

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

**A Regional College within the
Utah College of Applied Technology,
A Component Unit of the State of Utah**

Annual Financial Report
For the Year Ended June 30, 2012

Report No. 12-46

**STATE OF UTAH
OFFICE OF THE STATE AUDITOR**



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ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

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STATE OF UTAH
OFFICE OF THE STATE AUDITOR



Independent State Auditor's Report

To the Board of Directors, Fiscal Committee,
and
David R. Woolstenhulme, President
Uintah Basin Applied Technology College

We have audited the accompanying financial statements of Uintah Basin Applied Technology College (College), a regional college within the Utah College of Applied Technology (UCAT) which is a component unit of the State of Utah, as of and for the year ended June 30, 2012, as listed in the table of contents. 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 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. 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 provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Uintah Basin Applied Technology College are intended to present the financial position, and the changes in financial position and cash flows of only that portion of UCAT that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of UCAT, as of June 30, 2012, the changes in its financial position or cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2012, and the changes in financial position and 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 January 10, 2013 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 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

A handwritten signature in cursive script that reads "Utah State Auditor's Office".

Utah State Auditor's Office
January 10, 2013

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012 (Unaudited)

As management of the Uintah Basin Applied Technology College (the College), we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2012.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements are comprised of four components: 1) the Statement of Net Assets, 2) the Statement of Revenues, Expenses, and Changes in Net Assets, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

Statement of Net Assets. The Statement of Net Assets provides information on the College's assets and liabilities at the end of the fiscal year, with the difference between the two reported as net assets. The information provided in the Statement of Net Assets along with disclosures and other information contained in the Statement of Revenues, Expenses, and Changes in Net Assets, the Statement of Cash Flows, and accompanying notes helps users assess, among other things, the College's liquidity and its ability to meet its obligations.

Statement of Revenues, Expenses, and Changes in Net Assets. The Statement of Revenues, Expenses, and Changes in Net Assets provides information to users both about the operating performance of the College and the effects of nonoperating transactions and events that change the amount of net assets of the College. The information in this statement, together with information in the Statement of Net Assets, the Statement of Cash Flows, and accompanying notes, should assist users of the College's financial statements in evaluating the College's performance during the fiscal year and how well management has discharged their stewardship responsibilities and other aspects of their duties.

Statement of Cash Flows. The Statement of Cash Flows provides information about the cash receipts and cash payments of the College during the fiscal year. When used with related disclosures and information in other financial statements, a statement of cash flows should help financial statement report users assess the College's ability to generate future net cash flows; its ability to meet its obligations as they come due; the reasons for differences between operating income and the associated cash receipts and payments; and the effects on the College's financial position of both its cash and noncash investing, capital, and financing transactions during the fiscal year.

Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012 (Unaudited)

Financial Analysis

Assets, Liabilities, and Net Assets. The following schedule presents a summary of the College's assets, liabilities, and net assets as of June 30, 2012 and 2011:

<u>Net Assets</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Year Ended June 30, 2011 Amount</u>	<u>Amount of Increase (Decrease)</u>
Current Assets	\$ 4,010,097	\$ 3,748,341	\$ 261,756
Capital Assets	<u>28,528,460</u>	<u>29,281,594</u>	<u>(753,134)</u>
Total Assets	<u>32,538,557</u>	<u>33,029,935</u>	<u>(491,378)</u>
Current Liabilities	1,591,576	610,023	981,553
Noncurrent Liabilities	<u>14,734,803</u>	<u>209,921</u>	<u>14,524,882</u>
Total Liabilities	<u>16,326,379</u>	<u>819,944</u>	<u>15,506,435</u>
Net Assets			
Invested in Capital Assets	13,585,886	29,281,594	(15,695,708)
Restricted	1,727,854	1,403,561	324,293
Unrestricted	<u>898,438</u>	<u>1,524,836</u>	<u>(626,398)</u>
Total Net Assets	<u>\$ 16,212,178</u>	<u>\$32,209,991</u>	<u>\$ (15,997,813)</u>

Prior period adjustment to beginning of year net assets. In 2012, the College recorded a prior period adjustment to correct its reporting of the Vernal campus building to reflect Uintah Impact Mitigation Special Service District's ownership interest in the building. Consequently, noncurrent liabilities were increased by \$14,538,731 and current liabilities increased by \$403,853.

