

**DIXIE STATE UNIVERSITY**  
A Component Unit of the State of Utah

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Annual Financial Report  
For the Year Ended June 30, 2015

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Report No. 15-29



**OFFICE OF THE**  
**UTAH STATE AUDITOR**

**DIXIE STATE UNIVERSITY**  
A Component Unit of the State of Utah

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Annual Financial Report  
For the Year Ended June 30, 2015

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AUDIT LEADERSHIP:

Hollie Andrus, CPA, Audit Director  
Ariane Gibson, CPA, Audit Senior

# **DIXIE STATE UNIVERSITY**

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2015

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OFFICE OF THE  
**UTAH STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Trustees, Audit Committee  
and  
Dr. Richard B. Williams, President  
Dixie State University

**Report on the Financial Statements**

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

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Dixie College Foundation (Foundation), a discretely presented component unit foundation. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

## ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University and its Foundation, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

For fiscal year 2015, the University implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of these required changes in accounting principle, the University recorded a \$5,041,778 reduction in beginning net position. The amounts reported for ending net position reflect the newly required net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to the University's participation in defined benefit retirement systems. See Notes 1 and 8 for further information. Our opinion for the University is not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3 through 12 and the University's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Defined Benefit Pension Contributions on page 39 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2015 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Office of the Utah State Auditor*

December 23, 2015

# **DIXIE STATE UNIVERSITY**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

As management of Dixie State University (the University), we offer readers of the University's financial statements this narrative overview and analysis of the financial activities of the University for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented within this discussion and analysis in conjunction with the additional information that is furnished in our basic financial statements (including the notes to the financial statements).

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the University's basic financial statements. The University's basic financial statements consist of four components: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements. This discussion and analysis focuses on the University's primary institution operations. The University's discretely presented component unit, the Dixie State College Foundation, issues separately audited financial statements which can be obtained directly from the Dixie State College Foundation's administrative office.

**Statement of Net Position:** The Statement of Net Position provides information on the University's assets, deferred outflows, liabilities, and deferred inflows at the end of the fiscal year, with the difference reported as net position. The information provided in the Statement of Net Position, along with disclosures and other information contained in the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and the accompanying notes, helps users evaluate, among other things, the University's liquidity and its ability to meet its obligations. It is one way of measuring the University's financial health or position. Over time, increases or decreases in the University's net position are an indicator of whether its financial condition is improving or deteriorating. Other non-financial factors are also important to consider, including student enrollment and the condition of the campus buildings.

# DIXIE STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The following table summarizes the University's assets, deferred outflows, liabilities, deferred inflows, and net position at June 30, 2014 and 2015:

### Condensed Statement of Net Position

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014*</u>	<u>Amount of Increase (Decrease)</u>
<b>Assets</b>			
Current Assets	\$ 28,147,140	\$ 24,075,311	\$ 4,071,829
Noncurrent Assets:			
Capital Assets, Net	125,824,913	127,936,915	(2,112,002)
Other Assets	<u>34,726,793</u>	<u>13,982,269</u>	<u>20,744,524</u>
<b>Total Assets</b>	<u>188,698,846</u>	<u>165,994,495</u>	<u>22,704,351</u>
<b>Deferred Outflows</b>	<u>727,064</u>	<u>-</u>	<u>727,064</u>
<b>Liabilities</b>			
Current Liabilities	5,720,941	5,911,115	(190,174)
Noncurrent Liabilities:			
Net Pension Liability	4,921,641	-	4,921,641
Other Noncurrent Liabilities	<u>28,276,891</u>	<u>9,394,283</u>	<u>18,882,608</u>
<b>Total Liabilities</b>	<u>38,919,473</u>	<u>15,305,398</u>	<u>23,614,075</u>
<b>Deferred Inflows</b>	<u>469,604</u>	<u>-</u>	<u>469,604</u>
<b>Net Position:</b>			
Net Investment in Capital Assets	118,477,153	118,637,285	(160,132)
Restricted – Nonexpendable	12,418,470	11,192,853	1,225,617
Restricted – Expendable	5,344,337	5,462,508	(118,171)
Unrestricted	<u>13,796,873</u>	<u>15,396,451</u>	<u>(1,599,578)</u>
<b>Total Net Position</b>	<u>\$ 150,036,833</u>	<u>\$ 150,689,097</u>	<u>\$ (652,264)</u>

\*The 2014 amounts presented here do not reflect the prior period adjustments discussed in Note 1.

The University's Net Position experienced a slight decrease for fiscal year 2015. The increase in other noncurrent assets was mainly due to cash received from bonding for new student housing ahead of construction. The decrease in capital assets was largely due to depreciation expense. The increase in other noncurrent liabilities was mostly due to the new bond liability for the student housing mentioned previously. Changes in Net Position were the result of these changes and other normal activity.

**Statement of Revenues, Expenses, and Changes in Net Position:** The Statement of Revenues, Expenses, and Changes in Net Position provides information to users about the operating performance of the University and the effects of nonoperating transactions on Net Position. The information in this statement, together with information in the Statement of Net Position, the Statement of Cash Flows, and the accompanying notes, should assist users of the University's financial statements in evaluating the University's performance during the fiscal year. These statements will also show how well management has discharged their stewardship responsibilities and other aspects of their duties.

# DIXIE STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The following table summarizes the University's revenues, expenses, and changes in net position for the years ended June 30, 2014 and 2015:

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

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014*</u>	<u>Amount of Increase (Decrease)</u>
<b>Operating Income</b>			
Operating Revenues	\$ 41,154,294	\$ 38,855,429	\$ 2,298,865
Operating Expenses	<u>92,432,407</u>	<u>88,775,368</u>	<u>3,657,039</u>
<b>Operating Income (Loss)</b>	<u>(51,278,113)</u>	<u>(49,919,939)</u>	<u>(1,358,174)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Nonoperating Revenues	52,052,332	48,008,041	4,044,291
Nonoperating Expenses	<u>343,538</u>	<u>682,693</u>	<u>(339,155)</u>
<b>Net Nonoperating Revenues (Expenses)</b>	<u>51,708,794</u>	<u>47,325,348</u>	<u>4,383,446</u>
<b>Income (Loss) before Other Revenues</b>	430,681	(2,594,591)	3,025,272
<b>Other Revenues (Expenses)</b>	<u>3,958,833</u>	<u>2,612,465</u>	<u>1,346,368</u>
<b>Increase in Net Position</b>	<u>4,389,514</u>	<u>17,874</u>	<u>4,371,640</u>
Net Position – Beginning of Year	150,689,097	150,666,654	22,443
Prior Period Adjustment	<u>(5,041,778)</u>	<u>4,569</u>	<u>(5,046,347)</u>
Net Position – Beginning of Year (Restated)	<u>145,647,319</u>	<u>150,671,223</u>	-
Net Position – End of Year	<u>\$ 150,036,833</u>	<u>\$ 150,689,097</u>	<u>\$ (652,264)</u>

\*The 2014 amounts presented here do not reflect the prior period adjustments discussed in Note 1.

For the year ended June 30, 2015, the University experienced a net operating loss as shown above. In a normal year, an operating loss would be expected since the University receives a majority of its funding from nonoperating revenues. Appropriations, along with grants, investment income, and financial gifts from donors, are classified on the financial statements as nonoperating revenues. During this last fiscal year, the net nonoperating revenues were sufficient to cover the operating costs of the University. Operating revenues increased overall when compared to the prior year, primarily due to increases in student tuition and fees. As the University grows, its staffing increases. In 2015, the State Legislature budgeted a 2.5% salary increase for employees, accounting for a large portion of the increase in operating expenses. The nonoperating revenues increase was largely due to a substantial increase in state appropriations. Other revenues increased because of generous donations to the University's endowments. The recording of the University's share of pension liabilities, as required by Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (See Footnote 8), accounted for part of the increase in operating expenses, as well as the prior period adjustment.

