

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

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

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Annual Financial Report  
and  
Government Auditing Standards Report  
For the Year Ended June 30, 2013

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Report No. 13-08



OFFICE OF THE  
UTAH STATE AUDITOR

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**AUDIT TEAM:**

Van Christensen, CPA, Audit Director  
Deborah Davis, CPA, Audit Supervisor

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2013

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OFFICE OF THE  
**UTAH STATE AUDITOR**

**Independent State Auditor's Report**

To the Board of Directors, Audit Committee,  
and  
Collette R. Mercier, President  
Ogden-Weber Applied Technology College

We have audited the accompanying financial statements of the Ogden-Weber Applied Technology College (the College), and its discretely presented component unit foundation, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's financial statements, 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.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented component unit foundation, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the Ogden-Weber Applied Technology College and do not purport to, and do not, present fairly the financial position of UCAT, as of June 30, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 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.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Office of the Utah State Auditor*

Office of the Utah State Auditor  
August 15, 2013

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013 (Unaudited)

As management of the Ogden-Weber Applied Technology College (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, 2013.

The Utah College of Applied Technology (UCAT) is composed of eight regional applied technology colleges. The Ogden-Weber Applied Technology College is one of these regional applied technology colleges and is subject to the authority of UCAT. Additional information on the College's relationship to UCAT can be found in Note 1 of the Notes to the Financial Statements.

### **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 comprise four components: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

**Statement of Net Position.** The Statement of Net Position 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 position. The information provided in the Statement of Net Position along with disclosures and other information contained in the Statement of Revenues, Expenses, and Changes in Net Position, 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 Position.** The Statement of Revenues, Expenses, and Changes in Net Position 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 position of the College. The information in this statement, together with information in the Statement of Net Position, 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.

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013 (Unaudited)

**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

**Assets, Liabilities, and Net Position.** The following schedule presents a summary of the College's assets, liabilities, and net position as of June 30, 2013 and 2012:

<u>Net Position</u>	<u>Year Ended June 30, 2013 Amount</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Current Assets	\$ 4,824,336	\$ 4,768,263	\$ 56,073	1.2%
Capital Assets	35,961,160	37,567,707	(1,606,547)	(4.3%)
Total Assets	<u>40,785,496</u>	<u>42,335,970</u>	<u>(1,550,474)</u>	<u>(3.7%)</u>
Current Liabilities	702,787	1,139,045	(436,258)	(38.3%)
Noncurrent Liabilities	390,656	408,536	(17,880)	(4.4%)
Total Liabilities	<u>1,093,443</u>	<u>1,547,581</u>	<u>(454,138)</u>	<u>(29.3%)</u>
Net Position:				
Invested in Capital Assets	35,915,796	37,502,171	(1,586,375)	(4.2%)
Unrestricted	3,776,257	3,286,218	490,039	14.9%
Total Net Position	<u>\$ 39,692,053</u>	<u>\$ 40,788,389</u>	<u>\$ (1,096,336)</u>	<u>(2.7%)</u>

Total assets of the College decreased by \$1,550,474, or 3.7%, during the fiscal year. The increase in current assets of \$56,073 consists of an increase in cash and cash equivalents of \$126,794 due to timing of transfers into the checking account, a decrease in receivables of \$30,572, and a decrease in inventory balances at the College Store, cosmetology and culinary arts programs of \$40,028.

The College's capital assets as of June 30, 2013 amount to \$35,961,160 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment. After taking into consideration disposal of assets due to obsolete equipment and software (\$2,582,970), a change in accumulated depreciation \$573,763, new equipment purchases of \$402,660, there was a net decrease in capital assets of \$1,606,547. Additional information on the changes in the College's capital assets can be found in Note 4 of the Notes to the Financial Statements.

Total liabilities of the College decreased by \$454,138, or 29.3%, during the fiscal year. The decrease this year is due primarily to a held check that was accrued last year.

## OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013 (Unaudited)

**Changes in Net Position.** The following schedule presents a summary of changes in net assets for the College for the fiscal years ended June 30, 2013 and 2012.

<u>Net Position</u>	<u>Year Ended June 30, 2013 Amount</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 4,634,533	\$ 4,988,698	\$ (354,165)	(7.1%)
Operating Expenses	19,136,713	19,738,371	(601,658)	(3.0%)
Operating Income/(Loss)	<u>(14,502,180)</u>	<u>(14,749,673)</u>	<u>(247,493)</u>	<u>(1.7%)</u>
Nonoperating Revenues	12,994,864	13,066,993	(72,129)	(0.6%)
Income (Loss) Before Other Items	(1,507,316)	(1,682,680)	175,364	10.4%
Other Revenue and Expenses	<u>410,980</u>	<u>687,645</u>	<u>(276,665)</u>	<u>(40.2%)</u>
Increase (Decrease) in Net Position	(1,096,336)	(995,035)	(101,301)	(10.2%)
Net Position – Beginning of Year	<u>40,788,389</u>	<u>41,783,424</u>	<u>(995,035)</u>	<u>(2.4%)</u>
Total Net Position – End of Year	<u>\$ 39,692,053</u>	<u>\$ 40,788,389</u>	<u>\$ (1,096,336)</u>	<u>(2.7%)</u>

The College experienced a net operating loss of \$14,502,180 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 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 2013, the State appropriation of \$10,921,800 was sufficient to offset all but \$3,580,380 of the amount shown on the financial statements as an operating loss. The nonoperating and other revenues of the college consisted mostly of Federal Grants of \$1,845,035, Foundation gifts of \$326,936, and State of Utah Division of Facilities Construction and Management (DFCM) capital appropriations of \$404,109.

After considering nonoperating revenues and expenses, and other items, the College had a decrease in net position of \$1,096,336.

## OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013 (Unaudited)

**Revenues.** The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2013 and 2012:

<u>Revenues</u>	<u>Year Ended June 30, 2013 Amount</u>	<u>Percent of Total Revenue</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Revenues:					
Student Tuition and Fees	\$ 1,654,988	9.2%	\$ 1,582,229	\$ 72,759	4.6%
Federal Grants and Contracts	790,923	4.4%	979,687	(188,764)	(19.3%)
State Grants and Contracts	504,814	2.8%	492,949	11,865	2.4%
Sales and Services of Educational Activities	666,862	3.7%	700,014	(33,152)	(4.7%)
Auxiliary Enterprises	1,016,946	5.6%	1,233,819	(216,873)	(17.6%)
Total Operating Revenues	<u>4,634,533</u>	<u>25.7%</u>	<u>4,988,698</u>	<u>(354,165)</u>	<u>(7.1%)</u>
Nonoperating Revenues:					
State Appropriations	10,921,800	60.5%	10,500,200	421,600	4.0%
Federal Grants and Contracts	1,845,035	10.2%	2,188,253	(343,218)	(15.7%)
State Grants and Contracts	14,268	0.1%	22,160	(7,892)	(35.6%)
Gifts	320,065	1.8%	325,321	(5,256)	(1.6%)
Investment Income	32,165	0.2%	31,059	1,106	3.6%
Loss on Sale of Capital Assets	(138,469)	(0.8%)	-	(138,469)	100.0%
Total Nonoperating Revenues	<u>12,994,864</u>	<u>72.0%</u>	<u>13,066,993</u>	<u>(72,129)</u>	<u>(0.6%)</u>
Other Revenues:					
Capital Appropriation Funding	404,109	2.2%	557,299	(153,190)	(27.5%)
Capital Gifts	6,871	0.1%	130,346	(123,475)	(94.7%)
Total Other Revenues	<u>410,980</u>	<u>2.3%</u>	<u>687,645</u>	<u>(276,665)</u>	<u>(40.2%)</u>
Total Revenues	<u>\$ 18,040,377</u>	<u>100.0%</u>	<u>\$ 18,743,336</u>	<u>\$(702,959)</u>	<u>(3.8%)</u>

The revenue comparison between fiscal year 2013 and fiscal year 2012 shows a decrease in total revenues of \$702,959.

