

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2012

Report No. 12-61



**OFFICE OF THE
UTAH STATE AUDITOR**

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AUDIT TEAM:

Hollie Andrus, CPA, Audit Director
Melanie Henderson, CPA, Audit In-Charge
Lezlee Jensen, Staff Auditor

DIXIE APPLIED TECHNOLOGY COLLEGE

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2012

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OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Directors, Audit Committee
and
Ms. Kelle Stephens, Campus President
Dixie Applied Technology College

We have audited the accompanying financial statements of Dixie 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 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 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 May 30, 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 6 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.

Office of the Utah State Auditor

May 30, 2013

DIXIE APPLIED TECHNOLOGY COLLEGE

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

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

Effective September 1, 2001, the Utah State Legislature created the Utah College of Applied Technology (UCAT) which is composed of eight regional applied technology colleges. The Dixie Applied Technology College is one of these regional applied technology colleges. With this change, the College became an institution within and subject to the authority of the Utah System of Higher Education. Effective July 1, 2009, UCAT, including the College, was moved out from under the jurisdiction of the Utah State Board of Regents and was placed under the governance of the UCAT Board of Trustees. The legislation making this change in governance left UCAT as an institution under the Utah System of Higher Education but changed the direct governance from the Board of Regents to the UCAT Board of Trustees.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements include 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 (similar to a Balance Sheet) 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 evaluate, 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 (similar to a Statement of Income) 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 its stewardship responsibilities and other aspects of its 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

DIXIE APPLIED TECHNOLOGY COLLEGE

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

position on 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.

Financial Analysis

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

	Year Ended June 30, 2012 Amount	Year Ended June 30, 2011 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Assets				
Current assets	\$ 1,030,776	\$ 1,314,829	\$ (284,053)	(22%)
Capital assets, net	318,735	208,280	110,455	53%
Total assets	1,349,511	1,523,109	(173,598)	(11%)
Liabilities				
Current liabilities	416,931	638,107	(221,176)	(35%)
Noncurrent Liabilities	-	11,220	(11,220)	(100%)
Total liabilities	416,931	649,327	(232,396)	(36%)
Net assets				
Invested in capital assets	318,735	208,280	110,455	53%
Restricted expendable	65,619	102,835	(37,216)	(36%)
Unrestricted	548,226	562,667	(14,441)	(3%)
Total net assets	\$ 932,580	\$ 873,782	\$ 58,798	7%

Total Assets of the College decreased during fiscal year 2012. The decrease in current assets is mainly attributable to money being spent for the renovations and move into the new Tonaquint facility.

The College's capital assets as of June 30, 2012 had an overall increase because of renovations to the new Tonaquint facility and some large equipment purchases. The College entered into a six year lease agreement for \$175,000 per year for the new Tonaquint facility. Leasehold improvements totaling \$106,020 were made in fiscal year 2012 related to the facility.

The decrease in total liabilities was due primarily to the decrease in accounts payable. The bills left unpaid at June 30, 2012 were of a smaller dollar value than the prior year.

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Statement of Revenues, Expenses, and Changes in Net Assets:

Following is the Statement of Revenues, Expenses, and Changes in Net Assets (similar to a Statement of Income):