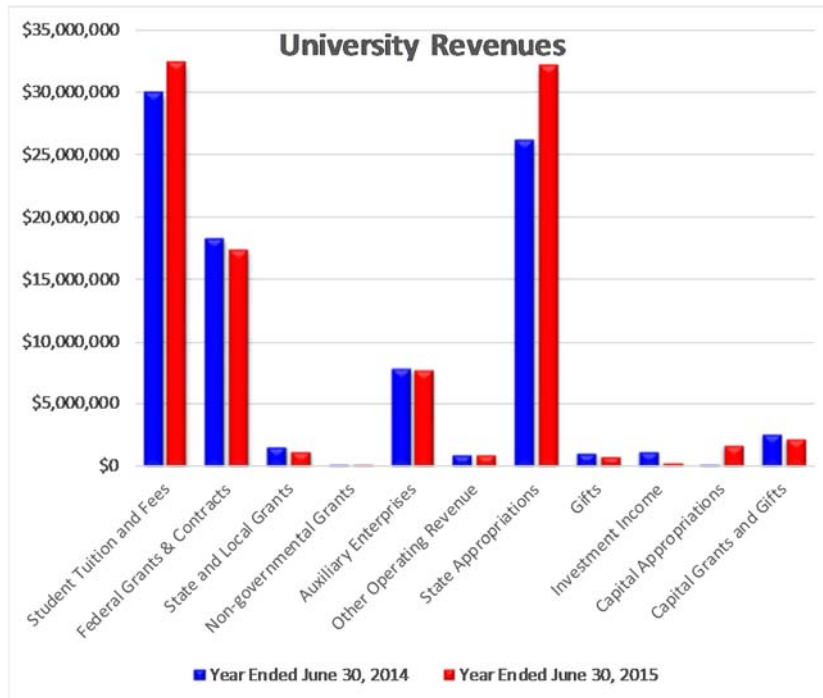


# DIXIE STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

**Revenues:** The following table summarizes the University's revenues for the years ended June 30, 2014 and 2015:

Revenues	Year Ended June 30, 2015	Percent of Total Revenues	Year Ended June 30, 2014	Amount of Increase (Decrease)	Percent of Increase (Decrease)
<b>Operating Revenues</b>					
Student Tuition and Fees, net	\$ 32,436,912	33.38%	\$ 29,905,185	\$ 2,531,727	8.47%
Grants and Contracts	123,590	.13%	119,999	3,591	2.99%
Auxiliary Enterprises, net	7,700,340	7.92%	7,865,887	(165,547)	(2.10%)
Other Operating Revenues	893,452	.92%	964,358	(70,906)	(7.35%)
<b>Total Operating Revenues</b>	<b>41,154,294</b>	<b>42.35%</b>	<b>38,855,429</b>	<b>2,298,865</b>	<b>5.92%</b>
<b>Nonoperating Revenues</b>					
State Appropriations	31,955,314	32.89%	26,085,486	5,869,828	22.50%
Federal Grants	17,408,547	17.92%	18,184,235	(775,688)	(4.27%)
State and Local Grants	1,219,921	1.26%	1,542,813	(322,892)	(20.93%)
Non-governmental Grants	13,593	.01%	15,000	(1,407)	(9.38%)
Gifts	840,225	.86%	1,041,041	(200,816)	(19.29%)
Investment Income	299,628	.31%	1,139,466	(839,838)	(73.70%)
Other Nonoperating Revenues	315,104	.33%	-	315,104	100.00%
<b>Total Nonoperating Revenues</b>	<b>52,052,332</b>	<b>53.58%</b>	<b>48,008,041</b>	<b>4,044,291</b>	<b>8.42%</b>
<b>Other Revenues</b>					
Capital Appropriations	1,728,447	1.78%	29,865	1,698,582	5687.53%
Capital Grants and Gifts	246,444	.25%	1,330,618	(1,084,174)	(81.48%)
Additions to Permanent Endowments	1,983,942	2.04%	1,251,982	731,960	58.46%
<b>Total Other Revenues</b>	<b>3,958,833</b>	<b>4.07%</b>	<b>2,612,465</b>	<b>1,346,368</b>	<b>51.54%</b>
<b>Total Revenues</b>	<b>\$ 97,165,459</b>	<b>100.00%</b>	<b>\$ 89,475,935</b>	<b>\$ 7,689,524</b>	<b>8.59%</b>



# DIXIE STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

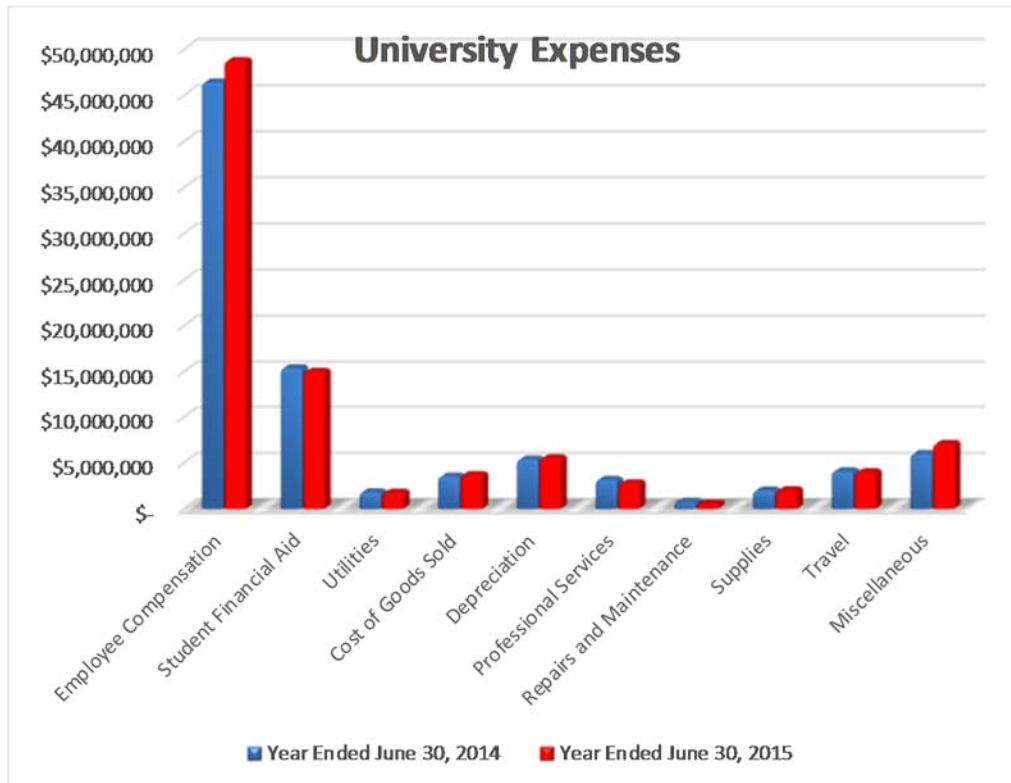
Nonoperating and other revenues fluctuate from year to year based on the amount appropriated by the state legislature for ongoing needs and capital projects at the University. These revenues also fluctuate from year to year because of the inconsistent pattern of investment income, gifts given to the University for scholarships, and capital projects. In total, nonoperating revenues were significantly higher for fiscal year 2015 due to increased appropriations. Federal grants decreased due to a Pell Grant funding cut. The increase in capital appropriations was due to state funds for campus projects through the State Division of Facilities, Construction, and Management (DFCM). The decrease in investments reflects a continued weakness in the financial markets. The capital grants and gifts decreased as donors gifted money to the University's endowments instead of its capital projects.

**Expenses:** The following table summarizes the University's expenses for the years ended June 30, 2014 and 2015:

	<u>Year Ended June 30, 2015</u>	<u>Percent of Total Expenses</u>	<u>Year Ended June 30, 2014</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
<b>Operating Expenses</b>					
Salaries and Wages	\$ 36,831,233	39.70%	\$ 33,838,975	\$ 2,992,258	8.84%
Employee Benefits	11,934,472	12.86%	12,583,873	(649,401)	(5.16%)
Student Financial Aid	15,057,120	16.23%	15,424,576	(367,456)	(2.38%)
Utilities	1,810,681	1.95%	1,847,638	(36,957)	(2.00%)
Cost of Goods Sold	3,740,945	4.03%	3,546,182	194,763	5.49%
Depreciation	5,553,642	5.99%	5,408,611	145,031	2.68%
Actuarial Calculated Pension	915,082	.99%	-	915,082	100.00%
Total Operating Expenses before Other	<u>75,843,175</u>	<u>81.75%</u>	<u>72,649,855</u>	<u>3,193,320</u>	<u>4.40%</u>
Other Operating Expenses					
Advertising, Awards, Luncheons, Publications	1,200,490	1.30%	1,242,395	(41,905)	(3.37%)
Bad Debt Expense	378,323	.41%	203,698	174,625	85.73%
Capital and Equipment Expense	3,540,555	3.82%	2,785,577	754,978	27.10%
Licenses, Fees, Taxes and Insurance	903,415	.97%	861,196	42,219	4.90%
Office Supplies	293,086	.32%	252,531	40,555	16.06%
Professional Services	2,441,895	2.63%	2,728,859	(286,964)	(10.52%)
Rental of Equipment and Space	854,855	.92%	783,245	71,610	9.14%
Repairs and Maintenance	570,409	.61%	776,766	(206,357)	(26.57%)
Supplies	2,069,363	2.23%	2,019,599	49,764	2.46%
Telephone, Postage and Freight	316,254	.34%	346,788	(30,534)	(8.80%)
Travel	4,020,587	4.33%	4,124,859	(104,272)	(2.53%)
Total Other Operating Expenses	<u>16,589,232</u>	<u>17.88%</u>	<u>16,125,513</u>	<u>463,719</u>	<u>2.88%</u>
<b>Total Operating Expenses</b>	<u>92,432,407</u>	<u>99.63%</u>	<u>88,775,368</u>	<u>3,657,039</u>	<u>4.12%</u>
<b>Nonoperating Expenses</b>					
Interest on Capital Asset Related Debt	343,538	.37%	405,854	(62,316)	(15.35%)
Other	-	.00%	276,839	(276,839)	(100.00%)
<b>Total Nonoperating Expenses</b>	<u>343,538</u>	<u>.37%</u>	<u>682,693</u>	<u>(339,155)</u>	<u>(49.68%)</u>
<b>Total Expenses</b>	<u>\$ 92,775,945</u>	<u>100.00%</u>	<u>\$ 89,458,061</u>	<u>\$ 3,317,884</u>	<u>3.71%</u>

# DIXIE STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015



Operating expenses increased overall when compared to the prior year. As the chart above shows, the majority of this increase is a reflection of new hires in faculty and staff positions, salary increases to existing faculty and staff, and the recording of pension expense activity for the year. Benefit decreases were the result of the impact of the Affordable Care Act and employees paying a higher percentage of their benefits. The large capital equipment increase was from purchases to install a fiber ring network on campus to provide redundancy for campus operations.

