Salt Lake Community College

2013

ANNUAL FINANCIAL REPORT

A COMPONENT UNIT OF THE STATE OF UTAH

SALT LAKE COMMUNITY COLLEGE

A Component Unit of the State of Utah

ANNUAL FINANCIAL REPORT 2012-2013

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Taylorsville Redwood Campus
Instruction and Administration Building

Salt Lake Community College Step Ahead.

We are pleased to present the 2013 Salt Lake Community College Annual Report. With accessible sites located throughout the Salt Lake Valley, the College continues to be the largest supplier of workforce development programs in the state while also remaining the principal transfer conduit to Utah's four-year higher-education institutions.

This report contains information about the College's financial health and its educational offerings, both of which remain robust and on target. The financial statements and State Auditor's report contained in this document will show that the College is as strong as ever in its mission to offer future, current and lifelong students the opportunity to complete general education classes or expand on a new skill.

The College is an educational forerunner with a consistent Top 10 national ranking as a leading producer of associate degrees, with fully transferable classes from a wide array of offerings.

You can see the continued advancement of the College at its Taylorsville Redwood Campus in the new Instruction and Administration Building. Opened in October, it is the largest classroom structure at the College's main campus, with 40 new classrooms, specialized labs and study areas.

We made an even bigger splash this year with the opening of our new Center for Arts and Media building addition. This $45 million state-of-the-industry facility at our South City Campus combines under one roof 17 programs that can serve 9,000 students through the College's School of Arts, Communication and Media. It has a television studio and control room, film stage, a 36-seat screening room and a recording studio that boasts a 64-channel Solid State Logic mixing board.

The new facility is a partnership with the Salt Lake City School District and the State of Utah that will further enhance the College's ability to provide courses in highly technical fields such as sound, design, animation, photography and digital arts.

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

Most sincerely,

Deneece G. Huftalin

Dr. Deneece G. Huftalin
Interim President

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OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Deneece Huftalin, Interim 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, 2013, 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 an opinion 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.

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

Opinion

In our opinion, 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, 2013, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8–18 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 an opinion on the financial statements that collectively comprise the College's basic financial statements. The Letter from the President and the listing of the governing boards and officers 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 this other information.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the Utah State Auditor

Office of the Utah State Auditor
January 30, 2014

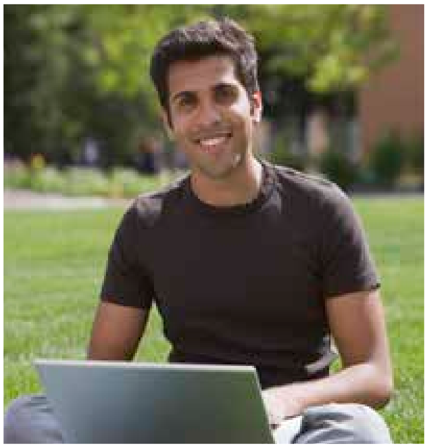

South City Campus
Center for Arts and Media

Management's Discussion and Analysis










Overview

Salt Lake Community College (the College) is pleased to provide its basic financial statements for the fiscal year ended June 30, 2013. The following discussion provides an overview of the College's financial position and fiscal activity for the period, with selected comparative information from the previous fiscal year. This analysis was prepared by management and should be read in conjunction with the accompanying audited financial statements and footnotes.

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

The College is a public, open-access, comprehensive community college committed to serving the broader community. 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 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 the following condensed statements and analysis.

The College's Annual Financial Report is prepared in accordance with Governmental Accounting Standards Board (GASB) Statements and related authoritative pronouncements. The annual report includes three primary financial statements, each providing information on the College as a whole: the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the financial position of Salt Lake Community College at June 30, 2013, the end of the College's fiscal year, and includes all of the assets, liabilities and balances attributable to the College.

From this information, readers are able to identify the nature and amount of assets available for continued operations, how much the College owes its vendors, lending institutions and bond holders, and finally, a picture of the net position (assets minus liabilities) and their 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, 2013	June 30, 2012	Change	% Change
Assets				
Current Assets	**$ 95,906,028**	$ 88,835,468	$7,070,560	8.0%
Noncurrent Assets	**25,649,014**	30,000,009	(4,350,995)	(14.5%)
Capital Assets, net	**185,760,908**	181,226,187	4,534,721	2.5%
Total Assets	**307,315,950**	300,061,664	7,254,286	2.4%
Liabilities				
Current Liabilities	**31,388,399**	26,101,105	5,287,294	20.3%
Noncurrent Liabilities	**9,125,862**	10,580,704	(1,454,842)	(13.7%)
Total Liabilities	**40,514,261**	36,681,809	3,832,452	10.4%
Net Position				
Net Investment in Capital Assets	**182,141,648**	176,454,895	5,686,753	3.2%
Restricted - Nonexpendable	**826,533**	826,231	302	0.0%
Restricted - Expendable	**8,443,936**	8,821,184	(377,248)	(4.3%)
Unrestricted	**75,389,572**	77,277,545	(1,887,973)	(2.4%)
Total Net Position	**$266,801,689**	$263,379,855	$3,421,834	1.3%

Total assets of Salt Lake Community College grew $7.3 million or 2.4% during the fiscal year ended June 30, 2013. Current assets increased $7.1 million primarily due to the result of the following events: 1) cash equivalents and short term investments increased by $4.7 million, 2) accounts receivable related to grants and contracts increased $.8 million, 3) accounts receivable related to student accounts, net of an increase in the provision for bad debt, increased by $1.6 million, 4) investment interest receivable and auxiliary related receivables decreased by $.2 million, and 5) the bookstore inventory cost increased by $.2 million.

While current assets increased, total noncurrent assets decreased by $4.4 million. Long-term investments decreased by $5.7 million primarily due to the reclassification of certain investments as short term due to their shorter or more current maturity dates. In addition, the College received a gift in the form of owner's equity in a land development limited liability partnership valued at nearly $1.5 million. This is reported as a noncurrent alternative investment in the accompanying financial statements. Noncurrent student loan receivables also decreased by nearly $.2 million.

Capital assets increased 2.5% or $4.5 million. This is the net result of capital additions of $14.7 million less depreciation and equipment disposals of $10.2 million. New capital additions included an increase of $8.1 million in construction in progress costs for the new Instruction and Administration Building and the Center for Arts and Media Building, $.4 million for two acquired parcels of land adjacent to the Taylorsville Redwood Campus and the South City Campus, $3.1 million for the construction of a power sub-station (land improvements), and $3.1 million for equipment, motor vehicles and the library collection.

College total liabilities at $40.5 million increased by $3.8 million or 10.4% from the prior year. Current liabilities increased by $5.3 million or 20.3%. General accounts payable for supplies and services, including payables to the State, increased $3.0 million, which is attributed to the general growth of the College and timing between acquisition and payment for goods and services purchased toward the end of the year. At June 30, 2013, the construction of the new Instruction and Administration, Center for Arts and Media buildings and the energy savings project are in the final stages of construction. Consequently, large payables for furniture, fixtures and equipment at year end were major contributors to the increase in general accounts payable. Unearned revenue also increased by $1.2 million primarily related to student accounts. For the summer term of 2013, a larger percentage of days school is held occurred after June 30 than before, thus increasing the amount of unearned tuition and fee revenue to fiscal year 2014. The current portion of the liabilities associated with unpaid employee vacation and sick leave balances (compensated absences) and employees on early retirement (termination benefits) increased by $.2 million. The other significant event effecting the change in current liabilities was a $.8 million increase in funds held for others. With the increased enrollment and flight costs associated with the College's flight/pilot program significantly more money was deposited onto the students' one-card accounts used to pay offsite flight and instruction costs.

Noncurrent liabilities decreased by $1.5 million, which is primarily the reduction in bond and notes payable debt resulting from the normal required principal and interest payments during the fiscal year.

The current ratio, which equals current assets divided by current liabilities ($95.9 million over $31.4 million), is 3.0 to 1 and represents the College's liquidity or ability to meet its current obligations. Also, total assets of $307.3 million were more than sufficient to meet the College's total liabilities of $40.5 million (debt ratio of .13).

Net investment in capital assets increased by nearly $5.7 million. This is the result of a $4.5 million net increase in capital asset acquisitions less depreciation and equipment disposals during the year, and decreased bond debt of $1.2 million due to normal repayments of principal.

Restricted-expendable net position decreased slightly by $.4 million. This change is primarily due to the addition of $1.5 million of assets related to the donation of owner's equity in the land development limited liability partnership mentioned above and which is restricted for infrastructure needs at the College's future Herriman Campus. These resources were offset by the expenditure of $1.9 million for energy savings projects during the fiscal year.

Unrestricted net position decreased $1.9 million, which is the result of unrestricted operating expenses exceeding related operating revenues. Much of this decrease can be attributed to year end expenditures for furniture and equipment needed for the College's two recently constructed buildings that are both scheduled to be occupied in the fall of 2014. As previously mentioned, substantially all the unrestricted resources have been designated for various academic, facilities and technology purposes.

