SNOW COLLEGE

ANNUAL FINANCIAL REPORT 2016

SNOW COLLEGE

A COMPONENT UNIT OF THE STATE OF UTAH

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

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OFFICE OF THE
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, 2016, 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2016, 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.

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 40 and 41 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, 2017 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 State Auditor

Office of the State Auditor
January 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of June 30, 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, 2016. 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 facts, decisions, and conditions known at the date of the auditor's report. 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

CONDENSED STATEMENT OF NET POSITION AT JUNE 30	2016	2015*
ASSETS		
Current assets	$14,441,828	$7,557,844
Noncurrent assets		
Capital	89,335,422	93,060,160
Other	14,054,810	20,054,603
Total assets	117,832,060	120,672,607
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows relating to pensions	1,760,818	517,025
Total Deferred Outflows of resources	1,760,818	517,025
LIABILITIES		
Current liabilities	4,146,558	4,398,348
Noncurrent liabilities	20,347,740	19,710,960
Total liabilities	24,494,298	24,109,308
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows relating to pensions	431,798	317,757
Total deferred inflows of resources	431,798	317,757
NET POSITION		
Net investments in capital assets	73,513,705	76,638,885
Restricted – nonexpendable	5,750,345	5,476,982
Restricted – expendable	7,675,576	5,379,660
Unrestricted	7,727,156	9,267,040
Total net position	$94,666,782	$96,762,567

*The 2015 amounts presented here do not include the prior period adjustments noted in Note 2.

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.

In the year ended June 30, 2016, net position decreased nearly $2.1 million due primarily to a $3.1 million decrease in net investment in capital assets and a $1.5 million decrease in unrestricted net position offset by a $2.5 million increase in restricted 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 increase in recognized expense related to the College's pension plans with Utah Retirement Systems. This expense is required to be recognized per GASB 68 – *Accounting and Financial Reporting for Pensions.* Expendable net position increased $2.3 million due primarily to an increase in donations received by the College for the construction of the new science building, as well as the interest earnings on the College's endowment funds. In the year ended June 30, 2016, the majority of the decrease in other noncurrent assets and corresponding increase in current assets resulted from a shift of $4.0 million in College investments from noncurrent to current. The decrease in noncurrent investments is due to the college implementing better cash management procedures by investing excess cash. Noncurrent assets also decreased due to depreciation of $4.6 million offset by purchases of $1.0 million of capital assets.

In the year ended June 30, 2016, the College's deferred outflows of resources increased by $1.2 million. The majority of this increase is due to the increase in the difference between projected and actual earnings on pension plan investments.

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 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, 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.

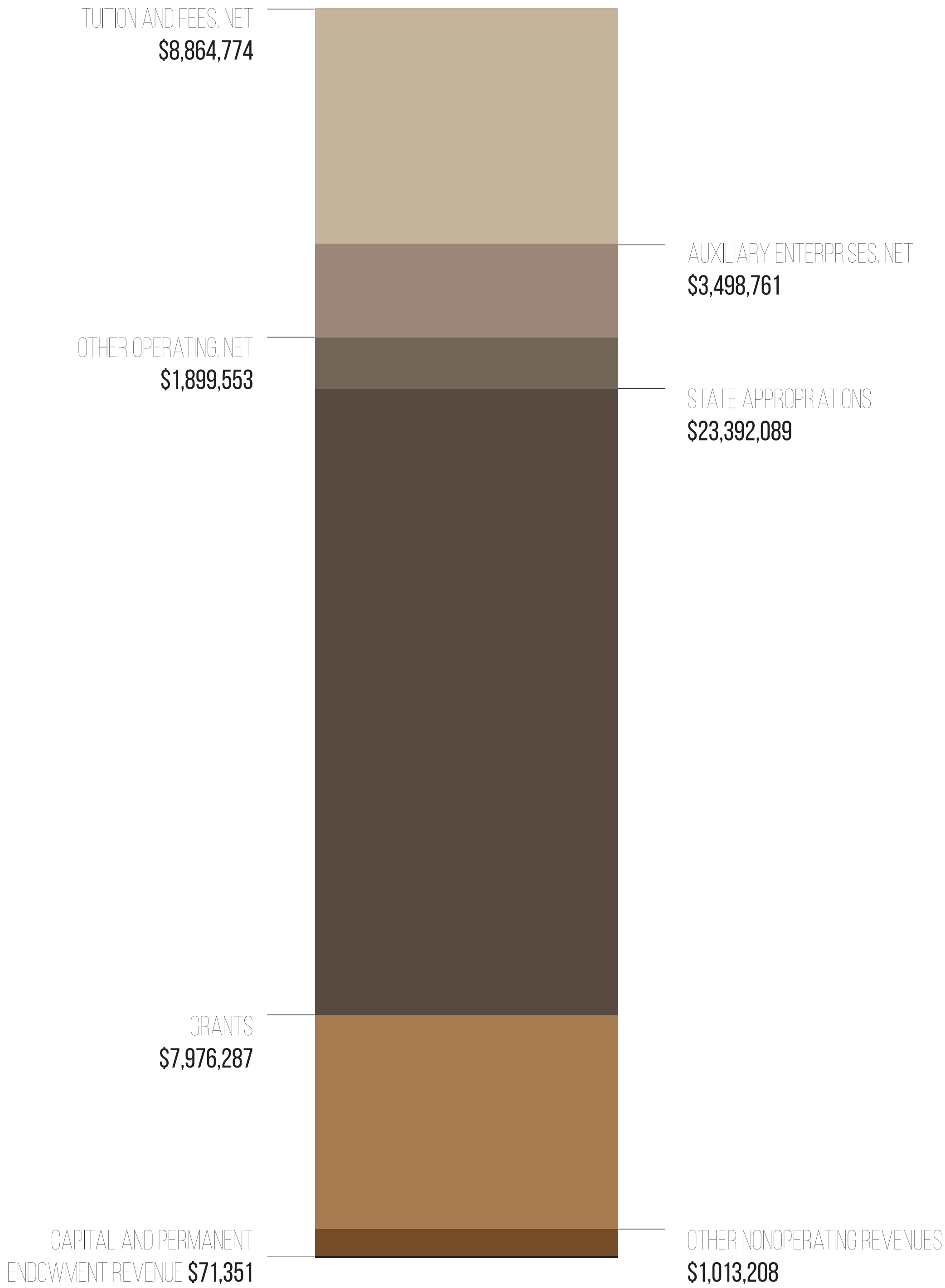
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30