**Statement of Cash Flows:** The Statement of Cash Flows provides information about the cash receipts and cash payments of the University during the fiscal year. When used with related disclosures and information in other financial statements, the Statement of Cash Flows should help financial statement report users assess the University's ability to generate future net cash flows and its ability to meet its obligations as they come due. The Statement of Cash Flows will also provide reasons for differences between operating income and the associated cash receipts/payments, as well as the effects on the University's financial position for cash and non-cash investing, capital, and financing activities during the fiscal year.

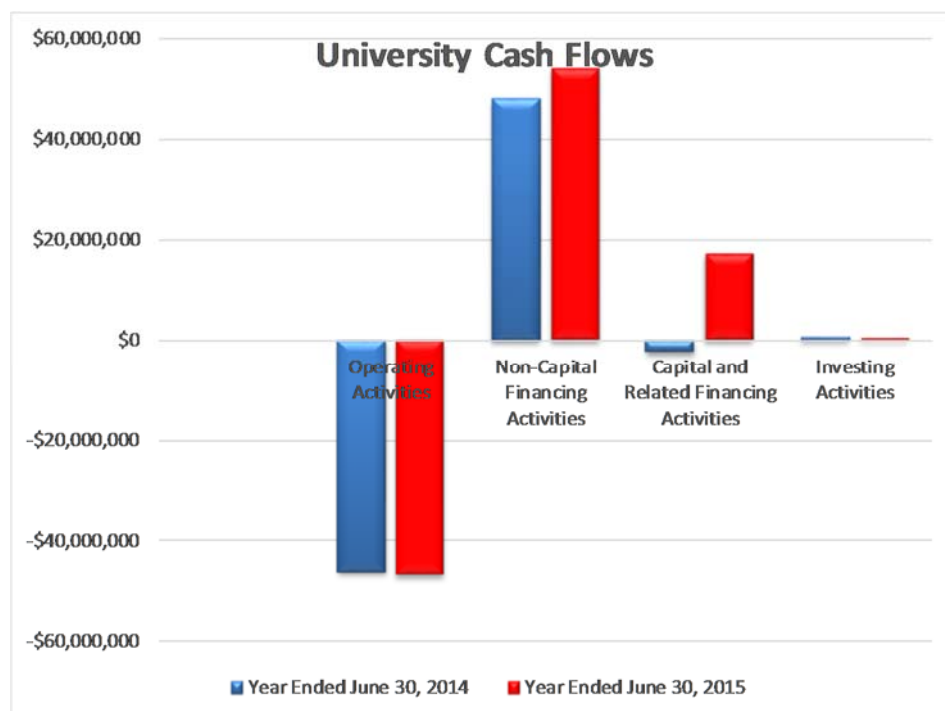
# DIXIE STATE UNIVERSITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

The following table and graph summarizes the University's cash flows for the years ended June 30, 2014 and 2015:

### Condensed Statement of Cash Flows

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Change in Inflows (Outflows)</u>	<u>Percentage of Change in Inflows (Outflows)</u>
<b>Cash Provided (Used) by:</b>				
Operating Activities	\$ (46,413,604)	\$ (43,459,409)	\$ (2,954,195)	6.80%
Noncapital Financing Activities	53,653,774	47,981,068	5,672,706	11.82%
Capital and Related Financing Activities	17,328,734	(4,059,345)	21,388,079	(526.88%)
Investing Activities	72,971	453,603	(380,632)	(83.91%)
Net Change in Cash	24,641,875	915,917	23,725,958	2590.40%
<b>Cash – Beginning of Year</b>	<u>24,107,283</u>	<u>23,191,366</u>	<u>915,917</u>	3.95%
<b>Cash – End of Year</b>	<u>\$ 48,749,158</u>	<u>\$ 24,107,283</u>	<u>\$ 24,641,875</u>	102.22%



The University's overall liquidity increased from the previous year. Cash outflows from operating activities increased slightly when compared to the prior year as a result of smaller enrollment offset by increased salaries and benefit costs. Noncapital financing activities cash inflows increased in fiscal year 2015 as a result of a large increase in state appropriations. Cash flows from capital and related financing activities increased due to the bond issued to finance the new student housing. Investing activities decreased as the University worked to diversify its investment portfolio.

# DIXIE STATE UNIVERSITY

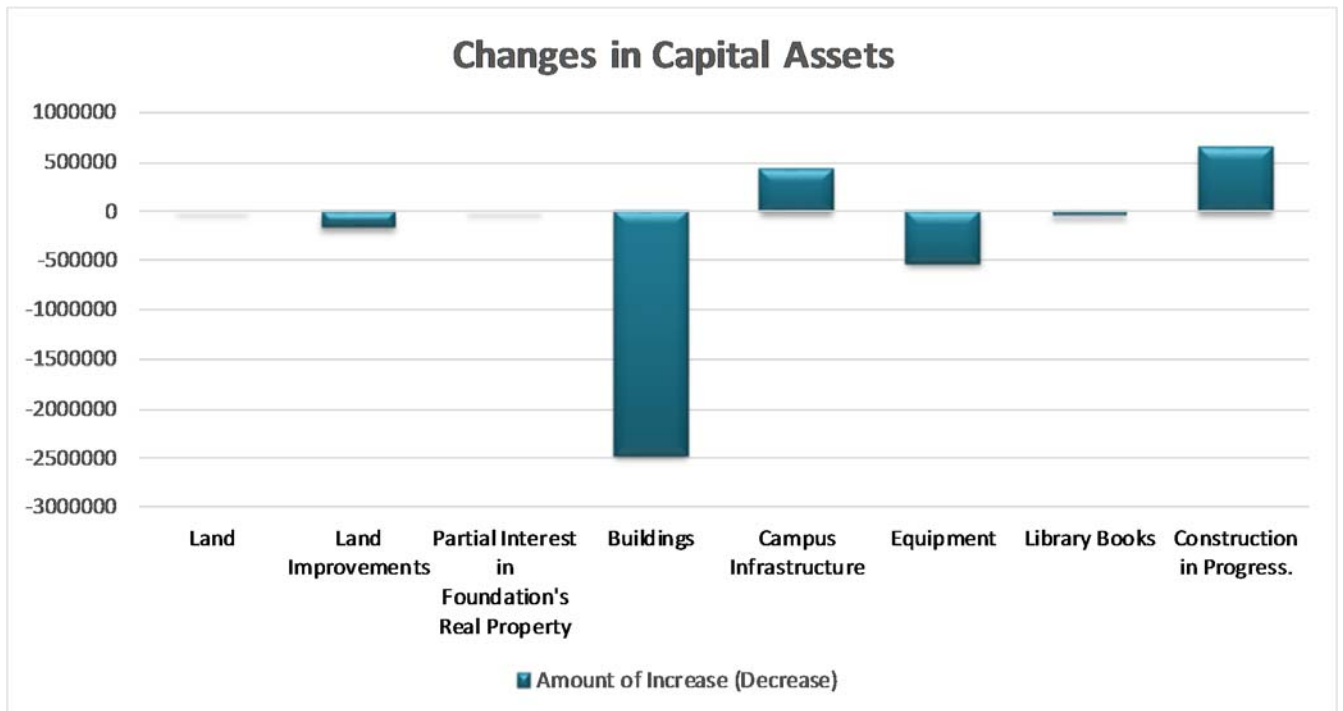
## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

### Capital Assets and Debt Administration

**Capital Assets:** Investment in capital assets includes land, land improvements, buildings, equipment, library books, and construction in progress. The major decrease in capital assets was the result of depreciation of buildings. Additional information about the University's capital assets can be found in Note 5 to the financial statements.

