SNOW COLLEGE
A Component Unit of the State of Utah

Annual Financial Report
For the Year Ended June 30, 2015
together with
The Government Auditing Standards Report

Report No. 15-37

OFFICE OF THE

UTAH STATE AUDITOR

SNOW COLLEGE
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AUDIT LEADERSHIP:
Jason Allen, CPA, CFE, Audit Supervisor
Ryan Roberts, CPA, Audit Supervisor

SNOW COLLEGE

ANNUAL FINANCIAL REPORT
and
GOVERNMENT AUDITING STANDARDS 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, Finance and Facilities Committee
and
Gary L. Carlston, President
Snow College

Report on the Financial Statements

We have audited the accompanying financial statements of Snow College (the College), a component unit of the State of Utah, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2015, and the changes in its financial position and its 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 College 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 College recorded a $3,499,922 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 College's participation in defined benefit retirement systems. See Notes 2 and 9 for further information. Our opinion for the College 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 10 and the College's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Defined Benefit Pension Contributions on pages 38 and 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 January 20, 2016 on our consideration of the College'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 College's internal control over financial reporting and compliance.

Office of the Utah State Auditor

Office of the Utah State Auditor
January 20, 2016

Introduction

This section of Snow College's (College) financial report presents management's discussion and analysis of the College's financial performance during the fiscal year ended June 30, 2015. The discussion has been prepared by management and should be read in conjunction with the accompanying financial statements and notes. The discussion and analysis is designed to provide an easily readable analysis of the College's financial activities based on currently known facts, decisions, and conditions. The financial statements, notes, and this discussion are the responsibility of management.

Using the Financial Report

The financial report consists of three basic financial statements which provide information on the College as a whole: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. The Notes to the Financial Statements are an integral part of the statements and provide additional details important to understanding the basic financial statements. These financial statements are prepared in accordance with the Governmental Accounting Standards Board (GASB) Statements and related authoritative pronouncements.

Statement of Net Position

The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the College as of the end of the fiscal year. The Statement of Net Position is a point-in-time financial statement. The purpose of the Statement of Net Position is to present to the readers of the financial statements a fiscal snapshot of the College.

From the data presented, readers of the Statement of Net Position are able to determine the assets available to continue the operations of the College. They are also able to determine how much the College owes vendors and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the College.

Net position is divided into three major categories. The first category, "Net Investment in Capital Assets," provides the College's equity in property, plant, and equipment owned by the College. The next category is "restricted net position," which is divided into two categories, "nonexpendable" and "expendable." The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net position is available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is "unrestricted net position." Unrestricted net position is available to the College for any lawful purpose of the College.

Condensed Statement of Net Position

	2015	2014*
ASSETS		
Current assets	$ 7,557,844	$ 7,451,806
Noncurrent assets		
Capital	93,060,160	94,892,849
Other	20,054,603	17,457,552
Total assets	120,672,607	119,802,207
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows relating to pensions	517,025	-
Total Deferred Outflows of resources	517,025	-
LIABILITIES		
Current liabilities	4,398,348	3,562,589
Noncurrent liabilities	19,710,960	16,911,249
Total liabilities	24,109,308	20,473,838
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows relating to pensions	317,757	-
Total deferred inflows of resources	317,757	-
NET POSITION		
Net investments in capital assets	76,638,885	77,710,735
Restricted – nonexpendable	5,476,982	5,495,321
Restricted – expendable	5,379,660	4,308,151
Unrestricted	9,267,040	11,814,162
Total net position	$ 96,762,567	$ 99,328,369

**The 2014 amounts presented here do not include the prior period adjustments noted in Note 2.*

In the year ended June 30, 2015, net position decreased nearly $2.6 million due primarily to a $1.1 million decrease in net investment in capital assets and $2.5 million decrease in unrestricted net position offset by a $1.1 million increase in expendable and nonexpendable net position. Depreciation, offset by capital asset additions and scheduled debt payments, decreased net investment in capital assets. Unrestricted net position decreased primarily due to the new GASB 68 – *Accounting and Financial Reporting for Pensions* Standard which requires state institutions to recognize their participation in defined benefit plans sponsored by Utah Retirement Systems. Expendable net position increased $1.1 million due primarily to an increase in donations received by the College for the construction of the new science building, as well as interest earnings on the College's endowment funds.

In the year ended June 30, 2015, the majority of the increase in other noncurrent assets resulted from a $2.0 million increase in investments. This increase is due to the College implementing better cash management procedures by investing excess cash. The remaining increase is due primarily to an increase in pledges receivable of $0.4 million due to fundraising efforts for the College's new science building.

Deferred outflows and inflows relating to pensions are new items for fiscal year 2015 and are a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (see Notes 1 and 9).

Over time, the increase or decrease in net position is one indicator of the improvement or erosion of the College'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 improve all areas of the College to better serve the mission of the College.

Statement of Revenues, Expenses, and Changes in Net Position

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

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided to carry out the mission of the College in return for the operating revenues. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods and services for those revenues.

