2018 Annual Financial Report

Salt Lake Community College

A Component Unit of
The State of Utah

CONTENT

SALT LAKE COMMUNITY COLLEGE

A Component Unit Of The State Of Utah

Annual Financial Report 2017-2018


Academic and Administration
BUILDING

PRESIDENT'S MESSAGE

Dear SLCC Stakeholders and Fellow Utahns,

On behalf of Salt Lake Community College, I am pleased to present our Annual Financial Report. This document represents our institution's underlying commitment to education and career-focused learning that is built on a stable financial footing and strategic long-term planning.

Our greatest responsibility is to empower students through innovative education and training so they may transfer to four-year schools or start productive, meaningful careers after graduating from SLCC. As a state-funded, open-access college serving communities and constituencies throughout the Salt Lake Valley, we work hard to keep student tuition affordable by ensuring public money is spent wisely.

We also believe our institution has an obligation to partner with local government leaders, community groups and businesses to bolster our regional economy by providing a modern, well-trained workforce in key, high-demand industries. In 2018, we helped meet this obligation by opening the Westpointe Workforce Training & Education Center where students learn the latest in fields including welding, composites manufacturing, machining, commercial truck driving and diesel mechanics.

Thank you for your support in our great endeavor. As always, SLCC will continue to prioritize fiscal integrity and accountability while meeting our goals and obligations as Utah's only comprehensive community college.

Go Bruins!

Deneece G. Huftalin

Deneece G. Huftalin, PhD
President

Salt Lake Community College

OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Dr. 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, 2018, 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, 2018, 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 and the College's Schedule of Pension Contributions and Schedule of Proportionate Share of the Net Pension Liability, listed as Required Supplementary Information in the table of contents, 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 January 16, 2019 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
January 16, 2019


WESTPOINTE WORKFORCE TRAINING & EDUCATION CENTER

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The following discussion and analysis provides an overview of the financial position and fiscal activity of Salt Lake Community College (College) for the fiscal year ended June 30, 2018, 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.

About the College

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. Its mission is to provide quality higher education and lifelong learning to people of diverse cultures, abilities, and ages, and to serve the needs of community and government agencies, business, industry and other employers. The College engages and supports students in educational pathways leading to successful transfer and meaningful employment.

The College fulfills its mission by:

> *Offering associate degrees, certificate programs, career and technical education, developmental education, transfer education and workforce training* to prepare individuals for career opportunities and an enriched lifetime of learning and growing;
>
> *Offering programs and student support services* that provide students opportunities to acquire knowledge and critical thinking skills, develop self-confidence, experience personal growth, and value cultural enrichment;
>
> *Maintaining an environment committed to teaching and learning, collegiality, and the respectful and vigorous dialogue* that nourishes active participation and service in a healthy democracy.

The College has two component units. The Grand Theatre Foundation 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 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.

Financial Statements Overview

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, 2018, and includes all of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and residual 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, 2018	June 30, 2017	Change	% Change
Assets				
Current Assets	$ 65,782,748	$ 59,673,263	$ 6,109,485	10.2%
Noncurrent Assets	104,222,672	87,452,090	16,770,582	19.2%
Capital Assets, Net	256,769,402	222,701,437	34,067,965	15.3%
Total Assets	426,774,822	369,826,790	56,948,032	15.4%
Deferred Outflows of Resources:				
Deferred Outflows of Resources	8,916,530	9,870,824	(954,294)	(9.7%)
Total Deferred Outflows of Resources	8,916,530	9,870,824	(954,294)	(9.7%)
Liabilities				
Current Liabilities	27,442,746	29,116,747	(1,674,001)	(5.7%)
Noncurrent Liabilities	30,503,781	27,305,439	3,198,342	11.7%
Total Liabilities	57,946,527	56,422,186	1,524,341	2.7%
Deferred Inflows of Resources:				
Deferred Inflows of Resources	8,414,638	2,596,669	5,817,969	224.1%
Total Deferred Inflows of Resources	8,414,638	2,596,669	5,817,969	224.1%
Net Position				
Net Investment in Capital Assets	256,769,402	222,701,437	34,067,965	15.3%
Restricted – Nonexpendable	842,330	837,612	4,718	0.6%
Restricted – Expendable	7,066,298	7,164,423	(98,125)	(1.4%)
Unrestricted	104,652,157	89,975,287	14,676,870	16.3%
Total Net Position	$ 369,330,187	$ 320,678,759	$ 48,651,428	15.2%

In fiscal year 2018, current assets increased by $6.1 million, which is attributed mostly to an increase in cash and cash equivalents of $3.1 million related to investment activities. The College also recognized a $1.9 million increase in receivables due from the State Of Utah. This is a result of increased construction activity reimbursable by the Utah Department of Facilities and Construction Management (DFCM). Non-current assets increased by $50.8 million. This change was largely due to two factors. First, the College experienced a $14.5 million increase in restricted cash & cash equivalents related to $13.0 million in unspent bond proceeds and $1.5 million related to the bond debt reserve. Second, the College recognized a $34.1 million increase in capital assets primarily from the completion of the College's new Westpointe Workforce Training & Education Center. Total assets increased by $56.9 million or 15.4%.

The College issued revenue bonds during fiscal year 2018, resulting in a bond payable liability of $13.1 million. The College's increase in overall liabilities was offset by a $7.1 million decrease to the net pension liability, a $2.6 million decrease in the accrued payroll liability, and a $2.0 million decrease in termination benefits. Total liabilities increased by $1.5 million, or 2.7%. At the end of the year, the College's current assets of $65.8 million was sufficient to cover current liabilities of $27.4 million. Also, at the end of fiscal year 2018, the College's total assets of $426.8 million was sufficient to cover total liabilities of $57.9 million. Changes to deferred outflows and inflows of resources are a result of GASB Statement 68, Accounting and Financial Reporting for Pensions. See Note 6 for additional information regarding changes to these line items.

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 2018, the College experienced an overall increase in its total net position of $48.7 million or 15.2% due to the factors described above.

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 operating and nonoperating revenues and expenses, and capital revenue recognized during the year. In general, operating revenues are produced when goods or services are delivered to students, customers and constituencies 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.

