

**2008 ANNUAL FINANCIAL REPORT**  
WEBER STATE UNIVERSITY





**WEBER STATE**  
UNIVERSITY







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## A MESSAGE FROM THE PRESIDENT

*This is an exciting time at Weber State University. A record number of students are attending classes this fall. Our headcount of 21,674 students represents an increase of more than 3,350 students, or 18 percent, in comparison with fall semester 2007.*

*The strong enrollment numbers are the latest in a string of data that indicate increased interest in WSU. Full-time equivalent enrollment for summer session 2008 was up, and the university's residence halls are at full capacity for the second year in a row.*

*In September, U.S. News & World Report ranked WSU as the 16<sup>th</sup> best public master's university in the West, lauding our small class size, student retention and graduation rates. This ranking, published in the 2009 edition of America's Best Colleges came just weeks after the Princeton Review listed WSU as one of the best universities in the west.*

*For the second year in a row, the master's of business administration program in the John B. Goddard School of Business & Economics will be included in the Princeton Review's Best 296 Business Schools publication.*

*While we've received these honors in the past, it's always gratifying to see external recognition of what we do best—provide an outstanding education for our students.*

*Evidence of the value of our student-faculty interaction can be seen in our students' success at the prestigious Undergraduate Research Posters on the Hill event. For the fourth consecutive year, an undergraduate researcher at Weber State University was chosen to represent the state of Utah on Capitol Hill in Washington, D.C. WSU is one of only four schools in the nation whose students have been selected to present research annually for four years.*

*Lindsay Cole, who graduated summa cum laude in December 2007 with a bachelor's degree in zoology, presented her research on nest site selection by Great Salt Lake shorebirds. Her project was one of 60 selected from more than 223 submissions nationwide.*

*The successes we're seeing today are based on a solid foundation of building for the future. In 2007-08, we had four campus construction*





*projects occurring at the same time. In this report you will see photos of some of the new facilities that are revitalizing the core of our Ogden campus.*

*The financial statements that follow are prepared according to generally accepted accounting principles established by the Governmental Accounting Standards Board. The Utah State Auditor's Office has reviewed and audited this financial report for the year ended June 30, 2008. This financial report is intended to reflect the overall financial position of the University as of June 30, 2008. It also reflects the flow of financial resources to and from the University for the fiscal year ended June 30, 2008.*

*I am pleased to report that the University continues to remain in good financial standing, thanks to the dedication, loyalty, and generosity of a broad community of students, faculty, administrators, staff, alumni and friends.*

*F. Ann Millner*

*F. Ann Millner,  
President*





**Auston G. Johnson, CPA**  
UTAH STATE AUDITOR

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**Office of the State Auditor**

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**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Trustees, Audit Committee,  
and  
Dr. F. Ann Millner, President  
Weber State University

We have audited the accompanying basic financial statements of Weber State University (hereinafter referred to as the "University") as of and for the year ended June 30, 2008, as listed in the table of contents. The University is a component unit of the State of Utah. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the University's 2007 financial statements and, in our report dated November 9, 2007, we expressed an unqualified opinion on the basic financial statements.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2008, and the changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report, dated December 9, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink, appearing to read "Auston G. Johnson". The signature is fluid and cursive, with a large initial "A" and "J".

Auston G. Johnson, CPA  
Utah State Auditor  
December 9, 2008



# MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR ENDED JUNE 30, 2008

## Introduction

This section of Weber State University's (the University's) Annual Report presents management's discussion and analysis of the University's financial performance during the fiscal year ended June 30, 2008, with comparable information for the fiscal year ended June 30, 2007. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and footnotes. The discussion and analysis is designed to provide an easily readable analysis of the University's financial activities based on facts, decisions, and conditions known at the date of the auditor's report. The financial statements, footnotes, and this discussion are the responsibility of management.

## Financial Statements Overview

This annual report consists of a series of financial statements, prepared in accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis - for Public Colleges and Universities*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

As required by these accounting principles, the annual report consists of three basic financial statements which provide information on the University as a whole: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. Each one of these statements will be discussed.

## Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net



assets of the University as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of Weber State University. The Statement of Net Assets presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net assets (assets minus liabilities). The difference between current and noncurrent assets will be discussed in the footnotes to the financial statements.

A summarized comparison of the University's assets, liabilities, and net assets for the years ended June 30, 2008 and 2007 is shown in *Figure 1*. From the data presented, readers of the Statement of Net Assets are able to determine the assets available to continue the operations of the University. They are also able to determine how much the University owes to outside organizations. Finally, the Statement of

Net Assets provides a picture of the net assets (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into three major categories. The first category, "invested in capital assets, net of debt," provides the University's equity in property, plant and equipment. The next asset category is "restricted" net assets, which is divided into two subcategories, "nonexpendable" and "expendable." The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditure by the University but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is "unrestricted" net assets. Unrestricted assets are generally designated internally by the University for specific institutional purposes.

