

# **DIXIE 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. 13-39



**OFFICE OF THE  
UTAH STATE AUDITOR**

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**AUDIT LEADERSHIP:**

Hollie Andrus, CPA, Audit Director

Melanie Henderson, CPA, Audit Senior

# **DIXIE 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  
Kelle Stephens, Campus President  
Dixie Applied Technology College

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Dixie Applied Technology College (the College), 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 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 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2013, and the changes in financial position and 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 of Dixie Applied Technology College are intended to present the financial position, the changes in financial position, and the 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, 2013, the changes in its financial position, or 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 7 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 December 17, 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  
December 17, 2013

# **DIXIE APPLIED TECHNOLOGY COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013**

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, 2013 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 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 (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 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 evaluate, 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 (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 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 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 position on both its cash and noncash investing, capital, and financing transactions during the fiscal year.

## DIXIE APPLIED TECHNOLOGY COLLEGE

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

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

	<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>
<b>Assets</b>				
Current assets	\$ 925,210	\$ 1,030,776	\$ (105,566)	-10%
Capital assets, net	515,521	318,735	196,786	62%
<b>Total assets</b>	<b><u>1,440,731</u></b>	<b><u>1,349,511</u></b>	<b><u>91,220</u></b>	<b><u>7%</u></b>
<b>Liabilities</b>				
Current liabilities	332,199	416,931	(84,732)	-20%
Noncurrent Liabilities	-	-	-	
<b>Total liabilities</b>	<b><u>332,199</u></b>	<b><u>416,931</u></b>	<b><u>(84,732)</u></b>	<b><u>-20%</u></b>
<b>Net position</b>				
Net investment in capital assets	515,521	318,735	196,786	62%
Restricted expendable	56,795	65,619	(8,824)	-13%
Unrestricted	536,216	548,226	(12,010)	-2%
<b>Total net position</b>	<b><u>\$ 1,108,532</u></b>	<b><u>\$ 932,580</u></b>	<b><u>\$ 175,952</u></b>	<b><u>19%</u></b>

Total assets of the College increased during fiscal year 2013. There was a decrease in current assets that is mainly attributable to the Department of Labor Manufacturing U Grant that ended in August 2012.

The College's capital assets as of June 30, 2013 had an overall increase because of the in-kind capital gifts that the College received from local manufacturing plants. Four large machines were donated to the College to help establish the CNC machining program. St. George City is leasing to the College the old airport terminal building, and the College had \$109,053 in leasehold improvements at that facility.

The decrease in total liabilities was due primarily to the decrease in accrued payroll benefits. There were fewer payroll benefits left unpaid at the end of the fiscal year because the College's third-party payroll processor paid the year-end payroll and related taxes.