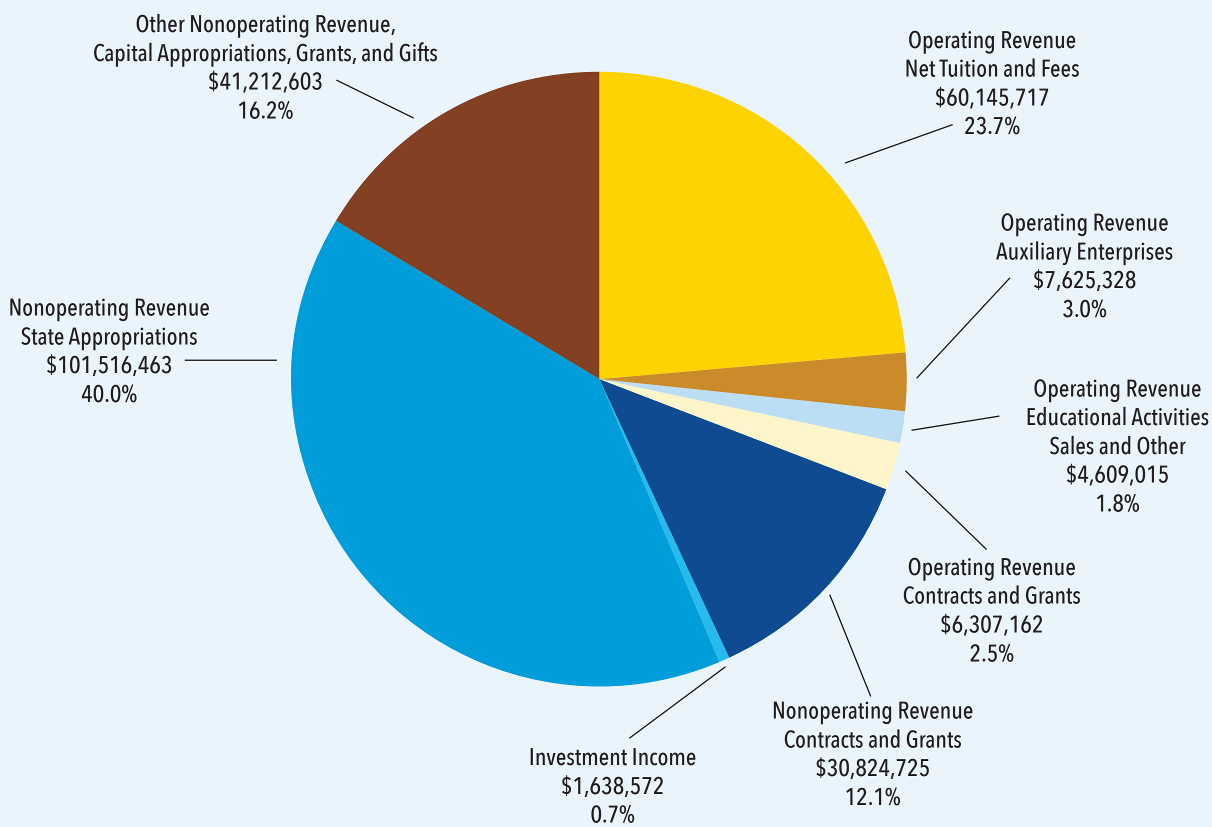
Condensed Statement of Revenues, Expenses and Changes in Net Position

	Year Ended June 30, 2018	Year Ended June 30, 2017	Change	% Change
Operating Revenues				
Tuition and Fees, Net	$ 60,145,717	$ 62,614,358	$ (2,468,641)	(3.9%)
Contracts and Grants	6,307,162	6,887,540	(580,378)	(8.4%)
Auxiliary Enterprises	7,625,328	8,764,386	(1,139,058)	(13.0%)
Other Operating Revenues	4,609,015	3,977,720	631,295	15.9%
Total Operating Revenues	78,687,222	82,244,004	(3,556,782)	(4.3%)
Operating Expenses				
Salaries, Wages, and Benefits	132,635,675	144,239,074	(11,603,399)	(8.0%)
Scholarships	16,096,462	14,928,310	1,168,152	7.8%
Depreciation	11,090,100	11,582,961	(492,861)	(4.3%)
Other Operating Expenses	43,645,120	46,427,866	(2,782,746)	(6.0%)
Total Operating Expenses	203,467,357	217,178,211	(13,710,854)	(6.3%)
Operating Loss	(124,780,135)	(134,934,207)	10,154,072	7.5%
Nonoperating Revenues (Expenses)				
State Appropriations	101,516,463	97,975,872	3,540,591	3.6%
Contracts and Grants	30,824,725	27,817,845	3,006,880	10.8%
Investment Income	1,638,572	1,927,226	(288,654)	(15.0%)
Other Nonoperating Revenues	1,903,685	981,613	922,072	93.9%
Other Nonoperating Expenses	(1,760,800)	(220,907)	(1,539,893)	697.1%
Net Nonoperating Revenues	134,122,645	128,481,649	5,640,996	4.4%
Income Before Other Revenues	9,342,510	(6,452,558)	15,795,068	244.8%
Capital Appropriations, Grants, and Gifts	39,308,918	75,000	39,233,918	52311.9%
Total Other Revenue	39,308,918	75,000	39,233,918	52311.9%
Increase in Net Position	48,651,428	(6,377,558)	55,028,986	862.9%
Net Position – Beginning of Year	320,678,759	327,056,317	(6,377,558)	(1.9%)
Net Position-End of Year	$ 369,330,187	$ 320,678,759	48,651,428	15.2%

The most significant source of operating revenue for the College is student tuition and fees, which decreased by 3.9%. This decrease is reflective of the decreases in student enrollment. The College also experienced a decrease in operating grant revenues of 8.4% related to the timing of expenditures and the expiring of various grants. Auxiliary enterprise revenues decreased by 13.0% as a result of lower enrollment and the outsourcing of food services. Overall operating revenues decreased by $3.6 million, or 4.3%.

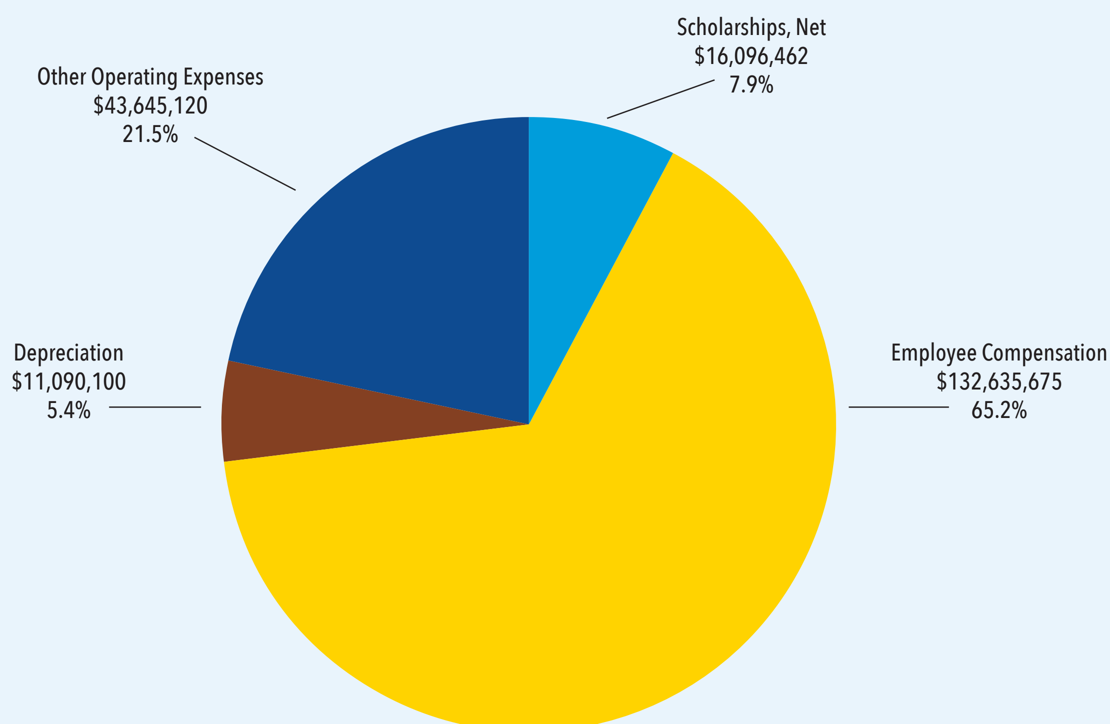
Net nonoperating revenues increased by $5.6 million, or 4.4%. This is primarily attributed to a $3.5 million increase in state appropriations related to noncapital state funded construction projects and a $3 million increase in nonoperating grant revenues attributed to increased Pell utilization. Capital appropriations, grants and gifts increased by $39.2 million primarily due to capital appropriations related to the Westpointe Workforce Training & Education Center.