Net assets of the College decreased by \$15,997,813 during the fiscal year. Much of the change is due to the increase in noncurrent liabilities described above. The remainder of the change is primarily due to a \$250,000 corporate gift that was not spent by year end, a decrease in capital assets of \$753,134, and an increase in salaries and wages payable of \$498,544 mainly for amounts reimbursed from the IRS related to the social security opt out. The change in capital assets is further discussed in this management discussion and analysis in the section on capital assets.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)

Changes in Net Assets. The following schedule presents a summary of changes in net assets for the College for the fiscal years ended June 30, 2012 and 2011:

<u>Net Assets</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Year Ended June 30, 2011 Amount</u>	<u>Amount of Increase (Decrease)</u>
Operating Revenues	\$ 3,952,658	\$ 3,824,333	\$ 128,325
Operating Expenses	10,533,140	10,854,314	(321,174)
Operating Income (Loss)	(6,580,482)	(7,029,981)	449,499
Nonoperating Revenues	5,470,215	5,490,996	(20,781)
Other Revenues and Expenses	458,881	773,976	(315,095)
Increase (Decrease) in Net Assets	(651,386)	(765,009)	113,623
Net Assets – Beginning of Year	32,209,991	32,975,000	(765,009)
Adjustments to Beginning Net Assets	(15,346,427)	-	(15,346,427)
Net Assets – End of Year	<u>\$ 16,212,178</u>	<u>\$ 32,209,991</u>	<u>\$ (15,997,813)</u>

See previous discussion of the adjustment to 2012 beginning of year net assets.

The College experienced a net operating loss of \$6,580,482 during the fiscal year. The College is a State institution and receives a large portion of its revenues from State appropriations. These appropriations are classified in the financial statements of the College as nonoperating revenues. The State appropriation is anticipated as a means of covering a majority of the costs of operating the College. During fiscal year 2012, the State appropriation of \$4,824,700 plus other nonoperating revenues was significant to offset much of the operating loss.

Other Revenues and Expenses includes a corporate gift of \$250,000 for future capital asset acquisition. Also included is a corporate in-kind equipment donation of \$208,000.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012 (Unaudited)

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2012 and 2011:

<u>Revenues</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Percent of Total Revenues</u>	<u>Year Ended June 30, 2011 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Revenues					
Student Tuition and Fees	\$ 2,160,582	21.86%	\$ 2,229,322	\$ (68,740)	(3.08%)
Federal Grants and Contracts	134,056	1.36%	102,921	31,135	30.25%
State and Local Grants and Contracts	859,073	8.69%	914,639	(55,566)	(6.08%)
Sales and Services of Ed. Depts.	25,536	0.26%	23,494	2,042	8.69%
Auxiliary Enterprises	763,592	7.73%	547,324	216,268	39.51%
Other Operating Revenues	9,819	0.10%	6,633	3,186	48.04%
Total Operating Revenues	<u>3,952,658</u>	<u>40.00%</u>	<u>3,824,333</u>	<u>128,325</u>	<u>3.36%</u>
Nonoperating Revenues					
State Appropriations	4,824,700	48.82%	4,866,700	(42,000)	(0.86%)
PELL Financial Aid	116,134	1.18%	238,307	(122,173)	(51.27%)
Scholarship Gift Revenue	507,750	5.14%	366,400	141,350	38.58%
Investment Income	21,631	0.22%	19,589	2,042	10.42%
Total Nonoperating Revenues	<u>5,470,215</u>	<u>55.36%</u>	<u>5,490,996</u>	<u>(20,781)</u>	<u>(0.38%)</u>
Other Revenues and Expenses					
Capital Appropriations	-	0.00%	313,494	(313,494)	(100.00%)
Capital Grants and Gifts	458,024	4.63%	460,482	(2,458)	(0.53%)
Gain on Sale of Capital Assets	857	0.01%	-	857	100.00%
Total Other Revenues and Expenses	<u>458,881</u>	<u>4.64%</u>	<u>773,976</u>	<u>(315,095)</u>	<u>(40.72%)</u>
Total Revenues	<u>\$ 9,881,754</u>	<u>100.00%</u>	<u>\$ 10,089,305</u>	<u>\$ (207,551)</u>	<u>(2.06%)</u>

