Salt Lake Community College

2014 ANNUAL FINANCIAL REPORT

A COMPONENT UNIT OF THE STATE OF UTAH

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It takes a community of dedicated and passionate faculty and staff to maintain Salt Lake Community College's status as one of the top ten producers of associate degrees in the country. We remain the principal pipeline of transfer students into Utah's four-year higher education institutions while serving as the state's largest supplier of workforce development programs. Our commitment to the core themes of student access and success, transfer education, workforce development, and community engagement has never been stronger.

This 2014 report contains information about the College's overall financial fitness and its vast array of educational offerings. The financial statements and State Auditor's report contained in this document show that SLCC is in strong financial health and able to fulfill its mission to offer future, current, and lifelong students the opportunity to pursue transfer and/or workforce education.

The College recently received the Carnegie Classification for Community Engagement. This national recognition as a community-engaged institution underscores the work of so many faculty, staff, and students in community participation, outreach, and support. This 10-year designation signals the College's vital role in preparing educated and engaged citizens with strong civic responsibility.

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

Most sincerely,

Deneece G. Huftalin

Deneece G. Huftalin, PhD
President

OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Salt Lake Community College (the College), and its discretely presented component unit foundation, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents. The College is a component unit of the State of Utah.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit foundation, as of June 30, 2014, 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 opinions 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 February 3, 2015 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
February 3, 2015

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, 2014. 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 10 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, 2014, 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, 2014	Restated June 30, 2013	Change	% Change
Assets				
Current Assets	**$ 70,133,517**	$ 95,906,028	$ (25,772,511)	(26.9%)
Noncurrent Assets	**60,674,823**	25,649,014	35,025,809	136.6%
Capital Assets, Net	**232,792,378**	184,145,927	48,646,451	26.4%
Total Assets	**363,600,718**	305,700,969	57,899,749	18.9%
Liabilities				
Current Liabilities	**35,166,220**	31,388,399	3,777,821	12.0%
Noncurrent Liabilities	**8,086,788**	9,125,862	(1,039,074)	(11.4%)
Total Liabilities	**43,253,008**	40,514,261	2,738,747	6.8%
Net Position				
Net Investment in Capital Assets	**230,355,149**	180,526,667	49,828,482	27.6%
Restricted - Nonexpendable	**828,523**	826,533	1,990	0.2%
Restricted - Expendable	**8,110,880**	8,443,936	(333,056)	(3.9%)
Unrestricted	**81,053,158**	75,389,572	5,663,586	7.5%
Total Net Position	**$ 320,347,710**	$ 265,186,708	$ 55,161,002	20.8%

Asset Changes

Total assets of Salt Lake Community College grew $57.9 million or 18.9% during the fiscal year ended June 30, 2014. Current assets decreased $25.8 million primarily due to the result of the following two activities: 1) cash equivalents and short term investments decreased by $23.8 million due to the College's current philosophy of purchasing longer term investments to realize a higher rate of return. Consequently, more investments were classified as noncurrent investments at yearend than the prior year; and 2) accounts receivable decreased by $2.1 million, the majority of which relates to receivables from grants and contracts which decreased $1.5 million. This is due to certain large dollar grants that ended during the year which resulted in a decrease of unreimbursed expenses due to the College at yearend.

While current assets decreased, total noncurrent assets increased by $83.7 million, which is nearly all attributed to an increase in long-term investments of $35.2 million and a $48.6 million increase in net capital assets. The investments increase at yearend is the result of purchasing longer term investments as explained above. The large 26.4% increase in capital assets is the net result of capital additions of $79.3 million less depreciation and capital asset disposals of $30.6 million. The major components of both the additions and disposals relate to the completion and occupation of two new buildings, the Academic and Administration Building on the Taylorsville-Redwood Campus and the Center for Arts and Media Building on the South City Campus. During the year, the

College paid an additional $3.5 million in construction in progress costs for these building projects which brought the College's cumulative paid share to $20.1 million. This amount was then capitalized as building assets when the two building projects were transferred by the State to the College. The State's paid portion towards these building projects was $51.4 million which was also capitalized this year. Miscellaneous additions to equipment, motor vehicles and library collections amounted to $4.3 million. Significant capital asset disposals included a decrease in construction in progress of $20.1 million mentioned above, and approximately $4.2 million associated with the demolition of the old Administration Building. Disposals of the institutional residence, several portable buildings, equipment, motor vehicles and library assets accounted for $2.4 million.

<u>Liability Changes</u>
College total liabilities at $43.3 million increased by $2.7 million or 6.8% from the prior year. The current liabilities portion increased by $3.8 million or 12.0%. This change is mostly the result of the following three activities. General accounts payable for supplies and services increased by $5.1 million primarily due to a yearend commitment to purchase $5.0 million of investments, which purchase settled in the new year. This increase was offset by a $1.4 million decrease in funds held for others and a $.3 million decrease in the termination benefits liability. The College holds in trust student funds deposited on their College issued one-card (like a debit card). This student one-card was the payment tool flight students used to pay for flying time provided by an outside flight vendor. That payment process changed this year whereby the College is now billed directly by the flight vendor and flight students no longer are required to deposit money on their one-card account. Thus, funds held in trust for students decreased significantly from the prior yearend balance. Regarding the termination benefits liability, the number of persons receiving early retirement benefits at yearend dropped by 14 from the prior year resulting in a $.3 million decrease in the current portion of the liability.

Noncurrent liabilities decreased by $1.0 million, which is mostly the result of four actions. First, normal required principal and interest payments on bond and notes payable reduced the noncurrent portion of the liability by $1.6 million. Second, the College entered into new notes payable agreements for $.8 million with the Utah State Division of Facilities Construction and Management for funding various energy savings related projects. The noncurrent portion of that liability was $.7 million at yearend. Third, as explained above, the number of persons receiving early retirement termination benefits decreased from the prior yearend resulting in a $.3 million decrease in the noncurrent portion of the termination benefits liability. Lastly, the noncurrent portion of the compensated absences liability increased by $.2 million due generally to an increase in employee pay rates.

The current ratio, which equals current assets divided by current liabilities ($70.1 million over $35.2 million), is 2.0 to 1 and represents the College's liquidity or ability to meet its current obligations. Also, total assets of $363.6 million were more than sufficient to meet the College's total liabilities of $43.3 million (debt ratio of .12).

<u>Net Position Changes</u>
Net investment in capital assets increased by $49.8 million. This is the result of a $48.6 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 by $.3 million or 3.9%. This change is mainly the result of three events. First, net position restricted for student loans decreased by $.4 million due to loan cancellations. Second, the College's owner's equity value in a land development limited liability partnership decreased by $.2 million. This represents the College's portion of the first year operating loss incurred by this partnership. Both the donated owners equity in the partnership and any gains have been externally restricted for infrastructure needs at the College's future Herriman City Campus.Third, net position increased by $.5 million representing the unexpended loan proceeds from new debt with the State of Utah. The loan proceeds are restricted for energy savings projects.

Unrestricted net position increased by $5.7 million, which is the result of unrestricted operating revenues exceeding related operating expenses. Two new buildings as mentioned above were completed and occupied early in this fiscal year. Since the College incurred substantial expenditures for construction, furniture and equipment costs in the prior year for these new two buildings, the lack of similar heavy spending this year has partly contributed to the increase in unrestricted net position. As previously mentioned, substantially all the unrestricted resources have been designated for various academic, facilities and technology purposes.