Revenue for Year Ended June 30, 2018
$253,879,585



Operating expenses decreased by 6.3%. This is largely attributed to an $11.6 million decrease in employee salary and benefit expenses. With employee salaries and benefits comprising approximately 65.2% of total operating expenses in the current fiscal year, any fluctuation can have significant effects on total operating expenses. The decrease in fiscal year 2018 expenses results from an early retirement incentive that was offered in fiscal year 2017 and not in fiscal year 2018. Other operating expenses decreased $2.8 million related to fewer noncapital construction related expenses.

Operating Expenses for Year Ended June 30, 2018
$203,467,357



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, 2018	Year Ended June 30, 2017	Change	% Change
Cash Provided (Used) by				
Operating Activities	$ (115,950,272)	$ (112,351,839)	$ (3,598,433)	3.2%
Noncapital Financing Activities	128,462,876	124,729,715	3,733,161	3.0%
Capital and Related Financing Activities	6,719,359	(5,150,065)	11,869,424	230.5%
Investing Activities	(1,534,283)	(11,484,254)	9,949,971	(86.6%)
Net Change in Cash	17,697,680	(4,256,443)	21,954,123	515.8%
Cash – Beginning of Year	26,870,870	31,127,313	(4,256,443)	(13.7%)
Cash – End of Year	$ 44,568,550	$ 26,870,870	$ 17,697,680	65.9%

Capital Asset and Debt Activities

After two years of construction, the Westpointe Workforce Training & Education Center was substantially completed in fiscal year 2018. This vibrant new facility will support the community's training needs in a flexible, high quality space that will benefit business, industry, and the surrounding community for years to come. Funding for this building was provided by a capital appropriation from the State of Utah; however, the College funded certain infrastructure improvements to the building. As of June 30, 2018, the College capitalized $40.2 million related to this building, with $37.9 being provided by capital appropriations and $2.3 million funded by the College. The College also completed a project at the Miller campus to increase storm drainage capacity. The project was funded by a state appropriation of $1.1 million. Finally, in fiscal year 2018 the College began a significant remodel on the Westpointe Center. This remodel includes reconfiguring some common spaces and finishing areas that were previously unfinished. The College is funding this project and recognized $0.8 million as construction in process related to these improvements.

The College issued $11,735,000 of Student Building Fee Revenue Bonds on June 20, 2018. The proceeds from these bonds will be used to fund the expansion and remodel of the Jordan Campus student center. Construction is scheduled to begin in fiscal year 2019.

Future Economic Outlook

The College relies heavily on the State of Utah and legislative appropriations to help keep tuition low and college affordable. With the current strong economy, enrollments have declined expectedly, but new tax appropriations have been made available to assist the College in achieving and sustaining its goals. During the 2018 General Session, the State Legislature appropriated new funding to support a 2.5% compensation increase and a 4.1% increase for medical cost escalations. Furthermore, the Legislature funded a $2.8 million increase in ongoing base dollars. Tuition is the other main source of revenue for the College. In March, the State Board of Regents approved a 1.5% tuition increase to help cover the cost of the State required compensation match (75% tax funds/25% tuition). Even though new revenue came into the College, management chose to make a base budget reduction of $600,000 to offset a slight decline in enrollments. This reduction was managed by eliminating open positions. With sound budgeting processes, the net impact was an overall increase in new funds for the College.

College management strives to keep tuition low for our students and has utilized new appropriations to provide clearer educational pathways for students which will help bolster long-term student retention and greater student success. The College has also invested time and resources into strategic enrollment management in efforts to combat future enrollment declines. Overall, the College has applied its resources to be proactive in making budget adjustments when needed and demonstrating its flexibility to withstand enrollment fluctuations and other constraints.


CENTER FOR ARTS AN
Salt Lake Community College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BASIC FINANCIAL STATEMENTS

	Primary Institution	Component Unit College Foundation
Assets		
Current Assets		
Cash and Cash Equivalents (Notes 1, 2)	$ 28,560,274	$ 1,412,369
Short-Term Investments (Notes 1, 2)	24,085,390	11,212,274
Accounts Receivable, Net of $1,669,302 Allowance (Note 1)	5,949,529	131,510
Accounts Receivable from State of Utah	3,910,442	–
Student Loans Receivable - Current Portion, Net of $90,033 Allowance (Note 1)	343,093	–
Pledges Receivable - Current Portion	–	506,667
Inventories (Note 1)	1,220,631	–
Prepaid Expenses (Note 1)	1,713,389	–
Total Current Assets	65,782,748	13,262,820
Noncurrent Assets		
Restricted Cash and Cash Equivalents (Notes 1, 2)	16,008,276	–
Investments (Notes 1, 2)	84,631,017	–
Alternative Investments	1,641,937	–
Student Loans Receivable, Net of $509,462 Allowance (Note 1)	1,941,442	–
Pledges Receivable	–	554,286
Capital Assets, Net of $161,226,707 Accumulated Depreciation (Notes 1, 3)	256,769,402	–
Total Noncurrent Assets	360,992,074	554,286
Total Assets	426,774,822	13,817,106
Deferred Outflows of Resources:		
Deferred Outflows Related to Pensions	8,916,530	–
Total Deferred Outflows of Resources	8,916,530	–
Liabilities		
Current Liabilities		
Accounts Payable	3,226,132	–
Payable to State of Utah	993,610	–
Accrued Payroll Payable	8,231,002	–
Unearned Revenue (Note 1)	7,370,541	82,500
Accrued Interest Payable	17,928	–
Funds Held for Others	473,222	–
Notes Payable to State of Utah - Current Portion (Note 4)	93,773	–
Bonds Payable - Current Portion (Notes 4, 5)	1,352,999	–
Compensated Absences - Current Portion (Note 1)	3,746,700	–
Termination Benefits - Current Portion (Note 1)	1,936,839	–
Total Current Liabilities	27,442,746	82,500
Noncurrent Liabilities (Note 1)		
Note Payable to State of Utah	407,403	–
Bonds Payable	11,770,458	–
Compensated Absences	1,628,843	–
Termination Benefits	2,910,247	–
Net Pension Liability (Note 6)	13,786,830	–
Total Noncurrent Liabilities	30,503,781	–
Total Liabilities	57,946,527	82,500
Deferred Inflows of Resources:		
Deferred Inflows Related to Pensions	8,414,638	–
Total Deferred Inflows of Resources	8,414,638	–
Net Position		
Net Investment in Capital Assets (Note 1)	256,769,402	–
Restricted for:		
Nonexpendable Items (Note 1)		6,522,814
Scholarship Endowments	242,330	–
Miller Campus Endowments	600,000	–
Expendable Items (Note 1)		6,046,887
Loans	2,952,416	–
Instructional Department Use	643,418	–
Herriman Campus Infrastructure	1,811,925	–
Other	1,658,539	–
Unrestricted (Note 1)	104,652,157	1,164,905
Total Net Position	$ 369,330,187	$ 13,734,606