The revenue comparison for fiscal years 2012 and 2011 shows a decrease in total revenues of \$207,551. The \$216,268 increase in auxiliary enterprises revenue was due to the sale of two building trades houses compared to one in the previous year. Capital improvement projects funded and managed by the State Division of Facilities Construction and Management (DFCM) were not completed by the end of fiscal year 2012; thus, capital appropriations revenue was not recorded in fiscal year 2012.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012 (Unaudited)

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2012 and 2011:

<u>Expenses</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Percent of Total Expenses</u>	<u>Year Ended June 30, 2011 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Expenses					
Salaries and Wages	\$ 4,262,027	40.46%	\$ 4,159,532	\$ 102,495	2.46%
Benefits	1,655,410	15.72%	1,588,708	66,702	4.20%
Financial Aid	116,134	1.10%	576,028	(459,894)	(79.84%)
Utilities	992	0.01%	2,027	(1,035)	(51.06%)
Supplies and Services	3,656,450	34.71%	3,251,154	405,296	12.47%
Termination Benefits	-	0.00%	858	(858)	(100.00%)
Depreciation	<u>842,127</u>	<u>8.00%</u>	<u>1,276,007</u>	<u>(433,880)</u>	<u>(34.00%)</u>
Total Operating Expenses	<u>\$ 10,533,140</u>	<u>100.00%</u>	<u>\$ 10,854,314</u>	<u>\$ (321,174)</u>	<u>(2.96%)</u>

Expenses for the year were \$321,174 less than the prior year. The changes in salaries and wages and benefits resulted from a decrease in pay matrix and Petroleum, Energy, and Transportation (PET) program overload payments compared to the prior year plus a 3% raise for all employees and the hiring of additional instructors to accommodate continued growth at the College. Financial aid decreased because 1) amounts reported as scholarship expenses in prior year are now included in scholarship allowance, netting against tuition and fees, and 2) the number of students receiving PELL awards decreased by about half in the current year. Supplies and services increased by \$405,296 mainly because: 1) expenses increased sharply to gear up for additional PET partnerships and program development with the College receiving donated equipment and other commitments toward building these new programs, and 2) the building trades program at the College sold two homes during the year compared to only one in the prior year. As a result, the building expenses recognized in the financial statements were much higher than the prior year. Depreciation decreased mainly because the College is no longer recognizing depreciation expense on the part of the Vernal campus building owned by the Uintah Impact Mitigation Special Service District. See previous discussion of the adjustment to 2012 beginning of year net assets.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012 (Unaudited)

Capital Assets and Debt Administration

Capital Assets. The College's investment in capital assets as of June 30, 2012 amounts to \$28,528,460 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment. The net decrease in capital assets is primarily due to capital acquisitions of \$508,489 and an increase in accumulated depreciation of \$1,245,980. The following schedule reflects these changes.

