

TOOELE 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. 12-48

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



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STATE OF UTAH
OFFICE OF THE STATE AUDITOR

Independent State Auditor's Report

To the Board of Directors, Audit Committee,
and
Scott Snelson, Campus President
Tooele Applied Technology College

We have audited the accompanying financial statements of Tooele Applied Technology College (the College) as of and for the year ended June 30, 2012, as listed in the table of contents. The College is a regional college within the Utah College of Applied Technology (UCAT) which 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 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 the Tooele Applied Technology College are intended to present the financial position, the changes in financial position and, where applicable, 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, where applicable, 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 previously present fairly, in all material respects, the financial position of the College as of June 30, 2012, and the changes in its 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 February 14, 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.

Management has omitted management's discussion and analysis information that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing 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 the financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Office of the Utah State Auditor

Office of the Utah State Auditor
February 14, 2013

TOOELE APPLIED TECHNOLOGY COLLEGE

STATEMENT OF NET ASSETS JUNE 30, 2012

Assets

Current Assets:

Cash and Cash Equivalents (Note 2)	\$ 730,179
Accounts Receivable (Note 3):	
From Primary Government	24,731
From Others	18,926
Inventory (Note 1)	23,237
Prepaid Expense	24,628
Total Current Assets	<u>821,701</u>

Noncurrent Assets:

Capital Assets:

Equipment (Note 4)	301,993
Less Accumulated Depreciation	<u>(258,916)</u>
Total Noncurrent Assets	<u>43,077</u>

Total Assets 864,778

Liabilities

Current Liabilities:

Accounts Payable (Note 3):	
To Primary Government	36,456
To Others	20,249
Deferred Revenue	500
Salaries and Benefits Payable	12,495
Accrued Leave Payable (Note 4)	42,239
Termination Benefits Payable (Notes 4 & 8)	10,544
Total Current Liabilities	<u>122,483</u>

Noncurrent Liabilities:

Accrued Leave Payable (Note 4)	13,849
Termination Benefits Payable (Notes 4 & 8)	<u>89,941</u>
Total Noncurrent Liabilities	<u>103,790</u>

Total Liabilities 226,273

Net Assets

Invested in Capital Assets	43,077
Restricted for:	
Expendable:	
Grant Fulfillment	10,728
New ATC Building	92,000
Unrestricted	<u>492,700</u>
Net Assets	<u>\$ 638,505</u>

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

TOOELE APPLIED TECHNOLOGY COLLEGE

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

Operating Revenues

Student Tuition and Fees (Net of Allowance of \$10,542)	\$ 220,396
Grants and Contracts	305,616
Corporate Training Fees	67,720
Bookstore Sales	49,290
Other Operating Revenue	6,713
Total Operating Revenues	<u>649,735</u>

Operating Expenses

Cost of Goods Sold	51,015
Salaries and Wages	844,663
Employee Benefits	318,237
Services and Supplies	210,504
Operating Leases (Note 5)	62,157
Depreciation	58,461
Utilities and Maintenance	36,713
Other Operating Expenses	41,785
Total Operating Expenses	<u>1,623,535</u>
Operating Loss	<u>(973,800)</u>

Nonoperating Revenues (Expenses)

State Appropriations	936,700
Gifts	11,896
Interest Earnings	5,595
Total Nonoperating Revenues (Expenses)	<u>954,191</u>

Increase (Decrease) in Net Assets
Before Other Revenues (19,609)

