2016
ANNUAL FINANCIAL REPORT

Salt Lake Community College

A Component Unit of The State of Utah

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As a publicly funded, higher education institution in Utah, Salt Lake Community College is in good financial health. We continue to grow and evolve toward meeting the educational needs of the diverse communities throughout Salt Lake County that are served by our campuses and locations.

This 2016 report highlights the College's overall financial well-being and the alignment of our resources to fulfill our mission.

SLCC continues to be a national leader in associate degrees awarded without sacrificing quality or smaller class sizes. And we will continue to be a model for inclusive and transformative education, strengthening the communities we serve through the success of our students.

Thank you for your continued support of the College and our students.

Most sincerely,

Deneece G. Huftalin

Deneece G. Huftalin, PhD
President

OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Deneece Huftalin, President
Salt Lake Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Salt Lake Community College (the College), and its discretely presented component unit foundation, 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. The College is a component unit of the State of Utah.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit foundation, as of June 30, 2016, and the respective changes in financial position and, where applicable, 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 the Management's Discussion and Analysis on pages 8–16 and the College's Schedule of Pension Contributions and Schedule of Proportionate Share of the Net Pension Liability on pages 44–46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The President's Message and the listing of the Governing Boards and Executive Cabinet are presented for additional information and are not a required part of the basic financial statements. This message and the listing have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 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
February 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

Salt Lake Community College (the College) is pleased to provide its basic financial statements for the fiscal year ended June 30, 2016. The following discussion provides an overview of the College's financial position and fiscal activity for the period, with selected comparative information from the previous fiscal year. This analysis was prepared by management and should be read in conjunction with the accompanying audited financial statements and footnotes.

The College first opened for classes on September 14, 1948. The College operates in accordance with Section 53B-2-101 of the Utah Code Annotated 1953, as amended, and falls under the direction and control of the Utah State Board of Regents.

The College is a public, open-access, comprehensive community college committed to serving the broader community. The College's strategic plan includes the following vision, mission and strategic goals:

> Our Vision: Salt Lake Community College will be a model for inclusive and transformative education, strengthening the communities we serve through the success of our students.
>
> Our Mission: Salt Lake Community College is your community college. We engage and support students in educational pathways leading to successful transfer and meaningful employment.
>
> Our Strategic Goals:
> - Increase student completion
> - Improve transfer preparation and pathways
> - Align with and respond to workforce needs
> - Achieve equity in student participation and completion
> - Secure institutional sustainability and capacity

The College has two component units. The Grand Theatre Foundation (the Grand Theatre) is reported as a blended component unit and is included in the condensed statements and analysis below. In addition, separately condensed financial statements for the Grand Theatre are presented in Footnote 9 to the accompanying financial statements. The Salt Lake Community College Foundation (the Foundation) is reported discretely in a separate column and issues separately audited financial statements. A complete Foundation audit report can be obtained from the Salt Lake Community College Development Office at 801-957-4247. Because it is reported separately, the Foundation's balances and activities are not included in this management discussion and analysis.

The College's Annual Financial Report is prepared in accordance with Governmental Accounting Standards Board (GASB) Statements and related authoritative pronouncements. The annual report includes three primary financial statements, each providing 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.

Statement of Net Position

The Statement of Net Position presents the financial position of the College at June 30, 2016, the end of the College's fiscal year, and includes all of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and balances attributable to the College.

From this information, readers are able to identify the nature and amount of assets available for continued operations, how much the College owes its vendors, lending institutions and bond holders, and finally, a picture of the net position and its availability for expenditure.

Net position is divided into three major categories: net investment in capital assets, restricted, and unrestricted. The first category, net investment in capital assets, identifies the College's equity in the property, plant and capitalized equipment owned by the College. The second net position category is restricted, which is divided into two subcategories, nonexpendable and expendable. The corpus of nonexpendable net position is only available for investment purposes. Net position resources categorized as expendable restricted are available for expenditure by the College but only for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The third category is unrestricted net position which is available for expenditure for any lawful purpose of the College. Although this category is not subject to the same externally imposed requirements and stipulations as the restricted net position category, substantially all of the College's unrestricted net position resources have been designated for various academic, construction and technology initiatives.

CONDENSED STATEMENT OF NET POSITION

	June 30, 2016	June 30, 2015	Change	% Change
Assets				
Current Assets	$ 77,784,864	$ 58,155,867	$ 19,628,997	33.8%
Noncurrent Assets	60,789,593	79,066,369	(18,276,776)	(23.1%)
Capital Assets, net	228,817,655	232,105,747	(3,288,092)	(1.4%)
Total Assets	367,392,112	369,327,983	(1,935,871)	(0.5%)
Deferred Outflows of Resources:				
Deferred Outflows of Resources	8,489,528	2,353,223	6,136,305	260.8%
Total Deferred Outflows of Resources	8,489,528	2,353,223	6,136,305	260.8%
Liabilities				
Current Liabilities	24,989,485	32,120,617	(7,131,132)	(22.2%)
Noncurrent Liabilities	23,129,875	20,565,231	2,564,644	12.5%
Total Liabilities	48,119,360	52,685,848	(4,566,488)	(8.7%)
Deferred Inflows of Resources:				
Deferred Inflows of Resources	1,830,710	1,284,991	545,719	42.5%
Total Deferred Inflows of Resources	1,830,710	1,284,991	545,719	42.5%
Net Position				
Net Investment in Capital Assets	228,817,655	230,875,551	(2,057,896)	(0.9%)
Restricted - Nonexpendable	833,883	830,992	2,891	0.3%
Restricted - Expendable	7,653,279	7,220,941	432,338	6.0%
Unrestricted	88,626,753	78,782,883	9,843,870	12.5%
Total Net Position	$ 325,931,570	$ 317,710,367	$ 8,221,203	2.6%

Asset Changes

Total assets of the College decreased $1.9 million or 0.5% during the fiscal year ended June 30, 2016. *Current assets* increased $19.6 million which is attributed mostly to an increase in cash equivalents and short term investments of $21.0 million. Overall, total cash and investments increased $3.1 million from the prior year. Investment maturities at any given yearend will vary between less than one year and five years based on market conditions and the College's desire to realize higher rates of return. Consequently, on June 30, 2016, the College's current investments maturing within one year increased while noncurrent investments decreased. This increase was offset by decreases in College inventories and accounts receivable of $0.8 million and $0.8 million respectively. The yearend bookstore inventory decreased by $0.6 million as the need to maintain merchandise diminished due to declining sales and the accessibility of other buying options available to students. The construction in progress costs of student built houses are listed as inventory but there were no construction costs to report this yearend, whereas the College reported $0.2 million of inventory in the prior year. Regarding accounts receivable, the decrease is mainly attributed to the Foundation that owed the College $0.4 million in the prior year but did not have any liability to the College at the end of the current year.

While current assets increased, *noncurrent assets* decreased by $18.3 million, which is mostly attributed to a $18.5 million decrease in investments reclassified to current assets for reasons explained above.

The *capital assets, net of accumulated depreciation,* reduction of $3.3 million represents only a 1.4% decrease. This is the net result of capital additions of $11.6 million less depreciation and capital asset disposals of $14.9 million.

Deferred Outflows of Resources

Deferred outflows of resources of nearly $8.5 million increased by $6.1 million or 260.8% from the prior year. This increase relates to the College's participation in the Utah Retirement Systems (Systems) pension plans. The increase represents a net $0.2 million in reversing the prior year's contributions made by the College to the Systems subsequent to their measurement date of December 31, 2014 and recording the current year's contributions made by the College to the Systems subsequent to their measurement date of December 31, 2015; and $5.0 million as the net difference between projected and actual earnings on pension plan investments; and $0.9 million as the changes in proportion and difference between contributions and proportionate share of the contributions.

Liability Changes

College total liabilities of $48.1 million decreased by $4.6 million or 8.7% from the prior year. The *current liabilities* portion decreased by $7.1 million. Regular accounts payable experienced a $5.1 million decrease partially due to the absence of any investment purchase commitments at yearend, whereas the College had a $2.0 million investment purchase commitment the year before. There was also a $3.3 million decrease in other payables related to normal yearend purchasing activity as compared to the prior yearend. Lastly, the College paid off all financing debt liabilities during the year; thus, current bonds and notes payable decreased by $1.8 million.

Noncurrent liabilities increased by nearly $2.6 million or 12.5% mostly explained by two significant activities. First, the College paid off all debt liabilities resulting in a $3.0 million decrease in notes payable. Second, the net pension liability increased by $5.5 million as reported by the Utah Retirement Systems.

The *current ratio*, which equals current assets divided by current liabilities ($77.8 million divided by $25.0 million), is 3.1 to 1 and represents the College's liquidity or ability to meet its current obligations. Also, total assets of $367.4 million were more than sufficient to meet the College's total liabilities of $48.1 million (debt ratio of .13).

Deferred Inflows of Resources

Deferred inflows of resources of $1.8 million increased by $0.5 million or 42.5% from the prior year. This increase represents a $0.6 million increase in the differences between expected and actual investments by the plan's participants and $0.1 million decrease to changes in assumptions used by the actuaries.

Net Position Changes

Net investment in capital assets decreased by $2.1 million. This is the result of a $3.3 million net decrease in capital asset acquisitions less depreciation and equipment disposals during the year, and decreased bond debt of $1.2 million due to normal repayments of capital debt principal.

Restricted-expendable net position increased moderately by nearly $0.4 million or 6.0%. This change is mostly attributable to the result of the following events. First, the value of the College's alternative investment restricted for the Herriman Campus infrastructure increased $0.2 million from the prior year valuation. Secondly, the unspent balance of gift donations received during the year restricted for capital projects amounted to $0.4 million.

