buildings and associated land. Proceeds from the 2019 bonds provided financing for the construction of a student housing building and a parking structure. Student Fee and Housing System annual net revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$190,571,036. The bonds are payable solely from the Student Fee and Housing System and are payable through 2052.

**STUDENT FEE STADIUM/SPECTRUM RECREATION FACILITIES SYSTEM** is comprised of those student fees specifically identified in the bond resolution and paid by students for the use and availability of the facilities. The University has pledged future revenues of the specifically identified student fees to repay \$8,405,000, \$43,310,000, \$23,900,000, and \$38,825,000 in bonds issued in March 2013, August 2013, July 2015, and December 2017, respectively. Proceeds from the 2013 bonds were used to refund a portion of the bonds issued in 2004 that were issued to provide financing for renovating and remodeling portions of the University's football stadium and a student recreation center. Proceeds from the 2013B bonds provided financing for a portion of the cost of constructing, equipping, and furnishing a student recreation center and a facility for basketball practice and volleyball competition. Proceeds from the 2015 bonds provided financing for the construction and renovation of facilities at the University's football stadium. Proceeds from the 2017 bonds were used to refund a portion of the 2013B bonds. Student fee revenues are projected to produce at least 110 percent of the annual debt service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$100,585,101. The bonds are payable solely from the Student Fee Stadium/Spectrum Recreation Facilities System and are payable through 2046.

**RESEARCH REVENUE SYSTEM** is comprised of the revenue generated from the recovery of allocated facilities and administration costs to contracts and grants based on federally approved negotiated rate agreements. The University has pledged future revenues of the Research Revenue System to repay \$19,500,000, \$13,145,000, \$10,135,000, \$32,210,000, \$5,745,000, \$61,865,000 and in bonds issued in October 2015, December 2015, July 2016, June 2018, October 2019, and December 2019, respectively. Proceeds from the 2015B bonds were used to refund a portion of the bonds issued in 2009 that were issued to provide financing for the cost of constructing two research facilities located at the University's main campus and the Vernal, Utah campus. Proceeds from the 2015 and 2016 bonds provided financing for the construction of a research facility on the USU Innovation Campus. Proceeds from the 2018B bonds provided financing for the construction of a

research facility on the USU Innovation Campus. Proceeds from the 2019A bonds were used to refund the 2018A bonds that were used to acquire a building and associated land located in Salt Lake County, Utah. Proceeds from the 2019B bonds provided financing for the construction of two research facilities on the USU Innovation Campus, and to refund a portion of the 2016 bonds. Research Revenue System revenues are projected to produce at least 250 percent of the annual debt

service requirements over the life of the bonds. The total principal and interest remaining to be paid on the bonds is \$207,259,624. The bonds are payable solely from the Research Revenue System and are payable through 2052.

The net revenue pledged to the applicable bond system and the principal and interest paid for the year ended June 30, 2020, was: (Figure I.1)

<b>Figure I.1</b>			
	Student Fee and Housing System	Student Fee Stadium/Spectrum Recreation Facilities System	Research Revenue System
<b>REVENUE</b>			
Operating revenue/gross profit	\$26,125,339	\$6,276,934	\$55,684,948
Nonoperating revenue	338,323	—	—
Total revenue	26,463,662	6,276,934	55,684,948
<b>EXPENSES</b>			
Operating expenses	17,057,230	—	—
Total expenses	17,057,230	0	0
Net pledged revenue	\$9,406,432	\$6,276,934	\$55,684,948
<b>PRINCIPAL PAID AND INTEREST EXPENSE</b>	\$6,253,756	\$4,597,529	\$4,679,605
<b>DEBT SERVICE RATIO</b>	1.50X	1.37X	11.90X

## J. Operating Leases

As lessor, the University leases ground under noncancelable operating lease agreements which expire in fiscal year 2058. Rental revenue on the operating leases for the fiscal year ended June 30, 2020, was \$182,352. Future minimum rental revenues for these noncancelable operating leases are: (Figure J.1)

<b>Figure J.1</b>	
Fiscal years ending June 30:	
2021	\$193,638
2022	193,638
2023	193,638
2024	193,638
2025	193,638
Later years	9,851,687
Total revenues	\$10,819,877

As lessee, the Utah State University Space Dynamics Laboratory leases various office, warehouse, and other facilities under noncancelable operating lease agreements with expiration dates ranging from fiscal year 2021 through fiscal year 2025. Rental expense on the operating leases for the fiscal year ended June 30, 2020, was \$2,905,603. Future minimum rental payments for these noncancelable operating leases are: (Figure J.2)

<b>Figure J.2</b>	
Fiscal years ending June 30:	
2021	\$4,177,955
2022	4,265,327
2023	4,355,375
2024	4,445,431
2025	4,577,043
Total payments	\$21,821,131



Women's Baseball Team, circa 1898

## K. Pension Plans and Retirement Benefits

Eligible employees of the University are covered by the Utah Retirement Systems (Systems), Teachers Insurance and Annuity Association (TIAA), and/or Fidelity Investments (Fidelity). Employees may also participate in defined contribution plans consisting of 401(k) and 457 plans managed by the Systems, TIAA, Fidelity, or Educators Mutual Insurance Association (EMIA).

