

# UINTAH BASIN TECHNICAL COLLEGE

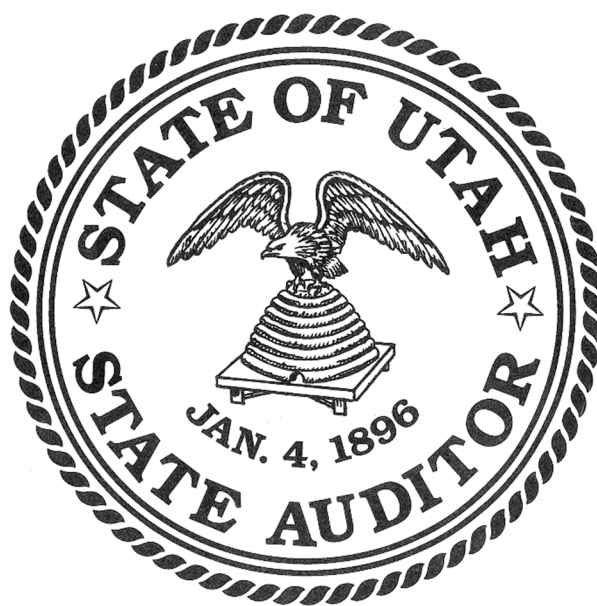
A Component Unit of the State of Utah

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Annual Financial Report  
and  
Government Auditing Standards Report  
For the Year Ended June 30, 2018

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Report No. 18-39



## OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

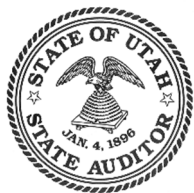
John Dougall, State Auditor  
Gregg Hastings, CPA, Audit Manager  
Andrew Driggs, Audit Senior

# UINTAH BASIN TECHNICAL COLLEGE

## ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

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OFFICE OF THE  
**STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Directors, Audit Committee  
and  
Aaron K. Weight, President  
Uintah Basin Technical College

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Uintah Basin Technical College (College) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents. The College 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, 2018, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the College's Schedule of Proportionate Share of Net Pension Liability and Schedule of Defined Benefit Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 January 29, 2019 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 State Auditor*

Office of the State Auditor  
January 29, 2019

# **UINTAH BASIN TECHNICAL COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 (Unaudited)**

As management of the Uintah Basin Technical College (the 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, 2018.

### **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 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 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.

**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.

# **UINTAH BASIN TECHNICAL COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 (Unaudited)**

### **Financial Analysis**

**Statement of Net Position.** The following schedule presents a summary of the College's net position as of June 30, 2018 and 2017:

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

	<b>As of June 30, 2018</b>	<b>As of June 30, 2017</b>	<b>Amount of Change</b>	<b>Percent Change</b>
<b>Assets</b>				
Current Assets	\$ 5,608,888	\$ 5,200,156	\$ 408,732	7.86%
Capital Assets, Net	26,973,802	27,473,393	(499,591)	(1.82%)
Other Noncurrent Assets	-	97,949	(97,949)	(100.00%)
<b>Total Assets</b>	<b>32,582,690</b>	<b>32,771,498</b>	<b>(188,808)</b>	<b>(.58%)</b>
<b>Deferred Outflows of Resources</b>	<b>1,308,355</b>	<b>1,233,635</b>	<b>74,720</b>	<b>6.06%</b>
<b>Liabilities</b>				
Current Liabilities	1,061,751	1,074,082	(12,331)	(1.15%)
Noncurrent Liabilities	14,375,967	15,562,288	(1,186,321)	(7.62%)
<b>Total Liabilities</b>	<b>15,437,718</b>	<b>16,636,370</b>	<b>(1,198,652)</b>	<b>(7.21%)</b>
<b>Deferred Inflows of Resources</b>	<b>1,236,738</b>	<b>564,448</b>	<b>672,290</b>	<b>119.11%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	14,454,346	14,550,084	(95,738)	(.66%)
Restricted	819,380	734,473	84,907	11.56%
Unrestricted	1,942,863	1,519,758	423,105	27.84%
<b>Total Net Position</b>	<b>\$ 17,216,589</b>	<b>\$ 16,804,315</b>	<b>\$ 412,274</b>	<b>2.45%</b>

Net position of the College increased \$412,274 during the fiscal year. Most of the Current Asset increase is attributable to cash and cash equivalents increasing by \$346,511. Capital Assets decreased \$499,591. The College capitalized building improvements and equipment in the amount of \$977,482. Those increases were more than offset by the increase in accumulated depreciation of \$1,401,889. The decrease in Capital Assets is further discussed in this management discussion and analysis in the section on Capital Assets.