Unrestricted net position increased by $9.8 million, which is the favorable result of unrestricted operating revenues exceeding related operating expenses. As previously mentioned, substantially all the unrestricted resources have been designated for various academic, facilities and technology purposes.

Over time, increases or decreases in total net position is one indicator of general financial well-being when considered along with other factors such as student satisfaction, enrollment patterns, appearance and condition of buildings and grounds, and employee morale. In fiscal year 2016, the College experienced an overall increase in its total net position of $8.2 million or 2.6%. Other conditions affecting net position are explained more fully in the following section.

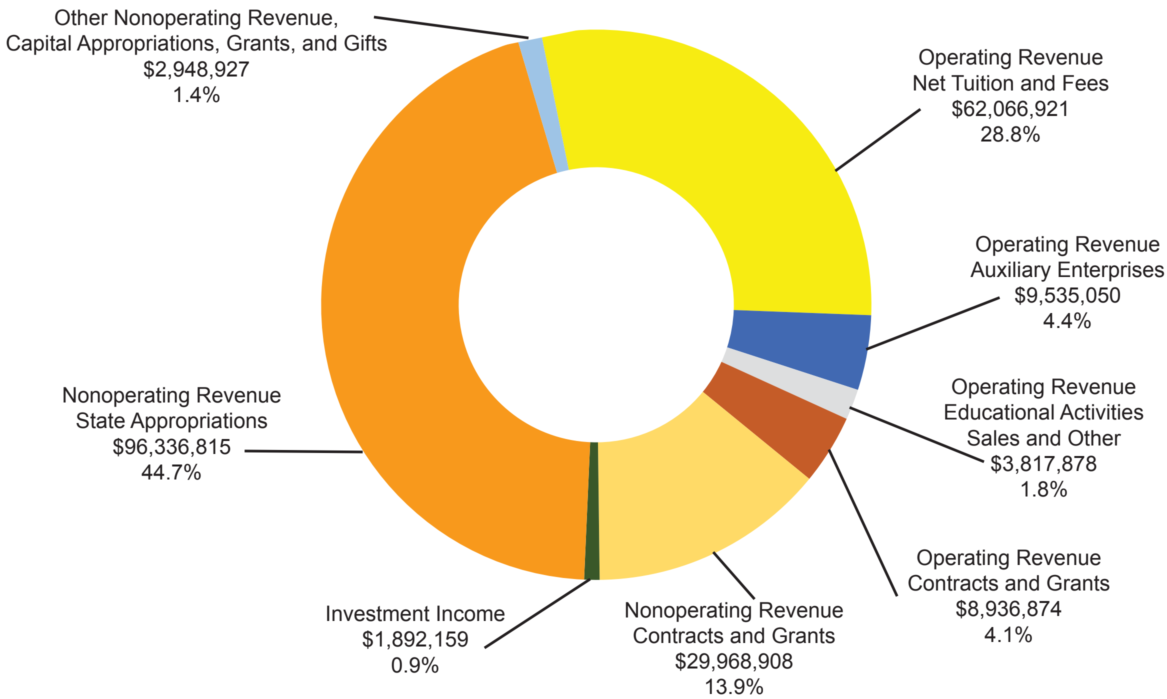
Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position provides information regarding the College's revenues and expenses, operating and non-operating, and other capital revenues, expenses, gains and losses recognized during the year. In general, operating revenues are produced when goods or services are delivered to students, customers and constituents of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided, and to carry out the mission of the College. Non-operating revenues are revenues received for which goods or services are not exchanged. For example, State Appropriations are classified as non-operating revenues because they are provided by the Legislature without the Legislature receiving direct commensurate goods or services in return. As will be clearly noted by the operating loss in the following Statement, without State Appropriations and private gifts the College would not be able to sustain operations with existing tuition levels. These revenue sources are essential to the College's financial stability and directly impact the quality and success of its programs.

CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30, 2016	Year Ended June 30, 2015	Change	% Change
Operating Revenues				
Tuition and Fees (Net)	$ 62,066,921	$ 62,516,311	$ (449,390)	(0.7%)
Contracts and Grants	8,936,874	8,869,905	66,969	0.8%
Auxiliary Enterprises	9,535,050	10,836,554	(1,301,504)	(12.0%)
Other	3,817,878	3,226,168	591,710	18.3%
Total Operating Revenues	84,356,723	85,448,938	(1,092,215)	(1.3%)
Operating Expenses				
Salaries, Wages, and Benefits	130,359,431	122,099,058	8,260,373	6.8%
Scholarships	17,249,032	19,420,579	(2,171,547)	(11.2%)
Depreciation	11,330,681	10,851,175	479,506	4.4%
Other Operating Expenses	48,072,706	50,545,420	(2,472,714)	(4.9%)
Total Operating Expenses	207,011,850	202,916,232	4,095,618	2.0%
Operating Loss	(122,655,127)	(117,467,294)	(5,187,833)	(4.4%)
Nonoperating Revenues (Expenses)				
State Appropriations	96,336,815	90,387,402	5,949,413	6.6%
Contracts and Grants	29,968,908	35,628,392	(5,659,484)	(15.9%)
Investment Income	1,892,159	884,662	1,007,497	113.9%
Other Nonoperating Revenues	898,416	758,995	139,421	18.4%
Other Non-operating Expenses	(270,479)	(402,215)	131,736	32.8%
Net Nonoperating Revenues	128,825,819	127,257,236	1,568,583	1.2%
Income Before Other Revenues	6,170,692	9,789,942	(3,619,250)	(37.0%)
Capital Appropriations, Grants, and Gifts	2,050,511	1,434,458	616,053	42.9%
Total Other Revenues	2,050,511	1,434,458	616,053	42.9%
Increase in Net Position	8,221,203	11,224,400	(3,003,197)	(26.8%)
Net Position - Beginning of Year	317,710,367	320,347,710	(2,637,343)	(0.8%)
Net Position Restatement	-	(13,861,743)	13,861,743	100.0%
Net Position - Beginning of Year Restated	317,710,367	306,485,967	11,224,400	3.7%
Net Position-End of Year	$ 325,931,570	$ 317,710,367	$ 8,221,203	2.6%

Revenue for Year Ended June 30, 2016
$215,503,532



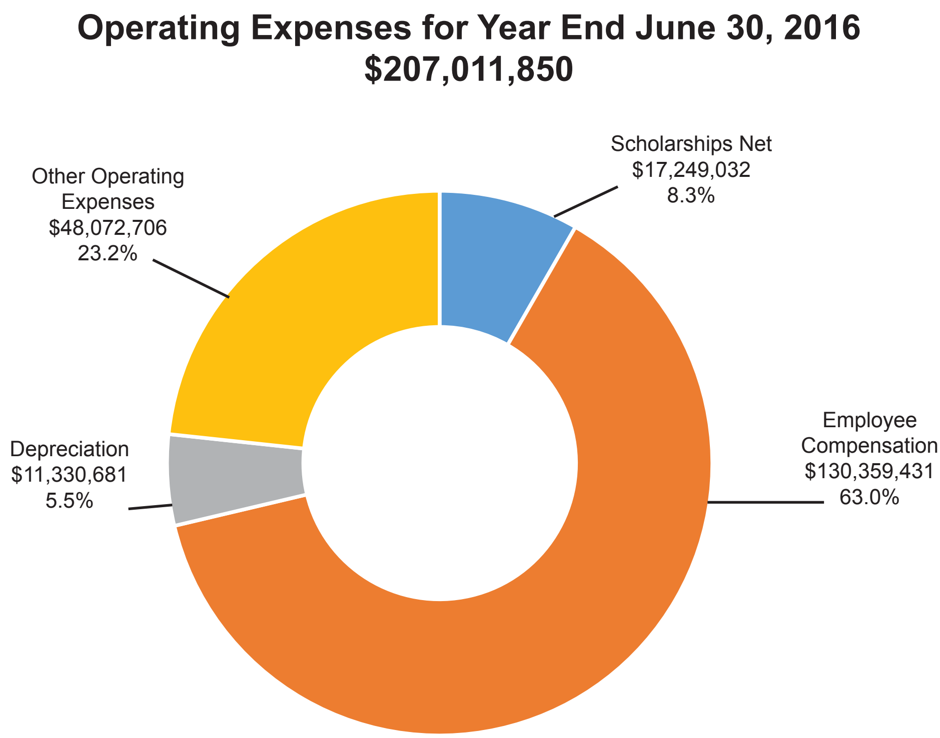
<ins>Operating Revenue Changes</ins>
Major categories of operating revenue for the College include tuition and fees, contracts and grants, auxiliary enterprises, sales and services of educational activities and other revenues.

Total *tuition and fees, net of related scholarship discounts*, decreased by 0.7% or just over $0.4 million. The primary activities contributing to this change are as follows: 1) Although the full-time tuition rate rose modestly by 3.0% to $1,564.75 from $1,519.75 per semester for the 2015-2016 academic year, full-time student enrollment in the fall and spring terms also dropped by approximately 1.5% and 5.5% respectively so both factors contributed to an approximate $0.8 million decrease in tuition revenue. 2) Student participation in the College's professional pilot/flight programs decreased significantly resulting in a $2.5 million decrease in course fees. The decrease is primarily attributed to the College closing the high-cost rotor-helicopter training program. 3) Tuition and fee revenue is adjusted down by a scholarship discount allowance that is eliminated from both revenue and expense. In 2016, this scholarship discount was $2.6 million less than the prior year primarily due to decreased financial aid disbursed to students during the year. GASB requires that scholarships applied to student accounts be eliminated from both tuition revenue and scholarship expense to avoid duplication of revenue in the financial statements. A scholarship discount or allowance is essentially the amount of financial aid received by the College, recorded as appropriations, grants or gifts revenue and subsequently awarded and applied as grants-in-aid or scholarships to student accounts to pay their related tuition and fees.