<u>Capital Assets</u> (net of depreciation)	<u>Year Ended</u> <u>June 30, 2012</u> <u>Amount</u>	<u>Year Ended</u> <u>June 30, 2011</u> <u>Amount</u>	<u>Amount of</u> <u>Increase</u> <u>(Decrease)</u>
Land	\$ 62,700	\$ 62,700	\$ 0
Buildings and Improvements	27,228,328	28,155,081	(926,753)
Equipment	1,237,432	1,063,813	173,619
Total Capital Assets	<u>\$ 28,528,460</u>	<u>\$ 29,281,594</u>	<u>\$ (753,134)</u>

Additional information on the College's capital assets can be found in Note 4 of the Notes to the Financial Statements.

Debt Administration. The College has no amounts outstanding on long-term debt obligations.

Factors Expected to Affect Net Assets or Operations

Tuition Rate Increase. Along with other regional colleges in the Utah College of Applied Technology (UCAT) system, the College's tuition rate for fiscal year 2012 was \$1.55 per hour. The rate effective July 1, 2012 is \$1.70 per hour.

Requests for Information

This financial report is designed to provide a general overview of the Uintah Basin Applied Technology College's finances for all those with an interest in the College's finances and to show the College's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Services Office, Uintah Basin Applied Technology College, 1100 East Lagoon, Roosevelt, Utah 84066.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

STATEMENT OF NET ASSETS

JUNE 30, 2012

Assets

Current Assets

Cash and Cash Equivalents (Note 2)	\$ 3,461,065
Receivables (Note 3)	314,085
Inventories	234,947
Total Current Assets	<u>4,010,097</u>

Noncurrent Assets

Capital Assets, net (Note 4)	<u>28,528,460</u>
Total Noncurrent Assets	<u>28,528,460</u>
Total Assets	<u>32,538,557</u>

Liabilities

Current Liabilities

Accounts Payable	323,899
Salaries and Wages Payable	816,506
Deferred Revenue	14,500
Accrued Termination Benefits - Current Portion	32,818
Capital Assets Held for Others (Note 1)	403,853
Total Current Liabilities	<u>1,591,576</u>

Noncurrent Liabilities

Capital Assets Held for Others (Note 1)	14,538,721
Accrued Leave	183,620
Accrued Termination Benefits (Note 5)	12,462
Total Noncurrent Liabilities	<u>14,734,803</u>
Total Liabilities	<u>16,326,379</u>

Net Assets

Invested in Capital Assets, net of related liabilities	13,585,886
Restricted for	
Expendable	
Scholarships	443,115
Other	1,284,739
Unrestricted	898,438
Total Net Assets	<u>\$ 16,212,178</u>

The accompanying notes are an integral part of these financial statements.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2012

Revenues

Operating Revenues

Student Tuition and Fees (net of scholarship allowance of \$317,927)	\$ 2,160,582
Federal Grants and Contracts	134,056
State Grants and Contracts	465,948
Local Grants and Contracts	393,125
Sales and Services of Educational Departments	25,536
Auxiliary Enterprises	763,592
Other Operating Revenues	9,819
Total Operating Revenues	<u>3,952,658</u>

Expenses

Operating Expenses

Salaries and Wages	4,262,027
Benefits	1,655,410
Financial Aid	116,134
Utilities	992
Supplies and Services	3,656,450
Depreciation	842,127
Total Operating Expenses	<u>10,533,140</u>
Operating Income (Loss)	<u>(6,580,482)</u>

Nonoperating Revenues (Expenses)

State Appropriations	4,824,700
PELL Financial Aid	116,134
Scholarship Gift Revenue	507,750
Investment Income	21,631
Net Nonoperating Revenues	<u>5,470,215</u>

Income (Loss) Before Other Revenues and Expenses (1,110,267)

Capital Grants and Gifts	458,024
Gain on Sale of Capital Assets	857

Increase (Decrease) in Net Assets (651,386)

Net Assets – Beginning of Year	32,209,991
Adjustments to Beginning Net Assets (Note 1)	<u>(15,346,427)</u>
Net Assets – End of Year	<u>\$ 16,212,178</u>

