

# **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  
and  
Government Auditing Standards Report  
For the Year Ended June 30, 2015

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Report No. 15-44



**OFFICE OF THE  
UTAH STATE AUDITOR**

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For the Year Ended June 30, 2015

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**AUDIT LEADERSHIP:**

Jason Allen, CPA, CFE, Audit Supervisor  
Stephen Miller, CPA, Audit Senior

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2015

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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 (College) as of and for the year ended June 30, 2015, 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, 2015, and the changes in its financial position and its cash

flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 1, the financial statements present only the College and do not purport to, and do not, present fairly the financial position of UCAT as of June 30, 2015, 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.

For fiscal year 2015, the College implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of these required changes in accounting principle, the College recorded a \$720,489 reduction in beginning net position. The amounts reported for ending net position reflect the newly required net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to the College's participation in defined benefit retirement systems. See Notes 1 and 8 for further information. Our opinion for the College 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 management's discussion and analysis on pages 3–8 and the College's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Deferred Benefit Contribution on pages 28 and 29 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 18, 2016 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 18, 2016

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015 (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, 2015.

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, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the fiscal year, with the difference 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 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, 2015 (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**

**Statement of Net Position.** The following schedule presents a summary of the College's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2015 and 2014:

	<b>Year Ended June 30, 2015 Amount</b>	<b>Year Ended June 30, 2014 Amount*</b>	<b>Amount of Increase (Decrease)</b>	<b>Percent Increase (Decrease)</b>
Current Assets	\$ 975,071	\$ 712,338	\$ 262,733	36.9%
Noncurrent Assets				
Net Pension Asset	1,192	-	1,192	100.0%
Capital Assets	14,145,653	14,347,367	(201,714)	(1.4%)
Total Assets	<u>15,121,916</u>	<u>15,059,705</u>	<u>62,211</u>	0.4%
Deferred Outflows	<u>118,200</u>	<u>-</u>	<u>118,200</u>	100.0%
Current Liabilities	173,804	172,333	1,471	0.9%
Noncurrent Liabilities	<u>771,659</u>	<u>87,207</u>	<u>684,452</u>	784.9%
Total Liabilities	<u>945,463</u>	<u>259,540</u>	<u>685,923</u>	264.3%
Deferred Inflows	<u>66,749</u>	<u>-</u>	<u>66,749</u>	100.0%
Net Position				
Net Investment in Capital Assets	14,134,878	14,332,906	(198,028)	(1.4%)
Restricted	-	5,708	(5,708)	(100.0%)
Unrestricted	<u>93,026</u>	<u>461,551</u>	<u>(368,525)</u>	(79.8%)
Total Net Position	<u>\$ 14,227,904</u>	<u>\$ 14,800,165</u>	<u>\$ (572,261)</u>	(3.9%)

\*The 2014 amounts presented here have not been changed for the prior period adjustment discussed in Note 1.

The total assets of the College increased by \$62,211 during the fiscal year. The increase in current assets of \$262,733 consists of an increase in cash and cash equivalents of \$267,896, a decrease in receivables of \$22,647, an increase in inventory of \$2,701, and an increase in prepaid expenses of \$14,783.

A Net Pension Asset of \$1,192 was added to the financial statements as part of the implementation of Governmental Accounting Standards Board No. 68 (GASB 68) and No. 71 (GASB 71). See Note 8.

## TOOELE APPLIED TECHNOLOGY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015 (Unaudited)

The College's capital assets (net of accumulated depreciation) as of June 30, 2015 amount to \$14,145,653. The \$201,714 net decrease in capital assets is due to capitalization of \$226,202 in new assets recorded in fiscal year 2015 less depreciation of \$427,915.

Additional information on the changes in the College's capital assets can be found in Note 4 of the Notes to the Financial Statements.

Deferred Outflows of Resources of \$118,200 and Deferred Inflows of Resources of \$66,749 were added to the financial statements and are related to the GASB 68 and GASB 71 standards that were implemented this year. See Note 8.