The decrease in Noncurrent Liabilities of \$1,186,321 comes primarily from two sources. One is the annual amortization amount of \$403,853 for the portion of the Vernal campus construction that was funded by the Uintah Impact Mitigation Special Service District (see Note 1 to the financial statements). Another is the reduction of Net Pension Liability of \$680,087.

# **UINTAH BASIN TECHNICAL COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 (Unaudited)**

Deferred Outflows of Resources increased \$74,720 due to net differences between projected and actual earnings on pension plan investments. Deferred Inflows of Resources increased \$672,290 from differences between expected and actual investment results and changes in actuarial assumptions. The net effect of all pension related changes on net financial position was favorable in the amount of \$154,518 (See Note 6 to the financial statements.)

**Statement of Revenues, Expenses, and 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, 2018 and 2017:

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

	<b>Year Ended June 30, 2018 Amount</b>	<b>Year Ended June 30, 2017 Amount</b>	<b>Amount of Change</b>	<b>Percent Change</b>
Operating Revenues	\$ 1,475,285	\$ 1,927,057	\$ (451,772)	(23.44%)
Operating Expenses	10,434,826	10,562,537	(127,711)	(1.21%)
Operating Income (Loss)	(8,959,541)	(8,635,480)	(324,061)	(3.75%)
Nonoperating Revenues	9,356,896	8,510,351	846,545	9.95%
Other Revenues	14,919	610,430	(595,511)	(97.56%)
Increase (Decrease) in Net Position	412,274	485,301	(73,027)	15.05%
Net Position – Beginning of Year	16,804,315	16,319,014	485,301	2.97%
Net Position – End of Year	<u>\$ 17,216,589</u>	<u>\$ 16,804,315</u>	<u>\$ 412,274</u>	2.45%

The College experienced a net operating loss of \$8,959,541, \$324,061 greater than the previous year's loss. All categories of Operating Revenues decreased, the largest being a reduction of \$197,049 in State and Local Grants. A state equipment grant of \$128,000 was discontinued and included in State Appropriations instead. Auxiliary Enterprises also contributed to the net operating loss with a decrease of \$158,739, mostly due to the sale of a house in 2017 and the absence of a sale in 2018.

Operating Expenses decreased in the amount of \$127,711, primarily explained by an absence of Termination Benefits expense during 2018 when none were offered. The amount was \$212,380 the year before. Salaries and Wages increased \$140,580 to offset that difference. Benefits expense remained close to the previous year's level due to a positive change in net pension balances.

The College is a State institution and receives a large portion of its revenues from appropriations. State appropriations increased in the amount of \$773,777, comprising most of the increase in the classification of Nonoperating Revenues shown above. The State appropriation is anticipated as

# UINTAH BASIN TECHNICAL COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 (Unaudited)

a means of covering a majority of the College's operating costs. The classification of Other Revenues decreased by \$595,511, as no Capital Appropriations were recognized in 2018.

**Revenues.** The following schedule presents a summary of the College's revenues for the fiscal years ended June 30, 2018 and 2017:

	<b>Year Ended June 30, 2018 Amount</b>	<b>Percent of Total Revenue</b>	<b>Year Ended June 30, 2017 Amount</b>	<b>Amount of Change</b>	<b>Percent Change</b>
<b>Operating Revenues</b>					
Student Tuition and Fees, Net	\$ 537,775	4.96%	\$ 618,385	\$ (80,610)	(13.04%)
State and Local Grants and Contracts	467,926	4.31%	664,975	(197,049)	(29.63%)
Sales and Services of Educational Activities	28,394	.26%	31,658	(3,264)	(10.31%)
Auxiliary Enterprises	417,233	3.85%	575,972	(158,739)	(27.56%)
Other Operating Revenues	23,957	.22%	36,067	(12,110)	(33.58%)
<b>Total Operating Revenues</b>	<b>1,475,285</b>	<b>13.60%</b>	<b>1,927,057</b>	<b>(451,772)</b>	<b>(23.44%)</b>
<b>Nonoperating Revenues</b>					
State Appropriations	8,375,128	77.21%	7,601,351	773,777	10.18%
Federal Grants and Contracts	70,453	.65%	106,932	(36,479)	(34.11%)
PELL Financial Aid	123,015	1.13%	143,746	(20,731)	(14.42%)
Scholarship Gift Revenue	679,090	6.26%	601,623	77,467	12.88%
Investment Income	109,210	1.01%	56,699	52,511	92.61%
<b>Total Nonoperating Revenues</b>	<b>9,356,896</b>	<b>86.26%</b>	<b>8,510,351</b>	<b>846,545</b>	<b>9.95%</b>
<b>Other Revenues</b>					
Capital Appropriations	-	.00%	606,141	(606,141)	(100.00%)
Sale of Capital Assets	14,919	.14%	4,289	10,630	247.84%
<b>Total Other Revenues</b>	<b>14,919</b>	<b>.14%</b>	<b>610,430</b>	<b>(595,511)</b>	<b>(97.56%)</b>
<b>Total Revenues</b>	<b>\$10,847,100</b>	<b>100.00%</b>	<b>\$11,047,838</b>	<b>\$ (200,738)</b>	<b>(1.82%)</b>