	2016	2015*
OPERATING REVENUES AND EXPENSES		
Revenues		
Tuition and fees, net	$8,864,774	$8,541,606
Auxiliary enterprises, net	3,498,761	3,330,192
Other operating revenues, net	1,899,553	2,287,022
Total operating revenues	14,263,088	14,158,820
Expenses		
Compensation and benefits	29,073,470	26,319,881
Scholarships	4,230,071	4,163,395
Depreciation	4,558,158	4,636,424
Other operating expenses	12,244,626	13,836,237
Total operating expenses	50,106,325	48,955,937
Net operating loss	(35,843,237)	(34,797,117)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	23,392,089	24,258,099
Nonoperating grants	7,976,287	8,121,978
Other nonoperating revenues (expenses)	1,013,208	1,133,218
Net nonoperating revenues	32,381,584	33,513,295
Income (loss) before capital and permanent endowment revenue	(3,461,653)	(1,283,822)
Capital appropriations	-	3,000,000
Additions to permanent endowments	71,351	51,943
Total capital and permanent endowment revenue	71,351	3,051,943
Increase (decrease) in net position	(3,390,302)	1,768,121
NET POSITION		
Net position - beginning of year as previously reported	96,762,567	99,328,369
Prior period adjustments	1,294,517	(4,333,923)
Net position - beginning of year as adjusted	98,057,084	94,994,446
Net position - end of year	$94,666,782	$96,762,567

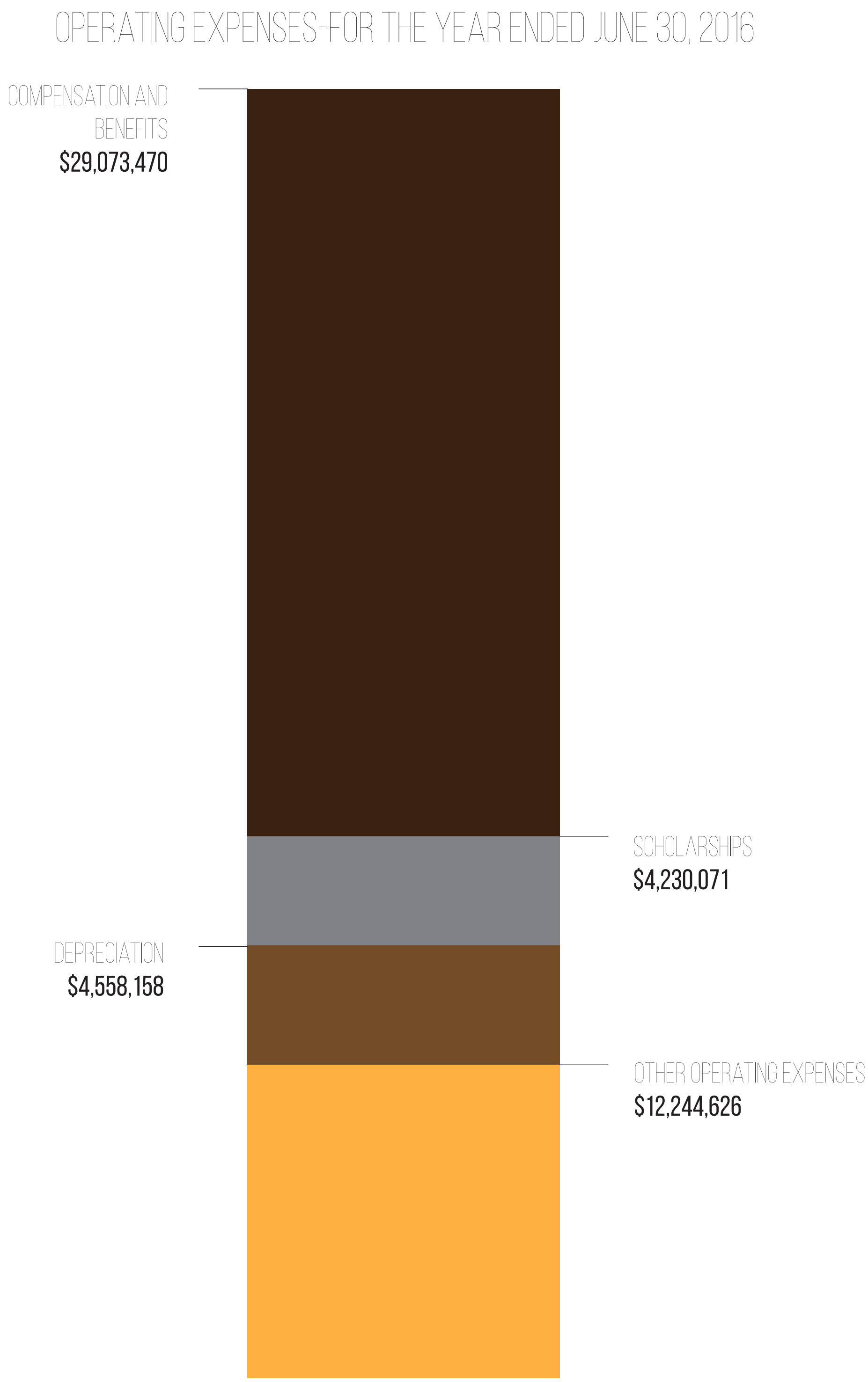
* The 2015 amounts presented here do not include the priod period adjustments noted in Note 2.

The most significant sources of operating revenues for the College are tuition and fees. Tuition and fees, net of scholarship discounts and allowances, totaled $8.9 million for 2016. Auxiliary enterprise revenue, net of cost of sales, totaled $3.5 million for 2016. State appropriations were the most significant nonoperating revenue, totaling $23.4 million for 2016. Nonoperating grants revenue totaled $8.0 million for 2016.