Total liabilities of the College increased by \$685,923, or 264.3%, during the fiscal year. A net pension liability of \$695,830 was added to the financial statements due to implementing GASB 68 and GASB 71. See Note 8.

**Changes in Net Position.** The following schedule presents a summary of changes in net position for the College for the fiscal years ended June 30, 2015 and 2014.

	<u>Year Ended June 30, 2015 Amount</u>	<u>Year Ended June 30, 2014 Amount*</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 506,156	\$ 504,332	\$ 1,824	0.4%
Operating Expenses	3,847,151	3,379,728	467,423	13.8%
Operating Loss	<u>(3,340,995)</u>	<u>(2,875,396)</u>	465,599	(16.2%)
Nonoperating Revenues	3,292,443	2,802,045	490,398	17.5%
Loss Before Other Items	(48,552)	(73,351)	24,799	
Other Revenues	196,780	359,664	(162,884)	(45.3%)
Increase in Net Position	<u>148,228</u>	286,313	(138,085)	(48.2%)
Net Position – Beginning of Year	14,800,165	14,513,852	286,313	
Prior Period Adjustment	<u>(720,489)</u>	-	(720,489)	
Net Position – Beginning of Year (Restated)	14,079,676	-	-	
Net Position – End of Year	<u>\$ 14,227,904</u>	<u>\$ 14,800,165</u>	<u>\$ (572,261)</u>	

\*The 2014 amounts presented here have not been changed for the prior period adjustment discussed in Note 1.

The College experienced a net operating loss of \$3,340,995 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 2015, State appropriations of \$3,002,500 were sufficient to offset

## TOOELE APPLIED TECHNOLOGY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015 (Unaudited)

all but \$338,495 of the amount shown on the financial statements as an operating loss. The other revenues during the fiscal year are from the State of Utah Division of Facilities Construction and Management (DFCM) capital appropriations of \$68,962 and capital gifts and grants of \$127,818.

After considering nonoperating revenues and expenses, and other items, the College had an increase in net position of \$148,228.

**Revenues.** The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2015 and 2014:

<u>Revenues</u>	<u>Year Ended June 30, 2015 Amount</u>	<u>Percent of Total Revenue</u>	<u>Year Ended June 30, 2014 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Revenues:					
Student Tuition and Fees	\$ 293,958	7.4%	\$ 268,709	\$ 25,249	9.4%
Grants and Contracts	46,560	1.2%	84,107	(37,547)	(44.6%)
Corporate Training Fees	98,283	2.5%	47,532	50,751	106.8%
Sales and Services of Educational Activities	43,575	1.1%	32,014	11,561	36.1%
Bookstore Sales	13,752	0.3%	49,633	(35,881)	(72.3%)
Other Operating Revenues	10,028	0.3%	22,337	(12,309)	(55.1%)
Total Operating Revenues	506,156	12.8%	504,332	1,824	0.4%
Nonoperating Revenues:					
State Appropriations	3,002,500	75.1%	2,602,100	400,400	15.4%
Grants and Contracts	276,300	6.9%	163,800	112,500	68.7%
Gifts	7,828	0.2%	32,077	(24,249)	(75.6%)
Interest Earnings	5,815	0.1%	4,068	1,747	42.9%
Total Nonoperating Revenues	3,292,443	82.3%	2,802,045	490,398	17.5%
Other Revenues:					
Capital Appropriations - State Sources	68,962	1.7%	359,664	(290,702)	(80.8%)
Capital Gifts and Grants	127,818	3.2%	-	127,818	100.0%
Total Other Revenues	196,780	4.9%	359,664	(162,884)	(45.3%)
Total Revenues	\$ 3,995,379	100.0%	\$ 3,666,041	\$ 329,338	9.0%

The revenue comparison between fiscal year 2015 and fiscal year 2014 shows an increase in total revenues of \$329,338.