The following table summarizes the University's capital assets at June 30, 2014 and 2015:

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Amount of Increase (Decrease)</u>	<u>Percentage of Increase (Decrease)</u>
Land and Permanent Easements	\$ 12,558,315	\$ 12,558,315	\$ -	.00%
Land Improvements	5,875,478	6,033,642	(158,164)	(2.62%)
Partial Interest in Foundation's Real Property	422,785	422,785	-	.00%
Buildings	96,566,106	99,036,965	(2,470,859)	(2.49%)
General Infrastructure	3,750,981	3,311,752	439,229	13.26%
Machinery and Equipment	4,753,919	5,284,166	(530,247)	(10.03%)
Art, Literature, and Artifacts	1,025,344	1,065,286	(39,942)	(3.75%)
Construction in Progress	871,985	224,004	647,981	289.27%
<b>Total Capital Assets, Net</b>	<u>\$ 125,824,913</u>	<u>\$ 127,936,915</u>	<u>\$ (2,112,002)</u>	(1.65%)



# DIXIE STATE UNIVERSITY

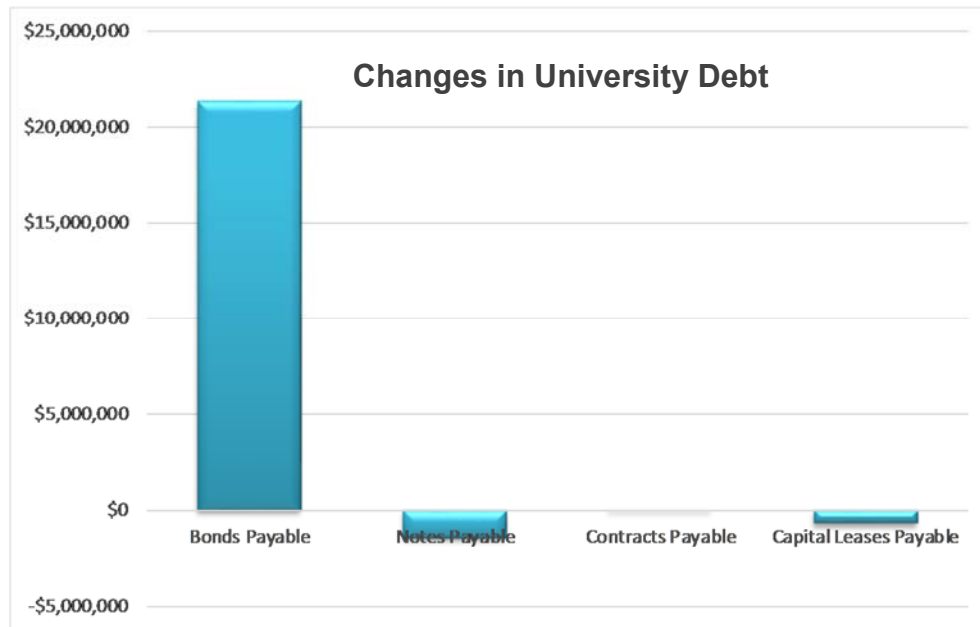
## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015

### **Bonds, Notes, and Capital Leases:**

The University's debt increased in fiscal year 2015 due to the issuance of a bond to build new student housing. Additional information related to the University's liabilities is presented in Notes 6 and 7 to the financial statements.

The following table and graph summarize outstanding University debt at June 30, 2014 and 2015:

	<u>Year Ended June 30, 2015</u>	<u>Year Ended June 30, 2014</u>	<u>Amount of Increase (Decrease)</u>	<u>Percentage of Increase (Decrease)</u>
<b>University Debt</b>				
Bonds Payable	\$ 21,315,000	\$ -	\$ 21,315,000	100.00%
Notes Payable	101,894	1,532,074	(1,430,180)	(93.35%)
Capital Leases Payable	<u>7,095,384</u>	<u>7,767,555</u>	<u>(672,171)</u>	(8.65%)
<b>Total Debt</b>	<u>\$ 28,512,278</u>	<u>\$ 9,299,629</u>	<u>\$ 19,212,649</u>	206.60%



### **Economic Outlook**

Utah's economy is showing signs of growth. Dixie State University has grown by over 60% since fiscal year 2008. This growth has fueled the expansion of the University degree offerings.

# **DIXIE STATE UNIVERSITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015**

With the change to a University status, the growth in the St. George area, and the “missionary effect,” it is expected that the University will continue to grow each year. The University has recently undertaken an extensive strategic planning initiative. When implemented in fiscal year 2016, it is expected to have a very positive impact on the enrollment of the University.

### **Requests for Information**

This financial report is designed to provide a general overview of the University's finances. The report is for all those with an interest in the University's finances and to show the University's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Dixie State University, Business Services, 225 South 700 East, Saint George, Utah 84770.

**DIXIE STATE UNIVERSITY**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

	<b>Primary Institution</b>	<b>Component Unit Foundation</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Note 2)	\$ 25,147,885	\$ 1,445,594
Investments (Note 2)	-	3,899,710
Accounts and Notes Receivable, Net (Note 3)	1,334,031	2,877
Accounts Receivable – Primary Government/Related Parties (Note 3)	115,589	23,315
Inventories (Note 4)	997,989	-
Student Loans Receivable, Net (Note 3)	425,603	-
Prepaid Expenses	126,043	-
Total Current Assets	28,147,140	5,371,496
<b>Noncurrent Assets</b>		
Restricted Cash and Cash Equivalents (Note 2)	23,601,273	200,375
Investments (Note 2)	9,905,541	9,487,347
Accounts and Notes Receivable, Net (Note 3)	357,245	907,491
Student Loans Receivable, Net (Note 3)	858,502	-
Net Pension Asset (Note 8)	4,232	-
Investments in Real Estate	-	100,000
Capital Assets, Net (Note 5)	125,824,913	4,986,970
Total Noncurrent Assets	160,551,706	15,682,183
Total Assets	188,698,846	21,053,679
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Relating to Pensions (Note 8)	727,064	-
Total Deferred Outflows of Resources	727,064	-
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable (Note 3)	946,318	11,516
Accounts Payable – Primary Government/Related Parties	1,102,566	-
Accrued Liabilities	452,107	-
Compensated Absences and Termination Benefits (Notes 6 and 9)	1,234,011	-
Deposits	281,206	-
Unearned Revenue	898,832	-
Bonds, Notes, and Capital Leases Payable (Note 6)	805,901	550,462
Total Current Liabilities	5,720,941	561,978
<b>Noncurrent Liabilities</b>		
Net Pension Liability (Note 8)	4,921,641	-
Compensated Absences and Termination Benefits (Notes 6 and 9)	570,514	-
Bonds, Notes, and Capital Leases Payable (Note 6)	27,706,377	5,469,042
Total Noncurrent Liabilities	33,198,532	5,469,042
Total Liabilities	38,919,473	6,031,020
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Relating to Pensions (Note 8)	469,604	-
Total Deferred Inflows of Resources	469,604	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	118,477,153	-
Restricted For		
Nonexpendable		
Scholarships and Fellowships	10,064,190	-
Other	2,354,280	-
Foundation	-	9,487,347
Expendable		
Scholarships and Fellowships	2,494,282	-
Loans	1,287,779	-
Capital Projects	59,571	-
Debt Service	224,427	-
Other	1,278,278	-
Foundation	-	5,259,415
Unrestricted	13,796,873	275,897
Total Net Position	\$ 150,036,833	\$ 15,022,659

*The accompanying notes are an integral part of these financial statements.*



**DIXIE STATE UNIVERSITY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b><u>Primary Institution</u></b>	<b><u>Component Unit Foundation</u></b>
<b>OPERATING REVENUES</b>		
Student Tuition and Fees, net (Note 1)	\$ 32,436,912	\$ -
Federal Grants and Contracts	80,061	-
Auxiliary Enterprises, net (Note 1)	7,700,340	557,760
State and Local Grants and Contracts	26,741	-
Nongovernmental Grants and Contracts	16,788	-
Foundation Contributions Received	-	515,751
Other Operating Revenues	893,452	-
Total Operating Revenues	<u>41,154,294</u>	<u>1,073,511</u>
<b>OPERATING EXPENSES</b>		
Salaries and Wages	36,831,233	-
Employee Benefits	11,934,472	-
Actuarial Calculated Pension Expense (Note 8)	915,082	-
Student Financial Aid	15,057,120	-
Donation to the College	-	129,543
Utilities	1,810,681	-
Cost of Goods Sold	3,740,945	-
Depreciation	5,553,642	-
Other Operating Expenses	16,589,232	761,451
Total Operating Expenses	<u>92,432,407</u>	<u>890,994</u>
<b>Operating Income (Loss)</b>	<u>(51,278,113)</u>	<u>182,517</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State Appropriations	31,955,314	-
Federal Grants	17,408,547	-
State Grants	1,179,921	-
Local Grants	40,000	-
Private Grants	13,593	-
Gifts	840,225	-
Investment Income	299,628	140,286
Interest on Capital Asset Related Debt	(343,538)	-
Other Nonoperating Revenues (Expenses)	315,104	(308,420)
Net Nonoperating Revenues (Expenses)	<u>51,708,794</u>	<u>(168,134)</u>
<b>Income Before Other Revenues</b>	<u>430,681</u>	<u>14,383</u>
<b>OTHER REVENUES (EXPENSES)</b>		
Capital Appropriations	1,728,447	-
Capital Grants and Gifts	246,444	-
Additions to Permanent Endowments	1,983,942	665,814
Total Other Revenues and Expenses	<u>3,958,833</u>	<u>665,814</u>
Increase (Decrease) in Net Position	<u>4,389,514</u>	<u>680,197</u>
Net Position – Beginning of Year	150,689,097	14,342,462
Prior Period Adjustment	(5,041,778)	-
Adjusted Net Position – Beginning of Year	<u>145,647,319</u>	<u>14,342,462</u>
<b>Net Position – End of Year</b>	<u>\$ 150,036,833</u>	<u>\$ 15,022,659</u>