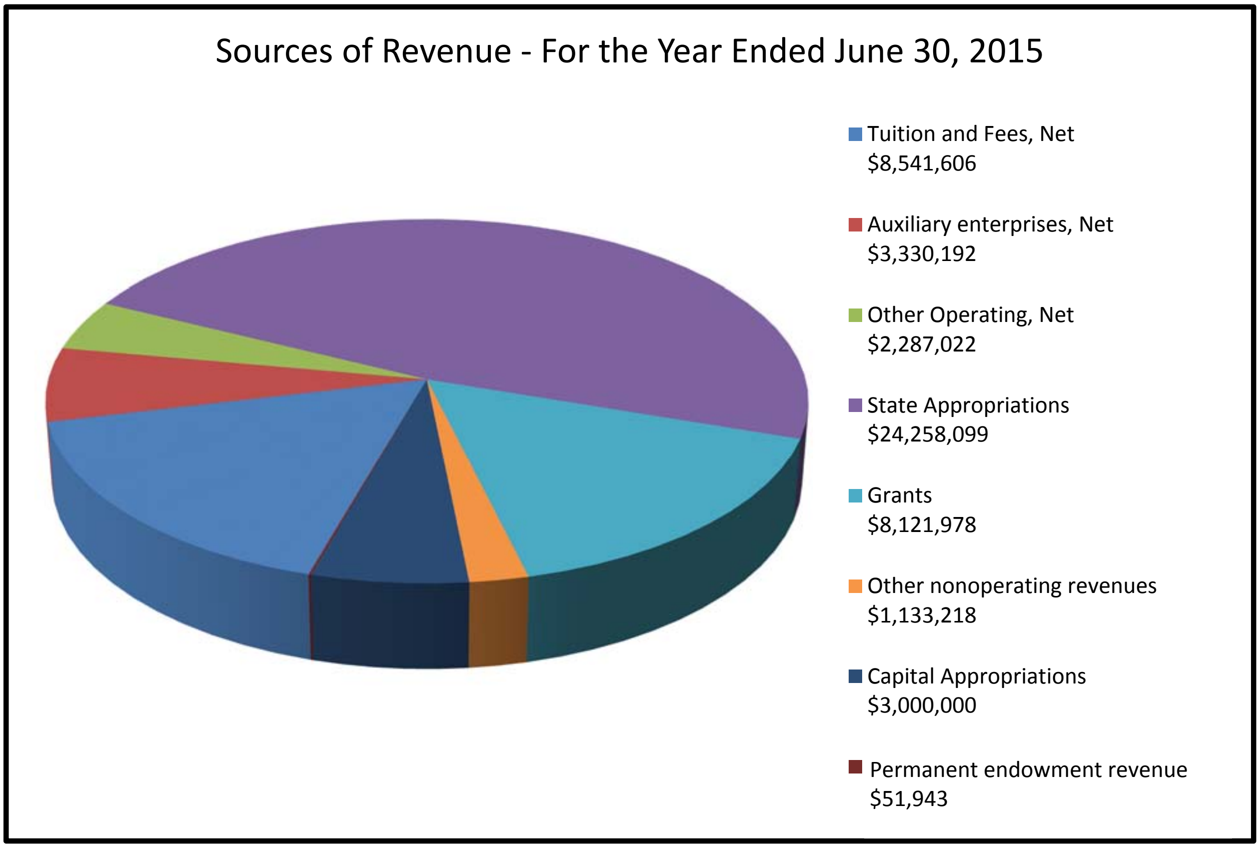
SNOW COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2015

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

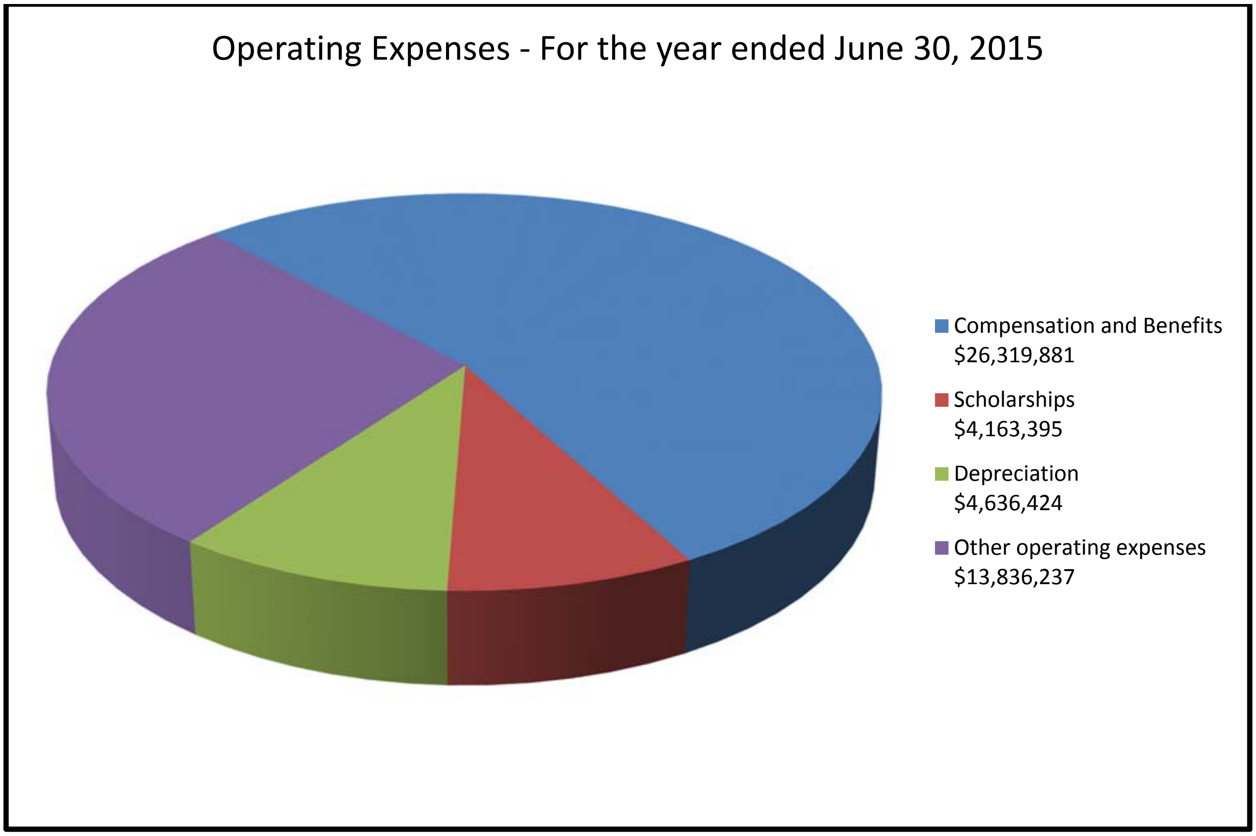
	2015	2014*
OPERATING REVENUES AND EXPENSES		
Revenues		
Tuition and fees, net	$ 8,541,606	$ 7,047,754
Auxiliary enterprises, net	3,330,192	2,339,495
Other operating revenues, net	2,287,022	1,832,407
Total operating revenues	14,158,820	11,219,656
Expenses		
Compensation and benefits	26,319,881	24,468,098
Scholarships	4,163,395	3,749,239
Depreciation	4,636,424	5,020,642
Other operating expenses	13,836,237	9,778,589
Total operating expenses	48,955,937	43,016,568
Net operating loss	(34,797,117)	(31,796,912)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	24,258,099	20,066,231
Nonoperating grants	8,121,978	6,402,353
Other nonoperating revenues (expenses)	1,133,218	530,762
Net nonoperating revenues	33,513,295	26,999,346
Income (loss) before capital and permanent endowment revenue	(1,283,822)	(4,797,566)
Capital appropriations	3,000,000	288,989
Additions to permanent endowments	51,943	92,739
Total capital and permanent endowment revenue	3,051,943	381,728
Increase (decrease) in net position	1,768,121	(4,415,838)
Net position - beginning of year as previously reported	99,328,369	104,058,909
Prior period adjustments	(4,333,923)	(314,702)
Net position - beginning of year as adjusted	94,994,446	103,744,207
Net position - end of year	$ 96,762,567	$ 99,328,369

** The 2014 amounts presented here do not include the priod period adjustments noted in Note 2.*

The most significant sources of operating revenues for the College are tuition and fees. Tuition and fees, net of scholarship discounts and allowances, totaled \$8.5 million for 2015. Auxiliary enterprise revenue, net of cost of sales, totaled \$3.3 million for 2015. State appropriations were the most significant nonoperating revenue, totaling \$24.3 million for 2015. Nonoperating grants revenue totaled \$8.1 million for 2015.