The individually significant decrease in the operating revenues in the amount of \$354,165 is due mainly to lower than expected sales in the College Store (\$100,011), lower than expected revenue at the Children's School due to its closure (\$44,663), and reductions in federal grant funding due to the completion of the IT Training and Welding grants in fiscal year 2012.

While nonoperating revenue only decreased by \$72,129, less than a percent, there were a few individually significant fluctuations from the prior year. State appropriations increased by \$421,600 as a result of new funding granted by the Utah State Legislature. Federal grants and

## OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013 (Unaudited)

contracts decreased by \$343,218, most of which was due to a decrease in Pell grants of \$347,599. Pell grant applications decreased due to lower enrollment in 2013. In addition, the Loss on Sale of Capital Assets variance is due to the write off of assets above the \$5,000 capital threshold that occurred during the year. All other changes in nonoperating revenue were insignificant.

The decreases in other revenue are attributable to timing of DFCM capital improvement projects and capital gifts received through the foundation to purchase equipment for the Health Technology Building. Capital appropriations funding decreased by \$153,190 due to DFCM transferring fewer projects to the College than in prior years. The decrease of \$123,475 in capital gifts is due to a decrease in foundation spending on Health Technology Building equipment.

**Expenses.** The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2013 and 2012:

<u>Expenses</u>	<u>Year Ended June 30, 2013 Amount</u>	<u>Percent of Total Expenses</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Expenses:					
Cost of Goods Sold	\$ 776,042	4.1%	\$ 860,708	\$ (84,666)	(9.8%)
Salaries and Wages	7,794,752	40.7%	7,639,468	155,284	2.0%
Employee Benefits	2,994,201	15.6%	2,781,988	212,213	7.6%
General	4,154,376	21.7%	4,216,498	(62,122)	(1.5%)
Financial Aid	1,205,399	6.3%	1,727,364	(521,965)	(30.2%)
Non-capitalized					
Equipment Purchases	275,004	1.4%	485,349	(210,345)	(43.3%)
Travel	72,810	0.4%	66,995	5,815	8.7%
Depreciation	1,864,129	9.7%	1,960,001	(95,872)	(4.9%)
Total Operating Expenses	<u>\$ 19,136,713</u>	<u>100.0%</u>	<u>\$ 19,738,371</u>	<u>\$ (601,658)</u>	<u>(3.0%)</u>

Total operating expenses for the year were \$601,658 lower than the prior year. Cost of goods sold decreased by \$84,666 due to a decrease in bookstore sales. Salaries and wages increased by \$155,284 due to a one percent cost-of-living increase and several payouts in connection with reduction in force terminations. Employee benefits increased by \$212,213 as a result of a 2.7% increase in insurance premiums and 1.9% increase in the Utah State Retirement Systems non-contributory rate. General expense decreased by \$62,122 due in large part to the reduction in our leased space at the Roy Campus and financial aid decreased by \$521,965 due to a reduction in the amount of Pell disbursed to our students for living expenses. Non-capitalized equipment purchases decreased from last year by \$210,345 in large part due to a continued decline in purchases for the new Health Technology Building. Depreciation expense decreased by \$95,872 due to obsolete assets that were disposed of prior to full depreciation recognition.

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013 (Unaudited)

### **Economic Outlook**

Utah's unemployment rate has dropped below five percent, one of the lowest in the country. As companies have begun to expand, there is a mismatch in the skills of those looking for employment and what employers need. The College has the opportunity to provide the training to address this gap as some new funding has been provided by the Utah State Legislature for next fiscal year and the threat of ongoing budget cuts does not appear to be immediate.

The College is now channeling efforts towards growth, recognizing that this may be more difficult in the coming years as individuals enter the workforce instead of attending college. Completion efforts will focus on increasing the number of certificates granted even if overall enrollments decrease. When individuals finish certificates they find it much easier to obtain related employment and in the long term will better withstand changes in the labor market.

