

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

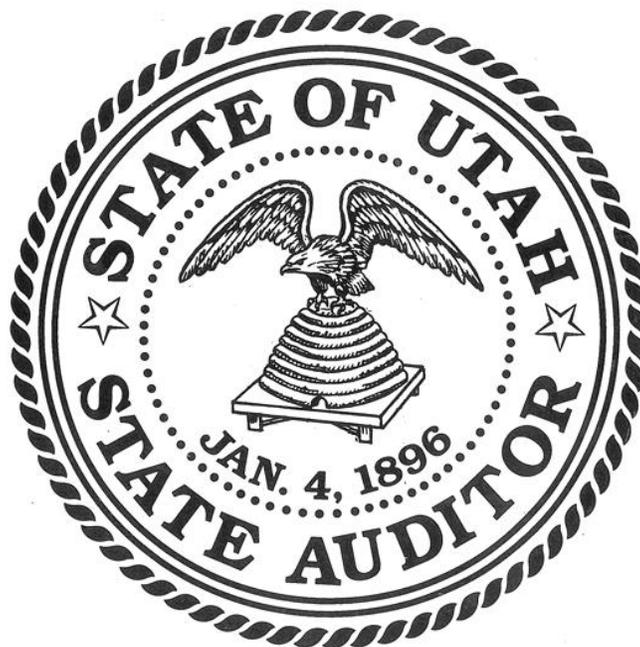
A Regional College within the  
Utah College of Applied Technology,  
A Component Unit of the State of Utah

---

Annual Financial Report  
and  
Government Auditing Standards Report  
For the Year Ended June 30, 2016

---

Report No. 16-04



OFFICE OF THE  
UTAH STATE AUDITOR

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

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

---

Annual Financial Report  
and  
Government Auditing Standards Report  
For the Year Ended June 30, 2016

---

Report No. 16-04

**AUDIT LEADERSHIP:**

Bertha Lui, CPA, Audit Supervisor  
Travis Kartchner, CPA, Audit Senior

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2016

### **TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT STATE AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS:	
Statement of Net Position	10
Statement of Revenues, Expenses, and Changes in Net Position	11
Statement of Cash Flows	12
Notes to the Financial Statements	13
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Ogden-Weber ATC's Proportionate Share of the Net Pension Liability	29
Schedule of Ogden-Weber ATC's Contributions	30
Notes to Pension Schedules	31
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 <i>GOVERNMENT AUDITING STANDARDS</i>	32



OFFICE OF THE  
**UTAH STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Ogden-Weber Applied Technology College (College), and its discretely presented component unit foundation, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's financial statements, as listed in the table of contents. The College is a regional college within the Utah College of Applied Technology (UCAT) which is a component unit of the State of Utah.

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

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

***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We 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. We did not audit the financial statements of the Ogden-Weber Applied Technology College Foundation (Foundation), a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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 opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented Foundation, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

As discussed in Note 1, the financial statements present only the Ogden-Weber Applied Technology College and do not purport to, and do not, present fairly the financial position of UCAT as of June 30, 2016, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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 9 and the schedules of proportionate share and contributions on pages 29 through 31 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 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  
August 16, 2016

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

As management of the Ogden-Weber Applied Technology College (College), we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2016.

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

### **Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements comprise four components: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

**Statement of Net Position.** The Statement of Net Position provides information on the College's assets, deferred outflows, liabilities, and deferred inflows 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 both about the operating performance of the College and the effects of nonoperating transactions and events that change the amount of net position of the College. The information in this statement, together with information in the Statement of Net Position, the Statement of Cash Flows, and accompanying notes, should assist users of the College's financial statements in evaluating the College's performance during the fiscal year and how well management has discharged their stewardship responsibilities and other aspects of their duties.

**Statement of Cash Flows.** The Statement of Cash Flows provides information about the cash receipts and cash payments of the College during the fiscal year. When used with related disclosures and information in other financial statements, a statement of cash flows should help financial statement report users assess the College's ability to generate future net cash flows; its ability to meet its obligations as they come due; the reasons for differences between operating income and the associated cash receipts and payments; and the effects on the College's financial position of both its cash and noncash investing, capital, and financing transactions during the fiscal year.

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

**Notes to the Financial Statements.** The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

### **Financial Analysis**

**Assets, Liabilities, and Net Position.** The following schedule presents a summary of the College's assets, liabilities, and net position as of June 30, 2016 and 2015:

#### **Condensed Statement of Net Position**

	<b>Year Ended June 30, 2016 Amount</b>	<b>Year Ended June 30, 2015 Amount</b>	<b>Amount of Change</b>	<b>Percent Change</b>
<b>Assets</b>				
Current Assets	\$ 4,823,482	\$ 4,903,451	\$ (79,969)	(1.63%)
Noncurrent Assets				
Net Pension Asset	36	619	(583)	(94.18%)
Capital Assets, Net	33,860,663	33,469,292	391,371	1.17%
<b>Total Assets</b>	<b>38,684,181</b>	<b>38,373,362</b>	<b>310,819</b>	<b>.81%</b>
<b>Deferred Outflows of Resources</b>	<b>1,678,931</b>	<b>496,130</b>	<b>1,182,801</b>	<b>238.41%</b>
<b>Liabilities</b>				
Current Liabilities	553,668	660,853	(107,185)	(16.22%)
Noncurrent Liabilities	4,805,221	3,733,385	1,071,836	28.71%
<b>Total Liabilities</b>	<b>5,358,889</b>	<b>4,394,238</b>	<b>964,651</b>	<b>21.95%</b>
<b>Deferred Inflows of Resources</b>	<b>418,787</b>	<b>306,140</b>	<b>112,647</b>	<b>36.80%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	33,860,663	33,464,274	396,389	1.18%
Unrestricted	724,773	704,840	19,933	2.83%
<b>Total Net Position</b>	<b>\$ 34,585,436</b>	<b>\$ 34,169,114</b>	<b>\$ 416,322</b>	<b>1.22%</b>

Total assets of the College increased by \$310,819, or .81%, during the fiscal year. The decrease in current assets of \$79,969 consists of an increase in cash and cash equivalents of \$202,275 due to timing of transfers into the checking account; a decrease in receivables of \$182,516 due to receiving payments on invoiced items; a decrease in prepaid expenses of \$110,436 due to the elimination of the required one-month prepaid premium by our health care provider; and increases in inventory balances totaling \$10,708 at the College Store, and cosmetology and culinary arts programs.

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

The College's capital assets as of June 30, 2016 amount to \$33,860,663 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and equipment. After taking into consideration disposal of assets due to obsolete equipment and software (\$182,513), a change in accumulated depreciation of \$1,607,886, new equipment purchases of \$1,007,468 and site improvements of \$1,174,302 at the BDO campus, there was a net increase in capital assets of \$391,371. 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 are derived from information provided by the Utah Retirement System (URS) as outlined by GASB 68. The increase of \$1,182,801 represents contributions made by the College to URS subsequent to their measurement date on December 31, 2015 and the net difference between projected and actual earnings on pension plan investments. See Note 8 for additional information.

Total liabilities of the College increased by \$964,651, or 22%, during the fiscal year. Current Liabilities decreased by \$107,185 due to decreases in the vacation liability and unearned revenue. Noncurrent liabilities increased by \$1,071,836 due to increases in the net pension liability and the sick leave liability. The net pension liability is provided by URS and is based on estimates derived from their actuarial calculation.

Deferred inflows are derived from information provided by URS as outlined by GASB 68. The increase of \$112,647 represents the differences between expected and actual investments by the plans participants and changes in assumptions used by the actuaries. See Note 8 for additional information.

**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, 2016 and 2015.

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

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

	<b>Year Ended June 30, 2016 Amount</b>	<b>Year Ended June 30, 2015 Amount</b>	<b>Amount of Change</b>	<b>Percent Change</b>
Operating Revenues	\$ 4,678,361	\$ 4,660,904	\$ 17,457	.37%
Operating Expenses	20,905,156	21,265,948	(360,792)	(1.70%)
Operating Income (Loss)	(16,226,795)	(16,605,044)	378,249	2.28%
Nonoperating Revenues	14,858,589	14,629,386	229,203	1.57%
Income (Loss) Before Other Items	(1,368,206)	(1,975,658)	607,452	30.75%
Other Revenues and Expenses	1,784,528	1,049,776	734,752	69.99%
Increase (Decrease) in Net Position	416,322	(925,882)	1,342,204	144.96%
Net Position – Beginning of Year	34,169,114	38,470,099	(4,300,985)	(11.18%)
Prior Period Adjustment	-	(3,375,103)	3,375,103	100.00%
Net Position – Beginning of Year (as adjusted)	34,169,114	35,094,996	(925,882)	(2.64%)
Net Position – End of Year	\$ 34,585,436	\$ 34,169,114	\$ 416,322	1.22%

The College experienced a net operating loss of \$16,226,795 during the fiscal year. The College is a State institution and receives a majority of its funding from State appropriations. These appropriations are classified in the financial statements as nonoperating revenues. The State appropriation is anticipated as a means of covering a majority of the costs of operating the College. During fiscal year 2016, the State appropriation of \$12,995,602 was sufficient to offset all but \$3,231,193 of the amount shown on the financial statements as an operating loss. The remaining nonoperating revenues and other revenues of the College consisted mostly of Federal Grants of \$1,438,293, Foundation gifts of \$500,225, and State of Utah Division of Facilities Construction and Management (DFCM) capital appropriations of \$1,631,794.

After considering nonoperating revenues and expenses and other items, the College had an increase in net position of \$416,322.

## OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

**Revenues.** The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2016 and 2015:

	Year Ended June 30, 2016 Amount	Percent of Total Revenue	Year Ended June 30, 2015 Amount	Amount of Change	Percent Change
<b>Operating Revenues</b>					
Student Tuition and Fees	\$ 1,599,235	7.50%	\$ 1,511,954	\$ 87,281	5.77%
Federal Grants and Contracts	751,954	3.53%	645,846	106,108	16.43%
State and Local Grants and Contracts	540,821	2.54%	655,904	(115,083)	(17.55%)
Sales and Services of Educational Activities	947,922	4.45%	865,500	82,422	9.52%
Auxiliary Enterprises	838,429	3.93%	981,700	(143,271)	(14.59%)
Other Operating Revenues	-	.00%	-	-	
<b>Total Operating Revenues</b>	<b>4,678,361</b>	<b>21.94%</b>	<b>4,660,904</b>	<b>17,457</b>	<b>.37%</b>
<b>Nonoperating Revenues</b>					
State Appropriations	12,995,602	60.95%	12,754,200	241,402	1.89%
Federal Grants and Contracts	1,438,293	6.75%	1,479,479	(41,186)	(2.78%)
State and Local Grants and Contracts	35,337	.17%	46,516	(11,179)	(24.03%)
Gifts and Donations	347,491	1.63%	274,038	73,453	26.80%
Investment Income	41,934	.20%	26,793	15,141	56.51%
Loss on Sale of Capital Assets	(68)	(.00%)	48,360	(48,428)	(100.14%)
<b>Total Nonoperating Revenues</b>	<b>14,858,589</b>	<b>69.69%</b>	<b>14,629,386</b>	<b>229,203</b>	<b>1.57%</b>
<b>Other Revenues</b>					
Capital Appropriations	1,631,794	7.65%	1,018,092	613,702	60.28%
Capital Gifts	152,734	.72%	31,684	121,050	382.05%
<b>Total Other Revenues</b>	<b>1,784,528</b>	<b>8.37%</b>	<b>1,049,776</b>	<b>734,752</b>	<b>69.99%</b>
<b>Total Revenues</b>	<b>\$21,321,478</b>	<b>100.00%</b>	<b>\$20,340,066</b>	<b>\$ 981,412</b>	<b>4.83%</b>

The revenue comparison between fiscal year 2016 and fiscal year 2015 shows an increase in total revenues of \$981,412.

Operating revenues increased by \$17,457 from last year. Tuition and Fee revenue increased by \$87,281 due to a 1.4% increase in membership hours. Federal Grants and Contracts increased by \$106,108 due primarily to increases in funding from the Youth Build grant. State Grants and Contracts decreased by \$115,083 due to a decrease in funding from the hearing impaired and UCAP grants. Sales and Services of Educational Activities increased by \$82,422 due to an increase in sales of the College's Culinary Arts and Custom Fit programs. Finally, the Auxiliary Enterprises revenue decreased by \$143,271 due to decreased bookstore, copy services, and public auction sales.

Nonoperating revenue increased by \$229,203. State appropriations increased by \$241,402 as a result of new funding granted by the Utah State Legislature. Federal Grants and Contracts

## OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

decreased by \$41,186, most of which was due to a decrease in Pell grants awarded. In addition, the Gain on Sale of Capital Assets in 2015 resulted in a negative variance of \$48,428 in 2016. Gift and donations revenue increased by \$73,453 as a result of additional Foundation pledges. Investment income increased by \$15,141 due to the increase in interest rates. All other changes in nonoperating revenue were insignificant.

The increases in other revenue are attributable to timing of DFCM capital improvement projects and capital gifts received through the Foundation to purchase equipment for the health technology building and the trades program. Capital appropriations funding increased by \$613,702 due to DFCM transferring more projects to the College than in the prior year.

**Expenses.** The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2016 and 2015:

	<b>Year Ended June 30, 2016 Amount</b>	<b>Percent of Total Expense</b>	<b>Year Ended June 30, 2015 Amount</b>	<b>Amount of Change</b>	<b>Percent Change</b>
<b>Operating Expenses</b>					
Cost of Goods Sold	\$ 830,263	3.97%	\$ 826,491	\$ 3,772	.46%
Salaries and Wages	8,876,268	42.46%	8,420,702	455,566	5.41%
Employee Benefits	2,684,248	12.84%	2,529,644	154,604	6.11%
Actuarial Calculated Pension Expense	870,132	4.16%	632,073	238,059	37.66%
General	4,364,486	20.88%	5,450,382	(1,085,896)	(19.92%)
Financial Aid	945,714	4.52%	950,118	(4,404)	(.46%)
Non-capitalized Equipment Purchases	453,152	2.17%	460,629	(7,477)	(1.62%)
Travel	95,280	.46%	92,710	2,570	2.77%
Depreciation	1,785,613	8.54%	1,903,199	(117,586)	(6.18%)
<b>Total Operating Expenses</b>	<b>\$ 20,905,156</b>	<b>100.00%</b>	<b>\$ 21,265,948</b>	<b>\$ (360,792)</b>	<b>(1.70%)</b>

Total operating expenses for the year were \$360,792 lower than the prior year. Salaries and wages increased by \$455,566 due to cost-of-living increases in compensation, several payouts in connection with terminations, and the addition of program offerings requiring more faculty and staff. Employee benefits expense increased by \$154,604 due to an increase in health insurance costs and the hiring of new staff. As derived from information provided by the Utah Retirement System (URS) the Actuarial Calculated Pension Expense increased by \$238,059. General expense decreased by \$1,085,896 due to DFCM and miscellaneous projects that were capitalized during the current fiscal year as opposed to being expensed in the previous year. Depreciation expense decreased by \$117,586 due to a number of assets becoming fully depreciated during the fiscal year.