### Defined Benefit Pension Plans

Eligible employees of the University are provided with the following defined benefit pension plans (cost-sharing, multiple-employer plans) administered by the Utah Retirement Systems:

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Public Employees Contributory Retirement System (Tier 1 Contributory System)

- Tier 2 Public Employees Contributory Retirement System (Tier 2 Contributory System)
- Public Safety Retirement System (Public Safety System)
- Tier 2 Public Safety and Firefighter Contributory Retirement Systems (Tier 2 Public Safety Firefighters System)

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, are members of the Tier 2 Retirement System. The University began participating in the Tier 2 Public Safety and Firefighter System in 2017.

The Utah Retirement Systems are established and governed by the respective sections of Title 49 of the Utah Code. The Systems' defined benefit plans are amended statutorily by the Utah Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems

**Figure K.1**

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent Per Year of Service	COLA**
Tier 1 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	2.0% per year all years	Up to 4.0%
Tier 1 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 4.0%
Tier 2 Contributory System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
Public Safety System	Highest 3 years	20 years any age 10 years age 60 4 years age 65	2.5% per year up to 20 years; 2.0% per year over 20 years	Up to 2.5% or 4.0% depending upon employer
Tier 2 Public Safety and Firefighter System	Highest 5 years	25 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.50% per year to June 2020; 2.00% per year July 2020 to present	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.

under the direction of the board, whose members are appointed by the governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. The Systems are a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. The Utah Retirement Systems issues a publicly available financial report that may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org/general/publications](http://www.urs.org/general/publications).

**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: (Figure K.1)

**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, 2020, the University required contribution rates for the plans were: (Figure K.2)

**Figure K.2**

System	Rates Paid by University for Employee	University Contribution Rates
Tier 1 Noncontributory System	N/A	22.19 %
Tier 1 Contributory System	6.00 %	17.70 %
Tier 2 Contributory System*	N/A	18.99 %
Public Safety System	N/A	41.35 %
Tier 2 Public Safety and Firefighter System*	N/A	29.84 %

\*Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.



# Utah State University

**Figure K.3**

System	University's Contributions	Employees' Contributions
Tier 1 Noncontributory System	\$8,297,399	N/A
Tier 1 Contributory System	54,537	\$18,487
Tier 2 Contributory System*	1,469,907	—
Public Safety System	149,721	—
Tier 2 Public Safety and Firefighter System*	37,445	—
<b>Total contributions</b>	<b>\$10,009,009</b>	<b>\$18,487</b>

\* Contributions reported are the Utah State Retirement Board-approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

For the year ended June 30, 2020, the University and employee contributions to the plans were: (Figure K.3)

**COMBINED PENSION ASSETS, LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS:** At June 30, 2020, the University reported a net pension asset of \$367,485 and a net pension liability of \$21,978,153. The net pension asset and liability were measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2019, and

rolled-forward using generally accepted actuarial procedures. The University's proportion of the net pension asset and liability was based upon actual historical employer contributions to defined benefit pension plans for pay periods ending in 2019. At December 31, 2019, the University's net pension asset and liability were: (Figure K.4)

For the year ended June 30, 2020, the University recognized pension expense of (\$14,750,772). At June 30, 2020, the University reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from these sources: (Figure K.5)

**Figure K.4**

System	December 31, 2019		Proportionate Share	December 31, 2018	
	Net Pension Asset	Net Pension Liability		Proportionate Share	Change (Decrease)
Tier 1 Noncontributory System	—	\$21,374,650	18.2217406 %	1.3784832 %	16.8432574 %
Tier 1 Contributory System	\$367,485	—	6.5176329 %	2.1063074 %	4.4113255 %
Tier 2 Contributory System	—	124,529	0.5536898 %	0.6526210 %	(0.0989312)%
Public Safety System	—	472,439	0.3199232 %	0.3271828 %	(0.0072596)%
Tier 2 Public Safety and Firefighter System	—	6,535	0.0694737 %	0.0505758 %	0.0188979 %
<b>Total net pension asset/ liability</b>	<b>\$367,485</b>	<b>\$21,978,153</b>			