The revenue comparison for fiscal years 2018 and 2017 shows a decrease in total revenues of \$200,738. State and Local Grants decreased \$197,049 comprising a significant change due to the Legislative Equipment Supplemental Grant of \$128,000 which was rolled over into State Appropriations for the first time. The building trades home constructed in the current year was not sold by year end, resulting in a reduction in Auxiliary Enterprises. State Appropriations experienced a favorable increase of \$773,777, but Capital Appropriations decreased \$606,141 because no DFCM projects were completed during the year.



## UINTAH BASIN TECHNICAL COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 (Unaudited)

**Expenses.** The following schedule presents a summary of the College's expenses for the fiscal years ended June 30, 2018 and 2017:

	<u>Year Ended June 30, 2018 Amount</u>	<u>Percent of Total Expense</u>	<u>Year Ended June 30, 2017 Amount</u>	<u>Amount of Change</u>	<u>Percent Change</u>
<b>Operating Expenses</b>					
Salaries and Wages	\$ 4,327,335	41.47%	\$ 4,186,755	\$ 140,580	3.36%
Benefits	1,395,233	13.37%	1,285,481	109,752	8.54%
Actuarial Pension	569,020	5.45%	669,681	(100,661)	(15.03%)
Scholarships	127,197	1.22%	148,086	(20,889)	(14.11%)
Supplies and Services	3,018,005	28.92%	3,049,465	(31,460)	(1.03%)
Termination Benefits	-	.00%	212,380	(212,380)	(100.00%)
Depreciation	998,036	9.56%	1,010,689	(12,653)	(1.25%)
<b>Total Operating Expenses</b>	<u>\$ 10,434,826</u>	<u>100.00%</u>	<u>\$ 10,562,537</u>	<u>\$ (127,711)</u>	<u>(1.21%)</u>

Total Operating Expenses for the year were \$127,711 less than the prior year, or approximately a 1.21% decrease. Salaries and Wages increased due to a 3% funding increase by the State Legislature. Actual benefits increased as well but were offset by actuarial pension expense increases due to a positive net adjustment in pension assets and liabilities. The principal cause of the decrease of the overall expenses is due to the absence of Termination Benefits of \$212,380. The College incurs Termination Expenses only when there is an offer of early retirement as in 2017.

### Capital Assets and Debt Administration

**Capital Assets.** The College's capital assets as of June 30, 2018 were \$42,860,628. This investment in capital assets includes land, buildings and improvements, and equipment. The increase in capital assets comprises capital acquisitions of \$977,482 offset by assets retired in the amount of \$271,642 during the year. The following schedule reflects these changes.

	<u>June 30, 2018 Amount</u>	<u>June 30, 2017 Amount</u>	<u>Amount of Change</u>
Land	\$ 62,700	\$ 62,700	\$ -
Buildings and Improvements	38,694,795	38,112,115	582,680
Equipment	4,103,133	3,979,973	123,160
Total	<u>42,860,628</u>	<u>42,154,788</u>	<u>705,840</u>

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

**Debt Administration.** The College has no amounts outstanding on long-term debt obligations.

# **UINTAH BASIN TECHNICAL COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018 (Unaudited)**

### **Factors Expected to Affect Net Position or Operations**

**Tuition Rate.** Along with other regional colleges in the Utah System of Technical Colleges, the College's tuition rate for fiscal year 2018 was \$2.00 per hour. The rate effective July 1, 2018 is unchanged at \$2.00 per hour.

**Economic Conditions.** The College is expecting that a lagging oil and gas economy will continue throughout fiscal year 2019, significantly impacting the institution's local revenues.

### **Requests for Information**

This financial report is designed to provide a general overview of the Uintah Basin Technical College's finances for all those with an interest in 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, Uintah Basin Technical College, 1100 East Lagoon, Roosevelt, Utah 84066.