*The accompanying notes are an integral part of these financial statements.*

**DIXIE STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	<b>Primary Institution</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Tuition and Fees	\$ 32,808,363
Receipts from Grants and Contracts	123,589
Receipts from Auxiliary Enterprises	8,284,803
Payments for Compensation and Benefits	(50,096,755)
Payments to Vendors and Suppliers	(22,497,459)
Payments for Scholarships and Fellowships	(15,442,510)
Receipt of Student Loan Proceeds	385,390
Loans Issued to Students	(228,372)
Collection of Loans to Students	249,347
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(46,413,604)</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	31,822,342
Receipts from State Grants	1,179,921
Receipts from Federal Student Financial Aid	17,408,547
Receipts from Other Grants	456,850
Receipts from Gifts and Endowments	2,771,087
Receipts from William D. Ford National Direct Student Loan	20,243,726
Payments to William D. Ford National Direct Student Loan	(20,238,770)
Other Receipts (Payments)	10,071
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>53,653,774</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Receipts from State Capital Aid	554,005
Receipts from Capital Grants	199,243
Proceeds from Capital Debt	21,315,000
Proceeds from Sale of Capital Assets	3,463
Acquisition and Construction of Capital Assets	(2,258,447)
Principal Paid on Capital Debt and Leases	(2,102,332)
Interest Paid on Capital Debt and Leases	(382,198)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>17,328,734</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from Sales and Maturities of Investments	542,235
Investment Income	220,225
Purchase of Investments and Related Fees	(689,489)
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>72,971</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>24,641,875</b>
<b>Cash and Cash Equivalents – Beginning of Year</b>	<b>24,107,283</b>
<b>Cash and Cash Equivalents – End of Year</b>	<b>\$ 48,749,158</b>

(continued)

**DIXIE STATE UNIVERSITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

(continued)

	<b><u>Primary Institution</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
<b>Operating Income (Loss)</b>	<b><u>\$ (51,278,113)</u></b>
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Expensed Completed Construction Project Transferred from the State of Utah	350,972
Depreciation Expense	5,553,642
Difference between Actuarial Calculated Pension Expense and Actual Contributions	(381,829)
Provision for Uncollectible Loans and Writeoffs	21,710
Changes in Assets and Liabilities:	
Receivables, Net	(198,800)
Inventories	(98,572)
Prepaid Items	(118,881)
Notes Receivable, Net	20,975
Accounts Payable and Accrued Liabilities	(498,207)
Accounts Payable – Primary Government/Related Parties	47,104
Unearned Revenue	261,263
Compensated Absences	(94,868)
Total Adjustments	<u>4,864,509</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (46,413,604)</u></b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>	
Completed Construction Project Transferred from the State of Utah	1,525,414
Assets Acquired Through a Capital Lease	47,201
Assets Acquired Through a Gift	278,279
Change in Fair Value of Investments	(34,987)
Capital Asset Write-Offs	(10,569)
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b><u>\$ 1,805,338</u></b>

*The accompanying notes are an integral part of these financial statements.*

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Dixie State University, located in Saint George, Utah, was established in 1911 as Saint George Academy and became known as Dixie Academy. Originally operated by The Church of Jesus Christ of Latter-day Saints, the College was turned over to the State of Utah in 1933. It was known officially as Dixie Junior College until 1971 when the Utah State Legislature changed the name to Dixie College. In January 2000, the name was changed to Dixie State College when it became eligible to offer four-year degree programs. In February of 2013, the name was changed to Dixie State University. The University is a component unit of the State of Utah and receives state appropriations each year.

The University offers baccalaureate programs in selected high demand areas and in core or foundational areas consistent with four-year universities. It also partners with other institutions in the Utah System of Higher Education to ensure that quality undergraduate programs are available to Washington County residents.

The University is committed to accountability and creativity in delivering quality higher educational opportunities within its service area. The University will be a cooperative and conscientious partner with other public and higher education institutions, responsibly using public funds to meet the State's needs.

#### **Reporting Entity**

The University has included in the financial statements all restricted and unrestricted funds, including all auxiliary enterprises. The University has considered all potential component units for which the University is financially accountable and other organizations for which the nature and significance of their relationship with the University are such that exclusion would cause the University's financial statements to be misleading or incomplete.

The Dixie College Foundation (Foundation) is a separate but affiliated self-sustaining not-for-profit organization. Because the Foundation was established to receive gifts almost entirely for the benefit of the University, it is considered a discretely-presented component unit and is included in the University's audited financial statements under the heading "Component Unit Foundation." Independent auditors have audited the Foundation and a separate report has been issued thereon and is available at the Foundation's administrative office. The Foundation is not subject to income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### **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

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The Foundation follows FASB pronouncements and has adopted Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Non-for Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information included in the University's financial report.

### **Basis of Presentation**

Cash and Investments – Cash from all funds is deposited into one account except when legal requirements dictate the use of separate accounts. University and Foundation financial investments are carried at fair value. The University distributes earnings from pooled investments based on the average monthly investment of each participating account. Foundation real estate investments consist of donations that are reported at the lower of current fair value or the fair value at the time of donation. The University considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. This includes repurchase agreements and the Utah Public Treasurers' Investment Fund for the University. For the Foundation, cash equivalents include certificates of deposit and money market funds held by equity managers.

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

Inventories – The value of the University bookstore inventory is recorded at average cost using the retail inventory method. All other inventory values are determined by using the lower of cost (first-in, first-out) or market.

Prepaid Expenses – Prepaid expenses consist of products or services that have been paid for and not received.

Capital Assets – Property, plant, and equipment are stated at cost as of the date of acquisition or fair value at date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$3,000 or more and an estimated useful life greater than one year. Buildings costing \$100,000 or more are capitalized, as are improvements to buildings costing \$100,000 or more that extend the useful life, and land improvements that cost \$100,000 or more. Other capital assets are determined at acquisition based on guidelines developed by the Utah State Division of Finance, as adopted by the Utah State Board of Regents. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation on property, plant, and equipment is

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

recorded based on the depreciation conventions adopted by the State of Utah over the estimated useful lives of the assets: 40 years for buildings, up to 30 years for building improvements, 5 to 20 years for land improvements, 20 years for library books, and 3 to 20 years for equipment.

Accrued Compensated Absences – Employees’ compensated absences are accrued when earned. The liability and expense incurred are recorded at year-end as accrued compensated absences in the Statement of Net Position and as a component of salaries and benefit expense in the Statement of Revenues, Expenses, and Changes in Net Position. University policy with regard to vacation and sick leave is that (1) unused vacation may be accrued to the extent of thirty days; and (2) sick leave may be accumulated at the rate of one day per month. However, regardless of the accumulated amount, when an employee terminates, there is no reimbursement for unused sick leave. Thus, no liability exists for sick leave earned in prior periods. Sick leave, when taken, is paid at the employee’s current rate of pay in the sense that the employee’s salary continues as if at work.

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

Unearned Revenue – Unearned revenue consists of amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period.

Noncurrent Liabilities – Noncurrent liabilities include (1) principal amounts of notes payable, capital lease obligations, and bonds issued with contractual maturities greater than one year; and (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year.

Gifts – The University follows the practice of recording gifts when all eligibility requirements imposed by the provider have been met.

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Adjustment to Beginning Net Position

Effective July 1, 2014, the University implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This implementation resulted in a reduction of the beginning net position of the University of \$5,041,778. The reduction represents the University's \$1,512 share of the beginning net pension asset, \$5,637,876 share of the beginning net pension liability, and the University's \$594,586 of contributions made between January 1, and June 30, 2014, for its current and former employees through its pension provider, the Utah Retirement Systems. See Note 8 for further information on pension reporting.

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 outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of the net investment in capital assets.

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

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

*Unrestricted Net Position* – Unrestricted net position represents resources derived from student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. 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 for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the policy of the University is to apply the expense first towards allowed and appropriate restricted resources and then towards unrestricted resources.

Classification of Revenues and Expenses – Operating activities include all revenues and expenses that have the characteristics of exchange transactions. A large portion of the University's recurring revenue is defined as nonoperating by GASB Statement No. 9,

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB Statement No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments.*

Operating revenues include student tuition and fees, grants and contracts, and revenue from auxiliary enterprises. Nonoperating revenues include state appropriations, grants, gifts, and investment income. Operating expenses include salaries, wages, benefits, student aid, supplies, utilities, repairs and maintenance, etc. Nonoperating expenses are expenses that do not meet the definition of operating expenses or other expenses. Primarily, nonoperating expenses include interest payments on debt obligations.

Scholarship Allowances – Tuition, fees, and certain other student 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. Certain governmental grants, such as Pell grants and other federal, state, or nongovernmental programs, are recorded as either operating or nonoperating revenues in the University's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the University has recorded a scholarship allowance of \$10,156,678 against student tuition and fees and an allowance of \$72,313 against auxiliary enterprises revenue.

Tax Status – As a State institution of higher education, the income of the University is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code; however, income generated from activities unrelated to the University's exempt purpose is subject to income taxes under Internal Revenue Code Section 511(a)(2)(B).

### **NOTE 2. DEPOSITS AND INVESTMENTS PORTFOLIO**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (Utah Code, Title 51, Chapter 7) that relate to the deposit and investment of public funds.

Except for endowment funds, the University follows the requirements of the Money Management 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 Money Management Council.



# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

For endowment funds, the entity follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (Utah Code, Title 51, Chapter 8) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments (Rule 541).

### **Deposits – University**

#### 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 it. The University does not have a formal deposit policy for custodial credit risk. As of June 30, 2015, \$921,795 of the University's bank balance was uninsured and uncollateralized.