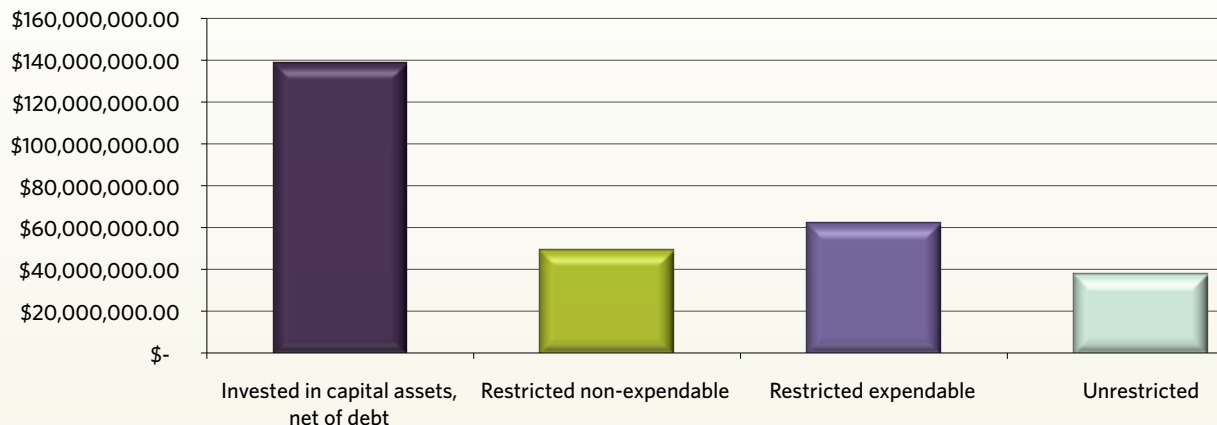
*Figure 1*

**Condensed Statement of Net Assets**

|  | Year Ended<br>June 30, 2008<br>Amount | Year Ended<br>June 30, 2007<br>Amount | Amount of<br>Increase<br>(Decrease) | Percent<br>Increase<br>(Decrease) |
|--|---------------------------------------|---------------------------------------|-------------------------------------|-----------------------------------|
| <b>Assets</b>                              |                                       |                                       |                                     |                                   |
| Current assets                             | \$58,985,883                          | \$54,297,129                          | \$4,688,754                         | 8.64%                             |
| Noncurrent assets:                         |                                       |                                       |                                     |                                   |
| Capital                                    | 175,125,732                           | 159,332,740                           | 15,792,992                          | 9.91%                             |
| Other                                      | 106,241,197                           | 113,353,686                           | (7,112,489)                         | -6.27%                            |
| Total assets                               | <u>340,352,812</u>                    | <u>326,983,555</u>                    | <u>13,369,257</u>                   | <u>4.09%</u>                      |
| <b>Liabilities</b>                         |                                       |                                       |                                     |                                   |
| Current liabilities                        | 14,425,424                            | 13,182,621                            | 1,242,803                           | 9.43%                             |
| Noncurrent liabilities                     | 38,743,785                            | 39,812,477                            | (1,068,692)                         | -2.68%                            |
| Total liabilities                          | <u>53,169,209</u>                     | <u>52,995,098</u>                     | <u>174,111</u>                      | <u>0.33%</u>                      |
| <b>Net assets</b>                          |                                       |                                       |                                     |                                   |
| Invested in capital assets, net<br>of debt | 138,687,944                           | 121,677,433                           | 17,010,511                          | 13.98%                            |
| Restricted - nonexpendable                 | 48,957,745                            | 48,458,555                            | 499,190                             | 1.03%                             |
| Restricted - expendable                    | 62,126,080                            | 69,864,532                            | (7,738,452)                         | -11.08%                           |
| Unrestricted                               | 37,411,834                            | 33,987,937                            | 3,423,897                           | 10.07%                            |
| Total net assets                           | <u>\$287,183,603</u>                  | <u>\$273,988,457</u>                  | <u>\$13,195,146</u>                 | <u>4.82%</u>                      |

Figure 2

### Composition of the University's Net Assets as of June 30, 2008



The composition of the University's net assets is displayed in *Figure 2*.

In fiscal year 2008, the total assets of the University increased by \$13.4 million, primarily from capital asset additions. Capital assets increased by \$15.8 million, attributed largely to the Shepherd Union Building and Elizabeth Hall renovations. At the end of fiscal year 2008, the University's current assets of \$59 million were sufficient to cover current liabilities of \$14.4 million. Also at the end of fiscal year 2008, total assets of \$340.4 million are sufficient to cover total liabilities of \$53.2 million. Over time, increases or decreases in net assets (the difference between assets and liabilities) is one indicator of the improvement or erosion of the University's financial health when considered with non-financial facts such as enrollment levels and the condition of facilities. One must also consider that the consumption of assets follows the institutional philosophy to use available resources to acquire and improve all areas of the University to better serve the mission of the University.

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

Changes in total net assets, as presented on the Statement of Net Assets, are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. The purpose of the statement is to present the revenues received by the University, both operating and nonoperating, and the expenses paid by the University, both operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the University. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the University. Nonoperating revenues are revenues received for which goods and services are not provided.

A summarized comparison of the University's revenues, expenses and changes in net assets for the years ended June 30, 2008 and 2007 is shown in *Figure 3*.

Figure 3

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

|   | Year Ended<br>June 30, 2008<br>Amount | Year Ended<br>June 30, 2007<br>Amount | Amount of<br>Increase<br>(Decrease) | Percent<br>Increase<br>(Decrease) |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-----------------------------------|
| <b>Operating revenues</b>               |                                       |                                       |                                     |                                   |
| Tuition and fees                        | \$55,295,439                          | \$53,716,742                          | \$1,578,697                         | 2.94%                             |
| Grants and contracts                    | 495,066                               | 770,915                               | (275,849)                           | -35.78%                           |
| Auxiliary enterprises                   | 11,987,080                            | 11,328,033                            | 659,047                             | 5.82%                             |
| Other                                   | 3,737,136                             | 3,360,097                             | 377,039                             | 11.22%                            |
| <b>Total operating revenues</b>         | <u>71,514,721</u>                     | <u>69,175,787</u>                     | <u>2,338,934</u>                    | <u>3.38%</u>                      |
| <b>Operating expenses</b>               |                                       |                                       |                                     |                                   |
| Salaries and wages                      | 80,500,770                            | 76,966,628                            | 3,534,142                           | 4.59%                             |
| Employee benefits                       | 30,912,057                            | 29,924,409                            | 987,648                             | 3.30%                             |
| Scholarships and fellowships            | 8,391,106                             | 8,023,009                             | 368,097                             | 4.59%                             |
| Depreciation                            | 9,414,129                             | 8,824,189                             | 589,940                             | 6.69%                             |
| Other operating expenses                | 36,921,925                            | 34,323,996                            | 2,597,929                           | 7.57%                             |
| <b>Total operating expenses</b>         | <u>166,139,987</u>                    | <u>158,062,231</u>                    | <u>8,077,756</u>                    | <u>5.11%</u>                      |
| Operating income/(loss)                 | <u>(94,625,266)</u>                   | <u>(88,886,444)</u>                   | <u>(5,738,822)</u>                  | <u>6.46%</u>                      |
| <b>Nonoperating revenues/(expenses)</b> |                                       |                                       |                                     |                                   |
| State appropriations                    | 68,618,240                            | 63,130,016                            | 5,488,224                           | 8.69%                             |
| Grants and contracts                    | 20,167,932                            | 18,603,106                            | 1,564,826                           | 8.41%                             |
| Other nonoperating revenues/(expenses)  | 7,138,664                             | 16,885,962                            | (9,747,298)                         | -57.72%                           |
| Net nonoperating revenues/(expenses)    | <u>95,924,836</u>                     | <u>98,619,084</u>                     | <u>(2,694,248)</u>                  | <u>-2.73%</u>                     |
| Income before other revenues            | <u>1,299,570</u>                      | <u>9,732,640</u>                      | <u>(8,433,070)</u>                  | <u>-86.65%</u>                    |
| <b>Other revenues</b>                   |                                       |                                       |                                     |                                   |
| Capital appropriations                  | 4,814,078                             | 8,625,960                             | (3,811,882)                         | -44.19%                           |
| Capital grants and gifts                | 2,345,292                             | 1,171,073                             | 1,174,219                           | 100.27%                           |
| Additions to permanent endowments       | 4,736,206                             | 1,915,055                             | 2,821,151                           | 147.31%                           |
| Total other revenue                     | <u>11,895,576</u>                     | <u>11,712,088</u>                     | <u>183,488</u>                      | <u>1.57%</u>                      |
| Increase in net assets                  | 13,195,146                            | 21,444,728                            | (8,249,582)                         | -38.47%                           |
| Net assets - beginning of year          | <u>273,988,457</u>                    | <u>252,543,729</u>                    | <u>21,444,728</u>                   | <u>8.49%</u>                      |
| Net assets - end of year                | <u>\$287,183,603</u>                  | <u>\$273,988,457</u>                  | <u>\$13,195,146</u>                 | <u>4.82%</u>                      |





The most significant source of operating revenue for the University is student tuition and fees. Student tuition and fees, net of scholarship discounts and allowances, increased 2.9% or \$1.6 million for the year. Other nonoperating revenues/(expenses) decreased 57.7% or \$9.7 million primarily due to market value fluctuations on investments. Capital appropriations received from the State in fiscal year 2008 decreased 44.2% or \$3.8 million as compared to fiscal year 2007 due to a large number of capital projects completed during the 2007 fiscal year. Additions to permanent endowments increased 147.3% or \$2.8 million. This large increase is attributed to the new Lindquist College of Arts and Humanities Endowment which totaled \$2.8 million. The University's operating and nonoperating revenues for the fiscal year 2008 are highlighted in *Figure 4*.