	<u>Year Ended June 30, 2012 Amount</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 (net of allowance)	\$ 335,932	\$ 416,826	\$ (80,894)	(19%)
Custom Fit training revenue	-	288	(288)	(100%)
Other operating revenues	41,347	463	40,884	8830%
Total operating revenues	<u>377,279</u>	<u>417,577</u>	<u>(40,298)</u>	<u>(10%)</u>
Operating expenses				
Salaries and Wages	1,469,684	1,316,375	153,309	12%
Fringe benefits	452,594	407,546	45,048	11%
Scholarships	203,394	223,486	(20,092)	(9%)
Building rent, maintenance and utilities	491,356	463,777	27,579	6%
General and administrative	688,188	385,016	303,172	79%
Professional and technical education services	738,329	741,441	(3,112)	0%
Depreciation	65,235	38,734	26,501	68%
Total operating expenses	<u>4,108,780</u>	<u>3,576,375</u>	<u>532,405</u>	<u>15%</u>
Operating income (loss)	<u>(3,731,501)</u>	<u>(3,158,798)</u>	<u>(572,703)</u>	<u>18%</u>
Nonoperating revenues and expenses				
State appropriations	2,005,300	1,967,400	37,900	2%
State grants and contracts	384,713	408,542	(23,829)	(6%)
Federal grants and contracts	1,386,019	998,576	387,443	39%
Gifts	7,027	1,095	5,932	542%
Interest income	7,240	5,218	2,022	39%
Net nonoperating revenues (expenses)	<u>3,790,299</u>	<u>3,380,831</u>	<u>409,468</u>	<u>12%</u>
Increase (decrease) in net assets	<u>58,798</u>	<u>222,033</u>	<u>(163,235)</u>	<u>(74%)</u>
Net assets – Beginning of year	873,782	651,749	222,033	34%
Net assets – End of year	<u>\$ 932,580</u>	<u>\$ 873,782</u>	<u>\$ 58,798</u>	<u>7%</u>

Tuition and fees (net of allowance) declined due to the drop in membership hours for specific programs (i.e., Auto Body, Manufacturing Operations, & Drafting) for fiscal year 2012 compared to the prior year. The decrease also was affected by the increase of Pell awards to students as the revenue is recorded as Pell revenue instead of tuition and fees. Also, there were more tuition waivers given during this year as compared to the prior.

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Operating Expenses increased primarily due to two items. First, general and administrative expenses increased due mainly to the purchase of furnishings for the new Tonaquint facility. Second, salaries and benefits increased as well as fringe benefits. This is mainly attributable to hiring additional full-time faculty and the payment of their associated fringe benefits.

Nonoperating revenues increased due primarily to an increase in the amount of federal grant revenue from the Department of Labor Manufacturing U Grant.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows.

	Year Ended June 30, 2012 Amount	Year Ended June 30, 2011 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Cash provided (used) by:				
Operating activities	\$ (3,808,227)	\$ (3,330,993)	\$ (477,234)	(14%)
Noncapital financing activities	3,703,475	3,573,993	129,482	4%
Capital financing activities	(175,690)	(59,273)	(116,417)	(196%)
Investing activities	7,240	5,218	2,022	39%
Net change in cash	(273,202)	188,945	(462,147)	(245%)
Cash – Beginning of year	1,058,138	869,193	188,945	22%
Cash – End of year	\$ 784,936	\$ 1,058,138	\$ (273,202)	(26%)

The decrease in cash for fiscal year 2012, as compared to the prior year, is mainly attributable to the increase in expenses related to the renovations and new furnishings in the new Tonaquint facility.

Economic Outlook

The Legislature provided \$2,500,000 for a land purchase from the City of St. George of 20 acres of land on the old airport bluff in the middle of the City. The City has committed to donating 10 acres and the old terminal building. This will provide the College with 30 acres of land to eventually build a new campus.

The College is growing and is continually in need of additional funding. As the economy continues to recover, we anticipate being able to help support the economic growth in the community by providing additional certificates to those in Washington County.