Operating expenses for fiscal year 2015, including depreciation of $4.6 million, totaled $49.0 million. The most significant operating expenses for the year were compensation and benefits totaling $26.3 million.



The major differences between fiscal years 2014 and 2015 in the Statement of Revenues, Expenses, and Changes in Net Position are reflected in a $4.2 million increase in state appropriations and a $2.7 million increase in capital appropriations, as well as a $1.7 million increase in grants and a $1.5 million increase in tuition and fees revenue. These are offset by a $4.1 million increase in other operating expenses and a $1.9 million increase in compensation and benefits.

The increase in state appropriations is due to a $1.8 million dollar increase in legislative appropriations and a $2.4 million increase in appropriations from the Division of Facilities Construction and Management (DFCM). The $2.7 million increase in capital appropriations related directly to the College's contract to buy out Sevier School District's portion of the Sevier Valley Center on the College's Richfield Campus. The $1.7 million increase in grants is due to this line item falling back in alignment with normal operations. In fiscal year 2014, the College, in order to stay in compliance with a federal repayment request relating to Perkins Loans as part of Title IV funding, repaid $1.0 million in Perkins loan funding. The increase in tuition and fees is a result of the College's 7% increase in student enrollment.

The increase in other operating expenses is mainly due to an increase in uncapitalized property improvements made during the year. The increase in compensation and benefits is related to a 2% increase in employer paid benefits expense, an increase of 3% in employee compensation, as well as the recording of $0.6 million in actuarial calculated pension expense as required by the new GASB 68 standard.

Statement of Cash Flows

The final statement presented by the College is the Statement of Cash Flows, which presents detailed information about the cash activity of the College during the year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the College. 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 reflects the 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 deals with cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used by operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position.

Condensed Statement of Cash Flows

	2015	2014*
Cash provided (used) by:		
Operating activities	$ (27,311,838)	$ (26,650,939)
Noncapital financing activities	31,298,696	26,550,150
Capital financing activities	(1,898,877)	(2,052,794)
Investing activities	(2,933,815)	(347,459)
Net change in cash	(845,834)	(2,501,042)
Cash and cash equivalents – beginning of year	9,039,191	11,540,233
Cash and cash equivalents – end of year	$ 8,193,357	$ 9,039,191

** The 2014 amounts presented here do not include the prior period adjustments noted in Note 2.*

The net cash provided by noncapital financing activities, increased $4.7 million due to an increase in state appropriations, grants and contracts, and gifts.

Investing cash outflows increased $2.6 million as the College increased their investing activity during the year in order to implement better cash management policies.

Economic Outlook

The College's enrollment increased by 7% to 5,111 students in the Fall Semester of the year ended June 30, 2015 as compared to 4,779 students enrolled in the Fall Semester of the prior year. Full time equivalents increased by 4% from 3,746 to 3,909. In addition, every dorm in the resident halls was under contract. Analysts expect the College to grow at a rate of 6.8% per year to about 7,007 enrolled students in the next ten years.

Requests for Information

This financial report is designed to provide a general overview for all those with an interest in the College's finances and to show the College'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 Snow College, Budget & Finance Office, 150 East College Avenue, Ephraim, Utah 84627.

SNOW COLLEGE

STATEMENT OF NET POSITION

JUNE 30, 2015

ASSETS	
Current assets	
Cash and cash equivalents (Notes 1 and 3)	$ 4,410,300
Short-term investments (Notes 1 and 3)	1,541,470
Accounts, interest, and pledges receivable, net (Note 4)	829,383
Accounts due from primary government (Note 7)	321,203
Notes receivable, net (Note 4)	18,470
Inventories (Note 1)	325,011
Prepaid expenses and other assets	112,007
Total current assets	7,557,844
Noncurrent assets	
Restricted cash and cash equivalents (Notes 1 and 3)	3,783,057
Restricted investments (Notes 1 and 3)	5,941,561
Investments (Notes 1 and 3)	9,874,124
Accounts, interest, and pledges receivable, net (Note 4)	403,000
Notes receivable, net (Note 4)	51,701
Capital assets, net (Note 5)	93,060,160
Net pension asset	1,160
Total noncurrent assets	113,114,763
Total assets	120,672,607
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows relating to pensions (Note 9)	517,025
Total deferred outflows of resources	517,025
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities (Note 6)	1,672,857
Accounts due to primary government (Note 7)	543,857
Unearned revenue (Note 1)	411,546
Deposits	530,680
Compensated absences and termination benefits (Notes 1 and 8)	628,347
Contracts payable (Note 8)	62,467
Contracts due to primary government (Note 8)	46,534
Bonds payable (Note 8)	502,060
Total current liabilities	4,398,348
Noncurrent liabilities	
Compensated absences and termination benefits (Notes 1 and 8)	335,450
Contracts payable (Note 8)	888,265
Contracts due to primary government (Note 8)	48,292
Bonds payable (Note 8)	15,026,205
Net pension liability (Note 9)	3,412,748
Total noncurrent liabilities	19,710,960
Total liabilities	24,109,308
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows relating to pensions (Note 9)	317,757
Total deferred outflows of resources	317,757
NET POSITION	
Net investment in capital assets	76,638,885
Restricted for:	
Nonexpendable items	
Scholarships	5,476,982
Expendable items	
Scholarships	1,708,999
Loans	415,283
Debt	1,413,723
Other	1,841,655
Unrestricted	9,267,040
Total net position	$ 96,762,567

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

SNOW COLLEGE

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

OPERATING REVENUES AND EXPENSES	
Revenues	
Student tuition and fees (net of allowances of $6,043,817)	$ 8,541,606
Operating contracts	250,185
Sales and services of educational departments (net of cost of sales of $45,963)	96,916
Auxiliary enterprises (net of allowances of $665,879)	3,330,192
Other operating revenues	1,939,921
Total operating revenues	14,158,820
Expenses	
Compensation and benefits	25,698,241
Actuarial calculated pension expense	621,640
Scholarships	4,163,395
Supplies and other services	11,719,072
Utilities	1,618,633
Depreciation	4,636,424
Other operating expenses	498,532
Total operating expenses	48,955,937
Operating loss	(34,797,117)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	24,258,099
Gifts	1,523,675
Nonoperating grants	8,121,978
Investment and interest income	301,552
Other nonoperating revenues (expenses)	(692,009)
Total nonoperating revenues	33,513,295
Income (loss) before capital and permanent endowment revenues	(1,283,822)
Capital appropriations	3,000,000
Additions to permanent endowments	51,943
Total capital and permanent endowment revenue	3,051,943
Increase (decrease) in net position	1,768,121
NET POSITION	
Net position – beginning of year as previously reported	99,328,369
Prior period adjustments (Note 2)	(4,333,923)
Net position – beginning of year, as adjusted	94,994,446
Net position – end of year	$ 96,762,567

