Annual Financial Report

A Component Unit of the State of Utah

2011-2012

Salt Lake Community College

STEP AHEAD.

SALT LAKE COMMUNITY COLLEGE

A Component Unit of the State of Utah

ANNUAL FINANCIAL REPORT 2011-12

CONTENTS

Salt Lake Community College Step Ahead.

I am pleased to present the 2012 Salt Lake Community College Annual Report. The College is the largest supplier of workforce development programs in the State of Utah.

This report contains the financial health of this institution. Salt Lake Community College remains solid both in its finances and the education it provides. The financial statements contained in this document, along with the independent State Auditor's report, indicate the strong foundation upon which this institution stands.

One of the best indicators of our institution's performance is that SLCC ranked 3rd nationally in associate degrees awarded last year.

We continue to look for ways to remove any financial and academic obstacles that stand in between our students and their goals. We recently started the Partnerships for Accessing College Education (PACE) program that provides high school students with incentives to achieve, prepare for, complete College and enter the workforce. Through our new Center for Innovation—one of the only centers of its kind in the country—we are constantly creating new ways to advance the quality of the educational services we deliver. We also recognize that continued prudent management of resources is integral to our ability to foster student success.

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

Most Sincerely,

Dr. Cynthia A. Bioteau
President

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Auston G. Johnson, CPA
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Van H. Christensen, CPA
Deborah A. Empey, CPA
Stan Godfrey, CPA
Jon T. Johnson, CPA

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Trustees, Audit Committee
and
Cynthia A. Bioteau, President
Salt Lake Community College

We have audited the accompanying basic financial statements of Salt Lake Community College (the College) and, based on the report of other auditors, its discretely presented component unit foundation, which collectively comprise the College's basic financial statements, as of and for the year ended June 30, 2012, as listed in the table of contents. The College is a component unit of the State of Utah. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit foundation. Those financial statements were audited by other auditors whose report thereon 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 on the report of the other auditors. The prior year partial comparative information has been derived from the College's 2011 financial statements and, in our report dated January 19, 2012, we expressed an unqualified opinion on the basic financial statements.

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 of material misstatement. The financial statements of the discretely presented component unit foundation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and of its discretely presented component unit foundation as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

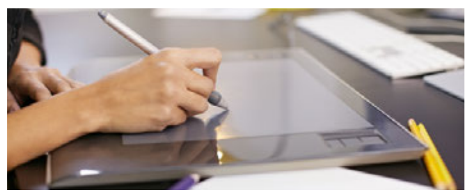
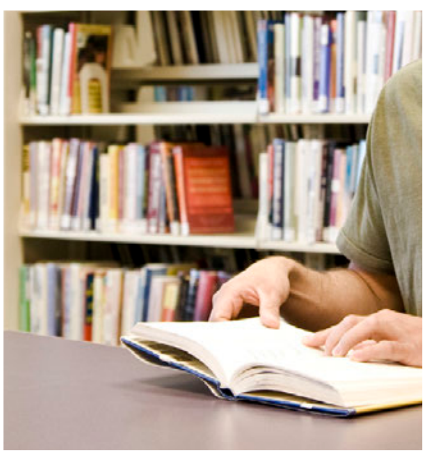
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 8 through 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental 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.

Auston G Johnson

Auston G. Johnson, CPA
Utah State Auditor
December 20, 2012






Overview

Salt Lake Community College (the College) is pleased to provide its basic financial statements for the fiscal year ended June 30, 2012. 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. 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 Assets; the Statement of Revenues, Expenses and Changes in Net Assets; and the Statement of Cash Flows.

Statement of Net Assets

The Statement of Net Assets presents the financial position of Salt Lake Community College at June 30, 2012 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 assets (assets minus liabilities) and their availability for expenditure.

Net assets are divided into three major categories. The first category, "Invested in Capital Assets, Net of Related Debt," identifies the College's equity in the property, plant and equipment owned by the College.

The second category includes "Restricted – Nonexpendable" and "Restricted – Expendable." The corpus of restricted – nonexpendable net assets is available only for investment purposes. Restricted – expendable net assets are available for expenditure, but only for purposes determined by donors and/or external entities that have placed time or purpose restrictions on the use of such assets. The third category includes all "Unrestricted Net Assets." Although unrestricted net assets are not subject to the same externally imposed requirements and stipulations as the restricted net asset class above, substantially all of the College's unrestricted net assets have been designated for various academic, construction and technology initiatives. Unrestricted net assets also include auxiliary working capital balances of approximately $5.4 million and funds functioning as endowments of approximately $5.6 million.

Condensed Statement of Net Assets

	June 30, 2012	June 30, 2011	Change	% Change
Assets				
Current Assets				
Cash Equivalents & Short-Term Investments	**$ 77,727,681**	$ 91,954,824	$ (14,227,143)	(15.5%)
Accounts Receivable	**8,166,637**	10,373,188	(2,206,551)	(21.3%)
Inventories	**2,445,199**	3,021,859	(576,660)	(19.1%)
Student Loans & Receivables-Current Portion	**479,396**	469,463	9,933	2.1%
Other	**16,555**	13,999	2,556	18.3%
Total Current Assets	**88,835,468**	105,833,333	(16,997,865)	(16.1%)
Noncurrent Assets				
Restricted Cash Equivalents & Long-Term Investments	**25,639,578**	16,406,377	9,233,201	56.3%
Student Loans Receivable	**4,063,681**	4,367,572	(303,891)	(7.0%)
Capital Assets	**181,226,187**	168,793,213	12,432,974	7.4%
Other	**296,750**	296,750	0	0.0%
Total Noncurrent Assets	**211,226,196**	189,863,912	21,362,284	11.3%
Total Assets	**300,061,664**	295,697,245	4,364,419	1.5%
Liabilities				
Current Liabilities				
Accounts Payable	**3,888,112**	6,867,601	(2,979,489)	(43.4%)
Accrued Payroll Payable	**6,765,616**	6,934,901	(169,285)	(2.4%)
Deferred Revenue	**7,619,859**	7,392,713	227,146	3.1%
Funds Held For Others	**2,256,591**	1,874,806	381,785	20.4%
Notes Payable - Current	**355,537**	0	355,537	100.0%
Bonds Payable – Current	**1,152,032**	1,167,032	(15,000)	(1.3%)
Compensated Absences – Current	**2,922,793**	2,719,443	203,350	7.5%
Termination Benefits – Current	**1,033,738**	1,102,537	(68,799)	(6.2%)
Other	**106,827**	10,468	96,359	(920.5%)
Total Current Liabilities	**26,101,105**	28,069,501	(1,968,396)	(7.0%)
Noncurrent Liabilities				
Notes Payable	**3,644,463**	0	3,644,463	100.0%
Bonds Payable	**3,619,260**	4,771,292	(1,152,032)	(24.1%)
Compensated Absences	**1,561,890**	1,506,294	55,596	3.7%
Termination Benefits	**1,755,091**	1,706,651	48,440	2.8%
Total Noncurrent Liabilities	**10,580,704**	7,984,237	2,596,467	32.5%
Total Liabilities	**36,681,809**	36,053,738	628,071	1.7%
Net Assets				
Invested in Capital Assets, Net of Related Debt	**176,454,895**	162,854,889	13,600,006	8.4%
Restricted - Nonexpendable	**826,231**	823,915	2,316	0.3%
Restricted – Expendable	**8,821,184**	7,293,029	1,528,155	21.0%
Unrestricted	**77,277,545**	88,671,674	(11,394,129)	(12.8%)
Total Net Assets	**$263,379,855**	$ 259,643,507	$ 3,736,348	1.4%

Total assets of Salt Lake Community College grew $4.4 million or 1.5% during the fiscal year ended June 30, 2012. Current assets decreased a total of $17.0 million, primarily due to a decrease in cash equivalents and short-term investments of $14.2 million, a decrease in accounts receivable of $2.2 million and a decrease in inventories of $ .6 million. Although current cash equivalents and short-term investments decreased by $14.2 million, non-current cash equivalents and investments increased $9.2 million during the year. The net decrease of $5 million is attributed primarily to increased capital expenditures during the year. Current accounts receivable decreased by $2.2 million. Student and auxiliary related receivables increased by $ .5 million and $ .1 million respectively. These increases were offset by decreases in grant and contract related receivables of $2.4 million and investment income receivable of $.4 million. Regarding the $ .6 million inventory decrease, the College sold two student built project houses during the year, thereby reducing the value of inventory (cost of project houses under construction) by $ .4 million. As of June 30, 2012, the College does not have any project houses under construction. The bookstore yearend inventory also decreased by approximately $ .2 million.

While current assets decreased, total noncurrent assets increased by $21.4 million. Noncurrent restricted cash equivalents and long-term investments increased by $9.2 million due to the shift in investment strategy from short-term to long-term. Capital assets jumped up 7.4% or $12.4 million. This is the net result of capital additions of $23.0 million less depreciation and equipment disposals of $10.6 million. Student loans receivable decreased by $ .3 million.