Operating contracts and grants in total experienced very little change or an increase in revenue of only 0.8%. The College for many years was the lead center for the State Small Business Development Center (SBDC). That partnership ended during the year and the SBDC lead Center was assumed by another state university.

Auxiliary revenues, after inter-fund eliminations, decreased $1.3 million compared to the prior year. Decreased bookstore sales account for nearly all of the decrease which is attributed to lower student enrollment compared to the prior year and the availability of other textbook purchasing options currently available to students.

Other operating revenues experienced a $0.6 million increase or 18.3%. The majority of this increase or $0.4 million is lease rental income derived from new space leases of certain College facilities.



Operating Expenses Changes

Total operating expenses of $207.0 million increased by $4.1 million or only 2.0% from last year. Employee compensation remains the largest expenditure category comprising $130.4 million or 63.0% of the operating expense total.

Employee salaries and wages increased by 6.3% or $5.7 million. At the start of the year, full time staff, part time staff, faculty and adjunct instructors received an average pay increase of 3.5%, 3.5%, 3.35% and 4.17% respectively.

Employee benefits increased by 3.5% or $1.0 million. The College paid portion of the medical benefits increased this year, and the number of retirees receiving benefits under the College's early retirement programs increased by 12.1% or 7 retirees.

Actuarial calculated pension expense increased by 58.4% or $1.6 million. Due to the unique nature of how the actuarial calculated pension expense and other elements of the net pension liability are calculated (changes in pension benefits, contribution rates, return on investments rates, and other actuarial values and assumptions), differences from year to year are outside of the control of the College and can be expected.

Scholarship expense decreased by $2.2 million or 11.2%. The significant changes relate to Federal PELL grants and the scholarship discount allowance. Federal PELL awards to students decreased by $5.6 million attributed to lower student enrollment and utilization by students during the 2016 academic year. The expense is also affected by the calculated scholarship discount amount. In 2016, the scholarship discount was $2.6 million less than the prior year which increased the expense by this amount. The discount was affected by the large decrease in PELL awards. In accordance with generally accepted accounting principles (GAAP) the calculated scholarship discount is eliminated from both scholarship expense and tuition and fee revenue when preparing the financial statements. Other various scholarship accounts experienced a net $0.8 million increase in expenditures a result of normal fluctuations in scholarship donations received and awards disbursed to students in any given year.

Other operating expenses decreased by 4.9% or $2.5 million from the previous year. This category accounts for the general operating costs of the College such as supplies, services, utilities, non-capitalized equipment, travel, remodeling and repair costs. Although changes in operating costs are attributed to normal College purchasing needs that vary from year to year, there were a few significant events contributing to this decrease. First, the pilot/flight program experienced a $3.0 million decrease in payments to outsourced flight providers that is primarily attributed to the College eliminating the high-cost rotor-wing training program. Second, operating costs of College auxiliary services decreased by $1.3 million, the majority of such is related to decreased bookstore sales and cost of goods sold. Third, these decreases were offset by increased plant maintenance and remodeling expenditures of $1.6 million from the previous year.

<u>Nonoperating Revenue and Expense Changes</u>
State Appropriations to the College increased by $5.9 million or 6.6%. The College was fortunate to receive from the State Legislature increases in its Education and General appropriation and School of Applied Technology appropriation of $1.6 million and $0.2 million respectively. Other significant events contributing to the increase include funding provided via the State Board of Regents for various educational initiatives that increased by $1.5 million. In addition, State Appropriations for College facility maintenance projects (non-capitalized) also increased by $2.2 million. State funding for non-capital projects fluctuates from year to year based on State determination of pressing institution facility and infrastructure needs.

Nonoperating contracts and grants revenue decreased 15.9% or $5.7 million, which is nearly all attributed to a decrease in federal PELL grants awarded to students.

Investment income increased 113.9%, or $1.0 million due to four factors. First, the rate of return the College realized on its investment portfolio increased from an average of 1.09% in fiscal year 2015 to 1.23% in fiscal year 2016. Second, there was an unrealized gain in the investment portfolio's fair market value at yearend of approximately $159,000 compared to a loss of $190,000 in the prior year. Third, there was also an unrealized gain in the alternative investment of $211,000 in fiscal year 2016. Finally, the average investment portfolio balance increased from approximately $114.0 million in fiscal year 2015 to $122.0 million in fiscal year 2016.

Other nonoperating revenues consist primarily of non-capital gifts and library fines and the College received approximately $0.1 million more in gifts this year compared to the prior year.

Other nonoperating expenses consist of interest paid on outstanding College debt, losses on disposed fixed assets and student loan cancellations. These expenses decreased by $0.1 million mainly attributed to less interest expense paid towards College debt.

Capital appropriations, grants, and gifts are for specific, one-time or limited events. In fiscal year 2016, the College received $2.1 million or $0.6 million more than the prior year for specific projects. The State transferred two projects totaling $1.6 million to the College: the additional work on the Center for Arts and Media Building on the South City Campus and for a perimeter fencing project on the South side of the Taylorsville-Redwood Campus. The College also received over $0.4 million in capital gifts to help fund the construction of the STEM Resource Center within the Science and Industry building on the Taylorsville-Redwood Campus.

Statement of Cash Flows

The final college-wide statement presented is the Statement of Cash Flows. This Statement presents detailed information about the cash activity of the institution during the fiscal year and gives a general picture of where the College obtains and spends its cash. The Statement is divided into five sections, each of which reflects cash activity based on different types of activities within the institution. The first section shows the cash required by the operations of the College. Since tuition and fees and other operating revenues normally do not cover the operations of a higher education institution, this section usually has more cash used than provided. The second section shows the cash received and spent in noncapital financing activities. This is where the College reports the State Appropriations and gifts received that contribute to the funding of the institution's educational activities. The third section shows the cash activity related to capital and related financing activities. These activities also include cash received for capital gifts and the repayment of principal and interest on any capital debt. The fourth section shows the investing activities of the College including the purchase and sale of investments as well as any investment income received. The fifth and final section of the Statement reconciles the net operating loss from the Statement of Revenues, Expenses and Changes in Net Position to the cash used in operating activities in the first section of the Statement. The condensed statement below reconciles the change in cash to the Statement of Net Position.

CONDENSED STATEMENT OF CASH FLOWS

	Year Ended June 30, 2016	Year Ended June 30, 2015	Change	% Change
Cash Provided (Used) by				
Operating Activities	$ (110,175,947)	$ (110,605,819)	$ 429,872	0.4%
Noncapital Financing Activities	120,681,208	124,391,670	(3,710,462)	(3.0%)
Capital Financing Activities	(7,277,355)	(10,023,341)	2,745,986	27.4%
Investing Activities	(4,012,681)	(5,692,778)	1,680,097	29.5%
Net Change in Cash	(784,775)	(1,930,268)	1,145,493	59.3%
Cash, Beginning of Year	31,912,088	33,842,356	(1,930,268)	(5.7%)
Cash, End of Year	$ 31,127,313	$ 31,912,088	$ (784,775)	(2.5%)

There are many *operating activities* that provide and use cash. This year, net cash flows used from operating activities decreased by $0.4 million or only 0.4%. Although this a relatively small change in total, there were some large changes in certain primary types of activities during the year. Receipts related to tuition and fees decreased by $1.7 million and receipts from auxiliary enterprise operations decreased by $1.2 million. However, the College saw receipts from operating grants and contracts increase by $0.9 million and receipts from lease/rentals increased by $0.5 million. The significant changes in activities that use cash during the year included an increase in payments to employees for salaries and benefits of $7.3 million. This was offset by decreases in payments to suppliers, payments for scholarships and student loan disbursements of $6.7 million, $2.2 million and $0.5 million respectively. The general reasons for all these changes have been explained previously in this discussion.

Cash flows from *noncapital financing activities* decreased by $3.7 million and is mostly attributed to three primary activities. First, the College was pleased to see receipts from State Appropriations increase by $4.1 million in 2016. This was offset by a decrease in receipts from nonoperating grants and contracts of $5.7 million and increased payments towards debt of $3.1 million. In addition to making a final payment on outstanding bonds that matured, the College also paid off all other notes payable during the year.

Cash used by *capital and related financing activities* decreased by $2.7 million attributed mostly to a decrease in cash paid for capital assets by $2.6 million.

Changes in cash flows from *investing activities* are based upon the amount of cash used to purchase investments and the cash received from the sale or maturity of investments during the year, as well as the change in investment income received due to interest rate changes and market conditions. In 2016, the College experienced a net cash outflow (cash used) from investing activities of $4.0 million. This is the result of cash used to purchase investments exceeding cash received from investment maturities by $5.6 million, plus investment income proceeds of $1.6 million.

Capital Asset and Debt Activities

Major capital asset construction activities in 2016 included the following projects. The Center for Arts and Media Building on the South City Campus was completed two years ago; however, more remodeling was made to the building and the costs were capitalized. Additionally, the renovation to ready the building housing the West Valley Center Campus was completed and those costs were capitalized as leasehold improvements. Also, another 3.2 acres were purchased for bringing the total land to 19.6 acres for the construction of the new career and technical education building at the Westpointe Center Campus located near the Salt Lake City International Airport. Construction for this building begins in fiscal year 2017.