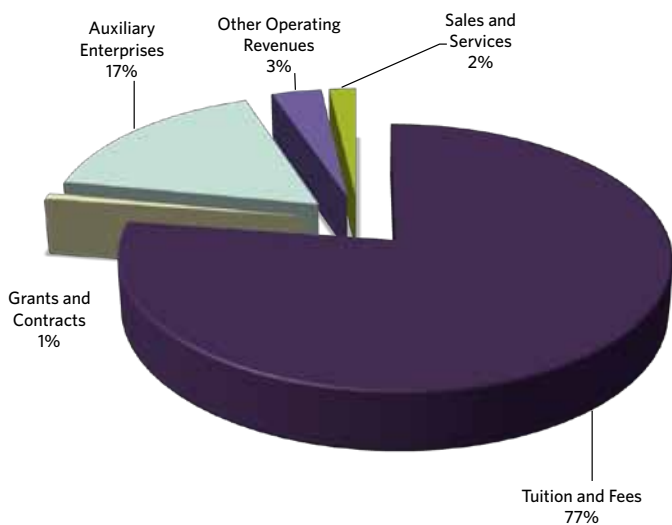
The University's operating expenses were

\$166.1 million for the fiscal year ended June 30, 2008. Operating expenses increased approximately 5.1% for the year. Operating expenses are reported by natural classification in the financial statements. The University's operating expenses by natural classification for the fiscal year ended 2008 are illustrated in *Figure 5*.

As mandated by GASB standards, state appropriations are considered nonoperating because they are provided by the Legislature to the University without the Legislature directly receiving commensurate goods and services for those revenues. This mandate will always result in an overall operating loss. A more comprehensive assessment of the operations of the University is reflected in "Income Before Other Revenues" totaling \$1.3 million, and the overall "Increase in Net Assets" totaling \$13.2 million.

*Figure 4*

**Operating Revenues**



**Nonoperating Revenues**

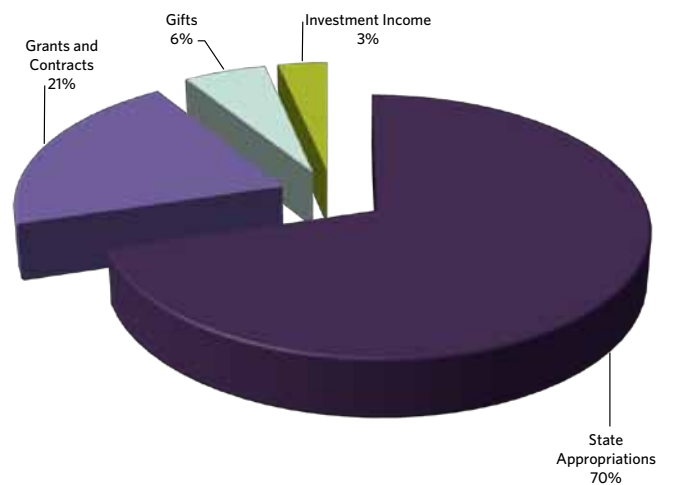
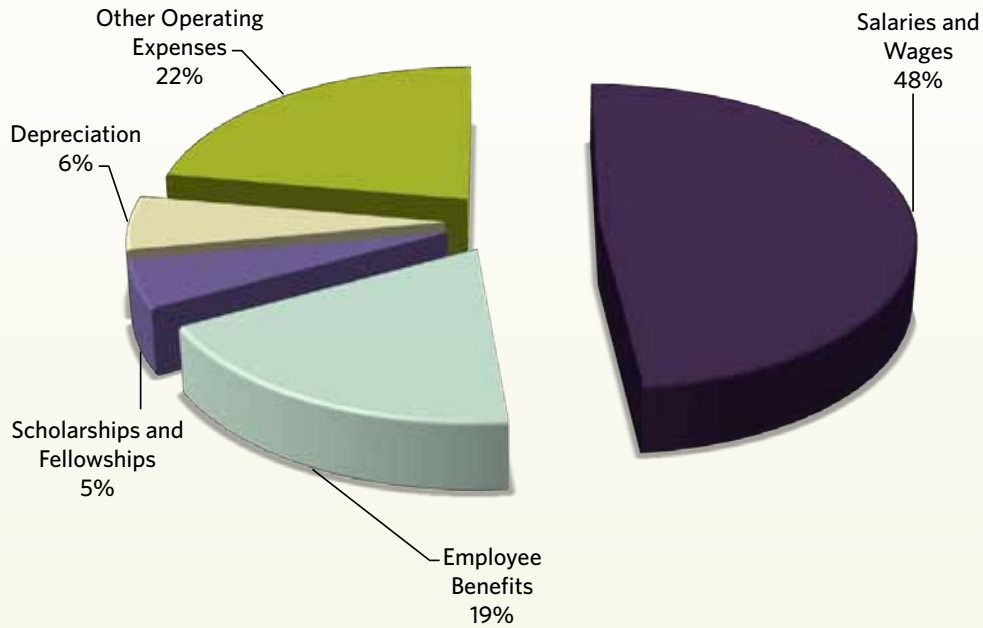


Figure 5

**Expenses by Natural Classification**



**Statement of Cash Flows**

The final statement presented by the University is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for nonoperating, noninvesting, and noncapital

financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section shows the net change in cash which reconciles to the end of year cash shown on the Statement of Net Assets. The University’s cash flows for the fiscal year ended 2008 are shown in *Figure 6*.

Figure 6

**Condensed Statement of Cash Flows**

|   | Year Ended<br>June 30, 2008<br>Amount | Year Ended<br>June 30, 2007<br>Amount | Amount of<br>Increase<br>(Decrease) | Percent<br>Increase<br>(Decrease) |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-----------------------------------|
| Cash and cash equivalents provided (used) by: |                                       |                                       |                                     |                                   |
| Operating activities                          | \$(83,223,138)                        | \$(80,095,061)                        | \$(3,128,077)                       | 3.91%                             |
| Noncapital financing activities               | 99,276,812                            | 86,951,137                            | 12,325,675                          | 14.18%                            |
| Capital financing activities                  | (19,212,042)                          | (18,678,881)                          | (533,161)                           | 2.85%                             |
| Investing activities                          | 5,545,621                             | 13,545,137                            | (7,999,516)                         | -59.06%                           |
| Net change in cash and cash equivalents       | 2,387,253                             | 1,722,332                             | 664,921                             | 38.61%                            |
| Cash and cash equivalents - beginning of year | 49,257,758                            | 47,535,426                            | 1,722,332                           | 3.62%                             |
| Cash and cash equivalents - end of year       | \$51,645,011                          | \$49,257,758                          | \$2,387,253                         | 4.85%                             |







## Major Construction Projects

There were three significant construction projects during the fiscal year. These projects were funded from a number of different sources including private donations, revenue bond proceeds, and state capital appropriations.

### Shepherd Union Building

In May 2006, the Shepherd Union Building constructed in 1961, began a \$27 million renovation. The scope of the project included completely replacing the buildings infrastructure, constructing new student and administrative spaces, and providing any needed structural repairs to the 182,000 square foot facility. The project was approved by the Utah State Legislature in the 2005 session. In September of 2005 revenue bonds were issued to finance the project. On September 17, 2007, a grand opening took place for the completion of phase one on the west side. A grand opening for the second and final phase took place on September 9, 2008.



### Elizabeth Hall

Construction began on the Elizabeth Hall building in May of 2007 and is scheduled to be completed in December of 2008. There are 29 classrooms, 7 computer labs, a writing center, a general tutoring center, a lecture hall, and 95 faculty offices. The building is 94,302 square feet and will cost approximately \$27.5 million dollars. The new building will house the English, Telecommunications & Business Education, Foreign Language, Communication, LEAP, and Academic Support departments.



**Hurst Center for Lifelong Learning**  
Construction on a new 42,000 square foot building began in May of 2008. This new structure will act as home for many departments on campus including: University Communications, Alumni/Development Services, Campus Development, Admission and Enrollment, Credit Department, and University

Advancement. A breezeway connection to the Alumni Center will allow both facilities to utilize the new 3,660 square foot multi-purpose meeting room as well. Weber State University is funding this facility through charitable donations from the Stewart Education Foundation and other local donors. Construction is scheduled to be complete by April 1st, 2009.