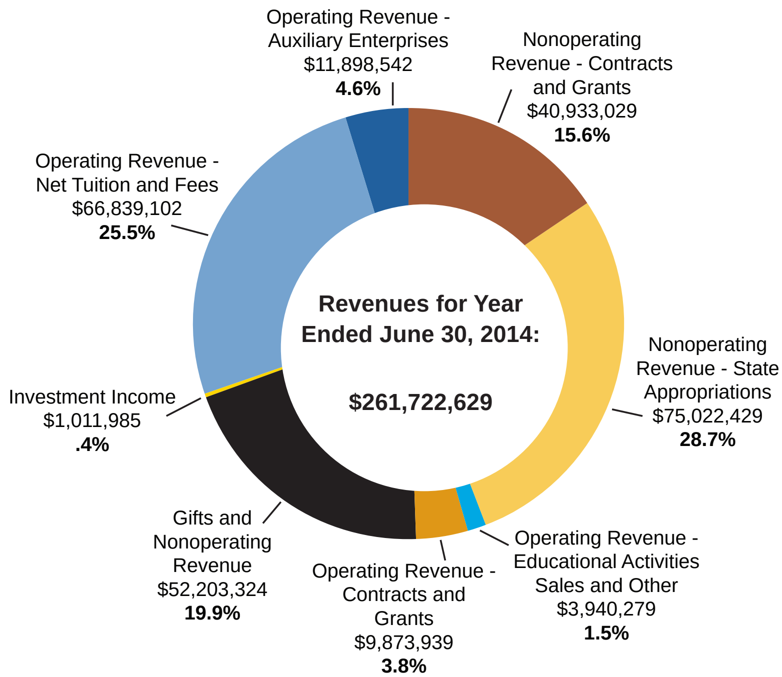
Over time, increases or decreases in total net position (the difference between the College’s total assets and total liabilities) is one indicator of general financial well-being when considered along with other factors such as student satisfaction, enrollment patterns, appearance and condition of buildings and grounds and employee morale. In fiscal year 2014, the College had an overall increase in its total net position of $55.2 million or 20.8%. 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

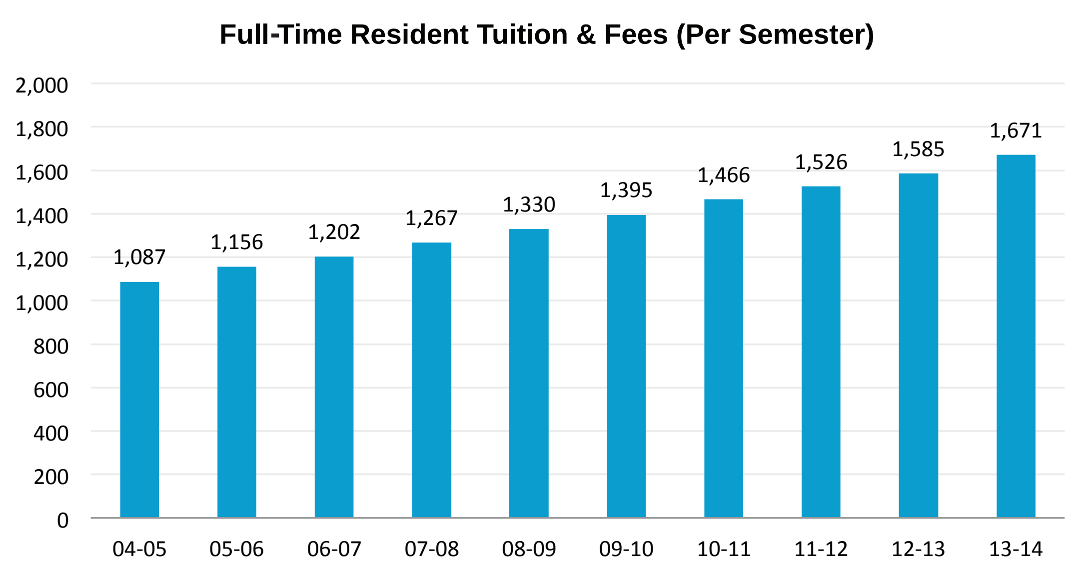
	Year Ended June 30, 2014	Year Ended June 30, 2013	Change	% Change
Operating Revenues				
Tuition and Fees - Net	**$ 66,839,102**	$ 65,197,297	$ 1,641,805	2.5%
Contracts and Grants	**9,873,939**	10,922,934	(1,048,995)	(9.6%)
Auxiliary Enterprises	**11,898,542**	12,935,888	(1,037,346)	(8.0%)
Other	**3,940,279**	4,231,009	(290,730)	(6.9%)
Total Operating Revenues	**92,551,862**	93,287,128	(735,266)	(0.8%)
Operating Expenses				
Salaries, Wages, and Benefits	**115,367,363**	114,713,147	654,216	0.6%
Scholarships	**22,842,975**	25,509,807	(2,666,832)	(10.5%)
Depreciation	**9,836,276**	9,778,287	57,989	0.6%
Other Operating Expenses	**57,421,874**	55,149,553	2,272,321	4.1%
Total Operating Expenses	**205,468,488**	205,150,794	317,694	0.2%
Operating Loss	**(112,916,626)**	(111,863,666)	(1,052,960)	(0.9%)
Non-operating Revenues/(Expenses)				
State Appropriations	**75,022,429**	69,417,368	5,605,061	8.1%
Contracts and Grants	**40,933,029**	42,454,933	(1,521,904)	(3.6%)
Investment Income	**1,011,985**	1,506,089	(494,104)	(32.8%)
Other Non-operating Revenues	**754,927**	2,387,594	(1,632,667)	(68.4%)
Other Non-operating Expenses	**(1,093,139)**	(561,297)	(531,842)	(94.8%)
Net Non-Operating Revenues	**116,629,231**	115,204,687	1,424,544	1.2%
Income Before Other Revenues	**3,712,605**	3,341,021	371,584	11.1%
Capital Appropriations, Grants and Gifts	**51,448,397**	80,813	51,367,584	63,563.5%
Total Other Revenues	**51,448,397**	80,813	51,367,584	63,563.5%
Increase in Net Position	**55,161,002**	3,421,834	51,739,168	1,512.0%
Net Position Beginning of Year	**266,801,689**	263,379,855	3,421,834	1.3%
Net Position Restatement	**(1,614,981)**	(1,614,981)	-	0.0%
Net Position-Beginning of Year Restated	**265,186,708**	261,764,874	3,421,834	1.3%
Net Position-End of Year	**$320,347,710**	$ 265,186,708	$ 55,161,002	20.8%



Operating Revenue Changes

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.