## DIXIE APPLIED TECHNOLOGY COLLEGE

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

#### *Statement of Revenue, Expenses, and Changes in Net Position*

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

	<b>Year Ended June 30, 2013 Amount</b>	<b>Year Ended June 30, 2012 Amount</b>	<b>Amount of Increase (Decrease)</b>	<b>Percent of Increase (Decrease)</b>
<b>Operating Revenues</b>				
Student tuition and fees (net of allowance)	\$ 339,769	\$ 335,932	\$ 3,837	1%
Other operating revenues	9,587	41,347	(31,760)	-77%
<b>Total operating revenues</b>	<b>349,356</b>	<b>377,279</b>	<b>(27,923)</b>	<b>-7%</b>
<b>Operating expenses</b>				
Salaries and Wages	1,725,666	1,469,684	255,982	17%
Fringe benefits	629,116	452,594	176,522	39%
Scholarships	183,096	203,394	(20,298)	-10%
Building rent, maintenance, and utilities	366,215	491,356	(125,141)	-25%
General and administrative	351,772	688,188	(336,416)	-49%
Professional and technical education services	238,351	738,329	(499,978)	-68%
Depreciation	148,924	65,235	83,689	128%
<b>Total operating expenses</b>	<b>3,643,140</b>	<b>4,108,780</b>	<b>(465,640)</b>	<b>-11%</b>
<b>Operating income (loss)</b>	<b>(3,293,784)</b>	<b>(3,731,501)</b>	<b>437,717</b>	<b>-12%</b>
<b>Nonoperating revenues and expenses</b>				
State appropriations	2,271,600	2,005,300	266,300	13%
State grants and contracts	361,805	384,713	(22,908)	-6%
Federal grants and contracts	514,352	1,386,019	(871,667)	-63%
Gifts	13,958	7,027	6,931	99%
Interest income	5,968	7,240	(1,272)	-18%
<b>Net nonoperating revenues (expenses)</b>	<b>3,167,683</b>	<b>3,790,299</b>	<b>(622,616)</b>	<b>-16%</b>
<b>Income (loss) before other revenues (expenses)</b>	<b>(126,101)</b>	<b>58,798</b>	<b>(184,899)</b>	<b>-314%</b>
<b>OTHER REVENUES (EXPENSES)</b>				
Capital appropriations	109,053	-	109,053	100%
Capital grants and gifts	193,000	-	193,000	100%
<b>Net other revenues (expenses)</b>	<b>302,053</b>	<b>-</b>	<b>302,053</b>	<b>100%</b>
<b>Increase (decrease) in net position</b>	<b>175,952</b>	<b>58,798</b>	<b>117,154</b>	<b>199%</b>
Net position – Beginning of year	932,580	873,782	58,798	7%
Net position – End of year	<b>\$ 1,108,532</b>	<b>\$ 932,580</b>	<b>\$ 175,952</b>	<b>19%</b>

## **DIXIE APPLIED TECHNOLOGY COLLEGE**

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

Operating Revenues decreased this fiscal year as compared to the prior. In fiscal year 2012, the College vacated the University Plaza and received a large amount of money from selling its older furniture to Dixie State University.

Operating Expenses (professional and technical education services; building rent, maintenance, and utilities; and general and administrative expenses) and nonoperating revenues (federal grants and contracts) decreased because of the Department of Labor Manufacturing U Grant concluding in August 2012. However, salaries and wages expense increased as well as fringe benefits. This is mainly attributable to hiring additional full-time employees and the payment of their associated fringe benefits.

State appropriations and capital appropriations increased as a result of increased on-going funding by the legislature and state-funded improvements made to the College's leased facilities, respectively. Capital grants and gifts increased due to the equipment donations discussed above.

#### ***Statement of Cash Flows***

The final statement presented is the Statement of Cash Flows.

	<b>Year Ended June 30, 2013 Amount</b>	<b>Year Ended June 30, 2012 Amount</b>	<b>Amount of Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
<b>Cash provided (used) by:</b>				
Operating activities	\$ (3,240,692)	\$ (3,808,227)	\$ 567,535	-15%
Noncapital financing activities	3,200,910	3,703,475	(502,565)	-14%
Capital financing activities	(43,657)	(175,690)	132,033	-75%
Investing activities	5,968	7,240	(1,272)	-18%
<b>Net change in cash</b>	<b>(77,471)</b>	<b>(273,202)</b>	<b>195,731</b>	<b>-72%</b>
Cash – Beginning of year	784,936	1,058,138	(273,202)	-26%
<b>Cash – End of year</b>	<b>\$ 707,465</b>	<b>\$ 784,936</b>	<b>\$ (77,471)</b>	<b>-10%</b>

The decrease in cash for fiscal year 2013, as compared to the prior year, is mainly attributable to the Department of Labor Manufacturing U Grant that ended in August 2012.

# **DIXIE APPLIED TECHNOLOGY COLLEGE**

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

### **Economic Outlook**

The Legislature provided \$2,500,000 to purchase 20 acres of land on the old airport bluff from the City of St. George. 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 Washington County residents.