**Figure K.5**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$17,717,674	\$255,700
Changes in assumptions	2,000,335	3,638
Net difference between projected and actual earnings on pension plan investments	—	13,113,073
Changes in proportion and differences between contributions and proportionate share of contributions	2,070,324	2,989,169
Contributions subsequent to the measurement date	5,110,958	—
<b>Total</b>	<b>\$26,899,291</b>	<b>\$16,361,580</b>

Contributions made between January 1, 2020, and June 30, 2020, of \$5,110,958 were reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of 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 in pension expense. (Figure K.6)

**Figure K.6**

Years Ended December 31	Deferred Outflows (Inflows) of Resources
2020	\$8,879,659
2021	\$1,973,881
2022	(\$745,505)
2023	(\$4,741,111)
2024	\$10,766
Thereafter	\$49,063

**ACTUARIAL ASSUMPTIONS:** The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement: (Figure K.7)

**Figure K.7**

Inflation	2.5%	
Salary increases	3.25%-9.75%	Average, including inflation
Investment rate of return	6.95%	Net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience 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, 2019, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

**CHANGES IN ASSUMPTIONS:** As a result of the passage of SB 129 during the 2019 general session, the retirement rates of members in the Tier 2 Public Safety and Firefighter Hybrid System have been modified to be the same as the assumption used to model the retirement pattern in the Tier 1 Public Safety and Firefighter Systems, except for a 10 percent load at first eligibility for unreduced retirement prior to age 65.

The long-term expected rate of return on defined benefit 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 and is applied consistently to each defined benefit pension plan. 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: (Figure K.8)

The 6.95 percent assumed investment rate of return is comprised of an inflation rate of 2.5 percent and a real return of 4.45 percent that is net of investment expense.

**Figure K.8****EXPECTED RETURN ARITHMETIC BASIS**

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity securities	40.00 %	6.15 %	2.46 %
Debt securities	20.00 %	0.40 %	0.08 %
Real assets	15.00 %	5.75 %	0.86 %
Private equity	9.00 %	9.95 %	0.89 %
Absolute return	16.00 %	2.85 %	0.46 %
Cash and cash equivalents	0.00 %	0.00 %	0.00 %
Total	100.00 %		4.75 %
Inflation			2.50 %
Expected arithmetic nominal return			7.25 %

**Figure K.9** PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)

System	1% Decrease 5.95%	Discount Rate 6.95%	1% Increase 7.95%
Tier 1 Noncontributory System	\$70,357,586	\$21,374,650	(\$19,383,728)
Tier 1 Contributory System	584,094	(367,485)	(1,177,326)
Tier 2 Contributory System	1,073,866	124,529	(609,135)
Public Safety System	1,105,323	472,439	(48,344)
Tier 2 Public Safety and Firefighter System	23,086	6,535	(5,751)
Total net pension liability	\$73,143,955	\$21,610,668	(\$21,224,284)

**DISCOUNT RATE:** The discount rate used to measure the total pension liability was 6.95 percent. 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 remained unchanged at 6.95 percent.

**SENSITIVITY OF THE UNIVERSITY’S PROPORTIONATE SHARE OF THE NET PENSION ASSET AND LIABILITY TO CHANGES IN THE DISCOUNT RATE:** The proportionate share of the net pension asset and liability were calculated using the discount rate of 6.95 percent, as well as what the proportionate share would be if calculated using a discount rate that is 1 percentage point lower (5.95%) or 1 percentage point higher (7.95%) than the current rate: (Figure K.9)

**PENSION PLAN FIDUCIARY NET POSITION:** Detailed information about the pension plan’s fiduciary net position is available in the separately issued Systems’ financial report.

## Defined Contribution Plans

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants.

Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required employer contributions and associated earnings are vested after four years of employment. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

**401(K), TIER 2 DC, AND 457 PLANS:** For employees participating in defined benefit plans, the University is also required to contribute 0.70 - 1.03 percent of the employee’s salary into a 401(k)/457 plan. For employees who choose to participate in the Tier 2 Public Employee or Public Safety and Firefighter defined contribution plans (Tier 2 DC), the University is required to contribute 20.02 or 30.54 percent of the employees’ salary of which 10 or 12 percent is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Systems, as required by law.

**EMIA:** EMIA provides a 401(k) defined contribution plan that can be utilized by employees on the Utah Retirement State and School System – Noncontributory plan. This contribution is in lieu of the 1.5 percent that would have been contributed to the Utah Retirement System’s 401(k) plan. The contribution made by the University is at 1.5 percent of gross earnings. Contributions by the University become vested at the time the contribution is made.