## Economic Outlook

The University is well positioned to continue its strong financial condition. A crucial element to the University's future continues to be our strong relationship with the State of Utah. The University continues to be supported by two major sources of revenue comprising of Utah State appropriations (\$68.6 million) and student tuition and fees (\$55.3 million). During the fiscal year 2007-2008, the University received \$5.7 million or 9% new base appropriations, and implemented a 7% tuition increase.

Beginning in fiscal year 2008-2009 the University received \$3.5 million or 5% new base appropriations, and implemented a 5.5% tuition increase. In September 2008, the Legislative fiscal analysts projected a Utah State tax revenue shortfall, and subsequently passed a mid-year one time hold back for all Higher Educational institutions of 4%. The University's portion of this reduction was \$2,887,300.

With unstable financial markets affecting all economic sectors, through the first three months of fiscal year 2009, the Legislature has suggested future base reductions in fiscal year 2009-2010. The University will absorb these reductions through prudent fiscal management and strategic planning. There is a direct relationship between the level of State support and the University's ability to control tuition increases. Economic factors as well as increased pressures on State revenues, are likely to force the University to continue to examine tuition increases to aid in the University's overall budgetary situation.

As the financial statements and footnotes indicate, the University remains on a solid financial foundation. A conservative financial management approach will continue to be employed in managing the resources of the University.

**Norman C. Tarbox, Jr., Ed.D.,**  
*Vice President for Administrative Services*







## FINANCIAL STATEMENTS

# WEBER STATE UNIVERSITY » *Statement of Net Assets*

As of June 30, 2008 and 2007

|  | <u>2008</u>          | <u>[comparative only]</u><br><u>2007</u> |
|--|----------------------|--|
| <b>ASSETS</b>  |                      |  |
| <b>CURRENT ASSETS</b>  |                      |  |
| Cash and cash equivalents  | \$ 47,626,103        | \$ 34,463,570                            |
| Short-term investments (footnote 2)  | 787,053              | 8,315,837                                |
| Accounts receivable, less allowance for doubtful accounts of \$944,875<br>and \$964,425 in 2008 and 2007, respectively   | 5,883,222            | 5,793,657                                |
| Interest receivable  | 229,499              | 589,780                                  |
| Inventories  | 2,699,118            | 3,212,804                                |
| Prepaid expenses   | 65,506               | -  |
| Student loans receivable, less allowance for doubtful notes of \$111,040<br>and \$127,406 in 2008 and 2007, respectively | 1,375,486            | 1,611,729                                |
| Other assets   | <u>319,896</u>       | <u>309,752</u>                           |
| <b>Total current assets</b>  | <u>58,985,883</u>    | <u>54,297,129</u>                        |
| <b>NONCURRENT ASSETS</b>   |                      |  |
| Restricted cash and cash equivalents   | 4,018,908            | 14,794,188                               |
| Investments (footnote 2)   | 93,684,155           | 89,271,771                               |
| Student loans receivable, less allowance for doubtful notes of \$424,349<br>and \$410,624 in 2008 and 2007, respectively | 5,256,016            | 5,193,918                                |
| Pledges receivable, less allowance for doubtful pledges of \$66,982<br>and \$83,547 in 2008 and 2007, respectively       | 3,282,118            | 4,093,809                                |
| Capital assets, net (footnote 3)   | <u>175,125,732</u>   | <u>159,332,740</u>                       |
| <b>Total noncurrent assets</b>   | <u>281,366,929</u>   | <u>272,686,426</u>                       |
| <b>TOTAL ASSETS</b>  | <u>340,352,812</u>   | <u>326,983,555</u>                       |
| <b>LIABILITIES</b>   |                      |  |
| <b>CURRENT LIABILITIES</b>   |                      |  |
| Accounts payable   | 895,337              | 621,305                                  |
| Accrued liabilities  | 402,138              | 415,062                                  |
| Accrued payroll  | 165,000              | 127,000                                  |
| Contracts payable-leases   | 91,731               | 87,672                                   |
| Due to state agency  | 3,561,292            | 2,765,412                                |
| Compensated absences & termination benefits  | 2,608,351            | 2,590,440                                |
| Deferred revenue   | 4,199,573            | 4,181,445                                |
| Bonds payable  | 1,319,845            | 1,129,845                                |
| Other liabilities  | <u>1,182,157</u>     | <u>1,264,440</u>                         |
| <b>Total current liabilities</b>   | <u>14,425,424</u>    | <u>13,182,621</u>                        |
| <b>NONCURRENT LIABILITIES</b>  |                      |  |
| Compensated absences & termination benefits  | 3,260,431            | 2,957,437                                |
| Annuities payable  | 457,141              | 417,251                                  |
| Contracts payable-leases   | 127,378              | 219,109                                  |
| Bonds payable  | <u>34,898,835</u>    | <u>36,218,680</u>                        |
| <b>Total noncurrent liabilities</b>  | <u>38,743,785</u>    | <u>39,812,477</u>                        |
| <b>TOTAL LIABILITIES</b>   | <u>53,169,209</u>    | <u>52,995,098</u>                        |
| <b>NET ASSETS</b>  |                      |  |
| Invested in capital assets, net of related debt  | 138,687,944          | 121,677,433                              |
| Restricted:  |                      |  |
| Nonexpendable  |                      |  |
| Primarily scholarships and fellowships   | 48,957,745           | 48,458,555                               |
| Expendable   |                      |  |
| Primarily scholarships and fellowships   | 29,208,958           | 28,980,723                               |
| Capital projects   | 22,866,967           | 30,907,061                               |
| Loans  | 8,488,144            | 8,375,179                                |
| Sponsored projects   | 1,562,011            | 1,601,569                                |
| Unrestricted   | <u>37,411,834</u>    | <u>33,987,937</u>                        |
| <b>TOTAL NET ASSETS</b>  | <u>\$287,183,603</u> | <u>\$273,988,457</u>                     |



WEBER STATE UNIVERSITY » *Statement of Revenues, Expenses  
and Changes in Net Assets*