Total operating revenues increased by \$1,824 due to an increase in tuition and fees of \$25,249 and an increase in company matching contributions for corporate training of \$50,751. Bookstore sales decreased by \$35,881 as the College contracted with Utah State University for most bookstore operations. Grants and contracts decreased by \$37,547 due to a grant from the Department of Workforce Services that concluded in fiscal year 2014.

## TOOELE APPLIED TECHNOLOGY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015 (Unaudited)

Nonoperating revenue increased by \$490,398 due to an increase in state appropriations of \$400,400 granted by the Utah State Legislature to expand courses at the College and an increase in State funding for corporate training of \$112,500.

The decrease in other revenues is attributable to the construction and substantial completion of the new College building, recorded as capital appropriations in fiscal year 2013 with the remaining \$359,664 in capital appropriations recorded in fiscal year 2014. The capital appropriations for fiscal year 2015 were for two small facilities projects that totaled \$68,962. Capital gifts and grants increased by \$127,818 due primarily to a STEM grant awarded to the College to purchase new equipment.

**Expenses.** The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2015 and 2014:

<u>Expenses</u>	<u>Year Ended June 30, 2015 Amount</u>	<u>Percent of Total Expense</u>	<u>Year Ended June 30, 2014 Amount*</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Expenses:					
Cost of Goods Sold	\$ 15,166	0.4%	\$ 36,809	\$ (21,643)	(58.8%)
Salaries and Wages	1,841,516	47.9%	1,542,054	299,462	19.4%
Employee Benefits	529,038	13.8%	659,695	(130,657)	(19.8%)
Actuarial Calculated Pension Expense	133,813	3.5%	-	133,813	100.0%
Services and Supplies	461,448	12.0%	410,068	51,380	12.5%
Operating Leases	23,024	0.6%	18,000	5,024	27.9%
Depreciation	427,915	11.1%	382,350	45,565	11.9%
Non-Capitalized Equipment Purchases	171,311	4.5%	99,662	71,649	71.9%
Utilities and Maintenance	156,428	4.1%	152,037	4,391	2.9%
Other Operating Expenses	87,492	2.3%	79,053	8,439	10.7%
<b>Total Operating Expenses</b>	<b>\$ 3,847,151</b>	<b>100.0%</b>	<b>\$ 3,379,728</b>	<b>\$ 467,423</b>	<b>13.8%</b>

\*The 2014 amounts presented here have not been changed for the prior period adjustment discussed in Note 1.

Total operating expenses for the year were \$467,423 higher than the prior year. Salaries and wages increased by \$299,462 due to the hiring of new faculty and staff along with merit increases for existing employees. Employee benefits decreased by \$130,657 as a result of a \$211,115 adjustment made by the Utah Retirement Systems (Systems) as part of implementing GASB 68 and GASB 71. In addition, employee benefits increased by \$80,458 as a result of new employees, a 4.9% increase in health insurance costs, as well as the Systems' rate increases. An additional actuarial calculated pension expense of \$133,813 was added to the financial statements as a result of the GASB 68 and GASB 71 standards. Services and supplies expenses increased by \$51,380, mostly due to contracted corporate training costs associated with the increase in state funding for corporate training. Operating leases increased by \$5,024 due to additional equipment leases. Non-capitalized equipment purchases, the cost of which was below the capitalization level of \$5,000 for an individual asset, increased by \$71,649 due to equipment and furniture costs for new and

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2015 (Unaudited)**

existing programs. Utilities and maintenance expenses increased by \$4,391. Depreciation increased by \$45,565 because of depreciation on building improvements and new equipment.

### **State Economic Outlook**

Utah's economy continues to be one of the strongest in the country and stands out among a handful of states that are leading the nation in job growth. The College continues to focus on growth recognizing that this may be more difficult as individuals enter the workforce instead of attending college.