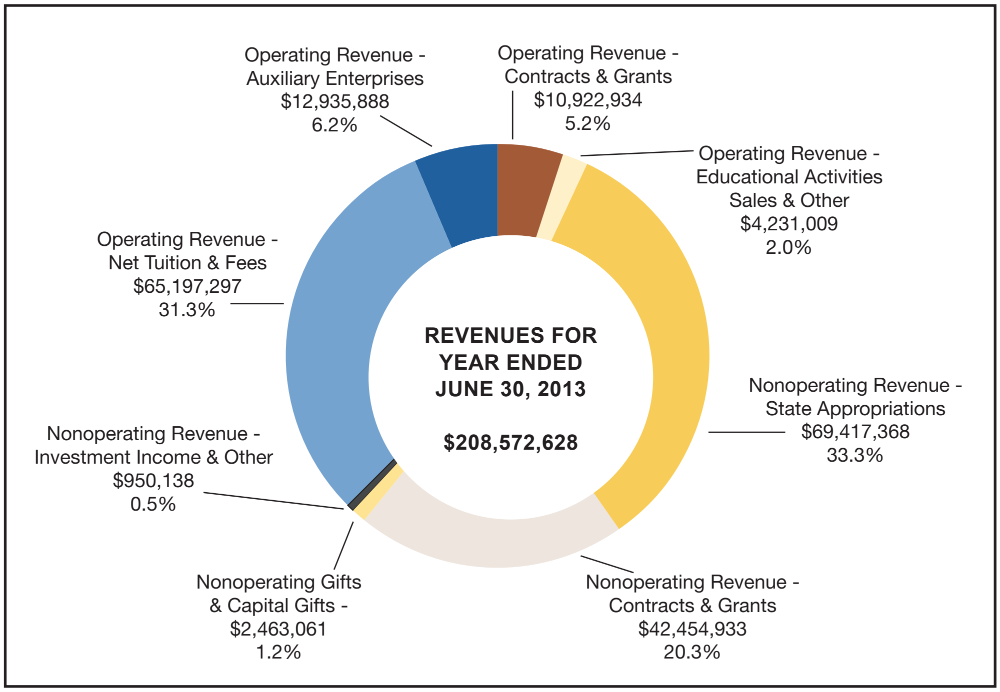
Over time, increases or decreases in total net position (the difference between the College's total assets and total liabilities) is one indicator of general financial well-being when considered along with other factors such as student satisfaction, enrollment patterns, appearance and condition of buildings and grounds and employee morale. In fiscal year 2013, the College had an overall increase in its net position of $3.4 million. This and other conditions affecting net position are explained more fully in the following section.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses and Changes in Net Position provides information regarding the College's revenues and expenses, operating and non-operating, and other capital revenues, expenses, gains and losses recognized during the year. In general, operating revenues are produced when goods or services are delivered to students, customers and 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.

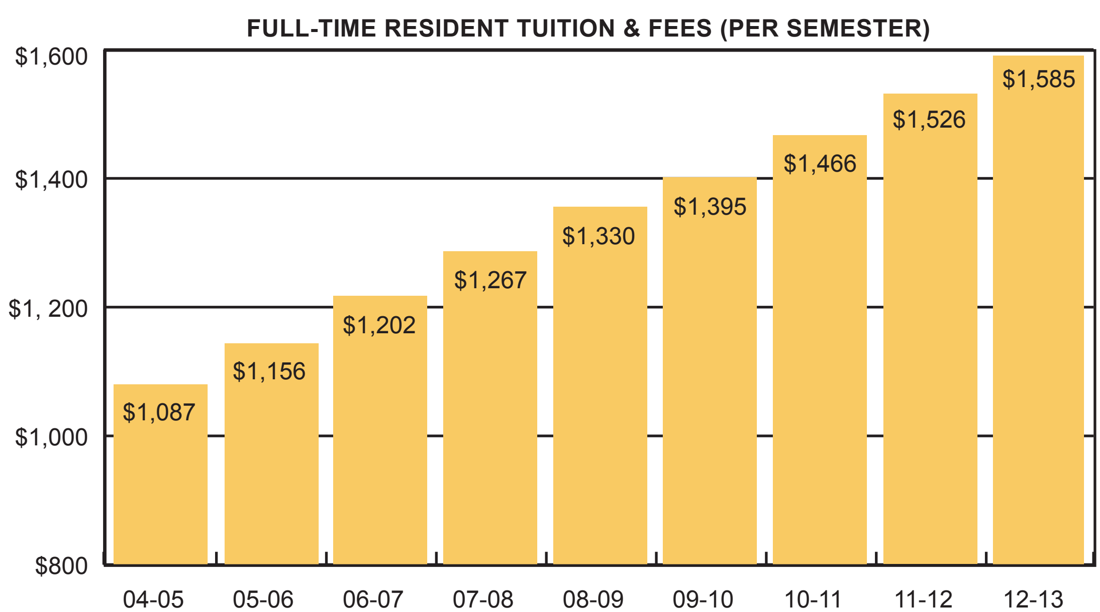
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Year Ended June 30, 2013	Year Ended June 30, 2012	Change	% Change
Operating Revenues				
Tuition and Fees - Net	**$ 65,197,297**	$ 58,780,112	$6,417,185	10.9%
Contracts and Grants	**10,922,934**	9,910,225	1,012,709	10.2%
Auxilliary Enterprises	**12,935,888**	13,910,413	(974,525)	(7.0%)
Other	**4,231,009**	4,539,041	(308,032)	(6.8%)
Total Operating Revenues	**93,287,128**	87,139,791	6,147,337	7.1%
Operating Expenses				
Salary, Wages and Benefits	**114,713,147**	113,336,045	1,377,102	1.2%
Scholarships	**25,509,807**	25,790,370	(280,563)	(1.1%)
Depreciation	**9,778,287**	10,173,294	(395,007)	(3.9%)
Other Operating Expenses	**55,149,553**	51,437,444	3,712,109	7.2%
Total Operating Expenses	**205,150,794**	200,737,153	4,413,641	2.2%
Operating Loss	**(111,863,666)**	(113,597,362)	1,733,696	1.5%
Non-operating Revenues				
State Appropriations	**69,417,368**	64,714,457	4,702,911	7.3%
Contracts and Grants	**42,454,933**	43,323,701	(868,768)	(2.0%)
Investment Income	**1,506,089**	865,850	640,239	73.9%
Other Non-Operating Revenues (Net of Non-Operating Expenses)	**1,826,297**	(486,309)	2,312,606	475.5%
Net Non-Operating Revenues	**115,204,687**	108,417,699	6,786,988	6.3%
Income (Loss) Before Other Revenues	**3,341,021**	(5,179,663)	8,520,684	(164.5%)
Capital Appropriations, Grants, and Gifts	**80,813**	8,916,011	(8,835,198)	(99.1%)
Total Other Revenues	**80,813**	8,916,011	(8,835,198)	(99.1%)
Increase in Net Position	**3,421,834**	3,736,348	(314,514)	(8.4%)
Net Position-Beginning of Year	**263,379,855**	259,643,507	3,736,348	1.4%
Net Position-End of Year	**$266,801,689**	$263,379,855	$3,421,834	1.3%



Major categories of operating revenue for the College include tuition and fees, contracts and grants, auxiliary enterprises, sales and services of educational activities and other revenues.

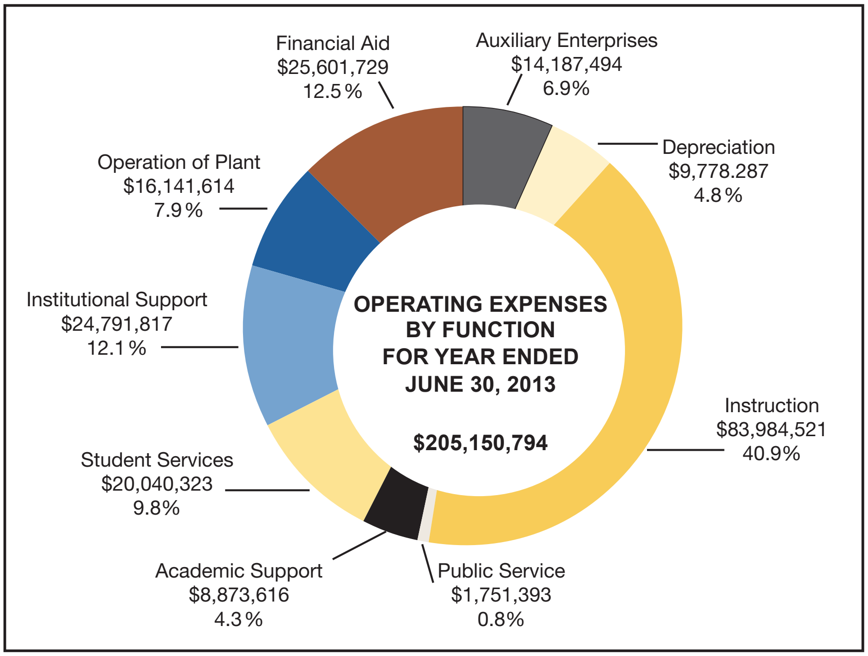
Total tuition and fees, net of related scholarship discounts, increased by 10.9% or $6.4 million. One significant reason for the increase is because the regular tuition rate increased 4.5% to $1,585 for the 2013 academic school year. However, full-time student enrollment also dropped by 3.1% so both factors contributed to an approximate $1.4 million increase in regular tuition revenue. In addition to tuition, large increases in two specific course fees were major contributors to the overall revenue increase. Due to a 60% increase in the number of students participating in the College's flight/pilot training program, the related flight course fee revenue increased by $4.4 million. Also, the course fee charged for taking on-line courses changed from $3 per credit hour in 2012 to $40 per course in 2013, which contributed to a $.7 million increase in fee revenue. Finally, the scholarship discount adjustment that is eliminated from both revenue and expenses decreased by $.6 million in 2013. GASB requires that scholarships applied to student accounts be eliminated from tuition revenue and scholarship expense to avoid duplication of revenue in the financial statements. A scholarship discount or allowance is essentially the amount of financial aid received by the College, recorded as appropriations or grants and gifts revenue and subsequently awarded and applied as grants-in-aid or scholarships to student accounts to pay their related tuition and fees.