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

### **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. Despite this growth, companies looking to expand often are unable to find enough employees with the appropriate skills needed for employment. The College has the ability to provide the training needed to address this gap and will do all it can despite receiving only a modest amount of funding by the Utah State Legislature to expand programs.

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

### **Requests for Information**

This financial report is designed to provide a general overview of the College's finances and to show the College's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Services Office, Ogden-Weber Applied Technology College, 200 North Washington Blvd., Ogden, Utah 84404.

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

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## STATEMENT OF NET POSITION JUNE 30, 2016

	College	Foundation
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents (Notes 1 and 2)	\$ 4,001,446	\$ 9,321
Investments (Notes 1 and 2)	-	1,443,992
Pledge Receivable, net	-	34,215
Accounts Receivable, net (Note 3)		
Related Party	74,218	-
Other	473,841	-
Prepaid Expenses	11,017	-
Inventories (Note 1)	262,960	-
<b>Total Current Assets</b>	4,823,482	1,487,528
<b>Noncurrent Assets</b>		
Net Pension Asset (Note 8)	36	-
Land (Notes 1 and 4)	203,128	-
Buildings (Notes 1 and 4)	43,655,860	-
Improvements (Notes 1 and 4)	7,703,000	-
Equipment (Notes 1 and 4)	7,129,563	-
Less Accumulated Depreciation (Notes 1 and 4)	(24,830,888)	-
<b>Total Noncurrent Assets</b>	33,860,699	-
<b>Total Assets</b>	38,684,181	1,487,528
<b>Deferred Outflows of Resources</b>		
Deferred Outflows Relating to Pensions (Note 8)	1,678,931	-
<b>Total Deferred Outflows of Resources</b>	1,678,931	-
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts Payable (Note 3)		
Related Party	-	8,595
Other	89,633	-
Unearned Revenue	268,397	-
Accrued Sick Leave (Notes 6 and 11)	48,041	-
Accrued Compensated Absences (Notes 6 and 10)	147,597	-
<b>Total Current Liabilities</b>	553,668	8,595
<b>Noncurrent Liabilities</b>		
Net Pension Liability (Note 8)	4,408,015	-
Accrued Sick Leave (Notes 6 and 11)	97,538	-
Accrued Compensated Absences (Notes 6 and 10)	299,668	-
<b>Total Noncurrent Liabilities</b>	4,805,221	-
<b>Total Liabilities</b>	5,358,889	8,595
<b>Deferred Inflows of Resources</b>		
Deferred Inflows Relating to Pensions (Note 8)	418,787	-
<b>Total Deferred Inflows of Resources</b>	418,787	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	33,860,663	-
Restricted for		
Nonexpendable		
Scholarship Endowments	-	381,281
Expendable		
Scholarships - Health Building	-	362,675
Unrestricted	724,773	734,977
<b>Total Net Position</b>	\$ 34,585,436	\$ 1,478,933

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

**OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>College</u>	<u>Foundation</u>
<b>REVENUES</b>		
<b>Operating Revenues (Note 1)</b>		
Student Tuition and Fees (Net of Scholarship Allowance of \$981,639)	\$ 1,599,235	\$ -
Federal Grants and Contracts	751,954	-
State Grants and Contracts	540,821	-
Sales and Services of Educational Activities	947,922	-
Auxiliary Enterprises:		-
Bookstore (Net of Scholarship Allowance of \$153,367)	498,475	-
Other	339,954	-
Gifts	-	178,883
Other Revenue	-	206,407
Investment Income	-	29,455
Net Loss on Investments	-	(50,679)
<b>Total Operating Revenues</b>	<u>4,678,361</u>	<u>364,066</u>
<b>EXPENSES</b>		
<b>Operating Expenses (Note 1)</b>		
Cost of Goods Sold	830,263	-
Salaries and Wages	8,876,268	-
Employee Benefits	2,684,248	-
Actuarial Calculated Pension Expense (Note 8)	870,132	-
General	4,364,486	-
Financial	945,714	-
Non-capitalized Equipment Purchases	453,152	-
Travel	95,280	-
Depreciation (Note 4)	1,785,613	-
Scholarships and Awards	-	188,147
Donations to the College	-	78,123
Support Services	-	99,756
<b>Total Operating Expenses</b>	<u>20,905,156</u>	<u>366,026</u>
<b>Operating (Loss) Income</b>	<u>(16,226,795)</u>	<u>(1,960)</u>
<b>NONOPERATING REVENUES</b>		
State Appropriations	12,995,602	-
Federal Grants and Contracts	1,438,293	-
State Grants and Contracts	35,337	-
Gifts	347,491	-
Investment Income	41,934	-
Loss on Sale of Capital Assets	(68)	-
<b>Total Nonoperating Revenues</b>	<u>14,858,589</u>	<u>-</u>
<b>OTHER REVENUES</b>		
Capital Appropriations	1,631,794	-
Capital Gifts	152,734	-
<b>Total Other Revenues</b>	<u>1,784,528</u>	<u>-</u>
<b>Increase (Decrease) in Net Position</b>	416,322	(1,960)
<b>NET POSITION</b>		
Net Position – Beginning of Year	<u>34,169,114</u>	<u>1,480,893</u>
Net Position – End of Year	<u>\$ 34,585,436</u>	<u>\$ 1,478,933</u>