### **Requests for Information**

This financial report is designed to provide a general overview of 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, Ogden-Weber Applied Technology College, 200 North Washington Blvd., Ogden, Utah 84404.

The College's Foundation is reported discretely in the financial statements under the heading "Foundation." A copy of the Foundation's independent audit report may be obtained from the same location listed above.

**OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<u>College</u>	<u>Foundation</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Notes 1 and 2)	\$ 3,970,730	\$ 9,514
Investments (Notes 1 and 2)	-	969,223
Pledge Receivable (net)	-	31,667
Accounts Receivable (Note 3)		
Related Party	125,414	-
Other	495,678	-
Prepaid Expenses	8,840	-
Inventories (Note 1)	223,674	-
<b>Total Current Assets</b>	<u>4,824,336</u>	<u>1,010,404</u>
<b>Noncurrent Assets</b>		
Investments (Notes 1 and 2)	-	264,514
Land (Notes 1 and 4)	203,128	-
Buildings (Notes 1 and 4)	43,655,860	-
Improvements (Notes 1 and 4)	6,445,011	-
Equipment (Notes 1 and 4)	5,326,530	-
Less Accumulated Depreciation (Notes 1 and 4)	(19,669,369)	-
<b>Total Noncurrent Assets</b>	<u>35,961,160</u>	<u>264,514</u>
<b>Total Assets</b>	<u>40,785,496</u>	<u>1,274,918</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable (Note 3)		
Related Party	158,833	50,057
Other	20,232	-
Unearned Revenue	323,545	-
Capital Leases Payable (Notes 5 and 6)	20,172	-
Accrued Sick Leave (Notes 6 and 11)	27,684	-
Accrued Compensated Absences (Notes 6 and 10)	152,321	-
<b>Total Current Liabilities</b>	<u>702,787</u>	<u>50,057</u>
<b>Noncurrent Liabilities</b>		
Capital Leases Payable (Notes 5 and 6)	25,192	-
Accrued Sick Leave (Notes 6 and 11)	56,207	-
Accrued Compensated Absences (Notes 6 and 10)	309,257	-
<b>Total Noncurrent Liabilities</b>	<u>390,656</u>	<u>-</u>
<b>Total Liabilities</b>	<u>1,093,443</u>	<u>50,057</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	35,915,796	-
Restricted for		
Nonexpendable		
Scholarship Endowments	-	264,514
Expendable		
Scholarships - Health Building	-	592,714
Unrestricted	3,776,257	367,633
<b>Total Net Position</b>	<u>\$ 39,692,053</u>	<u>\$ 1,224,861</u>

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

**OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2013

	<u>College</u>	<u>Foundation</u>
<b>REVENUES</b>		
<b>Operating Revenues (Note 1)</b>		
Student Tuition and Fees (Net of Scholarship Allowance of \$851,080)	\$ 1,654,988	\$ -
Federal Grants and Contracts	790,923	-
State Grants and Contracts	504,814	-
Sales and Services of Educational Activities	666,862	-
Auxiliary Enterprises:		-
Bookstore (Net of Scholarship Allowance of \$191,405)	509,896	-
Children's School	271,254	-
Other	235,796	-
Gifts	-	129,933
Other Revenue	-	215,342
Investment Income	-	16,173
Net Gain on Investments	-	93,969
<b>Total Operating Revenues</b>	<u>4,634,533</u>	<u>455,417</u>
<b>EXPENSES</b>		
<b>Operating Expenses (Note 1)</b>		
Cost of Goods Sold	776,042	-
Salaries and Wages	7,794,752	-
Employee Benefits	2,994,201	-
General	4,154,376	-
Financial Aid	1,205,399	-
Non-capitalized Equipment Purchases	275,004	-
Travel	72,810	-
Depreciation (Note 4)	1,864,129	-
Scholarships and Awards	-	160,605
Donations to the College	-	139,757
Support Services	-	82,395
<b>Total Operating Expenses</b>	<u>19,136,713</u>	<u>382,757</u>
<b>Operating (Loss) Income</b>	<u>(14,502,180)</u>	<u>72,660</u>
<b>NONOPERATING REVENUES</b>		
State Appropriations	10,921,800	-
Federal Grants and Contracts	1,845,035	-
State Grants and Contracts	14,268	-
Gifts	320,065	-
Investment Income	32,165	-
Gain/(Loss) Disposal of Capital Assets	(138,469)	-
<b>Total Nonoperating Revenues</b>	<u>12,994,864</u>	<u>-</u>
<b>OTHER REVENUES</b>		
Capital Appropriation Funding	404,109	-
Capital Gifts	6,871	-
<b>Total Other Revenues</b>	<u>410,980</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	<u>(1,096,336)</u>	<u>72,660</u>
<b>NET POSITION</b>		
Net Position – Beginning of Year	<u>40,788,389</u>	<u>1,152,201</u>
Net Position – End of Year	<u>\$ 39,692,053</u>	<u>\$ 1,224,861</u>