### **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, 2015

<b>Assets</b>	
Current Assets	
Cash and Cash Equivalents (Note 2)	\$ 910,515
Accounts Receivable, net (Note 3)	
From Primary Government	20,331
From Others	23,720
Inventory (Note 1)	5,722
Prepaid Expense	14,783
Total Current Assets	<u>975,071</u>
Noncurrent Assets	
Net Pension Asset (Note 8)	1,192
Capital Assets	
Buildings (Note 4)	14,573,558
Equipment (Note 4)	589,799
Less Accumulated Depreciation (Note 4)	<u>(1,017,704)</u>
Total Noncurrent Assets	<u>14,146,845</u>
Total Assets	<u>15,121,916</u>
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions (Note 8)	118,200
Total Deferred Outflows of Resources	<u>118,200</u>
<b>Liabilities</b>	
Current Liabilities	
Accounts Payable (Note 3)	
To Primary Government	69,890
To Others	3,093
Salaries and Benefits Payable	16,871
Accrued Leave Payable (Note 6)	69,124
Termination Benefits Payable (Notes 6 and 9)	10,891
Capital Leases Payable (Notes 5 and 6)	3,935
Total Current Liabilities	<u>173,804</u>
Noncurrent Liabilities	
Accrued Leave Payable (Note 6)	17,335
Termination Benefits Payable (Notes 6 and 9)	51,654
Capital Leases Payable (Notes 5 and 6)	6,840
Net Pension Liability (Notes 6 and 8)	695,830
Total Noncurrent Liabilities	<u>771,659</u>
Total Liabilities	<u>945,463</u>
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions (Note 8)	66,749
Total Deferred Inflows of Resources	<u>66,749</u>
<b>Net Position</b>	
Net Investment in Capital Assets	14,134,878
Unrestricted	<u>93,026</u>
Total Net Position	<u>\$ 14,227,904</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, 2015

### Operating Revenues

Student Tuition and Fees (Net of Allowance of \$17,338)	\$ 293,958
Grants and Contracts	46,560
Corporate Training Fees	98,283
Sales and Services of Educational Activities	43,575
Bookstore Sales	13,752
Other Operating Revenues	10,028
Total Operating Revenues	<u>506,156</u>

### Operating Expenses

Cost of Goods Sold	15,166
Salaries and Wages	1,841,516
Employee Benefits	529,038
Actuarial Calculated Pension Expense (Note 8)	133,813
Services and Supplies	461,448
Operating Leases (Note 7)	23,024
Depreciation	427,915
Non-Capitalized Equipment Purchases	171,311
Utilities and Maintenance	156,428
Other Operating Expenses	87,492
Total Operating Expenses	<u>3,847,151</u>
Operating Loss	<u>(3,340,995)</u>

### Nonoperating Revenues

State Appropriations	3,002,500
Grants and Contracts	276,300
Gifts	7,828
Interest Earnings	5,815
Total Nonoperating Revenues	<u>3,292,443</u>
Decrease in Net Position Before Other Revenues	(48,552)

### Other Revenues

Capital Appropriations	68,962
Capital Gifts and Grants	127,818
Total Other Revenues	<u>196,780</u>
Increase in Net Position	<u>148,228</u>

Net Position – Beginning of Year	14,800,165
Prior Period Adjustment (Note 1)	(720,489)
Net Position – Beginning of Year (Restated)	<u>14,079,676</u>
Net Position – End of Year	<u>\$ 14,227,904</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, 2015