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

SNOW COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$ 8,391,520
Receipts from operating contracts	250,185
Receipts from auxiliary enterprises	3,996,071
Collection of loans to students	2,137
Other receipts	1,830,881
Payments to suppliers	(11,625,562)
Payments for student financial aid	(4,163,395)
Payments for employee services and benefits	(25,993,675)
Net cash used by operating activities	(27,311,838)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	21,475,816
Receipts from grants and contracts	8,247,262
Receipts from gifts	1,523,675
Receipts for permanent endowments	51,943
Net cash provided by noncapital financing activities	31,298,696
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital appropriations	3,000,000
Purchases of capital assets	(3,637,736)
Interest paid on capital debt and leases	(652,848)
Principal paid on capital debt and leases	(608,293)
Net cash used by capital financing activities	(1,898,877)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale/maturity of investments	21,627,001
Receipt of interest/dividends from investments	538,295
Purchase of investments	(25,099,111)
Net cash used by investing activities	(2,933,815)
Net decrease in cash	(845,834)
Cash and cash equivalents − beginning of year	9,039,191
Cash and cash equivalents − end of year	$ 8,193,357

(continued)

SNOW COLLEGE

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

(continued)

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

Operating loss	$ (34,797,117)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	4,636,424
Repair and maintenance expense paid by State	2,782,283
Changes in assets and liabilities:	
Receivables, net	(431,699)
Loans receivable, net	2,137
Inventories	12,106
Prepaid expenses	(47,320)
Accounts payable and accrued liabilities	797,088
Unearned revenue	(121,387)
Deposits	151,081
Compensated absences and termination benefits	(7,832)
Net pension asset	(393)
Deferred outflows of resources	(117,800)
Net pension liability	(487,166)
Deferred inflows of resources	317,757
Net cash used by operating activities	$ (27,311,838)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Adjustments in fair value of investments	$ 98,897
Total noncash activities	$ 98,897

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The preceding financial statements present the financial position, the changes in financial position, and cash flows of the Snow College reporting entity (College). The College is considered a component unit of the State of Utah because it receives appropriations from and is financially accountable to the State. The financial activity of the College is included in the State's *Comprehensive Annual Financial Report.*

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

The Snow College Foundation (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. The majority of the resources or income the Foundation holds is restricted to the activities of the College by the donors. These restricted resources held by the Foundation can only be used by, or for the benefit of, the College. For these reasons the Foundation is considered a component unit of the College and is presented in the College's financial statements as a blended component unit. (For condensed financial statements of the Foundation, refer to Note 13.)

B. Basis of Accounting

Under the provisions of the Governmental Accounting Standards Board (GASB), the College is permitted to report as a special-purpose government engaged in business-type activities (BTA). BTA reporting requires the College to present only the proprietary type financial statements and other required supplementary information schedules. This includes Management's Discussion and Analysis; a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; a Statement of Cash Flows; and notes to the financial statements. The required financial statements described above are prepared using the economic resources measurement focus and the accrual basis of accounting. Fund financial statements are not required for BTA reporting.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by GASB.

C. Cash Equivalents

The College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Utah Public Treasurers' Investment Fund (PTIF) are also considered cash equivalents.

D. Investments

The College 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 Position.

E. Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff, the majority of each residing in the State of Utah. Accounts receivable also include amounts due from the Federal Government, local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

F. Inventories

Inventories are stated at the lower of cost or market or on a basis which approximates cost determined on the first-in, first-out method.

G. Restricted Cash and Cash Equivalents

Cash and cash equivalents that are externally restricted to maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted assets in the Statement of Net Position.

H. 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 College's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that increase capacity or extend the useful life of the asset, with a cost of $100,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. All land is capitalized and not depreciated.

In November 2014 the Utah System of Higher Education (USHE) Board of Regents approved changes to policy R561, *Accounting and Financial Controls*. Previously the College was required to track all capital assets (furniture, equipment, etc.) costing $1,000 or greater. The new policy now only requires the College to track all capital assets costing $5,000 or greater. This policy was put into effect at the College immediately, i.e., December 2014. An accounting adjustment to remove from the College's books assets less than $5,000 was made in January 2015. (Refer to Note 2 for further details).

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 30-40 years for buildings; 20 years for infrastructure, land improvements, and library collections; and 5 years for equipment.

I. Unearned Revenue

Unearned revenue includes 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.

J. Compensated Absences and Termination Benefits

Compensated Absences

Non-academic full-time College employees earn vacation leave for each month worked at a rate between 6 and 22 days per year. Vacation time may be used as it is earned. A maximum of 240 hours is allowed to be carried over into the next vacation year, which begins January 1. Upon termination, no more than the maximum plus the current year earned vacation is payable to the employee.

Full-time professional and classified staff earn sick leave at the rate of one day earned for each month worked to a maximum of 130 days of unused sick leave. No payment will be made for unused sick leave in the event of termination. After an employee has accumulated 65 days of unused sick leave, that employee can convert a maximum of four (4) days per year of accrued sick leave to vacation leave.

A liability is recognized in the Statement of Net Position for vacation payable to the employees at the statement date.

Termination Benefits

The College provides termination benefits, by means of an early retirement program to qualified full-time salaried employees that are approved by the College President and Board of Trustees in accordance with College policy as approved by the State Board of Regents, and where the early retirement is in the mutual best interest of the employee and the College. Qualified employees are those with at least 20 years of service who retire from the College on or after attaining age 62. Termination benefits may include a monthly stipend of 20% of the retiree's salary at the time of active employment and/or health and dental insurance. The monthly stipend is payable for five years or until the retiree reaches full retirement age as defined by the Social Security Administration. This stipend stays flat and is not affected by cost-of-living adjustments (COLA). The health and dental insurance benefit is payable for three years or until the retiree reaches the Medicare eligibility age of 65. Any increases in health and dental insurance premiums are passed on to the retiree.

There were four new retirees who received termination benefits under the College's early retirement program during fiscal year 2015.