The accompanying Notes are an integral part of the Financial Statements.

	Primary Institution	Component Unit College Foundation
Operating Revenue		
Student Tuition and Fees, Net of Scholarship Allowances of $19,906,790 and Changes in the Allowance for Doubtful Accounts of $48,393	$ 60,145,717	$ –
Interest on Student Loans Receivable	366,716	–
Federal Contracts and Grants	4,356,509	–
State and Local Contracts and Grants	290,554	–
Nongovernmental Contracts and Grants	1,660,099	–
Sales and Services of Educational Activities	372,273	–
Auxiliary Enterprises	7,625,328	–
Gifts	–	1,869,521
Other Operating Revenue	3,870,026	–
Total Operating Revenues	78,687,222	1,869,521
Operating Expenses		
Salaries and Wages	97,690,535	–
Employee Benefits	31,247,925	–
Actuarial Calculated Pension Expense	3,697,215	–
Scholarships and Awards	16,096,462	–
Donations to College	–	2,166,226
Depreciation	11,090,100	–
Other Operating Expenses	43,645,120	329,954
Total Operating Expenses	203,467,357	2,496,180
Operating Income/(Loss)	(124,780,135)	(626,659)
Nonoperating Revenues (Expenses)		
State Appropriations	101,516,463	–
Federal Contracts and Grants	30,241,607	–
State and Local Contracts and Grants	583,118	–
Gifts	1,900,344	–
Investment Income	1,638,572	774,108
Interest on Capital Asset-Related Debt	(9,583)	–
Other Nonoperating Revenues	3,341	–
Other Nonoperating Expenses	(1,751,217)	–
Total Nonoperating Revenues	134,122,645	774,108
Income (Loss) Before Other Revenues	9,342,510	147,449
Other Revenues		
Capital Appropriations	39,008,930	–
Capital Grants and Gifts	299,988	1,538,410
Additions to Permanent Endowments	–	579,647
Total Other Revenues	39,308,918	2,118,057
Net Increase/(Decrease) in Net Position	48,651,428	2,265,506
Net Position - Beginning of Year	320,678,759	11,469,100
Net Position at End of Year	$ 369,330,187	$ 13,734,606

The accompanying Notes are an integral part of the Financial Statements.

		Primary Institution
Cash Flows from Operating Activities		
Receipts from Tuition and Fees	$	59,170,451
Receipts from Grants and Contracts		5,851,707
Receipts from Auxiliary Enterprise Charges		7,592,800
Receipts from Sales and Services of Educational Activities		372,273
Receipts from Lease/Rental		1,507,428
Receipts from Fines		3,341
Interest Received on Loans to Students		483,901
Payments to Employees for Salaries and Benefits		(136,925,314)
Payments to Suppliers		(40,541,977)
Payments for Scholarships		(16,115,440)
Loans Disbursed to Students and Employees		(49,614)
Collection of Loans to Students and Employees		532,320
Other Operating Receipts		2,167,852
Net Cash Used by Operating Activities		(115,950,272)
Cash Flows from Noncapital Financing Activities		
Receipts from State Appropriations		96,521,871
Receipts from Grants and Contracts for Other Than Operating Purposes		30,824,725
Receipts from Gifts for Other Than Capital Purposes		1,874,973
Payments on Debt		(18,755)
Agency Receipts		15,911,649
Agency Payments		(15,878,443)
Other Nonoperating Payments		(773,144)
Net Cash Provided by Noncapital Financing Activities		128,462,876
Cash Flows from Capital and Related Financing Activities		
Cash Paid for Capital Assets		(6,590,065)
Proceeds from Disposal of Capital Assets		177,622
Proceeds from Capital Debt		13,131,802
Net Cash Provided by Capital and Related Financing Activities		6,719,359
Cash Flows from Investing Activities		
Purchases of Investments		(42,748,770)
Proceeds from Sales of Investments		38,387,649
Receipt of Interest and Dividends on Investments		2,826,838
Net Cash Used by Investing Activities		(1,534,283)
Net Increase in Cash and Cash Equivalents		17,697,680
Cash and Cash Equivalents – Beginning of Year		26,870,870
Cash and Cash Equivalents – End of Year	$	$44,568,550

The accompanying Notes are an integral part of the Financial Statements.

		Primary Institution
Reconciliation of Operating Loss to Net Cash Used By Operating Activities		
Operating Loss	$	(124,780,135)
Difference Between Actuarial Calculated Pension Expense vs Actual Pension Expense		(342,716)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense		11,090,100
Donations of Supplies Received		17,515
Non Capital DFCM Expenditures Received		2,716,579
Income from Fines		3,341
Changes in Assets and Liabilities		
Accounts Receivable		(514,654)
Student Loans		610,179
Inventories		275,045
Prepaid Expenses		(621,707)
Other Assets		118,700
Accounts Payable and Accrued Expenses		(2,417,241)
Unearned Revenue		(372,277)
Compensated Absences		234,268
Termination Benefits		(1,967,269)
Net Cash Used by Operating Activities	$	(115,950,272)
Noncash Investing, Noncapital Financing, and Capital Related Financing Transactions		
Change in Fair Value of Investments Recognized as Investment Income	$	(1,117,033)
Disposal of Fixed Assets		(741,293)
Capital Gifts		299,988
Capital Appropriations		39,008,930
Total Noncash Investing, Capital, and Financing Activities	$	37,450,592

The accompanying Notes are an integral part of the Financial Statements.


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NOTES TO FINANCIAL STATEMENTS

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, GASB Statement No. 61, The Financial Reporting Entity: Omnibus, and GASB Statement No. 80, Blending Requirements for Certain Component Units-An Amendment of GASB Statement No. 14.