SOURCES OF REVENUE-FOR THE YEAR ENDED JUNE 30, 2016



Operating expenses for fiscal year 2016, including depreciation of $4.6 million, totaled $50.1 million. The most significant operating expenses for the year were compensation and benefits totaling $29.1 million.



The major differences between fiscal years 2015 and 2016 in the Statement of Revenues, Expenses, and Changes in Net Position are reflected in a decrease of $0.9 million in state appropriations and $3.0 million in capital appropriations. In addition, the College saw an increase in compensation and benefits expense of $2.8 million partially offset by a decrease in other operating expenses of $1.6 million.

The decrease in state appropriations is due to a $1.9 million decrease in appropriations from the State Division of Facilities Construction & Management (DFCM) offset by a $1.0 million dollar increase of legislative appropriations. The $3.0 million decrease in capital appropriations relates 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 in fiscal year 2015. This was one time funding that did not occur in fiscal year 2016. The $2.8 million increase in compensation and benefits expense is due to a $0.3 million increase in the actuarial calculated pension expense and a $2.5 million increase in compensation and benefits. The compensation and benefits increase is related to a 2% cost of living increase implemented in July 2016 as well as a 4.9% increase in benefits expense. In addition, College enrollment was up by 7% which led to new full and part time positions being filled.

The decrease in other operating expenses is mainly due to the cancellation of the College's contract with SACCO Dining Services. In fiscal year 2015 the College paid $1.1 million to SACCO Dining Services. In addition there was a decrease of $0.3 million in the College's bad debt expense due to increased collection efforts. The remaining $0.3 million difference is due to a decrease in the College's miscellaneous expenses.

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 FOR THE YEAR ENDED JUNE 30	2016	2015
Cash provided (used) by:		
Operating activities	$(29,730,708)	$(27,311,838)
Noncapital financing activities	31,907,337	31,298,696
Capital financing activities	(2,299,431)	(1,898,877)
Investing activities	2,939,386	(2,933,815)
Net change in cash	2,816,584	(845,834)
Cash and cash equivalents - beginning of year	8,193,357	9,039,191
Cash and cash equivalents - end of year	$11,009,941	$8,193,357

The net cash used by operating activities increased $2.4 million due to an increase in compensation and benefits cash outflow of $3.0 million. This was offset by a $0.5 million cash inflow from collections on tuition and fees and pledges receivable.

Investing activities brought in cash of $2.9 million for a total increase of $5.9 million. This increase is due to an increase in maturing investments and a decrease in investment purchases.

ECONOMIC OUTLOOK

The College's enrollment increased 7% to 5,111 students in the Fall Semester of the year ended June 30, 2016 as compared to 4,779 students enrolled in the Fall Semester of the prior year. Full time equivalents increased 4% from 3,746 to 3,909. In addition, every dorm in the resident halls was under contract for the Fall 2015 semester and 93% full for the 2016 Spring semester. 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, Controllers Office, 150 East College Avenue, Ephraim, Utah 84627.

FINANCIAL STATEMENTS

SNOW COLLEGE STATEMENT OF NET POSITION AT JUNE 30, 2016

ASSETS	
Current assets	
Cash and cash equivalents (Notes 1 and 3)	$7,443,780
Short-term investments (Notes 1 and 3)	5,572,047
Accounts, interest, and pledges receivable, net (Note 4)	842,709
Accounts due from primary government (Note 7)	255,366
Notes receivable, net (Note 4)	10,565
Inventories (Note 1)	131,710
Prepaid expenses and other assets	185,651
Total current assets	14,441,828
Noncurrent assets	
Restricted cash and cash equivalents (Notes 1 and 3)	3,566,161
Restricted investments (Notes 1 and 3)	5,735,969
Investments (Notes 1 and 3)	4,452,508
Accounts, interest, and pledges receivable, net (Note 4)	300,000
Capital assets, net (Note 5)	89,335,422
Net pension asset	172
Total noncurrent assets	103,390,232
Total assets	117,832,060
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows relating to pensions (Note 9)	1,760,818
Total deferred outflows of resources	1,760,818

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continued

SNOW COLLEGE STATEMENT OF NET POSITION AT JUNE 30, 2016

LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities (Note 6)	1,558,565
Accounts due to primary government (Note 7)	550,809
Unearned revenue (Note 1)	386,927
Deposits	525,890
Compensated absences and termination benefits (Notes 1 and 8)	490,123
Contracts payable (Note 8)	63,892
Contracts due to primary government (Note 8)	48,292
Bonds payable (Note 8)	522,060
Total current liabilities	4,146,558
Noncurrent liabilities	
Compensated absences and termination benefits (Notes 1 and 8)	569,857
Contracts payable (Note 8)	824,374
Bonds payable (Note 8)	14,504,144
Net pension liability (Note 9)	4,449,365
Total noncurrent liabilities	20,347,740
Total liabilities	24,494,298
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows relating to pensions (Note 9)	431,798
Total deferred inflows of resources	431,798
NET POSITION	
Net investment in capital assets	73,513,705
Restricted for:	
Nonexpendable items	
Scholarships	5,750,345
Expendable items	
Scholarships	1,274,329
Loans	356,093
Debt	1,946,880
Other	4,098,274
Unrestricted	7,727,156
Total net position	$94,666,782