The College has recorded a liability for the cost of these termination benefits including an annual inflation adjustment of 5% for insurance in fiscal year 2015 and for each additional year thereafter. The liability was calculated using a discount rate of 0.52%, which is based on the 3-year average return of the Utah Public Treasurers' Investment Fund (PTIF). The cost of termination benefits is funded on a pay-as-you-go basis. Termination benefits expense for the year ended June 30, 2015 was $11,073.

K. 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 (Systems) Pension Plan and additions to/deductions from the Systems' fiduciary net position are now determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are now recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

L. Noncurrent Liabilities

Noncurrent liabilities include (1) principal amounts of bonds and contracts payable with maturities greater than one year, (2) estimated amounts for accrued compensated absences and termination benefits, and (3) other liabilities that will not be paid within the next fiscal year.

M. Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets: This represents the College's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

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

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.

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 College, and may be used at the discretion of the governing board to meet current expenses for any legal purpose. Auxiliary enterprises, are substantially self-supporting activities that provide services for students, faculty, and staff.

When an expense is incurred for purposes for which both restricted and unrestricted net positions are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

N. Classification of Revenues and Expenses

The College has classified its revenues and expenses as either operating or nonoperating according to the following criteria:

Operating revenues and expenses: Operating revenues and expenses 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 auxiliary enterprises, net of scholarship discounts and allowances (Note: when auxiliary enterprises revenue results from other activities, e.g., student fees, gifts, contracts, etc., the revenue is shown with those activities), (3) interest on institutional student loans, (4) the cost of providing services, (5) administration expenses, and (6) depreciation of capital assets.

Nonoperating revenues and expenses: Nonoperating revenues and expenses include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, expenses not meeting the definition of operating expenses, and other revenue sources that are defined as nonoperating sources 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, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments,* such as state appropriations, grants, and investment income.

O. 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 Position. Scholarship discounts and allowances are the difference between the stated charge for goods and services provided by the College, 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 College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

NOTE 2. PRIOR PERIOD ADJUSTMENTS OF NET POSITION

Effective July 1, 2014, the College 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.* As a result, beginning net position was reduced $3,499,922. This reduction reflects the College's $3,899,914 share of the beginning net pension liability in the Noncontributory, Contributory, and Public Safety Employee Systems, the College's $767 share of the beginning net pension asset in the Tier 2 Public Employee System, and the College's $399,225 of contributions made to the Systems between January 1 and June 30, 2014. See Note 9 for further information on pension reporting.

Effective December 1, 2014, the College implemented the USHE Board of Regents approved changes to policy R561, *Accounting and Financial Controls*. As a result, beginning net position was reduced by $834,001. This reduction reflects the deletion of the College's capital assets that had an original purchase value of greater than or equal to $1,000, but less than $5,000. See Note 1 for further information on this updated policy.

NOTE 3. DEPOSITS 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 (the Act) (*Utah Code*, Title 51, Chapter 7) that relate to the deposit and investment of public funds.

Except for endowment funds, the College follows the requirements of the Act in handling its depository and investment transactions. The Act requires the depositing of College 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 College 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). For the fiscal year ended June 30, 2015, the College's endowment funds were reported as Restricted Investments and Restricted Cash and Cash Equivalents in the Statement of Net Position, and totaled $6,050,907. 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. Although State Law allows for the spending of unrealized endowment appreciation, it is the College's policy not to spend these funds, but rather to reinvest and treat them as additions to principal.

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2015, $379,807 of the College's bank balances of $516,721 was uninsured and uncollateralized.

B. Investments

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

The UPMIFA and Rule 541 allow the College 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 (SEC), 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.

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

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.

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

		Investment Maturities (in Years)			
Investment Type	Fair Value	< 1	1-5	6-10	> 10
U.S. Agencies	$ 2,294,438	$ 45,059	$ 2,249,379	-	-
Municipal/Public Bonds	1,917,853	-	1,917,853	-	-
Bond Mutual Funds	3,425,127	57,660	-	3,367,467	-
Corporate Bonds	6,989,863	3,404,030	3,585,833	-	-
Money Market Mutual Funds	695,071	695,071	-	-	-
Utah Public Treasurer's Investment Fund	7,398,768	7,398,768	-	-	-
Certificate of Deposit	210,145	210,145	-	-	-
	$ 22,931,265	$ 11,810,733	$ 7,753,065	$ 3,367,467	$ -
Equities and Equity Mutual Funds	2,619,247				
Total	$25,550,512				

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the 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. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years. 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 subdivision of the State to 10 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. The College'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 College had the following investments and quality ratings:

		Quality Ratings			
Investment Type	Fair Value	AA	A	BBB	Unrated
U.S. Agencies	$ 2,294,438	$ 2,294,438	$ -	$ -	$ -
Municipal/Public Bonds	1,917,853	1,917,853	-	-	-
Bond Mutual Funds	3,425,127	-	-	-	3,425,127
Corporate Bonds	6,989,863	409,104	4,555,992	1,502,614	522,153
Money Market Mutual Funds	695,071	-	-	-	695,071
Utah Public Treasurers' Investment Fund	7,398,768	-	-	-	7,398,768
Certificates of Deposit	210,145	-	-	-	210,145
	$ 22,931,265	$ 4,621,395	$ 4,555,992	$ 1,502,614	$ 12,251,264
Equities and Equity Mutual Funds	2,619,247				
Total	$ 25,550,512				

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 College'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 College's endowment fund.

The College held more than 5% of its total investments in securities of Taylorsville Bennion Revenue Bonds, which represents 5.5% of the College's total investments.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College does not have a formal policy for custodial credit risk. As of June 30, 2015, the College had $2,294,438 in U.S. Agencies and $6,989,863 in Corporate Bonds which were held by the investment counterparty, and $1,917,853 in Municipal/Public Bonds which were held by the counterparty's trust department or agent but not in the College's name.