The College did not enter into any long-term debt transactions during the fiscal year. However, the College paid off all remaining notes payable of nearly $3.6 million. In June 2016, the College made the final payment of $1.2 million on its outstanding revenue bonds.

Future Economic Outlook

During the 2016 General Session, the State Legislature appropriated funds to support an increase in employee compensation and anticipated medical cost increases effective July 1, 2016 for both the College's Education and General (E&G) and School of Applied Technology (SAT) line items. Consequently, the two line items for fiscal year 2017 increased $3.1 million to $85.3 million for E&G and $0.1 million to $6.4 million for the SAT. Also, the State Board of Regents (Regents) approved a 3.5% first-tier tuition increase which the College determined would be used to match the compensation increase received from the legislature and to meet critical needs at the institution. Additionally, the Legislature appropriated both new ongoing market demand funding and one-time performance-based funding to the Regents of which the College was allocated $0.54 million for ongoing market demand projects and $0.59 million for one-time performance based projects. The Legislature also provided one-time funding of $0.2 million for prison education and up to $4.5 million for Capital Improvement projects. Further, the College received funding approval of $42.5 million for the construction of a new WestPointe Center Campus building.

College enrollment decreased in the first two terms of fiscal year 2017 compared to the same terms in 2016. The summer 2016 term headcount declined by 416 or 3.7% (FTE dropped 257 FTE or 5.6%) and the Fall 2016 term third week headcount declined by 496 or 2.1% (FTE dropped 323 or 2.4%). The enrollment declines are generally attributed to a strong economy and low unemployment rate in the greater Salt Lake City area where potential students may be choosing to work rather than furthering their education. To offset the negative impact on tuition revenue, the College will utilize revenue generated by the 2016 tuition rate increase effective for fiscal year 2017 and new appropriated funds to support the College's mission and serve the existing student population.

College management believes that with a diverse source of revenues, including significant state support, the College remains fiscally sound and able to accomplish its education mission. Management is cautious in light of the recent enrollment declines and continues to take steps to ensure the institution remains fully operational and will maintain close vigilance over student enrollment, revenue streams, and related obligations to ensure its ability to respond quickly and appropriately to financial fluctuations and constraints.

BASIC FINANCIAL STATEMENTS

SALT LAKE COMMUNITY COLLEGE
STATEMENT OF NET POSITION
AS OF JUNE 30, 2016

	Primary Institution	Component Unit College Foundation
Assets		
Current Assets		
Cash and Cash Equivalents (Notes 1, 3)	$ 29,929,951	$ 809,169
Short-Term Investments (Notes 1, 3)	37,689,831	8,470,033
Accounts Receivable, Net of $1,681,784 Allowance (Note 1)	6,194,139	78,000
Accounts Receivable from State of Utah	1,468,794	-
Student Loans Receivable - Current Portion, Net of $77,409 Allowance (Note 1)	514,116	-
Inventories (Note 1)	1,496,286	-
Prepaid Expenses (Note 1)	491,747	-
Total Current Assets	77,784,864	9,357,202
Noncurrent Assets		
Restricted Cash and Cash Equivalents (Notes 1, 3)	1,197,362	-
Investments (Notes 1, 3)	54,818,252	-
Alternative Investments	1,411,531	-
Student Loans Receivable, Net of $479,270 Allowance (Note 1)	3,183,080	-
Pledges Receivable	-	64,949
Capital Assets, Net of $144,257,955 Accumulated Depreciation (Notes 1, 4)	228,817,655	-
Net Pension Asset (Note 6)	1,318	-
Other Assets (Note 1)	178,050	-
Total Noncurrent Assets	289,607,248	64,949
Total Assets	367,392,112	9,422,151
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	8,489,528	-
Total Deferred Outflows of Resources	8,489,528	-
Liabilities		
Current Liabilities		
Accounts Payable	3,744,242	316,579
Payable to State of Utah	1,125,064	-
Accrued Payroll Payable	7,436,988	-
Unearned Revenue (Note 1)	7,415,277	54,500
Funds Held for Others	433,611	-
Compensated Absences - Current Portion (Note 1)	3,483,000	-
Termination Benefits - Current Portion (Note 1)	1,351,303	-
Total Current Liabilities	24,989,485	371,079
Noncurrent Liabilities (Note 1)		
Compensated Absences	1,616,522	-
Termination Benefits	2,352,363	-
Net Pension Liability (Note 6)	19,160,990	-
Total Noncurrent Liabilities	23,129,875	-
Total Liabilities	48,119,360	371,079
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	1,830,710	-
Total Deferred Inflows of Resources	1,830,710	-
Net Position		
Net Investment in Capital Assets (Note 1)	228,817,655	-
Restricted for:		
Nonexpendable Items (Note 1)		4,168,209
Scholarship Endowments	233,883	-
Miller Campus Endowments	600,000	-
Expendable Items (Note 1)		4,064,750
Scholarships	3,534	-
Loans	3,892,552	-
Instructional Department Use	578,637	-
Herriman Campus Infrastructure	1,411,531	-
Other	1,767,025	-
Unrestricted (Note 1)	88,626,753	818,113
Total Net Position	$ 325,931,570	$ 9,051,072

The accompanying Notes are an intergral part of these Financial Statements

	Primary Institution	Component Unit College Foundation
Operating Revenues		
Student Tuition and Fees, Net of Scholarship Allowances of $17,541,104 and Changes in the Allowance for Doubtful Accounts of ($49,296)	$ 62,066,921	$ -
Interest on Student Loans Receivable	279,059	-
Federal Contracts and Grants	6,052,995	-
State and Local Contracts and Grants	1,051,031	-
Nongovernmental Contracts and Grants	1,832,848	-
Sales and Services of Educational Activities	265,578	-
Auxiliary Enterprises	9,535,050	-
Gifts	-	2,982,799
Other Operating Revenue	3,273,241	-
Total Operating Revenues	84,356,723	2,982,799
Operating Expenses		
Salaries and Wages	95,337,946	-
Employee Benefits	30,775,708	-
Actuarial Calculated Pension Expense	4,245,777	-
Scholarships and Awards	17,249,032	-
Donations to College	-	2,688,488
Depreciation	11,330,681	-
Other Operating Expenses	48,072,706	267,299
Total Operating Expenses	207,011,850	2,955,787
Operating Income/(Loss)	(122,655,127)	27,012
Nonoperating Revenues (Expenses)		
State Appropriations	96,336,815	-
Federal Contracts and Grants	29,336,457	-
State and Local Contracts and Grants	632,451	-
Gifts	895,782	-
Investment Income	1,892,159	134,944
Interest on Capital Asset-Related Debt	(7,533)	-
Other Nonoperating Revenues	2,634	-
Other Nonoperating Expenses	(262,946)	-
Total Nonoperating Revenues	128,825,819	134,944
Income Before Other Revenues	6,170,692	161,956
Other Revenues		
Capital Appropriations	1,620,511	-
Capital Grants and Gifts	430,000	-
Additions to Permanent Endowments	-	462,887
Total Other Revenue	2,050,511	462,887
Net Increase in Net Position	8,221,203	624,843
Net Position - Beginning of Year as Originally Stated	317,710,367	8,742,808
Net Position Prior Period Restatement (Note 2)	-	(316,579)
Net Position - Beginning of Year as Restated	317,710,367	8,426,229
Net Position at End of Year	$ 325,931,570	$ 9,051,072

The accompanying Notes are an intergral part of these Financial Statements

	Primary Institution
Cash Flows from Operating Activities	
Receipts from Tuition and Fees	$ 60,131,915
Receipts from Grants and Contracts	9,012,623
Receipts from Auxiliary Enterprise Charges	9,596,914
Receipts from Sales and Services of Educational Activities	265,578
Receipts from Lease/Rental	1,163,787
Receipts from Fines	2,634
Interest Received on Loans to Students	329,256
Payments to Employees for Salaries and Benefits	(128,726,453)
Payments to Suppliers	(46,731,047)
Payments for Scholarships	(17,250,604)
Loans Disbursed to Students	(389,476)
Collection of Loans to Students	608,386
Other Operating Receipts	1,810,540
Net Cash Used by Operating Activities	(110,175,947)
Cash Flows from Noncapital Financing Activities	
State Appropriations	93,623,673
Grants and Contracts for Other Than Operating Purposes	29,968,908
Gifts for Other Than Capital Purposes	940,673
Payments on Debt	(3,570,798)
Interest Paid on Debt	(82,742)
Agency Receipts	21,554,189
Agency Payments	(21,784,704)
Other Nonoperating Payments	32,009
Net Cash Provided by Noncapital Financing Activities	120,681,208
Cash Flows from Capital and Related Financing Activities	
Cash Paid for Capital Assets	(6,274,260)
Proceeds from Disposal of Capital Assets	308,535
Payments of Capital Debt	(1,210,000)
Interest Paid on Capital Debt	(101,630)
Net Cash Used by Capital and Related Financing Activities	(7,277,355)
Cash Flows from Investing Activities	
Purchases of Investments	(123,910,716)
Proceeds from Sales of Investments	118,277,445
Receipt of Interest and Dividends on Investments	1,620,590
Net Cash Used by Investing Activities	(4,012,681)
Net Decrease in Cash and Cash Equivalents	(784,775)
Cash and Cash Equivalents, Beginning of Year	31,912,088
Cash and Cash Equivalents, End of Year	$ 31,127,313