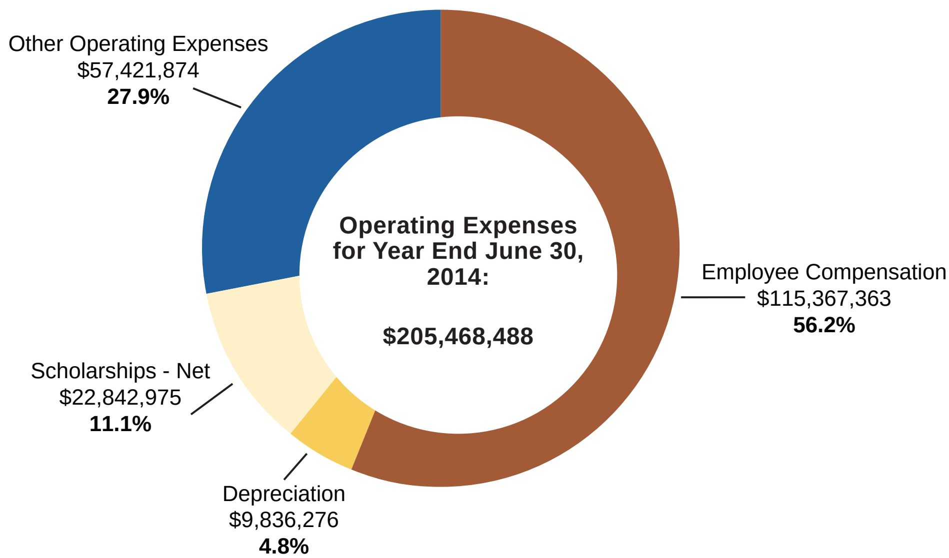
Total tuition and fees, net of related scholarship discounts, increased slightly by 2.5% or $1.6 million. The primary factor for this change is due to a regular tuition rate increase of 6.0% for the 2014 academic school year. Although, the full-time tuition rate rose to $1,462 per semester from $1,379.50 in 2013, full-time student enrollment also dropped by approximately 4.6% (fall term 2013) so both factors netted to an approximate $2.1 million increase in tuition revenue. The College also experienced a minor revenue increase of $.2 million from miscellaneous other course fees and continuing education programs. Tuition and fee revenue is adjusted down by a scholarship discount allowance that is eliminated from both revenue and expense. In 2014, this scholarship discount was $.7 million more than the prior year. GASB requires that scholarships applied to student accounts be eliminated from both tuition revenue and scholarship expense to avoid duplication of revenue in the financial statements. A scholarship discount or allowance is essentially the amount of financial aid received by the College, recorded as appropriations, grants or gifts revenue and subsequently awarded and applied as grants-in-aid or scholarships to student accounts to pay their related tuition and fees.



Operating contracts and grants decreased by $1.0 million, or 9.6%. This decrease is mainly attributed to the ending of two large grants, an energy sector grant that ended at the end of 2013 and a workforce training grant that ended during this year.

Net auxiliary revenues, after inter-fund eliminations, decreased $ 1.0 million compared to the prior year. A decrease in bookstore sales of just under $1.1 million accounts for the majority of this amount. This is attributed to lower student enrollment compared to the prior year and the availability of other textbook options currently available to students. Child care revenues increased nearly $.1 million to partially offset the bookstore decreased revenue.

There were no significant changes experienced in other operating revenues this year from the prior year.



Operating Expenses Changes

Total operating expenses of $205.5 million increased only slightly by $.3 million or .2% from last year. Employee compensation remains the largest expenditure category comprising $115.4 million or 56.2% of the operating expense total.

Employee salaries and wages increased moderately by 1.0% or $.8 million. At the start of the year, full time staff, faculty and adjunct instructors received an average pay increase of 1.92%, 2.26% and 1.0% respectively. However, these pay increases were minimized by a decrease in the use of adjunct instructors during this fiscal year.

Employee benefits decreased by .5% or $0.1 million. Although health and state retirement rates increased again this year, the effect was offset by a decrease in the amount of termination benefit expense recorded in 2014. The number of retirees receiving benefits under the College's early retirement programs decreased by 22.6% or 14 retirees.

Scholarship expense decreased by nearly $2.7 million or 10.5%. Although the decrease is attributable to various factors, a decrease of $1.5 million in PELL grant program accounted for the majority of this drop which is attributed to decreased student enrollment. In addition, the scholarship discount amount that is eliminated from both scholarship expenses and tuition and fees revenue in accordance with generally accepted accounting principles (GAAP) increased by $.8 million.

Other operating expenses increased by 4.1% or $2.3 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 are attributed to normal College growth and the purchasing needs of the College.

Nonoperating Revenue and Expense Changes

State appropriations to the College increased by $5.6 million or 8.1%. The College was fortunate to receive from the State Legislature an increase of nearly $4.8 million in the education and general appropriation (E&G appropriation). In addition, State funding for various non-capital projects increased by $.9 million or 30.1% this year. State funding for non-capital projects fluctuates from year to year based on State determination of pressing institution facility and infrastructure needs. State funds passed on to the College through the Board of Regents for certain initiatives decreased 12.0% or $.1 million.

Non-operating contracts and grants revenue decreased by 3.6% or $1.5 million, which is primarily attributed to a decrease in federal PELL grants awarded to students of $1.5 million.

Investment income decreased by 32.8%, or $ .5 million mostly due to two factors. First, the rate of return the College realized on its investment portfolio decreased from an average of 1.23% in 2013 to 1.01% in 2014, as interest rates continue to remain near historic lows. Second, the value of the College's share of owner's equity in a land development limited liability partnership decreased by just over $.2 million. The owner's equity is recorded as an alternative investment on the College books and the College's share of any partnership gains or losses is recorded as investment income or loss.

Other nonoperating revenues consist primarily of non-capital gifts and library fines, and nonoperating expenses consist of interest paid on outstanding College debt, losses on disposed fixed assets and student loan cancellations. Nonoperating revenue decreased by $1.6 million primarily because the College last year received a gift of owner's equity in a land development limited liability partnership valued at $1.5 million, and no similar gift occurred again this year. Nonoperating expenses increased this year by $.5 million mainly due to continued efforts managing student loans that has resulted in a $.5 million increase in cancelled student loans.

Capital appropriations and gifts are for specific, one-time or limited events. In fiscal year 2014, the State transferred two large building projects to the College; the Academic and Administration Building on the Taylorsville-Redwood Campus and the Center for Arts and Media Building on the South City Campus. The state funded portion of these construction projects amounted to $51.4 million. The College did not receive any Legislative allocated capital funding in the prior year.

Prior Period Adjustment to Beginning of Year Net Position

Prior to fiscal year 2013, the College demolished portions of the Main Building located on the South City Campus in preparation for the construction of the new Center for Arts and Media Building. At that time, the value of the demolished portions were not removed from capital assets. Consequently, the beginning of the year capital assets and accumulated depreciation were reduced by $5,066,947 and $3,451,966 respectively.

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, 2014	Year Ended June 30, 2013	Change	% Change
Cash Provided (Used) By				
Operating Activities	**$ (95,893,328)**	$ (98,423,366)	$2,530,038	2.6%
Noncapital Financing Activities	**111,050,408**	111,145,154	(94,746)	(0.1%)
Capital Financing Activities	**(9,715,761)**	(15,334,414)	5,618,653	36.6%
Investing Activities	**2,331,328**	(2,896,842)	5,228,170	180.5%
Net Change in Cash	**7,772,647**	(5,509,468)	13,282,115	241.1%
Cash, Beginning of Year	**26,069,709**	31,579,177	(5,509,468)	(17.4%)
Cash, End of Year	**$ 33,842,356**	$ 26,069,709	$7,772,647	29.8%

There are many operating activities that provide and use cash. This year, cash used by operating activities decreased by $2.5 million. This is the net result of increased receipts exceeding cash expenditures during the year. The primary cash providing activities contributing to this net change include the following: 1) Receipts related to tuition and fees increased by $2.1 million. 2) Receipts from grants and contracts increased $1.2 million due to the decrease in grants accounts receivable from last fiscal yearend to this yearend. 3) Payments for scholarships decreased by $2.6 million. The increase in cash provided by the above activities was offset mostly by these four activities. First, payments to suppliers of goods and services increased by $.9 million. Second, receipts from auxiliary operations decreased by $1.0 million attributed mainly to decreased bookstore sales. Third, payments to employees for salaries and benefits increased $1.2 million due to wage increases at the start of the fiscal year. Fourth, receipts from sales and services of educational activities decreased by $.2 million due to the phasing out during the year of the College's barbering and cosmetology program and the State Capital Complex food service and gift store operations.