College total liabilities at $36.7 million increased by $.6 million or 1.7% from the prior year. General accounts payable for supplies and services, including payables to the State, decreased $3.0 million, which is attributed to the general growth of the College and timing between acquisition and payment for goods and services purchased toward the end of the year. Payroll related payables saw a small decrease of almost $.2 million and deferred revenue also increased slightly by $ .2 million. Funds held in trust for others increased by $ .4 million or 20.4%. The College entered into a debt financing agreement for $4.0 million to fund certain energy savings projects. Bonds payable decreased $1.2 million due to normal repayment of principal obligations. Compensated absence obligations for employee vacation and sick leave benefits increased $ .2 million. The termination benefits liability essentially remained the same as last year. Other liabilities consist of accrued interest payable that increased $ .1 million primarily related to interest due at year end on the $4.0 million debt financing agreement mentioned above.

The current ratio, which equals current assets divided by current liabilities ($88.8 million over $26.1 million), is 3.4 to 1 and represents the College's liquidity or ability to meet its current obligations. Also, total assets of $300.1 million were more than sufficient to meet the College's total liabilities of $36.7 million (debt ratio of .12).

Net assets invested in capital assets, net of related debt, increased by $ 13.6 million. This is the result of a $12.4 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 assets increased by $1.5 million. In fiscal year 2012, the College entered into a $4.0 million debt financing agreement for funding the costs of various energy saving projects. At year end, there were $1.9 million of the debt proceeds not yet expended, but restricted for such projects. This increase was offset by a decrease in amounts expendable for student loans of $ .3 million. Amounts restricted for instructional department use and other purposes also decreased by $ .1 million.

Unrestricted net assets decreased $11.4 million, which is the result of unrestricted operating expenses exceeding related operating revenues. Much of this decrease is attributed to the acquisition of and increase in capital assets described above. As previously mentioned, substantially all the unrestricted net assets have been designated for various academic, facilities and technology purposes.

Over time, increases or decreases in total net assets (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 2012, the College had an overall increase in Net Assets of $3.7 million. This and other conditions affecting net assets are explained more fully in the following section.

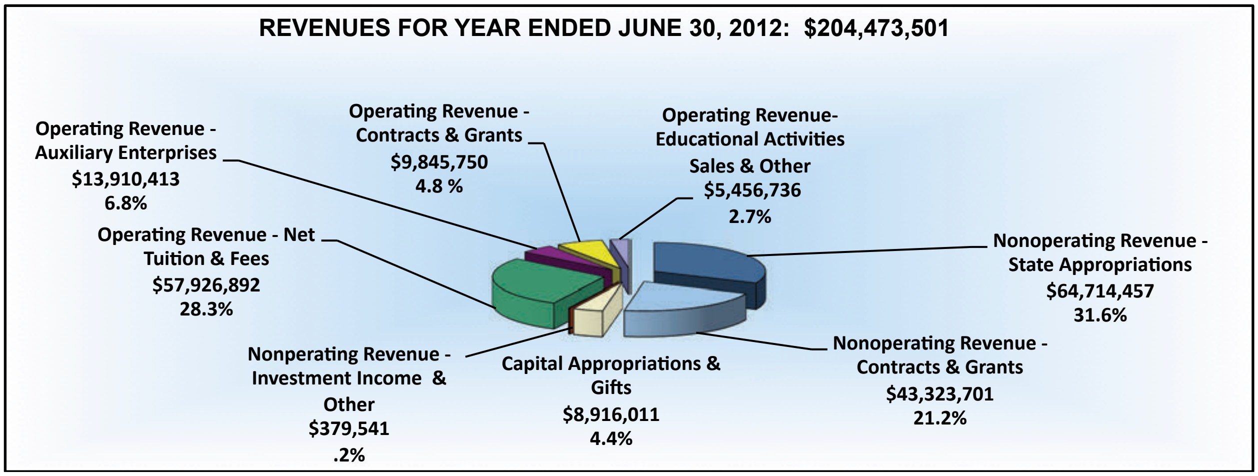
Statement of Revenues, Expenses and Changes in Net Assets

The Statement of Revenues, Expenses and Changes in Net Assets provides information regarding the College's revenues and expenses, both operating and nonoperating, 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. Nonoperating revenues are revenues received for which goods or services are not exchanged. For example, State appropriations are classified as nonoperating 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.

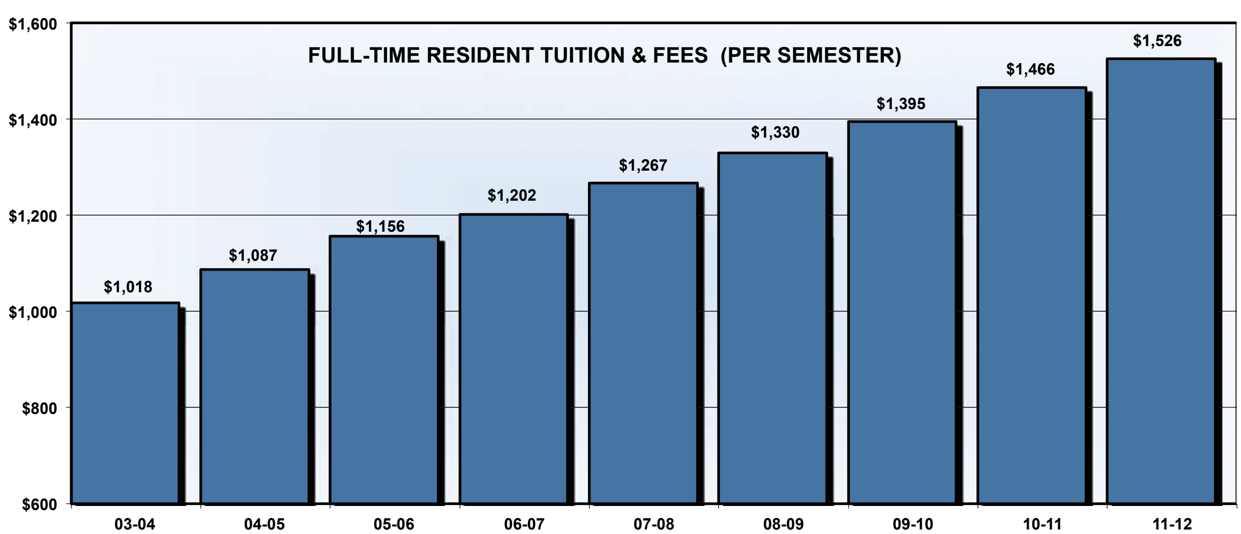
Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Year Ended 2012	Year Ended 2011	Change	% Change
Operating Revenues				
Tuition and Fees – Net	**$ 57,926,892**	$ 58,713,692	$ (786,800)	(1.3%)
Contracts and Grants	**9,845,750**	11,357,932	(1,512,182)	(13.3%)
Auxiliary Enterprises	**13,910,413**	14,129,128	(218,715)	(1.5%)
Sales & Services of Educational Activities	**1,133,087**	1,627,334	(494,247)	(30.4%)
Other	**4,323,649**	4,231,405	92,244	2.2%
Total Operating Revenues	**87,139,791**	90,059,491	(2,919,700)	(3.2%)
Operating Expenses				
Salaries and Wages	**82,646,611**	80,759,156	1,887,455	2.3%
Employee Benefits	**30,689,434**	29,338,511	1,350,923	4.6%
Scholarships – Net	**25,790,370**	29,488,155	(3,697,785)	(12.5%)
Depreciation	**10,173,294**	9,884,671	288,623	2.9%
Other Operating Expenses	**51,437,444**	50,084,864	1,352,580	2.7%
Total Operating Expenses	**200,737,153**	199,555,357	1,181,796	0.6%
Operating Loss	**(113,597,362)**	(109,495,866)	(4,101,496)	3.7%
Nonoperating Revenues (Expenses)				
State Appropriations	**64,714,457**	63,953,141	761,316	1.2%
Contracts and Grants	**43,323,701**	45,503,911	(2,180,210)	(4.8%)
Investment Income	**865,850**	1,307,393	(441,543)	(33.8%)
Other	**(486,309)**	11,709	(498,018)	(4253.3%)
Net Nonoperating Revenue	**108,417,699**	110,776,154	(2,358,455)	(2.1%)
Income (Loss) Before Other Revenues	**(5,179,663)**	1,280,288	(6,459,951)	(504.6%)
Capital Appropriations	**3,867,061**	545,737	3,321,324	608.6%
Capital Gifts and Grants	**5,048,950**	198,107	4,850,843	2448.6%
Total Other Revenues	**8,916,011**	743,844	8,172,167	1098.6%
Increase in Net Assets	**3,736,348**	2,024,132	1,712,216	84.6%
Net Assets-Beginning of Year	**259,643,507**	256,570,464	3,037,043	1.2%
Net Assets Prior Period Adjustment	**0**	1,048,911	(1,048,911)	(100.0%)
Net Assets-Beginning of Year Restated	**259,643,507**	257,619,375	2,024,132	0.8%
Net Assets – End of Year	**$263,379,855**	$259,643,507	$ 3,736,348	1.4%



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

Total tuition and fees, net of related scholarship discounts, decreased slightly by 1.3% or $.8 million. Revenue from mandatory tuition and student fees actually decreased slightly by $.2 million or 0.4%. In fiscal year 2012, the full-time tuition and student fees rate increased to $1,526 per term or a 4.1% increase from last year. However, full-time student enrollment also dropped by 4.3%. Normal revenue decreases and increases occurred during the year related to mandatory student fees and course or lab fees due to lower enrollment and class registration trends. However, four specific fees saw significant revenue increases. The Flight Course fee revenue increased over $2.2 million, Online Course fees grew $.1 million, Public Safety fees also grew by over $ .1 million, and new applied technology course fees raised over $.2 million. These increases were nearly offset by the scholarship discount that was $2.8 million higher than last year. In addition, College waivers that are recorded as both revenue and scholarship expense decreased by $.4 million this year. This discount increase is attributed to increases in federal PELL awards, scholarship awards and other third party financial aid payments explained further under scholarship expenses. GASB requires that scholarships applied to student accounts be eliminated from tuition revenue and scholarship expense to avoid duplication of revenue in the financial statements. A scholarship discount or allowance is essentially the amount of financial aid received by the College, recorded as appropriations or grants and gifts revenue and subsequently awarded and applied as grants-in-aid or scholarships to student accounts to pay their related tuition and fees.