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

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2013

	<b><u>College</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Tuition and Fees	\$ 2,086,594
Receipts from Grants and Contracts	1,295,737
Receipts from Auxiliary Enterprise Charges	1,016,946
Receipts from Sales and Services of Educational Activities	666,862
Payments to Employees for Salaries and Benefits	(11,071,836)
Payments to Students and Suppliers	<u>(6,093,855)</u>
Net Cash Used by Operating Activities	<u>(12,099,552)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from State Appropriations	10,921,800
Receipts from Nonoperating Grants and Contracts	<u>1,688,604</u>
Net Cash Provided by Noncapital Financing Activities	<u>12,610,404</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	(402,660)
Loss on Sale of Capital Assets	6,609
Repayments of Capital Leases	<u>(20,172)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(416,223)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of Interest on Investments	<u>32,165</u>
Net Cash Provided by Investing Activities	<u>32,165</u>
<b>Net Increase in Cash and Cash Equivalents</b>	126,794
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u>3,843,936</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u><u>\$ 3,970,730</u></u>

(continued next page)

**OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2013  
(continued)

	<u>College</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (14,502,180)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	1,864,129
DFCM Projects Received and Expensed	404,109
Changes in Assets and Liabilities	
Accounts Receivable	528,208
Prepaid Expenses	120
Inventories	40,028
Accounts Payable	(340,785)
Sick Leave	2,621
Compensated Absences	800
Unearned Revenue	(96,602)
Net Cash Used by Operating Activities	<u><u>\$ (12,099,552)</u></u>

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

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Ogden-Weber 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*. UCAT is considered a component unit because it was established under Utah Statute, receives appropriations from the State, and is financially accountable to the State.

The College was established by the Utah State Legislature to offer career and technical education to secondary and adult students. Effective September 1, 2001, the Legislature created UCAT which is composed of eight regional applied technology colleges. The Ogden-Weber Applied Technology College became one of these regional applied technology colleges and became an institution within and subject to the authority of the Utah System of Higher Education. The College is under the control of the UCAT Board of Trustees and is governed directly by the College's local 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.

The College's financial statements encompass all of its operations, including auxiliary enterprises, restricted and unrestricted funds, and the Ogden-Weber Applied Technology College Foundation (Foundation). The Foundation is a discrete component unit reported in a separate column labeled "Foundation," to emphasize that it is legally separate from the College. The Foundation's economic resources are used for the direct benefit of the College and the close financial relationship between the College and Foundation is such that excluding the Foundation would cause the College's financial statements to be misleading or incomplete.

The Foundation has a year ending December 31 and issues separate financial statements which are audited by independent auditors. These statements follow the Financial Accounting Standards Board (FASB) guidelines. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

presentation features. No modifications have been made to the component unit's financial information included in the College's financial report. A copy of the Foundation's independent audit report may be obtained from the College. See Note 12 for further information about the Foundation.