The accompanying Notes are an intergral part of these Financial Statements

		Primary Institution
Reconciliation of Operating Loss to Net Cash Used		
By Operating Activities		
Operating Loss	$	(122,655,127)
Difference Between Actuarial Calculated Pension Expense vs		
Actual Pension Expense		(51,347)
Adjustments to Reconcile Operating Loss to Net Cash Used		
by Operating Activities		
Depreciation Expense		11,330,681
Donations of Supplies Received		35,760
Non Capital DFCM Expenditures Received		2,469,382
Income from Fines		2,634
Changes in Assets and Liabilities		
Accounts Receivable		842,624
Student Loans		280,854
Inventories		832,437
Prepaid Expenses		(278,200)
Accounts Payable and Accrued Expenses		(2,707,981)
Unearned Revenue		(751,495)
Compensated Absences		156,658
Termination Benefits		317,173
Net Cash Used by Operating Activities	$	(110,175,947)
Noncash Investing, Noncapital Financing, and Capital		
Related Financing Transactions		
Change in Fair Value of Investments Recognized as Investment Income	$	383,663
Disposal of Fixed Assets		(141,777)
Capital Gifts		430,000
Capital Appropriations		1,620,511
Total Noncash Investing, Capital, and Financing Activities	$	2,292,397

The accompanying Notes are an intergral part of these Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1
Summary of Significant Accounting Policies

Reporting Entity: The College is a component unit of the State of Utah. It is considered a component unit because it was established under Utah statute, receives funding appropriations from the State and is financially accountable to the State. The financial activity of the College is included in the State's Comprehensive Annual Financial Report, as required by Governmental Accounting Standards Board (GASB) Statement No. 14, The Financial Reporting Entity, GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, and GASB Statement No. 61, The Financial Reporting Entity: Omnibus.

The College's financial statements encompass all of its operations, including auxiliary enterprises, both restricted and unrestricted funds, and two supporting Foundations. The Salt Lake Community College Foundation (the Foundation) is a separate but affiliated non-profit entity, incorporated under Utah law in 1982. This Foundation is reported discretely in the financial statements under the heading "Component Unit-College Foundation." A discrete component unit is an entity which is legally separate from the College. However, the Foundation's economic resources are used for the direct benefit of the College and its relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete.

The Foundation issues separate financial statements which are audited by independent auditors. These statements follow the Financial Accounting Standards Board (FASB) guidelines. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component unit's financial information included in the College's financial report. See Note 8 for additional disclosures related to the Foundation. A copy of the Foundation's independent audit report may be obtained from the College's Development Office at 801-957-4247.

The Grand Theatre Foundation (the Grand Theatre) is a separate but affiliated not-for-profit entity incorporated under Utah law in 2001. It is included in the financial statements as a blended component unit because the College has day-to-day operational management responsibility, the College has a financial benefit or burden relationship with the Grand Theatre, and because the Grand Theatre was established on behalf of and exclusively for the benefit of the College. See Note 9 for Condensed Statement of Net Position, Condensed Statement of Revenues, Expenses, and Changes in Net Position, and Condensed Statement of Cash Flows for the Grand Theatre.

Basis of Accounting: The accounting and reporting policies of the College conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB). Under GASB provisions, public colleges and universities in Utah have elected to report as special purpose government units engaged solely in business-type activities (BTA). BTA reporting includes the basic financial statements and required supplementary information established for an enterprise fund. This includes a 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, Notes to the Financial Statements and Required Supplementary Information. The required financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting.

Cash and Cash Equivalents: The College considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. At June 30, 2016, cash and cash equivalents consisted of:

	College	Foundation
Cash	$ (562,410)	$ 281,491
Money Market Account	107,869	527,678
Sweep Account	158,874	-
Money Market Mutual Funds	23,232	-
Utah Public Treasurers' Investment Fund	31,399,748	-
Total Cash and Cash Equivalents	$ 31,127,313	$ 809,169

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 monthly from pooled investments based on the month end cash balance of each participating account.

Accounts Receivable: Accounts receivable consists of amounts owed to the College from individuals and entities external to the College. Receivables due from the State of Utah or from one of its component units are reported separately on the Statement of Net Position. The following schedule presents receivables at June 30, 2016, net of estimated uncollectible amounts:

	Receivables From State of Utah	Receivables From Other
Tuition, Fees and Other	$ 285,595	$ 5,710,850
Grants and Contracts	1,183,199	1,289,381
Auxiliaries	-	588,392
Interest	-	287,300
Total Accounts Receivable	1,468,794	7,875,923
Less Allowance for Doubtful Accounts	-	(1,681,784)
Net Accounts Receivable	$ 1,468,794	$ 6,194,139

Student Loans Receivable: The College participates in the Federal Perkins Loan Program and other College loan programs. During the fiscal year, a net $353,182 was distributed for student loans from the Perkins Loan Program and $13,628 from College loans. These distributions and related loan repayments are not included as expenses or revenues, but are accounted for on the Statement of Net Position as either current student loans receivable (amounts due within one year), net of estimated uncollectible amounts, or noncurrent student loans receivable (amounts due after one year), net of estimated uncollectible amounts.

Inventories: The College Store inventory is recorded at cost using the last-in, first-out method. All other inventories are valued at the lower of cost (first-in, first-out) or market. Inventory at yearend consists of the following:

College Store	$ 1,442,722
Food Services	53,564
Total Inventory	$ 1,496,286

The College is holding auto parts merchandise on consignment valued at $19,039. This amount is not included on the Statement of Net Position as the College does not own the merchandise.

Prepaid Expenses: Prepaid expenses at year end consist of $12,507 in mail service postage meter balances, software licensure costs of $43,110, a Grand Theatre security deposit of $855, future travel costs of $3,409, deposit on a guest speaker of $15,000 and a prepayment of $416,866 for vehicles, equipment and software license/maintenance agreements.

Restricted Cash and Cash Equivalents: Externally restricted non-expendable endowment funds of $833,883 and $363,479 of capital gifts restricted for capital improvement projects are classified as noncurrent assets in the Statement of Net Position.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. For equipment and motor vehicles, the College's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. All library collections are capitalized. Renovations to buildings, infrastructure, and land improvements with a cost of $250,000 or more and extend the useful life of the assets are capitalized. Routine repairs, maintenance and remodeling are charged to operating expense in the year in which the expense is incurred. All land and water rights (intangible assets) are capitalized and not depreciated.

Depreciation is calculated using the straight-line method over the estimated useful lives of the assets: 40 years for buildings; 20 years for infrastructure, land improvements and library collections; and 3 to 10 years for equipment and motor vehicles. Leasehold improvements are depreciated over the term of the lease.

Other Noncurrent Assets: The College has purchased subdivision lots that are reserved for use in developing future project homes. Construction of homes, which are subsequently sold to the public, is an ongoing educational activity of the College. The cost of this land is $178,050.

Accounts Payable and Accrued Liabilities: Accounts payable and accrued liabilities consist of the following at June 30, 2016:

Salaries and Benefits Payable	$	7,436,988
Supplies and Services Payable		3,664,742
Student Related Payable		79,500
State of Utah Payable		1,125,064
Total Accounts Payable	$	12,306,294

Unearned Revenue: Unearned revenue consists of the following at June 30, 2016:

Tuition and Fees Related to Future Terms	$	5,754,548
Grants and Contracts		1,563,714
Bookstore and Food Service Unused Gift Cards		53,864
Grand Theatre Ticket/Rental Sales		19,932
Child Care Deposits		23,219
Total Unearned Revenue	$	7,415,277

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 Pension Plan (Systems) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Refer to Note 6 for additional information on pension plans.

Compensated Absences Liability:
Vacation Leave Benefit: The College accrues and reports annual vacation leave in the year earned. Non-academic full-time and certain part-time College employees earn vacation leave for each month worked at a rate between 12 and 24 days per year. Vacation time may be used as it is earned or accumulated for future use. A maximum of 40 days may be carried over into the next accounting year which begins each July 1. Upon termination, no more than 30 days plus the current year's earned and unused vacation is payable to the employee. The cumulative accrued vacation leave liability for the year ended June 30, 2016 was $4,421,060.

Sick Leave Benefit: Full-time employees upon regular or early retirement from the College are eligible to receive a sick leave cash payment up to a maximum of $2,500 under the following condition. To be eligible, a retiring employee must have accumulated 100 days of unused sick leave (800 hours). The cash payout is calculated at $100 for every day of earned and unused sick leave accumulated above the 100 days up to a maximum of 25 days or $2,500. The College accrues and reports the estimated sick leave payout in the year earned. The cumulative accrued sick leave benefits liability for the year ended June 30, 2016 was $678,462.

Accrued Termination Benefits: In addition to the pension benefits described in Note 6 the College provides an early retirement option, as approved by the Board of Trustees, for qualified employees who have attained the age of 57 with at least 15 years of service and whose combined total of age and years of service is 75 or greater. The early retirement benefit includes a stipend of between 14.3% and 20.5% of the retiree's final salary for a maximum period of seven years, or until the employee reaches Full Retirement Age with Social Security, whichever comes first. Health and dental benefits, which averaged about 100.2% of the stipend in fiscal year 2016, have also been extended for up to seven years or age 65, whichever comes first. Participation in the early retirement program is not an entitlement or right available to all employees. These benefits are recorded as qualified employees apply for and are approved for this retirement option. The benefits are funded by the College on a pay-as-you-go basis. At June 30, 2016 there were 65 retirees receiving benefits under these early retirement programs.

The projected future cost of these stipends and medical and dental insurance benefits have been calculated based on the known amount to be paid out in the next fiscal year, plus projected annual increases of 2.0% for stipends and 5.0% for medical and dental costs. The amount recognized on the financial statements was calculated at the discounted present value of the projected future costs.

