

# **TOOELE 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  
For the Year Ended June 30, 2013**

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Report No. 13-49



**OFFICE OF THE  
UTAH STATE AUDITOR**

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**AUDIT LEADERSHIP:**

Van Christensen, CPA, Audit Director  
Jason Allen, CPA, CFE, Audit Supervisor  
Melanie Henderson CPA, Audit Senior

# **TOOELE 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  
Scott Snelson, Campus President  
Tooele Applied Technology College

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Tooele 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, 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 the 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 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 February 10, 2014 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  
February 10, 2014

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

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

As management of the Tooele 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 Tooele Applied Technology College is the newest 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's discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements are comprised of four components: 1) the Statement of Net 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.

# **TOOELE 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**

**Condensed 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:

	<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>
Current Assets	\$ 970,711	\$ 821,701	\$ 149,010	18.1%
Capital Assets	14,330,343	43,077	14,287,266	33,166.8%
Total Assets	15,301,054	864,778	14,436,276	1,669.4%
Current Liabilities	686,142	122,483	563,659	460.2%
Noncurrent Liabilities	101,060	103,790	(2,730)	(2.6%)
Total Liabilities	787,202	226,273	560,929	247.9%
Net Position:				
Net Investment in Capital Assets	14,330,343	43,077	14,287,266	33,166.8%
Restricted	65,887	102,728	(36,841)	(35.9%)
Unrestricted	117,622	492,700	(375,078)	(76.1%)
Total Net Position	\$ 14,513,852	\$ 638,505	\$ 13,875,347	2,173.1%

The Total Assets of the College increased by \$14,436,276 during the fiscal year. The increase in current assets of \$149,010 consists of a decrease in cash and cash equivalents of \$23,384, an increase in receivables of \$208,075 mostly due to contributions and grants receivable for the College's new building (TATC Building), a decrease in inventory of \$11,053 due to the movement of College textbooks and supplies to the new Campus Store operated by Utah State University, and a decrease in prepaid expense of \$24,628.

The College's capital assets (net of accumulated depreciation) as of June 30, 2013 amount to \$14,330,343. The significant increase in capital assets is due to the completion of the new TATC Building that opened to students on May 1, 2013. The 74,000 square foot facility is located on 8.43 acres of Utah State University property at 88 South Tooele Blvd., Tooele, Utah. The \$15 million project—consisting of the building, furniture, and equipment—was funded by capital appropriations of \$9.9 million from the State of Utah, a donation of \$4.5 million from the City of Tooele, other donations of \$0.4 million, and College capital funds of \$0.2 million.

# TOOELE APPLIED TECHNOLOGY COLLEGE

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

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 increased by \$560,929 for the year. The majority of this increase, \$518,820, is a payable to the State of Utah for College-funded costs of the new TATC Building.

**Condensed Statement of Revenues, Expenses, and Changes in Net Position.** The following schedule presents a summary of revenues, expenses, and changes in net position for the College for the fiscal years ended 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>
Operating Revenues	\$ 534,634	\$ 649,735	\$ (115,101)	(17.7%)
Operating Expenses	<u>2,569,140</u>	<u>1,623,535</u>	<u>945,605</u>	<u>58.2%</u>
Operating Income/(Loss)	<u>(2,034,506)</u>	<u>(973,800)</u>	<u>(1,060,706)</u>	<u>(108.9%)</u>
Nonoperating Revenues	<u>1,392,345</u>	<u>954,191</u>	<u>438,154</u>	<u>45.9%</u>
Income (Loss) Before Other Items	(642,161)	(19,609)	(622,552)	(3174.8%)
Other Revenue	<u>14,517,508</u>	<u>92,000</u>	<u>14,425,508</u>	<u>15,679.9%</u>
Increase (Decrease) in Net Position	13,875,347	72,391	13,802,956	19,067.2%
Net Position – Beginning of Year	<u>638,505</u>	<u>566,114</u>	<u>72,391</u>	<u>12.8%</u>
Net Position – End of Year	<u>\$ 14,513,852</u>	<u>\$ 638,505</u>	<u>\$13,875,347</u>	<u>2,173.1%</u>

The College experienced a net operating loss of \$2,034,506 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. State appropriations are anticipated as a means of covering a majority of the costs of operating the College. During fiscal year 2013, State appropriations of \$1,337,400 were sufficient to offset all but \$697,106 of the amount shown on the financial statements as an operating loss. In addition the operating expenses include depreciation and expense of non-capitalized equipment. The other revenues of the College consisted of capital gifts and grants of \$4,806,907 and of State of Utah Division of Facilities Construction and Management (DFCM) capital appropriations of \$9,710,601 primarily for the new TATC Building.