## UINTAH BASIN TECHNICAL COLLEGE

### STATEMENT OF NET POSITION JUNE 30, 2018

#### **Assets**

##### Current Assets

Cash and Cash Equivalents (Note 2)	\$ 5,177,328
Receivables (Note 3)	51,341
Receivables – Related Party (Note 3)	69,646
Inventories	310,573
Total Current Assets	<u>5,608,888</u>

##### Noncurrent Assets

Restricted Cash and Cash Equivalents	-
Capital Assets, net (Note 4)	26,973,802
Total Noncurrent Assets	<u>26,973,802</u>
Total Assets	<u>32,582,690</u>

#### **Deferred Outflows of Resources**

Deferred Outflows Relating to Pensions (Note 6)	<u>1,308,355</u>
Total Deferred Outflows of Resources	<u>1,308,355</u>

#### **Liabilities**

##### Current Liabilities

Accounts Payable (Note 3)	191,519
Salaries and Wages Payable	193,043
Unearned Revenue	15,872
Accrued Leave	229,788
Accrued Termination Benefits (Notes 1, 5 and 7)	27,676
Capital Assets Held for Others (Notes 1 and 5)	403,853
Total Current Liabilities	<u>1,061,751</u>

##### Noncurrent Liabilities

Accrued Termination Benefits (Note 1, 5 and 7))	44,325
Capital Assets Held for Others (Note 1,5)	12,115,603
Net Pension Liability (Note 6)	2,216,039
Total Noncurrent Liabilities	<u>14,375,967</u>
Total Liabilities	<u>15,437,718</u>

#### **Deferred Inflows of Resources**

Deferred Inflows Relating to Pensions (Note 6)	<u>1,236,738</u>
Total Deferred Inflows of Resources	<u>1,236,738</u>

#### **Net Position**

Net Investment in Capital Assets	14,454,346
Restricted for	
Expendable	
Scholarships	760,627
Other	58,753
Unrestricted	1,942,863
Total Net Position	<u>\$ 17,216,589</u>

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

## UINTAH BASIN TECHNICAL COLLEGE

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2018

#### **Revenues**

##### Operating Revenues

Student Tuition and Fees (net of allowance of \$570,930)	\$ 537,775
State Grants and Contracts	96,122
Local Grants and Contracts	371,804
Sales and Services of Educational Activities	28,394
Auxiliary Enterprises	417,233
Other Operating Revenues	23,957
Total Operating Revenues	<u>1,475,285</u>

#### **Expenses**

##### Operating Expenses

Salaries and Wages	4,327,335
Benefits	1,395,233
Actuarial Pension	569,020
Scholarships	127,197
Supplies and Services	3,018,005
Termination Benefits	-
Depreciation	998,036
Total Operating Expenses	<u>10,434,826</u>

Operating Income (Loss) (8,959,541)

#### **Nonoperating Revenues**

State Appropriations	8,375,128
Federal Grants and Contracts	70,453
PELL Financial Aid	123,015
Scholarship Gift Revenue	679,090
Investment Income	109,210
Total Nonoperating Revenues	<u>9,356,896</u>

Income (Loss) Before Other Revenues & Expenses 397,355

#### **Other Revenues (Expenses)**

Capital Appropriations	-
Sale of Capital Assets	14,919
Total Other Revenues	<u>14,919</u>

Increase (Decrease) in Net Position 412,274

#### **Net Position**

Net Position – Beginning of Year	<u>16,804,315</u>
Net Position – End of Year	<u>\$ 17,216,589</u>

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

## UINTAH BASIN TECHNICAL COLLEGE

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2018

<b>Cash Flows From Operating Activities</b>	
Receipts from Tuition and Fees	\$ 626,286
Receipts from Grants and Contracts	469,298
Payments to Suppliers	(3,003,713)
Payments to Employees	(6,431,337)
Receipts from Auxiliary Enterprise Services	341,196
Other Receipts	23,957
Other Payments	(200,341)
Net Cash Provided (Used) by Operating Activities	<u>(8,174,654)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
State Appropriations	8,375,128
Grants and Contracts	70,453
PELL Financial Aid	123,015
Scholarship Gift Revenue	679,090
Net Cash Provided (Used) by Noncapital Financing Activities	<u>9,247,686</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Proceeds from Capital Asset Sale	32,070
Purchases of Capital Assets	(919,449)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(887,379)</u>
<b>Cash Flows From Investing Activities</b>	
Interest on Investments	<u>109,210</u>
Net Cash Provided (Used) by Investing Activities	<u>109,210</u>
Net Increase (Decrease) in Cash	294,863
Cash – Beginning of Year	<u>4,882,465</u>
Cash – End of Year	<u><u>\$ 5,177,328</u></u>
<b>Reconciliation of Operating Income (Loss) to</b>	
<b>Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ (8,959,541)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	998,036
Difference between actuarial calculated pension expense and actual contributions	(154,518)
Changes in Assets and Liabilities	
Receivables	88,511
Inventories	(104,431)
Accounts Payable	14,292
Salaries and Wages Payable	14,769
Deferred Revenue	1,372
Accrued Leave	(33,431)
Accrued Termination Benefits	(39,713)
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (8,174,654)</u></u>
<b>Noncash Investing, Capital, and Financing Activities</b>	
Capital Asset Additions through DFCM	\$ -