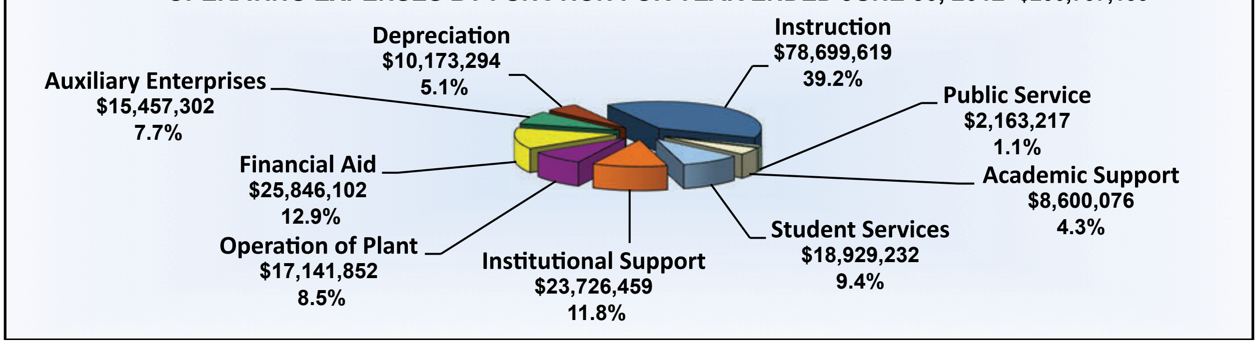
Operating contracts and grants decreased by $1.5 million, or 13.3%. The ending of the CCPDI and CBJIT Biomanufacturing grants in 2011 accounted for a decrease of $1.4 million and $ .5 million respectively. Also, there was a $ .6 million decrease in the amount received for the Youthbuild grant and another $ .7 million decrease resulting from normal fluctuations in the number of other grants and contracts received and in the amount of funding and disbursements per grant. These losses were offset by an increase in $1.0 million for the energy-related grants and a $ .7 million increase for the DOL Digital Arts grant.

Net auxiliary revenues, after inter-fund eliminations, decreased $ .2 million compared to the prior year. However, it is noted that net Bookstore sales actually decreased by $ .5 million or 4.4%, which can be attributed to a decrease in FTE student enrollment of approximately 4.3%. This was mostly offset by increased Food Service revenues of $ .2 million. Other College auxiliaries that include the Student Center, Parking Services, the Lifetime Activities Center and the Child Care Program saw net revenues increase by $ .1 million compared to the prior year.

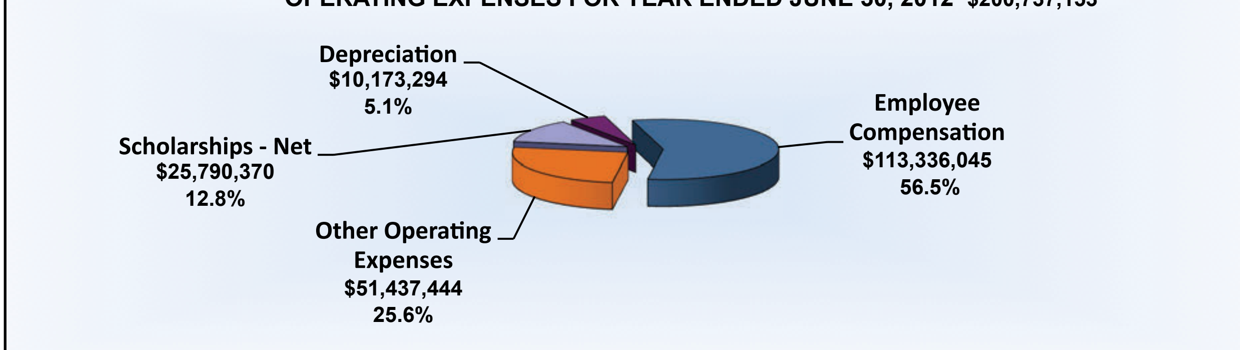
College educational sales activities are those where students are participating and acquiring on-the-job learning experience as part of their academic studies. These activities include: a student barbering and cosmetology lab, a dental hygiene lab, student built project houses, and food service and gift store operations at the Utah State Capitol Building complex. Sales and services of these educational activities decreased $ .5 million, which is primarily the result of the College selling two fewer student built project houses this year than last year.

Other operating revenues rose slightly by 2.2% or $ .1 million from the prior year. Other operating revenue is derived primarily from College service center sales (net of interdepartmental transaction eliminations), athletic and Grand Theatre events, self-insurance plan, indirect cost reimbursements, student life and leadership activities and other self-supporting activities, such as continuing education programs. Continuing education program revenue increased $.2 million this year and this was offset primarily by a decrease in indirect cost reimbursements of $.1 million.

OPERATING EXPENSES BY FUNCTION FOR YEAR ENDED JUNE 30, 2012 $200,737,153



OPERATING EXPENSES FOR YEAR ENDED JUNE 30, 2012 $200,737,153



Operating expenses totaled $200.7 million, just a .6 % increase in fiscal year 2012. Employee compensation remains the largest expenditure category comprising $113.3 million or 56.5% of the operating expense total.

Employee salaries and wages increased moderately by 2.3% or $1.9 million. At the start of the year, full time faculty and staff received a 4.0% pay increase and adjunct instructors received a 7.15% pay increase. This pay increase was mainly offset by two one-time pay events that occurred last year, but not in the current year. In fiscal year 2011, the College recorded a liability and a $ .6 million expense for an employee sick leave benefit for qualified employees upon retirement, and full-time employees received a one-time self insurance premium rebate payment totaling $1.6 million. Those one-time events did not occur in fiscal year 2012. These changes, in addition to the number of employees who receive one-time payments for special work assignments, contributed to the increase in salaries and wages in 2012.

Employee benefits increased $1.3 million or 4.6%. Certain paid benefits such as FICA, Medicare and retirement increased $ .5 million due to the general increase in paid salaries and wages. There were a few other significant events this year that affected the benefits expense. The 2011 State Legislature mandated for fiscal year 2012 that employees must pay at least 10% of medical and dental insurance costs. Consequently, the employee paid portion of insurance premiums increased roughly 7.1% and the College paid portion of the premiums actually decreased by about 1.5% or $ .1 million. Contributions for employee life insurance and long-term disability also decreased by $ .1 million. The post retirement benefit expense (benefits paid to those approved for early retirement) increased by $ .6 million. In fiscal year 2012, 12 individuals were granted early retirement compared to only six in 2011. Finally, the College has a self-funded employee health and dental insurance program. Where paid premiums (revenues) into the program exceed actual program expenses, that difference (considered as inter-departmental transactions) is excluded from both revenue and benefits expense in the College's financial statements. In 2012, the amount eliminated was $ .4 million less than the amount eliminated in the prior year.

Scholarship expense decreased by approximately $3.7 million or 12.5%. This decrease is attributable to various factors including a decrease in College granted student tuition waivers of $ .4 million, the ending in fiscal year 2011 of the Academic Competitiveness grants and the Federal American Recovery and Reinvestment Act (ARRA) funds received from the State used for scholarships that amounted to $ .2 million and $ .3 million respectively. In addition, UCOPE grants decreased $ .3 million and the scholarship discount increased by $2.8 million over last year. As mentioned previously, the scholarship discount or allowance is eliminated from both scholarship expenses and tuition and fees revenue in accordance with generally accepted accounting principles (GAAP). There was also an increase of $ .3 million in other grants and scholarships to partially offset the decreases.