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

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

	<u>College</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Tuition and Fees	\$ 1,559,066
Receipts from Grants and Contracts	1,292,775
Receipts from Auxiliary Enterprise Charges	838,429
Receipts from Sales and Services of Educational Activities	947,922
Payments to Employees for Salaries and Benefits	(12,429,483)
Payments to Students and Suppliers	(6,650,065)
Net Cash Used by Operating Activities	<u>(14,441,356)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Receipts from State Appropriations	12,995,602
Receipts from Nonoperating Grants and Contracts	2,003,637
Net Cash Provided by Noncapital Financing Activities	<u>14,999,239</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchases of Capital Assets	(397,242)
Receipts from Capital Grants and Gifts	-
Gain on Sale of Capital Assets	4,718
Repayments of Capital Leases	(5,018)
Net Cash Used by Capital and Related Financing Activities	<u>(397,542)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of Interest on Investments	41,934
Net Cash Provided by Investing Activities	<u>41,934</u>
<b>Net Increase in Cash and Cash Equivalents</b>	202,275
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u>3,799,171</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 4,001,446</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (16,226,795)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	-
Depreciation Expense	1,785,613
DFCM Projects Received and Expensed	-
Difference between Actuarial Calculated Pension Expense and Actual Contributions	-
Changes in Assets and Liabilities	
Prepaid Expenses	111,601
Inventories	(10,708)
Accounts Payable	(60,898)
Sick Leave	-
Compensated Absences	-
Unearned Revenue	(40,169)
Net Cash Used by Operating Activities	<u>\$ (14,441,356)</u>
<b>NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS</b>	
Disposal of Fixed Assets	\$ (182,513)
Capital Gifts	152,734
Capital Appropriations	1,631,794
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 1,602,015</u>

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

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Reporting Entity

The College is a regional college within the Utah College of Applied Technology (UCAT). UCAT is considered a component unit of the State of Utah and is included in the State's *Comprehensive Annual Financial Report*. UCAT is considered a component unit because it was established under Utah Statute, receives appropriations from the State, and is financially accountable to the State.

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

Funding for the College is received primarily from direct appropriations from the Utah State Legislature, as well as tuition and fees, and grants and contracts with federal, state, and local agencies.

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

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

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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

### Measurement Focus and Basis of Accounting

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

The College distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the College's principal mission of instruction. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

### Deposits and Investments

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and amounts invested with the Utah Public Treasurers' Investment Fund.

Cash and investment management at the College is administered in accordance with the State of Utah Money Management Act (*Utah Code*, Title 51, Chapter 7).

Investments for the College are reported at fair value in accordance with GASB No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The College distributes earnings from pooled investments based on the average daily investment of each participating account: or for endowments, distributes according to College's spending policy

### 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.

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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 assets lives are not capitalized. All land is capitalized and not depreciated.

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

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

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

### Pensions

For 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.

### Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

### 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 (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 Money Management Council.

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

#### ***Deposits***

##### ***Custodial Credit Risk***

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College and Foundation do not have a formal deposit policy for custodial credit risk. As of June 30, 2016, \$473,445 of the College's bank balance of \$723,445 was uninsured and uncollateralized. As of December 31, 2015, all of the Foundation's bank balances of \$9,321 were insured by FDIC.

#### ***Investments***

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

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

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 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.

The College measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At June 30, 2016, the College had the following investments and maturities. The investments were valued using level 2 measurements.

Investment Type	Fair Value	Investment Maturities (in years)
		Less than 1 year
<i>Debt Securities - PTIF</i>	<u>\$ 3,754,385</u>	<u>\$ 3,754,385</u>

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

At December 31, 2015, the Foundation had the following investments and maturities. The investments were valued using level 1 measurements:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>
		<u>Less than 1 year</u>
<i>Debt Securities</i>		
Money Market	\$ 81,750	\$ 81,750
<i>Total Debt Securities</i>	81,750	<u>\$ 81,750</u>
<i>Other Investments</i>		
Fixed Income	321,451	
Equities	1,040,791	
<i>Total Investments</i>	<u>\$ 1,443,992</u>	

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the 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. 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 for institutions of higher education. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years. The Foundation does not have a formal policy for interest rate risk.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Money Management Act, as previously discussed. The Foundation does not have a formal policy for credit risk. The College and Foundation's related debt investments at June 30, 2016 and December 31, 2015, respectively, were all unrated.

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable at June 30, 2016 consisted of tuition, fees, grants and other receivables. Tuition and fee receivables consist mainly of unpaid student tuition/fee charges. Grant and contract receivables consist of monies owed from federal, state, and other grants. Accounts receivable are reported net of estimated uncollectible amounts of \$22,582. See chart below for a breakout of receivables:

#### **Accounts Receivable Breakout:**

Grant Receivables	\$ 309,578
Other Receivables - Tuition, Auxiliary, Misc	238,481
<b>Total Accounts Receivable</b>	<b>\$ 548,059</b>

Accounts payable at June 30, 2016 were primarily made up of payments to vendors.