NOTE 4. RECEIVABLES

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

	Balance	Current Portion
Student tuition and fees receivable	$ 1,160,064	$ 1,160,064
Grants and contracts receivable	348,510	348,510
Auxiliary enterprises and other receivables	180,434	180,434
Pledges receivable	439,500	36,500
Interest receivable	-	-
Allowance for doubtful accounts	(896,125)	(896,125)
Net accounts, interest, and pledges receivable	$ 1,232,383	$ 829,383

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

	Balance	Current Portion
Student loans receivable	$ 85,171	$ 18,470
Allowance for doubtful accounts	(15,000)	-
Net notes receivable	$ 70,171	$ 18,470

NOTE 5. CAPITAL ASSETS

Capital assets at June 30, 2015 consisted of the following:

	Balance June 30, 2014	Additions	Deletions	Adjustments*	Balance June 30, 2015
Capital Assets not being depreciated					
Land	$ 3,460,410	$ -	$ -	$ -	$ 3,460,410
Works of Art	65,000	-	-	-	65,000
Construction in Process	-	26,162	-	-	26,162
Capital Assets being depreciated					
Buildings	136,606,076	3,000,000	-	-	139,606,076
Improvements	7,924,512	-	-	-	7,924,512
Equipment	10,449,491	580,805	(14,457)	(4,462,826)	6,553,013
Library materials	1,312,170	30,769	(41,689)	-	1,301,250
Total capital assets	159,817,659	3,637,736	(56,146)	(4,462,826)	158,936,423
Less accumulated depreciation:					
Buildings	50,859,343	3,670,020	-	-	54,529,363
Improvements	4,640,092	320,674	-	-	4,960,766
Equipment	8,594,602	579,099	(14,457)	(3,628,825)	5,530,419
Library materials	830,773	66,631	(41,689)	-	855,715
Total accumulated depreciation	64,924,810	4,636,424	(56,146)	(3,628,825)	65,876,263
Total capital assets, net of depreciation	$ 94,892,849	$ (998,688)	$ -	$ (834,001)	$ 93,060,160

**Note: The net adjustment of $834,001 reflects a change in the capitalization threshold. See Notes 1 and 2.*

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2015 consisted of the following:

	June 30, 2015
Vendors payable	$ 431,545
Wages payable	230,229
Federal payroll tax payable	363,861
Interest payable	46,359
Other payroll accruals	301,745
Other accounts payable and accrued liabilities	299,118
Total accounts payable and accrued liabilities	$ 1,672,857

NOTE 7. RELATED PARTY TRANSACTIONS

The College receives and provides services, supplies, repairs and maintenance, and capital projects through departments, agencies, and other component units of the State of Utah. The following tables summarize the amounts due from and to these entities for services and supplies as of June 30, 2015.

Related Party Receivables consisted of the following at June 30, 2015:

	Balance
Utah State Office of Education	$ 127,969
Utah State Tax Commission	11,497
Utah Department of Corrections	40,390
Utah Department of Workforce Services	35,959
Utah System of Higher Education	55,188
University of Utah	13,648
Salt Lake Community College	36,552
	$ 321,203

Related Party Payables consisted of the following at June 30, 2015:

	Balance
Public Employees Health Program	$ 320,444
Utah Retirement Systems	93,656
Utah State Tax Commission	65,228
Utah System of Higher Education	5,796
Other related parties	58,733
Total	$ 543,857

NOTE 8. LONG-TERM LIABILITIES

Changes in long-term liabilities for the year ended June 30, 2015 was as follows:

	June 30, 2014 Balance	Additions	Reductions	June 30, 2015 Balance	Current Portion
Net Pension Liability	$ 3,899,914	$ -	$ 487,166	$ 3,412,748	$ -
Compensated absences	705,841	535,227	508,151	732,917	447,124
Termination benefits	265,788	11,073	45,981	230,880	181,223
Contracts payable	1,011,810	-	61,078	950,732	62,467
Contracts due to primary government	149,980	751	55,905	94,826	46,534
Bonds payable	15,865,000	-	485,000	15,380,000	495,000
Unamortized bond premium/discount	155,326	-	7,061	148,265	7,060
Total long-term liabilities	$ 22,053,659	$ 547,051	$ 1,650,342	$ 20,950,368	$ 1,239,408

A. Contracts Payable

The College obtained South Sanpete School District's old Ephraim Elementary School property in fiscal year 2010 for $1,500,000 to be paid in 20 equal annual installments of $75,000. The agreement contains no interest rate; therefore, the College used an effective interest rate of 2% to discount the contracts payable and record the cost of the property at the discounted amount. The final principal and interest payment is due in fiscal year 2029.

In fiscal year 2012, the Foundation obtained the home and property located at 24 South 100 East, Ephraim for $60,000 to be paid in 120 monthly installments of $636. This contract has an interest rate of 5.0% with the final principal and interest payment in fiscal year 2022. The home and property was valued at $120,000 when obtained. The remaining $60,000, after the contract consideration, was donated to the Foundation.

Future commitments for the contracts payable as of June 30, 2015 are as follows:

Fiscal Year	Principal	Interest	Total
2016	$ 62,467	$ 20,170	$ 82,637
2017	63,892	18,745	82,637
2018	65,354	17,283	82,637
2019	66,854	15,782	82,636
2020	68,395	14,241	82,636
2021-2025	338,190	48,901	387,091
2026-2029	285,580	14,420	300,000
Total	$ 950,732	$ 149,542	$ 1,100,274

B. Contracts Due to Primary Government

The College's Richfield Campus library facilities were obtained through a contract agreement with the State of Utah's Division of Facilities Construction and Management in fiscal year 1996. This contract has an interest rate of 5.4 % with the final principal and interest payment in fiscal year 2017.

Future commitments for the contracts due to primary government as of June 30, 2015 are as follows:

Fiscal Year	Principal	Interest	Total
2016	46,534	4,140	50,674
2017	48,292	1,632	49,924
Total	$ 94,826	$ 5,772	$ 100,598

C. Bonds Payable

In June 2011, the State Board of Regents issued revenue bonds (Series 2011, $16,810,000, 2.00% - 4.5%, maturing June 2013 through June 2036) on behalf of the College to provide funds for the construction of a student housing facility on the College's Ephraim Campus. These bonds are not an indebtedness of the State of Utah, the College, or the Board of Regents, but are special limited obligations of the Board of Regents, payable from and secured solely by the Pledged Revenues which consist of 1) the Net Operating Revenues of the College's Student Housing System, 2) Student Building Fees, 3) any Pledged Discretionary Investment Income, and 4) earnings on certain funds and accounts created under the Bond Indenture. In addition, the bonds are insured by Assured Guaranty Municipal Corporation for the timely payment of principal and interest. Interest is payable June 15 and December 15 of each year. Principal payments are due June 15 with the first payment being made on June 15, 2013. For fiscal year 2015, interest incurred on the bonds was $631,398.