**TIAA AND/OR FIDELITY:** TIAA and/or Fidelity provide individual defined contribution retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contracts become vested at the time the



Red Cross Volunteers, January 1919

contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of individual contracts and the estimated life expectancy of the employee at retirement. The University's contribution to this multiple employer defined contribution plan is 14.2 percent of the employees' annual salary. The University has no further liability once annual contributions are made.

Employees can make additional contributions to defined contribution plans subject to limitations. Contributions to the defined contribution plans for the fiscal year ending June 30, 2020, were: (Figure K.10)

**Figure K.10**

Defined Contribution Plans	University's Contributions	Employees' Contributions
Tier 2 Defined Contribution Plan	\$302,373	—
401(k) Plan	\$1,031,827	\$1,074,662
457 Plan and other individual plans	—	\$102,077
EMIA	\$16,250	\$23,375
TIAA, Fidelity, and/or other investment companies	\$39,253,309	\$10,804,942

## L. Termination Benefits

The University provides an early retirement option to employees who qualify and are approved by administration in accordance with University policy. This option is available to all employees whose

accumulated age and years of service are equal to or greater than 75, that have met the minimum age requirements, and where early retirement is in the mutual best interest of the employee and the University.

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

The projected future cost of these stipends and the medical and dental insurance benefits have been calculated based on the known amount to be paid out in the next fiscal year plus projected increases of 1.2 percent (University), 3 percent (USUSD) for stipends and 7.95 to 9.00 percent (University), 9 percent (USUSD) for medical and dental premiums. These increases are based on historical data. The premiums for medical and dental benefits have also been increased by an age adjusted factor of 3.06. The net present value of the total projected costs is calculated using the estimated yield of 2.289 percent (University) and 4.17 percent (USUSD). The net present value is the amount recognized on the financial statements as the liability for early retirement.

At June 30, 2020, there were 147 participants in the early retirement program. The program is funded

on a pay-as-you-go basis from current funds. Payments for the stipends and insurance benefits for the fiscal year ending June 30, 2020, were \$1,802,961 and \$1,218,240, respectively.

## M. Risk Management

### General Liability Insurance

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

### Self-Insurance for Employee Health and Dental Care

The University has a self-insurance fund for employee health and dental care. In addition, the University has purchased a stop-loss insurance policy to cover specific participant claims exceeding \$425,000 per term, an aggregating specific stop-loss deductible of \$600,000 per term, and a laser deductible of \$900,000 per term. This policy also covers aggregate claims exceeding 125 percent of expected claims up to \$10 million. GASB Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements. The estimated claims liability is based upon past experience adjusted for current trends. The estimate reflects

the ultimate cost of settling the claims. The University's estimated self-insurance claims liability at June 30, 2020, and June 30, 2019, were: (Figure M.1)

Figure M.1	2020	2019
Estimated claims liability at beginning of year	\$7,820,540	\$5,648,148
Current year claims and changes in estimates	57,702,809	58,420,448
Claim payments, including related legal and administrative expenses	(59,670,783)	(56,248,056)
Estimated claims liability at end of year	\$5,852,566	\$7,820,540

The University has recorded the investment of the health and dental care funds at June 30, 2020, and the estimated liability for self-insurance claims at that date in the Statement of Net Position. The income on fund investments, the expenses related to the administration of the self-insurance, and the estimated provision for the claims liabilities for the year then ended are recorded in the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Net Position.

### Contingencies

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

Utah State University Space Dynamics Laboratory has a bank revolving line of credit with a limit of \$5 million. At June 30, 2020, the outstanding balance was zero. The line of credit bears interest at an initial rate of 5.5 percent, and is currently prime rate plus 0.5%, is unsecured, due on demand, and expires on September 25, 2020.

### Commitments

At June 30, 2020, the University had outstanding construction commitments of approximately \$76.2 million.