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

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Uintah Basin Technical 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 an independent college within the Utah System of Technical Colleges. It is considered a component unit of the State of Utah and is included in the State's *Comprehensive Annual Financial Report*. The College 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 the Utah College of Applied Technology (UCAT), which was composed of eight regional applied technology colleges. The College was one of the eight regional colleges and was subject to the authority of the Utah System of Higher Education under the control of the UCAT Board of Trustees. The College's local Board of Directors was charged with direct governance.

Effective July 1, 2017, the Legislature restructured UCAT to become the Utah System of Technical Colleges and granted legal separation of all eight established colleges. The College's name was changed to Uintah Basin Technical College with authority and direct governance under the College's Board of Directors. The College is now considered an independent technical college and a component unit of the State of Utah.

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.

#### 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.

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 on 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.

### Inventories

Inventory of the bookstore is valued using the retail inventory method which approximates the lower of cost or market. Inventories representing land and materials for housing projects are valued at cost.

### 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 for equipment, \$20,000 for buildings, and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition 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 improvement projects funded by the State of Utah Division of Facilities Construction and Management are recorded as capital assets or current expenses when the project is ready for its intended use and has been transferred from the State's books.

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Building Improvements	20
Portable Classrooms	10
Equipment	5-10
Vehicles	5
Office Equipment	5-10
Computer Equipment	3

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

### Compensated Absences

A full-time employee with a twelve month contract is eligible for ten days of paid vacation per year beginning the first year of employment at the College. After five years of service, an employee will earn an additional paid vacation day for each additional full year of service rendered thereafter, up to a maximum of twenty total vacation days. There is no requirement to use vacation days, but a maximum of forty days may be carried forward at the beginning of each fiscal year.



# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Accrued Termination Benefits

The College follows GASB 47 requiring accrual of the future benefits. The projected future costs have been calculated from scheduled payments factoring in projected benefit increases based on historical patterns. The amount recognized was calculated at the discounted present value of projected future costs. The discount rate used is based on an estimated yield of the College's investment earnings. No new benefits or approval of new retirees were made during fiscal year 2018.

### Capital Assets Held for Others

The College carries a long-term liability for the Vernal campus building to reflect Uintah Impact Mitigation Special Service District's (District) ownership interest in the building. This ownership interest results from the District issuing bonds to help finance the building's construction. When these bonds are repaid in the year 2022, the District intends to donate its interest in the building to the College.

Because the College currently possesses and controls the building, the College continues to include the depreciated value of the building in its Capital Assets. However, the College has recorded a long-term liability, Capital Assets Held for Others, representing the District's ownership interest in the building, which reduces net position. Though the College records the entire depreciated value of the building, it does not recognize depreciation expense for the District's portion of the building, amounting to \$403,853 per year (see Note 4).

## 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 (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 College funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### *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. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2018, \$340,151 of the College's bank balance of \$677,265 was uninsured and uncollateralized.

### *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.

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified or permitted 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 and is not registered with the Securities Exchange Commission 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 Utah 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 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

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The value of the College's investment in the PTIF is calculated by applying the June 30, 2018 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2018 balance in the fund.

At June 30, 2018, the College had the following investments and maturities. The investments were valued using level 2 measurements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>
		<u>Less than 1 year</u>
Public Treasurers' Investment Fund	\$ 4,670,082	\$ 4,670,082

### *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, 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. At June 30, 2018, the College's investments were all unrated.

### *Concentration of Credit Risk*

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

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

The following schedule presents accounts receivable at June 30, 2018:

Student Charged Tuition and Fees	\$ 14,023
Industry Sponsored Tuition and Fees	37,318
Related Party – State Government	<u>69,646</u>
<b>Total Accounts Receivable</b>	<b><u><u>\$ 120,987</u></u></b>

Accounts payable of \$191,519 at June 30, 2018 are primarily made up of obligations to vendors. Of this amount, \$60,480 is owed to state-governed related-party agencies.