DIXIE APPLIED TECHNOLOGY COLLEGE

STATEMENT OF NET ASSETS AS OF JUNE 30, 2012

ASSETS

Current assets

Cash and cash equivalents	\$ 784,936
Accounts receivable	104,273
Accounts receivable from related entities	138,468
Other current assets	3,099
Total current assets	<u>1,030,776</u>

Noncurrent assets

Depreciable capital assets, net of depreciation	<u>318,735</u>
Total noncurrent assets	<u>318,735</u>
Total assets	<u>1,349,511</u>

LIABILITIES

Current liabilities

Accounts payable	63,483
Accounts payable to related entities	12,710
Accrued liabilities	155,314
Deferred revenue	185,424
Total current liabilities	<u>416,931</u>
Total liabilities	<u>416,931</u>

NET ASSETS

Invested in capital assets	318,735
Restricted expendable	65,619
Unrestricted	548,226
Total net assets	<u>\$ 932,580</u>

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

DIXIE 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 \$240,572)	\$ 335,932
Other operating revenues	41,347
Total operating revenues	<u>377,279</u>

OPERATING EXPENSES

Salaries and Wages	1,469,684
Fringe benefits	452,594
Scholarships	203,394
Building rent, maintenance and utilities	491,356
General and administrative	688,188
Professional and technical education services	738,329
Depreciation	65,235
Total operating expenses	<u>4,108,780</u>
Operating income (loss)	<u>(3,731,501)</u>

NONOPERATING REVENUES

State appropriations	2,005,300
State grants and contracts	384,713
Federal grants and contracts	1,386,019
Gifts	7,027
Interest income	7,240
Nonoperating revenues	<u>3,790,299</u>

Increase (decrease) in net assets **58,798**

NET ASSETS

Net assets – Beginning of year	873,782
Net assets – End of year	<u>\$ 932,580</u>

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

DIXIE APPLIED TECHNOLOGY COLLEGE

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

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tuition and fees	\$ 359,233
Payments to suppliers	(2,059,759)
Payments for employee services and benefits	(1,945,654)
Payments for student aid: scholarships and fellowships	(203,394)
Other operating receipts	41,347
Net Cash Provided (Used) by Operating Activities	<u>(3,808,227)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from state appropriations	2,005,300
Receipts from nonoperating grants and contracts	1,691,148
Receipts from gifts for other than capital purposes	7,027
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,703,475</u>

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchases of capital assets	(175,690)
Net Cash Provided (Used) by Capital Financing Activities	<u>(175,690)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income received	7,240
Net Cash Provided (Used) by Investing Activities	<u>7,240</u>
Net Change in Cash	(273,202)

Cash – Beginning of Year

1,058,138

Cash – End of Year

\$ 784,936

RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Operating Income (Loss)	\$ (3,731,501)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	65,235
Changes in assets and liabilities	
(Increase) decrease in receivables	(6,997)
Increase (decrease) accounts payable	(226,455)
Increase (decrease) accrued liabilities	(23,376)
Increase (decrease) unearned revenue liability	30,298
(Increase) decrease in other current assets	84,569
Net Cash Used by Operating Activities	<u>\$ (3,808,227)</u>

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

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Note 1. Summary of Significant Accounting Policies

Nature of Operations

Dixie Applied Technology College (“the College”) is one of the regional campuses of the Utah College of Applied Technology (UCAT), a public college in the State of Utah. The College’s mission is to align with the collective resources of its partners in the service region to provide high school and adult students with user-friendly, individualized, training programs which focus on high paying and satisfying careers.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion could cause the financial statements to be misleading or incomplete.

As noted above, Dixie Applied Technology College is one of several campuses of UCAT, a public college in the State of Utah. UCAT is considered a component unit of the State of Utah because it receives appropriations from the State. The financial activity of UCAT is included in the State’s *Comprehensive Annual Financial Report*.

Basis of Accounting

For financial reporting purposes, the College, as part of UCAT, is considered a special purpose government entity engaged only in business-type activities. Accordingly, the College’s financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

The College has the option to apply all FASB pronouncements issued after November 30, 1989, unless they conflict with GASB. The College has elected not to exercise this option.

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Cash Equivalents

For the purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Public Treasurers' Investment Fund (PTIF) are considered cash equivalents.

Accounts Receivable

Accounts receivable consist of tuition and fees charged to students, companies and sponsors of students, and recipients of Custom Fit training. Accounts receivable also include amounts due from the Federal Government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

Other Current Assets

Other current assets consist of prepaid items.