<b>Cash Flows from Operating Activities</b>	
Receipts from Tuition and Fees	\$ 290,237
Receipts from Grants and Contracts	59,430
Receipts from Bookstore Sales	13,752
Receipts from Sales and Services of Educational Activities	141,858
Receipts from Other Operating Activities	10,028
Payments to Employees for Salaries and Benefits	(2,583,602)
Payments to Students and Suppliers	<u>(923,143)</u>
Net Cash Provided (Used) by Operating Activities	<u>(2,991,440)</u>
 <b>Cash Flows from Noncapital Financing Activities</b>	
Receipts from Grants and Contracts	276,300
Receipts from State Appropriations	3,002,500
Receipts from Gifts for Other than Capital Purposes	<u>7,828</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>3,286,628</u>
 <b>Cash Flows from Capital and Related Financing Activities</b>	
Receipts from Gifts for Capital Purposes	89,229
Purchase of Capital Assets	(118,650)
Repayments of Capital Leases	<u>(3,686)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(33,107)</u>
 <b>Cash Flows from Investing Activities</b>	
Receipt of Interest on Investments	<u>5,815</u>
Net Cash Provided (Used) by Investing Activities	<u>5,815</u>
Net Increase (Decrease) in Cash and Cash Equivalents	267,896
 <b>Cash and Cash Equivalents – Beginning of Year</b>	 <u>642,619</u>
<b>Cash and Cash Equivalents – End of Year</b>	<b><u>\$ 910,515</u></b>

(continued on next page)

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2015

(continued)

<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Operating Loss	\$ (3,340,995)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	427,915
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources	
(Increase) Decrease in Accounts Receivable	9,149
(Increase) Decrease in Inventories	(2,701)
(Increase) Decrease in Prepaid Expenses	(1,285)
Increase (Decrease) in Accounts Payable	(4,288)
Increase (Decrease) in Accrued Liabilities	(1,933)
Increase (Decrease) in Pension Liabilities	<u>(77,302)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (2,991,440)</u></u>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Noncash Capital Appropriations	\$ 68,962
Noncash Capital Gifts	<u>33,590</u>
Total Noncash Investing, Capital, and Financing Activities	<u><u>\$ 102,552</u></u>

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

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 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 12.

#### Measurement Focus and Basis of Accounting

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

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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 THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

### Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (Systems) Pension Plan and additions to/deductions from the Systems' fiduciary net position are now determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are now recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

### Adjustment to Beginning Net Position

Effective July 1, 2014, the College implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result, beginning net position was reduced by \$720,489. This reduction reflects the College's \$800,289 share of the beginning net pension liability in the Noncontributory and Contributory Systems, less \$79,800 in deferred outflows of resources relating to pensions.

## NOTE 2. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the Money Management Act (the Act) that relate to the deposit and investment of public funds.

The College follows the requirements of the 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 Money Management Council.

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### ***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, 2015, the College's bank balance of \$95,580 was all insured.

#### ***Investments***

The 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.

The Act authorizes the College to invest in negotiable or non-negotiable 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), and Federal National Mortgage Association (Fannie 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 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 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.

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

As of June 30, 2015, the College had \$850,436 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 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. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 10 years. 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 Act, as previously discussed. The College's investments in the PTIF at June 30, 2015 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, as applicable. 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.

### NOTE 3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable at June 30, 2015 consist of amounts due from the State of Utah 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 \$2,036. See chart below for a breakout of receivables:

## TOOELE APPLIED TECHNOLOGY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Amounts Due from Primary Government	\$ 20,331
Total Due from Primary Government	\$ 20,331
Amounts Due from Others:	
Other Receivables - Tuition, Misc.	\$ 25,756
Less Allowance for Doubtful Accounts	(2,036)
Total Due from Others	\$ 23,720

The following schedule presents the accounts payable of the College as of June 30, 2015:

Amounts Due to Primary Government for:	
Supplies and Contracted Services	\$ 69,890
Total Due to Primary Government	\$ 69,890
Amounts Due to Others:	
Vendors for Supplies and Services	\$ 3,093
Total Due to Others	\$ 3,093

#### 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, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Buildings	\$ 14,504,596	\$ 68,962	\$ -	\$ 14,573,558
Equipment	432,560	157,239	-	589,799
Total	14,937,156	226,201	-	15,163,357
Less Accumulated Depreciation:				
Buildings	383,714	363,908	-	747,622
Equipment	206,075	64,007	-	270,082
Total Accumulated Depreciation	589,789	427,915	-	1,017,704
Net Capital Assets	\$ 14,347,367	\$ (201,714)	\$ -	\$ 14,145,653