For the fiscal years ended June 30, 2008 and 2007

|  | <u>2008</u>           | <i>[comparative only]</i><br><u>2007</u> |
|--|-----------------------|--|
| <b>REVENUES</b>  |                       |  |
| <b>OPERATING REVENUES</b>  |                       |  |
| Student tuition and fees (net of allowances of \$13,075,900 and \$11,875,063 in 2008 and 2007, respectively)     | \$ 55,295,439         | \$ 53,716,742                            |
| Federal grants and contracts   | 356,830               | 526,768                                  |
| Nongovernmental grants and contracts   | 138,236               | 244,147                                  |
| Sales and services of educational activities   | 1,305,732             | 1,226,332                                |
| Auxilliary enterprises (net of scholarship allowances of \$765,259 and \$592,505 in 2008 and 2007, respectively) | 11,987,080            | 11,328,033                               |
| Other operating revenues   | <u>2,431,404</u>      | <u>2,133,765</u>                         |
| <b>Total Operating Revenues</b>  | <u>71,514,721</u>     | <u>69,175,787</u>                        |
| <b>EXPENSES</b>  |                       |  |
| <b>OPERATING EXPENSES</b>  |                       |  |
| Salaries and wages   | 80,500,770            | 76,966,628                               |
| Employee benefits  | 30,912,057            | 29,924,409                               |
| Scholarships and fellowships   | 8,391,106             | 8,023,009                                |
| Depreciation   | 9,414,129             | 8,824,189                                |
| Other operating expenses   | <u>36,921,925</u>     | <u>34,323,996</u>                        |
| <b>Total Operating Expenses</b>  | <u>166,139,987</u>    | <u>158,062,231</u>                       |
| <b>Operating Income (Loss)</b>   | <u>(94,625,266)</u>   | <u>(88,886,444)</u>                      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>  |                       |  |
| State appropriations   | 68,618,240            | 63,130,016                               |
| Federal grants and contracts   | 16,485,469            | 16,260,268                               |
| State and local grants and contracts   | 3,444,606             | 2,172,675                                |
| Nongovernmental grants and contracts   | 237,857               | 170,163                                  |
| Gifts  | 5,484,245             | 5,080,997                                |
| Investment income (net of investment expense)  | 3,313,939             | 13,373,783                               |
| Interest on capital assets-related debt  | <u>(1,659,520)</u>    | <u>(1,568,818)</u>                       |
| <b>Net Nonoperating Revenues</b>   | <u>95,924,836</u>     | <u>98,619,084</u>                        |
| <b>Income Before Other Revenue</b>   | <u>1,299,570</u>      | <u>9,732,640</u>                         |
| <b>OTHER REVENUES</b>  |                       |  |
| Capital appropriations   | 4,814,078             | 8,625,960                                |
| Capital grants and gifts   | 2,345,292             | 1,171,073                                |
| Additions to permanent endowments  | <u>4,736,206</u>      | <u>1,915,055</u>                         |
| <b>Total other revenue</b>   | <u>11,895,576</u>     | <u>11,712,088</u>                        |
| <b>Increase in Net Assets</b>  | <u>13,195,146</u>     | <u>21,444,728</u>                        |
| <b>NET ASSETS</b>  |                       |  |
| <b>Net Assets - Beginning of Year</b>  | <u>273,988,457</u>    | <u>252,543,729</u>                       |
| <b>Net Assets - End of Year</b>  | <u>\$ 287,183,603</u> | <u>\$ 273,988,457</u>                    |

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

# WEBER STATE UNIVERSITY » *Statement of Cash Flows*

For the fiscal years ended June 30, 2008 and 2007

|  | <u>2008</u>          | <i>[comparative only]</i><br><u>2007</u> |
|--|----------------------|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                          |                      |  |
| Tuition and fees   | \$ 55,475,539        | \$ 53,313,011                            |
| Receipts from grants/contracts                                       | 495,066              | 770,915                                  |
| Receipts from auxiliary and educational services                     | 13,292,812           | 12,554,365                               |
| Collection of loans from students                                    | 1,366,665            | 1,580,122                                |
| Loans issued to students   | (1,011,821)          | (1,190,854)                              |
| Payments for scholarships and fellowships                            | (8,391,106)          | (8,023,009)                              |
| Payments for employee services and benefits                          | (111,053,922)        | (106,322,923)                            |
| Other operating receipts   | 2,890,634            | 2,007,896                                |
| Payments to suppliers  | <u>(36,287,005)</u>  | <u>(34,784,584)</u>                      |
| Net cash provided (used) by Operating Activities                     | <u>(83,223,138)</u>  | <u>(80,095,061)</u>                      |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>               |                      |  |
| State appropriations   | 68,618,240           | 63,130,016                               |
| Receipts from grants/contracts                                       | 19,916,395           | 18,238,986                               |
| Receipts from gifts  | 5,966,081            | 3,683,811                                |
| Receipts for permanent endowments                                    | 4,736,206            | 1,915,055                                |
| Other noncapital financing activities                                | <u>39,890</u>        | <u>(16,731)</u>                          |
| Net cash provided (used) by Noncapital Financing Activities          | <u>99,276,812</u>    | <u>86,951,137</u>                        |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>      |                      |  |
| State capital appropriations   | 152,000              | 553,803                                  |
| Receipts from capital grants/gifts                                   | 2,345,292            | 1,171,073                                |
| Purchases of capital assets  | (18,834,218)         | (17,730,656)                             |
| Principal paid on capital debt/leases                                | (1,202,672)          | (1,078,794)                              |
| Interest paid on capital debt/leases                                 | <u>(1,672,444)</u>   | <u>(1,594,307)</u>                       |
| Net cash provided (used) by Capital and related Financing Activities | <u>(19,212,042)</u>  | <u>(18,678,881)</u>                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                          |                      |  |
| Proceeds from sale/maturity of investments                           | 37,024,683           | 7,850,006                                |
| Receipt of interest/dividends from investments                       | 8,367,833            | 8,263,021                                |
| Purchase of investments  | <u>(39,846,895)</u>  | <u>(2,567,890)</u>                       |
| Net cash provided (used) by Investing Activities                     | <u>5,545,621</u>     | <u>13,545,137</u>                        |
| Net Increase (decrease) in Cash and Cash Equivalents                 | 2,387,253            | 1,722,332                                |
| Cash and Cash Equivalents - Beginning of Year                        | <u>49,257,758</u>    | <u>47,535,426</u>                        |
| Cash and Cash Equivalents - End of Year                              | <u>\$ 51,645,011</u> | <u>\$ 49,257,758</u>                     |

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

WEBER STATE UNIVERSITY » *Statement of Cash Flows (continued)*

For the fiscal years ended June 30, 2008 and 2007

Reconciliation of net operating revenues (expenses) to  
Net cash provided (used) by operating activities:

|   | <u>2008</u>                  | <i>[comparative only]</i><br><u>2007</u> |
|---|------------------------------|--|
| Operating income (loss)   | \$(94,625,266)               | \$(88,886,444)                           |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: |                              |  |
| Depreciation expense and loss on disposal   | 9,729,338                    | 8,824,189                                |
| Donated property and equipment  | 329,855                      | 510,592                                  |
| Changes in assets and liabilities:  |                              |  |
| Receivables (net)   | 161,972                      | (785,089)                                |
| Student loans receivable  | 174,145                      | 264,970                                  |
| Inventories   | 513,686                      | (728,068)                                |
| Prepaid expenses  | (65,506)                     | -  |
| Other current assets  | (10,144)                     | 31,819                                   |
| Accounts payable  | 274,032                      | (274,931)                                |
| Accrued payroll   | 38,000                       | (404,457)                                |
| Deferred revenue  | 18,128                       | 381,358                                  |
| Compensated absences and early retirement   | 320,905                      | 972,571                                  |
| Other current liabilities   | <u>(82,283)</u>              | <u>(1,571)</u>                           |
| <b>Net cash provided (used) by Operating Activities</b>   | <u><u>\$(83,223,138)</u></u> | <u><u>\$(80,095,061)</u></u>             |
| <b>Noncash Investing, Capital, and Financing Activities:</b>                                    |                              |  |
| Increase (decrease) in fair value of investments  | \$ (4,693,613)               | \$ 5,079,075                             |
| Capital assets acquired from State of Utah (DFCM)   | 4,662,078                    | 8,072,157                                |
| Donated property and equipment  | <u>329,855</u>               | <u>1,755,592</u>                         |
| <b>Total Noncash Investing, Capital, and Financing Activities</b>                               | <u><u>\$ 298,320</u></u>     | <u><u>\$ 14,906,824</u></u>              |

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





## NOTES TO FINANCIAL STATEMENTS

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed by Weber State University (the University) are set forth below:

### Reporting Entity

The University is a component unit and an integral part of the State of Utah. The University is considered a component unit of the State of Utah because it receives appropriations from the State and is financially accountable to the State. The financial activity of the University is included in the State's Comprehensive Annual Financial Report, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*.