## N. Natural and Functional Classifications

The University's operating expenses by natural and functional classifications for the fiscal year ended June 30, 2020, were: (Figure N.1)

## O. Blended Presentation of Component Units

The following is a condensed version of the Utah State University Space Dynamics Laboratory's, Utah State University Foundation's, and Hansen Scholars Support Foundation's financial statements for the fiscal year ended June 30, 2020: (Figure O.1, O.2, and O.3)

**Figure N.1**

Functional Classification	Natural Classification					Total
	Salaries and Wages	Employee Benefits	Other Operating Expenses	Scholarships and Fellowships	Depreciation	
Instruction	\$132,464,243	\$41,743,697	\$24,179,928	—	—	\$198,387,868
Research	87,625,474	39,642,860	94,233,610	—	—	221,501,944
Public service	35,113,744	12,343,995	32,375,705	—	—	79,833,444
Academic support	24,459,408	7,998,719	9,992,096	—	—	42,450,223
Student services	15,071,244	4,517,613	6,995,891	—	—	26,584,748
Institutional support	42,167,926	14,528,564	17,350,710	—	—	74,047,200
Operation and maintenance	18,390,138	6,989,638	28,561,189	—	—	53,940,965
Scholarships and fellowships	—	—	—	\$40,410,875	—	40,410,875
Service departments	6,509,603	507,346	(11,403,854)	—	—	(4,386,905)
Auxiliary enterprises	20,901,997	5,262,803	21,757,276	—	—	47,922,076
Depreciation	—	—	—	—	\$53,059,756	53,059,756
<b>Total operating expenses</b>	<b>\$382,703,777</b>	<b>\$133,535,235</b>	<b>\$224,042,551</b>	<b>\$40,410,875</b>	<b>\$53,059,756</b>	<b>\$833,752,194</b>



# UtahStateUniversity

Figure O.1

## Component Units Condensed Statement of Net Position

June 30, 2020

	USUSDL	Foundation	HSSF	Total Changes	Total
<b>ASSETS</b>					
Current assets	\$57,864,441	\$81,116,900	\$783,686	(\$13,442)	\$139,751,585
Noncurrent assets	151,711,531	1,742,928	7,495,304	(55,844,227)	105,105,536
Total assets	209,575,972	82,859,828	8,278,990	(55,857,669)	244,857,121
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Unamortized refunding losses on bonds	1,127,660	—	—	(1,127,660)	0
Resources related to pensions	4,050,386	—	—	—	4,050,386
Total deferred outflows of resources	5,178,046	0	0	(1,127,660)	4,050,386
<b>LIABILITIES</b>					
Current liabilities	26,912,181	—	—	(4,307,645)	22,604,536
Noncurrent liabilities	132,600,382	—	—	(122,883,090)	9,717,292
Total liabilities	159,512,563	0	0	(127,190,735)	32,321,828
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Resources related to pensions	2,992,752	—	—	—	2,992,752
Total deferred inflows of resources	2,992,752	0	0	0	2,992,752
<b>NET POSITION</b>					
Net investment in capital assets	26,855,281	—	—	68,071,203	94,926,484
Restricted - nonexpendable	—	75,149,755	—	—	75,149,755
Restricted - expendable	—	7,710,073	8,278,990	—	15,989,063
Unrestricted	25,393,422	—	—	2,134,203	27,527,625
Total net position	\$52,248,703	\$82,859,828	\$8,278,990	\$70,205,406	\$213,592,927