The minor overall decrease in cash flows from noncapital financing activities of $.1 million is attributed to the following activities. First, the College was pleased to see receipts from state appropriations increase by $4.3 million in 2014. Second, during the year, the College entered into capital debt financing agreements with the State Division of Facilities, Construction and Management for funding certain energy related projects. Proceeds from these debt agreements amounted to $.8 million. These cash sources were offset first by a $1.5 million decrease in received nonoperating PELL grant receipts. Secondly, there was a $3.1 million cash change in agency activities. In the prior year, agency receipts exceeded agency payments by nearly $1.2 million, but this year agency payments exceeded receipts by $1.9 million for a net change of $3.1 million. A significant decrease in student deposits on their College one card (agency account) is the main cause of this agency change. In the prior year, students in the Pilot/Flight program were required to deposit money onto their one card which card was used to pay for expensive flight training costs. That payment process changed this year and those students are no longer depositing money in their one card account, nor using the one card to pay for flight training costs. Last, the College made principal and interest payments of $.5 million on outstanding notes payable.

There was a decrease of $5.6 million in cash used for capital assets. Since the two major building projects were nearing completion, the College paid $4.4 million less for those buildings than in the prior year. In addition, last year the College paid $3.0 million for capitalized land improvements (an electrical power sub-station) and $.4 million in new land acquisitions, but no similar expenditures occurred this year. Finally, the College paid $.3 million less in principle and interest on capital debt this year. These sources of cash provided were offset by increased expenditures for equipment and vehicles of approximately $2.8 million.

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 2014, the College experienced a net cash inflow (cash provided) from investing activities of $2.3 million. This is the result of cash received from investment maturities exceeding cash used to purchase investments by $.8 million, plus investment income proceeds of $1.5 million.

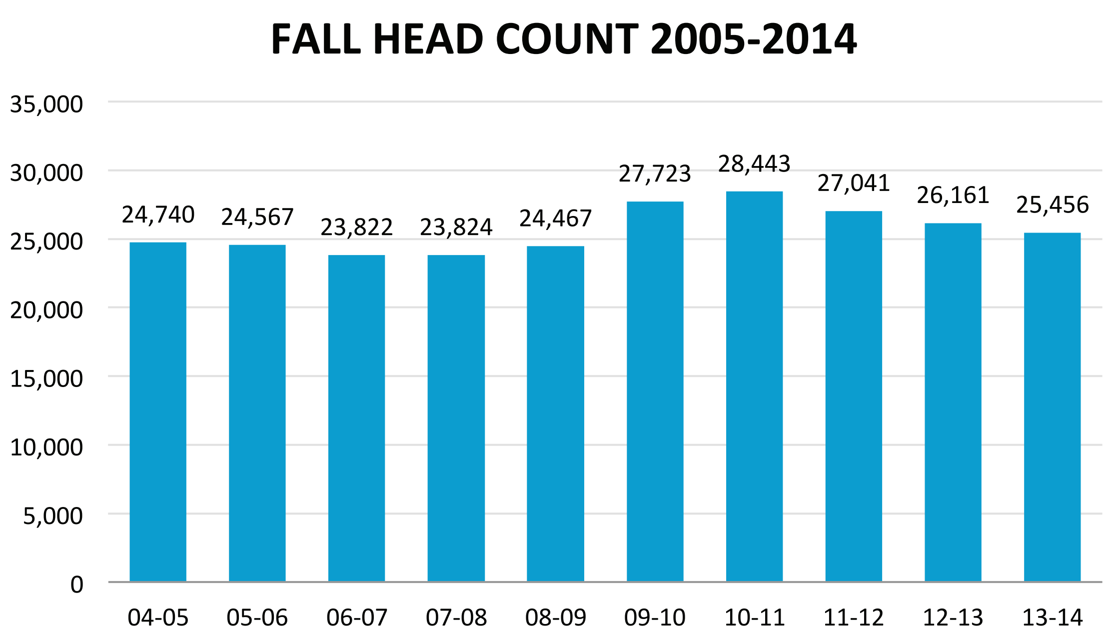
Capital Asset and Debt Activities

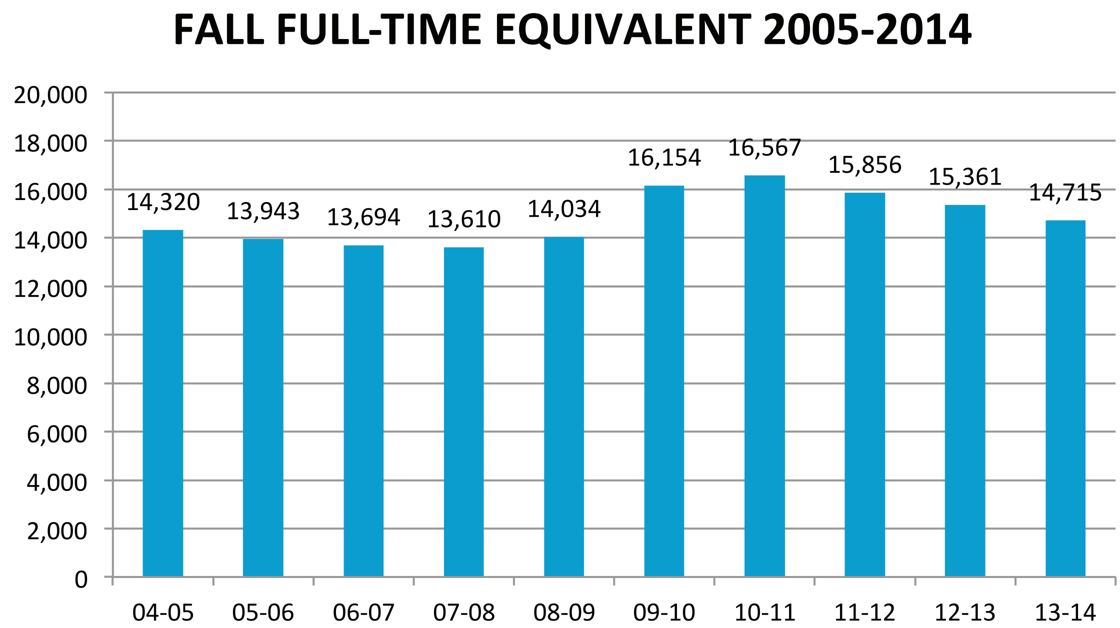
As mentioned in the noncurrent assets section above, two large building projects were completed this year and were transferred by the State to College. The State's funded portion of $51.4 million was recorded as capital appropriation revenue and the buildings were added to capital assets. As of June 30, 2014, the College is not engaged in any major construction projects.