### NOTE 4. CAPITAL ASSETS

Additions to capital assets include amounts paid for by the College as well as additions paid for by the Utah State Division of Facilities Construction and Management. Capital asset activity for the fiscal year ended June 30, 2016 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Land	\$ 203,128	\$ -	\$ -	\$ 203,128
Buildings and Improvements	43,655,860	-	-	43,655,860
Lease Improvements	77,137	-	-	77,137
Site Improvements	6,451,561	1,174,302	-	7,625,863
Equipment	6,304,608	1,007,468	182,513	7,129,563
Total	56,692,294	2,181,770	182,513	58,691,551
Less Accumulated Depreciation:				
Buildings and Improvements and Equipment	(23,223,002)	(1,785,613)	(177,727)	(24,830,888)
Net Capital Assets	\$ 33,469,292	\$ 396,157	\$ 4,786	\$ 33,860,663

### NOTE 5. CAPITAL LEASE OBLIGATIONS

The College did not have any capital leases as of June 30, 2016.

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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, 2016.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated Absences	\$ 467,852	\$ 112,838	\$ 133,425	\$ 447,265	\$ 147,597
Capital Leases	5,018	-	5,018	-	-
Accrued Sick Leave	128,324	18,462	1,207	145,579	48,041
Net Pension Liability	<u>3,333,947</u>	<u>1,074,068</u>	<u>-</u>	<u>4,408,015</u>	<u>-</u>
Total Noncurrent Liabilities	<u>\$ 3,935,141</u>	<u>\$ 1,205,368</u>	<u>\$ 139,650</u>	<u>\$ 5,000,859</u>	<u>\$ 195,638</u>

### NOTE 7. OPERATING LEASES

The College did not have any operating leases as of June 30, 2016.

### NOTE 8. RETIREMENT PLANS

As required by State law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the College are covered by either the Utah State and School Contributory or Noncontributory Retirement Systems (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF). The Systems are comprised of the following pension trust funds, which are multiple-employer, cost-sharing public employee retirement systems:

- Public Employees Noncontributory Retirement System (Noncontributory System);
- Public Employees Contributory Retirement System (Contributory 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 are established and governed by the respective sections of Title 49 of the *Utah Code*. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Board, whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

funds. The Systems are a component unit of the State of Utah. Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms.

The Systems issue a publicly available financial report that can be obtained by writing to the Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

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%
Contributory System	Highest 5 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	1.25% per year to June 1975  2.00% per year July 1975 to present	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 the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

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 Systems' 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:

## OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<b>Employee Paid</b>	<b>Paid by Employer for Employee</b>	<b>Employer Contribution Rates</b>	<b>Employer rate for 401(k) plan</b>
Noncontributory System				
16 - State and School Division Tier 1	N/A	N/A	22.19	1.50
Contributory System				
12 - State and School Division Tier 1	N/A	6.00	17.70	N/A
112 - State and School Division Tier 2	N/A	N/A	18.24	1.78
Tier 2 DC Only				
212 State and School	N/A	N/A	10.02	10.00

Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

<b>System</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 811,582	N/A
Contributory	29,453	-
Tier 2 Public Employees System	18,977	-
Tier 2 DC Only System	5,738	N/A
<b>Total Contributions</b>	<b>\$ 865,750</b>	<b>\$ -</b>

Contributions reported are the URS Board approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

At June 30, 2016, the College reported a net pension asset of \$36 and a net pension liability of \$4,408,015.

	<b>Proportionate Share</b>	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>
Noncontributory System	0.1299879%	\$ -	\$ 4,083,292
Contributory System	0.5181869%	-	324,723
Tier 2 Public Employees System	0.0165954%	36	-
<b>Total Net Pension Asset / Liability</b>		<b>\$ 36</b>	<b>\$ 4,408,015</b>

The net pension asset and liability were measured as of December 31, 2015. The total pension liability used to calculate the net pension asset and liability was determined by an

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

actuarial valuation as of January 1, 2015 and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2016, the College recognized a pension expense of \$870,132. At June 30, 2016, the College's portion of the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 316,183
Changes in assumptions	-	80,533
Net difference between projected and actual earnings on pension plan investments	1,254,686	-
Changes in proportion and differences between contributions and proportionate share of contributions	552	22,071
Contributions subsequent to the measurement date	423,693	-
<b>Total</b>	<b>\$ 1,678,931</b>	<b>\$ 418,787</b>

Of the amount reported as deferred outflows of resources related to pensions, \$423,693 resulted from contributions made by the College prior to their fiscal year end, but subsequent to the measurement date of December 31, 2015. These contributions will be recognized as a reduction of the 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 as pension expense as follows:

<b>Year Ending December 31,</b>	<b>Deferred Outflows (Inflows) of Resources</b>
2016	\$ 184,367
2017	\$ 184,367
2018	\$ 195,367
2019	\$ 272,940
2020	\$ (107)
Thereafter	\$ (483)

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Inflation	2.75 percent
Salary Increases	3.50 - 10.50 percent, average, including inflation
Investment Rate of Return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the five-year period of January 1, 2008 – 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 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:

<b>Expected Return Arithmetic Basis</b>			
<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
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 & Cash Equivalents	0%	0.00%	0.00%
<b>Totals</b>	100%		5.23%
	<u>Inflation</u>		<u>2.75%</u>
	<u>Expected Arithmetic Nominal Return</u>		<u>7.98%</u>

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.