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 (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 (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, 2018, cash and cash equivalents consisted of:

	College	Foundation
Cash	$ (782,892)	$ 662,452
Money Market Account	121,018	749,917
Sweep Account	2,801,103	–
Money Market Mutual Funds	30,816	–
Utah Public Treasurers' Investment Fund	27,884,553	–
Unspent Bond Proceeds Held By Trustee	13,014,702	–
Debt Service Reserve	1,499,250	–
Total Cash and Cash Equivalents	$ 44,568,550	$ 1,412,369

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

Alternative Investments:

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, 2017, the company's fiscal year end. The College's ownership interest at that time was valued at $1,641,937. This is the value recorded in the College's financial statements as of June 30, 2018, as the College is not aware of any factors that could negatively affect the valuation. This is recorded as an alternative investment, because unlike traditional investments, this does not have a readily obtainable market value and maturity.

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, 2018, net of estimated uncollectible amounts:

	Receivables from the State of Utah	Receivables from Other
Tuition, Fees and Other	$ 54,067	$ 6,109,902
Due from DFCM	2,421,166	-
Grants and Contracts	1,435,209	699,707
Auxiliaries	-	345,598
Interest	-	455,767
From SLCC Foundation	-	7,857
Total Accounts Receivable	3,910,442	7,618,831
Less Allowance for Doubtful Accounts	-	(1,669,302)
Net Accounts Receivable	$ 3,910,442	$ 5,949,529

Student Loans Receivable:

The College participates in the Federal Perkins Loan Program and other College loan programs. During the fiscal year, a net $59,430 was distributed for student loans from the Perkins Loan Program. 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 consists of the following:

College Store	$ 856,536
Food Services	21,130
Costs of Project Houses Under Construction	342,965
Total Inventory	$ 1,220,631

The College is holding auto parts merchandise on consignment valued at $15,807. 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 $4,064 in mail service postage meter balances, prepaid rents of $54,823, a Grand Theatre security deposit of $7,172, equipment deposits of $26,297 and annual software subscription costs of $1,621,033.

Restricted Cash and Cash Equivalents:

Externally restricted non-expendable endowment funds of $842,330, $482,005 of loan proceeds restricted for energy efficiency upgrades, $169,988 of restricted cash reserved for the College's Herriman project, and $14,513,952 of unexpended bond proceeds and debt service reserve are classified as noncurrent assets in the Statement of Net Position.

Capital Assets:

Capital assets are recorded at historical 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 or increase capacity 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.

Accounts Payable and Accrued Liabilities:

Accounts payable and accrued liabilities consist of the following at June 30, 2018:

Salaries and Benefits Payable	$	8,231,002
Supplies and Services Payable		2,968,838
Student Related Payable		257,294
State of Utah Payable		993,610
Interest Payable		17,928
Total Accounts Payable	$	12,468,672

Unearned Revenue:

Unearned revenue consists of the following at June 30, 2018:

Tuition and Fees Related to Future Terms	$	5,556,996
Grants and Contracts		1,681,761
Bookstore and Food Service Unused Gift Cards		66,175
Grand Theatre Ticket/Rental Sales		54,135
Child Care Deposits		11,474
Total Unearned Revenue	$	7,370,541

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 System. 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, 2018 was $4,791,650.

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, 2018 was $583,893.

Accrued Termination Benefits:

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 91.7% of the stipend in fiscal year 2018, 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, 2018 there were 88 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 6.0% 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 (2%) 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, 2018 totaled $4,847,086. The early retirement program expense for the year ended June 30, 2018 was $363,728.

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 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.

2. Deposits and Investments

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

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

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

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, 2018, $2,598,510 of the College's bank balances of $2,969,528 and $1,162,369 of the Foundation's bank balances of $1,412,369 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 Securities and Exchange Commission (SEC) as an investment company. The PTIF is authorized and regulated by the Money Management Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The 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 SEC, investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

Fair Value of Investments: The College 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, 2018, 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	$ 49,133,452	$ –	$ 49,133,452	$ –
U.S. Agencies	58,960,137	–	58,960,137	–
Mutual Bond Funds	84,283	84,283	–	–
Money Market Mutual Funds	30,816	30,816	–	–
Utah Public Treasurers' Investment Fund	27,884,553	–	27,884,553	–
Total Debt Securities	136,093,241	115,099	135,978,142	–
Equity Securities				
Mutual Equity Funds	538,535	538,535	–	–
Total Equity Securities	538,535	538,535	–	–
Total Investment by Fair Value Level	$ 136,631,776	$ 653,634	$ 135,978,142	$ –
Investments Measured at the Net Asset Value (NAV)				
Private Equity Real Estate Partnership	$ 1,641,937			
Total Investments Measured at the NAV	1,641,937			
Total Investments Measured at Fair Value	$ 138,273,713			

At June 30, 2018, the Foundation had the following recurring fair value measurements:

	TOTAL	Fair Value Measurements Using Level 1	Level 2	Level 3
Investments by Fair Value Level				
Debt Securities				
Corporate Notes	$ 36,777	$ 36,777	$ –	$ –
Mutual Bond Funds	3,211,072	3,211,072	–	–
Total Debt Securities	3,247,849	3,247,849	–	–
Equity Securities				
Mutual Equity Funds	7,964,425	7,964,425	–	–
Total Equity Securities	7,964,425	7,964,425	–	–
Total Investments by Fair Value Level	$ 11,212,274	$ 11,212,274	$ –	$ –

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

- 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;
- Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
- Utah Public Treasurers' Investment Fund: application of the June 30, 2018 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30 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, generally 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, 2017, the company's fiscal yearend. The College's ownership interest at that time was valued at $1,641,937. The College is not aware of any factors that could negatively affect the valuation; therefore, the value recorded in the College's statements as of June 30, 2018 is the ownership interest. 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.

As of June 30, 2018, 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	$ 49,133,452	$ 23,462,572	$ 25,670,880	$ –
U.S. Agencies	58,960,137	–	58,960,137	–
Mutual Bond Funds	84,283	–	–	84,283
Money Market Mutual Funds	30,816	30,816	–	–
Utah Public Treasurers' Investment Fund	27,884,553	27,884,553	–	–
Total Fair Value	$ 136,093,241	$ 51,377,941	$ 84,631,017	$ 84,283

As of June 30, 2018, 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	More than 10 Years
Corporate Notes	$ 36,777	$ 36,777	$ –	$ –	–
Mutual Bond Funds	3,211,072	–	1,378,956	1,832,116	–
Total Fair Value	$ 3,247,849	$ 36,777	$ 1,378,956	$ 1,832,116	$ –

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, 2018, the College's investments had the following quality ratings:

		Quality Ratings			
Investment Type	Fair Value	AA	A	BBB	Unrated
Corporate Notes	$ 49,133,452	$ 3,744,883	$ 26,243,299	$ 19,145,270	$ –
Municipal Bonds	–	–	–	–	–
U.S. Agencies	58,960,137	49,128,069	–	–	9,832,068
Mutual Bond Funds	84,283	–	–	–	84,283
Money Market Mutual Funds	30,816	–	–	–	30,816
Utah Public Treasurers' Investment Fund	27,884,553	–	–	–	27,884,553
Total Fair Value	$ 136,093,241	$ 52,872,952	$ 26,243,299	$ 19,145,270	$ 37,831,720