As noted above, the College incurred new long term debt of $.8 million in 2014. To help finance certain energy related projects, the College executed two interest-free debt financing agreements with the State Division of Facilities Construction and Management with final payment due in June 2021. In addition to this new debt, the College only has two other long term debts outstanding as of June 30, 2014. One is a bonds payable obligation with a remaining principle balance of $2.4 million which matures in June, 2016. The other is a notes payable obligation with a remaining balance of nearly $3.3 million that matures in July, 2022. Debt principal and interest payments in 2014 were only .8% of total operating expenses.

Salt Lake Community College Enrollment

Enrollment is measured by unduplicated Fall Semester Head Count, which decreased by 705 students or 2.7% from the previous year. Fall Semester Full-Time Equivalents (1 FTE = 15 credit hours) decreased by 646 or 4.2%.





Future Economic Outlook

During the 2014 General Session, the State Legislature appropriated funds to support cost increases in employee medical costs and state retirement increases effective July 1, 2014 for both the Education and General and School of Applied Technology line items. The appropriated funding was equivalent to a 1.25% salary increase and a 2.2% increase to support health and dental premiums. The Legislature also provided funding to support rate increases in state retirement premiums. Also, the State Board of Regents approved a 4% first-tier tuition increase of which 2.75% went to employee performance based (merit) and equity salary adjustments. 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 $15,576,300 and Distinctive Mission Based Funding of $818,200. The Legislature also appropriated $238,000 from the University of Utah and $97,500 for Internal Service Fund adjustments.

College enrollment decreased in the first two terms of fiscal year 2015 compared to the same terms in 2014. The summer 2014 term headcount declined by 645 or 5.2% (FTE dropped 289 FTE or 5.5%) and the Fall 2014 term third week headcount declined by 1,203 or 4.7% (FTE dropped 781 or 5.3%). The enrollment declines are generally attributed to a strengthening economy and improved job market where potential students may be choosing to work rather than furthering their education. To offset the negative impact on tuition revenue, the College will utilize revenue generated by the 2015 tuition rate and new appropriated tax funds to support the College's mission and serve the existing student population.

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

BASIC FINANCIAL STATEMENTS

Salt Lake Community College
Statement of Net Position
As of June 30, 2014

	Primary Institution	Component Unit College Foundation
Assets		
Current Assets		
Cash and Cash Equivalents (Notes 1, 3)	$ 32,476,019	$ 250,818
Short-Term Investments (Notes 1, 3)	26,193,740	718,362
Accounts Receivable, Net of $1,910,902 Allowance (Note 1)	7,256,895	
Accounts Receivable from State of Utah	994,757	
Student Loans Receivable - Current Portion, Net of $68,763 Allowance (Note 1)	340,061	
Inventories (Note 1)	2,854,774	
Prepaid Expenses (Note 1)	17,271	
Total Current Assets	70,133,517	969,180
Noncurrent Assets		
Restricted Cash and Cash Equivalents (Notes 1, 3)	1,366,337	774,076
Investments (Notes 1, 3)	53,996,701	6,800,489
Alternative Investments (Note 1)	1,270,547	
Student Loans Receivable, Net of $516,154 Allowance (Note 1)	3,744,488	
Capital Assets, Net of $125,466,671 Accumulated Depreciation (Notes 1, 4)	232,792,378	
Other Assets (Note 1)	296,750	
Total Noncurrent Assets	293,467,201	7,574,565
Total Assets	363,600,718	8,543,745
Liabilities		
Current Liabilities		
Accounts Payable	11,158,478	170,714
Payable to State of Utah	879,676	
Accrued Payroll Payable	6,846,508	
Unearned Revenue (Note 1)	8,951,645	
Accrued Interest Payable	85,315	
Funds Held for Others	1,588,491	
Notes Payable (Notes 5, 6)	374,204	
Notes Payable to State of Utah (Notes 5, 6)	110,015	
Bonds Payable (Notes 5, 6)	1,207,032	
Compensated Absences (Note 1)	3,113,232	
Termination Benefits (Note 1)	851,624	
Total Current Liabilities	35,166,220	170,714
Noncurrent Liabilities (Note 1)		
Notes Payable	2,905,508	
Notes Payable to State of Utah	665,290	
Bonds Payable	1,230,196	
Compensated Absences	1,657,023	
Termination Benefits	1,628,771	
Total Noncurrent Liabilities	8,086,788	-
Total Liabilities	43,253,008	170,714
Net Position		
Net Investment in Capital Assets (Note 1)	230,355,149	
Restricted for:		
Nonexpendable Items (Note 1)		
Scholarship Endowments	228,523	3,232,609
Miller Campus Endowments	600,000	
Expendable Items (Note 1)		
Scholarships	14,115	4,171,031
Loans	4,140,770	
Instructional Department Use	727,368	
Herriman Campus Infrastructure	1,270,547	
Other	1,958,080	
Unrestricted (Note 1)	81,053,158	969,391
Total Net Position	$ 320,347,710	$ 8,373,031

The accompanying Notes are an integral part of these Financial Statements

Salt Lake Community College
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2014

	Primary Institution	Component Unit College Foundation
Operating Revenues		
Student Tuition and Fees, Net of Scholarship Allowances of $21,850,163 and Changes in the Allowance for Doubtful Accounts of $92,554	$ 66,839,102	
Interest on Student Loans Receivable	460,471	
Federal Contracts and Grants	6,868,361	
State and Local Contracts and Grants	823,610	
Nongovernmental Contracts and Grants	2,181,968	
Sales and Services of Educational Activities	657,599	
Auxiliary Enterprises	11,898,542	
Gifts		$ 1,679,849
Other Operating Revenue	2,822,209	
Total Operating Revenues	92,551,862	1,679,849
Operating Expenses		
Salaries and Wages	84,582,493	
Employee Benefits	30,784,870	
Scholarships and Awards	22,842,975	
Donations to College	-	1,426,068
Depreciation	9,836,276	
Other Operating Expenses	57,421,874	114,747
Total Operating Expenses	205,468,488	1,540,815
Operating Loss	(112,916,626)	139,034
Nonoperating Revenues (Expenses)		
State Appropriations	75,022,429	
Federal Contracts and Grants	40,265,505	
State and Local Contracts and Grants	667,524	
Gifts	750,697	
Investment Income	1,011,985	817,629
Interest on Capital Asset-Related Debt	(56,147)	
Other Nonoperating Revenues	4,230	
Other Nonoperating Expenses	(1,036,992)	
Total Net Nonoperating Revenues	116,629,231	817,629
Income Before Other Revenues	3,712,605	956,663
Other Revenues		
Capital Appropriations	51,433,397	
Capital Grants and Gifts	15,000	
Total Other Revenue	51,448,397	0
Net Increase in Net Position	55,161,002	956,663
Net Position - Beginning of Year as Originally Stated	266,801,689	7,416,368
Net Position Prior Period Restatement	(1,614,981)	
Net Position - Beginning of Year as Restated	265,186,708	
Net Position at End of Year	$ 320,347,710	$ 8,373,031