The discount rate used to measure the total pension liability was 7.50 percent. 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

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

participating employers will be made at contractually required rates that are actuarially determined and certified by the Systems' 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. Therefore, 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.

The following presents the proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Noncontributory System	\$ 7,390,605	\$ 4,083,292	\$ 1,310,106
Contributory System	734,206	324,723	(22,637)
Tier 2 Public Employees System	<u>6,644</u>	<u>(36)</u>	<u>(5,099)</u>
Total	<u>\$ 8,131,455</u>	<u>\$ 4,407,979</u>	<u>\$ 1,282,370</u>

Detailed information about the pension plan's fiduciary net position is available in the Systems' separately issued financial report.

### **Defined Contribution Plans**

Noncontributory retirement plan employees are also eligible to participate in a deferred compensation 401(k) defined contribution plan. The College is required to contribute 1.5% of eligible employees' gross earnings to the plan. In September 2011, the Utah College of Applied Technology (UCAT) voted to discontinue participation in Social Security Administration. As a result, beginning in October 2011, the College began contributing an additional 6.2% of State Retirement-eligible employees' salaries into their respective 401(k) accounts. Employer contributions by the College for the years ended June 30, 2016, 2015, and 2014 totaled \$612,668, \$585,995, and \$520,631, respectively. Under certain IRS and plan restrictions, employees can make additional contributions. Contributions by College employees for the years ended June 30, 2016, 2015, and 2014 totaled \$435,901, \$432,099, and \$445,935, respectively.

Employees may also elect to participate in an IRS 457 deferred compensation plan offered through the Systems. Employee contributions toward this plan for the years ended June 30, 2016, 2015, and 2014 totaled \$40,963, \$69,746, and \$33,590, respectively.

Teachers Insurance and Annuity Association (TIAA) and/or College Retirement Equities Fund (CREF) also provide individual retirement fund contracts with each participating

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment.

Employees are eligible to participate in TIAA and/or CREF from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2016, the College was required to contribute 14.2% of the employees' annual covered salary to these defined contribution plans. The College's contributions for the years ended June 30, 2016, 2015, and 2014 were \$372,832, \$340,767, and \$273,478, respectively. The College has no further liability once annual contributions are made.

### NOTE 9. ACCRUED TERMINATION BENEFITS

In addition to the pension benefits described in Note 8, the College provides a retirement incentive annuity payment option, as approved by the College's Board of Directors, for qualified employees with at least 10 years of service, who are 55 years of age and qualify to retire under Utah Retirement Systems or TIAA-CREF. The employee must retire prior to their eligibility for unreduced social security benefits. The benefit includes a stipend of 30% of the retiree's final salary. These benefits are funded by the College's general account. The College paid out termination benefits of \$33,383 for fiscal year 2016.

### NOTE 10. COMPENSATED ABSENCES

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

### NOTE 11. SICK LEAVE

Employees of the College earn sick leave at a rate of twelve days per year with a limit of 960 working hours (6 months) that can accrue. In the event of termination or retirement, no payment shall be made for unused sick leave, unless the employee meets specific retirement criteria. Sick leave is expended when used. If approved under the retirement criteria, the College will pay eligible employees up to a maximum of 75% of the

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

employee's accumulated sick leave based on years of full-time service with the College. Eligibility requirements for payout of sick leave include the following:

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

### NOTE 12. FOUNDATION

The Foundation was granted a Certificate of Incorporation on March 24, 1983 under laws of the State of Utah and is recognized as a "Section 501(c)3" Corporation by the Internal Revenue Service. The Foundation exists to further the charitable and educational purposes of the College.

As required by GASB Statement No. 31, equity securities held by the Foundation are included in this report at fair value and approximate published market quotations as of December 31, 2015.

During the fiscal year ended June 30, 2016, the Foundation transferred \$227,835 to the College to enhance scholarships, awards, and other essential College programs and \$161,956 in in-kind gifts. In addition, the Foundation transferred \$110,434 in equipment and supplies for various College programs.

### NOTE 13. FOUNDATION ENDOWMENT

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

The State of Utah has adopted laws based on the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets a) the original value of the gifts donated to the permanent endowment, b) the original

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. There were no donor-imposed restrictions requiring the preservation of the original market value of the original gifts.

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

- 1) The duration and preservation of the fund.
- 2) The purposes of the Foundation and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation or depreciation of investments.
- 6) Other resources of the Foundation.
- 7) The investment policies of the Foundation.