The accompanying notes are an integral part of these financial statements.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows From Operating Activities	
Receipts from Tuition and Fees	\$ 2,270,196
Receipts from Grants and Contracts	983,669
Payments to Suppliers	(3,552,977)
Payments to Employees	(5,448,581)
Receipts from Auxiliary Enterprise Services	1,014,421
Other Receipts (Payments)	(106,314)
Net Cash Provided (Used) by Operating Activities	<u>(4,839,586)</u>
Cash Flows From Noncapital Financing Activities	
State Appropriations	4,824,700
PELL Financial Aid	116,134
Scholarship Gift Revenue	507,750
Net Cash Provided (Used) by Noncapital Financing Activities	<u>5,448,584</u>
Cash Flows From Capital and Related Financing Activities	
Capital Grants and Gifts	250,024
Purchases of Capital Assets	(300,489)
Proceeds from Sale of Capital Assets	16,500
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(33,965)</u>
Cash Flows From Investing Activities	
Interest on Investments	21,631
Net Cash Provided (Used) by Investing Activities	<u>21,631</u>
Net Increase (Decrease) in Cash	596,664
Cash – Beginning of Year	<u>2,864,401</u>
Cash – End of Year	<u>\$ 3,461,065</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (6,580,482)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	842,127
Changes in Assets and Liabilities	
Receivables	109,614
Inventories	225,294
Accounts Payable	104,465
Salaries and Wages Payable	498,544
Deferred Revenue	(9,460)
Accrued Leave	20,336
Accrued Termination Benefits	(50,024)
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,839,586)</u>
Noncash Investing, Capital, and Financing Activities	
Capital Asset Additions from Gifts and Grants	\$ 208,000

The accompanying notes are an integral part of these financial statements.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Uintah Basin Applied Technology College (College) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reporting Entity

The College is a regional college within the Utah College of Applied Technology (UCAT). UCAT is considered a component unit of the State of Utah and is included in the State's *Comprehensive Annual Financial Report*.

The College was established by the Utah State Legislature to offer vocational and related instruction to secondary and adult students. Effective September 1, 2001, the Legislature created UCAT which is composed of eight regional applied technology colleges. The College became one of these regional applied technology colleges and became an institution under the control of the UCAT Board of Trustees. The College is governed directly by the College's Board of Directors.

Funding for the College is received primarily from direct appropriations from the Utah State Legislature; as well as tuition and fees; and grants and contracts with federal, state and local agencies.

Measurement Focus and Basis of Accounting

The financial statements of the College are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governmental entities also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The College has elected not to follow subsequent private-sector guidance.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The College distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the College's principal mission of instruction. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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.

Deposits and Investments

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and amounts invested with the Utah Public Treasurers' Investment Fund.

Cash and investment management at the College is administered in accordance with the State of Utah Money Management Act (*Utah Code*, Title 51, Chapter 7).

Investments for the College are reported at fair value.

Inventories

Inventory of the bookstore is valued using the retail inventory method which approximates the lower of cost or market. Inventories representing land and materials for housing projects are valued at cost.

Capital Assets

Capital assets include property, buildings, and equipment. Capital assets are defined by the College as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the capacity of the asset or materially extend assets' lives are not capitalized.

Capital improvement projects funded by the State of Utah Division of Facilities Construction and Management are recorded as capital assets or current expenses when the project is ready for its intended use and has been transferred from the State's books.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Building Improvements	20
Portable Classrooms	10
Equipment	5-10
Vehicles	5
Office Equipment	5-10
Computer Equipment	3

Compensated Absences

A full-time employee with a twelve month contract is eligible for ten days of paid vacation per year beginning the first year of employment at the College. After five years of service, an employee will earn an additional paid vacation day for each additional full year of service rendered thereafter, up to a maximum of twenty total vacation days. There is no requirement to use vacation days, but a maximum of forty days may be carried forward at the beginning of each fiscal year.