After considering nonoperating revenues and expenses, and other items, the College had an increase in net position of \$13,875,347.

# TOOELE 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>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 Increase (Decrease)</u>
Operating Revenues:					
Student Tuition and Fees	\$ 204,172	1.2%	\$ 201,892	\$ 2,280	1.1%
Grants and Contracts	182,032	1.1%	305,616	(123,584)	(40.4%)
Corporate Training Fees	58,471	0.4%	67,720	(9,249)	(13.7%)
Sales and Services of Educational Activities	20,658	0.1%	18,504	2,154	11.6%
Bookstore Sales	53,151	0.3%	49,290	3,861	7.8%
Other Operating Revenue	16,150	0.1%	6,713	9,437	140.6%
Total Operating Revenues	<u>534,634</u>	<u>3.3%</u>	<u>649,735</u>	<u>(115,101)</u>	<u>(17.7%)</u>
Nonoperating Revenues:					
State Appropriations	1,337,400	8.1%	936,700	400,700	42.8%
Grants and Contracts	41,057	0.2%	-	41,057	100.0%
Gifts	7,843	0.0%	11,896	(4,053)	(34.1%)
Investment Income	6,045	0.0%	5,595	450	8.0%
Total Nonoperating Revenues	<u>1,392,345</u>	<u>8.5%</u>	<u>954,191</u>	<u>438,154</u>	<u>45.9%</u>
Other Revenues					
Capital Appropriations	9,710,601	59.1%	-	9,710,601	100.0%
Capital Gifts and Grants	4,806,907	29.2%	92,000	4,714,907	5,124.9%
Total Other Revenues	<u>14,517,508</u>	<u>88.3%</u>	<u>92,000</u>	<u>\$ 14,425,508</u>	<u>15,679.9%</u>
Total Revenues	<u>\$ 16,444,487</u>	<u>100.0%</u>	<u>\$ 1,695,926</u>	<u>\$ 14,748,561</u>	<u>869.6%</u>

The revenue comparison between fiscal year 2013 and fiscal year 2012 shows an increase in total revenues of \$14,748,561.

Total operating revenues decreased by \$115,101 mainly due to the completion of Utah Department of Workforce Services welding grants in fiscal year 2012.

Nonoperating revenue increased by \$438,154 mostly due to an increase in state appropriations of \$400,700 granted by the Utah State Legislature.

The increases in other revenues are attributable to the \$9,710,601 capital appropriations and \$4,714,907 gifts and grants for the new TATC Building.

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

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

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

<b>Expenses</b>	<b>Year Ended June 30, 2013 Amount</b>	<b>Percent of Total Expenses</b>	<b>Year Ended June 30, 2012 Amount</b>	<b>Amount of Increase (Decrease)</b>	<b>Percent of Increase (Decrease)</b>
Operating Expenses:					
Cost of Goods Sold	\$ 51,687	2.0%	\$ 51,015	\$ 672	1.3%
Salaries and Wages	1,015,227	39.5%	844,663	170,564	20.2%
Employee Benefits	393,487	15.3%	318,237	75,250	23.6%
Services and Supplies	258,623	10.1%	205,981	52,642	25.6%
Operating Leases	67,990	2.6%	62,157	5,833	9.4%
Depreciation	91,079	3.5%	58,461	32,618	55.8%
Non-Capitalized Equipment Purchases	574,351	22.4%	4,523	569,828	12,598.5%
Utilities and Maintenance	54,255	2.1%	36,713	17,542	47.8%
Other Operating Expenses	62,441	2.4%	41,785	20,656	49.4%
Total Operating Expenses	<u>\$ 2,569,140</u>	<u>100.0%</u>	<u>\$ 1,623,535</u>	<u>\$ 945,605</u>	<u>58.2%</u>