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

### NOTE 14. RISK MANAGEMENT

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

### NOTE 15. CONTINGENT LIABILITIES

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

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

### Schedule of Ogden-Weber Applied Technology College's Proportionate Share of the Net Pension Liability Noncontributory, Contributory, and Tier 2 Public Employees Systems of the Utah Retirement Systems

	December 31,	
	2016	2015
<i><b>Noncontributory System</b></i>		
Proportion of Net Pension Liability (Asset)	0.1299879%	0.13074380%
Proportionate Share of Net Pension Liability (Asset)	\$ 4,083,292	\$ 3,284,975
Covered Employee Payroll	\$ 3,792,433	\$ 3,762,689
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	107.67%	87.30%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.50%	87.20%
<i><b>Contributory System</b></i>		
Proportion of Net Pension Liability (Asset)	0.5181869%	0.44662970%
Proportionate Share of Net Pension Liability (Asset)	\$ 324,723	\$ 48,972
Covered Employee Payroll	\$ 164,150	\$ 160,900
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	197.82%	30.44%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.50%	98.70%
<i><b>Tier 2 Public Employees System</b></i>		
Proportion of Net Pension Liability (Asset)	0.0165954%	0.0204380%
Proportionate Share of Net Pension Liability (Asset)	\$ (36)	\$ (619)
Covered Employee Payroll	\$ 107,212	\$ 100,241
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	0.03%	0.62%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	100.20%	103.50%

Note: The College implemented GASB Statement No. 68 and 71 in fiscal year 2015.

Information on the ATC's portion of the plan's net pension liability (asset) is not available for periods prior to fiscal year 2015.

# OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

**Schedule of Ogden-Weber Applied Technology College's Contributions  
Noncontributory, Contributory, and Tier 2 Public Employees Systems of the Utah Retirement Systems  
Last 10 Fiscal Years**

***Noncontributory System***

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$ 811,582	\$ 805,576	\$ 771,953	\$ 668,212	\$ 683,188	\$ 692,265	\$ 612,911	\$ 654,825	\$ 642,692	\$ 609,696
Contributions in Relation to the Contractually Required Contribution	(811,582)	(805,576)	(771,953)	(668,212)	(683,188)	(692,265)	(612,911)	(654,825)	(642,692)	(609,696)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 3,765,657	\$ 3,730,301	\$ 3,910,121	\$ 3,661,071	\$ 4,178,380	\$ 4,241,822	\$ 4,317,237	\$ 4,604,966	\$ 4,519,631	\$ 4,285,791
Contributions as a Percentage of Covered-Employee Payroll	21.55%	21.60%	19.74%	18.25%	16.35%	16.32%	14.20%	14.22%	14.22%	14.23%

***Contributory System***

	2016	2015	2014*	2013*	2012*	2011*	2010	2009	2008	2007
Contractually Required Contribution	\$ 29,453	\$ 28,656	\$ 23,792	\$ 29,211	\$ 28,253	\$ 23,625	\$ 20,842	\$ 26,670	\$ 29,062	\$ 25,453
Contributions in Relation to the Contractually Required Contribution	(29,453)	(28,656)	(23,792)	(29,211)	(28,253)	(23,625)	(20,842)	(26,670)	(29,062)	(25,453)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Employee Payroll	\$ 166,400	\$ 161,900	\$ 148,914	\$ 173,431	\$ 184,047	\$ 132,500	\$ 132,500	\$ 169,553	\$ 184,758	\$ 161,716
Contributions as a Percentage of Covered-Employee Payroll	17.70%	17.70%	15.98%	16.84%	15.35%	17.83%	15.73%	15.73%	15.73%	15.74%

\*Contractually Required Contributions, Contributions, and Covered Payroll include information for Tier 2 Employees. The Tier 2 Public Employees System was created in fiscal year 2011. Prior to the implementation of GASB Statement No. 68, Tier 2 information was not separately available.

***Tier 2 Public Employees System***

	2016	2015	2014*	2013*	2012*	2011*	2010*	2009*	2008*	2007*
Contractually Required Contribution	\$ 18,977	\$ 8,432					N/A	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(18,977)	(8,432)								
Contribution Deficiency (Excess)	\$ -	\$ -								
Covered Employee Payroll	\$ 104,027	\$ 100,241								
Contributions as a Percentage of Covered-Employee Payroll	18.24%	8.41%								

Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI. Contributions as a percentage of covered-payroll may be different than the board certified rate due to rounding and other administrative issues.

# **OGDEN-WEBER APPLIED TECHNOLOGY COLLEGE**

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

### **NOTES TO PENSION SCHEDULES**

#### *Changes in Assumptions*

The following assumption changes were adopted from the most recent actuarial experience study:

- There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%.
- There was a modification to the rate of salary increases for most groups.
- The payroll growth assumption was decreased from 3.5% to 3.25%.
- There was an improvement in the post-retirement mortality assumption for female educators and minor adjustments to the pre-retirement mortality assumption.
- There were additional changes to certain demographic assumptions as follows: (1) more members are anticipated to terminate employment prior to retirement, (2) slightly fewer members are expected to become disabled, and (3) members are expected to retire at a slightly later age.



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

We have audited the financial statements of the Ogden-Weber Applied Technology College (College) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated August 16, 2016. We conducted our audit 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. Our report includes a reference to other auditors who audited the financial statements of the Ogden-Weber Applied Technology College Foundation (Foundation), as described in our report on the College's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

### 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 opinions on the financial statements, but not for the purpose of expressing opinions on the effectiveness of the College's internal control. Accordingly, we do not express opinions 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 on a timely basis, misstatements. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of This Report**

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

*Office of the Utah State Auditor*

Office of the Utah State Auditor  
August 16, 2016