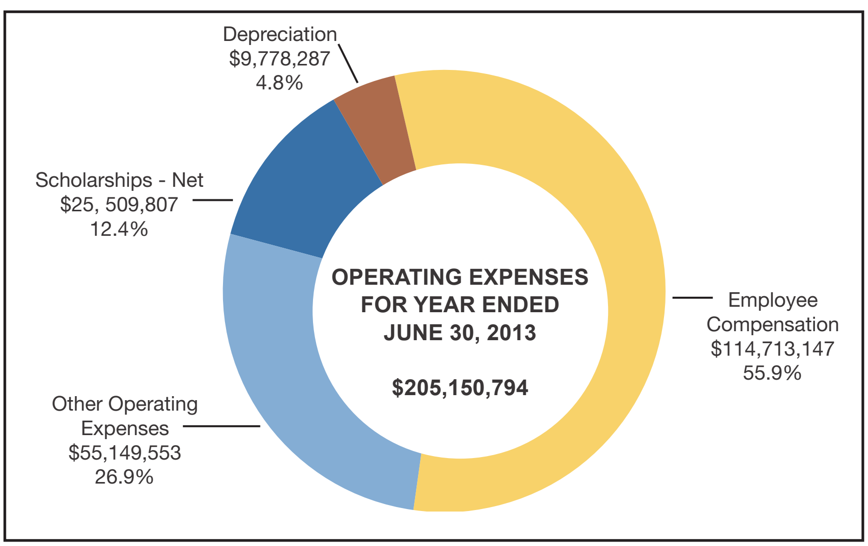


Operating contracts and grants increased by $1.0 million, or 10.2%. This increase is primarily the result of the College being awarded a five year grant ($.9 million was received in this first year) from Goldman Sachs to enhance the economic development and growth of small businesses along the Wasatch Front.

Net auxiliary revenues, after inter-fund eliminations, decreased $1.0 million compared to the prior year. A decrease in bookstore sales of over $1.1 million accounts for the majority of this decrease. This was offset by an increase in food service revenues of $.2 million. Other College auxiliaries that include the Student Center, Parking Services, the Lifetime Activities Center and the Child Care Program saw net revenues decrease by $ .1 million generally attributed to lower student enrollment compared to the prior year.

Other operating revenues experienced a minor decrease of $.3 million, or 6.8%. College educational sales activities are part of this category and most of this change is the result of a temporary freeze in 2013 in the construction of student built houses due to the weak housing market in the Salt Lake Valley. No houses were built or sold in 2013, whereas in 2012 two houses for over $.3 million were sold.





Operating expenses totaled $205.2 million, a 2.2% increase in fiscal year 2013. Employee compensation remains the largest expenditure category comprising $114.7 million or 55.9% of the operating expense total.

Employee salaries and wages increased moderately by 1.4% or $1.1 million. At the start of the year, full time staff and adjunct instructors received a 1.0% pay increase and full time faculty received a 1.15% pay increase.

Employee benefits increased $.2 million or .8%. Although health and State retirement rates increased during the year, the effect was minimized by the College's self-funded employee health and dental insurance program. Where paid premiums (revenues) into the program exceed actual program expenses, that difference (considered as inter-departmental transactions) is excluded from both revenue and benefits expense in the College's financial statements. In 2013, the amount eliminated was almost $.8 million more than the amount eliminated in the prior year.

Scholarship expense decreased slightly by approximately $.3 million or 1.1%. Although the decrease is attributable to various factors, the principle reduction occurred in the PELL grant program which decreased $.9 million. This decrease was partly offset by a $.6 million reduction in the amount of the scholarship discount that is eliminated from both scholarship expenses and tuition and fees revenue in accordance with generally accepted accounting principles (GAAP).

Other operating expenses increased by 7.2% or $3.7 million from the previous year. This category accounts for the general operating costs of the College such as supplies, services, utilities, non-capitalized equipment, travel, remodeling and repair costs. Changes in operating costs can generally be attributed to normal College growth and the purchasing needs of the College. However, there are two unique events of note that occurred during the year that contributed to this increase in expenses. First, the flight/pilot program mentioned above experienced significant enrollment growth; and consequently, expenses increased $4.5 million. Second, the construction of two new College buildings (the Center for Arts and Media on the South City Campus, and the Instruction and Administration Building on the Taylorsville Redwood Campus) were nearing completion by June 30, 2013. Therefore, the College incurred $3.4 million in furniture, fixtures and other costs readying these two buildings for occupation in the next year. These increases are offset by a decrease in auxiliary related expenses of $1.2 million. The remaining difference is attributed to normal fluctuations in other operating activities of the College.

State Appropriations to the College increased by $4.7 million or 7.3%. The education and general appropriation (E&G appropriation) increased 4.2% or nearly $2.4 million. State funds passed on to the College through the Board of Regents for certain initiatives decreased 7.2% or less than $.1 million. State funding for various non-capital projects increased significantly by $ 2.4 million or 415.0%. These are normal funding fluctuations based on State determination of pressing institution facility and infrastructure needs.

Non-operating contracts and grants revenue decreased by 2.0% or $.9 million, which is primarily all attributed to a decrease in federal PELL grants awarded to students.

Investment income increased by 73.9%, or $.6 million primarily due to a higher realized rate of return and a higher average amount invested during the year. Although investment market interest rates remain near historic lows, the rate of return the College realized on its investment portfolio increased from an average of 1.03% in 2012 to 1.23% in 2013. In addition, the average amount invested rose from $101.0 million to $107.6 million.

Other non-operating revenues (net of other non-operating expenses) consist primarily of gifts, library fines and interest paid on outstanding College debt, losses on disposed fixed assets and student loan cancellations. Overall, the College is reporting this year net non-operating revenues of $1.8 million where in the prior year the College reported net non-operating expenses of $.5 million or a change of $2.3 million. The change is primarily due to the received gift of owner's equity in a land development limited liability partnership valued at $1.5 million. In-kind gifts received by the College also increased by $.4 million.

Capital appropriations and gifts are for specific, one-time or limited events. In fiscal year 2013, the College did not receive any Legislative allocated capital funding; whereas in the prior year, the Legislature appropriated $3.0 million to the College to acquire a parcel of land in Herriman City for a future campus site, and $.9 million for a new carpentry building, infrastructure and land improvements. Regarding other gifts, the College this year received minor additions to its library collection, two art pieces and three items of equipment all valued at just over $80,800. In the prior year, the primary donations received consisted of two parcels of land valued at $5.03 million.

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, 2013	Year Ended June 30, 2012	Change	% Change
Cash Provided (Used) By				
Operating Activities	**$ (98,423,366)**	$ (101,691,531)	$ 3,268,165	(3.2%)
Noncapital Financing Activities	**111,145,154**	111,914,339	(769,185)	(0.7%)
Capital Financing Activities	**(15,334,414)**	(16,440,392)	1,105,978	(6.7%)
Investing Activities	**(2,896,842)**	1,874,923	(4,771,765)	(254.5%)
Net Change in Cash	**(5,509,468)**	(4,342,661)	(1,166,807)	26.9%
Cash, Beginning of Year	**31,579,177**	35,921,838	(4,342,661)	(12.1%)
Cash, End of Year	**$ 26,069,709**	$ 31,579,177	$ (5,509,468)	(17.4%)

There are many operating activities that provide and use cash. The significant activities contributing to the overall net decrease of $3.3 million in cash used include the following. Receipts related to tuition and fees increased by $8.9 million primarily due to the large increase in student flight fees (flight/pilot program), online course fees and the tuition rate increase, all of which were explained previously. The additional receipts were offset by increased payments for employee labor costs and suppliers of goods and services of $1.2 million and $.4 million respectively. Receipts from operating grants and contracts, auxiliary operation and other operating receipts all decreased in 2013 by $2.1 million, $1.0 million and $.9 million respectively.