The financial statements include the accounts of the University, all auxiliary enterprises and other restricted and unrestricted funds of the University, and the Weber State University Foundation (the Foundation). The Foundation, a non-profit organization, was incorporated under Utah law in 1972. The Foundation was established to provide support for the University, its faculty and students, and to promote, sponsor, and carry-out educational, scientific, charitable, and related activities and objectives at the University. The University has a controlling number of positions on the Board of Directors of the Foundation.

The Foundation is included in the financial statements of the University as a blended component unit. A blended component unit is an entity, which is legally separate from the University but which is so intertwined with the University that it is, in substance, the same as the University. It is reported as part of the University. Financial statements of the Foundation can be obtained from the University.

### Basis of Accounting

Under the provisions of the GASB standards, the University is permitted to report as a special-purpose government engaged in business-type activities (BTA). BTA reporting will require the University to present only the basic financial statements and required supplementary information (RSI) for an enterprise fund. This includes an MD&A, a statement of net assets, a statement of revenues, expenses, and changes in net assets, a statement of cash flows, notes to the financial statements, and other applicable RSI. The required basic financial statements described above are prepared using the

economic resources measurement focus and the accrual basis of accounting. Operating activities include all revenues and expenses, derived on an exchange basis, used to support the instructional, research and public efforts, and other University priorities. Fund financial statements are not required for BTA reporting.

In accordance with GASB Statement No. 20, the University is required to follow all applicable GASB pronouncements. In addition, the University should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The University has elected not to apply FASB pronouncements issued after November 30, 1989.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, the University recognizes the estimated net realizable value of pledges as revenue as soon as all eligibility and time requirements imposed by the provider have been met.

### Cash Equivalents

For purposes of the statements of cash flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah State Treasurers' Investment Pool are also considered cash equivalents.

### Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the statement of revenues, expenses, and changes in net assets.

### Receivables

Accounts receivable consist primarily of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Utah. Grants and contracts receivable include amounts due from the Federal Government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made

pursuant to the University's grant and contracts. Accounts receivable are recorded net of estimated un-collectible amounts. The following schedule presents receivables at June 30, 2008, including approximately \$5,256,016 and \$3,282,118 of net noncurrent student loans and pledges receivable, respectively:

|                             |                      |
|-----------------------------|----------------------|
| Accounts                    | \$ 4,899,708         |
| Grants and contracts        | 1,928,389            |
| Student loans               | 7,166,891            |
| Pledges                     | 3,349,100            |
| Interest                    | <u>229,499</u>       |
| Less allowance for bad debt | <u>(1,547,246)</u>   |
| Receivables, net            | <u>\$ 16,026,341</u> |

### Inventories

Inventories held for resale are stated at the lower of cost (first-in, first-out method) or market or on a basis, which approximates cost determined on the first-in, first-out method. Non-resale inventories are expensed as purchased. Bookstore inventories are valued using the retail inventory method.

### Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the University's capitalization policy includes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year. Buildings, renovations to buildings, infrastructure, and land improvements with a cost of \$50,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. All land will be capitalized and not depreciated.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, 40 years for buildings, 20 years for infrastructure, land improvements, and library collections, and 3 to 10 years for equipment.

### Deferred Revenues

Deferred revenues include 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. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

### Compensated Absences

Non-academic full-time and certain part-time University employees earn vacation leave for each

month worked at a rate between 12 and 22 days per year. Vacation time may be used as it is earned. A maximum of 240 hours can be carried over into the next vacation year, which begins each November 1. Upon termination, no more than the maximum plus the current year earned vacation is payable to the employee.

Non-academic full-time and certain part-time University employees earn sick leave at the rate of one day earned for each month worked. No payment will be made for unused sick leave in the event of termination. Non-classified and professional staff will have sick leave provided to them as it is needed. After an employee has accumulated 18 days of unused sick leave, any sick leave days accumulated by the end of the sick leave year in excess of 8 days may be converted at the option of the employee to vacation days. A liability is recognized in the Statement of Net Assets for vacation payable to the employees at the statement date.

### Non-current Liabilities

Non-current liabilities include (1) principal amounts of revenue bonds payable, notes payable, and capital lease obligations with contractual maturities greater than one year; (2) estimated amounts for accrued compensated absences and other liabilities that will not be paid within the next fiscal year; and (3) other liabilities that, although payable within one year, are to be paid from funds that are classified as non-current assets.

### Net Assets

The University's net assets are classified as follows:

*Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

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

*Restricted net assets - nonexpendable:* Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal 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.

*Unrestricted net assets:* Unrestricted net assets represent 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 unrestricted quasi-endowments.

### Classification of Revenues

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

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

*Non-operating revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, non-research federal, state, local, and nongovernmental grants and contracts and other revenue sources that are defined as non-operating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations and investment income.

When both restricted and unrestricted resources are available, such resources are spent within the guidelines of donor restrictions, in the case of restricted resources, and within the guidelines of department and University policies for unrestricted resources.

### Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship discounts and 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 non-operating 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 discount and allowance.

### Disclosures

The fiscal year 2007 financial report is included for comparison only and is not complete. The footnotes related to the 2007 financial statements have not been repeated in this report but are available in the separately issued financial statements for the fiscal year ended June 30, 2007. Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.





## 2 CASH AND INVESTMENTS

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

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

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

### Deposits

#### *Custodial Credit Risk*

Custodial credit risk 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 that further limits custodial arrangements from what is required by the State Money Management Act in regard to custody of the University's deposits. As of June 30, 2008, the University had bank and deposit balances of \$262,208 and \$17,375,310 at Wells Fargo, deposits of \$10,054,390 at Barnes Bank, and bank balances of \$411,654 at Weber State Credit Union. Of the bank balance amounts, \$200,000 is insured by the Federal Deposit Insurance Corporation and \$100,000 is insured by the National Credit Union Administration. As of June 30, 2008, \$27,803,562 of the University's bank and deposit balances of \$28,103,562 was uninsured and uncollateralized. The Foundation had \$570,561 held by Morgan Stanley and \$15,444 held by Merrill Lynch that was uninsured and uncollateralized. The State of Utah does not require collateral on deposits.

### Investments

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, one of which must be Moody's Investors Service or Standard & Poor's; bankers' acceptances; obligations of the United State Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The UPMIFA and Rule 541 allow the University to invest Endowment funds (including gifts, devises or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the Securities and Exchange Commission, investments sponsored by the Common Fund; any investment made in accordance with the donor's direction 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, private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

According to the Uniform Management of Institutional Funds Act, Section 13-29 of the Utah Code, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized or unrealized, of the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision. The endowment spending policy at June 30, 2008, is 4% of the twelve

quarter moving average of the market value of the endowment pool. The amount of net appreciation on investments of donor-restricted endowments that were available for authorization for expenditure at June 30, 2008 was approximately \$4 million. The net appreciation is a component of restricted expendable net assets.