**Figure O.2 Component Units**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**  
For the Year Ended June 30, 2020

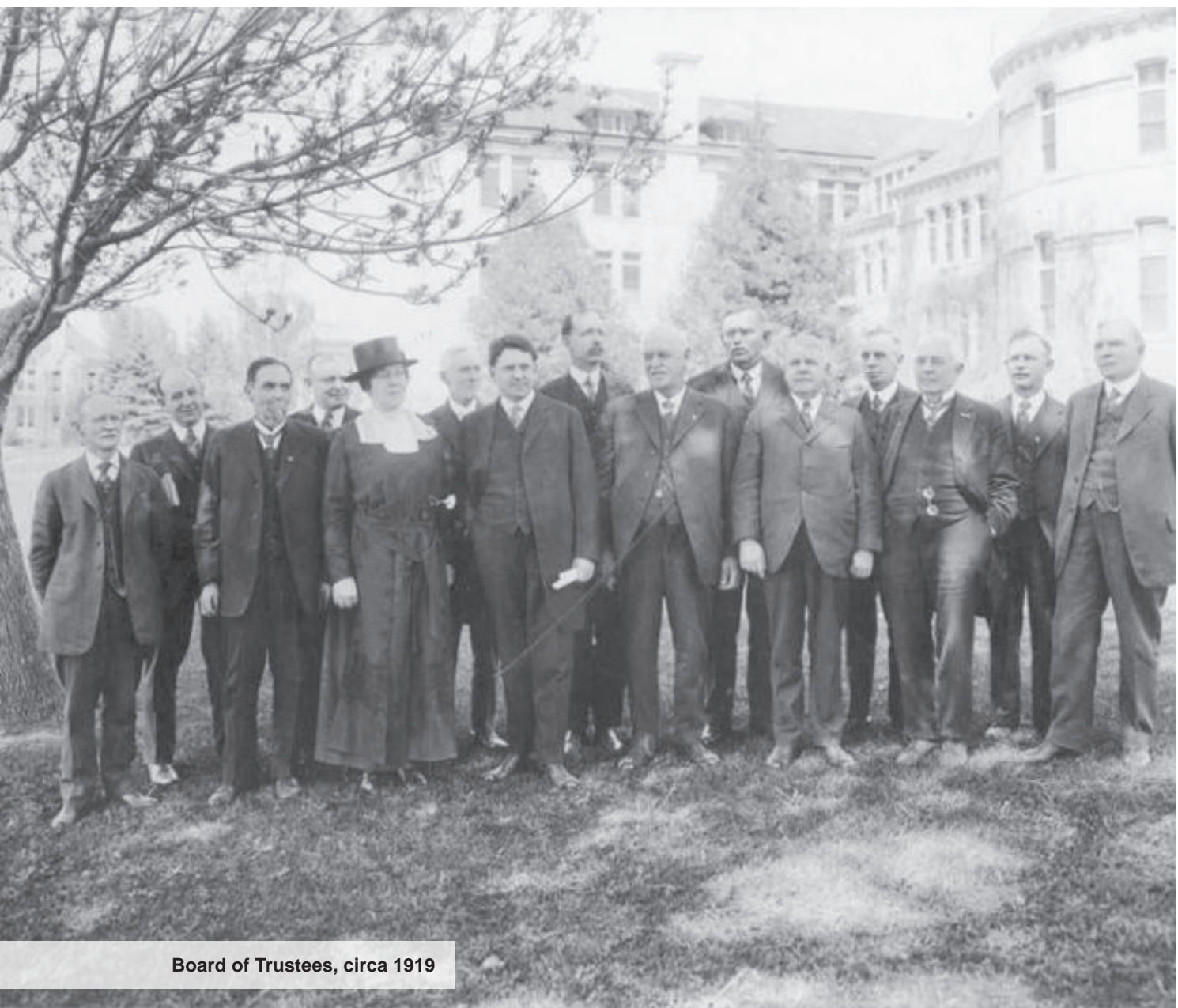
	USUSDL	Foundation	HSSF	Total Changes	Total
<b>OPERATING REVENUES</b>					
Project revenues	\$147,826,220	—	—	(\$16,678)	\$147,809,542
Project unit indirect costs, general and administrative costs, and cost of money	42,741,834	—	—	—	42,741,834
Project fees	12,937,083	—	—	—	12,937,083
Administrative reimbursement, USU	71,559	—	—	(71,559)	0
Royalty income (refund)	(114,306)	—	—	—	(114,306)
Other	2,037,241	—	—	—	2,037,241
Total operating revenues	205,499,631	\$0	\$0	(88,237)	205,411,394
<b>OPERATING EXPENSES</b>					
Salaries and wages	72,068,857	—	—	—	72,068,857
Employee benefits	38,781,004	—	—	—	38,781,004
Subcontracts	37,719,382	—	—	(441,035)	37,278,347
Depreciation and amortization	5,135,708	—	—	—	5,135,708
Research support to USU	496,345	—	—	(496,345)	0
Other	38,156,199	—	601,950	(2,663,183)	36,094,966
Total operating expenses	192,357,495	0	601,950	(3,600,563)	189,358,882
Operating income (loss)	13,142,136	0	(601,950)	3,512,326	16,052,512
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Private gifts	—	—	130,000	—	130,000
Other – net	(1,970,823)	(2,337,814)	1,446,295	3,392,610	530,268
Total nonoperating revenues (expenses)	(1,970,823)	(2,337,814)	1,576,295	3,392,610	660,268
Income before other revenues	11,171,313	(2,337,814)	974,345	6,904,936	16,712,780
<b>OTHER REVENUES</b>					
Additions to permanent endowments	—	5,452,083	—	—	5,452,083
Total other revenues	0	5,452,083	0	0	5,452,083
Increase in net position	11,171,313	3,114,269	974,345	6,904,936	22,164,863
Net position – beginning of year	41,077,390	79,745,559	7,304,645	63,300,470	191,428,064
<b>NET POSITION – END OF YEAR</b>	<b>\$52,248,703</b>	<b>\$82,859,828</b>	<b>\$8,278,990</b>	<b>\$70,205,406</b>	<b>\$213,592,927</b>