The discount rate used (1.23%) was based on the average rate earned on the investments of the College during the year. The cumulative accrued termination benefits liability as of June 30, 2016 totaled $3,703,666. The early retirement program expense for the year ended June 30, 2016 was $1,707,979.

Noncurrent Liabilities: Noncurrent liabilities include obligations with maturities greater than one year, which include estimated amounts for accrued compensated absences and termination benefits (obligations to early retirees) that will not be paid within the next fiscal year and net pension liability.

Deferred Outflows/Inflows of Resources: In addition to assets and liabilities, financial statements will sometimes report a separate section for deferred outflows and inflows of resources. Deferred outflows of resources represent 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. Deferred inflows of resources represent 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.

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 outstanding debt obligations related to those assets.

Restricted for Nonexpendable Items: Nonexpendable restricted net position consists of scholarship endowments and similar 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 income may either be expended or added to principal.

Restricted for Expendable Items: Expendable restricted net position includes resources for which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position: Unrestricted net position represents resources derived from student tuition and fees, State Appropriations, earnings from the beneficial investment of available cash balances, sales and services of educational departments and auxiliary enterprises. These resources are used to accomplish the core mission and activities relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet any lawful College-related purpose. This classification also includes quasi-endowments created from unrestricted resources.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Classification of Revenues and Expenses: Revenues and expenses have been classified as either operating or nonoperating according to the following criteria:

Operating revenues and expenses: The College's operating revenues and expenses are for activities that support the education mission and priorities of the College and have characteristics of exchange transactions. Operating revenues include (1) student tuition and fees; (2) federal, state, and local contracts and grants; (3) sales and services of educational activities and auxiliary enterprises; and (4) interest on institutional student loans. Operating expenses are those expenses incurred to acquire goods or produce services to carry out the mission of the College. The Foundation's operating activities include gift revenue and investment income and all expenses to support the mission of the Foundation.

Nonoperating revenues and expenses: The College's nonoperating activities have characteristics of nonexchange transactions. Nonoperating revenues include (1) State Appropriations; (2) certain federal, state and local contracts and grants; (3) gifts and contributions; and (4) investment income. Nonoperating expenses include disposal of capital assets, interest paid on capital related debt, and cancellation of student loans.

Internal transactions between service centers and departments are eliminated from the financial statements.

Note 2
Prior Period Adjustment

For the Salt Lake Community College Foundation (the Foundation), a component unit of the College, during the 2016 year an internal assessment of net position previously classified as restricted-unexpendable, restricted-expendable or unrestricted in the financial statements was conducted. As a result of this review, certain donations received in prior years were reclassified between the three net position classifications. In addition, a loan agreement executed in 1996 was discovered that imposed a liability to the Foundation that has not been reported in prior years. Consequently, the beginning accounts payable balance has been restated reflecting this liability. The effect of these events on both the Foundation liabilities and net position is shown below:

	Prior Year Balance	Adjustment Increase	Restated Balance
Accounts Payable	$ 389,216	$ 316,579	$ 705,795
Total Current Liabilities	$ 419,716	$ 316,579	$ 736,295

	Unrestricted Net Position	Restricted-Expendable Net Position	Restricted-Unexpendable Net Position
Prior Year Beginning Net Position Balance	$ 956,066	$ 4,296,298	$ 3,490,444
Reclassification of Endowments and Related Earnings	(68,784)	(142,705)	211,489
Accounts Payable Restatement	-	(316,579)	-
Restated Beginning Net Position	$ 887,282	$ 3,837,014	$ 3,701,933

Note 3
Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, to promote measures and rules that will assist in strengthening the banking and credit structure of the State, and to 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, and 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 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).

The Foundation is required by its bylaws to deposit funds in depositories approved by the Foundation's Board of Trustees or Executive Committee. The Foundation can invest in any category deemed prudent and approved by its Board.

Deposits:

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the College's or Foundation's deposits may not be returned to it. The College and the Foundation do not have formal deposit policies for custodial credit risk. As of June 30, 2016, $44,072 of the College's bank balances of $401,941 and $633,975 of the Foundation's bank balances of $883,975 were uninsured and uncollateralized.

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 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 and is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, Title 51, Chapter 7). 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 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, 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 and the Foundation measure and record 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 Using		
	TOTAL	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
Corporate Notes	$ 69,802,177	$ -	$ 69,802,177	$ -
Municipal Bonds	2,212,722	-	2,212,722	-
U.S. Agencies	20,016,760	-	20,016,760	-
Mutual Bond Funds	58,513	58,513	-	-
Money Market Mutual Funds	23,232	23,232	-	-
Utah Public Treasurers' Investment Fund	31,399,748	-	31,399,748	-
Total Debt Securities	123,513,152	81,745	123,431,407	-
Equity Securities				
Mutual Equity Funds	417,911	417,911	-	-
Total Equity Securities	417,911	417,911	-	-
Total Investments by Fair Value Level	$ 123,931,063	$ 499,656	$ 123,431,407	$ -
Investments Measured at the Net Asset Value (NAV)				
Private Equity Real Estate Partnership	$ 1,411,531			
Total Investments Measured at the NAV	1,411,531			
Total Investments Measured at Fair Value	$ 125,342,594			

At June 30, 2016, the Foundation had the following recurring fair value measurements:

		Fair Value Measurements Using		
	TOTAL	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
Corporate Notes	$ 50,242	$ 50,242	$ -	$ -
Mutual Bond Funds	3,916,377	3,916,377	-	-
Total Debt Securities	3,966,619	3,966,619	-	-
Equity Securities				
Mutual Equity Funds	4,503,414	4,503,414	-	-
Total Equity Securities	4,503,414	4,503,414	-	-
Total Investments by Fair Value Level	$ 8,470,033	$ 8,470,033	$ -	$ -

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

- U.S. Agencies: quoted prices for identical securities in markets that are not active;
- Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
- 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.

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered "alternative investments" and, unlike more traditional investments, genereally do not have readily obtainable market values and take the form of limited partnerships. In December, 2012, the College became a partner in a limited liability company called HTC Communities, LLC and was gifted a capital interest in the company. The most recent valuation of owner equity occurred at December 31, 2015, the company's fiscal year end. The College's ownership interest at that time was valued at $1,411,531. Because no equity distributions have taken place since that time, and the College is not aware of any other factors that could negatively affect the valuation, this is the value recorded in the College's statements as of June 30, 2016. As of this date, this alternative investment is not redeemable and has no unfunded commitments.

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 Rule 541, as applicable. For non-endowment funds, Section 51-7-11 of the Money Management Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act 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, 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. The Foundation does not have a formal policy for interest rate risk.

At June 30, 2016, the College's investments had the following maturities:

		Investment Maturities (In Years)		
Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years
Corporate Notes	$ 69,802,177	$ 37,213,407	$ 32,588,770	$ -
Municipal Bonds	2,212,722	-	2,212,722	-
U.S. Agencies	20,016,760	-	18,016,166	2,000,594
Mutual Bond Funds	58,513	-	-	58,513
Money Market Mutual Funds	23,232	23,232	-	-
Utah Public Treasurers' Investment Fund	31,399,748	31,399,748	-	-
Total Fair Value	$ 123,513,152	$ 68,636,387	$ 52,817,658	$ 2,059,107

At June 30, 2016, the Foundation's investments had the following maturities:

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	Greater than 10 Years
Corporate Notes	$ 50,242	$ 50,242	$ -	$ -	$ -
Mutual Bond Funds	3,916,377	-	1,749,314	1,438,412	728,651
Total Fair Value	$ 3,966,619	$ 50,242	$ 1,749,314	$ 1,438,412	$ 728,651

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 Rule 541, as previously discussed. The Foundation does not have a formal policy for credit risk.

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

		Quality Ratings			
Investment Type	Fair Value	AA	A	BBB	Unrated
Corporate Notes	$ 69,802,177	$ 1,102,373	$ 40,268,615	$ 28,431,189	$ -
Municipal Bonds	2,212,722	1,005,270	1,207,452	-	-
U.S. Agencies	20,016,760	18,014,552	-	-	2,002,208
Mutual Bond Funds	58,513	-	-	-	58,513
Money Market Mutual Funds	23,232	-	-	-	23,232
Utah Public Treasurers' Investment Fund	31,399,748	-	-	-	31,399,748
Total Fair Value	$ 123,513,152	$ 20,122,195	$ 41,476,067	$ 28,431,189	$ 33,483,701

At June 30, 2016, the Foundation's investments had the following quality ratings:

		Quality Ratings	
Investment Type	Fair Value	BB	Unrated
Corporate Notes	$ 50,242	$ 50,242	$ -
Mutual Bond Funds	3,916,377	-	3,916,377
Total Fair Value	$ 3,966,619	$ 50,242	$ 3,916,377

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 Foundation does not have a formal policy for concentration of credit risk.

At June 30, 2016, the College held more than 5% of total investments in securities of Federal Farm Credit Bank. These investments represent 7.98% ($10,008,370) 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 and the Foundation do not have formal policies for custodial credit risk. As of June 30, 2016, the College had $69,802,177 in Corporate Notes, $2,212,722 in Municipal Bonds, and $20,016,760 in U.S. Agencies, which were held by the counterparty's trust department or agent but not in the College's name.