Other operating expenses increased by 2.7% or $1.4 million from the previous year. This category accounts for the general operating costs of the College such as supplies, services, utilities, non-capitalized equipment, travel, remodeling and repair costs. Changes in operating costs can generally be attributed to normal College growth and the purchasing needs of the College. However, there were a few unique events of note that occurred during the year. First, the flight/pilot program experienced significant growth and a $2.2 million increase in operating costs. Second, remodeling and repair costs increased by $2.6 million primarily due to remodeling costs readying the new Westpoint Center campus facility for occupation and energy saving project costs. Third, the College saw a net overall decrease in restricted grant operating expenses of $1.2 million, mainly the result of a large State child care professional development program that terminated at the end of the prior year. Finally, other College operating costs decreased $2.2 million.

State Appropriations to the College rose slightly by nearly $ .8 million, or 1.2%**.** The education and general appropriation (E&G appropriation) increased .3% or $ .1 million. State funds passed on to the College through the Board of Regents for certain initiatives increased 113.1% or $ .6 million, and State funding for non-capital projects also increased by $ .1 million or 10.9%. These are normal funding fluctuations based on State determination of pressing institution support needs.

Nonoperating contracts and grants decreased by 4.8% or $2.2 million. The major factor for the change is attributed to the ending of the Federal American Recovery and Reinvestment Act (ARRA) funds in 2011, where $1.8 million was received from the State. In addition, the Academic Competitiveness grant of $ .2 million ended in 2011 and UCOPE funding in 2012 decreased by $ .3 million. There was a net $ .1 million increase resulting from normal fluctuations in the number of other grants and contracts received and in the amount of funding and disbursements per grant.

Investment income decreased by 33.8%, or $ .4 million. This is due to a decrease of $ .4 million in the fair market value of investments at June 30, 2012 as compared to the prior year. The actual average rate of return on investments and realized investment income changed insignificantly this year from the prior year.

Other nonoperating expenses (net of other nonoperating revenues) consist primarily of gifts, library fines and interest paid on outstanding College capital related debt, losses on disposed fixed assets and student loan cancellations. Overall, other nonoperating expenses net of revenues increased by $ .5 million, or 4,253.3%. This decrease is the result of increased interest paid on College debt by $ .1 million related to the new debt financing the College incurred for energy saving initiatives. In addition, disposals of fixed assets increased by $ .2 million and the provision for bad student loan debt increased $ .2 million from the prior year. Although gift revenue increased by $ .2 million, it was offset by a similar increase in the amount of third party tuition and fee payments that are eliminated from both revenue and expenses.

The Legislature allocates capital funding among all state entities based on their determination of the State's most pressing repair, improvement and construction needs. In fiscal year 2012, the State appropriated $3.0 million to help acquire a parcel of land in Herriman City for a future campus site, and $ .9 million for a new carpentry building, infrastructure and land improvements.

Capital gifts are for specific, usually one-time or limited events. The primary donations received this year were two parcels of land, one of which is located in Herriman City valued at $4.95 million that will be used for future campus expansion, and the other parcel valued at $ .08 million located near the Taylorsville-Redwood Campus that will be used for an electricity power sub-station.

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 Assets 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 Assets.

Condensed Statement of Cash Flows

	Year Ended 2012	Year Ended 2011	Change	% Change
Cash Provided (Used) By				
Operating Activities	**$ (101,691,531)**	$ (95,514,262)	$ (6,177,269)	6.5%
Noncapital Financing Activities	**111,914,339**	109,678,250	2,236,089	2.0%
Capital Financing Activities	**(16,440,392)**	(6,898,645)	(9,541,747)	138.3%
Investing Activities	**1,874,923**	2,994,529	(1,119,606)	(37.4%)
Net Change in Cash	**(4,342,661)**	10,259,872	(14,602,533)	(142.3%)
Cash, Beginning of Year	**35,921,838**	25,661,966	10,259,872	40.0%
Cash, End of Year	**$ 31,579,177**	$ 35,921,838	$ (4,342,661)	(12.1%)

Changes in cash provided and used in the College's operating activities are mainly due to increased payments for personnel costs and for supplies of $2.9 million and $3.1 million respectively. In addition, the College received $1.7 million fewer receipts from tuition and fees and $2.4 million fewer receipts from contracts and grants. Receipts from auxiliary enterprises and sales of educational activities, decreased by $ .8 million. However, payments for scholarships decreased by $5.0 million. In addition, other miscellaneous receipts increased by $ .2 million.

The increase in cash provided by noncapital financing activities is attributed mainly to $4.0 million of proceeds from a debt financing agreement. In 2012, the College entered into a new ten-year debt agreement to fund various energy saving projects. Other changes affecting amounts provided or used by noncapital financing activities are due to decreased receipts from nonoperating contracts and grants of $2.2 million, agency payments exceeding agency receipts by $ .5 million and an increase in other nonoperating payments of $ .7 million. These changes were offset by an increase in the amount of State appropriations and non-capital gifts received of $1.6 million.

There was a significant increase of $9.5 million or 138.3% in cash used for capital and related financing activities. In 2012, the College paid $10.3 million more for capital assets than the prior year. The largest payment was $6.9 million toward the acquisition of a 90-acre parcel of land in Herriman City for a future campus location in the southwest part of the Salt Lake Valley. Payment toward bond and capital lease purchase principal decreased by $ .2 million, primarily because last year the College completely paid off the outstanding capital lease purchase debt at that time of $ .3 million. These uses were offset by an increase of $ .6 million in proceeds received from the various disposals of capital assets.

Changes in investing activities are based upon the amount of cash used to purchase investments and the cash received from the sale of investments during the year, as well as the change in investment income received due to interest rate changes and market conditions. Net cash provided for investing activities in fiscal year 2012 amounted to $1.9 million. This is the result of the College purchasing $ .8 million more investments than cash received from the sales of investments, offset by investment income proceeds of $2.7 million. Overall, there was a $1.1 million reduction in cash provided from investing activities from the prior year. In 2012, the College purchased approximately $13.5 million less in investments than in 2011 and received about $13.6 million less in proceeds from the sale of investments than in 2011. The College also collected about $1.0 million less in investment income than in 2011.

Capital Asset and Debt Activities

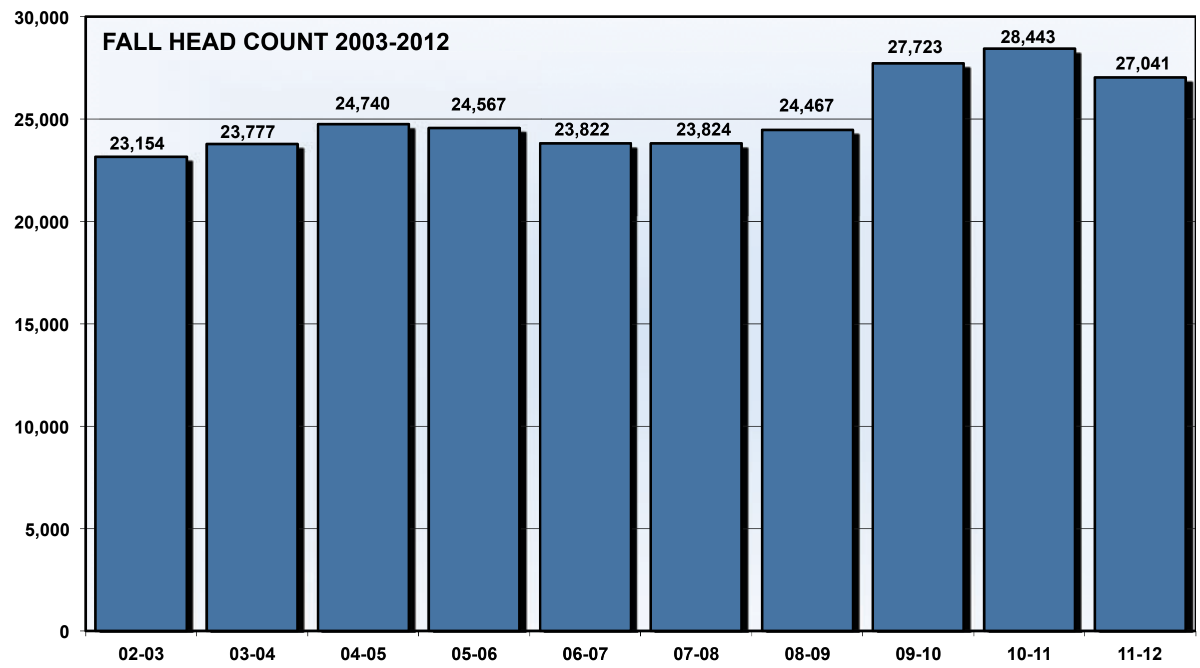
Capital appropriations, gifts and College allocated funds have been used for several projects during the year. The largest ongoing project is the construction of a new building addition on the College's South City Campus. The building will be home to the School of Arts, Communication and New Media. This is a $46 million building project slated for completion in mid 2013. A Salt Lake City School District building for approximately $7.0 million is part of this project. Of the remaining $39.0 million, the State has appropriated $24.5 million and the College is committed for $14.5 million, of which $7.3 million is provided from student approved building fees. As of June 30, 2012, the College construction in progress costs toward its portion of the project amounted to $8.6 million. The school district building has also been completed and paid for by the district.