### NOTE 4. CAPITAL ASSETS

Additions to capital assets include amounts paid for by the College as well as assets transferred to the College by the State of Utah Division of Facilities Construction and Management. Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Land	\$ 62,700	\$ -	\$ -	\$ 62,700
Buildings and Improvements	38,112,115	582,680	-	38,694,795
Equipment	3,979,973	394,802	271,642	4,103,133
Total	<u>42,154,788</u>	<u>977,482</u>	<u>271,642</u>	<u>42,860,628</u>
Less Accumulated Depreciation:				
Buildings and Improvements	11,690,296	1,079,385	-	12,769,681
Equipment	2,991,099	322,504	196,458	3,117,145
Total Accumulated Depreciation	<u>14,681,395</u>	<u>1,401,889</u>	<u>196,458</u>	<u>15,886,826</u>
Net Capital Assets	<u>\$ 27,473,393</u>	<u>\$ (424,407)</u>	<u>\$ 75,184</u>	<u>\$ 26,973,802</u>

Total additions to accumulated depreciation shown above exceed depreciation expense of \$998,036 by \$403,853 (see Note 1, "Capital Assets Held for Others").

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### NOTE 5. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Accrued Termination Benefits	\$ 111,714	\$ -	\$ 39,713	\$ 72,001	\$ 27,676
Capital Assets Held for Others	12,923,309	-	403,853	12,519,456	403,853
Net Pension Liability	2,968,127	-	752,088	2,216,039	-
Total Long-Term Liabilities	<u>\$ 16,003,150</u>	<u>\$ -</u>	<u>\$ 1,195,654</u>	<u>\$ 14,807,496</u>	<u>\$ 431,529</u>

### NOTE 6. RETIREMENT PLANS

#### **Defined Benefit Plans**

The College contributes to the Public Employees Noncontributory Retirement System and the Tier 2 Public Employees Contributory Retirement System, which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems).

The Systems comprise several pension trust funds, the following in which employees of the College participate:

- 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 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 funds and 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 Utah Retirement Systems, 560 East 200 South, Salt Lake City, Utah 84102 or visiting the website: [www.urs.org](http://www.urs.org).

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Benefits Provided

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%
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.

### 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 Systems' Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the cost 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>Paid by College for Employee</b>	<b>College Contribution Rates</b>
Noncontributory System	N/A	22.19%
Tier 2 Public Employees System	N/A	18.44%

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

For the fiscal year ended June 30, 2018, the College and employee contributions to the Systems were as follows:

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	<b>College Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 422,103	-
Tier 2 Public Employees System	260,530	-
Total Contributions	\$ 682,633	\$ -

Contributions reported are the Systems' Board-approved required contributions by system. Contributions in the Tier 2 systems are used to finance the unfunded liabilities in the Tier 1 systems.

As of June 30, 2018, the College reported a net pension asset of \$0 and a net pension liability of \$2,216,039.

	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>	<b>Proportionate Share 12/31/2017</b>	<b>Proportionate Share 12/31/2016</b>	<b>Change (Decrease)</b>
Noncontributory System	\$ -	\$ 2,204,144	0.0901357%	0.0910951%	-0.0009594%
Tier 2 Public Employees System	-	11,895	0.1349106%	0.1417378%	-0.0068272%
Total Net Pension Asset / Liability	\$ -	\$ 2,216,039			

The net pension asset and liability were measured as of December 31, 2017. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 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, 2018, the College recognized a pension expense of \$569,020. At June 30, 2018, the College's portion of the 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	\$ 445	\$ 138,816
Changes in assumptions	572,539	17,957
Net difference between projected and actual earnings on pension plan investments	365,305	930,320
Changes in proportion and differences between contributions and proportionate share of contributions	13,288	149,645
Contributions subsequent to the measurement date	356,778	-
<b>Total</b>	<b>\$ 1,308,355</b>	<b>\$ 1,236,738</b>

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Of the amount reported as deferred outflows of resources to pensions, \$356,778 resulted from contributions made by the College prior to its fiscal year end, but subsequent to the measurement date of December 31, 2017. 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:

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2018	\$ (22,142)
2019	\$ 66,585
2020	\$ (137,939)
2021	\$ (201,822)
2022	\$ (2,550)
Thereafter	\$ 12,707

### Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 - 9.75 percent, average, including inflation
Investment Rate of Return	6.95 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, 2017 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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 and is applied consistently to each defined benefit pension plan. 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:



## UINTAH BASIN TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

<b>Asset Class</b>	<b>Expected Return Arithmetic Basis</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%	6.15%	2.46%
Debt Securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private Equity	9%	9.95%	0.89%
Absolute Return	16%	2.85%	0.46%
Cash & Cash Equivalents	0%	0.00%	0.00%
<b>Totals</b>	100%		4.75%
	<u>Inflation</u>		2.50%
	<u>Expected Arithmetic Nominal Return</u>		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

#### Discount Rate

The discount rate used to measure the total pension liability was 6.95 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 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 discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

#### Sensitivity of the Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension (asset)/liability calculated using the discount rate of 6.95 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 one percentage point lower (5.95 percent) or one percentage point higher (7.95 percent) than the current rate:

# UINTAH BASIN TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

	<b>1% Decrease (5.95%)</b>	<b>Discount Rate (6.95%)</b>	<b>1% Increase (7.95%)</b>
Noncontributory System	\$ 4,812,580	\$ 2,204,144	\$ 24,017
Tier 2 Public Employees System	<u>140,054</u>	<u>11,895</u>	<u>(86,935)</u>
Total	<u>\$ 4,952,634</u>	<u>\$ 2,216,039</u>	<u>\$ (62,918)</u>

### Pension Plan Fiduciary Net Position

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

### **Defined Contribution Plans**

The College participates in the 401(k) defined contribution system administered by the Systems. The plan is established and governed by Title 49 of the *Utah Code*. The 401(k) plan is a supplemental plan to basic retirement benefits of the Systems. The College is required by statute to contribute 1.5% of eligible employees' salaries which vests immediately. For employees participating in the Tier 2 Public Employees defined contribution (Tier 2 DC) plan, the College is required to contribute 20.02% of the employees' salaries, of which 10% is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Contributory Public Employee System as required by law.

In September 2011, Utah System of Technical Colleges employees voted to discontinue participation in the Social Security Administration. As a result, effective October 1, 2011, the College began contributing an additional 6.2% of eligible employee salaries into employees' 401(k) plans. Voluntary contributions may also be made into the plan by employees, subject to plan and internal revenue code limitations. During the year ended June 30, 2018, the College contributed \$324,906 to the plan and the employees made voluntary contributions to the plan of \$222,506.

### NOTE 7. ACCRUED TERMINATION BENEFITS

In addition to retirement benefits described in Note 6, the College provides a retirement incentive option with discretionary benefits as approved by the College's Board of Directors. Qualified employees are those who are age 62 with at least 10 years of continual service. Benefits are funded by the College's general account. Benefits were approved for three retirees in prior fiscal years. There were no new approved retirees for fiscal year 2018. Benefits include direct payments for retirement and medical insurance premiums. At June 30, 2018, the liability for the three retirees still receiving benefits was \$72,001.

## UINTAH BASIN TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

#### NOTE 8. NATURAL AND FUNCTIONAL EXPENSE CLASSIFICATIONS

The following is a summary of natural expense classifications with functional expense classifications for the year ended June 30, 2018:

	<u>Salary and Wages</u>	<u>Employee Benefits</u>	<u>Scholarships</u>	<u>Supplies and Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 2,695,659	\$ 1,112,824	\$ -	\$ 1,428,529	\$ -	\$ 5,237,012
Student Services	692,359	356,457	-	165,802	-	1,214,618
Institutional Support	478,226	255,087	-	341,189	-	1,074,502
Operation and Maintenance of Plant	423,436	236,000	-	789,801	998,036	2,447,273
Scholarships	-	-	127,197	-	-	127,197
Auxiliary Enterprises	37,655	3,885	-	292,684	-	334,224
Totals	<u>\$ 4,327,335</u>	<u>\$ 1,964,253</u>	<u>\$ 127,197</u>	<u>\$ 3,018,005</u>	<u>\$ 998,036</u>	<u>\$ 10,434,826</u>

#### NOTE 9. RISK MANAGEMENT

The College is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. As part of a component unit of the State of Utah, the College participates in the State's Risk Management Fund along with other State funds, agencies, and public authorities of the State. The State Risk Management fund allocates the cost of providing claims servicing, claims payment, and commercial insurance by charging a "premium" to each agency or public authority based on each organization's estimated current year liability and property values. The liability is determined using an independent actuarial study based on past, current, and estimated loss experience. The College has not had any losses or settlements that exceeded the risk management coverage for any of the last three years.