### **Investments – University**

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

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

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

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

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

In addition, the University invests in the University of Utah's endowment pool. The University of Utah's endowment pool adheres to guidelines established by UPMIFA and consists of global marketable equities, global marketable fixed income, and alternative investments. The University of Utah diversifies assets among several investment managers of varying investment strategies. Diversification is an effective means of maximizing return while mitigating risk. As of June 30, 2015, the University had \$7,814,351 invested in the University of Utah's endowment pool. Because Dixie State University and the University of Utah are both part of the State of Utah, the University of Utah is not considered an external investment pool.

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

# DIXIE STATE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah Public Treasurers' Investment Fund	\$ 20,835,006	\$ 20,835,006	\$ -	\$ -	\$ -
Money Market Mutual Funds	26,274,324	26,274,324	-	-	-
U.S. Treasuries	477,397	-	-	406,069	71,328
Mutual Bond Funds/Corporate Debt	954,925	-	954,925	-	-
Totals	<u>\$ 48,541,652</u>	<u>\$ 47,109,330</u>	<u>\$ 954,925</u>	<u>\$ 406,069</u>	<u>\$ 71,328</u>

### Credit Risk

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

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

Investment Type	Fair Value	Quality Ratings			
		A	BBB	Not Applicable	Unrated
Utah Public Treasurers' Investment Fund	\$ 20,835,006	\$ -	\$ -	\$ -	\$ 20,835,006
Money Market Mutual Funds	26,274,324	-	-	-	26,274,324
U.S. Treasuries	477,397	-	-	477,397	-
Mutual Bond Funds/Corporate Debt	954,925	251,161	228,708	-	475,056
Totals	<u>\$ 48,541,652</u>	<u>\$ 251,161</u>	<u>\$ 228,708</u>	<u>\$ 477,397</u>	<u>\$ 47,584,386</u>

### Concentration of Credit Risk

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

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the University will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The University does not have a formal policy for custodial credit risk. At June 30, 2015, the University had \$300,419 in alternative investments, which were held by the counterparty's trust department and not in the University's name.

### Endowment Funds

According to UPMIFA, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized and unrealized, of the fair value of the assets of an endowment over the historical dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

The endowment income spending policy of the University is to allocate 4% of a three-year moving average of the market value of the endowment pool. The spending policy is reviewed periodically and any necessary changes are made.

The amount of net appreciation on investments of donor-restricted endowments that were available for authorization for expenditure at June 30, 2015 was \$1,546,447. The net appreciation is a component of restricted expendable net position.

### **Cash and Cash Equivalents – Foundation**

At June 30, 2015, the Foundation had the following cash and cash equivalents:

Cash on Hand	\$ 62
Cash in Bank	603,353
Certificate of Deposit	55,484
Money Market Funds (Held by Equity Managers)	<u>786,695</u>
Total	<u>\$ 1,445,594</u>

Cash in Bank is insured by the Federal Deposit Insurance Corporation (FDIC) except for \$848,757 which was uninsured as of June 30, 2015. Money Market Funds are covered against broker theft by the Securities Investors Protection Corporation. Cash and cash equivalents have the general characteristics of demand deposits so that funds may be withdrawn at any time without prior notice.

### **Credit Risks – Foundation**

Investments with a market value of \$13,387,057 represent a risk factor subject to loss due to the volatility of the stock and bond markets.

# DIXIE STATE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Investments – Foundation

Investments are carried at market value on the Foundation’s financial statements. The resultant cumulative net unrealized gain at June 30, 2015 was \$959,555, of which \$762,814 is the current year’s unrealized loss.

The amortized cost and estimated market value of investments at June 30, 2015 were as follows:

<u>Investments</u>	<u>Amortized Cost</u>	<u>Gains</u>	<u>Losses</u>	<u>Estimated Market Value</u>
Alternative Funds	\$ 534,277	\$ 123	\$ (54,277)	\$ 480,123
Fixed Income Bond Funds	2,202,856	-	(44,107)	2,158,749
Obligations of the U.S. Government	613,093	1,203	(254)	614,042
Obligations of Corporations and Agencies	2,422,430	-	-	2,422,430
Corporate Securities – Domestic	4,520,275	842,238	(11,741)	5,350,772
Corporate Securities – International	1,596,623	226,370	-	1,822,993
Other	537,948	-	-	537,948
Total	<u>12,427,502</u>	<u>1,069,934</u>	<u>(110,379)</u>	<u>13,387,057</u>
Less Losses		<u>(110,379)</u>		
Total Cumulative Net Gain (Loss)		<u>959,555</u>		
Less Assets Held in Trust				-
Investments				<u>\$ 13,387,057</u>
Cumulative Net Unrealized Gain (Loss) 6/30/14		\$ 1,840,558		
Changes from Contributions, Realized Gains and Losses, and Changes in Assets Held in Trust Unrealized Gain (Loss)		(118,189)		
2015 Unrealized Gain (Loss)		<u>(762,814)</u>		
Cumulative New Unrealized Gain (Loss) 6/30/15		<u>\$ 959,555</u>		

### NOTE 3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable at June 30, 2015 consisted of the following:

Student Loans	\$ 1,700,981
Student Tuition and Fees	1,594,501
Auxiliary Enterprises and Other	1,124,095
Contracts and Grants	246,401
Primary Government / Related Parties	115,589
Total Receivables	<u>4,781,567</u>
Less Allowances for Bad Debts	<u>(1,690,597)</u>
Total Receivables, Net	<u>\$ 3,090,970</u>

Accounts payable for the year ended June 30, 2015 were as follows:

Suppliers Payable	\$ 776,483
Accrued Interest	109,545
Student Refunds	60,290
Total Accounts Payable	<u>\$ 946,318</u>

# DIXIE STATE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### NOTE 4. INVENTORIES

Inventories at June 30, 2015 consisted of the following:

Bookstore	\$ 761,103
Dining Services	65,745
IT Services	139,474
Fuel	31,667
<b>Total Inventories</b>	<b><u>\$ 997,989</u></b>

### NOTE 5. CAPITAL ASSETS

Property, plant and equipment at June 30, 2015 are summarized as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>Capital Assets, Non-depreciable:</b>				
Land and Permanent Easements	\$ 12,558,315	\$ -	\$ -	\$ 12,558,315
Construction in Progress	224,004	871,985	224,004	871,985
Partial Interest in Foundation's Real Property	422,785	-	-	422,785
Total Capital Assets, Non-depreciable	<u>13,205,104</u>	<u>871,985</u>	<u>224,004</u>	<u>13,853,085</u>
<b>Capital Assets, Depreciable:</b>				
Buildings	139,828,181	1,281,707	-	141,109,888
Machinery and Equipment	13,088,191	728,731	266,221	13,550,701
Art, Literature, and Artifacts	2,273,835	64,943	4,176	2,334,602
Land Improvements	11,808,829	249,014	39,000	12,018,843
General Infrastructure	3,441,946	514,500	-	3,956,446
Total Before Depreciation	<u>170,440,982</u>	<u>2,838,895</u>	<u>309,397</u>	<u>172,970,480</u>
Less Accumulated Depreciation For:				
Buildings	40,791,216	3,752,566	-	44,543,782
Machinery and Equipment	7,804,025	1,226,971	234,214	8,796,782
Art, Literature, and Artifacts	1,208,549	104,870	4,161	1,309,258
Land Improvements	5,775,187	397,428	29,250	6,143,365
General Infrastructure	130,194	75,271	-	205,465
Total Depreciation	<u>55,709,171</u>	<u>5,557,106</u>	<u>267,625</u>	<u>60,998,652</u>
Total Capital Assets, Depreciable, Net	<u>114,731,811</u>	<u>(2,718,211)</u>	<u>41,772</u>	<u>111,971,828</u>
Total Capital Assets, Net	<u>\$ 127,936,915</u>	<u>\$ (1,846,226)</u>	<u>\$ 265,776</u>	<u>\$ 125,824,913</u>

The University has certain works of art that are not capitalized or depreciated. These assets are held for public exhibition, education, or research, rather than financial gain. These assets are also protected, unencumbered, and preserved and are subject to policies requiring the proceeds from sales of collection items to be used to acquire other collection items. The University's

# DIXIE STATE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

assets of this nature include Native American artifacts, photographs, prints, paintings, monuments, statues, and other historical documents.

At June 30, 2015, the University had outstanding commitments for the construction and remodeling of University buildings of approximately \$2,711,925, which consists of \$2,711,188 for the Burns Arena addition and \$737 for the new student housing.