In fiscal year 2012, the College began construction on a new instructional and administrative complex on the Taylorsville Redwood Campus. The approximate cost is $32.4 million, of which the State is paying $29.0 million and the College's portion is $3.4 million. As of June 30, 2012, the College has not made any payments toward construction costs of this building.

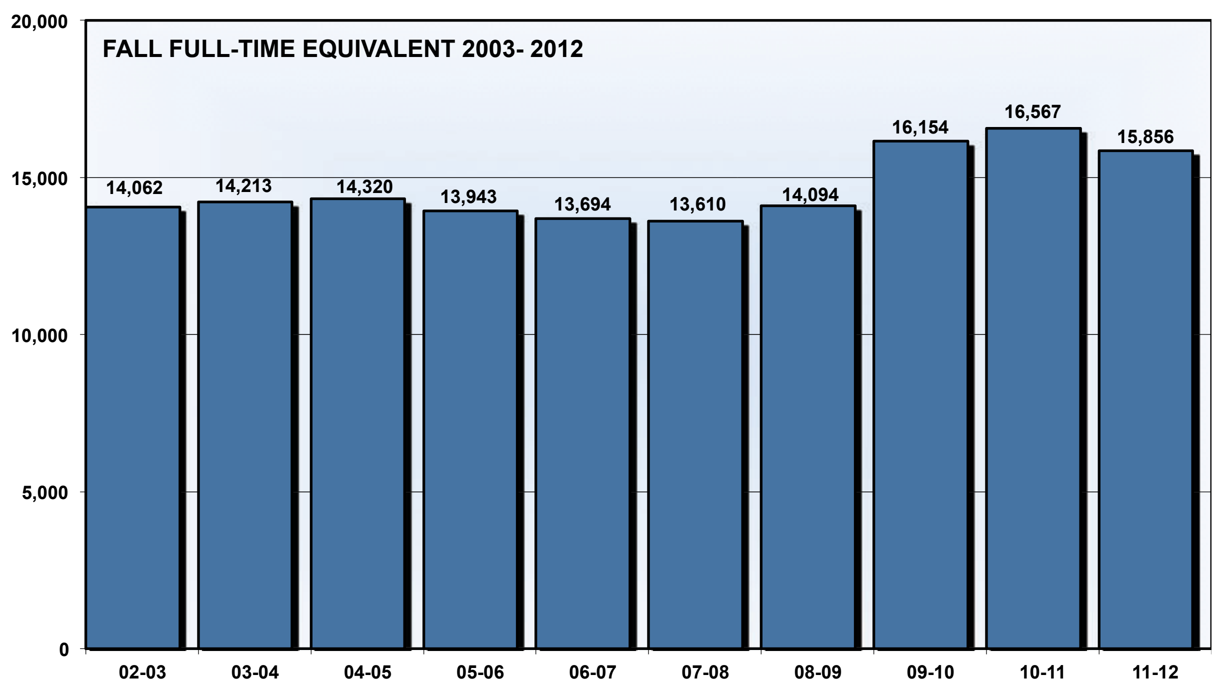
In July 2012, the College acquired a 90-acre parcel of land valued at $14.9 million in Herriman City for a future campus location in the southwest part of the Salt Lake Valley. Other noteworthy additions to buildings or land improvements consisted of a new carpenter shop building for $ .4 million and replacement of the fountain on the Taylorsville Redwood Campus for $ .6 million.

In July 2011, the College entered into a ten-year debt financing agreement to fund various energy-saving projects. The principal amount financed was for $4.0 million with a fixed interest rate of 2.5916%. The College did not enter into any other long-term debt during the fiscal year.

Salt Lake Community College Enrollment



Enrollment is measured by unduplicated Fall Semester Head Count, which decreased by 1,402 students or 4.9% from the previous year. Fall Semester Full-Time Equivalents (1 FTE = 15 credit hours) decreased by 711 or 4.3%.



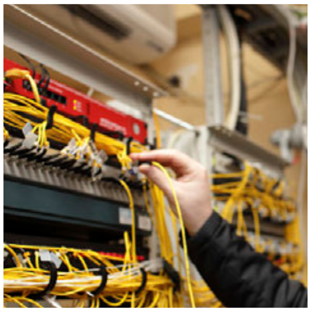
Future Outlook

During the 2012 General Session, the State Legislature appropriated new tax funds to support a portion of a 1.0% cost of living pay increase for all full-time and part-time employees effective July 1, 2012. The State Legislature did not appropriate funds to support retirement or health benefit cost increases for fiscal year 2013. To address the balance of funding required to support the 1.0% pay increase, retirement costs, and health benefit cost increases, the College implemented a 4.5% tuition increase for fiscal year 2013. Additionally, the State Legislature appropriated new ongoing tax funds to support the Utah State Board of Regents' budget priorities for Equity of $1,112,200 and for Mission Based Priorities of $472,700 in the College's Education and General line item; $119,000 in ongoing funds to address waitlisted programs in the College's School of Applied Technology line item; and $25,000 of one-time funds to support higher education technology initiatives for fiscal year 2013.

For the first time in three years, the College's enrollment declined during the first two terms of fiscal year 2013 as compared to fiscal year 2012. The summer 2012 term headcount declined by 701 or 5.3% (FTE dropped 550 or 9.1%) and the Fall 2012 term headcount declined by 880 or 3.3% (FTE dropped 495 or 3.1%). This recent decline has been attributed to a strengthening economy and improved job market. The College will continue to utilize tuition realized from sustained enrollment growth of recent years, new appropriated tax funds, and the revenue generated by the 2013 tuition increase to support the College's mission and serve the existing student population.

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

Basic Financial Statements



Salt Lake Community College
Statement of Net Assets
As of June 30

	Primary Institution 2012	Primary Institution Comparative Only 2011	Component Unit College Foundation 2012	Component Unit College Foundation Comparative Only 2011
Assets				
Current Assets				
Cash and Cash Equivalents (Notes 1, 3)	$ 30,752,946	$ 35,097,923	$ 212,244	$ 94,851
Short-Term Investments (Notes 1, 3)	46,974,735	56,856,901	506,129	832,597
Accounts Receivable, Net of $1,369,904 Allowance (Note 1)	6,883,100	8,026,559		
Accounts Receivable from State of Utah	1,283,537	2,346,629		
Student Loans Receivable - Current Portion, Net of $68,816 Allowance (Note 1)	479,396	469,463		
Inventories (Note 1)	2,445,199	3,021,859		
Prepaid Expenses (Note 1)	16,555	13,999		
Total Current Assets	88,835,468	105,833,333	718,373	927,448
Noncurrent Assets				
Restricted Cash and Cash Equivalents (Notes 1, 3)	826,231	823,915	1,944,574	1,797,334
Investments (Notes 1, 3)	24,813,347	15,582,462	4,278,702	4,103,369
Student Loans Receivable, Net of $583,329 Allowance (Note 1)	4,063,681	4,367,572		
Capital Assets, Net of $116,004,521 Accumulated Depreciation (Notes 1, 4)	181,226,187	168,793,213		
Other Assets (Note 1)	296,750	296,750		
Total Noncurrent Assets	211,226,196	189,863,912	6,223,276	5,900,703
Total Assets	300,061,664	295,697,245	6,941,649	6,828,151
Liabilities				
Current Liabilities				
Accounts Payable	1,916,058	3,527,479		8,105
Payable to State of Utah	1,972,054	3,340,122		
Accrued Payroll Payable	6,765,616	6,934,901		
Deferred Revenue (Note 1)	7,619,859	7,392,713		
Accrued Interest Payable	106,827	10,468		
Funds Held for Others	2,256,591	1,874,806		
Notes Payable - Current Portion (Notes 5, 6)	355,537			
Bonds Payable - Current Portion (Notes 5, 6)	1,152,032	1,167,032		
Compensated Absences - Current Portion (Note 1)	2,922,793	2,719,443		
Termination Benefits - Current Portion (Note 1)	1,033,738	1,102,537		
Total Current Liabilities	26,101,105	28,069,501	-	8,105
Noncurrent Liabilities (Note 1)				
Notes Payable	3,644,463			
Bonds Payable	3,619,260	4,771,292		
Compensated Absences	1,561,890	1,506,294		
Termination Benefits	1,755,091	1,706,651		
Total Noncurrent Liabilities	10,580,704	7,984,237	-	-
Total Liabilities	36,681,809	36,053,738	-	8,105
Net Assets				
Invested in Capital Assets, Net of Related Debt (Note 1)	176,454,895	162,854,889		
Restricted for:				
Nonexpendable Items (Note 1)				
Scholarship Endowments	226,231	223,915	3,126,209	3,051,036
Miller Campus Endowments	600,000	600,000		
Expendable Items (Note 1)				
Scholarships	21,047	22,839	3,097,067	2,849,667
Loans	4,631,587	4,938,782		
Instructional Department Use	769,954	853,498		
Energy Savings Projects	1,869,514			
Other	1,529,082	1,477,910		
Unrestricted (Note 1)	77,277,545	88,671,674	718,373	919,343
Total Net Assets	$ 263,379,855	$ 259,643,507	$ 6,941,649	$ 6,820,046