Other Revenues

Capital Gifts	92,000
Total Other Revenues	<u>92,000</u>

Net Assets (Decrease) Increase 72,391

Net Assets – Beginning of Year 566,114

Net Assets – End of Year \$ 638,505

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

TOOELE APPLIED TECHNOLOGY COLLEGE

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

Cash Flows from Operating Activities	
Receipts from Tuition and Fees	\$ 208,998
Receipts from Grants and Contracts	372,504
Receipts from Auxiliary Sales	49,290
Other Receipts	6,713
Payments to Suppliers	(397,164)
Payments to Employees	(1,199,741)
Net Cash Used by Operating Activities	<u>(959,400)</u>
Cash Flows from Noncapital Financing Activities	
Receipts from State Appropriations	936,700
Gifts Received for Other than Capital Purposes	11,896
Net Cash Provided by Noncapital Financing Activities	<u>948,596</u>
Cash Flows from Capital and Related Financing Activities	
Gifts Received for Capital Purposes	92,000
Net Cash Provided By Capital and Related Financing Activities	<u>92,000</u>
Cash Flows from Investing Activities	
Interest Received	5,595
Net Cash Provided by Investing Activities	<u>5,595</u>
Net Increase (Decrease) in Cash and Cash Equivalents	86,791
Cash Balances – Beginning of Year	<u>643,388</u>
Cash Balances – End of Year	<u>\$ 730,179</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities	
Operating Loss	\$ (973,800)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	58,461
Change in Assets and Liabilities:	
Receivables	(12,730)
Prepaid Expenses	(16,258)
Bookstore Inventory	14,461
Accounts Payable	25,777
Deferred Revenue	500
Salaries and Benefits	(16,602)
Accrued Leave	1,742
Termination Benefits	(40,951)
Net Cash Used by Operating Activities	<u>\$ (959,400)</u>

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

TOOELE 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 Tooele 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 July 1, 2009, by the Utah State Legislature to offer vocational and related instruction to secondary and adult students. The College is under the control of the UCAT Board of Trustees and 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 various state and federal grants, and various student based fees and tuition.

The Tooele Applied Technology College Foundation (the Foundation) is a separate but affiliated non-profit corporation. The accounts of the Foundation are reported in the financial statements. The College also provides accounting and financial services to the Foundation. Because the Foundation's Board of Directors and the College's Board of Directors are substantively the same, the Foundation has been reported as a blended component unit.

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.

TOOELE APPLIED TECHNOLOGY COLLEGE

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally 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.

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 or other 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

The College maintains an inventory of supplies and textbooks for resale to students or distribution for operating program uses. Inventories are carried at the lower of cost or market on a first-in, first-out ("FIFO") method. As of June 30, 2012, the value at cost of this inventory was \$23,237.

Capital Assets

Capital assets at the College consist of equipment 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 market value at the date of donation.

TOOELE APPLIED TECHNOLOGY COLLEGE

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

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

Depreciation is calculated for each individual capital asset on a straight-line basis. Both purchased and donated equipment are subject to depreciation. The estimated useful lives of equipment are determined at acquisition based on guidelines developed by the State Division of Finance. Equipment has useful lives ranging from three to twenty years; it is assumed that all equipment will have a zero salvage value at the end of the depreciation periods.

Compensated Absences

Salaried staff and professional employees earn from 12 to 21 days of vacation leave, with maximum accruals of between 18 and 32 days in most cases. All vacation leave is accrued when earned. Unused vacation is paid to employees upon termination. Faculty earn 15 flexible days each year. Unused faculty time is not eligible for payout upon termination.

All salaried employees accrue up to 12 days sick leave per year, with a maximum accumulation of 122 days. There are no payments of unused sick leave upon termination of employment.

Net Assets

Invested in Capital Assets: This represents the College's total investment in capital assets net of accumulated depreciation. The College has no debt related to these capital assets.

Restricted Net Assets: These include net assets under which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Assets: Unrestricted Net Assets represent resources derived from state appropriations, student tuition and fees, and sales of educational materials. The resources are used for transactions related to educational and general operations of the College and may be used at the discretion of the governing board.

TOOELE APPLIED TECHNOLOGY COLLEGE

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

NOTE 2: CASH 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 Money Management Act (*Utah Code*, Title 51, Chapter 7) that relate to the deposit and investment of public funds.