### 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.

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 of 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

Inventories are carried at the lower of cost or market on either the first-in, first-out ("FIFO") basis or on the average cost basis.

### 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

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

useful life in excess of one year. 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. All land is capitalized and not depreciated.

Capital assets are being depreciated over their estimated useful lives using the straight-line method of depreciation. The estimated useful life of an asset is determined at acquisition based on guidelines of the Utah System of Higher Education, GASB Statement No. 34, and the professional judgment of the applicable department head.

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

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Improvements	5-40
Equipment and Vehicles	3-15

### 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 Money Management Act that relate to the deposit and investment of public funds.

The College follows the requirements of the Utah 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.

The Foundation is required by its bylaws to deposit funds in depositories approved by the Foundation's Board of Trustees. The Foundation can invest in any investment type deemed prudent and approved by the Board.

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

### ***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 and Foundation do not have a formal deposit policy for custodial credit risk. As of June 30, 2013, the College's bank balance of \$739,045 was all insured. As of December 31, 2012, all of the Foundation's bank balances of \$8,500 were insured by FDIC.

### ***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; 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 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

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, the College had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>
		<u>Less than 1 year</u>
<i>Debt Securities - PTIF</i>	<u>\$ 3,828,036</u>	<u>\$ 3,828,036</u>

As of December 31, 2012, the Foundation had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>
		<u>Less than 1 year</u>
<i>Debt Securities</i>		
Money Market Mutual Funds	<u>\$ 393,185</u>	<u>\$ 393,185</u>
<i>Total Debt Securities</i>	<u>393,185</u>	<u>\$ 393,185</u>
<i>Other Investments</i>		
Mutual Funds	<u>840,552</u>	
<i>Total Investments</i>	<u>\$ 1,233,737</u>	

### *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–15 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. The Foundation does not have a formal policy for interest rate risk.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Money Management Act, as previously discussed. The Foundation does not have a

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

formal policy for credit risk. The College and Foundation's related debt investments at June 30, 2013 and December 31, 2012, respectively, were all unrated.

### NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable at June 30, 2013 consist of Grant Receivables and Other Receivables. Other Receivables consist mainly of unpaid student tuition/fee charges and amounts owed for auxiliary enterprise services. Accounts receivable are reported net of estimated uncollectible amounts of \$20,000. See chart below for a breakout of receivables:

#### Accounts Receivable Breakout:

Grant Receivables	\$ 393,908
Other Receivables - Tuition, Auxiliary, Misc.	<u>227,184</u>
Total Receivables	<u><u>\$ 621,092</u></u>

Accounts payable at June 30, 2013 are primarily made up of payments to vendors.

### 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, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 203,128	\$ -	\$ -	\$ 203,128
Buildings	43,892,016	-	236,156	43,655,860
Lease Improvements	83,178	-	6,041	77,137
Site Improvements	6,355,685	85,977	73,788	6,367,874
Equipment	<u>7,276,832</u>	<u>316,683</u>	<u>2,266,985</u>	<u>5,326,530</u>
Total	\$ 57,810,839	\$ 402,660	\$ 2,582,970	\$ 55,630,529
Less Accumulated Depreciation				
Buildings, Improvements and Equipment	<u>\$ (20,243,132)</u>	<u>\$ (1,864,129)</u>	<u>\$ (2,437,892)</u>	<u>\$ (19,669,369)</u>
TOTALS	<u><u>\$ 37,567,707</u></u>	<u><u>\$ (1,461,469)</u></u>	<u><u>\$ 145,078</u></u>	<u><u>\$ 35,961,160</u></u>

## OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

#### NOTE 5. CAPITAL LEASE OBLIGATIONS

The College has incurred capital lease obligations for the purchase of certain equipment. The cost of such equipment held under capital leases and related depreciation totaled \$100,860 and \$39,658, respectively, as of June 30, 2013. The future minimum lease payments for all capital leases as of June 30, 2013, were as follows:

<u>Fiscal Year</u>	<u>Total</u>
2014	\$ 20,172
2015	19,604
2016	<u>5,588</u>
Total Capital Leases	<u>\$ 45,364</u>

#### NOTE 6. LONG-TERM LIABILITIES

The following is a summary of the changes to the College's long-term liabilities during the fiscal year ended June 30, 2013.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reduction</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 460,778	\$ 93,572	\$ 92,772	\$ 461,578	\$ 152,321
Capital Leases	65,536	-	20,172	45,364	20,172
Accrued Sick Leave	<u>81,270</u>	<u>2,621</u>	<u>-</u>	<u>83,891</u>	<u>27,684</u>
Total Noncurrent Liabilities	<u>\$ 607,584</u>	<u>\$ 96,193</u>	<u>\$ 112,944</u>	<u>\$ 590,833</u>	<u>\$ 200,177</u>

#### NOTE 7. OPERATING LEASES

During the year the College had one lease for rental of various instruction and related facilities. Leases are subject to funds being appropriated to continue the lease obligations. As funding is reasonably assured, the leases are considered non-cancelable for financial reporting purposes. Operating lease payments are recorded as expenses when incurred. For the year ended June 30, 2013, operating lease expenses totaled \$122,035. The future lease payments are as follows:

**OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2013

<u>Fiscal Year</u>	<u>Amount</u>
2014	\$ 124,530
Total Future Operating Lease Payments	<u>\$ 124,530</u>

NOTE 8. 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. The Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with the retirement statutes.

The Utah Retirement Systems are established and governed by the respective sections of Title 49 of the *Utah Code*. The Utah 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 Utah Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information of the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

Plan members in the State and School Contributory Retirement System are required to contribute 6% of their annual covered salary (all of which is paid by the College for the employee) and the College is required to contribute 14.27% of their annual covered salary. In the State and School Noncontributory Retirement System, the College is required to contribute 18.76% of their annual covered salary for Tier I and 8.41% of their annual covered salary for Tier II. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The College's contributions to the State and School Contributory Retirement System for the years ended June 30, 2013, 2012, and 2011 were \$29,211, \$28,253, and \$23,625, respectively, and for the Noncontributory Retirement System, the contributions for the

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013**

years ended June 30, 2013, 2012, and 2011 were \$668,212, \$683,188, and \$692,265, respectively. The contributions were equal to the required contributions for each year.

### **Defined Contribution Plans**

Noncontributory retirement plan employees are also eligible to participate in a deferred compensation 401(k) defined contribution plan. The College is required to contribute 1.5% of eligible employees' gross earnings to the plan. Such contributions by the College for the years ended June 30, 2013, 2012, and 2011 totaled \$259,589, \$200,933, and \$178,119, respectively.

In September of 2011, the Utah College of Applied Technology (UCAT) voted to discontinue participation in Social Security Administration. As a result, beginning in October 2011, the College began contributing 6.2 percent of State Retirement eligible employee's salaries into their respective 401(k) in place of the Employer Social Security contribution which totaled \$260,515 for the year ended June 30, 2013.

Contributions by College employees for the years ended June 30, 2013, 2012, and 2011 totaled \$452,358, \$474,697, and \$335,308, respectively.

Teachers Insurance and Annuity Association (TIAA) and/or College Retirement Equities Fund (CREF) also provide individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment.

Employees are eligible to participate in TIAA and/or CREF from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2013, the College was required to contribute 14.2% of the employees' annual covered salary to these defined contribution plans. The College's contributions for the years ended June 30, 2013, 2012, and 2011 were \$266,173, \$248,516, and \$229,278 respectively. The College has no further liability once annual contributions are made.