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

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

	Primary Institution 2012	Primary Institution Comparative Only 2011	Component Unit College Foundation 2012	Component Unit College Foundation Comparative Only 2011
Operating Revenues				
Student Tuition and Fees, Net of Scholarship Allowances of $21,645,225 and Changes in the Allowance for Doubtful Accounts of $4,083	$ 57,926,892	$ 58,713,692		
Interest on Student Loans Receivable	281,111	250,228		
Federal Contracts and Grants	7,699,357	8,570,720		
State and Local Contracts and Grants	1,040,276	1,326,927		
Nongovernmental Contracts and Grants	1,106,117	1,460,285		
Sales and Services of Educational Activities	1,133,087	1,627,334		
Auxiliary Enterprises	13,910,413	14,129,128		
Gifts			$ 597,470	$ 652,782
Other Operating Revenue	4,042,538	3,981,177		
Total Operating Revenues	87,139,791	90,059,491	597,470	652,782
Operating Expenses				
Salaries and Wages	82,646,611	80,759,156		
Employee Benefits	30,689,434	29,338,511		
Scholarships and Awards	25,790,370	29,488,155		
Donations to College			502,743	452,244
Depreciation	10,173,294	9,884,671		
Other Operating Expenses	51,437,444	50,084,864	114,687	67,053
Total Operating Expenses	200,737,153	199,555,357	617,430	519,297
Operating Income (Loss)	(113,597,362)	(109,495,866)	(19,960)	133,485
Nonoperating Revenues (Expenses)				
State Appropriations	64,714,457	63,953,141		
Federal Contracts and Grants	42,654,456	44,786,613		
State and Local Contracts and Grants	669,245	717,298		
Gifts	508,182	478,893		
Investment Income	865,850	1,307,393	141,563	1,047,855
Interest on Capital Asset-Related Debt	(199,940)	(131,149)		
Other Nonoperating Revenues	7,775	8,723		
Other Nonoperating Expenses	(802,326)	(344,758)		
Total Nonoperating Revenues	108,417,699	110,776,154	141,563	1,047,855
Income (Loss) before Other Revenues	(5,179,663)	1,280,288	121,603	1,181,340
Other Revenues				
Capital Appropriations	3,867,061	545,737		
Capital Grants and Gifts	5,048,950	198,107		
Total Other Revenue	8,916,011	743,844	0	0
Net Increase (Decrease) in Net Assets	3,736,348	2,024,132	121,603	1,181,340
Net Assets - Beginning of Year as Originally Reported	259,643,507	256,570,464	6,820,046	5,638,706
Net Asset Prior Period Restatement		1,048,911		
Net Assets - Beginning of Year As Restated	259,643,507	257,619,375	6,820,046	5,638,706
Net Assets at End of Year	$ 263,379,855	$ 259,643,507	$ 6,941,649	$ 6,820,046

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

Salt Lake Community College
Statement of Cash Flows
For the Year Ended June 30

	Primary Institution 2012	Comparative Only 2011
Cash Flows from Operating Activities		
Receipts from Tuition and Fees	$ 56,515,349	$ 58,205,511
Receipts from Grants and Contracts	12,379,544	14,795,968
Receipts from Auxiliary Enterprise Charges	13,884,834	14,166,666
Receipts from Sales and Services of Educational Activities	1,104,602	1,627,334
Receipts from Lease/Rental	506,960	486,496
Receipts from Fines	7,775	8,673
Interest Received on Loans to Students	342,198	250,227
Payments to Employees for Salaries and Benefits	(112,623,502)	(109,690,591)
Payments to Suppliers	(51,569,243)	(48,508,441)
Payments for Scholarships	(25,724,214)	(30,217,934)
Loans Disbursed to Students and Employees	(532,555)	(579,546)
Collection of Loans to Students and Employees	485,092	538,316
Other Operating Receipts	3,531,629	3,403,059
Net Cash Used by Operating Activities	(101,691,531)	(95,514,262)
Cash Flows from Noncapital Financing Activities		
Receipts from State Appropriations	64,136,393	63,431,871
Receipts from Grants and Contracts for Other Than Operating Purposes	43,323,701	45,503,911
Receipts from Gifts for Other Than Capital Purposes	639,424	(271,146)
Receipts from Debt Financing	4,000,000	
Agency Receipts	37,183,841	34,776,085
Agency Payments	(36,883,059)	(33,942,016)
Other Nonoperating Receipts		50
Other Nonoperating Payments	(485,961)	179,495
Net Cash Provided by Noncapital Financing Activities	111,914,339	109,678,250
Cash Flows from Capital and Related Financing Activities		
Cash Paid for Capital Assets	(15,668,115)	(5,298,151)
Proceeds from Disposal of Capital Assets	498,335	(93,185)
Payments of Capital Debt and Leases	(1,145,000)	(1,352,286)
Interest Paid on Capital Debt and Leases	(125,612)	(155,023)
Net Cash Used by Capital and Related Financing Activities	(16,440,392)	(6,898,645)
Cash Flows from Investing Activities		
Purchases of Investments	(66,371,207)	(79,820,623)
Proceeds from Sales of Investments	65,527,330	79,127,556
Receipt of Interest and Dividends on Investments	2,718,800	3,687,596
Net Cash Provided/(Used) by Investing Activities	1,874,923	2,994,529
Net Increase/(Decrease) in Cash and Cash Equivalents	(4,342,661)	10,259,872
Cash and Cash Equivalents, Beginning of Year	35,921,838	25,661,966
Cash and Cash Equivalents, End of Year	$ 31,579,177	$ 35,921,838

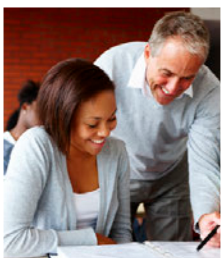
The accompanying Notes are an integral part of these Financial Statements.

	Primary Institution 2012	Comparative Only 2011
Reconciliation of Operating Loss to Net Cash Used By Operating Activities		
Operating Loss	$ (113,597,362)	$ (109,495,866)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense	10,173,294	9,884,671
Donations of Supplies Received	145,638	365,576
Non Capital DFCM Expenditures Received	578,064	521,270
Proceeds from Sale of Fixed Assets	(89,729)	(88,225)
Income from Fines	7,775	8,673
Changes in Assets and Liabilities		
Accounts Receivable	1,567,796	3,923,833
Student Loans	876	(33,766)
Inventories	576,660	569,278
Prepaid Expenses	(2,556)	1,386
Other Assets		
Accounts Payable and Accrued Expenses	(1,538,396)	(1,130,535)
Deferred Revenue	222,103	(51,698)
Compensated Absences	258,946	702,947
Termination Benefits	(20,359)	(700,031)
Funds Held for Others	25,719	8,225
Net Cash Used by Operating Activities	$ (101,691,531)	$ (95,514,262)
Noncash Investing, Noncapital Financing, and Capital Related Financing Transactions		
Change in Fair Value of Investments Recognized as Investment Income (Loss)	$ (101,456)	$ 348,439
Disposal of Fixed Assets	$ (432,630)	$ (181,410)
Capital Appropriations	$ 3,867,061	$ 545,737
Capital Gifts	$ 5,048,950	$ 198,107
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Cash and Cash Equivalents - Current	$ 30,752,946	$ 35,097,923
Cash and Cash Equivalents - Noncurrent	826,231	823,915
Total Cash and Cash Equivalents	$ 31,579,177	$ 35,921,838

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





Notes to Financial Statements

Note 1

Summary of Significant Accounting Policies

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

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, but which is financially accountable to the College or whose relationship with the College is such that excluding it would cause the College's financial statements to be misleading or incomplete. 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 non-profit entity, incorporated under Utah law in 2001. It is included in the financial statements as a blended component unit because the governing body is the same for both entities, the College has day-to-day operational management responsibility, and the College has a financial benefit or burden relationship with the Grand Theatre Foundation.

Basis of Accounting: 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 Assets, a Statement of Revenues, Expenses and Changes in Net Assets, 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.

In accordance with GASB Statement No. 20, the College is required to follow all applicable GASB pronouncements. In addition, the College should apply all applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB's) Opinions and Accounting Research Bulletins (ARB's) of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The College has elected not to apply FASB pronouncements issued after November 30, 1989.

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 Treasurer's Investment Pool are also considered cash equivalents. At June 30, 2012, cash and cash equivalents consisted of:

	College	Foundation
Cash	$ (584,887)	$ 2,156,818
Gold International Sweep Account	8,109,437	
Money Market Mutual Funds	1,869,514	
Utah Public Treasurer's Investment Fund	22,185,113	
Total	$31,579,177	$ 2,156,818

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 Assets.