The accompanying Notes are an integral part of these Financial Statements

Cash Flows from Operating Activities	
Receipts from Tuition and Fees	$ 67,572,144
Receipts from Grants and Contracts	11,508,278
Receipts from Auxiliary Enterprise Charges	11,919,092
Receipts from Sales and Services of Educational Activities	658,259
Receipts from Lease/Rental	635,306
Receipts from Fines	4,231
Interest Received on Loans to Students	690,761
Payments to Employees for Salaries and Benefits	(114,991,471)
Payments to Suppliers	(52,868,809)
Payments for Scholarships	(22,930,194)
Loans Disbursed to Students and Employees	(573,899)
Collection of Loans to Students and Employees	512,399
Other Operating Receipts	1,970,575
Net Cash Used by Operating Activities	(95,893,328)
Cash Flows from Noncapital Financing Activities	
Receipts from State Appropriations	71,870,680
Receipts from Grants and Contracts for Other Than Operating Purposes	40,933,029
Receipts from Gifts for Other Than Capital Purposes	345,700
Receipts from Debt Financing	790,000
Payments on Debt	(379,446)
Interest Paid on Debt	(94,450)
Agency Receipts	29,456,496
Agency Payments	(31,403,676)
Other Nonoperating Payments	(467,925)
Net Cash Provided by Noncapital Financing Activities	111,050,408
Cash Flows from Capital and Related Financing Activities	
Cash Paid for Capital Assets	(9,047,196)
Proceeds from Disposal of Capital Assets	580,508
Payments of Capital Debt	(1,160,000)
Interest Paid on Capital Debt	(89,073)
Net Cash Used by Capital and Related Financing Activities	(9,715,761)
Cash Flows from Investing Activities	
Purchases of Investments	(62,116,680)
Proceeds from Sales of Investments	62,914,490
Receipt of Interest and Dividends on Investments	1,533,518
Net Cash Provided by Investing Activities	2,331,328
Net Increase in Cash and Cash Equivalents	7,772,647
Cash and Cash Equivalents, Beginning of Year	26,069,709
Cash and Cash Equivalents, End of Year	$ 33,842,356

The accompanying Notes are an integral part of these Financial Statements

Reconciliation of Operating Loss to Net Cash Used		
By Operating Activities		
Operating Loss	$	(112,916,626)
Adjustments to Reconcile Operating Loss to Net Cash Used		
by Operating Activities		
Depreciation Expense		9,836,276
Donations of Supplies Received		99,539
Non Capital DFCM Expenditures Received		2,945,598
Proceeds from Sale of Fixed Assets		(186,780)
Income from Fines		4,231
Changes in Assets and Liabilities		
Accounts Receivable		2,253,862
Student Loans		101,440
Inventories		(191,593)
Prepaid Expenses		(6,950)
Accounts Payable and Accrued Expenses		2,053,372
Unearned Revenue		454,003
Compensated Absences		226,536
Termination Benefits		(566,236)
Net Cash Used by Operating Activities	$	(95,893,328)
Noncash Investing, Noncapital Financing, and Capital		
Related Financing Transactions		
Change in Fair Value of Investments Recognized as Investment Income	$	(79,952)
Disposal of Fixed Assets	$	(314,968)
Capital Gifts	$	15,000
Capital Appropriations	$	51,433,397
Investment Purchases (Unsettled)	$	4,999,370
Reconciliation of Cash and Cash Equivalents to the Statement		
of Net Position		
Cash and Cash Equivalents - Current	$	32,476,019
Cash and Cash Equivalents - Noncurrent		1,366,337
Total Cash and Cash Equivalents	$	33,842,356

The accompanying Notes are an integral part of these Financial Statements


PINK FLOYD
HAMMOND
RED

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 9 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 10 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.

Future Change in Accounting Standards: GASB issued Statement No. 68, Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27, effective for fiscal year 2015. This new accounting and reporting standard will impact the College's measurement and recognition of liabilities, deferred outflows of resources, deferred inflows of resources, and expenses in the College's financial statements.

This new accounting standard will require the College to record a liability equal to the College's total Net Pension Liability (NPL) for College employees participating in the State of Utah Retirement Systems. It is difficult to estimate the fiscal year 2015 NPL due to volatility in changes in actuarial estimates and actual investment returns. However, the College's combined unaudited NPL for the Applicable state retirement plans at December 31, 2013 was $15,059,808 based on an investment discount rate of 7.5 percent. The recording of the NPL in fiscal year 2015 will reduce the College's unrestricted net position when the liability is recorded.

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, 2014, cash and cash equivalents consisted of:

	College	Foundation
Cash	$ (378,663)	$ 1,024,894
Gold International Sweep Account	2,177,965	
Utah Public Treasurer's Investment Fund	32,043,054	
Total	$ 33,842,356	$ 1,024,894

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, 2013, the company's fiscal year end. The College's ownership interest at that time was valued at $1,270,547. 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, 2014. 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, 2014, net of estimated uncollectible amounts:

	Receivables From State of Utah	Receivables From Other
Tuition, Fees and Other	$ 245,491	$ 6,976,546
Grants and Contracts	749,266	1,359,427
Auxiliaries	0	395,312
Interest	0	265,798
SLCC Foundation	0	170,714
Total Accounts Receivable	994,757	9,167,797
Less Allowance for Doubtful Accounts	0	(1,910,902)
Net Accounts Receivable	$ 994,757	$ 7,256,895

Student Loans Receivable: The College participates in the Federal Perkins Loan Program and other College loan programs. During the fiscal year, a net $694,097 was distributed for student loans from the Perkins Loan Program and $16,688 from College loans. These distributions and related loan repayments are not included as expenses or revenues, but are accounted for on the Statement of Net Position as either current student loans receivable (amounts due within one year), net of estimated uncollectible amounts, or noncurrent student loans receivable (amounts due after one year), net of estimated uncollectible amounts.

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

College Store	$ 2,604,043
Food Services	77,245
Costs of Project Houses Under Construction	173,486
Total	$ 2,854,774

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 $16,471 in mail service postage meter balances and $800 of prepaid facility security services.

Restricted Cash and Cash Equivalents: Externally restricted non-expendable endowment funds of $828,523 and externally restricted proceeds from notes payable to the State of Utah of $537,814 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 consist of the following at June 30, 2014:

Salaries and Benefits Payable	$ 6,846,508
Supplies and Services Payable	3,920,325
State of Utah Payable	879,676
Student-Related Payable	2,238,783
Interest Payable	85,315
Investments Purchase Payable	4,999,370
Total	$ 18,969,977

Unearned Revenue: Unearned revenue includes (1) amounts received for 2014 Summer and Fall Semester tuition and fees associated with the subsequent accounting period of $6,857,668; (2) amounts received from grants and contracts that have not yet been earned of $1,910,075; (3) advance Grand Theatre donations of $3,802; (4) prepaid child care fees of $11,441; (5) prepaid gift cards to the College bookstore and food services of $50,219 and (6) advance amounts received for July 2014 through December 2014 operation and maintenance expenses for space shared with Union Pacific Railroad totaling $118,440.

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, 2014 was $4,057,669.

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, 2014 was $712,586.

Accrued Termination Benefits: In addition to the pension benefits described in Footnote No. 7 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 96.4% of the stipend in fiscal year 2014, 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, 2014 there were 48 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 1.5% 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 (1.01%) 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, 2014 totaled $2,480,395. The early retirement program expense for the year ended June 30, 2014 was $561,177.

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 student loans. Operating expenses are those expenses incurred to acquire goods or produce services to carry out the mission of the College. The Foundation's operating activities include gift revenue and investment income and all expenses to support the mission of the Foundation.