# **DIXIE APPLIED TECHNOLOGY COLLEGE**

## STATEMENT OF NET POSITION AS OF JUNE 30, 2013

### **ASSETS**

#### *Current assets*

Cash and cash equivalents	\$	707,465
Accounts receivable		58,533
Due from primary government/related parties		117,309
Other current assets		41,903
Total current assets		<u>925,210</u>

#### *Noncurrent assets*

Depreciable capital assets, net of depreciation		<u>515,521</u>
Total noncurrent assets		<u>515,521</u>
<b>Total assets</b>		<b><u>1,440,731</u></b>

### **LIABILITIES**

#### *Current liabilities*

Accounts payable		51,289
Due to primary government/related parties		22,593
Accrued liabilities		90,426
Unearned revenue		167,891
Total current liabilities		<u>332,199</u>
<b>Total liabilities</b>		<b><u>332,199</u></b>

### **NET POSITION**

Net investment in capital assets		515,521
Restricted expendable		56,795
Unrestricted		536,216
<b>Total net position</b>	<b>\$</b>	<b><u>1,108,532</u></b>

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

## **DIXIE APPLIED TECHNOLOGY COLLEGE**

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

#### **OPERATING REVENUES**

Student tuition and fees (net allowance of \$164,846)	\$ 339,769
Other operating revenues	9,587
<b>Total operating revenues</b>	<b><u>349,356</u></b>

#### **OPERATING EXPENSES**

Salaries and wages	1,725,666
Fringe benefits	629,116
Scholarships	183,096
Building rent, maintenance, and utilities	366,215
General and administrative	351,772
Professional and technical education services	238,351
Depreciation	148,924
<b>Total operating expenses</b>	<b><u>3,643,140</u></b>
<b>Operating income (loss)</b>	<b><u>(3,293,784)</u></b>

#### **NONOPERATING REVENUES (EXPENSES)**

State appropriations	2,271,600
State grants and contracts	361,805
Federal grants and contracts	514,352
Gifts	13,958
Interest income	5,968
<b>Net nonoperating revenues (expenses)</b>	<b><u>3,167,683</u></b>
<b>Income (loss) before other revenues (expenses)</b>	<b>(126,101)</b>

#### **OTHER REVENUES (EXPENSES)**

Capital appropriations	109,053
Capital grants and gifts	193,000
<b>Net other revenues (expenses)</b>	<b><u>302,053</u></b>

**Increase (decrease) in net position** **175,952**

#### **NET POSITION**

Net position – Beginning of year	932,580
Net position – End of year	<b><u>\$ 1,108,532</u></b>

*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, 2013

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tuition and fees	\$ 349,940
Payments to suppliers	(997,453)
Payments for employee services and benefits	(2,419,670)
Payments for scholarships and fellowships	(183,096)
Other operating receipts (payments)	9,587
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(3,240,692)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from state appropriations	2,271,600
Receipts from nonoperating grants and contracts	915,352
Receipts from gifts for other than capital purposes	13,958
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b><u>3,200,910</u></b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>	
Purchases of capital assets	(43,657)
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b><u>(43,657)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment income received	5,968
<b>Net Cash Provided by Investing Activities</b>	<b><u>5,968</u></b>
<b>Net Change in Cash</b>	<b><u>(77,471)</u></b>
<b>Cash – Beginning of Year</b>	<b><u>784,936</u></b>
<b>Cash – End of Year</b>	<b><u>\$ 707,465</u></b>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (3,293,784)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	148,924
Changes in assets and liabilities	
(Increase) decrease in receivables	(13,222)
Increase (decrease) accounts payable	(2,311)
Increase (decrease) accrued liabilities	(64,888)
Increase (decrease) unearned revenue liability	23,393
(Increase) decrease in other current assets	(38,804)
<b>Net Cash Used by Operating Activities</b>	<b><u>\$ (3,240,692)</u></b>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Capital Appropriations	\$ 109,053
Capital grants and gifts received	\$ 193,000

*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, 2013

### **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 the Governmental Accounting Standards Board (GASB), 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.

#### 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

# **DIXIE APPLIED TECHNOLOGY COLLEGE**

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

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 two years. 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's 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 Position.

### 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 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.

# **DIXIE APPLIED TECHNOLOGY COLLEGE**

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

Net Position – The College’s net position is classified as follows:

Net investment 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 net investment in capital assets.

Restricted net position – expendable

Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net position

Unrestricted net position represents 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 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.