### **NOTE 9. ACCRUED TERMINATION BENEFITS**

In addition to the pension benefits described in Note 8, the College provides a retirement incentive annuity payment option, as approved by the College's Board of Directors, for qualified employees with at least 10 years of service, who are 55 years of age and qualify to retire under Utah Retirement Systems or TIAA-CREF. The employee must retire prior to their eligibility for unreduced social security benefits. The benefit includes a stipend of 30% of the retiree's final salary. These benefits are funded by the College's general

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

account. As previously discussed, the college closed the trust account with Wells Fargo Bank in September 2011 and moved the funds to the general checking account. The college paid out termination benefits of \$2,239 for fiscal year 2013.

### NOTE 10. COMPENSATED ABSENCES

The College accrues and reports annual vacation leave in the year earned. Full-time, benefits-eligible employees earn vacation leave for each month worked at a rate between 15 and 22 days per year. There is a maximum accumulation of 240 hours adjusted each year at January 1<sup>st</sup>. All accumulated hours above the 240 maximum are lost if not used prior to that time. Upon termination, the cash value of accumulated unused annual leave calculated by multiplying the employee's current hourly rate by the number of accrued hours of annual leave will be paid directly to the employee, subject to the IRS rules and regulations as taxable compensation.

### NOTE 11. SICK LEAVE

Employees of the College earn sick leave at a rate of twelve days per year with a limit of 960 working hours (6 months) that can accrue. In the event of termination or retirement, no payment shall be made for unused sick leave, unless the employee meets specific **retirement criteria**. Sick leave is expended when used. If approved under the retirement criteria, the College will pay eligible employees up to a maximum of 75% percent of the employee's accumulated sick leave based on years of full-time service with the College. Eligibility requirements for payout of sick leave include the following:

- Be at least 55 years of age or older and have 30 years of service with the College.
- Be at least 60 years of age or older and have 10 years of services with the College.
- An employee must retire as a salaried employee of the College.
- To be deemed to have retired, an employee at the time of termination of service must be eligible for benefits as a retiree under the Utah State Retirement system or TIAA/CREF.
- Unused sick leave shall be paid to qualifying retirees in a lump sum within 30 days following such qualifying employees' last day of work.

### NOTE 12. FOUNDATION

The Foundation was granted a Certificate of Incorporation on March 24, 1983 under laws of the State of Utah and is recognized as a "Section 501(c)3" Corporation by the Internal

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013**

Revenue Service. The Foundation exists to further the charitable and educational purposes of the College.

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

During the fiscal year ended June 30, 2013, the Foundation transferred \$152,731 to the College to enhance scholarships, awards and other essential College programs and \$23,296 in in-kind gifts. In addition, the Foundation transferred \$150,909 in equipment and supplies for various College programs.

### **NOTE 13. FOUNDATION ENDOWMENT**

The Foundation's endowment consists of individual funds established primarily for scholarships. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on existence of or absence of donor-imposed restrictions.

The State of Utah has adopted laws based on the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets a) the original value of the gifts donated to the permanent endowment, b) the original value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. There were no donor-imposed restrictions requiring the preservation of the original market value of the original gifts.

In accordance with the State adoption of the UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of the Foundation and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

- 5) The expected total return from income and the appreciation or depreciation of investments
- 6) Other resources of the Foundation
- 7) The investment policies of the Foundation

The Foundation has reflected the allocated decrease in the market value of the assets in the endowments accordingly.

### NOTE 14. RISK MANAGEMENT

The College maintains insurance coverage for commercial general liability, automobile, errors and omissions, and property (buildings and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the College and authorized volunteers are covered by workers' compensation and employees' liability through the Workers Compensation Fund of Utah.

### NOTE 15. CONTINGENT LIABILITIES

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



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  
Collette R. Mercier, President  
Ogden-Weber Applied Technology College

We have audited, in accordance with the 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, the financial statements of the Ogden-Weber Applied Technology College (College), as of and for the year ended June 30, 2013, and the related notes to the financial statements and have issued our report thereon dated August 15, 2013. Our report includes a reference to other auditors who audited the financial statements of the Ogden-Weber Applied Technology College Foundation, as described in our report on the College's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 to 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from 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*.

## **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Office of the Utah State Auditor*

Office of the Utah State Auditor  
August 15, 2013