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

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

Note 2
Prior Period Adjustment

Prior to fiscal year 2014, the College demolished portions of the Main Building located on the South City Campus in preparation for the construction of the new Center for Arts and Media Building. At that time, the value of the demolished portions were not removed from capital assets. Consequently, the beginning of the year capital assets and accumulated depreciation were reduced by $5,066,947 and $3,451,966 respectively. The effect of the restatement on the 2013 financial statements is summarized as follows:

	Restated	As Originally Stated
Capital Assets, net of Accumulated Depreciation	$184,145,927	$185,760,908
Net Investment in Capital Assets	$180,526,667	$182,141,648
Net Position at End of Year	$265,186,708	$266,801,689

Note 3
Deposits and Investments

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

Except for endowment funds, 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.

<u>Deposits:</u>
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, 2014, $2,039,863 of the College's bank balances of $2,289,863 and $780,760 of the Foundation's bank balances of $1,030,760 were uninsured and uncollateralized.

Investments:
The Money Management Act defines the types of securities authorized as appropriate investments for the College's non-endowment funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae), 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 of the PTIF, net of administration fees, are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2014, 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	$ 53,468,538	$ 25,714,804	$ 27,753,734
Municipal Bonds	1,201,164	-	1,201,164
U.S. Agencies	25,041,803	-	25,041,803
Mutual Bond Funds	42,563	-	42,563
Utah Public Treasurers' Investment Fund	32,043,054	32,043,054	
Total Fair Value	$ 111,797,122	$ 57,757,858	$ 54,039,264

As of June 30, 2014, 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 Bond Funds	$ 3,339,346	$ -	$ 1,472,690	$ 1,866,656
Corporate Notes	40,781	40,781		
Total	$ 3,380,127	$ 40,781	$ 1,472,690	$ 1,866,656

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, 2014, 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.

At June 30, 2014, the College had the following investments and quality ratings:

		Quality Ratings			
Investment Type	**Fair Value**	**AA**	**A**	**BBB**	**Unrated**
Corporate Notes	$ 53,468,538	$ 2,018,154	$ 50,948,856	$ 501,528	$ -
Municipal Bonds	1,201,164		1,201,164		
U.S. Agencies	25,041,803	20,027,953			5,013,850
Mutual Bond Funds	42,563				42,563
Utah Public Treasurers' Investment Fund	32,043,054				32,043,054
Total Fair Value	$111,797,122	$ 22,046,107	$ 52,150,020	$ 501,528	$37,099,467

As of June 30, 2014, the SLCC Foundation had the following investments and quality ratings:

		Quality Ratings	
Investment Type	Fair Value	BB+	Unrated
Mutual Bond Funds	$ 3,339,346	$ -	$ 3,339,346
Corporate Notes	40,781	40,781	-
Total Fair Value	$ 3,380,127	$ 40,781	$ 3,339,346

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, 2014, the College held more than 5 percent of total investments in securities of the Federal Home Loan Bank and the Federal Home Loan Mortgage Corporation. These investments represent 7.05% ($7,997,036) and 8.83% ($10,022,344), respectively, 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, 2014, the College had $53,468,538 in Corporate Notes, $1,201,164 in Municipal Bonds, and $20,042,433 in U.S. Agencies, which were held by the counterparty's trust department or agent but not in the College's name. As of June 30, 2014, the College purchased $4,999,370 in U.S. Agencies which did not settle until July 2014, at which time the U.S. Agencies were held by the counterparty's trust department or agent but not in the College's name.

Note 4
Capital Assets

Capital assets activity for the year ended June 30, 2014 is summarized as follows:

DESCRIPTION	2013 BOOK VALUE ORIGINALLY STATED	RESTATED 2013 BOOK VALUE	ADDITIONS	DISPOSALS	2014 BOOK VALUE
Capital Assets Not Being Depreciated					
Land	$ 31,511,118	$ 31,511,118	$ -	$ (30,532)	$ 31,480,586
Intangible Assets	22,500	22,500	-	-	22,500
Construction In Progress	16,654,088	16,654,088	3,457,645	(20,073,168)	38,565
Total Nondepreciable	48,187,706	48,187,706	3,457,645	(20,103,700)	31,541,651
Capital Assets Being Depreciated					
Buildings	200,552,386	195,485,439	71,505,027	(5,021,082)	261,969,384
Land Improvements	32,609,291	32,609,291	-	-	32,609,291
Equipment and Motor Vechicles	26,424,618	26,424,618	4,088,691	(1,252,501)	29,260,808
Library Books and Software	2,987,082	2,987,082	211,690	(320,857)	2,877,915
Total Depreciable	262,573,377	257,506,430	75,805,408	(6,594,440)	326,717,398
Total Capital Assets	310,761,083	305,694,136	79,263,053	(26,698,140)	358,259,049
Less Accumulated Depreciation					
Buildings	(88,690,626)	(85,238,660)	(5,589,697)	4,657,033	(86,171,324)
Land Improvements	(16,851,624)	(16,851,624)	(1,347,239)	-	(18,198,863)
Equipment and Motor Vehicles	(18,816,856)	(18,816,856)	(2,766,029)	1,125,005	(20,457,880)
Library Books and Software	(641,069)	(641,069)	(133,311)	135,776	(638,604)
Total Accumulated Depreciation	(125,000,175)	(121,548,209)	(9,836,276)	5,917,814	(125,466,671)
Total Capital Assets, Net of Depreciation	$185,760,908	$ 184,145,927	$69,426,777	$(20,780,326)	$232,792,378

Total interest expense on capital asset-related debt was $56,147 during the year.

Note 5
Bonds and Notes Payable

During 2014, the College obtained two interest free loans totaling $790,000 from the State to implement several energy efficiency projects. The payments are due quarterly and range from $1,250 to $34,223 combined. The final payment is due June 30, 2021. 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%. Principal payments are due annually and range from $374,204 to $447,601. 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 $1,185,000 to $1,210,000, with interest due semi annually at rates ranging from 2.25% 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, 2014:

Auxiliary System and Student Fee Revenue Refunding Bonds, Series 2010 2.25% - 2.50% Maturing 2015 through 2016	$ 2,395,000

Future commitments for bonds and notes payable as of June 30, 2014, are as follows:

Fiscal Year	Principal	Interest	Total
Bonds Payable			
2015	$ 1,185,000	$ 56,913	$ 1,241,913
2016	1,210,000	30,250	1,240,250
Total Bonds Outstanding	2,395,000	87,163	2,482,163
Unamortized Bond Premium	42,228		42,228
Total Bonds Payable	$ 2,437,228	$ 87,163	2,524,391

Fiscal Year	Principal	Interest	Total
Notes Payable			
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	414,530	44,671	459,201
2020-2022	1,309,167	68,436	1,377,603
Total Notes Payable	$ 3,279,712	393,896	$ 3,673,608

Fiscal Year	Principal	Interest	Total
Notes Payable to State of Utah			
2015	$ 110,015	$ 0	$ 110,015
2016	136,890	0	136,890
2017	124,025	0	124,025
2018	107,500	0	107,500
2019	107,500	0	107,500
2020-2021	189,375	0	189,375
Total Notes Payable to State of Utah	$ 775,305	$ 0	$ 775,305

Note 6
Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014 was as follows:

Description	2013 Balance	Additions	Reductions	2014 Balance	Amounts due within one year
Revenue Bonds Payable	$ 3,555,000	-	$(1,160,000)	$ 2,395,000	$ 1,185,000
Unamortized Bond Premium	64,260	-	(22,032)	42,228	22,032
Total Bonds Payable	3,619,260	-	(1,182,032)	2,437,228	1,207,032
Compensated Absences-Vacation	3,851,895	$ 3,285,629	(3,079,855)	4,057,669	3,080,000
Compensated Absences- Sick	691,823	43,263	(22,500)	712,586	33,232
Total Compensated Absences	4,543,718	3,328,892	(3,102,355)	4,770,255	3,113,232
Termination Benefits - Early Retirement	3,046,631	575,114	(1,141,350)	2,480,395	851,624
Notes Payable	3,644,463	-	(364,751)	3,279,712	374,204
Notes Payable to State of Utah	0	790,000	(14,695)	775,305	110,015
Total long-Term Liabilities	$ 14,854,072	$ 4,694,006	$(5,805,183)	$13,742,895	$ 5,656,107

Note 7
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 15.97% of their annual covered salary. In the State and School Noncontributory Retirement System, the College is required to contribute 20.46% 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, 2014, 2013 and 2012 were $298,284, $224,039, and $131,886, respectively, and for the Noncontributory Retirement System, the contributions for the years ended June 30, 2014, 2013 and 2012 were $3,070,864, $2,768,316, and $2,460,339, respectively. The contributions were equal to the required contributions for each year.

<u>Defined Contribution Plans:</u>
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 $293,357, $263,340, and $253,199, for the years ended June 30, 2014, 2013 and 2012, respectively. Employee contributions to the 401(k) and 457 plans for the same years were $527,001, $519,207, and $463,017.

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, 2014, 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, 2014, 2013 and 2012 were $4,973,577, $5,123,119, and $5,235,420, respectively. The College has no further liability once annual contributions are made. Employee contributions for the same years were $1,110,456, $1,161,520, and $1,111,271. The Fidelity Investments plan started in 2009, and the College's contributions into Fidelity Investments for the years ended June 30, 2014, 2013 and 2012 were $1,060,364, $921,479, and $685,793, respectively. Employee contributions for the same years were $199,038, $229,826, and $182,580.

Note 8
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 fiscal year 2019. Although the lease terms vary, most leases are subject to funds being appropriated to continue the lease obligations and most have options to extend the lease term. As funding is reasonably assured, the leases are considered noncancellable for financial reporting purposes. Operating lease payments are recorded as expenses when paid or incurred. For the year ended June 30, 2014, operating lease expenses totaled $1,402,117. The future lease payments are as follows:

Fiscal Year	Amount
2015	$ 1,244,303
2016	1,271,235
2017	1,306,744
2018	792,695
2019	112,507
Total Future Payments	$ 4,727,484

Note 9
Salt Lake Community College Foundation

The Salt Lake Community College Foundation (Foundation) was granted a Certificate of Incorporation on July 15, 1982, under laws of the State of Utah and is recognized as a “Section 501(c)3” Corporation by the Internal Revenue Service. The Foundation exists to further the charitable, cultural, scientific and educational purposes of the College. The 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 is reported discretely in the financial statements under the heading “Component Unit-College Foundation” and issues separately audited financial statements. Subsequent to the time those audited statements were issued an event was discovered that would have changed the Foundation statements as of June 30, 2014. The event would have increased contributions revenue and decreased accounts payable (net of receivables) by $41,246. The change is reflected in the College’s statements as follows:

	Foundation Statements	College Statements Component Unit Column
Accounts Receivable from College	$ 29,280	$ 0
Accounts Payable to College	$ 241,240	$ 170,714
Restricted Expandable		
Net Assets/Position	$ 4,129,996	$ 4,171,031
Unrestricted Net Assets/Position	$ 969,180	$ 969,391
Contributions/Gift Revenue	$ 1,638,603	$ 1,679,849
Change in Net Assets/Position	$ 915,417	$ 956,663

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, 2014.

During the year ended June 30, 2014, the Foundation transferred $1,426,068 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 10
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, 2014:

CONDENSED STATEMENT OF NET POSITION

Assets	
Current Assets	
Cash and Cash Equivalents	$ 47,895
Short -Term Investments	126,826
Prepaid Expenses	800
Total Current Assets	175,521
Total Assets	175,521
Liabilities	
Current Liabilities	
Accounts Payable	5,033
Unearned Revenue	3,808
Total Current Liabilities	8,841
Total Liabilities	8,841
Net Position	
Unrestricted	166,680
Total Net Position	$ 166,680

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Operating Revenues	
Ticket Sales	$ 110,937
Concessions	6,391
Rental of Facilities	51,157
Institutional Support from SLCC	161,133
Other Operating Revenue	20,949
Total Operating Revenue	350,567
Operating Expenses	
Salaries and Benefits	269,056
Other Operating Expenses	277,108
Total Operating Expenses	546,164
Operating Income (Loss)	(195,597)
Nonoperating Revenues	
State and Local Grants	61,793
Donations	91,352
Investment Income	12,673
Total Nonoperating Revenues	165,818
Net Decrease in Net Position	(29,779)
Net Position - Begining of Year	196,459
Net Position at End of Year	$ 166,680

CONDENSED STATEMENT OF CASH FLOWS

Net Cash Provided / (Used) By:	
Operating Activities	$ (99,765)
Investing Activities	146
Net Decrease in Cash and Cash Equivalents	(99,619)
Cash and Cash Equivalents, Beginning of Year	147,514
Cash and Cash Equivalents, End of Year	$ 47,895

Note 11
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, 2014 is as follows:

Estimated claims liability at beginning of year	$ 1,144,486
Current year claims	16,575,701
Claim payments, including related legal and administrative expenses	(16,131,187)
Estimated claims liability at end of year	$ 1,589,000

The College has recorded the program assets and estimated liabilities of the health and dental care program at June 30, 2014 in the Statement of Net Position.

Note 12
Contingent Liabilities

The College has been named in two lawsuits this year and a third is threatened. The first lawsuit involves a claim by a former employee alleging the right to a contractual termination hearing was not received. The employee sued previously alleging a due process violation and the lawsuit was dismissed. The Complaint has not yet been served. Another lawsuit has been filed and involves a former employee who claims violation of civil rights in connection with the job termination. A third lawsuit has been threatened by an employee claiming $5,000 in unpaid wages for time spent working and an equal amount in liquidated damages. In addition to the lawsuits, the College is also defending five charges of discrimination, four of which are in the investigation stage. In the fifth case, the investigator found no discrimination occurred but the claimant has requested an evidentiary hearing to challenge the finding. The College also has three claims for minor injuries filed that are pending, and one claim for minor property damage that is pending.

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

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

Note 13
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 19 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 14
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 2014 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. As of June 30, 2014, the College has no significant construction commitments to DFCM.

Note 15
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 as of June 30, 2014 is $2,482,163, with annual payment requirements of $1,241,913 in 2015 to $1,240,250 in the final year of 2016.

For fiscal year 2014, receipts and disbursements of pledged revenues were as follows:

	Auxiliary Revenue Bonds
Receipts	
Student Building Fees	$ 2,665,055
Pledged Auxiliary Operating Revenues	13,380,848
Related Interest Income	78,021
Total Receipts	16,123,924
Disbursements	
Pledged Auxiliary Operating Expenses	13,415,418
Excess of Pledged Receipts over Expenses	$ 2,708,506
Debt Service Principal & Interest 2015 Payments	$ 1,241,913
Debt Service Coverage Ratio	2.18

Governing Boards and Executive Cabinet

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

FINANCIAL STATEMENTS AND CONTENT
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