The College follows the requirements of the Money Management Act in handling its depository and investment transactions. The Act requires the depositing of the College's 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 to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2012, all of the College's bank balance of \$61,407 was insured.

Investments

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

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

TOOELE APPLIED TECHNOLOGY COLLEGE

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

Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Money Management Act; and the Utah State Public Treasurers' Investment Fund (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 Money Management Act. The Act established the Utah 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 \$712,659 invested in the PTIF. The entire balance had a maturity of less than one year.

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. 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 2 years.

TOOELE APPLIED TECHNOLOGY COLLEGE

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

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 Money Management 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 Utah Money Management Council, as applicable. Rule 17 of the Utah 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 ACCOUNTS PAYABLE

The following schedule presents the Accounts Receivable of the College as of June 30, 2012:

Amounts Due From the State of Utah:	
Various State Agencies	\$ 24,731
Total Due from the State of Utah	<u>\$ 24,731</u>
Amounts Due From Others:	
Students	\$ 5,233
Corporate and Other Sponsors	868
Others	16,538
Less Allowance for Doubtful Accounts	<u>(3,713)</u>
Total Due from Others	<u>\$ 18,926</u>

TOOELE APPLIED TECHNOLOGY COLLEGE

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

The following schedule presents the Accounts Payable of the College as of June 30, 2012:

Amounts Due to the State of Utah	
Supplies and Contracted Services	\$ 36,456
Total Due to the State of Utah	<u>\$ 36,456</u>
Amounts Due to Others	
Vendors for Supplies and Services	\$ 20,249
Total Amounts Due to Others	<u>\$ 20,249</u>

NOTE 4: CAPITAL ASSETS AND LONG-TERM LIABILITIES

Capital Assets:

The College does not currently own any land or buildings, nor does it have any long-term leases that require capitalization. Equipment is the only capital asset the College owns. The following summarizes equipment balances for June 30, 2012 and the changes during the fiscal year then ended:

	Balance <u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2012</u>
Equipment	\$ 301,993	\$ -	\$ -	\$ 301,993
Total Capital Assets	301,993	-	-	301,993
Less Accumulated Depreciation	<u>(200,455)</u>	<u>(58,461)</u>	-	<u>(258,916)</u>
Net Capital Assets	<u>\$ 101,538</u>	<u>\$ (58,461)</u>	<u>\$ -</u>	<u>\$ 43,077</u>

The Utah Division of Facilities Construction and Management began construction of the new Tooele Applied Technical College Building on March 21, 2012. The new 74,000 square foot facility is scheduled for completion in April 2013.

TOOELE APPLIED TECHNOLOGY COLLEGE

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

Long-Term Liabilities:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Current Portion
Accrued Leave Payable	\$ 54,346	\$ 46,696	\$ 44,954	\$ 56,088	\$ 42,239
Termination Benefits Payable	141,436	-	40,951	100,485	10,544
Total Long-Term Liabilities	<u>\$ 195,782</u>	<u>\$ 46,696</u>	<u>\$ 85,905</u>	<u>\$ 156,573</u>	<u>\$ 52,783</u>

NOTE 5: OPERATING LEASES

The College has entered into operating leases for general office space and for training facilities. As of June 30, 2012, each of the three outstanding leases had a remaining term of 12 months or less. Two of the leases contain an option to renew for an additional year. Operating lease expense for the year ended June 30, 2012, was \$62,157.

NOTE 6: DEFINED BENEFIT PENSION PLANS

Plan Description

The College contributes to the State and School Tier 1 Noncontributory and Tier 2 Contributory Retirement Systems, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). Employees that entered full-time employment on or after July 1, 2011 participate in the Tier 2 System. The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with the 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*. 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 Noncontributory Retirement System and the State and School Contributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

TOOELE APPLIED TECHNOLOGY COLLEGE

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

Funding Policy

In the State and School Tier 2 Contributory Retirement System, the College is required to contribute 12.74% of covered salary, beginning the year ended June 30, 2012. College contributions for the year ended June 30, 2012, were \$3,776.