Prior Period Adjustment

In 2012, the College corrected its reporting of the Vernal campus building to reflect Uintah Impact Mitigation Special Service District's (District) ownership interest in the building. This ownership interest results from the District issuing bonds to help finance the building's construction. When these bonds are repaid in the year 2022, the District intends to donate its interest in the building to the College.

Because the building is currently in the possession and control of the College, the College continues to include the entire depreciated value of the building in its Capital Assets. However, the College has now recorded a long-term liability, Capital Assets Held for Others, representing the District's ownership interest in the building, which reduces net assets. Though the College records the entire depreciated value of the building, it does not recognize depreciation expense for the District's portion of the building, amounting to \$403,853 per year (see Note 4).

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of these Statements are effective for fiscal years 2013 and 2014, respectively. In addition, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, effective for fiscal years 2014 and 2015 respectively.

These new Statements may impact the College's recognition and timing of assets and liabilities and may require restating beginning net assets. The College is not planning to early implement these Statements and has made no estimation of the effect these Statements will have on the financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

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

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2012, \$662,152 of the College's bank balances of \$867,957 was uninsured. This uninsured amount, held in a sweep account, was fully collateralized by the securities purchased.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Investments

The Act defines the types of securities authorized as appropriate investments for the College and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations, one of which must be Moody’s Investors Service 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 Act; and the Utah State Public Treasurers’ Investment Fund (PTIF).

The Utah State Treasurer’s Office operates the 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 Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The 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 participants’ average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2012, the College had \$2,767,537 in the PTIF. The entire balance had a maturity of less than one year.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 Act. Section 51-7-11 of the 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, fixed rate corporate obligations, to 270 days – 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.

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 Act as previously discussed. At June 30, 2012, all College investments were unrated.

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. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

The following schedule presents accounts receivable at June 30, 2012:

Student Tuition and Fees	\$ 1,951
Governmental Grants and Contracts	128,715
Nongovernmental Grants and Contracts	<u>183,419</u>
Total	<u>\$ 314,085</u>

Accounts payable at June 30, 2012 is primarily made up of obligations to vendors.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4. CAPITAL ASSETS

Additions to capital assets include amounts paid for by the College as well as additions paid for by the Utah State Division of Facilities Construction and Management. Capital asset activity for the fiscal year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 62,700	\$ -	\$ -	\$ 62,700
Buildings and Improvements	33,903,964	-	-	33,903,964
Equipment	3,065,312	508,489	28,650	3,545,151
Total	<u>37,031,976</u>	<u>508,489</u>	<u>28,650</u>	<u>37,511,815</u>
Less Accumulated Depreciation				
Buildings and Improvements	5,748,883	926,753	-	6,675,636
Equipment	2,001,499	319,227	13,007	2,307,719
Total Accumulated Depreciation	<u>7,750,382</u>	<u>1,245,980</u>	<u>13,007</u>	<u>8,983,355</u>
Net Capital Assets	<u>\$ 29,281,594</u>	<u>\$ (737,491)</u>	<u>\$ 15,643</u>	<u>\$ 28,528,460</u>

Total additions to accumulated depreciation shown above exceed depreciation expense of \$842,127 by \$403,853 (see Note 1 "Prior Period Adjustment").

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year:

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Long-Term Liabilities					
Capital Assets Held for Others	\$ -	\$ 14,942,574	\$ -	\$ 14,942,574	\$ 403,853
Accrued Leave	163,284	214,054	193,718	183,620	-
Accrued Termination Benefits	95,304	-	50,024	45,280	32,818
Total Long-Term Liabilities	<u>\$ 258,588</u>	<u>\$ 15,156,628</u>	<u>\$ 243,742</u>	<u>\$ 15,171,474</u>	<u>\$ 436,671</u>

The College has implemented GASB 47 which requires accrual of future benefits for only those qualified retirees who have elected to receive early retirement.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The projected future cost of these stipends and medical benefits have been calculated from scheduled payments plus projected increases in medical benefits expected based on historical data. The amount recognized on the financial statements was calculated at the discounted present value of projected future costs. The discount rate used was based on the estimated yield expected to be earned on the investments of the College. Two employees currently are taking advantage of the Early Retirement Program resulting in a termination benefit liability to the College of \$45,280.

