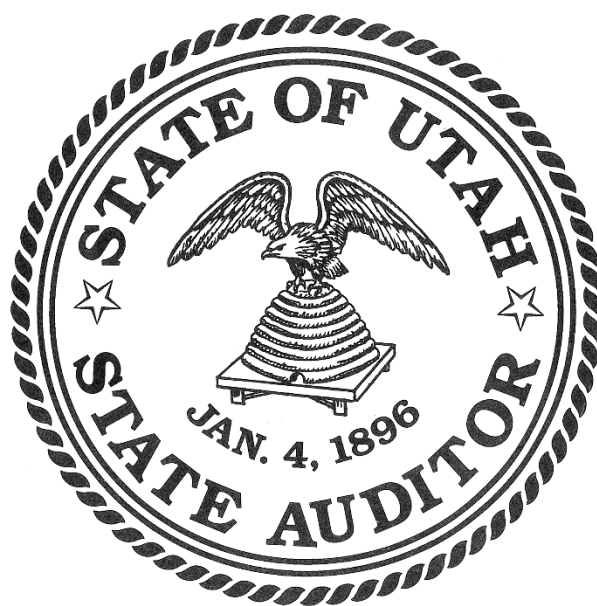


UINTAH BASIN TECHNICAL COLLEGE

A Component Unit of the State of Utah

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2021

Report No. 21-27



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Gregg Hastings, CPA, Audit Manager
Caleb Tindall, CPA, Audit Senior

UINTAH BASIN TECHNICAL COLLEGE

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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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

We have audited the accompanying financial statements of the Uintah Basin Technical College (College) as of and for the year ended June 30, 2021, 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, 2021, and the respective changes in its 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.

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 February 16, 2022 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

February 16, 2022

UINTAH BASIN TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021 (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, 2021.

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, 2021 (Unaudited)

Financial Analysis

Statement of Net Position. The following schedule presents a summary of the College's net position as of June 30, 2021 and 2020:

Condensed Statement of Net Position

| | As of June 30, 2021 | As of June 30, 2020 | Amount of Change | Percent Change |
|---------------------------------------|--------------------------------|--------------------------------|-----------------------------|---------------------------|
| Assets | | | | |
| Current Assets | \$ 5,645,903 | \$ 5,316,085 | \$ 329,818 | 6.20% |
| Capital Assets, Net | 32,248,631 | 32,759,096 | (510,465) | (1.56%) |
| Other Noncurrent Assets | 1,312,647 | 1,135,503 | 177,144 | 15.60% |
| Total Assets | 39,207,181 | 39,210,684 | (3,503) | (.01%) |
| Deferred Outflows of Resources | 865,311 | 732,969 | 132,342 | 18.06% |
| Liabilities | | | | |
| Current Liabilities | 1,405,435 | 1,663,442 | (258,007) | (15.51%) |
| Noncurrent Liabilities | 1,409,309 | 13,645,134 | (12,235,825) | (89.67%) |
| Total Liabilities | 2,814,744 | 15,308,576 | (12,493,832) | (81.61%) |
| Deferred Inflows of Resources | 1,461,798 | 771,425 | 690,373 | 89.49% |
| Net Position | | | | |
| Net Investment in Capital Assets | 32,248,002 | 21,132,846 | 11,115,156 | 52.60% |
| Restricted | 1,312,647 | 1,135,503 | 177,144 | 15.60% |
| Unrestricted | 2,235,302 | 1,595,303 | 639,999 | 40.12% |
| Total Net Position | \$ 35,795,951 | \$ 23,863,652 | \$ 11,932,299 | 50.00% |

Net Position of the College increased \$11,932,299 during the fiscal year and is primarily due to the recognition of Capital Grant and Gifts revenue and reduction of Noncurrent Liabilities, in the amount of \$11,375,206, for the retirement of bonds for the portion of the Vernal campus construction that was initially funded by the Uintah Impact Mitigation Special Service District (see Note 1 to the financial statements). Accordingly, the net position portion for Net Investment in Capital Assets increased in a similar amount.

Net Pension Liability decreased an additional \$920,957 to result in the overall decrease in Noncurrent Liabilities of \$12,235,825. This, combined with the increases in Deferred Outflows and Deferred Inflows of Resources, results in a positive net impact of actuarially determined pension accounts of \$279,326. (See Note 6 to the financial statements.)