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, 2016

OPERATING REVENUES AND EXPENSES	
Revenues	
Student tuition and fees (net of allowances of $5,866,990)	$8,864,774
Operating contracts	280,407
Sales and services of educational departments (net of cost of sales of $59,469)	86,571
Auxiliary enterprises (net of allowances of $845,026)	3,498,761
Other operating revenues	1,532,575
Total operating revenues	14,263,088
Expenses	
Compensation and benefits	28,185,431
Actuarial calculated pension expense	888,039
Scholarships	4,230,071
Supplies and other services	10,133,551
Utilities	1,620,058
Depreciation	4,558,158
Other operating expenses	491,017
Total operating expenses	50,106,325
Operating loss	(35,843,237)
NONOPERATING REVENUES (EXPENSES)	
State appropriations	23,392,089
Gifts	1,282,711
Nonoperating grants	7,976,287
Investment and interest income	342,755
Other nonoperating revenues (expenses)	(612,258)
Total nonoperating revenues	32,381,584
Income (loss) before capital and permanent endowment revenues	(3,461,653)
Additions to permanent endowments	71,351
Total permanent endowment revenue	71,351
Increase (decrease) in net position	(3,390,302)

continued

continued

SNOW COLLEGE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2016

NET POSITION	
Net position – beginning of year as previously reported	96,762,567
Prior period adjustments (Note 2)	1,294,517
Net position – beginning of year, as adjusted	98,057,084
Net position – end of year	$94,666,782

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

SNOW COLLEGE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	$9,397,899
Receipts from operating contracts	280,407
Receipts from auxiliary enterprises	4,343,787
Collection of loans to students	59,606
Other receipts	1,677,604
Payments to suppliers	(12,190,506)
Payments for student financial aid	(4,230,071)
Payments for employee services and benefits	(29,069,434)
Net cash used by operating activities	(29,730,708)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State appropriations	22,469,467
Receipts from grants and contracts	8,083,808
Receipts from gifts	1,282,711
Receipts for permanent endowments	71,351
Net cash provided by noncapital financing activities	31,907,337
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets	(1,048,659)
Interest paid on capital debt and leases	(639,711)
Principal paid on capital debt and leases	(611,061)
Net cash used by capital financing activities	(2,299,431)

continued

continued

SNOW COLLEGE STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale/maturity of investments	8,263,074
Receipt of interest/dividends from investments	539,731
Purchase of investments	(5,863,419)
Net cash provided by investing activities	2,939,386
Net increase in cash	2,816,584
Cash and cash equivalents – beginning of year	8,193,357
Cash and cash equivalents – end of year	$11,009,941
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$(35,843,237)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation expense	4,558,158
Repair and maintenance expense paid by State	922,622
Other operating activites not requiring cash	679,465
Changes in assets and liabilities:	
Receivables, net	(106,721)
Loans receivable, net	44,606
Inventories	193,303
Prepaid expenses	(73,644)
Accounts payable and accrued liabilities	(79,887)
Unearned revenue	(24,619)
Deposits	(4,790)
Compensated absences and termination benefits	96,183
Net pension asset	988
Deferred outflows of resources	(1,243,793)
Net pension liability	1,036,617
Deferred inflows of resources	114,041
Net cash used by operating activities	$(29,730,708)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Adjustments in fair value of investments	$98,897
In Kind Donations	554,057
Total noncash activities	$652,954

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

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.* Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The College distributes earnings from pooled investments based on the average daily investment of each participating account, or for endowments, according to the College's spending policy.

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.

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 REVENUES

Unearned 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.

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 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's 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 monthly 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 is passed onto the retiree.

There were 4 new retirees who received termination benefits under the College's early retirement program during fiscal year 2016.

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 2016 and for each additional year thereafter. The liability was calculated using a discount rate of 0.58%, 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, 2016 was $45,768.

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. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the College's financial statements report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the College's financial statements report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

M. 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.

N. 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.

O. 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.

P. 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

On December 19, 2014, the Foundation gifted land and a building located in Deseret, Utah to a third party. The property had a cost basis of $226,283. Accumulated depreciation related to the property was $20,800. As a result, fiscal year 2016 beginning net position was reduced by $205,483 to reflect the loss on disposal of this property.

On October 21, 2014, the Foundation received notification of a $1,500,000 pledge from a third party for construction of the new science building on the College's Ephraim campus. This pledge was contingent on the College receiving appropriations from the Utah State Legislature. In March 2015, the Utah State Legislature approved the College's request for funding for its new science building. Pledge revenue and receivables should have been recorded at this time. As a result, fiscal year 2016 beginning net position was increased by $1,500,000 to reflect the pledge revenue related to this agreement.

NOTE 3. DEPOSITS AND INVESTMENTS

Cash & Cash Equivalents and Investments
Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.* Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The College does not have a spending policy for distributions of pooled investments or endowments.

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, 2016, $448,010 of the College's bank balances of $585,157 was uninsured and uncollateralized.

B. 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 College follows the requirements of the Utah Money Management Act (Utah Code, Title 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of 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 entity follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and the College's Endowment Fund Investment Policy.

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 (PTIF).

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission (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 of the PTIF, net of administration fees, 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.

The UPMIFA and the Endowment Investment Policy 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 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.

Fair Value of Investments

The College measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- ***Level 1:*** Quoted prices for identical investments in active markets;
- ***Level 2:*** Observable inputs other than quoted market prices; and,
- ***Level 3:*** Unobservable inputs.

At June 30, 2016, the College had the following recurring fair value measurements.

FAIR VALUE MEASUREMENTS	6/30/2016	LEVEL 1	LEVEL 2	LEVEL 3
Investments by fair value level				
Debt Securities				
Corporate Bonds	$6,843,267	$-	$6,843,267	$-
Municipal/Public Bonds	1,897,116	-	1,897,116	-
Money Market Mutual Funds	721,991	721,991	-	-
Bond Mutual Funds	3,436,738	3,436,738	-	-
Utah Public Treasurers' Investment Fund	9,702,794	-	9,702,794	-
Total debt securities	22,601,906	4,158,729	18,443,177	-
Equity Securities				
Common and preferred stock	177,237	177,237	-	-
Equity Mutual Funds	3,425,121	3,425,121	-	-
Total equity securities	3,602,358	3,602,358	-	-
Other				
Assets Held for Resale	44,893	-	-	44,893
Total investments by fair value level	$26,249,157	$7,761,087	$18,443,177	$44,893

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

- Corporate and Municipal Bonds: quoted prices for similar securities in active markets; and
- Utah Public Treasurers' Investment Fund: application of the June 30, 2016 fair value factor, as calculated by the Utah State Treasurer, to the College's average daily balance in the Fund;

Other Investments classified in Level 3 are valued using the present value of expected future sales.