The minor overall decrease in cash provided by noncapital financing activities is attributed to the following activities. First, the College was pleased to see receipts from State appropriations increase by $3.5 million in 2013. Other increases in cash provided came from agency receipts exceeding agency payments by $.9 million compared to the prior year. These increases were offset by a reduction in receipts from nonoperating grants and contracts of $.9 million and a reduction in non-capital gifts of $.3 million. In addition, in fiscal year 2012, the College received $4.0 million of proceeds from a debt financing agreement to fund various energy saving projects, but in 2013 the College did not enter into any debt arrangements.

There was a moderate decrease of $1.1 million in cash used for capital and related financing activities primarily due to the College spending $1.4 million less for capital assets than in the prior year. In addition, debt principal payments increased by over $.3 million which is the approximate annual principal payment due on the $4.0 million debt acquired in 2012 for energy saving projects.

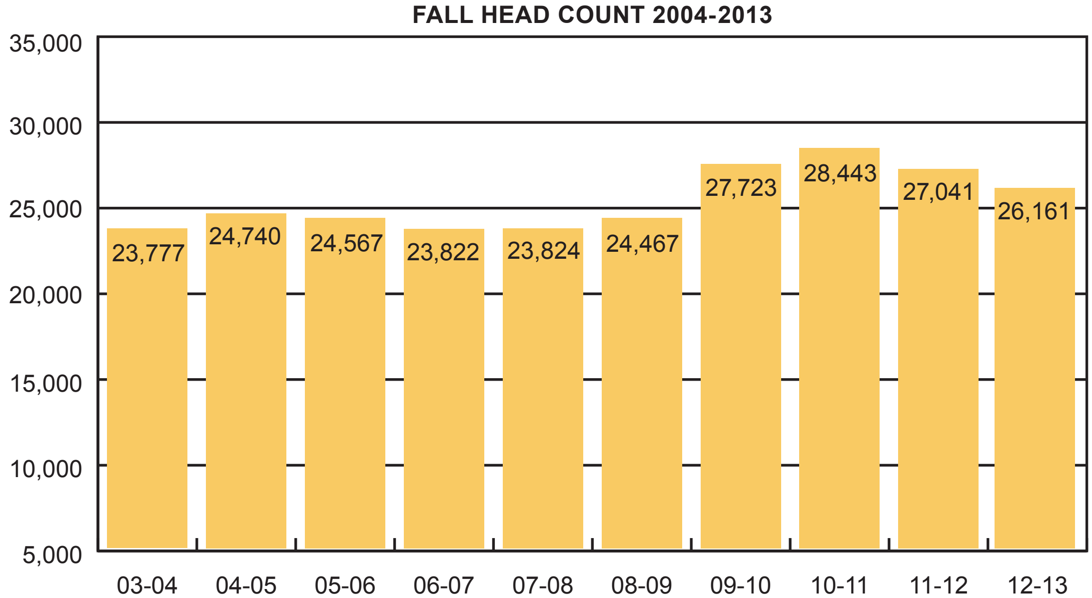
Changes in investing activities are based upon the amount of cash used to purchase investments and the cash received from the sale or maturity of investments during the year, as well as the change in investment income received due to interest rate changes and market conditions. In 2013, the College experienced a net cash outflow (cash used) for investing activities of $2.9 million. This is the result of the College purchasing $4.8 million more investments than cash received from the sales of investments, offset by investment income proceeds of $1.9 million. When comparing investing activities to the prior year, there was an overall $4.8 million reduction in cash provided from investing activities in 2013. In 2013, the College purchased approximately $15.3 million less in investments than in 2012 and received about $19.2 million less in proceeds from the sale of investments than in 2012. The College also collected about $.9 million less in investment income than in 2012.

Capital Asset and Debt Activities

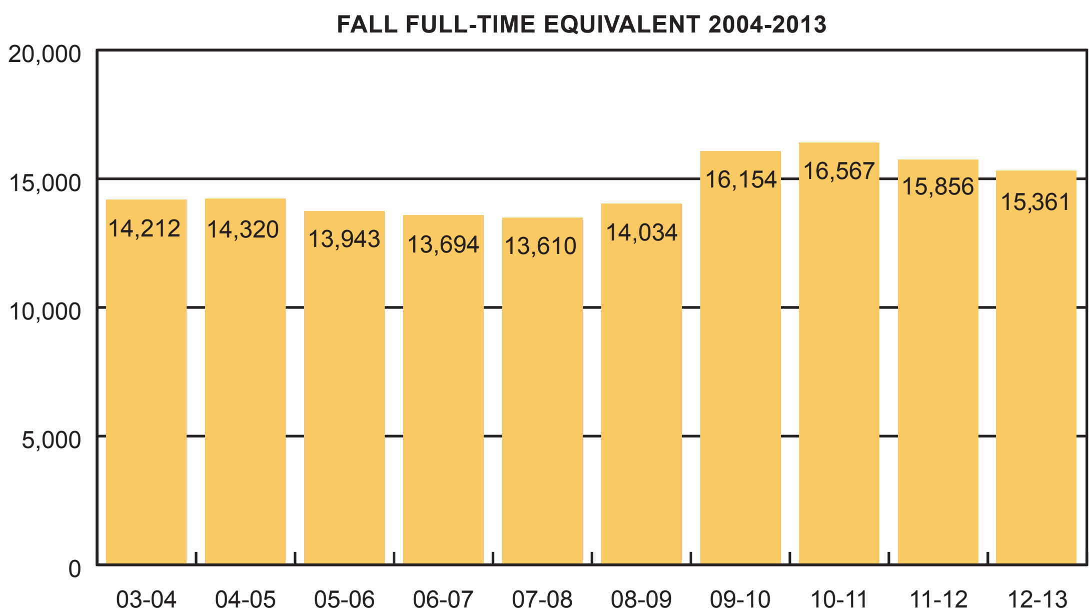
Capital appropriations, gifts and College allocated funds have been used for several projects during the year. The largest ongoing projects are the construction of two new buildings, both nearing completion as of June 30, 2013. The new Center for Arts and Media Building on the South City Campus will be home to the School of Arts, Communication and Media. This is a $49.9 million building project that was completed and ready for occupation and classes in the fall of 2013. A Salt Lake City School District building for approximately $7.0 million is part of this project. Of the remaining $42.9 million, the State has appropriated $25.6 million and the College is committed to pay $17.3 million, of which $7.3 million is provided from student approved building fees. As of June 30, 2013, the College construction in progress costs toward its portion of the project amounted to $13.2 million. The school district building has also been completed and paid for by the district. The other major construction project is the new Instruction and Administration Building on the Taylorsville Redwood Campus. The approximate cost of this new building is $33.0 million, of which the State is paying $29.5 million. The College's portion of $3.5 million has substantially all been paid as of year end. This building was also completed and occupied in the fall of 2013.

In 2013, the College acquired two small parcels of land for $.4 million for future expansion purposes, one adjacent to the South City Campus and the other adjacent to the Taylorsville Redwood Campus. Another noteworthy addition to buildings or land improvements was the completion of an electrical power sub-station near the Taylorsville Redwood Campus that will generate significant power utility savings to the College. The cost of this construction project was nearly $3.1 million.

The college did not incur any new long term debt in 2013. As noted in the accompanying financial statements, the College has only two long term debts outstanding as of June 30, 2013. One is a bonds payable obligation with a remaining principal balance of $3,555,000 which matures in 2016, and the other is a notes payable obligation with a remaining balance of $3,644,463 that matures in 2022.



Enrollment is measured by unduplicated Fall Semester Head Count, which decreased by 880 students or 3.3% from the previous year. Fall Semester Full-Time Equivalents (1 FTE = 15 credit hours) decreased by 495 or 3.1%. Although enrollment has decreased for a second year, the decrease in 2013 was much smaller than the previous year.



Future Outlook

During the 2013 General Session, the State Legislature appropriated funds to support cost increases in employee medical costs and State retirement increases effective July 1, 2013 for both the Education and General and School of Applied Technology line items. Though the Legislature did not appropriate funds to support general salary increases in fiscal year 2014, the College implemented a 6.0% tuition increase to help support a 1.0% base pay increase and up to an additional 1.0% performance based pay increase effective July 1, 2013. Additionally, the State Legislature appropriated new ongoing tax funds to the College's Education and General line item to support the Utah State Board of Regents' budget priorities for Equity of $2,103,100, Distinctive Mission Based Funding of $1,063,600, Engineering Initiative of $150,000, and authorized an increase in dedicated credits revenue to recognize revenue from a new $5 per credit hour charge for Concurrent Enrollment students.

The College enrollment has continued to decline slightly in the first two terms of fiscal year 2014 as compared to fiscal year 2013. The summer 2013 term headcount declined by 237 or 1.9% (FTE dropped 185 FTE or 3.4%) and the fall 2013 term third week headcount declined by 705 or 2.7% (FTE dropped 646 or 4.2%). The enrollment declines are attributed to a strengthening economy, improved job market, and the impact of a change in age requirement by the local predominate church for young men and women to be eligible for missionary service. Because the age requirement was lowered, more potential students leaving high school are postponing a college education in favor of giving ecclesiastical church service. The College will continue to utilize tuition realized from sustained enrollment growth of prior years, new appropriated tax funds, and the revenue generated by the 2014 tuition increase to support the College's mission and serve the existing student population.