Figure O.3

**Component Units**  
**Condensed Statement of Cash Flows**  
 For the Year Ended June 30, 2020

	USUSDL	Foundation	HSSF	Total Changes	Total
<b>NET CASH PROVIDED (USED) BY:</b>					
(1) Operating activities	\$16,832,193	—	(\$601,950)	\$15,239,695	\$31,469,938
(2) Noncapital financing activities	—	\$5,058,523	130,000	—	5,188,523
(3) Capital and related financing activities	21,936,436	—	—	3,392,610	25,329,046
(4) Investing activities	105,449	(5,669,309)	325,841	—	(5,238,019)
Net increase (decrease) in cash and cash equivalents	38,874,078	(610,786)	(146,109)	18,632,305	56,749,488
Cash and cash equivalents – beginning of year	40,150,398	610,799	929,795		41,690,992
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<b>\$79,024,476</b>	<b>\$13</b>	<b>\$783,686</b>		<b>\$98,440,480</b>



Board of Trustees, circa 1919



# Required Supplimentary Information

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Required supplementary information is to accompany the basic financial statements and is considered an essential part of financial reporting.

# PROPORTIONATE SHARE OF NET PENSION LIABILITY

AS OF DECEMBER 31

	2019	2018	2017	2016	2015
<b>Tier 1 Noncontributory System</b>					
Proportion of net pension liability (asset)*	18.221740 %	1.3784832 %	1.4130362 %	1.4648385 %	1.4867052 %
Proportionate share of net pension liability (asset)	\$21,374,650	\$51,286,704	\$34,553,853	\$47,474,199	\$46,701,668
Covered payroll	\$38,736,450	\$37,966,324	\$37,654,734	\$38,162,282	\$37,975,366
Proportionate share of net pension liability (asset) as a percentage of covered payroll	55.18 %	135.08 %	91.76 %	124.40 %	122.98 %
Plan fiduciary net position as a percentage of total pension liability	94.2 %	84.1 %	89.2 %	84.9 %	84.5 %
<b>Tier 1 Contributory System</b>					
Proportion of net pension liability (asset)*	6.5176415 %	2.1063074 %	1.8581414 %	1.6628695 %	1.3777110 %
Proportionate share of net pension liability (asset)	(\$367,485)	\$1,495,487	\$122,273	\$911,182	\$863,346
Covered payroll	\$338,696	\$408,779	\$422,780	\$445,761	\$436,427
Proportionate share of net pension liability (asset) as a percentage of covered payroll	(108.50)%	365.84 %	28.92 %	204.41 %	197.82 %
Plan fiduciary net position as a percentage of total pension liability	103.6 %	91.4 %	99.2 %	93.4 %	92.4 %
<b>Tier 2 Contributory System</b>					
Proportion of net pension liability (asset)	0.5536911 %	0.6526196 %	0.8092727 %	1.1108095 %	1.4678273 %
Proportionate share of net pension liability (asset)	\$124,529	\$279,503	\$71,351	\$123,910	(\$3,204)
Covered payroll	—	\$7,628,237	\$7,926,941	\$9,109,512	\$9,484,328
Proportionate share of net pension liability (asset) as a percentage of covered payroll	—	3.66 %	0.90 %	1.36 %	(0.03)%
Plan fiduciary net position as a percentage of total pension liability	96.5 %	90.8 %	97.4 %	95.1 %	100.2 %
<b>Public Safety System</b>					
Proportion of net pension liability (asset)	0.3199232 %	0.3271828 %	0.3490530 %	0.3459203 %	0.3435487 %
Proportionate share of net pension liability (asset)	\$472,439	\$783,194	\$606,957	\$739,607	\$739,614
Covered payroll	\$583,817	\$609,931	\$604,061	\$636,766	\$607,776
Proportionate share of net pension liability (asset) as a percentage of covered payroll	80.92 %	128.41 %	100.48 %	116.15 %	121.69 %
Plan fiduciary net position as a percentage of total pension liability	90.0 %	83.2 %	87.4 %	83.5 %	82.3 %
<b>Tier 2 Public Safety and Firefighter System</b>					
Proportion of net pension liability (asset)	0.0694755 %	0.0505758 %	0.0319725 %	0.0069305 %	N/A
Proportionate share of net pension liability (asset)	\$6,535	\$1,267	(\$370)	(\$60)	N/A
Covered payroll	\$114,529	\$67,358	\$33,753	\$5,726	N/A
Proportionate share of net pension liability (asset) as a percentage of covered payroll	5.71 %	1.88 %	(1.10)%	(1.05)%	N/A
Plan fiduciary net position as a percentage of total pension liability	89.6 %	95.6 %	103.0 %	103.6 %	N/A

\* The change in the proportion of net pension liability (asset) in 2019 is due to Utah Retirement Systems creating a separate pool for higher education.