Total operating expenses for the year were \$945,605 higher than the prior year. Salaries and wages increased by \$170,564 due to the hiring of new faculty and staff and a one percent cost-of-living increase. Employee benefits increased by \$75,250 as a result of new employees, a 2.7% increase in insurance premiums, and a 1.9% increase in the Utah State Retirement Systems non-contributory rate. Services and supplies expense increased by \$52,642 mostly due to increased advertising costs and facility services related to the new TATC Building. Depreciation expense increased by \$32,618 due to the completion of the new TATC Building and the capitalization of new furniture and equipment. Non-capitalized equipment purchases increased by \$569,828 due to the expense of new equipment and furniture for the new TATC Building, the cost of which was below the capitalization level of \$5,000 for an individual asset.

### **State Economic Outlook**

The state tax revenues are improving as the general economy of the State recovers. As the College receives the majority of its funding through the State of Utah, continued effects of the general economic conditions will have an impact on the College's ability to provide services to students and employers in the Tooele County service area.

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

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

### **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, Tooele Applied Technology College, 88 South Tooele Blvd., Tooele, Utah 84074.

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## STATEMENT OF NET POSITION JUNE 30, 2013

### **Assets**

#### Current Assets:

Cash and Cash Equivalents (Note 2)	\$ 706,795
Pledge Receivable	54,500
Accounts Receivable (Note 3)	
From Primary Government	36,713
From Others	160,519
Inventory (Note 1)	12,184
Total Current Assets	<u>970,711</u>

#### Noncurrent Assets

Capital Assets	
Buildings (Note 4)	14,139,845
Equipment (Note 4)	519,133
Less Accumulated Depreciation (Note 4)	<u>(328,635)</u>
Total Noncurrent Assets	<u>14,330,343</u>

Total Assets 15,301,054

### **Liabilities**

#### Current Liabilities:

Accounts Payable (Note 3)	
To Primary Government	559,658
To Others	55,239
Salaries and Benefits Payable	9,129
Accrued Leave Payable (Note 6)	49,317
Termination Benefits Payable (Notes 6 and 9)	9,345
Capital Leases Payable (Note 5)	3,454
Total Current Liabilities	<u>686,142</u>

#### Noncurrent Liabilities:

Accrued Leave Payable (Note 6)	10,725
Termination Benefits Payable (Notes 6 and 9)	75,874
Capital Leases Payable (Note 5)	14,461
Total Noncurrent Liabilities	<u>101,060</u>

Total Liabilities 787,202

### **Net Position**

Net Investment in Capital Assets	14,330,343
Restricted	
Expendable	
Scholarships – TATC Building	65,887
Unrestricted	<u>117,622</u>
Total Net Position	<u>\$ 14,513,852</u>

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

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

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

<b>Operating Revenues</b>	
Student Tuition and Fees (Net of Allowance of \$12,886)	\$ 204,172
Grants and Contracts	182,032
Corporate Training Fees	58,471
Sales and Services of Educational Activities	20,658
Bookstore Sales	53,151
Other Operating Revenue	16,150
Total Operating Revenues	<u>534,634</u>
<b>Operating Expenses</b>	
Cost of Goods Sold	51,687
Salaries and Wages	1,015,227
Employee Benefits	393,487
Services and Supplies	258,623
Operating Leases (Note 7)	67,990
Depreciation	91,079
Non-Capitalized Equipment Purchases	574,351
Utilities and Maintenance	54,255
Other Operating Expenses	62,441
Total Operating Expenses	<u>2,569,140</u>
Operating Income (Loss)	<u>(2,034,506)</u>
<b>Nonoperating Revenues</b>	
State Appropriations	1,337,400
Grants and Contracts	41,057
Gifts	7,843
Interest Earnings	6,045
Total Nonoperating Revenues	<u>1,392,345</u>
Increase (Decrease) in Net Position Before Other Revenues	(642,161)
<b>Other Revenues</b>	
Capital Appropriations	9,710,601
Capital Gifts and Grants	4,806,907
Total Other Revenues	<u>14,517,508</u>
Increase (Decrease) in Net Position	13,875,347
Net Position – Beginning of Year	<u>638,505</u>
Net Position – End of Year	<u>\$ 14,513,852</u>