#### NOTE 10. RELATED PARTY LEASE

In December 2006, the College entered into a 99-year lease agreement with Utah State University for the land on which the Vernal 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. Consideration for the College's use of the land is the joint use of the Vernal campus by the College and Utah State University.

## UINTAH BASIN TECHNICAL COLLEGE

### REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR THE YEAR ENDED JUNE 30, 2018

#### **Schedule of Uintah Basin Technical College's Proportionate Share of the Net Pension Liability Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems**

	December 31,			
	2017	2016	2015	2014
<b><i>Noncontributory System</i></b>				
Proportion of Net Pension Liability (Asset)	0.0901357%	0.0910951%	0.0918514%	0.1033149%
Proportionate Share of Net Pension Liability (Asset)	\$ 2,204,144	\$ 2,952,316	\$ 2,885,316	\$ 2,595,816
Covered Payroll	\$ 1,944,937	\$ 2,090,630	\$ 2,120,187	\$ 2,593,606
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	113.33%	141.22%	136.09%	100.09%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	89.20%	84.90%	84.50%	87.20%
<b><i>Tier 2 Public Employees System</i></b>				
Proportion of Net Pension Liability (Asset)	0.1349106%	0.1417378%	0.1779284%	0.1821832%
Proportionate Share of Net Pension Liability (Asset)	\$ 11,895	\$ 15,811	\$ (388)	\$ (5,521)
Covered Payroll	\$ 1,320,723	\$ 1,162,363	\$ 1,149,513	\$ 894,627
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	0.90%	1.36%	-0.03%	-0.62%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	97.40%	95.10%	100.20%	103.50%

Note: The College implemented GASB Statement 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.

## UINTAH BASIN TECHNICAL COLLEGE

### REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR THE YEAR ENDED JUNE 30, 2018

#### Schedule of Uintah Basin Technical College's Defined Benefit Pension Contributions Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems Last 10 Fiscal Years Ending June 30

<i>Noncontributory System</i>	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 422,103	\$ 441,133	\$ 454,839	\$ 493,734	\$ 616,265	\$ 595,425	\$ 553,849	\$ 504,362	\$ 404,595	\$ 464,790
Contributions in Relation to the Contractually Required Contribution	(422,103)	(441,133)	(454,839)	(493,734)	(616,265)	(595,425)	(553,849)	(504,362)	(404,595)	(464,790)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,905,540	\$ 1,999,857	\$ 2,116,055	\$ 2,302,595	\$ 2,778,037	\$ 3,048,031	\$ 3,344,086	\$ 3,116,630	\$ 2,845,257	\$ 3,268,570
Contributions as a Percentage of Covered Payroll	22.15%	22.06%	21.49%	21.44%	22.18%	19.53%	16.56%	16.18%	14.22%	14.22%

<i>Tier 2 Public Employees System<sup>1, 2</sup></i>	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 260,530	\$ 226,276	\$ 197,581	\$ 193,881	\$ 57,444	\$ 42,376	\$ 14,291	N/A	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(260,530)	(226,276)	(197,581)	(193,881)	(57,444)	(42,376)	(14,291)			
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
Covered Payroll	\$ 1,412,853	\$ 1,240,547	\$ 1,177,111	\$ 1,061,197	\$ 675,813	\$ 495,048	\$ 188,288			
Contributions as a Percentage of Covered Payroll	18.44%	18.24%	16.79%	18.27%	8.50%	8.56%	7.59%			

<sup>1</sup> The Tier 2 Public Employees System began enrollments in fiscal year 2012. The College did not have any employees enrolled in the Tier 2 Public Employees System prior to fiscal year 2012.

<sup>2</sup> For employees participating in the Tier 2 Public Employees System, the College is required to contribute 18.24% of the employee's salary to the Systems. The College makes the required contributions by paying approximately 10% 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.

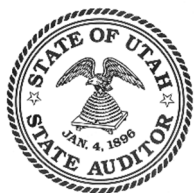
## **UINTAH BASIN TECHNICAL COLLEGE**

### REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES FOR THE YEAR ENDED JUNE 30, 2018

#### **Note to Uintah Basin Technical College's Schedule of Contributions:**

##### *Changes in Assumptions*

As a result of an experience study conducted as of December 31, 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that was developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).



OFFICE OF THE  
**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  
Aaron K. Weight, President  
Uintah Basin Technical College

We have audited the financial statements of the Uintah Basin Technical College (College) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 29, 2019. 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.

### **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 State Auditor*

Office of the State Auditor  
January 29, 2019