At June 30, 2018, the Foundation's investments had the following quality ratings:

		Quality Ratings	
Investment Type	Fair Value	BB	Unrated
Corporate Notes	$ 36,777	$ 36,777	$ –
Mutual Bond Funds	3,211,072	–	3,211,072
Total Fair Value	$ 3,247,849	$ 36,777	$ 3,211,072

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 at the time of purchase. 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 with a maximum of 3% in corporate stock listed on a major exchange (direct ownership). 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, 2018, the College held more than 5 percent of total investments in securities of Federal Home Loan Mortgage Corporation, Federal Home Loan Bank, Federal National Mortgage Association (Fannie Mae), Federal Agricultural Mortgage Corporation (Farmer Mac), and Federal Farm Credit Bank. These investments represent 11.3% ($15,607,924), 9.5% ($13,090,686), 7.7% ($10,697,741), 7.1% ($9,832,068), and 7.0% ($9,731,718), respectively, of the College's total investments. These investments represent 42.6% 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, 2018, the College had $49,133,452 in Corporate Notes and $58,960,137 in U.S. Agencies, which were held by the counterparty's trust department or agent but not in the College's name.

3. Capital Assets

Capital assets activity for the year ended June 30, 2018 is summarized as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Capital Assets Not Being Depreciated:				
Land	$ 35,822,688	$ -	$ -	$ 35,822,688
Intangible Assets	22,500	-	-	22,500
Construction in Progress	1,310,982	2,560,294	(2,916,686)	954,590
Total Nondepreciable	37,156,170	2,560,294	(2,916,686)	36,799,778
Capital Assets Being Depreciated:				
Buildings	267,160,966	41,129,586	(672,118)	307,618,434
Leasehold Improvements	1,864,665	-	-	1,864,665
Land Improvements	33,179,763	1,126,516	-	34,306,279
Equipment and Motor Vehicles	34,414,174	3,800,213	(3,519,392)	34,694,995
Library Collections	2,914,793	224,424	(419,274)	2,719,943
Total Depreciable	339,534,361	46,280,739	(4,610,784)	381,204,316
Total Capital Assets	376,690,531	48,841,033	(7,527,470)	418,004,094
Less Accumulated Depreciation:				
Buildings	(104,499,306)	(6,034,124)	195,082	(110,338,348)
Leasehold Improvements	(824,757)	(430,308)	-	(1,255,065)
Land Improvements	(22,142,530)	(1,245,576)	-	(23,388,106)
Equipment and Motor Vehicles	(25,752,422)	(3,244,095)	3,461,058	(25,535,459)
Library Books and Software	(770,079)	(135,997)	188,362	(717,714)
Total Accumulated Depreciation	(153,989,094)	(11,090,100)	3,844,502	(161,234,692)
Total Capital Assets, Net of Depreciation	$ 222,701,437	$ 37,750,933	$ (3,682,968)	$ 256,769,402

4. Bonds and Notes Payable

During 2017, the College obtained an interest free loan totaling $519,930 from the State to implement an energy efficiency project. Payments of $18,755 are due quarterly, with the final payment due December 31, 2024. In addition, in fiscal year 2018 the college issued bonds to provide funds for the construction and renovation of major capital facilities. The bond payments are due in annual installments with interest due semi-annually at a rate of 5%. The bonds are callable on March 1, 2025. The final installment of interest and principle is due March 1, 2028 if the bonds are not called. The bonds are secured by proceeds from a student building fee and related interest earnings.

Revenue bonds payable consisted of the following at June 30, 2018:

Student Building Fee Revenue Bonds, Series 2018 5% Callable 2025, Maturing 2028	$	11,735,000

Future commitments for bonds and notes payable as of June 30, 2018 are as follows:

Fiscal Year and Type	Principal	Interest	Total
Bonds Payable			
2019	$ 1,090,000	$ 409,095	$ 1,499,095
2020	965,000	532,250	1,497,250
2021	1,015,000	484,000	1,499,000
2022	1,065,000	433,250	1,498,250
2023	1,115,000	380,000	1,495,000
2024-2028	6,485,000	1,004,250	7,489,250
Total Bonds Outstanding	11,735,000	3,242,845	14,977,845
Unamortized Bond Premium	1,388,457	-	1,388,457
Total Bonds Payable	$ 13,123,457	$ 3,242,845	$ 16,366,302
Notes Payable to State of Utah			
2019	$ 93,773	$ -	$ 93,773
2020	75,018	-	75,018
2021	75,018	-	75,018
2022	75,018	-	75,018
2023	75,018	-	75,018
2024-2025	107,331	-	107,331
Total Notes Payable to State of Utah	$ 501,176	$ -	$ 501,176

5. Noncurrent Liabilities

Noncurrent liability activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due within One Year
Bonds Payable					
Revenue Bonds Payable	$ –	$ 11,735,000	$ –	$ 11,735,000	$ 1,090,000
Unamortized Bond Premium	–	1,396,802	(8,345)	1,388,457	262,999
Total Bonds Payable	–	13,131,802	(8,345)	13,123,457	1,352,999
Compensated Absences					
Compensated Absences – Vacation	4,484,485	4,027,058	(3,719,893)	4,791,650	3,700,000
Compensated Absences – Sick Leave	656,790	22,553	(95,450)	583,893	46,700
Total Compensated Absences	5,141,275	4,049,611	(3,815,343)	5,375,543	3,746,700
Other Noncurrent Liabilities					
Termination Benefits – Early Retirement	6,814,355	449,472	(2,416,741)	4,847,086	1,936,839
Notes Payable to State of Utah	519,930	–	(18,755)	501,176	93,773
Net Pension Liability	20,901,810	–	(7,114,980)	13,786,830	–
Total Other Noncurrent Liabilities	28,236,095	449,472	(9,550,476)	19,135,092	2,030,612
Total Long-Term Liabilities	$ 33,377,370	$ 17,630,885	$ (13,374,164)	$ 37,634,092	$ 7,130,311

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) or Fidelity Investments.

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 systems.

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 Adjustments (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 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
Noncontributory System			
State and School Division Tier 1	N/A	N/A	22.19%
Contributory System			
State and School Division Tier 1	N/A	6.00%	17.70%
State and School Division Tier 2*	N/A	N/A	18.44%

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

For fiscal year ended June 30, 2018, the employer and employee contributions to the Systems were as follows:

System	Employer Contribution	Employee Contributions
Noncontributory System	$ 3,034,985	$ N/A
Contributory System	44,647	–
Tier 2 Public Employees System	797,785	–
Total Contributions	$ 3,877,417	$ –

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, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources relating to Pensions:

At June 30, 2018, the College reported a net pension asset of $0 and a net pension liability of $13,786,830.