For the year ended June 30, 2015, the receipts and disbursements of pledged revenues were as follows:

	June 30, 2015
Receipts	
Housing system revenue	$ 1,749,095
Student building fees	474,085
Bond account earnings	3,215
Total receipts	2,226,395
Disbursements	
Housing system expenses	829,461
Excess of pledged receipts over expenses	1,396,934
Debt service principal and interest payments	$ 1,116,398

The scheduled maturities of the revenue bonds are as follows:

Fiscal Year	Principal	Interest	Total
2016	$ 495,000	$ 621,698	$ 1,116,698
2017	515,000	601,897	1,116,897
2018	535,000	581,298	1,116,298
2019	550,000	567,922	1,117,922
2020	565,000	551,423	1,116,423
2021-2025	3,145,000	2,442,463	5,587,463
2026-2030	3,805,000	1,787,743	5,592,743
2031-2035	2,695,000	893,925	3,588,925
2036	3,075,000	48,150	3,123,150
Total bonds	15,380,000	8,096,519	23,476,519
Bond premium	148,265	-	148,265
Total bonds payable	$ 15,528,265	$ 8,096,519	$ 23,624,784

NOTE 9. PENSION PLANS AND RETIREMENT BENEFITS

As required by State law, eligible non-exempt employees (as defined by the U.S. Fair Labor Standards Act) of the College are covered by the Utah Retirement Systems (Systems), and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the Teachers Insurance and Annuity Association—College Retirement Equities Fund (TIAA-CREF).

A. Defined Benefit Plans

Eligible plan participants are provided with pension through the following Systems:

- Public Employees Noncontributory Retirement System (Noncontributory System) is a cost-sharing, multiple-employer, public employee retirement system;
- Public Employees Contributory Retirement System (Contributory System) is a cost-sharing, multiple-employer, public employee retirement system;
- Public Safety Retirement Systems (Public Safety System) is a cost-sharing, multiple-employer retirement system;
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple-employer, public employee retirement system.

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Systems, are members of the Tier 2 Public Employees System.

The Systems are established and governed by the respective sections of Title 49 of the *Utah Code*. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems 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. The Systems are a component unit of the State of Utah. Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms.

The Systems issue a publicly available financial report that can be obtained by writing to the Utah Retirement Systems, 560 E. 200 S., Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

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

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%

* *with actuarial reductions*

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

Contributions

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Systems' Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates
Noncontributory System			
16 - State & School Division Tier 1	N/A	N/A	22.190%
Contributory System			
12 - State & School Division Tier 1	N/A	6.000%	17.700%
112 - State & School Division Tier 2	N/A	N/A	18.270%
Public Safety Retirement Systems			
42 - Other Division A Noncontributory Tier 1	N/A	N/A	41.350%

At December 31, 2014, the College reported a net pension asset of $1,160 and a net pension liability of $3,412,748.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.13373910%	$ -	$ 3,360,233
Contributory System	0.20220730%	-	22,172
Public Safety System	0.01632910%	-	30,343
Tier 2 Public Employees System	0.03828340%	1,160	-
Total Net Pension Asset/Liability		$ 1,160	$ 3,412,748

The net pension asset and liability were measured as of December 31, 2014. 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 were based upon actual historical employer contributions to plans from the census data submitted to the plan for pay periods ending 2014.

For the year ended December 31, 2014, the College recognized a pension expense of $621,640. At December 31, 2014, the College's portion of the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 203,537
Changes in Assumptions	-	114,220
Net difference between projected and actual earnings on pension plan investments	63,346	-
Changes in proportion and differences between contributions	-	-
Contributions subsequent to the measurement date	453,679	-
Total	$ 517,025	$ 317,757

Of the amount reported as deferred outflows of resources relating to pensions, $453,679 resulted from contributions made by the College prior to its fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2015	$ (66,385)
2016	(66,385)
2017	(66,385)
2018	(53,990)
2019	(203)
Thereafter	(1,065)

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 - 10.75 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 member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

Retired Member Mortality	
Class of Member	
Educators	
Men	EDUM (90%)
Women	EDUF (100%)
Public Safety	
Men	2000mWC (100%)
Women	EDUF (120%)
Public Employees	
Men	RP 2000mWC (100%)
Women	EDUF (120%)

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

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of the actuarial experience study for the five-year period of January 1, 2008 – 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.

	Expected Return Arithmetic Basis		
Asset Class	**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%
Totals	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.

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 positon was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following presents the proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50%) or 1 percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	**Discount Rate (7.50%)**	**1% Increase (8.50%)**
Proportionate Share of			
Net Pension (asset)/liability			
Noncontributory System	$ 6,694,710	$ 3,360,233	$ 567,603
Contributory System	186,015	22,172	(116,413)
Public Safety System	56,157	30,343	9,074
Tier 2 Public Employees System	8,532	(1,160)	(8,468)
Total Net Pension (asset)/liability	$ 6,945,414	$ 3,411,588	$ 451,796

Detailed information about the pension plan's fiduciary net position is available in the Systems' separately issued financial report.

B. Defined Contribution Plans

Employees who participate in the Tier 2 Public Employees System are also participants in a qualified contributory 401(k) savings plan administered by the system. The College is required to contribute 1.59% of the employee's annual salary to the defined benefit hybrid plan and 10.0% of the employee's annual salary to the defined contribution plan. Employees who participate in the Noncontributory System are also participants in a qualified contributory 401(k) savings plan administered by the system. The College is required to contribute 1.5% of the employee's annual salary to the plan. For the years ended June 30, 2015, 2014 and 2013, the College's contribution for all plans totaled $67,104, $63,384 and $59,904 and employees' contributions for all plans totaled $95,410, $96,128, and $101,541, respectively.

TIAA-CREF 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 years ended June 30, 2015, 2014, and 2013, the College's contribution to this defined contribution plan was 14.2% of the employee's annual salary or $1,392,468, $1,259,588, and $1,244,887, respectively. Employee contributions for the same years were $95,661, $110,140, and $190,173, respectively. The College has no further liability once annual contributions are made.

NOTE 10. CONSTRUCTION COMMITMENTS

The State of Utah's Division of Facilities Construction and Management (DFCM) administers most of the construction of facilities for state institutions, maintains records, and furnishes cost information for recording capital assets on the books of the College.

As of June 30, 2015, the College had an outstanding commitment to DFCM for construction of their new science building of $2,973,838. This commitment represents the College's cost share of the construction costs.

NOTE 11. CONTRACTED AUXILIARY SERVICES

On September 23, 2009, the College renewed its contract with Follett College Stores Corporation (Follett) of Oak Brook, Illinois, to provide bookstore services for the College's Ephraim Campus. The terms of the contract run from October 1, 2009, to September 30, 2014, with an automatic renewal for successive one-year terms unless either party notifies the other in writing at least 120 days before expiration of the term. The contract requires Follett to pay the College, on a monthly basis, 5% of all gross revenue up to $1,000,000 and 10% of all gross revenue over $1,000,000. The contract also requires Follett to provide annually $2,000 in textbook scholarships.

On July 7, 2014, the College renewed its contract with Sacco Dining Services (Sacco) requiring them to provide management services for the College's Ephraim Campus Cafeteria and Café for one year. This contract was terminated on May 4, 2015. The total management fee paid for the period ending June 30, 2015 was $40,232.

The above contract revenues have been recorded as auxiliary enterprises revenues.