The increase in State funding indicates that the local economy is improving and we believe the College remains fiscally sound as shown and discussed in the Net Position section of this analysis. Management is cautious and continues to take steps to ensure the institution remains fully operational and will maintain close vigilance over student enrollment, revenue streams, and related obligations to ensure its ability to respond quickly and appropriately to financial fluctuations and constraints.

Basic Financial Statements

	Primary Institution	Component Unit College Foundation
Assets		
Current Assets		
Cash and Cash Equivalents (Notes 1, 2)	$ 25,243,176	$ 135,556
Short-Term Investments (Notes 1, 2)	57,178,227	681,178
Accounts Receivable, Net of $1,768,867 Allowance (Note 1)	8,952,819	
Accounts Receivable from State of Utah	1,408,593	
Student Loans Receivable - Current Portion, Net of $67,447 Allowance (Note 1)	449,711	
Inventories (Note 1)	2,663,181	
Prepaid Expenses (Note 1)	10,321	
Total Current Assets	95,906,028	816,734
Noncurrent Assets		
Restricted Cash and Cash Equivalents (Notes 1, 2)	826,533	2,138,637
Investments (Notes 1, 2)	19,145,574	5,158,472
Alternative Investments	1,481,578	
Student Loans Receivable, Net of $584,698 Allowance (Note 1)	3,898,579	
Capital Assets, Net of $125,000,175 Accumulated Depreciation (Notes 1, 3)	185,760,908	
Other Assets (Note 1)	296,750	
Total Noncurrent Assets	211,409,922	7,297,109
Total Assets	307,315,950	8,113,843
Liabilities		
Current Liabilities		
Accounts Payable	5,059,613	697,475
Payable to State of Utah	1,841,499	
Accrued Payroll Payable	6,743,562	
Unearned Revenue (Note 1)	8,852,852	
Accrued Interest Payable	96,210	
Funds Held for Others	3,066,453	
Notes Payable - Current Portion (Notes 4, 5)	364,751	
Bonds Payable - Current Portion (Notes 4, 5)	1,182,032	
Compensated Absences - Current Portion (Note 1)	3,072,371	
Termination Benefits - Current Portion (Note 1)	1,109,056	
Total Current Liabilities	31,388,399	697,475
Noncurrent Liabilities (Note 1)		
Notes Payable	3,279,712	
Bonds Payable	2,437,228	
Compensated Absences	1,471,347	
Termination Benefits	1,937,575	
Total Noncurrent Liabilities	9,125,862	-
Total Liabilities	40,514,261	697,475
Net Position		
Net Investment in Capital Assets (Note 1)	182,141,648	
Restricted for:		
Nonexpendable Items (Note 1)		
Scholarship Endowments	226,533	3,191,909
Miller Campus Endowments	600,000	
Expendable Items (Note 1)		
Scholarships	25,008	3,407,725
Loans	4,545,444	
Instructional Department Use	753,111	
Herriman Campus Infrastructure	1,481,578	
Other	1,638,795	
Unrestricted (Note 1)	75,389,572	816,734
Total Net Position	$ 266,801,689	$ 7,416,368

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

	Primary Institution	Component Unit College Foundation
Operating Revenues		
Student Tuition and Fees, Net of Scholarship Allowances of $21,067,667 and Changes in the Allowance for Doubtful Accounts of $398,963	$ 65,197,297	
Interest on Student Loans Receivable	310,856	
Federal Contracts and Grants	7,662,882	
State and Local Contracts and Grants	1,483,854	
Nongovernmental Contracts and Grants	1,776,198	
Sales and Services of Educational Activities	870,931	
Auxiliary Enterprises	12,935,888	
Gifts		$ 851,358
Other Operating Revenue	3,049,222	
Total Operating Revenues	93,287,128	851,358
Operating Expenses		
Salaries and Wages	83,782,205	
Employee Benefits	30,930,942	
Scholarships and Awards	25,509,807	
Donations to College	-	772,746
Depreciation	9,778,287	
Other Operating Expenses	55,149,553	114,050
Total Operating Expenses	205,150,794	886,796
Operating Loss	(111,863,666)	(35,438)
Nonoperating Revenues (Expenses)		
State Appropriations	69,417,368	
Federal Contracts and Grants	41,621,187	
State and Local Contracts and Grants	833,746	
Gifts	2,382,248	
Investment Income	1,506,089	510,157
Interest on Capital Asset-Related Debt	(78,797)	
Other Nonoperating Revenues	5,346	
Other Nonoperating Expenses	(482,500)	
Total Nonoperating Revenues	115,204,687	510,157
Income Before Other Revenues	3,341,021	474,719
Other Revenues		
Capital Grants and Gifts	80,813	
Total Other Revenue	80,813	0
Net Increase in Net Position	3,421,834	474,719
Net Position - Beginning of Year	263,379,855	6,941,649
Net Position at End of Year	$ 266,801,689	$ 7,416,368

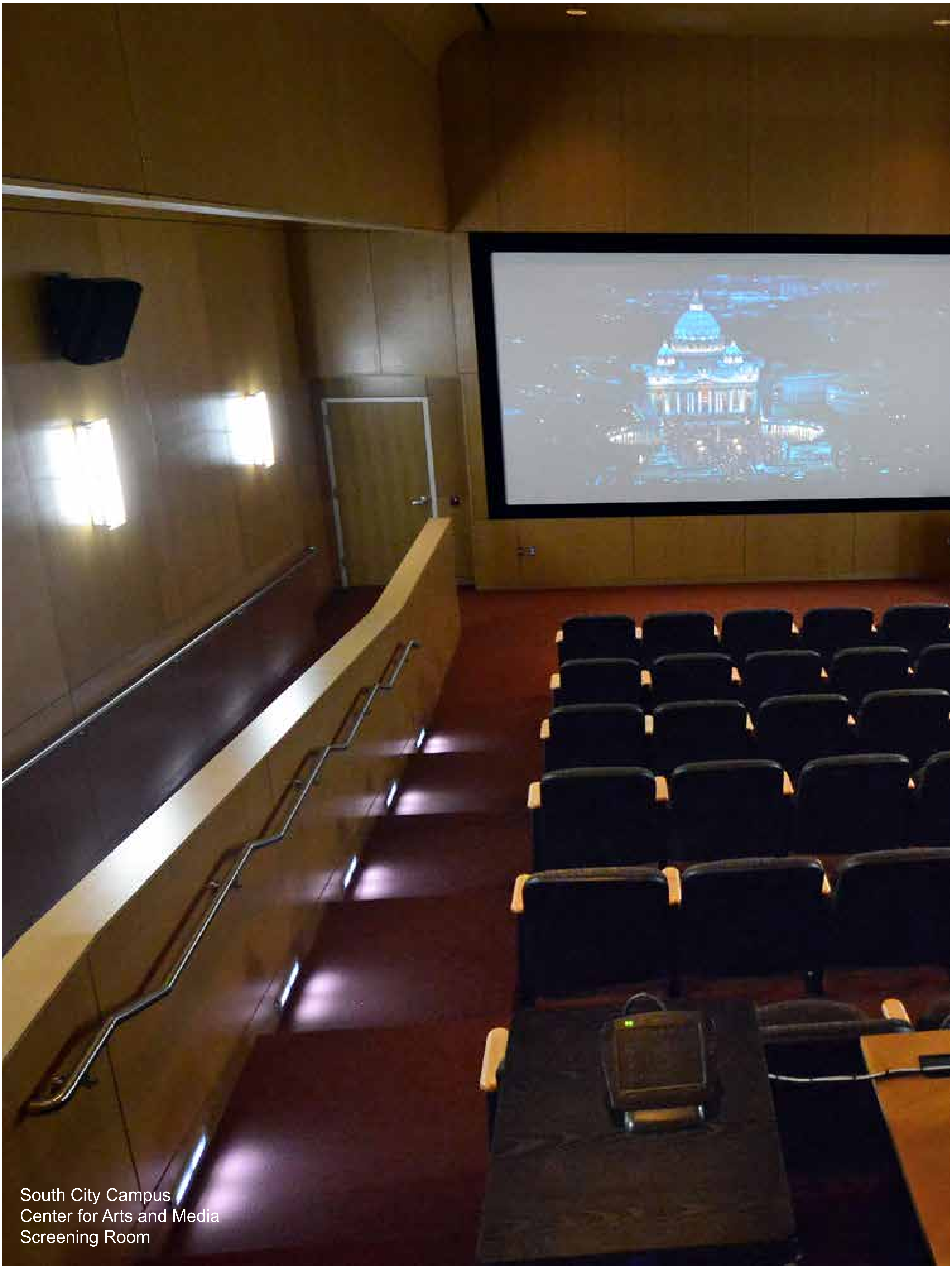
The accompanying Notes are an integral part of these Financial Statements.