Note 4
Capital Assets

Capital assets activity for the year ended June 30, 2016 is summarized as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016
Capital Assets Not Being Depreciated:				
Land	$ 35,078,651	$ 908,772	$ (140,405)	$ 35,847,018
Water Rights	22,500	-	-	22,500
Construction in Progress	1,364,971	2,490,223	(3,290,868)	564,326
Total Nondepreciable	36,466,122	3,398,995	(3,431,273)	36,433,844
Capital Assets Being Depreciated:				
Buildings	263,265,062	2,796,715	(320,561)	265,741,216
Leasehold Improvements	-	1,864,665	-	1,864,665
Land Improvements	32,929,763	-	-	32,929,763
Equipment and Motor Vehicles	30,964,817	3,352,722	(1,128,097)	33,189,442
Library Collections	2,876,406	202,542	(162,268)	2,916,680
Total Depreciable	330,036,048	8,216,644	(1,610,926)	336,641,766
Total Capital Assets	366,502,170	11,615,639	(5,042,199)	373,075,610
Less Accumulated Depreciation:				
Buildings	(92,143,282)	(6,188,104)	320,561	(98,010,825)
Leasehold Improvements	-	(394,449)	-	(394,449)
Land improvements	(19,540,567)	(1,330,403)	-	(20,870,970)
Equipment and Motor Vehicles	(22,027,791)	(3,282,018)	1,075,568	(24,234,241)
Library Collections	(684,783)	(135,707)	73,020	(747,470)
Total Accumulated Depreciation	(134,396,423)	(11,330,681)	1,469,149	(144,257,955)
Total Capital Assets, Net of Depreciation	$ 232,105,747	$ 284,958	$ (3,573,050)	$ 228,817,655

Total interest expense on capital asset-related debt was $7,533 during the year.

Note 5
Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2016 was as follows:

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Amounts Due Within One Year
Bonds Payable					
Revenue Bonds Payable	$ 1,210,000	$ -	$ (1,210,000)	$ -	$ -
Unamortized Bond Premium	20,196	-	(20,196)	-	-
Total Bonds Payable	1,230,196	-	(1,230,196)	-	-
Compensated Absences					
Compensated Absences-Vacation	4,253,367	3,765,398	(3,597,705)	4,421,060	3,440,000
Compensated Absences-Sick Leave	689,497	42,044	(53,079)	678,462	43,000
Total Compensated Absences	4,942,864	3,807,442	(3,650,784)	5,099,522	3,483,000
Other Noncurrent Liabilities					
Termination Benefits-Early Retirement	3,386,493	1,462,871	(1,145,698)	3,703,666	1,351,303
Notes Payable	2,905,508	-	(2,905,508)	-	-
Notes Payable to State of Utah	665,290	-	(665,290)	-	-
Net Pension Liability	13,637,254	5,523,736	-	19,160,990	-
Total Other Noncurrent Liabilities	20,594,545	6,986,607	(4,716,496)	22,864,656	1,351,303
Total Noncurrent Liabilities	$ 26,767,605	$ 10,794,049	$ (9,597,476)	$ 27,964,178	$ 4,834,303

Note 6
Pension Plans and Retirement Benefits

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

Defined Benefit Plans:

Plan Description - Eligible plan participants are provided with pensions through the Utah Retirement Systems (Systems). The Systems are comprised of the following pension trust funds:

- Public Employees Noncontributory Retirement System (Noncontributory System) and Public Employees Contributory Retirement System (Contributory System) are multiple employer, cost sharing, retirement systems.

- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple employer, cost sharing, 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 Utah Retirement Systems, are members of the Tier 2 Retirement 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 and 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 Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits provided - Utah Retirement Systems provides 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 Percentage Per Year of Service	Cost of Living Adjustment (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 4.0%
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; 2.0% per year July 1975 to present	Up to 4.0%
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.

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

System	Employee Paid	Paid by Employer for Employee	Employer Contribution Rates	Employer Rate for 401(k) Plan
Noncontributory System				
State and School Division Tier 1	N/A	N/A	22.19%	1.50%
Contributory System				
State and School Division Tier 1	N/A	6.00%	17.70%	N/A
State and School Division Tier 2*	N/A	N/A	18.24%	1.78%

* Tier 2 rates include a 9.94% required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

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

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 3,271,447	N/A
Contributory System	74,567	-
Tier 2 Public Employees System	842,721	-
Total Contributions	$ 4,188,735	$ -

Contributions reported are the Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Pension Assets, Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2016, the College reported a net pension asset of $1,318 and a net pension liability of $19,160,990.

System	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.5834378%	$ -	$ 18,327,452
Contributory system	1.3301447%	-	833,538
Tier 2 Public Employees System	0.6038448%	1,318	-
		$ 1,318	$ 19,160,990

The net pension asset and liability was measured as of December 31, 2015, and 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 pension expense of $4,245,777 for the defined benefit plans.

At June 30, 2016 the College reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 1,463,217
Changes in assumptions	-	367,493
Net difference between projected and actual earnings on pension plan investments	5,283,227	-
Changes in proportion and differences between contributions and porportionate share of contributions	953,961	-
Contributions subsequent to the measurement date	2,252,340	-
Total	$ 8,489,528	$ 1,830,710

The College reported $2,252,340 as deferred outflows of resources related to pensions results from contributions made prior to our fiscal year end, but subsequent to the measurement date of December 31, 2015. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Net Deferred Outflows/(Inflows) of Resources
2016	$ 1,029,869
2017	1,029,869
2018	1,079,238
2019	1,286,947
2020	(3,593)
Thereafter	$ (15,853)

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

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

The actuarial assumptions used in the January 1, 2015, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2013. 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 3.50%, a modification to the rate of salary increases for most groups, a decrease in the payroll growth assumption from 3.50% 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 long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
	Expected Return Arithmetic Basis		
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.

Discount rate: The discount rate used to measure the total pension liability was 7.50%.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 Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension 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:

System	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Noncontributory System	$ 33,171,996	$ 18,327,452	$ 5,880,282
Contributory System	1,884,648	833,538	(58,108)
Tier 2 Public Employees System	241,733	(1,318)	(185,528)
Total	$ 35,298,377	$ 19,159,672	$ 5,636,646

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

In August 2016, the Board approved to change the discount rate to 7.20%. 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.

Defined Contribution Plans:

Retirement plan employees are also eligible to participate in a deferred compensation 401(k) defined contribution plan. Employees may also elect to participate in an IRS 457 deferred compensation plan offered through the Systems. These plans are available as supplemental plans to the basic retirement benefits of the Systems and a primary retirement plan for Tier 2 DC Only participants. For employees participating in the Tier 2 DC Only defined contribution plan, the College is required to contribute 20.02% of the employees' salary, of which 10.00% is paid into a 401(k) plan while the remainder is contributed to the Tier 1 Contributory System, as required by law. Noncontributory System employees are also eligible to participate in deferred compensation 401(k) and 457 defined contribution plans. The College is required to contribute 1.50% to 1.78% of eligible employees' gross earnings to the 401(k) plan.

College contributions to the 401(k) plan totaled $415,287 for the year ended June 30, 2016. Employee contributions to the 401(k) and 457 plans for the same year were $695,374.

Teachers Insurance and Annuity Association (TIAA) and/or College Retirement Equities Fund (CREF) and Fidelity Investments also provide 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 in TIAA and/or CREF and Fidelity Investments from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2016, the College was required to contribute 14.20% of the employees' annual covered salary to these defined contribution plans. The College's contributions into TIAA and/or CREF for the year ended June 30, 2016 were $5,263,465. The College has no further liability once annual contributions are made. Employee contributions for the same year were $960,870. The Fidelity Investments plan started in 2009, and the College's contributions into Fidelity Investments for the year ended June 30, 2016 were $1,628,868. Employee contributions for the same year were $357,509.

All College paid contributions to these defined contribution plans are reported as employee benefits expense in the financial statements.

Note 7
Operating Leases

The College has entered into several leases for rental of various classroom and related facilities. The duration of these leases varies from one to nine years with the longest lease terminating in the fiscal year 2023. Although the lease terms vary, most leases are subject to funds being appropriated to continue the lease obligations and most have options to extend the lease term. As funding is reasonably assured, the leases are considered noncancellable for financial reporting purposes. Operating lease payments are recorded as expenses when paid or incurred. For the year ended June 30, 2016, operating lease expenses totaled $1,475,579. The future lease payments are as follows:

Fiscal Year		Amount
2017	$	1,498,544
2018		1,104,821
2019		445,812
2020		213,504
2021		127,342
2022 forward		175,333
Total Future Payments	$	3,565,356

Note 8
Salt Lake Community College Foundation

The Salt Lake Community College Foundation (the Foundation) was granted a Certificate of Incorporation on July 15, 1982, under laws of the State of Utah and is recognized as a "Section 501(c)3" Corporation by the Internal Revenue Service. The Foundation exists to further the charitable, cultural, scientific and educational purposes of the College. The Foundation Board of Trustees includes the College President, the College Director of Development and one current member of the College Board of Trustees.

The Foundation investments at year end are comprised of fixed income securities, open end mutual funds and preferred/fixed rate cap securities and these are included in this report at fair value and approximate published market quotations as of June 30, 2016.

During the year ended June 30, 2016, the Foundation transferred $2,688,488 to the College to enhance scholarships, awards and other essential College programs.

According to the Uniform Prudent Management of Institutional Funds Act, Title 51, Chapter 8, of the Utah Code Annotated 1953, as amended, 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 historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision. The Foundation's endowment spending plan is subject to annual review and provides that the annual amount of potential distributions from each endowment fund shall be limited to 4% of the asset value of the endowment fund. The asset value is defined as the average of the most recent four quarter-ending asset values for each endowment fund within the investment pool. At the beginning of each calendar year, the Foundation's finance and investments committee reviews and approves the amounts to be distributed in the College's ensuing fiscal year.