NOTE 12. RISK MANAGEMENT

The College 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. The College also participates in the Public Employees Health Plan administered by the State of Utah. The College's liabilities for both plans are limited to the premiums paid. Employees of the College and authorized volunteers are covered by workers' compensation and employees' liability through the Workers Compensation Fund of Utah.

NOTE 13. BLENDED COMPONENT UNIT

The Foundation is a component unit of the College and has been consolidated in these financial statements as a blended component unit. The Foundation is reported as part of the College because its primary purpose is to support the mission of the College.

Condensed information for the College's blended component unit for the year ended June 30, 2015 is presented below.

Foundation
Condensed Statement of Net Position
June 30, 2015

ASSETS	
Current Assets	$ 37,608
Noncurrent Investments	79,797
Capital Assets	756,319
Total Assets	873,724
LIABILITIES	
Current Liabilities	5,820
Noncurrent Liabilities	37,137
Total Liabilities	42,957
NET POSITION	
Net Investment in Capital Assets	713,556
Unrestricted	117,211
Total Net Position	$ 830,767

SNOW COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2015

Foundation
Condensed Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2015

OPERATING REVENUES	
Operating Revenues	$ -
Total Operating Revenues	-
OPERATING EXPENSES	
Operating Expenses	11,948
Depreciation	10,027
Total Operating Expenses	21,975
Operating Income (Loss)	(21,975)
NONOPERATING REVENUES (EXPENSES)	
Donations	43,695
Investment and Interest Income	1,780
Net Nonoperating Revenues (Expenses)	45,475
Increase (Decrease) in Net Position	23,500
NET POSITION	
Net Position, Beginning of Year	807,267
Net Position, End of Year	$ 830,767

Foundation
Condensed Statement of Cash Flows
For the Year Ended June 30, 2015

Net Cash Provided (Used) by Operating Activities	$ (17,326)
Net Cash Provided (Used) by Noncapital Financing Activities	43,695
Net Cash Provided (Used) by Investing Activities	(29,378)
Net Increase (Decrease) in Cash and Cash Equivalents	(3,009)
Cash and Cash Equivalents, Beginning of Year	30,617
Cash and Cash Equivalents, End of Year	$ 27,608

SNOW COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

Schedule of Snow College's Proportionate Share of the Net Pension Liability

Noncontributory, Contributory, Public Safety & Tier 2 Public Employees Systems of the Utah Retirement Systems

	December 31, 2014			
	Noncontributory System	Contributory System	Public Safety System	Tier 2 Public Employees System
Proportion of Net Pension Liability (Asset)	0.13373910%	0.20220730%	0.01632910%	0.0382834%
Proportionate Share of Net Pension Liability (Asset)	$ 3,360,233	$ 22,172	$ 30,343	$ (1,160)
Covered Employee Payroll	$ 3,703,384	$ 74,630	$ 43,483	$ 188,347
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	90.7%	29.7%	69.8%	-0.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.2%	98.7%	84.3%	103.5%

*Note: The College implemented GASB Statement No. 68 in fiscal year 2015. Information on the College's portion of the plans' net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

SNOW COLLEGE
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

Schedule of Snow College's Defined Benefit Pension Contributions

Noncontributory System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 846,427	$ 775,865	$ 721,092	$ 665,236	$ 691,667	$ 571,835	$ 663,394	$ 657,573	$ 638,944	$ 581,323
Contributions in Relation to the Contractually Required Contribution	(846,427)	(775,865)	(721,092)	(665,236)	(691,667)	(571,835)	(663,394)	(657,573)	(638,944)	(581,323)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 3,642,981	$ 3,728,658	$ 3,867,489	$ 3,994,469	$ 4,238,154	$ 4,021,345	$ 4,665,224	$ 4,624,282	$ 4,493,280	$ 4,344,720
Contributions as a Percentage of Covered-Employee Payroll	23.23%	20.81%	18.64%	16.65%	16.32%	14.22%	14.22%	14.22%	14.22%	13.38%

Contributory System

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Contractually Required Contribution	$ 7,143	$ 17,395	$ 21,989	$ 18,201	$ 38,003	$ 35,042	$ 40,000	$ 37,224	$ 39,332	$ 37,615
Contributions in Relation to the Contractually Required Contribution	(7,143)	(17,395)	(21,989)	(18,201)	(38,003)	(35,042)	(40,000)	(37,224)	(39,332)	(37,615)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll	$ 40,354	$ 108,920	$ 154,093	$ 147,136	$ 213,141	$ 222,774	$ 254,290	$ 236,644	$ 250,045	$ 252,618
Contributions as a Percentage of Covered-Employee Payroll	17.70%	15.97%	14.27%	12.37%	17.83%	15.73%	15.73%	15.73%	15.73%	14.89%

Public Safety Employee System

	2015	2014	2013**	2012**	2011**	2010**	2009**	2008**	2007**	2006**
Contractually Required Contribution	$ 8,146	$ 6,062	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(8,146)	(6,062)								
Contribution Deficiency (Excess)	$ -	$ -								
Covered Employee Payroll	$ 44,126	$ 37,011								
Contributions as a Percentage of Covered-Employee Payroll	18.46%	16.38%								

Tier 2 Public Employees System*

	2015	2014	2013	2012	2011*	2010*	2009*	2008*	2007*	2006*
Contractually Required Contribution	$ 27,891	$ 10,752	$ 8,040	$ 2,673	N/A	N/A	N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(27,891)	(10,752)	(8,040)	(2,673)						
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -						
Covered Employee Payroll	$ 397,276	$ 173,902	$ 107,256	$ 35,211						
Contributions as a Percentage of Covered-Employee Payroll	7.02%	6.18%	7.50%	7.59%						

* *The Tier 2 Public Employees System was created in fiscal year 2011.*

** *The College began participated in the Public Safety Employee System in 2014*

****For employees participating in the Tier 2 Public Employees System, the College is required to contribute 18.27% of the employee's salaries to the System. The College makes the required contributions by paying approximately 7% into the Tier 2 System while the remainder is contributed to the Tier 1 Contributory System as required by law. The amounts reported here reflect the contributions to the Tier 2 system rather than the total required.*

INDEPENDENT STATE AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees, Finance and Facilities Committee
and
Gary L. Carlston, President
Snow College

We have audited, in accordance with the 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, the financial statements of Snow College (College), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 20, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or to detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Other Finding

We noted a certain other finding resulting from the College's portion of our statewide federal compliance audit for the year ended June 30, 2015 that we have reported to management of the College in a separate letter. (See Single Audit Management Letter No. 15-07, dated October 28, 2015.)

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the Utah State Auditor

Office of the Utah State Auditor
January 20, 2016