Note: The University implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions, in fiscal year 2015. Information on the University's portion of the plan's net pension liability (asset) is not available for periods prior to fiscal year 2015.

**SCHEDULE OF CONTRIBUTIONS TO THE UTAH RETIREMENT SYSTEMS**

FOR FISCAL YEARS ENDING JUNE 30

	2020	2019	2018	2017
<b>Tier 1 Noncontributory System</b>				
Contractually required contribution	\$8,297,399	\$8,392,320	\$8,221,506	\$8,329,180
Contributions in relation to the contractually required contribution	8,297,399	8,392,320	8,221,506	8,329,180
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$38,406,937	\$38,370,432	\$37,531,241	\$37,968,122
Contributions as a percentage of covered payroll	21.60 %	21.87 %	21.91 %	21.94 %
<b>Tier 1 Contributory System*</b>				
Contractually required contribution	\$54,537	\$64,560	\$75,098	\$77,250
Contributions in relation to the contractually required contribution	54,537	64,560	75,098	77,250
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$308,117	\$413,387	\$423,200	\$436,438
Contributions as a percentage of covered payroll	17.70 %	15.62 %	17.75 %	17.70 %
<b>Tier 2 Contributory System**</b>				
Contractually required contribution	\$1,469,907	\$1,463,112	\$1,429,747	\$1,514,256
Contributions in relation to the contractually required contribution	1,469,907	1,463,112	1,429,747	1,514,256
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$7,737,083	\$7,753,638	\$7,746,141	\$8,300,188
Contributions as a percentage of covered payroll	19.00 %	18.87 %	18.46 %	18.24 %
<b>Public Safety System</b>				
Contractually required contribution	\$149,721	\$145,397	\$147,467	\$181,751
Contributions in relation to the contractually required contribution	149,721	145,397	147,467	181,751
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$661,372	\$575,853	\$583,908	\$632,820
Contributions as a percentage of covered payroll	22.64 %	25.25 %	25.26 %	28.72 %
<b>Tier 2 Public Safety and Firefighter System**</b>				
Contractually required contribution	\$37,445	\$30,156	\$9,732	\$4,820
Contributions in relation to the contractually required contribution	37,445	30,156	9,732	4,820
Contribution deficiency (excess)	\$0	\$0	\$0	\$0
Covered payroll	\$125,486	\$101,194	\$33,238	\$16,500
Contributions as a percentage of covered payroll	29.84 %	29.80 %	29.28 %	29.21 %

\*The Tier 2 Public Employees System (Tier 2) was created in fiscal year 2012. However, the contractually required contributions and covered payroll for Tier 2 were included in the Contributory System for fiscal years 2012 and 2013, since prior to the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions, Tier 2 information was not separately available.

\*\*Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

# Utah State University

2016	2015	2014	2013	2012	2011
\$8,355,894	\$9,328,000	\$7,664,202	\$6,949,647	\$6,709,673	\$6,124,421
8,355,894	9,328,000	7,664,202	6,949,647	6,709,673	6,124,421
\$0	\$0	\$0	\$0	\$0	\$0
\$37,998,840	\$37,836,787	\$35,009,064	\$36,016,837	\$40,154,027	\$37,363,709
21.99 %	24.65 %	21.89 %	19.30 %	16.71 %	16.39 %
\$78,211	\$102,041	\$604,902	\$416,961	\$214,370	\$110,196
78,211	102,041	604,902	416,961	214,370	110,196
\$0	\$0	\$0	\$0	\$0	\$0
\$441,871	\$430,553	\$6,387,208	\$4,212,028	\$1,952,662	\$616,240
17.70 %	23.70 %	9.47 %	9.90 %	10.98 %	17.88 %
\$1,862,036	\$694,490	N/A	N/A	N/A	N/A
1,862,036	694,490	N/A	N/A	N/A	N/A
\$0	\$0	N/A	N/A	N/A	N/A
\$10,208,536	\$8,337,218	N/A	N/A	N/A	N/A
18.24 %	8.33 %	N/A	N/A	N/A	N/A
\$167,710	\$162,713	\$137,607	\$138,459	\$135,408	\$104,135
167,710	162,713	137,607	138,459	135,408	104,135
\$0	\$0	\$0	\$0	\$0	\$0
\$600,578	\$582,052	\$506,773	\$528,817	\$562,846	\$315,243
27.92 %	27.96 %	27.15 %	26.18 %	24.06 %	33.03 %
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A



Decorative gold scrollwork on the white building's facade.



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