(Measurement Date): December 31, 2017					
System	Proportionate Share	Net Pension Asset	Net Pension Liability	Proportionate Share December 31, 2016	Change (Decrease)
Noncontributory System	0.5590681%	$ –	$ 13,671,240	0.6183121%	(0.0592440%)
Contributory System	1.1294832%	–	74,325	1.4463568%	(0.3168736%)
Tier 2 Public Employees System	0.4680321%	–	41,265	0.6300908%	(0.1620587%)
		$ –	$ 13,786,830		

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 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 System during the plan year.

For the year ended June 30, 2018, the College recognized pension expense of $3,697,215 for the defined benefit plans.

At June 30, 2018 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	$ 1,545	$ 830,559
Changes in assumptions	3,507,427	108,085
Net difference between projected and actual earnings on pension plan investments	2,466,587	6,212,914
Changes in proportion and differences between contributions and porportionate share of contributions	912,425	1,263,080
Contributions subsequent to the measurement date	2,028,546	–
Total	$ 8,916,530	$ 8,414,638

The College reported $2,028,546 as deferred outflows of resources related to pensions resulting from contributions made prior to our fiscal year end, but subsequent to the measurement date of December 31, 2017. 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
2018	$ 427,452
2019	622,646
2020	(1,260,028)
2021	(1,349,138)
2022	(9,046)
Thereafter	$ 41,461

Actuarial assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases	3.25 – 9.75% average, including inflation
Investment Rate of Return	6.95% 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, 2017, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

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

	Expected Return Arithmetic Basis		
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40%	6.15%	2.46%
Debt Securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private Equity	9%	9.95%	0.89%
Absolute Return	16%	2.85%	0.46%
Cash & Cash Equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
		Inflation	2.50%
		Expected Arithmetic Nominal Return	7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.95%. 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. The discount rate was reduced to 6.95% from 7.20% percent from the prior measurement period.

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 6.95%, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	$ 29,850,100	$ 13,671,240	$ 148,968
Contributory System	979,511	74,325	(696,312)
Tier 2 Public Employees System	485,877	41,265	(301,594)
Total	$ 31,315,488	$ 13,786,830	$ (848,938)

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

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 Defined Contributions (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 Systems, as required by law. Employees who participate in the State and School Noncontributory and Tier 2 Contributory Systems are also eligible to participate in deferred compensation 401(k) and 457 defined contribution plans. The College is required to contribute 1.50% to 1.58% of eligible employees' gross earnings to the eligible employee's 401(k) plan. College contributions to the 401(k) plan totaled $432,956 for the year ended June 30, 2018. Employee contributions to the 401(k) and 457 plans for the same year were $708,434.

Teachers Insurance and Annuity Association (TIAA) 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 Fidelity Investments from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2018, 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 for the year ended June 30, 2018 were $5,078,939. The College has no further liability once annual contributions are made. Employee contributions for the same year were $979,632. The Fidelity Investments plan started in 2009, and the College's contributions into Fidelity Investments for the year ended June 30, 2018 were $2,276,039. Employee contributions for the same year were $375,049.

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

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 2027. 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, 2018, operating lease expenses totaled $1,409,153. The future lease payments are as follows:

Fiscal Year	Amount
2019	$ 881,285
2020	650,361
2021	441,401
2022	454,387
2023	467,756
2024 - 2027	1,998,366
Total Future Payments	$ 4,893,556

8. Salt Lake Community College Foundation

The Salt Lake Community College Foundation (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.

During the year ended June 30, 2018, the Foundation transferred $2,166,226 to the College to enhance scholarships, awards and other essential College programs.

The Foundation investments at year end are comprised of open-ended mutual funds and preferred/fixed rate cap securities. These are included in this report at fair value based on quoted prices for identical investments in active markets as of June 30, 2018.

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.

9. Grand Theatre Foundation

The Grand Theatre Foundation (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, 2018:

Condensed Statement of Net Position

Assets	
Current Assets	
Cash and Cash Equivalents	$ 167,610
Short-Term Investments	145,944
Prepaid Expenses	7,172
Total Current Assets	320,726
Total Assets	320,726
Liabilities	
Current Liabilities	
Accounts Payable	228
Unearned Revenue	90,636
Total Current Liabilities	90,864
Total Liabilities	90,864
Net Position	
Unrestricted	229,862
Total Net Position	$ 229,862

Condensed Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues	
Ticket Sales	$ 166,565
Concessions	18,500
Rental of Facilities	58
Institutional Support from SLCC	236,121
Other Operating Revenue	11,845
Total Operating Revenues	433,089
Operating Expenses	
Salaries and Benefits	377,084
Other Operating Expenses	297,193
Total Operating Expenses	674,277
Operating Income (Loss)	(241,188)
Nonoperating Revenues	
State and Local Grants	9,926
Private Grants	83,500
Donations	118,620
Investment Income	8,686
Total Nonoperating Revenues	220,732
Net Increase in Net Position	(20,456)
Net Position – Beginning of Year	250,318
Net Position – End of Year	$ 229,862

Condensed Statement of Cash Flows

Net Cash Provided/(Used) By:	
Operating Activities	$ 12,607
Net Increase in Cash and Cash Equivalents	12,607
Cash and Cash Equivalents – Beginning of Year	155,003
Cash and Cash Equivalents – End of Year	$ 167,610

10. Risk Management

General Liability Insurance:

The College maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and personal and malpractice liability 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 worker's compensation insurance administered by the Worker's 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, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, as amended by GASB Statement No. 30, Risk Financing Omnibus, 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, 2018 is as follows:

Estimated Claims Liability at Beginning of Year	$	2,483,838
Current Year Claims		17,232,790
Claim Payments, Including Related Legal and Administrative Expenses		(18,048,392)
Estimated Claims Liability at End of Year	$	1,668,236

The College has recorded the program assets and estimated liabilities of the health and dental care program at June 30, 2018 in the Statement of Net Position.

As part of the self-funded insurance program, the College has a stop-loss insurance policy to cover specific participant claims over $275,000 per term. The policy also covers aggregated claims exceeding 125 percent of expected claims up to $5 million.

11. Contingent Liabilities

The College has one possible contingent liability for fiscal year 2018. The employment matter was initially processed through the Utah Antidiscrimination and Labor Division ("the Division") and the complainant ultimately withdrew the charge of discrimination and requested a "notice of right to sue" from the Division to file a complaint in court. The College expects to receive a lawsuit alleging retaliation for terminating an employee in 2016. The College is vigorously defending this legal action and expects to prevail in litigation. The ultimate resolution of this matter should not have a material adverse effect upon the College's financial position. Any potential losses cannot be estimated.

The College participates in certain federal grant programs that are subject to financial and compliance audits by the grantor or its representative(s). Such audits could lead to the grantor requesting reimbursement for any disallowed expenditures under the grant terms. Such program review disallowances, if any, should not be material.

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. Costs incurred during the fiscal year for projects funded by the College are included as capital assets in the accompanying Statement of Net Position. As of June 30, 2018, the College has $17,475,494 in construction commitments to DFCM. The majority of these commitments are due to the construction of a major addition to the Jordan Campus student center. The remaining commitments are related to various smaller projects.