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

# TOOELE APPLIED TECHNOLOGY COLLEGE

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

<b>Cash Flows from Operating Activities</b>	
Receipts from Tuition and Fees	\$ 204,172
Receipts from Grants and Contracts	228,230
Receipts from Bookstore Sales	53,151
Receipts from Sales and Services of Education Activities	20,658
Receipts from Other Operating Activities	16,150
Payments to Employees for Salaries and Benefits	(1,423,392)
Payments to Students and Suppliers	(491,646)
Net Cash Provided (Used) by Operating Activities	<u>(1,392,677)</u>
<b>Cash Flows from Noncapital Financing Activities</b>	
Receipts from Grants and Contracts	41,057
Receipts from State Appropriations	1,337,400
Receipts from Gifts for Other than Capital Purposes	7,843
Net Cash Provided (Used) by Noncapital Financing Activities	<u>1,386,300</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Receipts from Gifts for Capital Purposes	116,683
Purchase of Capital Assets	(138,407)
Repayments of Capital Leases	(1,328)
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(23,052)</u>
<b>Cash Flows from Investing Activities</b>	
Receipt of Interest on Investments	6,045
Net Cash Provided (Used) by Investing Activities	<u>6,045</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(23,384)
<b>Cash and Cash Equivalents – Beginning of Year</b>	<u>730,179</u>
<b>Cash and Cash Equivalents – End of Year</b>	<u>\$ 706,795</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ (2,034,506)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	91,079
Changes in Assets and Liabilities	
(Increase) Decrease in Receivables	(11,773)
(Increase) Decrease in Inventories	11,053
(Increase) Decrease in Prepaid Expenses	8,456
Increase (Decrease) in Accounts Payable	558,192
Increase (Decrease) in Accrued Liabilities	(14,678)
Increase (Decrease) in Unearned Revenue	(500)
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,392,677)</u>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Capital Leases	\$ 17,915
Noncash Capital Appropriations	9,710,601
Capital Asset Additions from Gifts and Grants	4,500,000
<b>Total Noncash Activities</b>	<u>\$ 14,228,516</u>

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

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

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

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Reporting Entity

The College is a regional college within the Utah College of Applied Technology (UCAT). UCAT is considered a component unit of the State of Utah and is included in the State's *Comprehensive Annual Financial Report*. 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 on July 1, 2009 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 Tooele Applied Technology College became one of these regional applied technology colleges and became 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 Tooele Applied Technology College Foundation (Foundation). The Foundation is a component unit and, as such, is presented in the College's financial statements as a blended component unit. Further information can be found in Note 11.

#### Measurement Focus and Basis of Accounting

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

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

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

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 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 the life of the asset 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 and the professional judgment of the applicable department head.

# TOOELE APPLIED TECHNOLOGY COLLEGE

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

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 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.

#### ***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, the College's bank balance of \$182,784 was all insured.

##### ***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

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

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

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 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 \$666,072 invested in the PTIF. The entire balance had a maturity of less than one year.

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College’s policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the 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 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.

# TOOELE APPLIED TECHNOLOGY COLLEGE

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

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's policy for reducing this risk of loss is to comply with the Rules of the Utah Money Management Council, as applicable. Rule 17 of the Utah Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

### NOTE 3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable at June 30, 2013 consist of pledge receivables, amounts due from the State of Utah, grant receivables and other receivables. Other receivables consist mainly of unpaid student and sponsor tuition/fee charges and amounts due for educational services. Accounts receivable are reported net of estimated uncollectible amounts of \$1,363. See chart below for a breakout of receivables:

Pledge Receivables	<u>\$ 54,500</u>
Amounts Due from Primary Government	<u>\$ 36,713</u>
Total Due from Primary Government	<u>\$ 36,713</u>
Amounts Due from Others:	
Grant Receivables	\$ 125,887
Other Receivables – Tuition, Misc.	35,995
Less Allowance for Doubtful Accounts	<u>(1,363)</u>
Total Due from Others	<u>\$ 160,519</u>

The following schedule presents the accounts payable of the College as of June 30, 2013:

Amounts Due to Primary Government for:	
Supplies and Contracted Services	\$ 40,838
Project Costs	<u>518,820</u>
Total Due to Primary Government	<u>\$ 559,658</u>
Amounts Due to Others	
Vendors for Supplies and Services	<u>\$ 55,239</u>
Total Amounts Due to Others	<u>\$ 55,239</u>

## TOOELE APPLIED TECHNOLOGY COLLEGE

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

#### NOTE 4. CAPITAL ASSETS

Additions to capital assets include amounts paid for by the College as well as additions paid for by the State of Utah Division of Facilities Construction and Management. Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Buildings	\$ -	\$ 14,139,845	\$ -	\$ 14,139,845
Equipment	301,993	238,500	21,360	519,133
Total	301,993	14,378,345	21,360	14,658,978
Less Accumulated Depreciation:				
Buildings	-	58,916	-	58,916
Equipment	258,916	32,163	21,360	269,719
Total Accumulated Depreciation	258,916	91,079	21,360	328,635
Net Capital Assets	\$ 43,077	\$ 14,287,266	\$ -	\$ 14,330,343

#### 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 accumulated depreciation totaled \$19,243 and \$1,673, respectively, as of June 30, 2013. The future minimum lease payments for all capital leases as of June 30, 2013, were as follows:

Fiscal Year	Total
2014	\$ 4,547
2015	4,547
2016	4,547
2017	4,547
2018	2,719
Total Capital Leases	20,907
Amount representing interest	(2,992)
Present value of future minimum lease payments	\$ 17,915

# TOOELE APPLIED TECHNOLOGY COLLEGE

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

### 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>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued Leave Payable	\$ 56,088	\$ 59,495	\$ 55,541	\$ 60,042	\$ 49,317
Termination Benefits Payable	100,485	-	15,266	85,219	9,345
Capital Leases	-	19,243	1,328	17,915	3,454
Total Long-Term Liabilities	<u>\$ 156,573</u>	<u>\$ 78,738</u>	<u>\$ 72,135</u>	<u>\$ 163,176</u>	<u>\$ 62,116</u>

### NOTE 7. OPERATING LEASES

During the year the College had operating leases for general office space and for training 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 \$67,990. The future lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2014	<u>\$ 18,000</u>
Total Future Operating Leases	<u>\$ 18,000</u>

### NOTE 8. DEFINED BENEFIT PENSION PLANS

#### Plan Description

The College contributes to the State and School Tier 1 Noncontributory and Tier 2 Contributory Retirement Systems, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (the Systems). Employees that entered full-time employment on or after July 1, 2011 participate in the Tier 2 System. The Systems provide retirement benefits, annual cost of living adjustments, death benefits, and refunds to plan members and beneficiaries in accordance with the retirement statutes established and amended by the Utah State Legislature.

The Systems are established and governed by the respective sections of Title 49 of the *Utah* Code. The Utah State Retirement Office Act in Title 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Systems issue a publicly

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

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

available financial report that includes financial statements and required 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 Tier 1 Noncontributory Retirement System, the College is required to contribute 18.76% of covered salary. College contributions for the years ended June 30, 2013, 2012, and 2011 were \$89,036, \$73,773, and \$93,544, respectively.

In the State and School Tier 2 Contributory Retirement System, the College is required to contribute 15.06% of covered salary. College contributions for the year ended June 30, 2013 and 2012 were \$16,099 and \$3,776, respectively.