Note 9
Grand Theatre Foundation

The Grand Theatre Foundation (the Grand Theatre) is a not-for-profit component unit of the College for which the College has day-to-day operational management responsibility. It has been consolidated in these financial statements as a blended component unit. The Grand Theatre was incorporated in the State of Utah on February 15, 2001, and was established to operate as a community theatre providing musical theatre dramatic presentations and other entertainment programs on behalf of and exclusively for the benefit of the College.

The Grand Theatre annually publishes audited financial statements. A copy of the audited financial statements can be obtained from the Grand Theatre at 801-957-3322. The following is a condensed version of the Grand Theatre's financial statements for the fiscal year ended June 30, 2016.

Condensed Statement of Net Position	
Assets	
Current Assets	
Cash and Cash Equivalents	$ 113,291
Short-Term Investments	126,897
Accounts Receivable	677
Prepaid Expenses	855
Total Current Assets	241,720
Total Assets	241,720
Liabilities	
Current Liabilities	
Accounts Payable	1,219
Unearned Revenue	34,933
Total Current Liabilities	36,152
Total Liabilities	36,152
Net Position	
Unrestricted	205,568
Total Net Position	$ 205,568

Condensed Statement of Revenues, Expenses, and Changes in Net Position	
Operating Revenues	
Ticket Sales	$ 160,345
Concessions	11,814
Rental of Facilities	111,514
Institutional Support from SLCC	250,088
Other Operating Revenue	7,022
Total Operating Revenues	540,783
Operating Expenses	
Salaries and Benefits	370,371
Other Operating Expenses	293,749
Total Operating Expenses	664,120
Operating Income (Loss)	(123,337)
Nonoperating Revenues	
State and Local Grants	60,045
Private Grants	18,505
Donations	33,686
Investment Income	(1,126)
Total Nonoperating Revenues	111,110
Net Increase in Net Position	(12,227)
Net Position - Beginning of Year	217,795
Net Position - End of Year	$ 205,568

Condensed Statement of Cash Flows	
Net Cash Provided/(Used) By:	
Operating Activities	$ (15,751)
Net Decrease in Cash and Cash Equivalents	(15,751)
Cash and Cash Equivalents - Beginning of Year	129,042
Cash and Cash Equivalents - End of Year	$ 113,291

Note 10
Risk Management

General Liability Insurance:
The College maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, personal and malpractice liability up to $10.0 million per occurrence through policies administered by the Utah State Risk Management Fund (the Fund).

The College also has either actual cash value or replacement cost insurance on its buildings and contents against all insurable risks of direct physical loss or damage with the Fund. This all-risk insurance coverage provides for repair or replacement of damaged or stolen College property on a replacement cost basis subject to a $1,000 deductible per occurrence.

All College employees are covered by workers' compensation insurance administered by the Workers Compensation Fund of Utah.

Self-funded Insurance Program:
On July 1, 2005, the College established a self-funded employee health and dental insurance program. GASB Statement No.10 requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements. The liability for benefit claims includes actuarial estimates of the ultimate cost of claims that have been reported but not settled and claims that have been incurred but not reported. A provision for inflation is implicit in the calculation of estimated costs for future claims because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to the benefit claims liability for changes in estimates is charged or credited to expense in the period in which it is made. The College's estimated self-funded insurance claims liability at June 30, 2016 is as follows:

Estimated Claims Liability at Beginning of Year	$ 1,143,366
Current Year Claims	17,210,208
Claim Payments, Including Related Legal and Administrative Expenses	(16,693,574)
Estimated Claims Liability at End of Year	$ 1,660,000

The College has recorded the program assets and estimated liabilities of the health and dental care program at June 30, 2016 in the Statement of Net Position.

Note 11
Contingent Liabilities

This year, the College has been named in one judicial lawsuit, an administrative proceeding, and been threatened with another lawsuit. Two other cases where litigation was commenced in a previous year continue. The lawsuit commenced in 2016 alleges the College discriminated against an employee who was terminated by the College. Further, the lawsuit alleges the College retaliated against this former employee for filing of a complaint with the Utah Anti-Discrimination in Labor Division (“UALD”). The Complainant in this lawsuit does not specify the amount of damages sought and the College has yet to be served. The College also has an administrative proceeding with the UALD for disability discrimination where a current employee alleges the College has both discriminated and retaliated against the employee based on a disability. In addition, the College has been threatened with litigation by a former employee alleging a College violation of the Utah State Retirement and Insurance Benefit Act, which purportedly resulted in an overpayment to the employee by the Utah Retirement System.

As for continuing litigation previously reported there is a UALD proceeding where a former employee alleges discrimination against the College and the matter remains under investigation. Also, litigation continues in a lawsuit by a former employee seeking compensation for claimed retirement benefits. This lawsuit was dismissed; however, the claimant has filed an appeal. Lastly, the College has four pending claims for minor injuries.

The College is vigorously defending all these legal actions and expects to prevail in litigation. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect upon the College’s financial position.

The College participates in certain Federal grant programs that are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to the grantor agency requesting reimbursement for any disallowed expenditures under the grant terms. Management believes such program review disallowances, if any, will not be material.

Note 12
Construction Commitments

The Utah State Division of Facilities Construction and Management (DFCM) administers most major construction and remodeling projects for state institutions. Unless direct supervisory authority is delegated to the College, DFCM administers projects over $100,000. DFCM maintains the accounting records and furnishes cost information to the College for the projects DFCM administers. State-funded construction projects administered by DFCM will not be recorded on the books of the College until the facility is available for use or occupancy. As of June 30, 2016, the College has no significant construction commitments to DFCM. However, subsequent to yearend, the College committed approximately $2.9 million for the addition of a future solar panel installation on a new state-funded building currently under construction at the College’s Westpointe Center Campus.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Schedule of Pension Contributions for the Last Ten Fiscal Years

Noncontributory System

	2016	2015	2014	2013
Contractually Required Contribution	$ 3,271,447	$ 3,628,042	$ 3,070,864	$ 2,768,316
Contributions in Relation to the Contractually Required Contribution	(3,271,447)	(3,628,042)	(3,070,864)	(2,768,316)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 15,041,712	$ 14,805,445	$ 14,157,101	$ 14,393,952
Contributions as a Percentage of Covered Payroll	21.75%	24.50%	21.69%	19.23%

Contributory System

	2016	2015	2014 [1]	2013 [1]
Contractually Required Contribution	$ 74,567	$ 96,681	$ 298,284	$ 224,039
Contributions in Relation to the Contractually Required Contribution	(74,567)	(96,681)	(298,284)	(224,039)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 421,281	$ 407,938	$ 2,846,740	$ 2,034,632
Contributions as a Percentage of Covered Payroll	17.70%	23.70%	10.48%	11.01%

Tier 2 Public Employees System*

	2016	2015	2014 [1]	2013 [1]
Contractually Required Contribution	$ 842,721	$ 273,518	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(842,721)	(273,518)		
Contribution Deficiency (Excess)	$ -	$ -		
Covered Payroll	$ 4,618,804	$ 3,283,537		
Contributions as a Percentage of Covered Payroll	18.25%	8.33%		

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

1 Contractually Required Contributions, Contributions, and Covered Payroll include information for Tier 2 employees. The Tier 2 Public Employees System was created in fiscal year 2011. Prior to the implementation of GASB Statement No. 68, Tier 2 information was not separately available.

2012	2011	2010	2009	2008	2007
$ 2,460,339	$ 2,443,566	$ 1,972,908	$ 1,986,660	$ 1,917,598	$ 1,790,899
(2,460,339)	(2,443,566)	(1,972,908)	(1,986,660)	(1,917,598)	(1,790,899)
$ -	$ -	$ -	$ -	$ -	$ -
$ 14,842,533	$ 15,073,589	$ 13,874,179	$ 13,970,923	$ 13,485,217	$ 12,594,230
16.58%	16.21%	14.22%	14.22%	14.22%	14.22%

2012 [1]	2011 [1]	2010	2009	2008	2007
$ 131,886	$ 79,289	$ 66,902	$ 89,379	$ 90,681	$ 84,656
(131,886)	(79,289)	(66,902)	(89,379)	(90,681)	(84,656)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,101,033	$ 444,697	$ 425,315	$ 568,209	$ 576,480	$ 538,183
11.98%	17.83%	15.73%	15.73%	15.73%	15.73%

2012 [1]	2011 [1]	2010 [1]	2009 [1]	2008 [1]	2007 [1]
N/A	N/A	N/A	N/A	N/A	N/A

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability

Noncontributory System

	12/31/2015	12/31/2014
Proportion of Net Pension Liability (Asset)	0.5834378%	0.5378560%
Proportionate Share of Net Pension Liability (Asset)	$ 18,327,452	$ 13,513,786
Covered Payroll	$ 14,943,492	$ 14,172,883
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	122.65%	95.35%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.50%	87.20%

Contributory System

	12/31/2015	12/31/2014
Proportion of Net Pension Liability (Asset)	1.3301447%	1.1260354%
Proportionate Share of Net Pension Liability (Asset)	$ 833,538	$ 123,468
Covered Payroll	$ 421,359	$ 406,196
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	197.82%	30.40%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	92.40%	98.70%

Tier 2 Public Employees System

	12/31/2015	12/31/2014
Proportion of Net Pension Liability (Asset)	0.6038448%	0.5549900%
Proportionate Share of Net Pension Liability (Asset)	$ (1,318)	$ (16,819)
Covered Payroll	$ 3,901,137	$ 2,722,591
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	-0.03%	-0.62%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.20%	103.50%

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

Governing Boards and Executive Cabinet

THIS REPORT IS PREPARED BY THE OFFICE OF DENNIS R. KLAUS
VICE PRESIDENT FOR BUSINESS SERVICES

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