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 State's Money Management Act or the UPMIFA and Endowment Investment Policy, as applicable. For non-endowment funds, Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days - 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 10 years for institutions of higher education. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years. For endowment funds, the Endowment Investment Policy is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2016, the College had the following investments and maturities:

INVESTMENTS AND MATURITIES

		Investment Maturities (in Years)			
Investment Type	Fair Value	< 1	1-5	6-10	> 10
Municipal/Public Bonds	$1,897,116	$1,386,041	$511,075	-	-
Bond Mutual Funds	3,436,738	3,436,738	-	-	-
Corporate Bonds	6,843,267	4,186,005	2,657,262	-	-
Money Market Mutual Funds	721,991	721,991	-	-	-
Utah Public Treasurers' Investment Fund	9,702,794	9,702,794	-	-	-
	$22,601,906	$19,433,569	$3,168,337	$-	$-
Equities and Equity Funds	3,602,358				
Total	$26,204,264				

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 State's Money Management Act, the UPMIFA, and the Endowment Investment Policy, as previously discussed.

At June 30, 2016, the College had the following investments and quality ratings:

INVESTMENTS AND QUALITY RATINGS

		Quality Ratings				
Investment Type	Fair Value	AA	A	BBB	B	Unrated
Municipal/Public Bonds	$1,897,116	$1,897,116	$-	$-	$-	$-
Bond Mutual Funds	3,436,738	-	-	-	-	3,436,738
Corporate Bonds	6,843,267	1,416,018	3,814,190	1,613,059	-	-
Money Market Mutual Funds	721,991	-	-	-	-	721,991
Utah Public Treasurers' Investment Fund	9,702,794					9,702,794
Certificates of Deposit	-	-	-	-	-	-
	$22,601,906	$3,313,134	$3,814,190	$1,613,059	$-	$13,861,253
Equities and Equity Funds	3,602,358					
Total	$26,204,264					

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 the Endowment Investment Policy, 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, the Endowment Investment Policy references the State Board of Regents Rule 541, Management Reporting of Institutional Investments (Rule 541), which 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.

At June 30, 2016, the College held more than 5% of total investments in securities of Taylorsville Bennion Revenue Bonds. These investments represent 5.2% percent 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, 2016, the College had $6,843,267 in Corporate Bonds which were held by the investment counterparty, and $1,897,116 in Municipal/Public Bonds which were held by the counterparty's trust department or agent but not in the government's name.

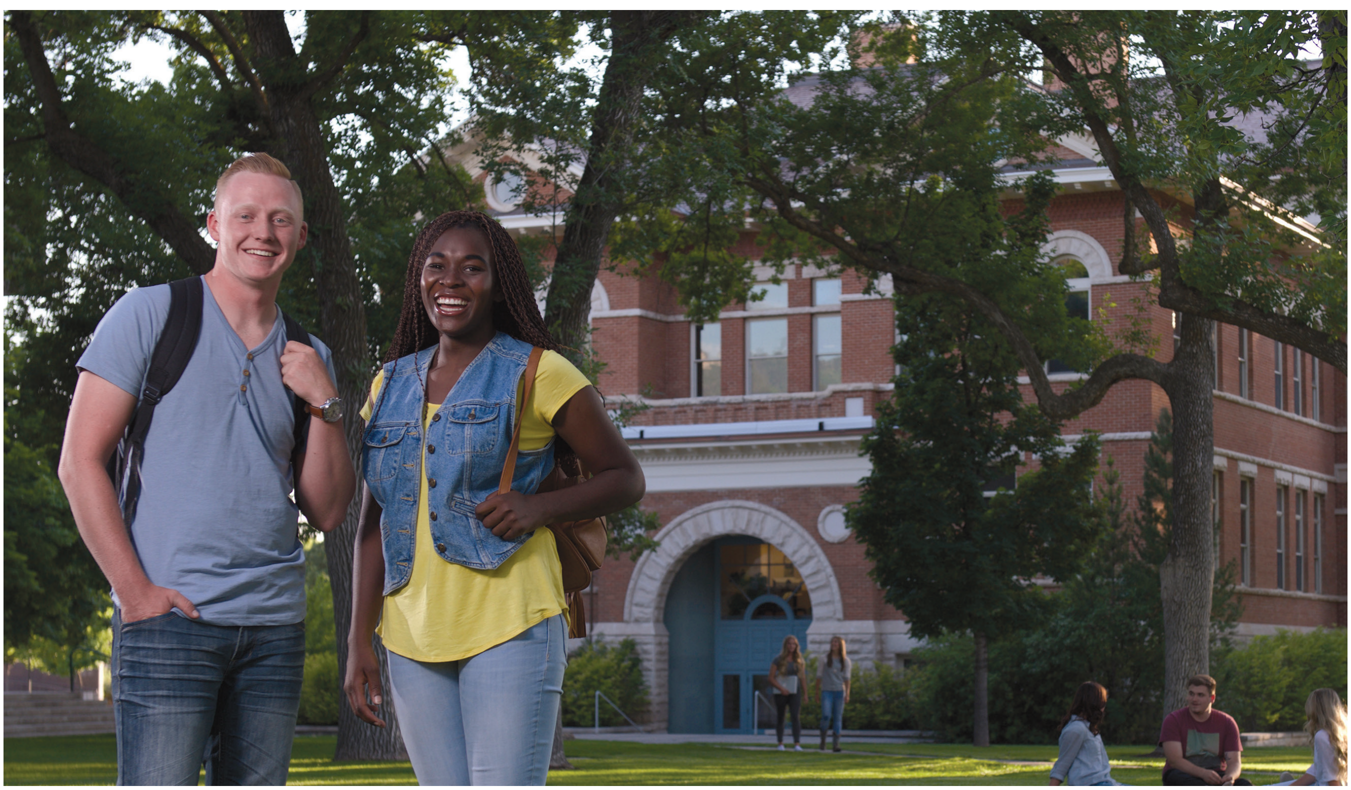
NOTE 4. RECEIVABLES

ACCOUNTS, INTEREST, AND PLEDGES RECEIVABLE AT JUNE 30, 2016 CONSISTED OF THE FOLLOWING:

	Balance	Current Portion
Student tuition and fees receivable	$248,628	$248,628
Grants and contracts receivable	$125,042	$125,042
Auxiliary enterprises and other receivables	$182,199	$182,199
Pledges receivable	$818,500	$518,500
Allowance for doubtful accounts	(231,660)	(231,660)
Net accounts, interest, and pledges receivable	$1,142,709	$842,709

NOTES RECEIVABLE AT JUNE 30, 2016 CONSISTED OF THE FOLLOWING:

	Balance	Current Portion
Student loans receivable	$10,565	$10,565
Allowance for doubtful accounts	-	-
Net notes receivable	$10,565	$10,565



NOTE 5. CAPITAL ASSETS

CAPITAL ASSETS AT JUNE 30, 2016 CONSISTED OF THE FOLLOWING:

	Balance June 30, 2015 *	Additions	Deletions	Balance June 30, 2016
Capital Assets not being depreciated				
Land	$3,390,127	$-	$-	$3,390,127
Works of Art	65,000	245,500	-	310,500
Construction in Progress	26,162	207,837	-	233,999
Capital Assets being depreciated				
Buildings	139,450,076	-	-	139,450,076
Improvements	7,924,512	-	-	7,924,512
Equipment	6,553,013	564,991	133,434	6,984,570
Library materials	1,301,250	30,331	10,010	1,321,571
Total capital assets	158,710,140	1,048,659	143,444	159,615,355
Less accumulated depreciation:				
Buildings	54,508,563	3,664,819	-	58,173,382
Improvements	4,960,766	320,674	-	5,281,440
Equipment	5,530,419	528,960	123,677	5,935,702
Library materials	855,715	43,704	10,010	889,409
Total accumulated depreciation	65,855,463	4,558,157	133,687	70,279,933
Total capital assets, net of depreciation	$92,854,677	$(3,509,498)	$9,757	$89,335,422

* The June 30, 2015 amounts include the prior period adjustments discussed in Note 2.

NOTE 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES AT JUNE 30, 2016 CONSISTED OF THE FOLLOWING:

Vendors payable	$503,384
Wages payable	292,904
Federal payroll tax payable	379,460
Interest payable	18,906
Other payroll accruals	363,911
Total accounts payable and accrued liabilities	$1,558,565

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 the year ended June 30, 2016.

ACCOUNTS DUE FROM PRIMARY GOVERNMENT CONSISTED OF THE FOLLOWING AT JUNE 30, 2016:

Salt Lake Community College	$17,358
University of Utah	20,439
Utah State Office of Education	133,380
Utah State Tax Commission	15,512
Utah Department of Corrections	48,316
Utah State University	20,361
Total	$255,366

ACCOUNTS DUE TO PRIMARY GOVERNMENT CONSISTED OF THE FOLLOWING AT JUNE 30, 2016:

Public Employees Health Plan	$370,380
Utah Retirement Systems	83,266
Utah State Tax Commission	68,050
State of Utah Department of Administrative Services	27,134
Other related parties	1,979
Total	$550,809

NOTE 8. LONG-TERM LIABILITIES

CHANGES IN LONG-TERM LIABILITIES FOR THE YEAR ENDED JUNE 30, 2016 WERE AS FOLLOWS:

	June 30, 2015 Balance	Additions	Reductions	June 30, 2016 Balance	Current Portion
Net Pension Liability	$3,412,748	$1,036,617	$-	4,449,365	$-
Compensated absences	732,917	616,190	548,532	800,575	374,809
Termination benefits	230,880	45,768	17,243	259,405	115,314
Contracts payable	950,732	-	62,466	888,266	63,892
Contracts due to primary government	94,826	-	46,534	48,292	48,292
Bonds payable	15,380,000	-	495,000	14,885,000	515,000
Unamortized bond premium/discount	148,265	-	7,061	141,204	7,060
Total long-term liabilities	$20,950,368	$1,698,575	$1,176,836	$21,472,107	$1,124,367

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 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, 2016 ARE AS FOLLOWS:

Fiscal Year	Principal	Interest	Total
2017	$63,892	$18,745	$82,637
2018	65,354	17,283	82,637
2019	66,855	15,782	82,637
2020	68,395	14,242	82,637
2021	69,977	12,659	82,636
2022-2026	337,501	41,953	379,454
2027-2029	216,292	8,709	225,001
Total	$888,266	$129,373	$1,017,639

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. The College's final payment will be made in the first quarter of the 2017 fiscal year. The final payment will total $49,923 which consists of principal of $48,292 and interest of $1,631.

C. Bonds Payable
In June 2011, the State Board of Regents issued revenue bonds (Series 2011, $16,810,000 2.0% - 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. For fiscal year 2016, interest incurred on the bonds was $621,698.

FOR THE YEAR ENDED JUNE 30, 2016, THE RECEIPTS AND DISBURSEMENTS OF PLEDGED REVENUES WERE AS FOLLOWS:

Receipts	
Housing system revenue	$1,972,153
Student building fees	488,302
Bond account earnings	4,778
Total receipts	2,465,233
Disbursements	
Housing system expenses	815,378
Excess of Pledged Receipts over Expenses	1,649,855
Debt Service Principal and Interest Payments	$1,116,698

THE SCHEDULED MATURITIES OF THE REVENUE BONDS ARE AS FOLLOWS:

Fiscal Year	Principal	Interest	Total
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	585,000	534,473	1,119,473
2022-2026	3,260,000	2,324,638	5,584,638
2027-2031	3,105,000	1,630,745	4,735,745
2032-2036	5,770,000	682,425	6,452,425
Total bonds outstanding	14,885,000	7,474,821	22,359,821
Bond premium	141,204	-	141,204
Total bonds payable	$15,026,204	$7,474,821	$22,501,025

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 Employee System) is a multiple employer public employees, 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 Annotated 1953, as amended. 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.