Capital Assets

Capital assets are recorded at cost on the date of acquisition or fair 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 \$3,000 or more and an estimated useful life greater than one year. Routine repairs and maintenance are charged to operating expenses in the year in which the expenses are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the State of Utah Standard Useful Life Table. Equipment has a useful life ranging from 3-15 years, buildings have a useful life of 40 years, and leasehold improvements have a useful life equal to the lease period.

Compensated Absences

Employee vacation and compensation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as accrued liabilities in the Statement of Net Assets.

Classification of Revenues and Expenses

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 revenues include activities

DIXIE APPLIED TECHNOLOGY COLLEGE

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

that have the characteristics of exchange transactions such as tuition and fees and Custom Fit revenues. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When expenses are incurred for purposes for which both restricted and unrestricted resources are available, it is the College's general policy to use restricted resources first.

Net Assets – The College's net assets are classified as follows:

Invested in capital assets

This amount represents the College's total investment in capital assets. There are currently no outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets – expendable

Restricted expendable net assets include resources in 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 student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

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 (*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

DIXIE APPLIED TECHNOLOGY COLLEGE

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

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, none of the College's bank balances of \$322,906 were uninsured and uncollateralized.

Investments

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

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, 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 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

DIXIE APPLIED TECHNOLOGY COLLEGE

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

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.

As of June 30, 2012, the College had investments of \$716,851 with 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 Money Management 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, and 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 2 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 Money Management Act, as previously discussed. The College's investments in the PTIF at June 30, 2012 were all 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.

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Note 3. Accounts Receivable

Accounts receivable consisted of the following:

	<u>June 30, 2012</u>
Federal Government	\$ 58,962
Student tuition and fees	17,085
Related entities	138,468
Misc. customers and partners	28,226
Total Accounts Receivable	<u><u>\$ 242,741</u></u>

Note 4. Accounts Payable and Current Accrued Liabilities

Accounts payable and current accrued liabilities consisted of the following:

	<u>June 30, 2012</u>
Vendor accounts payable	\$ 63,483
Accounts payable to related entities	12,710
Payroll and benefits payable	70,686
Payroll taxes payable	4,523
Compensated absences	67,818
Accrued termination benefits	12,287
Total Accounts Payable and Current Accrued Liabilities	<u><u>\$ 231,507</u></u>

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Note 5. Capital Assets

The following are the changes in capital assets of the College for the year ended June 30, 2012:

	<u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2012</u>
Buildings	\$ 82,592	\$ -	\$ -	\$ 82,592
Leasehold Improvements	54,897	106,020	-	160,917
Equipment	<u>251,030</u>	<u>69,670</u>	<u>38,974</u>	<u>281,726</u>
 Total Capital Assets	 <u>388,519</u>	 <u>175,690</u>	 <u>38,974</u>	 <u>525,235</u>
 Less Accumulated Depreciation				
Buildings	8,011	2,065		10,076
Leasehold Improvements	25	20,505	-	20,530
Equipment	<u>172,203</u>	<u>39,906</u>	<u>36,215</u>	<u>175,894</u>
 Total Accumulated Depreciation	 <u>180,239</u>	 <u>62,476</u>	 <u>36,215</u>	 <u>206,500</u>
 Net Capital Assets	 <u>\$ 208,280</u>	 <u>\$ 113,214</u>	 <u>\$ 2,759</u>	 <u>\$ 318,735</u>

Note 6. Restricted Expendable Net Assets

Restricted expendable net assets consisted of the following:

	<u>June 30, 2012</u>
Custom Fit Funds	\$ 60,358
Hearing Impaired Funding	<u>5,261</u>
Total Restricted Expendable	<u>\$ 65,619</u>

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Note 7. Lease Obligations

The College has no capital leases, but it has entered into three operating leases for building space for offices and training facilities. Operating lease expense for the year ended June 30, 2012, was \$314,291. The College entered into an agreement with the City of St. George to lease space for its primary campus in effect until June 1, 2017. The Diesel Shop lease has been extended to May 31, 2014. Additionally, the College has entered into an agreement to lease space from the Dixie State College Foundation in its University Plaza through August 31, 2012.