UINTAH BASIN TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021 (Unaudited)

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, 2021 and 2020:

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

| | Year Ended June 30, 2021 Amount | Year Ended June 30, 2020 Amount | Amount of Change | Percent Change |
|-------------------------------------|--|--|-----------------------------|---------------------------|
| Operating Revenues | \$ 1,116,928 | \$ 1,055,226 | \$ 61,702 | 5.85% |
| Operating Expenses | 13,201,834 | 13,058,779 | 143,055 | 1.10% |
| Operating Income (Loss) | (12,084,906) | (12,003,553) | (81,353) | (.68%) |
| Nonoperating Revenues | 12,486,987 | 11,730,363 | 756,624 | 6.45% |
| Other Revenues | 11,530,218 | 900,254 | 10,629,964 | 1180.77% |
| Increase (Decrease) in Net Position | 11,932,299 | 627,064 | 11,305,235 | 1802.88% |
| Net Position – Beginning of Year | 23,863,652 | 23,236,588 | 627,064 | 2.70% |
| Net Position – End of Year | <u>\$ 35,795,951</u> | <u>\$ 23,863,652</u> | <u>\$ 11,932,299</u> | 50.00% |

The College experienced a net operating loss of \$12,084,906 comparable to the year before. Nonoperating Revenues increased \$756,624 primarily due to additional federal funds received in response to the COVID pandemic. The large increase in Other Revenues is primarily from the transfer of the remaining portion of the Vernal campus secured by bonds that were retired by the Uintah Impact Mitigation Special Service District.

UINTAH BASIN TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021 (Unaudited)

Revenues. The following schedule presents a summary of the College's revenues for the fiscal years ended June 30, 2021 and 2020:

| | Year Ended June 30, 2021 | Percent of Total Revenue | Year Ended June 30, 2020 | Amount of Change | Percent Change |
|--|-------------------------------------|---|-------------------------------------|-----------------------------|---------------------------|
| Operating Revenues | | | | | |
| Student Tuition and Fees, Net | \$ 289,416 | 1.15% | \$ 260,418 | \$ 28,998 | 11.14% |
| State and Local Grants and Contracts | 458,915 | 1.83% | 409,510 | 49,405 | 12.06% |
| Sales and Services of Educational Activities | - | .00% | 8,568 | (8,568) | (100.00%) |
| Auxiliary Enterprises | 355,010 | 1.41% | 267,801 | 87,209 | 32.56% |
| Other Operating Revenues | 13,587 | .05% | 108,929 | (95,342) | (87.53%) |
| Total Operating Revenues | 1,116,928 | 4.44% | 1,055,226 | 61,702 | 5.85% |
| Nonoperating Revenues | | | | | |
| State Appropriations | 9,968,575 | 39.66% | 10,333,948 | (365,373) | (3.54%) |
| State Grants and Contracts | 398,871 | 1.59% | - | 398,871 | 100.00% |
| Federal Grants and Contracts | 922,626 | 3.67% | 222,692 | 699,934 | 314.31% |
| PELL Financial Aid | 188,542 | .75% | 118,282 | 70,260 | 59.40% |
| Scholarship Gift Revenue | 970,703 | 3.86% | 716,954 | 253,749 | 35.39% |
| Investment Income | 37,670 | .15% | 138,487 | (100,817) | (72.80%) |
| Gifts | - | .00% | 200,000 | (200,000) | (100.00%) |
| Total Nonoperating Revenues | 12,486,987 | 49.68% | 11,730,363 | 756,624 | 6.45% |
| Other Revenues | | | | | |
| Capital Appropriations | 149,129 | .59% | 830,487 | (681,358) | (82.04%) |
| Capital Grants & Gifts | 11,380,206 | 45.28% | - | 11,380,206 | 1361.55% |
| Sale of Capital Assets | 883 | .00% | 69,767 | (68,884) | (98.73%) |
| Total Other Revenues | 11,530,218 | 45.87% | 900,254 | 10,629,964 | 1180.77% |
| Total Revenues | \$25,134,133 | 100.00% | \$13,685,843 | \$11,448,290 | 83.65% |

The revenue comparison shows an increase in total revenues of \$11,448,290. State appropriations decreased (\$365,373) below pre pandemic levels and federal grant funding significantly increased by \$1,098,805. Capital appropriations were much lower (\$681,358) because no large projects were completed and transferred by DFCM as in the prior year.

The Capital Grants & Gifts revenue of \$11,380,206 generated the largest change. The majority is represented by the remaining book value of the Vernal Campus building transferred to the College from UIMSSD as of the bond retirement.