Cash Flows from Operating Activities	
Receipts from Tuition and Fees	$ 65,445,511
Receipts from Grants and Contracts	10,264,119
Receipts from Auxiliary Enterprise Charges	12,921,565
Receipts from Sales and Services of Educational Activities	898,756
Receipts from Lease/Rental	623,161
Receipts from Fines	5,346
Interest Received on Loans to Students	375,603
Payments to Employees for Salaries and Benefits	(113,807,502)
Payments to Suppliers	(51,936,208)
Payments for Scholarships	(25,502,620)
Loans Disbursed to Students and Employees	(528,021)
Collection of Loans to Students and Employees	611,301
Other Operating Receipts	2,205,623
Net Cash Used by Operating Activities	(98,423,366)
Cash Flows from Noncapital Financing Activities	
Receipts from State Appropriations	67,590,082
Receipts from Grants and Contracts for Other Than Operating Purposes	42,454,933
Receipts from Gifts for Other Than Capital Purposes	296,204
Agency Receipts	35,470,219
Agency Payments	(34,270,653)
Other Nonoperating Payments	(395,631)
Net Cash Provided by Noncapital Financing Activities	111,145,154
Cash Flows from Capital and Related Financing Activities	
Cash Paid for Capital Assets	(14,264,754)
Proceeds from Disposal of Capital Assets	527,324
Payments of Capital Debt and Leases	(1,485,537)
Interest Paid on Capital Debt and Leases	(111,447)
Net Cash Used by Capital and Related Financing Activities	(15,334,414)
Cash Flows from Investing Activities	
Purchases of Investments	(51,072,642)
Proceeds from Sales of Investments	46,311,000
Receipt of Interest and Dividends on Investments	1,864,800
Net Cash Provided/(Used) by Investing Activities	(2,896,842)
Net Increase/(Decrease) in Cash and Cash Equivalents	(5,509,468)
Cash and Cash Equivalents, Beginning of Year	31,579,177
Cash and Cash Equivalents, End of Year	$ 26,069,709

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

Reconciliation of Operating Loss to Net Cash Used		
By Operating Activities		
Operating Loss	$	(111,863,666)
Adjustments to Reconcile Operating Loss to Net Cash Used		
by Operating Activities		
Depreciation Expense		9,778,287
Donations of Supplies Received		442,555
Non Capital DFCM Expenditures Received		1,827,286
Proceeds from Sale of Fixed Assets		(200,990)
Income from Fines		5,346
Changes in Assets and Liabilities		
Accounts Receivable		(2,224,504)
Student Loans		129,325
Inventories		(217,982)
Prepaid Expenses		6,234
Accounts Payable and Accrued Expenses		2,355,489
Unearned Revenue		1,269,156
Compensated Absences		59,035
Termination Benefits		257,802
Funds Held for Others		(46,739)
Net Cash Used by Operating Activities	$	(98,423,366)
Noncash Investing, Noncapital Financing, and Capital		
Related Financing Transactions		
Change in Fair Value of Investments Recognized as Investment Income	$	230,380
Disposal of Fixed Assets	$	(234,938)
Capital Gifts	$	80,813
Investment Gifts	$	1,481,308
Reconciliation of Cash and Cash Equivalents to the Statement		
of Net Assets		
Cash and Cash Equivalents - Current	$	25,243,176
Cash and Cash Equivalents - Noncurrent		826,533
Total Cash and Cash Equivalents	$	26,069,709

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



South City Campus
Center for Arts and Media
Screening Room

Notes to Financial Statements

Note 1

Summary of Significant Accounting Policies

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

The College's financial statements encompass all of its operations, including auxiliary enterprises, both restricted and unrestricted funds, and two supporting Foundations. The Salt Lake Community College Foundation (the SLCC 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 whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete. 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 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 Foundation, and because the Grand Theatre Foundation 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 Foundation.

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 and Notes to the Financial Statements. 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. Funds invested with the Utah State Treasurers' Investment Pool are also considered cash equivalents. At June 30, 2013, cash and cash equivalents consisted of:

	College	Foundation
Cash	$ (410,628)	$ 2,274,193
Gold International Sweep Account	944,995	
Utah Public Treasurers' Investment Fund	25,535,342	
Total	$ 26,069,709	$ 2,274,193

Investments: The College accounts for all investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gains (losses) on the carrying value of investments are included as a component of Investment Income in the Statement of Revenues, Expenses and Changes in Net Position.

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, 2012, the company's fiscal year end. The College's ownership interest at that time was valued at $1,481,578. Because no equity distributions have taken place since that time, and the College is not aware of any other factors that could negatively affect the valuation, this is the value recorded in the College's statements as of June 30, 2013. 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, 2013, net of estimated uncollectable amounts:

	Receivables From State of Utah	Receivables From Other
Tuition, Fees and Other	$ 629	$ 7,919,583
Grants and Contracts	1,407,964	2,217,471
Auxiliaries	0	345,441
Interest	0	239,191
Total Accounts Receivable	1,408,593	10,721,686
Less Allowance for Doubtful Accounts	0	(1,768,867)
Net Accounts Receivable	$1,408,593	$ 8,952,819

Student Loans Receivable: The College participates in the Federal Perkins Loan Program and other College loan programs. During the fiscal year, a net $529,642 was distributed for student loans from the Perkins Loan Program and $41,716 from College loans. These distributions and related loan repayments are not included as expenses or revenues, but are accounted for on the Statement of Net Position as either current student loans receivable (amounts due within one year), net of estimated uncollectable amounts, or noncurrent student loans receivable (amounts due after one year), net of estimated uncollectable 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: (1) College Store inventory, $2,573,538, (2) Food Services inventory, $66,949, and (3) Utah Capitol Gift Shop inventory, $22,694.

The College is holding auto parts merchandise on consignment valued at $25,234. 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 $10,321 in mail service postage meter balances.

Restricted Cash and Cash Equivalents: Externally restricted non-expendable endowment funds of $826,533 are classified as noncurrent assets in the Statement of Net Position.

Capital Assets: Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of $5,000 or more, and an estimated useful life of greater than one year. Renovations to buildings, infrastructure, and land improvements with a cost of $50,000 or more and extend the useful life of the assets are capitalized. Routine repairs, maintenance and remodeling are charged to operating expense in the year in which the expense is incurred. All land and water rights (intangible assets) are capitalized and not depreciated.

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

Other Noncurrent Assets: The College has purchased subdivision lots that are reserved for use in developing future project homes. Construction of homes, which are subsequently sold to the public, is an ongoing educational activity of the College. The cost of this land is $296,750.

Accounts Payable and Accrued Liabilities: Accounts payable and accrued liabilities at June 30, 2013 totaled $13,740,884 and consisted of (1) salaries and benefits payable of $6,743,562; (2) supplies and services payable of $3,734,312; (3) State of Utah payable of $1,841,499; (4) student-related payable of $1,325,301; and (5) interest payable of $96,210.

Unearned Revenue: Unearned revenue includes (1) amounts received for 2013 Summer and Fall Semester tuition and fees associated with the subsequent accounting period of $6,752,122; (2) amounts received from grants and contracts that have not yet been earned of $1,888,927; (3) advance Grand Theatre donations of $50,000; (4) prepaid child care fees of $8,979; (5) prepaid gift cards to the College bookstore and food services of $35,254 and (6) advance amounts received for July 2013 through December 2013 operation and maintenance expenses for space shared with Union Pacific Railroad totaling $117,570.

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, 2013 was $3,851,895.

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, 2013 was $691,823.

Accrued Termination Benefits: In addition to the pension benefits described in Footnote No. 6, the College provides an early retirement option, as approved by the Board of Trustees, for qualified employees who have attained the age of 57 with at least 15 years of service and whose combined total of age and years of service is 75 or greater. For just the month of January 2009, the College adopted a one-time modification to the early retirement program. During this short window of opportunity, the minimum age was reduced to 55 with at least 13 years of full-time service, and whose combined total of age and years of service is 71 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 101.5% of the stipend in fiscal year 2013, 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, 2013 there were 62 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 1% for stipends and 10% for medical and dental costs. The amount recognized on the financial statements was calculated at the discounted present value of the projected future costs.

The discount rate used (1.23%) was based on the average rate earned on the investments of the College during the year. The cumulative accrued termination benefits liability as of June 30, 2013 totaled $3,046,631. The early retirement program expense for the year ended June 30, 2013 was $1,393,459.

Noncurrent Liabilities: Noncurrent liabilities include (1) obligations with maturities greater than one year, which include revenue bonds payable and notes payable; and (2) estimated amounts for accrued compensated absences and post employment benefits (obligations to early retirees) that will not be paid within the next fiscal year.

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) sales and services of educational activities and auxiliary enterprises; (3) federal, state, and local contracts and grants; and (4) interest on institutional loans. Operating expenses are those expenses incurred to acquire goods or produce services to carry out the mission of the College. The Foundation's operating activities include gift revenue and investment income and all expenses to support the mission of the Foundation.