## TOOELE APPLIED TECHNOLOGY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

#### 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 \$9,370, respectively, as of June 30, 2015. The future minimum lease payments for all capital leases as of June 30, 2015, were as follows:

<u>Fiscal Year</u>	<u>Total</u>
2016	\$ 4,546
2017	4,546
2018	<u>2,719</u>
Total Capital Leases	11,811
Amount representing interest	<u>(1,036)</u>
Present value of future minimum lease payments	<u><u>\$ 10,775</u></u>

#### NOTE 6. LONG-TERM LIABILITIES

The following is a summary of the changes to the College's long-term liabilities during the fiscal year ended June 30, 2015.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued Leave Payable	\$ 81,014	\$ 87,730	\$ 82,285	\$ 86,459	\$ 69,124
Termination Benefits Payable	73,222	-	10,677	62,545	10,891
Capital Leases Payable	14,461	-	3,686	10,775	3,935
Net Pension Liability *	800,289	-	104,459	695,830	-
Total Long-term Liabilities	<u>\$ 968,986</u>	<u>\$ 87,730</u>	<u>\$ 201,107</u>	<u>\$ 855,609</u>	<u>\$ 83,950</u>

\*See Note 1 "Adjustment to Beginning Net Position"

#### NOTE 7. OPERATING LEASES

During the year the College had operating leases for equipment and 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, 2015, operating lease expenses totaled \$23,024. The future lease payments are as follows:

<u>Fiscal Year</u>	<u>Amount</u>
2016	\$ 24,733
Total Future Operating Leases	<u><u>\$ 24,733</u></u>

# TOOELE APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### NOTE 8. RETIREMENT PLANS

#### Defined Benefit Plans

*Plan description:* As required by State law, eligible employees of the College are covered by defined benefit pension plans sponsored by the Utah Retirement Systems (Systems). Eligible plan participants are provided with pensions through the following pension trust funds, which are cost-sharing, multiple-employer, public employee retirement systems:

- Public Employees Noncontributory Retirement System (Noncontributory System)
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System)

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011 who have no previous service credit with any of the Systems are members of the Tier 2 Public Employees System.

The Systems provide refunds, retirement benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries in accordance with the retirement statutes. The Systems are established and governed by the respective sections of Title 49 of the *Utah Code*. The Utah Retirement Office Act in Title 49 provides for the administration of the Systems and plans under the direction of the Utah State Retirement Board (URS Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102, by calling 1-800-365-8772, or by visiting the website at [www.urs.org](http://www.urs.org).

#### *Summary of Benefits by System:*

System	Final Average Salary	Years of service required and or age eligible for benefit	Benefit percent per year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

\* With actuarial reductions

\*\* All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

## TOOELE APPLIED TECHNOLOGY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

*Contributions:* As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

	<b>Employee Paid</b>	<b>Paid by Employer for Employee</b>	<b>Employer Contribution Rates</b>
Noncontributory System			
16 - State and School Division Tier 1	N/A	N/A	22.19%
Contributory System			
112 - State and School Division Tier 2	N/A	N/A	18.27%

At December 31, 2014, the College reported a net pension asset of \$1,192 and a net pension liability of \$695,830.

	<b>Proportionate Share</b>	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>
Noncontributory System	0.0276944%	\$ 0	\$ 695,830
Tier 2 Public Employees System	0.0393419%	1,192	0
Total Net Pension Asset/Liability		\$ 1,192	\$ 695,830

The net pension asset and liability were measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending 2014.