# **DIXIE 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 does not have a formal deposit policy for custodial credit risk. As of June 30, 2013, none of the College's bank balances of \$96,507 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; 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

## **DIXIE APPLIED TECHNOLOGY COLLEGE**

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

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, 2013, the College had investments of \$644,288 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 - 15 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 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, 2013 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, 2013

#### **Note 3. Accounts Receivable**

Accounts receivable consisted of the following:

	<u>June 30, 2013</u>
Student tuition and fees	\$ 28,753
Due from primary government/related parties	117,309
Misc. customers and partners	<u>29,780</u>
<b>Total Accounts Receivable</b>	<b><u><u>\$ 175,842</u></u></b>

#### **Note 4. Accounts Payable and Current Accrued Liabilities**

Accounts payable and current accrued liabilities consisted of the following:

	<u>June 30, 2013</u>
Vendor accounts payable	\$ 51,289
Due to primary government/related parties	22,593
Payroll and benefits payable	13,299
Compensated absences	<u>77,127</u>
<b>Total Accounts Payable and Current Accrued Liabilities</b>	<b><u><u>\$ 164,308</u></u></b>

## DIXIE APPLIED TECHNOLOGY COLLEGE

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

#### Note 5. Capital Assets

The following are the changes in capital assets of the College for the year ended June 30, 2013:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Buildings	\$ 82,592	\$ -	\$ -	\$ 82,592
Leasehold Improvements	160,917	139,800	-	300,717
Equipment	<u>281,726</u>	<u>205,910</u>	<u>-</u>	<u>487,636</u>
Total Capital Assets	<u>525,235</u>	<u>345,710</u>	<u>-</u>	<u>870,945</u>
Less Accumulated Depreciation				
Buildings	10,076	2,065	-	12,141
Leasehold Improvements	20,530	90,231	-	110,761
Equipment	<u>175,894</u>	<u>56,628</u>	<u>-</u>	<u>232,522</u>
Total Accumulated Depreciation	<u>206,500</u>	<u>148,924</u>	<u>-</u>	<u>355,424</u>
Net Capital Assets	<u>\$ 318,735</u>	<u>\$ 196,786</u>	<u>\$ -</u>	<u>\$ 515,521</u>

#### Note 6. Restricted Expendable Net Position

Restricted expendable net position consisted of the following:

	<u>June 30, 2013</u>
Custom Fit Funds	<u>\$ 56,795</u>
Total Restricted Expendable	<u>\$ 56,795</u>

#### 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, 2013, was \$239,491. The College entered into an agreement with the City of St. George, effective until June 1, 2017, to lease space for its primary campus. The Diesel Shop lease has been extended to May 31, 2014. Additionally, the College has entered into an agreement to lease for \$1 per year the old airport terminal building from the City of St. George through December 6, 2013, with an option to renew the lease annually for an additional 3 years.

# **DIXIE APPLIED TECHNOLOGY COLLEGE**

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

The future lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 228,284
2015	175,000
2016	175,000
2017	<u>160,417</u>
Total Future Lease Payments	<u>\$ 738,701</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.

#### Funding Policy

In the State and School Noncontributory Retirement System, the College is required to contribute 20.26 percent of the employees' annual covered salaries for fiscal year 2013. The contribution rate is actuarially determined and is broken down to 18.76 percent for the Noncontributory Retirement System for fiscal year 2013 and 1.5 percent to a 401(k) Plan.

# **DIXIE APPLIED TECHNOLOGY COLLEGE**

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

The College contributions to the URS were:

	<u>June 30, 2013</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>
Noncontributory Retirement System	\$ 53,937	\$ 56,384	\$ 34,925
401 (k) Plan	22,138	57,329	3,210

The contributions were equal to the required contributions for each year. Additionally, College employees made voluntary contributions to the 401(k) plan of \$13,487.

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, 2013, the College's contribution to this TIAA-CREF defined contribution plan was \$145,731, which is 14.2 percent of the employees' eligible salaries. The College has no further liability once annual contributions are made. Additionally, College employees contributed \$3,308 to their individual accounts in fiscal year 2013.

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. These contributions totaled \$81,890 for the year ended June 30, 2013.

### **Note 9. 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.



OFFICE OF THE  
**UTAH STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S 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  
Kelle Stephens, Campus President  
Dixie 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 Dixie Applied Technology College (the College) 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, and have issued our report thereon dated December 17, 2013.

**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  
December 17, 2013