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

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

Note 2

Deposits and Investments

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

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

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

The SLCC 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 Foundation do not have formal deposit policies for custodial credit risk. As of June 30, 2013, $944,995 of the College's bank balances of $1,022,920 and $2,099,141 of the Foundation's bank balances of $2,696,133, which includes the non-negotiable time certificates of deposit, 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), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The UPMIFA and Rule 541 allow the College to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the Securities and Exchange Commission, investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

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

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act (Utah Code, Title 51, and Chapter 7). The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2013, the College had the following debt investments and maturities:

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
Corporate Notes	$ 75,927,954	$56,782,380	$19,145,574
Mutual Bond Funds	25,214	25,214	-
Utah Public Treasurers' Investment Fund	25,535,342	25,535,342	-
Total	$101,488,510	$82,342,936	$19,145,574

As of June 30, 2013, the SLCC Foundation had the following debt investments and maturities

		Investment Maturities (In Years)		
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**
Mutual Funds	$ 2,738,754	-	$ 1,466,146	$ 1,272,608
Corporate Notes	41,994	$ 41,994	-	-
Total	$ 2,780,748	$ 41,994	$ 1,466,146	$ 1,272,608

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. 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.

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 SLCC Foundation does not have a formal policy for credit risk. The College's and Foundation's rated debt investments at June 30, 2013, were rated by Standard and Poor's and/or an equivalent national rating organization and the ratings are presented below using the Standard and Poor's rating scale. Securities rated less than "A" met the investment criteria at the time of purchase.

As of June 30, 2013, the College had the following investments and quality ratings:

		Quality Ratings		
Investment Type	**Fair Value**	**A**	**BBB**	**Unrated**
Corporate Notes	$ 75,927,954	$49,074,875	$26,853,079	$ -
Mutual Bond Funds	25,214			25,214
Utah Public Treasurers' Investment Fund	25,535,342			25,535,342
Total Fair Value	$101,488,510	$49,074,875	$26,853,079	$ 25,560,556

As of June 30, 2013, the SLCC Foundation had the following investments and quality ratings:

		Qualitiy Ratings	
Investment Type	**Fair Value**	**BB+**	**Unrated**
Mutual Funds	$ 2,738,754	$ -	$ 2,738,754
Corporate Notes	41,994	41,994	
Total Fair Value	$ 2,780,748	$ 41,994	$ 2,738,754

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio. For endowment funds, Rule 541 requires that a minimum of 25% of the overall endowment portfolio be invested in fixed income or cash equivalents. Also, the overall endowment portfolio cannot consist of more than 75% equity investments. Rule 541 also limits investments in alternative investment funds, as allowed by Rule 541, to between 0% and 30% based on the size of the College's endowment fund. The SLCC Foundation does not have a formal policy for concentration of credit risk.

At June 30, 2013, the College held more than 5% of its total investments in Goldman Sachs Group, Inc. These investments represent 5.3% 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 Foundation do not have a formal policy for custodial credit risk. As of June 30, 2013, the College had $75,927,954 in Corporate Notes, which were held by the counterparty's trust department or agent but not in the College's name.

Note 3

Capital Assets

Capital assets activity for the year ended June 30, 2013 is summarized as follows:

Description	2012 Book Value	Additions	Disposals	2013 Book Value
Capital Assets Not Being Depreciated:				
Land	$ 31,106,180	$ 404,938		$ 31,511,118
Intangible Assets	124,000	12,500	$(114,000)	22,500
Construction in Progress	8,577,589	8,076,499		16,654,088
Total Nondepreciable	39,807,769	8,493,937	(114,000)	48,187,706
Capital Assets Being Depreciated:				
Buildings	200,552,386			200,552,386
Land Improvements	29,550,915	3,058,376		32,609,291
Equipment and Motor Vehicles	24,198,022	2,869,745	(643,149)	26,424,618
Library Books and Software	3,121,616	239,887	(374,421)	2,987,082
Total Depreciable	257,422,939	6,168,008	(1,017,570)	262,573,377
Total Capital Assets	297,230,708	14,661,945	(1,131,570)	310,761,083
Less Accumulated Depreciation:				
Buildings	(82,879,500)	(5,811,126)		(88,690,626)
Land Improvements	(15,605,056)	(1,246,568)		(16,851,624)
Equipment and Motor Vehicles	(16,854,170)	(2,583,233)	620,547	(18,816,856)
Library Books and Software	(665,795)	(137,360)	162,086	(641,069)
Total Accumulated Depreciation	(116,004,521)	(9,778,287)	782,633	(125,000,175)
Total Capital Assets, Net of Depreciation	$181,226,187	$4,883,658	$(348,937)	$185,760,908

Total interest expense on capital asset-related debt was $100,829 during the year.

Note 4

Bonds and Notes Payable

In July 2011, the College entered into a ten-year debt financing agreement to fund various energy saving projects. The principal amount financed was $4,000,000 at a fixed interest rate of 2.5916%. In addition, the College has issued bonds to provide funds for the construction and renovation of major capital facilities. The bonds payable are due in annual installments varying from $1,160,000 to $1,210,000, with interest due semi annually at rates ranging from 2.00% to 2.50%, the final installment of interest and principal being due in the year 2016. The bonds are secured by net auxiliary operation revenues, proceeds from a student building fee and related interest earnings.

Revenue bonds payable consisted of the following at June 30, 2013:

Auxiliary System and Student Fee Revenue Refunding Bonds, Series 2010 2.00% - 2.50% Maturing 2014 through 2016	$ 3,555,000

Future commitments for bonds and notes payable as of June 30, 2013, are as follows:

Fiscal Year	Principal	Interest	Total
Bonds Payable			
2014	$ 1,160,000	80,113	1,240,113
2015	1,185,000	56,913	1,241,913
2016	1,210,000	30,250	1,240,250
Total Bonds Outstanding	3,555,000	167,276	3,722,276
Unamortized Bond Premium	64,260		64,260
Total Bonds Payable	$ 3,619,260	167,276	3,786,536

Fiscal Year	Principal	Interest	Total
Notes Payable			
2014	$ 364,751	$ 94,450	$ 459,201
2015	374,204	84,997	459,201
2016	383,902	75,299	459,201
2017	393,851	65,350	459,201
2018	404,058	55,143	459,201
2019-2022	1,723,697	113,107	1,836,804
Total Notes Payable	$ 3,644,463	$ 488,346	$ 4,132,809

Note 5

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2013 was as follows:

Description	2012 Balance	Additions	Reductions	2013 Balance	Amounts due within one year
Revenue Bonds Payable	$ 4,685,000		$ (1,130,000)	$ 3,555,000	$ 1,160,000
Unamortized Bond Premium	86,292		(22,032)	64,260	22,032
Total Bonds Payable	4,771,292		(1,152,032)	3,619,260	1,182,032
Compensated Absences-Vacation	3,836,393	$ 3,035,428	(3,019,926)	3,851,895	3,019,926
Compensated Absences-Sick	648,290	75,123	(31,590)	691,823	52,445
Total Compensated Absences	4,484,683	3,110,551	(3,051,516)	4,543,718	3,072,371
Termination Benefits-Early Retirement	2,788,829	1,317,446	(1,059,644)	3,046,631	1,109,056
Notes Payable	4,000,000		(355,537)	3,644,463	364,751
Total Long-Term Liabilities	$ 16,044,804	$ 4,427,997	$ (5,618,729)	$ 14,854,072	$ 5,728,210

Note 6

Pension Plans and Retirement Benefits

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

Defined Benefit Plans:

Plan Description - The College contributes to the State and School Contributory Retirement System and the State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Title 49 of the *Utah Code Annotated 1953*, as amended. The Utah State Retirement Office Act in Title 49 provides for the administration of the Utah Retirement Systems and plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the State and School Contributory Retirement System and the State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - Plan members in the State and School Contributory Retirement System are required to contribute 6% of their annual covered salary (all of which is paid by the College for the employee) and the College is required to contribute 14.27% of their annual covered salary. In the State and School Noncontributory Retirement System, the College is required to contribute 18.76% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The College's contributions to the State and School Contributory Retirement System for the years ended June 30, 2013, 2012 and 2011 were $224,039, $131,886 and $79,289, respectively; and for the Noncontributory Retirement System, the contributions for the years ended June 30, 2013, 2012 and 2011 were $2,768,316, $2,460,339, and $2,443,566, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans:

Noncontributory retirement plan employees are also eligible to participate in deferred compensation 401(k) and 457 defined contribution plans. The College is required to contribute 1.5% of eligible employees' gross earnings only to the 401(k) plan. Such contributions totaled $263,340, $253,199 and $243,481 for the years ended June 30, 2013, 2012 and 2011, respectively. Employee contributions to the 401(k) and 457 plans for the same years were $519,207, $463,017 and $432,660.

Teachers Insurance and Annuity Association (TIAA) and/or College Retirement Equities Fund (CREF) and Fidelity Investments also provide individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment.