For the year ended December 31, 2014, pension expense of \$133,813 was recorded. At December 31, 2014, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 0	\$ 43,150
Changes in assumptions	0	23,599
Net difference between projected and actual earnings on pension plan investments	12,139	0
Changes in proportion and differences between contributions and proportionate share of contributions	0	0
Contributions subsequent to the measurement date	106,061	0
Total	\$ 118,200	\$ 66,749

# TOOELE APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Contributions made between January 1, 2015 and June 30, 2015 of \$106,061 are reported as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Deferred Outflows (Inflows) of Resources
2015	(\$13,913)
2016	(\$13,913)
2017	(\$13,913)
2018	(\$11,569)
2019	(\$209)
Thereafter	(\$1,093)

*Actuarial assumptions:* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary increases	3.50 – 10.75 percent, average, including inflation
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

### **Retired Member Mortality**

Class of Member

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#### **Educators**

Men EDUM (90%)

Women EDUF (100%)

---

#### **Public Safety and Firefighters**

Men RP 2000mWC (100%)

Women EFUF (120%)

---

#### **Local Government, Public Employees**

Men RP 2000mWC (100%)

Women EDUF (120%)

EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage

EDUF = Constructed mortality table based on actual experience of female educators multiplied by given percentage

RP 2000mWC = RP 2000 Combined mortality table for males with white collar adjustments multiplied by given percentage

---

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the five-year period of January 1, 2008 to December 31, 2013.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for

# TOOELE APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Expected Return Arithmetic Basis			
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term expected portfolio real rate of return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.75%
	Expected arithmetic nominal return		7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

*Discount rate:* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Detailed information about the pension plan's fiduciary net position is available in the separately issued URS financial report.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as, what the proportionate share would be if calculated using a discount rate that is one percentage point lower or one percentage higher than the current rate:

## **TOOELE APPLIED TECHNOLOGY COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

#### **Proportionate Share of Net Pension (Asset)/Liability**

	<b>1% Decrease (6.50%)</b>	<b>Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Noncontributory System	\$ 1,386,326	\$ 695,830	\$ 117,538
Tier 2 Public Employees System	8,768	(1,192)	(8,703)
Total	<u>\$ 1,395,094</u>	<u>\$ 694,638</u>	<u>\$ 108,835</u>

#### **Defined Contribution Plans**

The College participates in an IRS 401(k) defined contribution plan as administered by the Utah Retirement Systems. As summarized above, the College is required by statute to contribute 1.5% of eligible employees' salaries for employees in the Tier 1 Noncontributory plan, 1.78% for employees in the Tier 2 Hybrid Contributory plan, and 10% for employees in the Tier 2 Defined Contribution plan. During the year ended June 30, 2015, College contributions totaled \$24,723. Under certain IRS and plan restrictions, employees can make additional contributions. Employee contributions for the same period totaled \$51,039. 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 employees' salaries, which totaled \$92,897 for the year ended June 30, 2015, into their respective Utah Retirement System 401(k) accounts in place of the Employer's Social Security contribution.

#### **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

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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, 2015, 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, 2015, the College contributed \$64,115 to the plan and employees made voluntary contributions to the plan of \$700.

### 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 0.50% and an inflationary factor of 3.23% 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. RELATED PARTIES

In November 2011, the College entered into a 99-year lease agreement with Utah State University (USU) for the land on which the main campus building was built. The lease does not convey ownership of the land to the College at the end of the lease term, and the College does not have the option to purchase the land at the end of the lease term.

In June 2014, the College entered into an agreement with USU, subject to an annual renewal, for bookstore operations. The bookstore is located in the College's main campus building but is operated by USU. The distribution of profits or losses are allocated at 60% to USU and 40% to the College. The bookstore agreement was not renewed for fiscal year 2016. Starting July 1, 2015, the College operates its own bookstore in the same location on its main campus.

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### NOTE 12. 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. 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 blended component unit of the College and is presented in the College's financial statements.

The following are the Foundation's condensed financial statements for the fiscal year.