Capital Assets of the Foundation at June 30, 2015 consisted of the following:

	<u>Balance June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Land	\$ 2,331,326	\$ -	\$ -	\$ 2,331,326
Buildings	3,025,474	-	-	3,025,474
Building Improvements	143,346	-	-	143,346
Total	<u>5,500,146</u>	<u>-</u>	<u>-</u>	<u>5,500,146</u>
Accumulated Depreciation	(443,156)	(79,220)	-	(522,376)
Capital Assets, Net	<u>\$ 5,056,990</u>	<u>\$ (79,220)</u>	<u>\$ -</u>	<u>\$ 4,977,770</u>
Collectible Art – Foundation	\$ 9,200	\$ -	\$ -	\$ 9,200

### NOTE 6. BONDS, NOTES, AND CAPITAL LEASES PAYABLE

The University has entered capital lease agreements to acquire equipment. Equipment assets currently financed under capital lease and their accumulated depreciation amounts are \$2,064,778 and \$962,362, respectively. The University is currently paying on a bond that was entered into through the Utah State Board of Regents to acquire buildings. For financial statement purposes the bond is considered a capital lease for the University and shown as a bond for the Utah State Board of Regents. Capital leased building assets and their accumulated depreciation amounts are \$9,641,202 and \$3,838,786, respectively. In June 2015, the University issued a general revenue bond of \$21,315,000 to finance the construction of new student housing. Bonds, notes, and capital leases payable at June 30, 2015 are summarized as follows:

	<u>Lease Term</u>	<u>Interest Rate</u>	<u>Balance June 30, 2015</u>
<b>Notes and Capital Leases Payable</b>			
Chase Equipment Finance, Inc.	2011-2017	2.88%	\$ 96,625
Revco Leasing	2013-2018	13.56% - 14.93%	10,560
State Bank of Southern Utah	2011-2016	4.50% - 5.14%	101,894
Wells Fargo	2006-2020	4.60% - 4.75%	248,962
Zions Bank	2006-2023	4.25%	2,895,000
Bank of America Public Capital	2011-2028	1.50% - 4.50%	3,389,177
US Bancorp Government Lease	2014-2024	3.02%	455,060
<b>Total Notes and Capital Leases Payable</b>			<u><u>\$ 7,197,278</u></u>

## DIXIE STATE UNIVERSITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

<u>Issue</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Current Liability</u>	<u>Balance 6/30/15</u>
Series 2015-Revenue	6/24/2015	6/1/2046	2.0% - 5.0%	\$ 21,315,000	\$ 0	\$ 21,315,000

Future principal and interest payments are summarized as follows:

<u>Year Ending June 30</u>	<u>Capital Leases</u>	<u>Notes</u>	<u>Bonds Payable</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Principal and Interest</u>
2016	\$ 704,007	\$ 101,894	\$ -	\$ 805,901	\$ 1,060,481	\$ 1,866,382
2017	741,100	-	415,000	1,156,100	1,080,195	2,236,295
2018	640,484	-	425,000	1,065,484	1,042,992	2,108,476
2019	673,317	-	435,000	1,108,317	1,007,716	2,116,033
2020	709,731	-	440,000	1,149,731	970,330	2,120,061
2021-2025	2,567,107	-	2,455,000	5,022,107	4,176,321	9,198,428
2026-2030	1,059,638	-	2,895,000	3,954,638	3,303,685	7,258,323
2031-2046	-	-	14,250,000	14,250,000	5,280,126	19,530,126
<b>Totals</b>	<u>\$ 7,095,384</u>	<u>\$ 101,894</u>	<u>\$ 21,315,000</u>	<u>\$ 28,512,278</u>	<u>\$ 17,921,846</u>	<u>\$ 46,434,124</u>

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
<b>Bonds, Notes, and Capital Leases Payable</b>					
Bonds Payable	\$ -	\$ 21,315,000	\$ -	\$ 21,315,000	\$ -
Notes Payable	1,532,074	-	1,430,180	101,894	101,894
Capital Leases Payable	7,767,556	-	672,172	7,095,384	704,007
<b>Total Bonds, Notes, and Capital Leases Payable</b>	9,299,630	21,315,000	2,102,352	28,512,278	805,901
<b>Other Liabilities</b>					
Net Pension Liability	5,637,876	-	716,235	4,921,641	-
Compensated Absences	1,197,968	770,145	768,546	1,199,567	990,736
Early Retirement Benefits	701,425	130,838	227,305	604,958	243,275
<b>Total Other Liabilities</b>	<u>\$ 7,537,269</u>	<u>\$ 900,983</u>	<u>\$ 1,712,086</u>	<u>\$ 6,726,166</u>	<u>\$ 1,234,011</u>

The Foundation has entered into Charitable Gift Annuity Agreements wherein donors (the Annuitants) conveyed to the Foundation assets in exchange for annual payments to the Annuitants during the annuitants' joint lifetimes and for the life of the surviving annuitant. The liability is calculated at the date of donation by figuring the present value of the annual payments over the expected remaining life of the annuitants. Contributions revenue, which is the fair market value of the contribution less its corresponding liability is included in the Statement of Revenues, Expenses, and Changes in Net Position for the year of contribution.



# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Future principal and interest payments for the Annuity are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Totals</u></b>
2016	\$ 369,240	\$ 3,520	\$ 372,760
2017	361,975	10,785	372,760
2018	171,456	22,343	193,799
2019	71,058	5,002	76,060
2020	69,669	5,778	75,447
Thereafter	550,321	17,993	568,314
<b>Totals</b>	<b>\$ 1,593,719</b>	<b>\$ 65,421</b>	<b>\$ 1,659,140</b>

The Foundation had the following notes payable at June 30, 2015:

A note payable, with current portion of \$131,170 and a long-term portion of \$3,013,202, bearing interest at 3.25%, and requiring \$19,285 payable monthly until the last payment due on May 10, 2033. The note payable is secured by the purchased property, Dahle Plaza. The Foundation sold the property to Dixie State University on July 29, 2015 and this note was paid off in full as part of the sale.

A note payable, with a current portion of \$50,052 and a long-term portion of \$1,127,287, bearing interest at 5%, and requiring \$8,982 payable monthly until the last payment due on April 22, 2031. The note payable is secured by the purchased property. The Foundation believes that the State of Utah will fund the cost of the property.

The amounts due for each of the next five years are as follows:

<b><u>Year Ending June 30</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Totals</u></b>
2016	\$ 181,222	\$ 157,980	\$ 339,202
2017	188,110	151,092	339,202
2018	195,272	143,931	339,203
2019	198,101	141,101	339,202
2020	205,694	133,508	339,202
Thereafter	3,353,312	904,351	4,257,663
<b>Totals</b>	<b>\$ 4,321,711</b>	<b>\$ 1,631,963</b>	<b>\$ 5,953,674</b>

### **NOTE 7. RETIREMENT OF DEBT**

In a prior year, the Utah State Legislature authorized the funds to defease all of the University's outstanding auxiliary revenue bonds. The funds were put into irrevocable trusts to provide for all future debt service payments on the bonds. The principal balance of the University's defeased bonds at June 30, 2015 are as follows:

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

<b>Defeased Bonds</b>	<b>Redemption Date</b>	<b>Principal Balance</b>
Series 2006, 2006-2026	05/01/2016	\$ 1,420,000
Total Defeased Bonds		<u>\$ 1,420,000</u>

### **NOTE 8. PENSION PLANS AND RETIREMENT BENEFITS**

As required by State law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the University are covered by defined benefit plans sponsored by the Utah Retirement Systems (Systems), and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by defined contribution plans, such as the Teachers Insurance and Annuity Association—College Retirement Equities Fund (TIAA-CREF), 401(k), 457(b), Traditional IRA, or Roth IRA plans.

#### **Defined Benefit Plans**

*Plan description:* Eligible plan participants are provided with pensions through the following systems:

- Public Employees Noncontributory Retirement System (Noncontributory System) and the Public Employees Contributory Retirement System (Contributory System), which are multiple employer, cost sharing, public employees retirement systems.
- The Public Safety Retirement System (Public Safety System), which is a cost-sharing, multiple-employer retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System); and the Tier 2 Public Safety and Firefighter Contributory Retirement System (Tier 2 Public Safety and Firefighter System), which are multiple employer, cost sharing, public employees, retirement systems.

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

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated, 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and are a component unit of the State of Utah. Chapter 49 of the *Utah Code* grants the authority to establish and amend the benefit terms. The Systems issue a publicly available financial report

# DIXIE STATE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

that includes financial statements and required supplementary information for the Systems. A copy of the report may be obtained by writing to the Utah Retirement Systems at 560 East 200 South, Salt Lake City, UT 84102 or visiting the website [www.urs.org](http://www.urs.org).

Plan members in the Contributory System are required to contribute 6.00% of their annual covered salaries, all of which is paid by the University, and the University is required to contribute 17.70% of their annual salaries. In the Noncontributory System and the Public Safety System, the University is required to contribute 22.19% (with an additional 1.50% to a 401(k) salary deferral program) and 41.35%, respectively, of plan members' annual salaries. The contribution requirements of the Systems are authorized by statute and specified by the Board, and the contribution rates are actuarially determined.