PENSION PLANS AND RETIREMENT BENEFITS

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 25 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% or 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:

CONTRIBUTION RATES

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer rate for 401(k) Plan
Noncontributory System				
State & School Division Tier 1	N/A	N/A	22.19%	1.50%
Contributory System				
State & School Division Tier 1	N/A	6.00%	17.70%	N/A
State & School Division Tier 2	N/A	N/A	18.24%	1.78%
Public Safety Systems				
Other Division A Noncontributory Tier 1	N/A	N/A	41.35%	N/A

For fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

EMPLOYER AND EMPLOYEE CONTRIBUTIONS TO THE SYSTEMS

	Employer Contributions	Employee Contributions
Noncontributory System	$836,423	N/A
Contributory System	7,357	-
Public Safety Systems	22,979	-
Tier 2 Public Empolyees System	103,260	-
Total Contributions	$970,019	$-

At June 30, 2016, the College reported a net pension asset of $172 and a net pension liability of $4,449,365.

NET PENSION ASSETS AND NET PENSION LIABILITIES

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.13674220%	$-	$4,295,464
Contributory System	0.12930110%	-	81,027
Public Safety System	0.03384980%	-	72,874
Tier 2 Public Employees System	0.07858550%	172	-
Total Net Pension Asset/Liability		$172	$4,449,365

The net pension asset and liability were measured as of December 31, 2015. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015 and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the Systems during the plan year.

For the year ended June 30, 2016, the College recognized a pension expense of $888,039.

At June 30, 2016, the College's portion of the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources.

DEFFERED OUTFLOWS AND INFLOWS OF RESOURCES

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$-	$343,340
Changes in Assumptions	-	88,458
Net difference between projected and actual earnings on pension plan investments	1,181,420	-
Changes in proportion and differences between contributions and proportionate share of contributions	86,922	-
Contributions subsequent to the measurement date	492,476	-
Total	$1,760,818	$431,798

Of the amount reported as deferred outflows of resources related to pension, $492,476 resulted from contributions made by the College prior to their fiscal year end, but subsequent to the measurement date of December 31, 2015. 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
2016	$187,168
2017	187,168
2018	198,943
2019	265,435
2020	(413)
Thereafter	(1,752)

Actuarial Assumptions

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation

2.75 Percent

Salary Increases

3.50 - 10.50 Percent, average, including Inflation

Investment Rate of Return

7.50 Percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Sal AA, a model developed by the Society of Actuaries.

The following assumption changes were adopted from the most recent actuarial experience study: a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.5%, a modification to the rate of salary increases for most groups, a decrease in the payroll growth assumption from 3.5% to 3.25%. The post retirement mortality assumption for female educators improved and the pre-retirement mortality assumption had minor changes. Additional changes were made to certain demographic assumptions. As a result, more members are anticipated to terminate employment prior to retirement, slightly fewer members are expected to become disabled, and members are expected to retire at a slightly later age.

The actuarial assumption used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the 5 year period ending December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are 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 discount rate does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

The following presents the proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability/(asset) 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:

PROPORTIONATE SHARE OF NET PENSION (ASSET)/LIABILITY

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontibutory System	$7,774,628	$4,295,464	$1,378,181
Contibutory System	183,203	81,027	(5,649)
Public Saftey System	127,574	72,874	27,768
Tier 2 Public Employee System	31,460	(172)	(24,145)
Total Net Pension (asset)/liability	$8,116,865	$4,449,193	$1,376,155

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 State and School Noncontributory and Tier 2 State pension plans are also participants in qualified contributory 401(k) and 457 savings plans administered by the System. The College is required to contribute 1.50% and 1.78%, respectively of the employee's annual salary to a 401(k) plan administered by the Systems. For employees participating in the Tier 2 Public Employee defined contribution plan, the Colleges is required to contribute 20.02% of the employee's annual salary, of which 10.00% is paid into a 401(k) plan while the remainder is contributed to the Tier 1 Contributory Public Employee System, as required by law. Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, 2016 were as follows:

EMPLOYEE AND EMPLOYER CONTRIBUTIONS TO THE UTAH RETIREMENT DEFINED CONTRIBUTION SAVINGS PLANS

	2016
401(k) Plan	
Employer Contributions	$76,421
Employee Contributions	93,679
457(b) Plan	
Employer Contributions	-
Employee Contributions	7,425
Tier 2 DC Only	
Employer Contributions	10,443

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 ending June 30, 2016, the College's contribution to this defined contribution plan was 14.2% of the employee's annual salary or $1,512,662, Employee contributions totaled $129,277 for the same year. 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, 2016, the College had an outstanding commitment to DFCM for construction of their new science building of $2,790,495. 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 new 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.

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 a dependent foundation of the College and 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, 2016 is presented below and on the following pages.

FOUNDATION CONDENSED STATEMENT OF NET POSITION AT JUNE 30, 2016

	Total
ASSETS	
Current Assets	$72,626
Noncurrent Investments	44,892
Capital Assets	546,008
Total Assets	663,526
LIABILITIES	
Current Liabilities	6,472
Noncurrent Liabilities	31,223
Total Liabilities	37,695
NET POSITION	
Net Investment in Capital Assets	508,870
Unrestricted	116,961
Total Net Position	$625,831

FOUNDATION CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2016

	Total
OPERATING REVENUES	
Operating Revenues	$-
Total Operating Revenues	-
OPERATING EXPENSES	
Compensation and Benefits	9,531
Depreciation	4,827
Operating Expenses	26,609
Total Operating Expenses	40,967
Operating Income (Loss)	(40,967)
NONOPERATING REVENUES (EXPENSES)	
Donations	41,514
Investment and Interest Income	-
Net Nonoperating Revenues (Expenses)	41,514
Increase (Decrease) in Net Position	547
NET POSITION	
Net Position, Beginning of year	830,767
Net Position Restatement	(205,483)
Net Position, Beginning of year as adjusted	625,284
Net Position, End of year	$625,831