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

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management ACT, Section 51-7, *Utah Code Annotated, 1953*, as amended. 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 participants average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

#### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act, or the UPMIFA and Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Except for University funds acquired by gifts, grants, or the corpus of funds functioning as endowments, the Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

#### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of June 30, 2008, the University had the following investments and maturities:

| INVESTMENT TYPE                                  | Fair Value           | ..... Investment Maturities (in years) ..... |                     |                      |
|--|----------------------|--|---------------------|----------------------|
|  |                      | Less Than 1                                  | 1 - 5               | 6 - 10               |
| State of Utah Public Treasurer's Investment Fund | \$ 51,595,327        | \$51,595,327                                 | \$ -                | \$ -                 |
| Repurchase agreements                            | 1,512,372            | 1,512,372                                    | -                   | -                    |
| Money market mutual funds                        | 206,965              | 206,965                                      | -                   | -                    |
| U.S. agencies                                    | 1,800,803            | 787,053                                      | 1,013,750           | -                    |
| Bond mutual funds                                | 19,208,617           | -  | -                   | 19,208,617           |
| <b>Total</b>                                     | <u>\$ 74,324,084</u> | <u>\$ 54,101,717</u>                         | <u>\$ 1,013,750</u> | <u>\$ 19,208,617</u> |
| Mutual funds                                     |                      |  |                     |                      |
| Equity   | \$ 37,780,915        |  |                     |                      |
| Non Marketable Fixed                             | 1,757,907            |  |                     |                      |
| Stocks   | 5,439,073            |  |                     |                      |
| Real estate held for investment purposes         | 1,267,900            |  |                     |                      |
| <b>Total</b>                                     | <u>\$120,569,879</u> |  |                     |                      |



The University’s policy for reducing its exposure to credit risk is to comply with the State’s Money Management Act, the UPMIFA, and Rule 541, as previously discussed.

At June 30, 2008, the University had investments and quality ratings as shown in *Figure 7*.

*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.

*Custodial Credit Risk*

For an investment, custodial credit risk is the risk that, in the event of the failure of the counter-party, 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 that further limits custodial arrangements from what is required by the State Money Management Act. As of June 30, 2008 the University had \$1,512,372 in repurchase agreements where the underlying securities were uninsured and held by Wells Fargo Bank but not in the University’s name. As of June 30, 2008, the University had \$5,439,073 in equity securities which were held by the investment’s counterparty and \$1,800,803 in debt securities which were held by the counterparty’s trust department or agent but not in the University’s name.

*Figure 7*

| INVESTMENT TYPE                                  | Fair Value           | Quality Ratings     |                      |
|--|----------------------|---------------------|----------------------|
|  |                      | AAA                 | Un-rated             |
| State of Utah Public Treasurer’s Investment Fund | \$ 51,595,327        | \$ -                | \$ 51,595,327        |
| U.S. agencies                                    | 1,800,803            | 1,800,803           | -                    |
| Bond mutual fund                                 | 19,208,617           | -                   | 19,208,617           |
| Money market mutual fund                         | 206,965              | -                   | 206,965              |
| Repurchase agreements-underlying U.S. agencies   | 1,512,372            | 1,512,372           | -                    |
| <b>Total</b>                                     | <u>\$ 74,324,084</u> | <u>\$ 3,313,175</u> | <u>\$ 71,010,909</u> |



### 3 CAPITAL ASSETS AND LONG-TERM LIABILITIES

| <b>CAPITAL ASSETS</b>                      |                           |                      |                      |                       |
|--|---------------------------|----------------------|----------------------|-----------------------|
|  | <b>Beginning Balances</b> | <b>Additions</b>     | <b>Reductions</b>    | <b>Ending Balance</b> |
| Land                                       | \$ 6,889,524              | \$ 285,000           | \$ -                 | \$ 7,174,524          |
| Water rights                               | 71,775                    | -                    | -                    | 71,775                |
| Land improvements & infrastructure         | 22,097,058                | 1,319,363            | -                    | 23,416,421            |
| Buildings                                  | 204,941,815               | 19,465,137           | 2,053,084            | 222,353,868           |
| Equipment                                  | 18,228,826                | 2,121,992            | 725,481              | 19,625,337            |
| Library collections                        | 22,485,547                | 875,384              | 51,613               | 23,309,318            |
| CIP  | 16,784,708                | 18,041,366           | 16,585,910           | 18,240,164            |
| <b>Total</b>                               | <u>291,499,253</u>        | <u>42,108,242</u>    | <u>19,416,088</u>    | <u>314,191,407</u>    |
| <b>Less: Accumulated depreciation for:</b> |                           |                      |                      |                       |
| Land improvements & infrastructure         | 11,849,021                | 752,367              | -                    | 12,601,388            |
| Buildings                                  | 92,654,716                | 6,404,855            | 1,741,956            | 97,317,615            |
| Equipment                                  | 14,783,760                | 1,404,038            | 721,400              | 15,466,398            |
| Library collections                        | 12,879,016                | 852,871              | 51,613               | 13,680,274            |
| <b>Total</b>                               | <u>132,166,513</u>        | <u>9,414,131</u>     | <u>2,514,969</u>     | <u>139,065,675</u>    |
| Capital assets, net                        | <u>\$ 159,332,740</u>     | <u>\$ 32,694,111</u> | <u>\$ 16,901,119</u> | <u>\$ 175,125,732</u> |

| <b>LONG TERM LIABILITIES</b>                       |                           |                     |                     |                       |                        |
|--|---------------------------|---------------------|---------------------|-----------------------|------------------------|
|  | <b>Beginning Balances</b> | <b>Additions</b>    | <b>Reductions</b>   | <b>Ending Balance</b> | <b>Current Portion</b> |
| <b>Contracts payable-leases and bonds payable:</b> |                           |                     |                     |                       |                        |
| Contracts payable-leases                           | \$ 306,781                | \$ -                | \$ 87,672           | \$ 219,109            | \$ 91,731              |
| Bonds payable                                      | 36,970,000                | -                   | 1,115,000           | 35,855,000            | 1,305,000              |
| Unamortized bond premium                           | 724,125                   | -                   | 29,245              | 694,880               | 29,245                 |
| Deferred amount of refunding                       | (345,600)                 | 14,400              | -                   | (331,200)             | (14,400)               |
| <b>Total contract and bond obligations</b>         | <u>37,655,306</u>         | <u>14,400</u>       | <u>1,231,917</u>    | <u>36,437,789</u>     | <u>1,411,576</u>       |
| <b>Other Liabilities:</b>                          |                           |                     |                     |                       |                        |
| Compensated absences                               | 2,896,367                 | 1,648,512           | 1,465,767           | 3,079,112             | 1,480,413              |
| Retirement benefits payable                        | 2,651,510                 | 1,171,988           | 1,033,828           | 2,789,670             | 1,127,938              |
| Annuities payable                                  | 496,119                   | 130,817             | 87,078              | 539,858               | 82,716                 |
| <b>Total other liabilities</b>                     | <u>6,043,996</u>          | <u>2,951,317</u>    | <u>2,586,673</u>    | <u>6,408,640</u>      | <u>2,691,067</u>       |
| <b>Total long-term liabilities</b>                 | <u>\$ 43,699,302</u>      | <u>\$ 2,965,717</u> | <u>\$ 3,818,590</u> | <u>\$ 42,846,429</u>  | <u>\$ 4,102,643</u>    |





## 4 REVENUE BONDS PAYABLE

Revenue bonds payable consisted of the following at June 30, 2008 and 2007:

|   | <u>2008</u>          | <u>2007</u>          |
|---|----------------------|----------------------|
| Student Facilities System<br>Revenue Bonds, Series 2005, \$22,810,000<br>3.25%-5.125% maturing 2009 through 2032          | \$ 22,810,000        | \$ 22,810,000        |
| Student Facilities System Refunding<br>Revenue Bonds Series 2001A, \$12,280,000<br>4.00%-5.25% maturing 2006 through 2012 | 1,125,000            | 1,375,000            |
| Student Facilities System Refunding<br>Revenue Bonds, Series 1998A, \$5,050,000<br>3.85%-4.80% maturing 2006 through 2010 | 1,795,000            | 2,630,000            |
| Student Facilities System Refunding<br>Revenue Bonds, Series 2007, \$10,155,000<br>3.50%-5.00% maturing 2008 through 2031 | <u>10,125,000</u>    | <u>10,155,000</u>    |
|   | <u>35,855,000</u>    | <u>36,970,000</u>    |
| Less deferred amount of refunding   | (331,200)            | (345,600)            |
| Plus unamortized bond premium   | <u>694,880</u>       | <u>724,125</u>       |
| <b>Total bonds payable</b>  | <u>\$ 36,218,680</u> | <u>\$ 37,348,525</u> |

Principal and interest on these revenue bonds are collateralized by a first lien on certain revenue and other income of the University operations. The Student Facilities System includes the Student Union Building; the University bookstore; the Dee Events Center, including the parking and all concessions; and student housing facilities. The general purpose for which the secured debt was issued is for student facilities capital additions and improvements. All revenues from these facilities and student building fees are pledged to the Series 1998A, Series 2001A, Series 2005, and Series 2007 Revenue Bonds and are included in Student Tuition & Fees and Auxiliary Enterprises Revenue. In addition, the Bonds are insured by the Municipal Bond Insurance Association, for the timely payment of principal and interest. For the year ended June 30, 2008, the receipts and disbursements of pledged revenues are shown in *Figure 8*.