<b>Statement of Net Position</b>	
<b>June 30, 2015</b>	
<b>ASSETS</b>	
Current Assets	
Cash	\$ -
Pledge Receivable	-
Total Current Assets	-
Noncurrent Assets	-
<b>Total Assets</b>	<b>-</b>
<b>LIABILITIES</b>	
Checks Written in Excess of Cash Balance	589
<b>Total Liabilities</b>	<b>589</b>
<b>NET POSITION</b>	
Restricted	-
Unrestricted	(589)
<b>Total Net Position</b>	<b>\$ (589)</b>

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

<b>Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2015</b>	
<b>OPERATING REVENUES</b>	
Gifts	\$ 51,176
Fund Raisers	-
<b>Total Operating Revenues</b>	<u>51,176</u>
<b>OPERATING EXPENSES</b>	
Scholarships	6,404
Capital Donations to College	49,757
Other Expenses	1,312
<b>Total Operating Expenses</b>	<u>57,473</u>
<b>Operating Loss</b>	<u>(6,297)</u>
<b>NET POSITION</b>	
Change in Net Position	(6,297)
Net Position – Beginning of Year	5,708
Net Position – End of Year	<u>\$ (589)</u>

<b>Statement of Cash Flows For the Year Ended June 30, 2015</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received through contributions and fund raisers	\$ 12,586
Cash payments for operations	(1,312)
Cash payments for scholarships	(6,404)
Cash payments for capital donations	(11,167)
Net Cash Provided (Used) by Operating Activities	<u>(6,297)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(6,297)
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u>5,708</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ (589)</u>

# **TOOELE APPLIED TECHNOLOGY COLLEGE**

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

### Schedule of Tooele Applied Technology College's Proportionate Share of the Net Pension Liability Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems December 31, 2014

	<b>Noncontributory System</b>	<b>Tier 2 Public Employees System</b>
Proportion of Net Pension Liability (Asset)	0.00276944%	0.0393419%
Proportionate Share of Net Pension Liability (Asset)	\$695,830	(\$ 1,192)
Covered Employee Payroll	\$670,725	\$ 192,654
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	103.7%	(0.6%)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.2%	103.5%

Note: The College implemented GASB Statements No. 68 and 71 in fiscal year 2015. Information on the College's portion of the plans' net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

# TOOELE APPLIED TECHNOLOGY COLLEGE

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

### Schedule of Tooele Applied Technology College's Contributions Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems Last 7 Fiscal Years \*

<b>Noncontributory System</b>	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$196,872	\$139,578	\$95,985	\$73,773	\$93,544	\$63,826	\$132,308
Contribution in Relation to the Contractually Required Contribution	\$196,872	\$139,578	\$95,985	\$73,733	\$93,544	\$63,826	\$132,308
Contribution Deficiency (Excess)	-	-	-	-	-	-	-
Covered Employee Payroll	\$767,525	\$581,750	\$474,607	\$437,561	\$500,645	\$448,846	\$930,436
Contributions as a Percentage of Covered-Employee Payroll	25.65%	23.99%	20.22%	16.86%	18.69%	14.22%	14.22%
<b>Tier 2 Public Employees System ***</b>	2015	2014	2013	2012	2011**	2010**	2009**
Contractually Required Contribution	\$13,565	\$17,561	\$8,818	\$3,776			
Contribution in Relation to the Contractually Required Contribution	\$13,565	\$17,561	\$8,818	\$3,776			
Contribution Deficiency (Excess)	-	-	-	-			
Covered Employee Payroll	\$162,846	\$206,597	\$103,012	\$49,750			
Contributions as a Percentage of Covered-Employee Payroll	8.33%	8.50%	8.56%	7.59%			

\* The College was established on July 1, 2009.

\*\* The Tier 2 Public Employees System began enrollments in fiscal year 2012. Prior to the implementation of GASB Statements No. 68 and 71, Tier 2 information was not separately available.

\*\*\* For employees participating in the Tier 2 Public Employees System, the College is required to contribute 18.27% of the employee's salary to the Systems. The College makes the required contributions by paying approximately 8% into the Tier 2 System while the remainder is contributed to the Tier 1 System as required by law. The amounts reported here reflect the contributions to the Tier 2 System rather than the total required.



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  
Scott Snelson, Campus President  
Tooele Applied Technology College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Tooele Applied Technology College (the College), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated February 18, 2016.

**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

February 18, 2016