FOUNDATION CONDENSED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

Net Cash Provided (Used) by Operating Activities	$(25,773)
Net Cash Provided (Used) by Noncapital Financing Activities	(12,178)
Net Cash Provided (Used) by Capital Financing Activities	(5,626)
Net Cash Provided (Used) by Noncapital Investing Activities	7,926
Net Increase (Decrease) in Cash and Cash Equivalents	(35,651)
Cash and Cash Equivalents, beginning of year	27,608
Cash and Cash Equivalents, end of year	$(8,043)

Noncash Investing Activities	
In kind Donations	53,691
Total Noncash Investing Activities	$53,691

NOTE 14. SUBSEQUENT EVENTS

In August 2016, the Utah Retirement Systems board approved to change the discount rate of 7.5%, previously used to calculate the net pension liability, to 7.2%. This reduction will increase both the collective net pension liability to be calculated as of December 31, 2016 and the College's share of this liability. However, the monetary effect of this change is not known.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Snow College's Proportionate Share of the Net Pension Liability
Noncontributory, Contributory, Public Safety, and Tier 2 Public Employees Systems of the Utah Retirement Systems
Last 2 Years*

	December 31, 2015	December 31, 2014
NONCONTRIBUTORY SYSTEM		
Proportion of Net Pension Liability (Asset)	0.13674220%	0.13337391%
Proportionate Share of Net Pension Liability (Asset)	$4,295,464	$3,360,233
Covered Payroll	$3,700,352	$3,703,384
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	116.08%	90.70%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.5%	87.2%
CONTRIBUTORY SYSTEM		
Proportion of Net Pension Liability (Asset)	0.12930110%	0.20220730%
Proportionate Share of Net Pension Liability (Asset)	$81,027	$22,172
Covered Payroll	$40,959	$74,630
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	197.82%	29.70%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.4%	98.7%
PUBLIC SAFETY SYSTEM		
Proportion of Net Pension Liability (Asset)	0.03384980%	0.01632910%
Proportionate Share of Net Pension Liability (Asset)	$72,874	$30,343
Covered Payroll	$64,819	$43,483
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	112.43%	69.80%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.3%	84.3%
TIER 2 PUBLIC EMPLOYEES SYSTEM		
Proportion of Net Pension Liability (Asset)	0.07858550%	0.03828340%
Proportionate Share of Net Pension Liability (Asset)	$(172)	$(1,160)
Covered Payroll	$507,818	$188,347
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	-0.03%	-0.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.2%	103.5%

* 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.

SCHEDULE OF SNOW COLLEGE'S DEFINED BENEFIT PENSION CONTRIBUTIONS

NONCONTRIBUTORY SYSTEM	2016	2015
Contractually Required Contribution	$836,423	$846,427
Contributions in Relation to the Contractually Required Contribution	(836,423)	(846,427)
Contribution Deficiency (Excess)	$-	$-
Covered Payroll	$3,796,112	$3,642,981
Contributions as a Percentage of Covered Payroll	22.03%	23.23%

CONTRIBUTORY SYSTEM	2016	2015
Contractually Required Contribution	$7,357	$7,143
Contributions in Relation to the Contractually Required Contribution	(7,357)	(7,143)
Contribution Deficiency (Excess)	$-	$-
Covered Payroll	$41,565	$40,354
Contributions as a Percentage of Covered Payroll	17.70%	17.70%

PUBLIC SAFETY SYSTEM	2016	2015
Contractually Required Contribution	$22,979	$8,146
Contributions in Relation to the Contractually Required Contribution	(22,979)	(8,146)
Contribution Deficiency (Excess)	$-	$-
Covered Payroll	$81,885	$44,126
Contributions as a Percentage of Covered Payroll	28.06%	18.46%

TIER 2 CONTRIBUTORY SYSTEM**	2016	2015
Contractually Required Contribution	$103,260	$27,891
Contributions in Relation to the Contractually Required Contribution	(103,260)	(27,891)
Contribution Deficiency (Excess)	$-	$-
Covered Payroll	$566,120	$397,276
Contributions as a Percentage of Covered Payroll	18.24%	7.02%

* The College began participating in the Public Safety System in 2014.

** Contributions in the Tier 2 System includes an amortization rate to help fund the unfunded liability in the Tier 1 Contributory systems.

*** The Tier 2 Contributory System began enrollments in fiscal year 2012. Prior to the implementation of GASB Statements No. 68 and 71, Tier 2 information was not separately available.

2014	2013	2012	2011	2010	2009	2008	2007
$775,865	$721,092	$665,236	$691,667	$571,835	$663,394	$657,573	$638,944
(775,865)	(721,092)	(665,236)	(691,667)	(571,835)	(663,394)	(657,573)	(638,944)
$-	$-	$-	$-	$-	$-	$-	$-
$3,728,658	$3,867,489	$3,994,469	$4,238,154	$4,021,345	$4,665,224	$4,624,282	$4,493,280
20.81%	18.64%	16.65%	16.32%	14.22%	14.22%	14.22%	14.22%

2014	2013	2012	2011	2010	2009	2008	2007
$17,395	$21,989	$18,201	$38,003	$35,042	$40,000	$37,224	$39,332
(17,395)	(21,989)	(18,201)	(38,003)	(35,042)	(40,000)	(37,224)	(39,332)
$-	$-	$-	$-	$-	$-	$-	$-
$108,920	$154,093	$147,136	$213,141	$222,774	$254,290	$236,644	$250,045
15.97%	14.27%	12.37%	17.83%	15.73%	15.73%	15.73%	15.73%

2014	2013*	2012*	2011*	2010*	2009*	2008*	2007*
$6,062	N/A	N/A	N/A	N/A	N/A	N/A	N/A
(6,062)							
$-							
$37,011							
16.38%							

2014	2013	2012	2011***	2010***	2009***	2008***	2007***
$10,752	$8,040	$2,673	N/A	N/A	N/A	N/A	N/A
(10,752)	(8,040)	(2,673)					
$-	$-	$-					
$173,902	$107,256	$35,211					
6.18%	7.50%	7.59%					