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

### Summary of Benefits by System

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit percent per year of service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Contributory System	Highest 5 years	30 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975; 2.00% per year July 1975 to present	Up to 4%
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% to 4% depending on the employer
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%
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	1.5% per year all years	Up to 2.5%

\* with actuarial reductions

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

*Contributions:* As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of

## DIXIE STATE UNIVERSITY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	<b>Employee Paid</b>	<b>Paid by Employer for Employee</b>	<b>Employer Contribution Rates</b>
Noncontributory System			
16 - State and School Division Tier 1	N/A	N/A	22.19%
Contributory System			
12 - State and School Division Tier 1	N/A	6.00%	17.70%
112 - State and School Division Tier 2	N/A	N/A	18.27%
Public Safety Retirement System			
42 - Other Division A Noncontributory Tier 1	N/A	N/A	41.35%
122 - Other Division A Contributory Tier 2	N/A	N/A	29.26%

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

	<b>Proportionate Share</b>	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>
Noncontributory System	0.18064140%	\$ -	\$ 4,538,667
Contributory System	0.28692570%	-	31,461
Public Safety System	0.18916470%	-	351,513
Tier 2 Public Employees System	0.10467660%	3,172	-
Tier 2 Public Safety and Firefighter System	0.07165880%	1,060	-
Total Net Pension Asset / Liability		<u>\$ 4,232</u>	<u>\$ 4,921,641</u>

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

For the year ended December 31, 2014 pension expense of \$915,082 was recorded. At December 31, 2014, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

# DIXIE STATE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 35	\$ 292,358
Changes in assumptions	-	177,246
Net difference between projected and actual earnings on pension plan investments	90,295	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-
Contributions subsequent to the measurement date	636,734	-
<b>Total</b>	<b>\$ 727,064</b>	<b>\$ 469,604</b>

The amount of \$636,734 was reported as deferred outflows of resources related to pensions resulting from contributions made by the University prior to the fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b>Year Ending December 31</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2015	\$ (100,884)
2016	(100,884)
2017	(100,884)
2018	(73,114)
2019	(558)
Thereafter	(2,949)
<b>Totals</b>	<b>\$ (379,273)</b>

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

Inflation	2.75 percent
Salary Increases	3.50 - 10.50 percent, average, including inflation
Investment Rate of Return	7.50 percent, net of pension plan investment expense, including inflation

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

# DIXIE STATE UNIVERSITY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### Retired Participant Mortality

Class of Participant

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#### Educators

Men EDUM (90%)

Women EDUF (100%)

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#### Public Safety & Firefighters

Men RP 2000mWC (100%)

Women EDUF (120%)

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#### Public Employees

Men RP 2000mWC (100%)

Women EDUF (120%)

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

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

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

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The actuarial assumptions used in the January 1, 2014, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

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

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40%	7.06%	2.82%
Debt Securities	20%	0.80%	0.16%
Real Assets	13%	5.10%	0.66%
Private Equity	9%	11.30%	1.02%
Absolute Return	18%	3.15%	0.57%
Cash & Cash Equivalents	0%	0.00%	0.00%
<b>Totals</b>	100%		5.23%
		Inflation	2.75%
		Expected Arithmetic Nominal Return	7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*Discount rate:* The discount rate used to measure the total pension liability was 7.50 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. Detailed information about the pension plan's fiduciary net position is available in the separately issued Systems financial report.

*Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate:* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share would be if calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

### **Proportionate Share of Net Pension (Asset)/Liability**

	<b>1% Decrease (6.50%)</b>	<b>Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Noncontributory System	\$ 9,042,545	\$ 4,538,667	\$ 766,661
Contributory System	263,949	31,461	(165,186)
Public Safety System	650,554	351,513	105,123
Tier 2 Public Employees System	23,329	(3,172)	(23,155)
Tier 2 Public Safety and Firefighter System	453	(1,060)	(2,218)

### **Defined Contribution Plans**

TIAA-CREF provides individual retirement fund contracts with each participating employee. Employees may allocate contributions by the University to any or all of the providers and the contributions to the employee's contract(s) become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. For the year ended June 30, 2015, the University's contribution to these defined contribution pension plans was 14.20% of the employees' annual salaries. Additional contributions are made by the University based on employee contracts. The University has no further liability once contributions are made.

Employees of the University may also contribute to a 457(b), Roth IRA, or a 401(k) plan. For employees participating in defined benefit plans, the University is also required to contribute 1.5% of the employee's salary into a 401(k) plan.

# **DIXIE STATE UNIVERSITY**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

For the years ended June 30, 2015, 2014, and 2013, the University's contributions to the defined contribution plans were equal to the required amounts, as shown in below:

<b><u>Defined Contribution Plan</u></b>	<b><u>Year Ended June 30, 2015</u></b>	<b><u>Year Ended June 30, 2014</u></b>	<b><u>Year Ended June 30, 2013</u></b>
TIAA-CREF Defined Contribution Retirement Plan	\$ 3,105,444	\$ 2,711,177	\$ 2,436,489
401(k) Plan Employer Contributions	86,933	84,608	79,934
401(k) Plan Employee Contributions	130,224	110,818	105,283
457(b) Plan Employee Contributions	23,480	22,200	21,600
Roth IRA Plan Contributions	1,200	700	-
401(k) Plan and Tier 2 Defined Contribution Only	65	63	30
<b>Total Retirement Contributions</b>	<b><u>\$ 3,347,346</u></b>	<b><u>\$ 2,929,566</u></b>	<b><u>\$ 2,643,336</u></b>

### **NOTE 9. TERMINATION BENEFITS**

The University may provide termination benefits, in accordance with University policy and if approved by the Board of Trustees, for those employees who are eligible and elect the University's early retirement option.

Eligible employees are those who have at least five years of continuous service in a full-time, benefit-eligible position with the University, are at least age 57, and when age is combined with qualifying years of service the value is 75 or greater. An eligible employee receives the lesser of 20% of the employee's salary at the time the employee enters the early retirement program or the predicted Social Security benefit the employee will receive at full retirement age. This incentive is paid to the eligible employee until the earlier of five years or full retirement age. The employee is also eligible to receive the same coverage of medical insurance and dental insurance the employee was receiving at the early retirement date, which coverage continues for a maximum period of five years or to age 65, whichever comes first. These benefits are deducted from the early retirement incentive the employee receives on the same basis as non-retired employees.

As of June 30, 2015, eight eligible employees had elected to take the early retirement option. The funding for these termination benefits is provided on a pay-as-you-go basis. For the year ended June 30, 2015, the stipend and benefits expense for the early retirement program totaled \$227,305. The early retirement liability of \$604,958 is calculated using a 5% discount rate and a 3% inflation factor for salary and insurance premiums.



# **DIXIE STATE UNIVERSITY**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015**

### **NOTE 10. RISK MANAGEMENT**

The University maintains insurance coverage for commercial general liability, automobiles, errors and omissions, and property (buildings and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the University and authorized volunteers are covered by workers' compensation and employees' liability through the Workers Compensation Fund of Utah.

### **NOTE 11. RELATED PARTY TRANSACTIONS**

There are two properties that have been purchased by the Foundation which are referred to as the University Plaza and the Larkin property. The University has entered into agreements with the Foundation to rent and manage these properties on a month-to-month basis. The monthly amount that is being paid is approximately \$36,770. This amount may change in the future depending upon the number of buildings the University rents from the Foundation. During the fiscal year 2015, the University had rental expense for these two properties in the amount of \$441,239. Funding from the Legislature allowed for the purchase of the University Plaza from the Foundation in fiscal year 2016.

### **NOTE 12. CONTINGENT LIABILITIES**

As mentioned above in Note 11, the University has entered into a management agreements with the Foundation. In both of these agreements there is a provision that the University will cover any cash shortfall that may occur while managing these properties. The University's current rental payment for the Larkin property approximately equals the amount of the Foundation's monthly mortgage payment; therefore, this payment already covers all of the cash outflow. A cash shortfall related to the University Plaza could be as much as approximately \$19,300 per month. In order to mitigate these potential shortfalls, the University has set aside funding to cover the shortfalls if they occur, although any shortfalls related to these properties are not estimable at this time. In July 2015, the University purchased the University Plaza; at that point, the University was relieved of any contingent liability presented in the property management agreement.

# DIXIE STATE UNIVERSITY

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
DIXIE STATE UNIVERSITY  
December 31, 2014  
Utah Retirement Systems**

	<u>Noncontributory System</u>	<u>Contributory System</u>	<u>Public Safety System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
Proportion of the Net Pension Liability (Asset)	0.1806414%	0.002869257%	0.1891647%	0.1046766%	0.0716588%
Proportionate Share of the Net Pension Liability (Asset)	\$ 4,538,667	\$ 31,461	\$ 351,513	\$ (3,172)	\$ (1,060)
Covered Employee Payroll	\$ 5,245,808	\$ 103,443	\$ 204,903	\$ 513,385	\$ 29,601
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	86.5%	30.4%	171.6%	-0.6%	-3.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.2%	98.7%	84.3%	103.5%	120.5%

The schedule above is only for the year ended December 31, 2014. The 10-year history will be built prospectively.

**SCHEDULE OF CONTRIBUTIONS  
DIXIE STATE UNIVERSITY  
June 30, 2015**

	<u>Noncontributory System</u>	<u>Contributory System</u>	<u>Public Safety System</u>	<u>Tier 2 Public Employees System</u>	<u>Tier 2 Public Safety and Firefighter System</u>
Contractually Required Contribution	\$ 1,132,464	\$ 18,102	\$ 91,062	\$ 44,354	\$ 3,262
Contributions in Relation to the Contractually Required Contribution	(1,132,464)	(18,102)	(91,062)	(44,354)	(3,262)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 5,240,619	\$ 102,272	\$ 206,738	\$ 532,459	\$ 30,203
Contributions as a Percentage of Covered-Employee Payroll	21.61%	17.70%	44.05%	8.33%	10.50%

The schedule above is only for the year ended June 30, 2015. The 10-year history will be built prospectively.

**Note to Schedule of Contributions:** This schedule reflects the legislative authorized rates and contributions for these systems. Statute requires participating Tier 2 employers to pay the corresponding non-Tier 2 system amortization rate of the employees' compensation and that contribution is applied to the employer's non-Tier 2 system liability. This amortization is not reflected in this schedule.