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

### **Defined Contribution Plans**

#### **Utah Retirement Systems**

The College participates in an IRS 401(k) defined contribution plan as administered by the Utah Retirement Systems. This plan is a supplement to the basic defined benefit plans of the retirement system. The College is required by statute to contribute 1.5% of eligible employees' salaries for Tier 1 employees. The College contributes an amount to Tier 2 employees based upon the annual contribution rates published by the Utah Retirement System. The contribution rate for Tier 2 employees for the year ended June 30, 2013 was 1.59%. During the year ended June 30, 2013, employer contributions totaled \$8,811. Under certain IRS and plan restrictions, employees can make additional contributions. Employee contributions for the same period totaled \$46,622. Plan assets are held by the Utah Retirement Systems and all plan funds are fully vested to the employees at the time of deposit.

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

Beginning in October of 2011, the College began contributing 6.2% of these eligible employee's salaries into their respective Utah Retirement System 401(k) accounts in place of the Employer's Social Security contribution which totaled \$51,411 for the year ended June 30, 2013.

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

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

### Teachers Insurance and Annuity Association/College Retirement Equities Fund

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

TIAA/CREF provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. Participation in TIAA/CREF is authorized by Title 49 of the *Utah Code*. Contributions by the College to the employee's contract become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2013, the College's contribution to this defined contribution pension plan was 14.2% of the employees' annual salaries. The College has no further liability once contributions are made. During the year ended June 30, 2013, the College contributed \$36,721 to the plan and employees made voluntary contributions to the plan of \$840.

### NOTE 9. TERMINATION BENEFITS

In February 2004, the College entered into a termination agreement with a former Campus President. The termination agreement provides health care benefits for the former President through March 2022. The College has recorded a liability for the cost of these benefits at their net present value using a discount rate of 0.65% and an inflationary factor of 3.91% to account for estimated future increases in health care costs.

### NOTE 10. 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 employers liability through the Workers Compensation Fund of Utah.

### NOTE 11. TOOELE APPLIED TECHNOLOGY COLLEGE FOUNDATION

The Tooele Applied Technology College Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation was organized as an Internal Revenue Code Section 501(c)(3) organization and is operated exclusively as a tax-exempt organization to support the educational purposes of the College.

# TOOELE APPLIED TECHNOLOGY COLLEGE

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

The majority of the resources or income the Foundation holds and invests is restricted to the activities of the College by the donors. Additionally, the officers of the Foundation are the Campus President, Campus Vice-President of Finance and Operations, and a member of the College Board. These restricted resources held by the Foundation can only be used by, or for the benefit of, the College. For these reasons the Foundation is considered a component unit of the College and is presented in the College's financial statements.

The following is a condensed financial statement for the fiscal year.

<b>Statement of Net Position</b>	<b>Statement of Revenues, Expenses, and Changes in Net Position</b>
<b>Assets</b> Current Assets Cash                                 \$ 11,387 Pledge Receivable                 54,500 Noncurrent Assets                     - <b>Total Assets</b> <u>65,887</u>	<b>Operating Revenues</b> Gifts                                     \$ 181,020 Fund Raisers                           8,947 <b>Total Operating Revenues</b> <u>189,967</u>
<b>Liabilities</b> Pledge Payable to College         54,500 <b>Total Liabilities</b> <u>54,500</u>	<b>Operating Expenses</b> Scholarships                           4,976 Capital Donations to College       273,020 Other Expenses                        1,684 <b>Total Operating Expenses</b> <u>279,680</u>
<b>Net Position</b> Restricted                             11,387 Unrestricted                            - <b>Total Net Position</b> <u>\$ 11,387</u>	<b>Operating Loss</b> (89,713)  <b>Change in Net Position</b> (89,713) <b>Net Position at Beginning of Year</b> 101,100 <b>Net Position at End of Year</b> <u>\$ 11,387</u>

### Statement of Cash Flows

<b>Cash Flow from Operating Activities</b>	
Cash Received Through Contributions and Fundraisers	\$ 135,467
Cash Payments for Operations	(1,684)
Cash Payments for Scholarships	(4,976)
Cash Payments for Capital Donations	(218,520)
Net Cash Used in Operating Activities	<u>(89,713)</u>
Decrease in Cash and Cash Equivalents	(89,713)
Cash and Cash Equivalents at Beginning of Year	101,100
Cash and Cash Equivalents at End of Year	<u>\$ 11,387</u>