In the State and School Tier 1 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 \$73,773, \$93,544, and \$63,826, respectively.

The contribution rates are the actuarially determined rates. The contributions were equal to the required contributions for each year.

NOTE 7: DEFINED CONTRIBUTION PLANS

Utah Retirement Systems

The College participates in an IRS 401(k) defined contribution plan as administered by the Utah Retirement Systems. This plan is a supplement to the basic defined benefit plans of the retirement system. The College is required by statute to contribute 1.5% of eligible employees' salaries for Tier 1 employees. The College contributes an amount to Tier 2 employees based upon the annual contribution rates published by the Utah Retirement System. The contribution rate for Tier 2 employees for the year ended June 30, 2012 was 2.41%. During the year ended June 30, 2012, employer contributions totaled \$39,045. Under certain IRS and plan restrictions, employees can make additional contributions. Employee contributions for the same period totaled \$38,720. Plan assets are held by the Utah Retirement Systems and all plan funds are fully vested to the employees at the time of deposit.

Employees of all campuses in the Utah College of Applied Technology (UCAT) who are eligible for retirement benefits voted in a referendum on September 6, 2011 to opt out of participating in the Federal Social Security system, as permitted under Internal Revenue Service regulations. As a result, UCAT campuses, including Tooele Applied Technology College, will not participate in the Federal Social Security system retroactively effective January 1, 2008, with the exception of the 1.45% of wages paid toward Medicare benefits.

TOOELE APPLIED TECHNOLOGY COLLEGE

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

Beginning in October of 2011, the College began contributing 6.2% of these eligible employee's salaries into their respective URS 401 (k) accounts in place of the Employer's Social Security contribution. The Social Security Administration also issued a refund of the Social Security Taxes withheld and paid by the Campus for the eligible employees, plus interest, for the period January 2008 through September 2011. The employer portion of the refund and related interest in the amount of \$92,168 was deposited into the 401(k) accounts of the eligible employees.

Teachers Insurance and Annuity Association/College Retirement Equities Fund

Eligible Faculty and Professional/Administrative employees of the College participate in the Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF). Eligible Faculty and Professional/Administrative employees who were employed by the College and enrolled in the Utah Retirement Systems on or before April 29, 2005 were allowed to elect to continue participation in the Utah Retirement Systems or to begin participation in TIAA/CREF.

TIAA/CREF provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. Participation in TIAA/CREF is authorized by Title 49 of the *Utah Code*. Contributions by the College to the employee's contract become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2012, the College's contribution to this defined contribution pension plan was 14.2% of the employees' annual salaries. The College has no further liability once contributions are made. During the year ended June 30, 2012, the College contributed \$27,395 to the plan and employees made voluntary contributions to the plan of \$840.

NOTE 8: TERMINATION BENEFITS

In February 2004, the College entered into a termination agreement with a former Campus President. The termination agreement provides health care benefits for the former President through March 2022. The College has recorded a liability for the cost of these benefits at their net present value using a discount rate of 0.69% and an inflationary factor of 4.21% to account for estimated future increases in health care costs. The decrease in the termination benefits payable for the year ended June 30, 2012 resulting from a change in the actuarial assumptions is \$31,734.

TOOELE 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; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. The College participates in the State's Risk Management Fund along with many other state divisions, agencies, and other public authorities within the state in pooling many of these risks. The cost of services provided by the State is allocated as a premium to the users and covers all functions performed, including basic claims servicing, claims payments and settlements, and acquiring various independent policies to insure for risks exceeding self insured plan limits. Calculated premiums are based on property values and operating budgets of the participants. The only property covered is equipment and furniture.

Workers' Compensation insurance coverage for the College is provided through the Workers Compensation Fund of Utah. The College reimburses the Utah Department of Workforce Services only for claims for unemployment and does not pay premiums for traditional Unemployment Insurance.