The future lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2013	\$ 237,453
2014	228,284
2015	175,000
2016	175,000
2017	160,417
Total Future Lease Payments	<u>\$ 976,154</u>

Note 8. Pension Plans and Retirement Benefits

Plan Description

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

The URS is established and governed by the respective chapters of Title 49 of the *Utah Code*. The Utah State Retirement Office Act in Title 49 provides for the administration of the URS under the direction of the Utah State Retirement Board whose members are appointed by the Governor with the exception of the State Treasurer. The URS issues a publicly available financial report that includes financial statements and required supplementary information for the State and School Noncontributory 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.

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Funding Policy

In the State and School Noncontributory Retirement System, the College was required to contribute 18.36 percent of the employees' annual covered salaries for fiscal year 2012. The contribution rate was actuarially determined and was broken down to 16.86 percent for the Noncontributory Retirement System and 1.5 percent to a 401(k) Plan for fiscal year 2012.

The College contributions to the URS were:

	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Noncontributory Retirement System	\$ 56,384	\$ 34,925	\$ 33,719
401 (k) Plan	\$ 57,329	\$ 3,210	\$ 3,557

The contributions were equal to the required contributions for each year. Additionally, College employees made voluntary contributions to the 401(k) plan of \$15,023.

The Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) provides 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 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 plan was \$30,613, which is 14.2 percent of the employees' eligible annual salaries. The College has no further liability once annual contributions are made. Additionally, College employees contributed \$16,020 to their individual accounts in fiscal year 2012.

In September of 2011, eligible employees of the Utah College of Applied Technology (UCAT) voted to discontinue their participation in Social Security Administration as allowed under the guidelines of Section 218 of the Social Security Act. As a result, beginning in October of 2011, the College began contributing 6.2% of these eligible employee's salaries into their respective 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 June 2011. This refund and interest was deposited into the 401(k) accounts of the eligible employees.

DIXIE APPLIED TECHNOLOGY COLLEGE

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

Note 9. Termination Benefits Liability

The following is a summary of the changes to the College's termination benefits liability during the fiscal year ended June 30, 2012:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
\$ 22,440	\$ -	\$ 10,152	\$ 12,288	\$ 12,288

Amounts are presented in future values and discount and inflations adjustments are considered immaterial.

Note 10. Risk Management

Due to the diverse risk exposure of the College, the insurance portfolio contains a full variety of coverage. The College participates in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Utah Division of Risk Management. The College's liabilities for this policy are limited to the cost of premiums.

All College employees are covered by workers compensation insurance administered by the Workers Compensation Fund of Utah.

Note 11. Relationship with Dixie State University

The College has a mutually beneficial relationship with Dixie State University ("DSU"). The College and DSU had a partnership agreement that described services each institution will provide for the other at no cost. By the time the College moved its primary campus to the new Tonaquint facility on July 5, 2011, most of the services DSU provided to the College had been discontinued. Despite the physical separation, the College and DSU continue to work together in certain areas of instruction and with intake services for students with disabilities.



OFFICE OF THE
UTAH STATE AUDITOR

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors, Audit Committee
and
Ms. Kelle Stephens, Campus President
Dixie Applied Technology College

We have audited the financial statements of Dixie Applied Technology College (the College) as of and for the year ended June 30, 2012, and have issued our report thereon dated May 30, 2013. 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.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However,

providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the College's management, Audit Committee, Board of Directors, and the Utah College of Applied Technology, and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Office of the Utah State Auditor

May 30, 2013