Employees are eligible to participate in TIAA and/or CREF and Fidelity Investments from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2013, the College was required to contribute 14.2% of the employees' annual covered salary to these defined contribution plans. The College's contributions into TIAA and/or CREF for the years ended June 30, 2013, 2012 and 2011 were $5,123,119, $5,235,420 and $5,239,060, respectively. The College has no further liability once annual contributions are made. Employee contributions for the same years were $1,161,520, $1,111,271 and $1,046,937. The Fidelity Investments plan started in 2009, and the College's contributions into Fidelity Investments for the years ended June 30, 2013, 2012 and 2011 were $921,479, $685,793 and $522,927, respectively. Employee contributions for the same years were $229,826, $182,580 and $121,730.

Note 7

Operating Leases

The College has entered into several leases for rental of various classroom and related facilities. The duration of these leases varies from one to seven years with the longest lease terminating in the year 2018. 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. One of these leases is for the Highland Campus building which is owned by the State of Utah. The lease expires on June 30, 2014 and has future scheduled payments of $177,706. Operating lease payments are recorded as expenses when paid or incurred. For the year ended June 30, 2013, operating lease expenses totaled $1,409,899. The future lease payments are as follows:

Fiscal Year	Amount
2014	$ 1,361,865
2015	1,219,683
2016	1,246,633
2017	1,282,046
2018	771,167
2019	110,820
Total Future Operating Lease Payments	$ 5,992,214

Note 8

Salt Lake Community College Foundation

The Salt Lake Community College 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 13-member Board of Trustees of the Foundation includes the College President, the College Director of Development and one current member of the College Board of Trustees.

The foundation investments at year end are comprised of fixed income securities, open end mutual funds and preferred/fixed rate cap securities and these are included in this report at fair value and approximate published market quotations as of June 30, 2013.

During the year ended June 30, 2013, the Foundation transferred $772,746 to the College to enhance scholarships, awards and other essential College programs.

According to the Uniform Prudent Management of Institutional Funds Act, Title 51, Chapter 8, of the *Utah Code Annotated 1953*, as amended, the governing board may appropriate for expenditure for the purposes for which an endowment is established, as much of the net appreciation, realized and unrealized, of the fair value of the assets of an endowment over the historic dollar value as is prudent under the facts and circumstances prevailing at the time of the action or decision.

The Foundation’s endowment spending plan is subject to annual review and provides that the annual amount of potential distributions from each endowment fund shall be limited to 4% of the asset value of the endowment fund. The asset value is defined as the average of the most recent four quarter-ending asset values for each endowment fund within the investment pool. At the beginning of each calendar year, the Foundation finance and investments committee reviews and approves the amounts to be distributed in the College’s ensuing fiscal year.

Note 9

Grand Theatre Foundation

The Grand Theatre Foundation, Inc. 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, 2013:

CONDENSED STATEMENT OF NET POSITION	
Assets	
Current Assets	
Cash and Cash Equivalents	$147,514
Short - Term Investments	114,299
Accounts Receivable	9,395
Total Current Assets	271,208
Total Assets	271,208
Liabilities	
Current Liabilities	
Accounts Payable	24,749
Unearned Revenue	50,000
Total Current Liablities	74,749
Total Liabilities	74,749
Net Position	
Unrestricted	196,459
Total Net Position	$196,459

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	
Operating Revenues	
Ticket Sales	$ 127,639
Concessions	4,430
Nongovernmental Grants	51,000
Rental of Facilities	60,145
Institutional Support from SLCC	266,127
Other operating Revenue	10,210
Total Operating Revenues	519,551
Operating Expenses	
Salaries and Benefits	320,891
Other Operating Expenses	302,504
Total Operating Expenses	623,395
Operating Loss	(103,844)
Non-operating Revenues	
State and Local Grants	70,417
Donations	59,572
Investment Income	8,111
Total Non-operating Revenues	138,100
Net Increase in Net Position	34,256
Net Position - Beginning of Year	162,203
Net Position at End of Year	$ 196,459

CONDENSED STATEMENT OF CASH FLOWS		
Net Cash Provided By:		
Operating Activities	$	34,704
Investing Activities		187
Net Increase in cash and cash equivalents		34,891
Net Increase in cash equivalents, beginning of year		112,623
Cash and cash equivalents, end of year	$	147,514

Note 10

Risk Management

General Liability Insurance:

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

The College also has 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 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, 2013 is as follows:

Estimated claims liability at beginning of year	$	1,249,000
Current year claims		15,463,998
Claim payments, including related legal and administrative expenses		(15,568,512)
Estimated claims liability at end of year	$	1,144,486

The College has recorded the program assets and estimated liabilities of the health and dental care program at June 30, 2013 in the Statement of Net Position.

Note 11

Contingent Liabilities

The College has received several threats of legal action during the year that arise out of the normal course of business. Of these, the College has had one lawsuit filed. The College is vigorously defending this lawsuit, and expects to prevail in the litigation. The College has also had one minor property damage claim filed that is pending, which is not material, and has paid one other minor property damage claim during the year. The College has had two charges of discrimination filed which are currently in the investigation stage. But as of this date, it is not possible to estimate the outcome or the financial impact that an adverse ruling in these actions would have upon the College. However, in the opinion of management, the ultimate resolution of these matters will not have a material adverse effect upon the College's financial position.

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

Note 12

Pollution Remediation Obligation

In 1984 the State of Utah sold property on the southwest corner of 400 South and 600 East in Salt Lake City that was then occupied by the College and known as Utah Technical College. The purchaser subsequently discovered ground contamination that resulted in an environmental site assessment and a Site Management Plan (SMP) approved by the Utah Division of Solid and Hazardous Waste. The SMP requires periodic ground water monitoring to ensure that found contaminates do not exceed acceptable limits. Quarterly monitoring tests started in 1995 and because test results have been below acceptable limits, the State Division of Solid and Hazardous Waste reduced required monitoring to semi-annual testing events beginning in the year 2000. The College is a voluntary participating responsible party to the event and is paying for the monitoring tests. Because test results have been consistently below acceptable limits for 18 years, the likelihood for additional future financial obligations beyond the annual testing expense is considered remote. Therefore, the College has not recorded a pollution remediation liability at year end.

Note 13

Construction Commitments

The Utah State Division of Facilities Construction and Management (DFCM) administers major construction and remodeling projects for all state institutions. For College projects over $100,000, DFCM maintains the accounting records and furnishes cost information to the College. Costs incurred during fiscal year 2013 for projects funded by State appropriations are not recorded on the College's books until the projects are completed and turned over to the College 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. In fiscal year 2010, the College began construction on a new building addition on its South City Campus. The approximate cost has risen to $49.9 million. A Salt Lake City School District building for approximately $7.0 million is part of this project. Of the remaining $42.9 million, the State has appropriated $25.6 million and the College is committed to pay $17.3 million, of which $7.3 million is from student approved building fees. As of June 30, 2013 the College construction in progress costs toward its portion of the project amounted to $13.2 million. In fiscal year 2012, the College began construction on a new instructional and administrative complex on the Taylorsville Redwood Campus. The approximate cost is $33.0 million, of which the State is paying $29.5 million and the College's portion is $3.5 million. As of June 30, 2013, the College has substantially paid its portion which is recorded as construction in progress at year end.

Note 14

Pledged Bond Revenues

The College has outstanding bonded indebtedness to finance capital projects of its auxiliary enterprises. In accordance with the General Indentures of Trust, certain student building fees, related interest income and net auxiliary operating revenues are pledged toward the payment of principal and interest. Total principal and interest remaining on the bond debt is $3,722,275, with annual payment requirements ranging from $1,240,113 in 2014 to $1,240,250 in the final year of 2016.

For fiscal year 2013, receipts and disbursements of pledged revenues were as follows:

	Auxiliary Revenue Bonds
Receipts	
Student Billing Fees	$ 2,719,672
Pledged Auxiliary Operating Revenues	14,434,341
Related Interest Income	101,144
Total Receipts	17,255,157
Disbursements	
Pledged Auxiliary Operating Expenses	13,857,059
Excess of Pledged Receipts over Expenses	3,398,098
Debt Service Principal & Interest Payments	$ 1,238,179
Debt Service Coverage Ratio	2.74

Note 15

Operating Expenses by Natural and Functional Classification

The following schedule presents Salt Lake Community College's total operating expenses by natural and functional classifications for the year ended June 30, 2013

	Natural Classification					
Functional Classification	Salaries and Wages	Employee Benefits	Other Operating Expenses	Scholarships	Depreciation	Total
Instruction	$ 47,223,020	$ 14,763,570	$ 21,997,931			$ 83,984,521
Public Service	557,233	186,845	1,007,315			1,751,393
Academic Support	4,750,555	1,868,624	2,254,437			8,873,616
Student Services	11,045,054	4,230,571	4,764,698			20,040,323
Institutional Support	11,326,866	5,760,359	7,704,592			24,791,817
Operation of Plant	5,876,882	3,204,045	7,060,687			16,141,614
Financial Aid			91,922	$ 25,509,807		25,601,729
Auxiliary Enterprises	3,002,595	916,928	10,267,971			14,187,494
Depreciation					$ 9,778,287	9,778,287
Total Operating Expenses	$ 83,782,205	$ 30,930,942	$ 55,149,553	$ 25,509,807	$ 9,778,287	$205,150,794

GOVERNING BOARDS AND OFFICERS

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

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