13. Pledged Bond Revenues

On June 20, 2018, the College issued student building fee revenue bonds to finance capital improvements to the Jordan campus student center. In accordance with the general indentures of trust, certain student building fees and related interest income are pledged toward the payment of principal and interest. Total principal and interest remaining on the bond debt as of June 30, 2018 is $14,977,845, with annual payments beginning September 2018 and ending March 2028. Payment requirements range from $1,495,000 to $1,499,250. See note 4 for future payment amounts and call dates.

For fiscal year 2018, receipts and disbursements of pledged revenues were as follows:

	Building Fee Revenue Bond
Receipts	
Student Building Fees	$ 2,355,141
Related Interest Income	255,849
Total Receipts	2,610,990
Disbursements	
Pledged Expenses	–
Excess of Pledged Receipts over Expenses	$ 2,610,990
Debt Service Principal and Interest Payments	$ –
Debt Service Coverage Ratio	–

14. Subsequent Events

In September 2018 the College entered into an agreement to sell approximately 38 acres of land at the Jordan Campus. The agreed upon sales price for this property is $6,000,000. The buyers obligation to purchase the property is conditioned upon buyers due diligence, and the buyer has the right to cancel the transaction prior to the due diligence deadline of January 31, 2019 if the results of the due diligence are unacceptable. The settlement deadline for this transaction is April 30, 2019. This transaction will be recognized as a reduction to capital assets in the fiscal year 2019 financial statements.

In September 2018 the College entered into an agreement to purchase the Westpointe Center Building, which is currently leased by the College. The agreed upon purchase price is $7,000,000. The Westpointe Center building is currently undergoing significant capital improvements funded by the College. As of June 30, 2018, the College has capitalized $751,011 as construction in process related to these improvements. The building purchase and capital improvements will be recognized as an addition to capital assets in the fiscal year 2019 financial statements.

Required Supplementary Information

Schedule of Pension Contributions for the Last Ten Fiscal Years

For the Year Ended June 30

Noncontributory System

	2018	2017	2016
Contractually Required Contribution	$ 3,034,985	$ 3,283,873	$ 3,271,447
Contributions in Relation to the Contractually Required contribution	(3,034,985)	(3,283,873)	(3,271,447)
Contribution Deficiency (excess)	$ –	$ –	$ –
Covered Payroll	**$ 14,602,338**	**$ 15,646,322**	**$ 15,041,712**
Contributions as a Percentage of Covered Payroll	20.78%	20.99%	21.75%

Contributory System

	2018	2017	2016
Contractually Required Contribution	$ 44,647	$ 55,071	$ 74,567
Contributions in Relation to the Contractually Required contribution	(44,647)	(55,071)	(74,567)
Contribution Deficiency (excess)	$ –	$ –	$ –
Covered Payroll	**$ 252,246**	**$ 312,153**	**$ 421,281**
Contributions as a Percentage of Covered Payroll	17.70%	17.64%	17.70%

Tier 2 Public Employees System*

	2018	2017	2016
Contractually Required Contribution	$ 797,785	$ 913,065	$ 842,721
Contributions in Relation to the Contractually Required contribution	(797,785)	(913,065)	(842,721)
Contribution Deficiency (excess)	$ –	$ –	$ –
Covered Payroll	**$ 4,328,416**	**$ 5,023,311**	**$ 4,618,804**
Contributions as a Percentage of Covered Payroll	18.43%	18.18%	18.25%

** 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.

2015	2014	2013	2012	2011	2010	2009
$ 3,628,042	$ 3,070,864	$ 2,768,316	$ 2,460,339	$ 2,443,566	$ 1,972,908	$ 1,986,660
(3,628,042)	(3,070,864)	(2,768,316)	(2,460,339)	(2,443,566)	(1,972,908)	(1,986,660)
$ –	$ –	$ –	$ –	$ –	$ –	$ –
$ 14,805,445	**$ 14,157,101**	**$ 14,393,952**	**$ 14,842,533**	**$ 15,073,589**	**$ 13,874,179**	**$ 13,970,923**
24.50%	21.69%	19.23%	16.58%	16.21%	14.22%	14.22%

2015	2014	2013	2012	2011	2010	2009
$ 96,681	$ 298,284	$ 224,039	$ 131,886	$ 79,289	$ 66,902	$ 89,379
(96,681)	(298,284)	(224,039)	(131,886)	(79,289)	(66,902)	(89,379)
$ –	$ –	$ –	$ –	$ –	$ –	$ –
$ 407,938	**$ 2,846,740**	**$ 2,034,632**	**$ 1,101,033**	**$ 444,697**	**$ 425,315**	**$ 568,209**
23.70%	10.48%	11.01%	11.98%	17.83%	15.73%	15.73%

2015	2014[1]	2013[1]	2012[1]	2011[1]	2010[1]	2009[1]
$ 273,518	N/A	N/A	N/A	N/A	N/A	N/A
(273,518)						
$ –						
$ 3,283,537						
8.33%						

Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability

Noncontributory System

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Proportion of Net Pension Liability (Asset)	0.5590681%	0.61831210%	0.58343780%	0.53785600%
Proportionate Share of Net Pension Liability (Asset)	$ 13,671,240	$ 20,038,982	$ 18,327,452	$ 13,513,786
Covered Payroll	$ 14,844,656	$ 15,823,387	$ 14,943,492	$ 14,172,883
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	92.10%	126.64%	122.65%	95.35%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.20%	84.90%	84.50%	87.20%

Contributory System

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Proportion of Net Pension Liability (Asset)	1.12948320%	1.44635680%	1.33014470%	1.12603540%
Proportionate Share of Net Pension Liability (Asset)	$ 74,325	$ 792,542	$ 833,538	$ 123,468
Covered Payroll	$ 256,990	$ 387,721	$ 421,359	$ 406,196
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	28.92%	204.41%	197.82%	30.40%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.20%	93.40%	92.40%	98.70%

Tier 2 Public Employees System

	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Proportion of Net Pension Liability (Asset)	0.46803210%	0.63009080%	0.60384480%	0.55499000%
Proportionate Share of Net Pension Liability (Asset)	$ 41,265	$ 70,286	$ (1,318)	$ (16,819)
Covered Payroll	$ 4,586,022	$ 5,167,224	$ 3,901,137	$ 2,722,591
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	0.90%	1.36%	-0.03%	-0.62%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.40%	95.10%	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.

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is devloped using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

GOVERNING BOARDS AND EXECUTIVE CABINET

SLCC EXECUTIVE CABINET

Dr. Deneece G. Huftalin, President
Dr. Clifton Sanders, Provost, Academic Affairs
Jeff Aird, Vice President, Institutional Effectiveness
Darren A. Marshall, Interim Vice President, Finance and Administration
Dr. Roderic Land, Special Assistant to the President
Dr. Charles Lepper, Vice President, Student Affairs & Enrollment Management
Alison McFarlane, Vice President, Institutional Advancement
Timothy Sheehan, Vice President, Government and Community Relations

Salt Lake Community College

THIS REPORT IS PREPARED BY THE OFFICE OF
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