*Figure 8*

|   |                     |
|---|---------------------|
| <b>Receipts</b>   |                     |
| Pledged auxiliary operating revenue                     | \$14,290,637        |
| Student building fees                                   | <u>2,723,031</u>    |
| <b>Total receipts</b>                                   | <u>17,013,668</u>   |
| <b>Disbursements</b>                                    |                     |
| Pledged auxiliary operating expenses                    | <u>13,177,866</u>   |
| Excess of pledged receipts<br>over expenses             | <u>\$ 3,835,802</u> |
| <b>Debt service principal and<br/>interest payments</b> | <u>\$ 2,775,249</u> |

The scheduled maturities of the revenue bonds are as follows:

|               | Principal            | Interest             | Total Payments       |
|---------------|----------------------|----------------------|----------------------|
| 2009          | \$ 1,305,000         | \$ 1,608,554         | \$ 2,913,554         |
| 2010          | 1,400,000            | 1,549,916            | 2,949,916            |
| 2011          | 940,000              | 1,486,150            | 2,426,150            |
| 2012          | 985,000              | 1,439,806            | 2,424,806            |
| 2013          | 1,025,000            | 1,401,031            | 2,426,031            |
| 2014-2018     | 5,850,000            | 6,310,756            | 12,160,756           |
| 2019-2023     | 7,335,000            | 4,848,594            | 12,183,594           |
| 2024-2028     | 9,050,000            | 3,150,764            | 12,200,764           |
| 2029-2032     | 7,965,000            | 956,782              | 8,921,782            |
| <b>Totals</b> | <u>\$ 35,855,000</u> | <u>\$ 22,752,353</u> | <u>\$ 58,607,353</u> |

### Defeased Revenue Bonds

In prior years, the University defeased the Weber State University Special Events Center Bond Series E by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. In fiscal year 2007, the University issued Student Facilities System Revenue Refunding Bonds, Series 2007, in the amount of \$10,155,000 and defeased portions of the 2001A Bonds by placing proceeds from the 2007 Bonds in an irrevocable trust escrow account to refund, in advance of their stated maturity, portions of the 2001A Bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the University's financial statements. On June 30, 2008, \$11,365,000 of bonds outstanding are considered defeased.



### 5 LEASE OBLIGATION

The University has acquired certain equipment under various lease-purchase contracts. The cost of University assets held under capital leases totaled \$725,670 and the accumulated depreciation for these assets was \$685,870 as of June 30, 2008.

Future minimum lease payments for all capital lease obligations as of June 30, 2008, are as follows:

| Year Ending June 30,                    | Equipment Leases  |
|---|-------------------|
| 2009                                    | \$ 102,119        |
| 2010                                    | 102,119           |
| 2011                                    | 33,086            |
| Total minimum lease payments            | 237,324           |
| Less amounts representing interest      | (18,215)          |
| Present value of minimum lease payments | <u>\$ 219,109</u> |

### 6 PENSION PLANS AND RETIREMENT BENEFITS

As required by state law, eligible non-exempt employees of the University (as defined by the U.S. Fair Labor Standards Act) are covered by the Utah Public Employees Contributory or Noncontributory Retirement System, and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the Teachers Insurance and Annuity Association (TIAA). The compensation for employees covered by the Utah Public Employees

Contributory System, Utah Public Employees Noncontributory System, TIAA, and for non-eligible employees for the year ended June 30, 2008, was \$523,404, \$15,108,865, \$52,628,585, and \$11,738,534, respectively.

The University contributes to the State and School Contributory Retirement System and State and School Noncontributory Retirement system, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes. The Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code Annotated, 1953*, as amended. The Utah State Retirement Office Act in Chapter 49 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 issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Plan members in the State and School Contributory Retirement System are required to contribute 6.00% of their annual covered salary (all or part may be paid by the employer for the employee) and the University is required to contribute 9.73% of their annual covered salary. In the State and School Noncontributory Retirement System, the University is required to contribute 14.22% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The University contributions to the State and School Contributory Retirement System for the years ending June 30, 2008, 2007, and 2006 were \$82,331, \$80,324, and \$73,202, respectively. The University's contributions to the Noncontributory Retirement System, for the same fiscal years were \$2,148,480, \$2,064,949, and \$1,822,203 respectively. The contributions were equal to the required contributions for those years.

Employees who participate in the State and School Noncontributory pension plan are also participants in a qualified contributory 401(k) savings plan administered by the system. The University contributes 1.5% of the employee's annual salary to the plan. During the year ended June 30, 2008, the University's contribution totaled \$251,680.



TIAA provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. For the year ending June 30, 2008, the University's contribution to this defined contribution plan was 14.2% of the employee's annual salary or \$7,473,262. The University has no further liability once annual contributions are made.

## 7 CONSTRUCTION COMMITMENTS

The Utah State Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for state institutions, maintains records, and furnishes cost information for recording land assets on the books of the University. Construction projects administered by DFCM that were started prior to fiscal year 2003 and are not completed are recorded as Construction in Process. Construction projects beginning in fiscal year 2003 and after will not be recorded on the

books of the University until the facility is available for occupancy. At June 30, 2008 the University had outstanding commitments for the construction and remodeling of University buildings of approximately \$12,159,284.

## 8 TERMINATION BENEFITS

In addition to the pension benefits described in Note 6, the University provides an early retirement program to qualified employees that are approved by the administration in accordance with University policy as approved by the State Board of Regents. Qualified employees are those who retire from the University on or after attaining age 55 with at least 15 years of full-time continuous service. Benefits are payable for 7 years or until the retiree reaches age 65. The benefits include a semi-monthly stipend of between 14.28% to 30% of the retiree's salary at the time of active employment along with health and dental insurance. The benefits are paid by the University at a rate of 71.4% to 93.0% for medical and 57.1% to 80.0% for dental benefits.

There are currently 59 retirees who are receiving benefits under the University's early retirement program. The University has recorded a liability for the cost of these benefits at their net present value in the year the individuals retire using a discount rate of 4.00%. To offset increasing healthcare and dental costs, the University has also adjusted the liability by 3% to account for these estimated future increases. The expense for the early retirement program for the year ended June 30, 2008, was \$1,033,827.

## 9 RISK MANAGEMENT

The University maintains insurance coverage for commercial general liability, automobile, 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.

## 10 SUBSEQUENT EVENTS

The financial markets have experienced volatility and downward pressure on asset value since June 30, 2008, which has affected the University's investment portfolio.





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**WEBER STATE**  
UNIVERSITY

**2008 ANNUAL FINANCIAL REPORT**

*Prepared by:*

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