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 Assets. The following schedule presents receivables at June 30, 2012, net of estimated uncollectable amounts:

	Receivables From State of Utah	Receivables From Other
Tuition, Fees and Other	$ 823	$ 5,870,384
Grants and Contracts	1,282,714	1,592,560
Auxiliaries	0	419,008
Interest	0	371,052
Total Accounts Receivable	1,283,537	$ 8,253,004
Less Allowance for Doubtful Accounts	0	(1,369,904)
Net Accounts Receivable	$ 1,283,537	$ 6,883,100

Student Loans Receivable: The College participates in the Federal Perkins Loan Program and other College loan programs. During the fiscal year, a net $560,849 was distributed for student loans from the Perkins Loan Program and $39,759 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 Assets as either current student loans receivable (amounts due within one year), net of estimated uncollectable amounts, or noncurrent student loans receivable (amounts due after one year), net of estimated uncollectable amounts.

Inventories: The College Store inventory is recorded at cost using the last-in, first-out method. All other inventories are valued at the lower of cost (first-in, first-out) or market. Inventory consists of the following: (1) College Store inventory, $2,340,307 (2) Food Services inventory, $68,212, and (3) Utah Capitol Gift Shop inventory, $36,680.

The College is holding auto parts merchandise on consignment valued at $38,492. This amount is not included on the Statement of Net Assets as the College does not own the merchandise.

Prepaid Expenses: Prepaid expenses at year end consist of $16,555 in mail service postage meter balances.

Restricted Cash and Cash Equivalents: Externally restricted non-expendable endowment funds of $826,231 are classified as noncurrent assets in the Statement of Net Assets.

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 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, classified as land improvements, are capitalized and not depreciated.

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

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

Accounts Payable and Accrued Liabilities: Accounts payable and accrued liabilities at June 30, 2012 totaled $10,760,555 and consisted of (1) salaries and benefits payable of $6,765,616; (2) supplies and services payable of $1,484,135; (3) State of Utah payable of $1,972,054; (4) student-related payable of $431,923; and (5) interest payable of $106,827.

Deferred Revenue: Deferred revenue includes (1) amounts received for 2012 Summer and Fall Semester tuition and fees associated with the subsequent accounting period of $5,470,622; (2) amounts received from grants and contracts that have not yet been earned of $1,958,589; (3) advance Grand Theatre season ticket sales of $52,529; (4) prepaid child care fees of $16,559; and (5) advance amounts received for July 2012 through December 2012 operation and maintenance expenses for space shared with Union Pacific Railroad totaling $121,560.

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, 2012 was $3,836,393.

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, 2012 was $648,290.

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 104.3% of the stipend in fiscal year 2012, 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, 2012 there were 59 retirees receiving benefits under these early retirement programs.

The projected future cost of these stipends and medical and dental insurance benefits have been calculated based on the known amount to be paid out in the next fiscal year, plus projected annual increases of 1% for stipends and 10% for medical and dental costs. The amount recognized on the financial statements was calculated at the discounted present value of the projected future costs.

The discount rate used (1.034%) 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, 2012 totaled $2,788,829. The early retirement program expense for the year ended June 30, 2012 was $1,158,051.

Noncurrent Liabilities: Noncurrent liabilities include (1) obligations with maturities greater than one year, which include revenue bonds 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 Assets: The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt: 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 assets consist 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 assets include resources for which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external parties.

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

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

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

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

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

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

Note 2

Prior-Year Comparative Information

The footnotes related to the June 30, 2011 financial statements have not been repeated in this report; however, the complete prior year annual financial report can be obtained from the College Business Office at 801-957-4204, or at www.slcc.edu/businessoffice. In fiscal year 2011, certain corporate training revenues were classified as other operating revenue instead of nongovernmental contracts and grants revenue. Consequently, the prior year comparative information on the Statement of Revenues, Expenses and Changes in Net Assets and on the Statement of Cash Flows has been restated to conform to the current year presentation of this corporate contract and grant revenue. In addition, certain deferred revenues affecting the 2011 Statement of Cash Flows were reclassified from other operating receipts to receipts from tuition and fees to conform to the current year presentation. Finally, in prior fiscal years, funds available in a student building fees account were classified as restricted net assets expendable for retirement of debt. A closer examination of the debt indenture document revealed that the external restriction placed on the use of the student building fees was satisfied by the College securing a separate bond insurance instrument. Consequently, student building fee funds are classified as unrestricted net assets and the prior year presentation of student fee funds were reclassified to unrestricted net assets to conform to the current year presentation. Likewise, in 2011, the amount of restricted cash and cash equivalents related to these student building fees were reclassified to current cash and cash equivalents to conform to the current year presentation.

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.

Deposits:

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, the College's or Foundation's deposits may not be returned to it. The College and Foundation do not have formal deposit policies for custodial credit risk. As of June 30, 2012, all of the College's bank balances of $8,352,123, and $494,728 of the Foundation's bank balances of $2,187,427 were uninsured and uncollateralized. The College maintains a compensating balance of approximately $500,000 with Zions First National Bank.

<u>Investments</u>:

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.

These 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, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurer's 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 Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

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

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses, net of administration fees, of the PTIF 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.

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 to 13 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution. The Foundation does not have a formal policy for interest rate risk.

As of June 30, 2012, the College had the following debt investments and maturities:

		Investment Maturities (in Years)	
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**
U.S. Government Money Market Mutual Funds	$ 1,869,514	$ 1 ,869,514	$ -
Corporate Notes	71,446,563	46,633,216	$24,813,347
Mutual Bond Funds	13,360	13,360	-
Utah Public Treasurer's Investment Fund	22,185,113	22,185,113	-
Total	$95,514,550	$70,701,203	$24,813,347

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 and Foundation's rated debt investments at June 30, 2012, 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, 2012 the College had the following investments and quality ratings:

2012			Quality Ratings		
Investment Type	Fair Value	AA	A	BBB	Unrated
U.S. Govt. Money Market Mutual Funds	$ 1,869,514				$ 1,869,514
Corporate Notes	71,446,563	$ 7,034,298	$ 59,802,704	$ 4,609,561	
Mutual Bond Funds	13,360				13,360
Utah Public Treasurers' Investment Fund	22,185,113				22,185,113
Total Fair Value	$ 95,514,550	$ 7,034,298	$ 59,802,704	$ 4,609,561	$ 24,067,987

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.

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, 2012, the College had $71,446,563 in

Corporate Notes, which were held by the counterparty's trust department or agent but not in the College's name.

Note 4

Capital Assets

Capital assets activity for the year ended June 30, 2012 is summarized as follows:

Description	2011 Book Value	Additions	Disposals	2012 Book Value
Capital Assets Not Being Depreciated:				
Land	$ 16,118,265	$ 14,987,915		$ 31,106,180
Land Improvements	124,000			124,000
Construction in Progress	3,846,980	4,772,590	$ (41,981)	8,577,589
Total Nondepreciable	20,089,245	19,760,505	(41,981)	39,807,769
Capital Assets Being Depreciated:				
Buildings	200,156,536	395,850		200,552,386
Land Improvements	29,141,888	609,366	(200,339)	29,550,915
Equipment and Motor Vehicles	23,642,150	2,084,266	(1,528,394)	24,198,022
Library Books and Software	3,670,557	230,892	(779,833)	3,121,616
Total Depreciable	256,611,131	3,320,374	(2,508,566)	257,422,939
Total Capital Assets	276,700,376	23,080,879	(2,550,547)	297,230,708
Less Accumulated Depreciation:				
Buildings	(76,760,120)	(6,119,380)		(82,879,500)
Land improvements	(14,556,964)	(1,248,432)	200,340	(15,605,056)
Equipment and Motor Vehicles	(15,697,593)	(2,660,947)	1,504,370	(16,854,170)
Library Books and Software	(892,486)	(144,535)	371,226	(665,795)
Total Accumulated Depreciation	(107,907,163)	(10,173,294)	2,075,936	(116,004,521)
Total Capital Assets, Net of Depreciation	$ 168,793,213	$ 12,907,585	$ (474,611)	$ 181,226,187

Total interest expense on capital asset-related debt was $199,940 during the year.

Note 5

Bonds and Notes Payable

In July 2011, the College entered into a ten-year debt financing agreement to fund various energy saving projects. The principal amount financed was $4,000,000 at a fixed interest rate of 2.5916%. In addition, the College has issued bonds to provide funds for the construction and renovation of major capital facilities. The bonds payable are due in annual installments varying from $1,130,000 to $1,210,000, with interest due semi-annually at rates ranging from 2.00% to 2.50%, the final installment of interest and principal being due in the year 2016. The bonds are secured by net auxiliary operation revenues, proceeds from a student building fee and related interest earnings.