NOTE 6. DEFINED BENEFIT PENSION PLANS

Plan Description

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

The Systems are established and governed by the respective sections of Title 49 of the *Utah Code* (Title 49), which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Title 49 places the Systems, the Office, and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information of the State and School Contributory and Noncontributory Retirement System. A copy of the report may be obtained by writing to Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy

In the State and School Contributory Retirement System, the College is required to contribute 12.74% of covered salary for Tier II, beginning the year ended June 30, 2012. College contributions for the year ended June 30, 2012 were \$14,291.

In the State and School Noncontributory Retirement System, the College is required to contribute 16.86% of covered salary. College contributions for the years ended June 30, 2012, 2011, and 2010 were \$553,849, \$504,362, and \$406,234, respectively.

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Contributions were equal to the required contributions for each year. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Title 49.

NOTE 7. DEFINED CONTRIBUTION PENSION PLANS

The College participates in the 401(k) defined contribution system administered by the Utah Retirement Systems. The plan is established and governed by Title 49 of the *Utah Code*. The 401(k) plan is a supplemental plan to basic retirement benefits of the Systems. The College is required by statute to contribute 1.5% of eligible employees' salaries which vests immediately.

In September 2011, UCAT employees voted to discontinue participation in the Social Security Administration. As a result, effective October 1, 2011, the College began contributing an additional 6.2% of eligible employee salaries into employees' 401(k) plans. Voluntary contributions may also be made into the plan by employees, subject to plan and internal revenue code limitations. During the year ended June 30, 2012, the College contributed \$229,138 to the plan and the employees made voluntary contributions to the plan of \$196,030.

NOTE 8. NATURAL AND FUNCTIONAL EXPENSE CLASSIFICATIONS

The following is a summary of natural expense classifications with functional expense classifications for the year ended June 30, 2012:

	<u>Salary and Wages</u>	<u>Employee Benefits</u>	<u>Scholarships</u>	<u>Utilities</u>	<u>Supplies & Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 3,205,899	\$ 1,230,666	\$ -	\$ -	\$ 1,190,729	\$ -	\$ 5,627,294
Student Services	414,603	190,185	-	-	90,754	-	695,542
Institutional Support	341,288	156,809	-	-	143,511	-	641,608
Operation and Maintenance of Plant	202,018	67,589	-	992	1,157,571	842,127	2,270,297
Scholarships	-	-	116,134	-	-	-	116,134
Auxiliary Enterprises	2,531	-	-	-	731,861	-	734,392
Independent Operations	95,688	10,161	-	-	342,024	-	447,873
Totals	<u>\$ 4,262,027</u>	<u>\$ 1,655,410</u>	<u>\$ 116,134</u>	<u>\$ 992</u>	<u>\$ 3,656,450</u>	<u>\$ 842,127</u>	<u>\$ 10,533,140</u>

UINTAH BASIN APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of a component unit of the State of Utah, the College participates in the State's Risk Management Fund along with other State funds, agencies, and public authorities of the State. The State Risk Management fund allocates the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency or public authority based on each organization's estimated current year liability and property values. The liability is determined using an independent actuarial study based on past, current, and estimated loss experience. The College has not had any losses or settlements that exceeded the risk management coverage for any of the last three years.

NOTE 10. RELATED PARTY LEASE

In December 2006, the College entered into a 99-year lease agreement with Utah State University for the land on which the Vernal campus building was built. The lease does not convey ownership of the land to the College at the end of the lease term, and the College does not have the option to purchase the land at end of the lease term. Consideration for the College's use of the land is the joint use of the Vernal campus by the College and Utah State University.