Revenue bonds payable consisted of the following at June 30, 2012:

Auxiliary System and Student Fee Revenue Refunding Bonds, Series 2010 2.00% - 2.50% Maturing 2013 through 2016	$ 4,685,000

Future commitments for bonds and notes payable as of June 30, 2012, are as follows:

Fiscal Year	Principal	Interest	Total
Bonds Payable			
2013	1,130,000	102,713	1,232,713
2014	1,160,000	80,113	1,240,113
2015	1,185,000	56,913	1,241,913
2016	1,210,000	30,250	1,240,250
Total Bonds Outstanding	4,685,000	269,989	4,954,989
Unamortized Bond Premium	86,292		86,292
Total Bonds Payable	4,771,292	269,989	5,041,281

Fiscal Year	Principal	Interest	Total
Notes Payable			
2013	355,537	103,664	459,201
2014	364,751	94,450	459,201
2015	374,204	84,997	459,201
2016	383,902	75,299	459,201
2017	393,851	65,350	459,201
2018-2022	2,127,755	168,250	2,296,005
Total Notes Payable	4,000,000	592,010	4,592,010

Note 6

Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2012 was as follows:

Description	2011 Balance	Additions	Reductions	2012 Balance	Amounts due within one year
Revenue Bonds Payable	$ 5,830,000		$ (1,145,000)	$ 4,685,000	$ 1,130,000
Unamortized Bond Premium	108,324		(22,032)	86,292	22,032
Total Bonds Payable	5,938,324		(1,167,032)	4,771,292	1,152,032
Compensated Absences-Vacation	3,611,467	$3,083,642	(2,858,716)	3,836,393	2,887,303
Compensated Absences-Sick	614,270	65,764	(31,744)	648,290	35,490
Total Compensated Absences	4,225,737	3,149,406	(2,890,460)	4,484,683	2,922,793
Termination Benefits-Early Retirement	2,809,188	1,132,221	(1,152,580)	2,788,829	1,033,738
Notes Payable		4,000,000		4,000,000	355,537
Total Long-Term Liabilities	$12,973,249	$8,281,627	$ (5,210, 072)	$16,044,804	$ 5,464,100

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 12.37% of their annual covered salary. In the State and School Noncontributory Retirement System, the College is required to contribute 16.86% 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, 2012, 2011 and 2010 were $131,886, $79,289 and $66,902, respectively, and for the Noncontributory Retirement System, the contributions for the years ended June 30, 2012, 2011 and 2010 were $2,460,339, $2,443,566 and $1,972,908, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans:

Noncontributory retirement plan employees are also eligible to participate in deferred compensation 401(k) and 457 defined contribution plans. The College is required to contribute 1.5% of eligible employees' gross earnings only to the 401(k) plan. Such contributions totaled $253,199, $243,481 and $234,831 for the years ended June 30, 2012, 2011 and 2010, respectively. Employee contributions to the 401(k) and 457 plans for the same years were $463,017, $432,660 and $397,253.

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, 2012, 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, 2012, 2011 and 2010 were $5,235,420, $5,239,060 and $5,137,929, respectively. The College has no further liability once annual contributions are made. Employee contributions for the same years were $1,111,271, $1,046,937 and $1,002,367. The Fidelity Investments plan started in 2009, and the College's contributions into Fidelity Investments for the years ended June 30, 2012, 2011 and 2010 were $685,793, $522,927 and $339,538 respectively. Employee contributions for the same years were $182,580, $121,730 and $77,628.

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 year 2018. Although the lease terms vary, most leases are subject to funds being appropriated to continue the lease obligations and most have options to extend the lease term. As funding is reasonably assured, the leases are considered noncancellable for financial reporting purposes. One of these leases is for the Highland Campus building which is owned by the State of Utah. The lease expires on June 30, 2013 and has future scheduled payments of $200,386. Operating lease payments are recorded as expenses when paid or incurred. For the year ended June 30, 2012, operating lease expenses totaled $1,213,733. The future lease payments are as follows:

Fiscal Year	Amount
2013	$ 1,261,085
2014	972,289
2015	1,001,458
2016	1,021,572
2017	1,050,173
2018-19	777,928
Total Future Operating Lease Payments	$ 6,084,505

Note 9

Salt Lake Community College Foundation

The Salt Lake Community College Foundation was granted a Certificate of Incorporation on July 15, 1982, under laws of the State of Utah and is recognized as a "Section 501(c)3" Corporation by the Internal Revenue Service. The Foundation exists to further the charitable, cultural, scientific and educational purposes of the College. The 14-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.

As required by GASB Statement No. 31, equity securities held by the Foundation are included in this report at fair value and approximate published market quotations as of June 30, 2012.

During the year ended June 30, 2012, the Foundation transferred $502,743 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

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, 2012 is as follows:

Estimated claims liability at beginning of year	$ 1,420,000
Current year claims	15,833,554
Claim payments, including related legal and administrative expenses	(16,004,554)
Estimated claims liability at end of year	$ 1,249,000

The College has recorded the program assets and estimated liabilities of the health and dental care program at June 30, 2012 in the Statement of Net Assets.

Note 11

Contingent Liabilities

The College has received several demand letters threatening legal action during the year that arise out of the normal course of business, but formal legal claim notices have not been received. The College has only one claim, received in a prior year that is currently pending in court. The College is vigorously defending this action, but as of this date, it is not possible to estimate the outcome or the financial impact that an adverse ruling in this action would have upon the College. However, in the opinion of management, the ultimate resolution of this matter will not have a material adverse effect upon the College's financial position.

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

Note 12

Pollution Remediation Obligation

In 1984 the State of Utah sold property on the southwest corner of 400 South and 600 East in Salt Lake City that was then occupied by the College and known as Utah Technical College. The purchaser subsequently discovered ground contamination that resulted in an environmental site assessment and a Site Management Plan (SMP) approved by the Utah Division of Solid and Hazardous Waste. The SMP requires periodic ground water monitoring to ensure that found contaminates do not exceed acceptable limits. Quarterly monitoring tests started in 1995 and because test results have been below acceptable limits, the State Division of Solid and Hazardous Waste reduced required monitoring to semi-annual testing events beginning in the year 2000. The College is a voluntary participating responsible party to the event and is paying for the monitoring tests. Because test results have been consistently below acceptable limits for 17 years, the likelihood for additional future financial obligations beyond the annual testing expense is considered remote. Therefore, the College has not recorded a pollution remediation liability at year end.

Note 13

Construction Commitments

The Utah State Division of Facilities Construction and Management (DFCM) administers major construction and remodeling projects for all state institutions. For College projects over $100,000, DFCM maintains the accounting records and furnishes cost information to the College. Costs incurred during fiscal year 2012 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 Assets. In fiscal year 2010, the College began construction on a new building addition on its South City Campus. The approximate cost has risen to $46.0 million. A Salt Lake City School District building for approximately $7.0 million is part of this project. Of the remaining $39.0 million, the State has appropriated $24.5 million and the College is committed for $14.5 million, of which $7.3 million is from student approved building fees. As of June 30, 2012, the College construction in progress costs toward its portion of the project amounted to $8.6 million. In fiscal year 2012, the College began construction on a new instructional and administrative complex on the Taylorsville Redwood Campus. The approximate cost is $32.4 million, of which the State is paying $29.0 million and the College's portion is $3.4 million.

Note 14

Pledged Bond Revenues

The College has outstanding bonded indebtedness to finance capital projects of its auxiliary enterprises. In accordance with the General Indentures of Trust, certain student building fees, related interest income and net auxiliary operating revenues are pledged toward the payment of principal and interest. Total principal and interest remaining on the bond debt is $4,946,428, with annual payment requirements ranging from $1,230,829 in 2013 to $1,237,729 in the final year of 2016.

For fiscal year 2012, receipts and disbursements of pledged revenues were as follows:

	Auxiliary Revenue Bonds
Receipts	
Student Building Fees	**$ 2,794,725**
Pledged Auxiliary Operating Revenues	**15,428,394**
Related Interest Income	**104,285**
Total Receipts	**18,327,404**
Disbursements	
Pledged Auxiliary Operating Expenses	**15,140,268**
Excess of Pledged Receipts over Expenses	**$ 3,187,136**
Debt Service Principal & Interest Payments	**$ 1,268,704**
Debt Service Coverage Ratio	**2.51**

Note 15

Operating Expenses by Natural and Functional Classification

The following schedule presents Salt Lake Community College's total operating expenses by natural and functional classifications for the year ended June 30, 2012:

	Natural Classification					
Functional Classification	Salaries and Wages	Employee Benefits	Other Operating Expenses	Scholarships	Depreciation	Total
Instruction	**$47,112,063**	**$15,042,393**	**$ 16,545,163**			**$ 78,699,619**
Public Service	**632,715**	**228,468**	**1,302,034**			**2,163,217**
Academic Support	**4,456,794**	**1,688,245**	**2,455,037**			**8,600,076**
Student Services	**10,450,350**	**4,175,884**	**4,302,998**			**18,929,232**
Institutional Support	**10,780,378**	**5,385,196**	**7,560,885**			**23,726,459**
Operation of Plant	**6,126,493**	**3,195,366**	**7,819,993**			**17,141,852**
Financial Aid	**770**	**35**	**54,927**	**$25,790,370**		**25,846,102**
Auxiliary Enterprises	**3,087,048**	**973,847**	**11,396,407**			**15,457,302**
Depreciation					**$10,173,294**	**10,173,294**
Total Operating Expenses	**$82,646,611**	**$30,689,434**	**$51,437,444**	**$25,790,370**	**$10,173,294**	**$200,737,153**

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Salt Lake Community College

THIS REPORT IS PREPARED BY THE OFFICE OF DENNIS R. KLAUS
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