UINTAH BASIN TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021 (Unaudited)

Expenses. The following schedule presents a summary of the College's expenses for the fiscal years ended June 30, 2021 and 2020:

| | Year Ended June 30, 2021 Amount | Percent of Total Expense | Year Ended June 30, 2020 Amount | Amount of Change | Percent Change |
|---------------------------------|--|---|--|-----------------------------|---------------------------|
| Operating Expenses | | | | | |
| Salaries and Wages | \$ 5,410,060 | 40.98% | \$ 5,238,055 | \$ 172,005 | 3.28% |
| Benefits | 1,835,322 | 13.90% | 1,785,846 | 49,476 | 2.77% |
| Actuarial Pension | 543,432 | 4.12% | 1,056,326 | (512,894) | (48.55%) |
| Scholarships | 295,222 | 2.24% | 212,077 | 83,145 | 39.21% |
| Supplies and Services | 3,650,721 | 27.65% | 3,436,332 | 214,389 | 6.24% |
| Depreciation | 1,467,077 | 11.11% | 1,330,143 | 136,934 | 10.29% |
| Total Operating Expenses | \$ 13,201,834 | 100.00% | \$ 13,058,779 | \$ 143,055 | 1.10% |

Total operating expenses increased 1.1% or \$143,055. The increase in Salaries & Wages and Benefits reflects additional personnel hired with repurposed funds. No additional state funding for compensation was appropriated. Actuarial Pension expense decreased due to positive changes in actuarial pension assumptions and conditions. Supplies and Services increased due to board approved projects which were funded from the College's cash reserves.

Capital Assets and Debt Administration

Capital Assets. The College's capital assets net of accumulated depreciation as of June 30, 2021 was \$32,248,631. This investment in capital assets includes land, buildings and improvements, and equipment. The decrease is explained by additional accumulated depreciation exceeding asset additions for the year. The following schedule reflects these changes.

| | June 30, 2021 Amount | June 30, 2020 Amount | Amount of Change |
|----------------------------|---------------------------------|---------------------------------|-----------------------------|
| Land | \$ 62,700 | \$ 62,700 | \$ - |
| Buildings and Improvements | 30,591,448 | 31,478,872 | (887,424) |
| Equipment | 1,594,483 | 1,217,524 | 376,959 |
| Total | 32,248,631 | 32,759,096 | (510,465) |

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, 2021 (Unaudited)

Factors Expected to Affect Net Position or Operations

Tuition Rate. Along with other regional colleges in the Utah System of Higher Education, the College's tuition rate for fiscal year 2021 was \$2.00 per hour. The rate effective July 1, 2021 remains unchanged at \$2.00 per hour.

Economic Conditions. The College is expecting that a lagging oil and gas economy will continue throughout fiscal year 2022, significantly impacting the institution's 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 FOR THE YEAR ENDED JUNE 30, 2021

Assets

Current Assets

| | |
|--------------------------------------|------------------|
| Cash and Cash Equivalents (Note 2) | \$ 5,032,347 |
| Receivables (Note 3) | 119,388 |
| Receivables – Related Party (Note 3) | 23,057 |
| Inventories | 168,413 |
| Investments | 302,698 |
| Total Current Assets | <u>5,645,903</u> |

Noncurrent Assets

| | |
|--------------------------------------|-------------------|
| Restricted Cash and Cash Equivalents | 1,312,647 |
| Capital Assets, net (Note 4) | 32,248,631 |
| Total Noncurrent Assets | <u>33,561,278</u> |
| Total Assets | <u>39,207,181</u> |

Deferred Outflows of Resources

| | |
|---|----------------|
| Deferred Outflows Relating to Pensions (Note 6) | <u>865,311</u> |
| Total Deferred Outflows of Resources | <u>865,311</u> |

Liabilities

Current Liabilities

| | |
|---|------------------|
| Accounts Payable (Note 3) | 246,396 |
| Salaries and Wages Payable | 785,031 |
| Unearned Revenue | 31,478 |
| Accrued Leave | 333,550 |
| Accrued Termination Benefits (Notes 1, 5 and 7) | 8,980 |
| Total Current Liabilities | <u>1,405,435</u> |

Noncurrent Liabilities

| | |
|--------------------------------|------------------|
| Net Pension Liability (Note 6) | <u>1,409,309</u> |
| Total Noncurrent Liabilities | <u>1,409,309</u> |
| Total Liabilities | <u>2,814,744</u> |

Deferred Inflows of Resources

| | |
|--|------------------|
| Deferred Inflows Relating to Pensions (Note 6) | <u>1,461,798</u> |
| Total Deferred Inflows of Resources | <u>1,461,798</u> |

Net Position

| | |
|----------------------------------|----------------------|
| Net Investment in Capital Assets | 32,248,002 |
| Restricted for | |
| Expendable | |
| Scholarships | 1,252,124 |
| Other | 60,523 |
| Unrestricted | <u>2,235,302</u> |
| Total Net Position | <u>\$ 35,795,951</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, 2021

Revenues

| | |
|--|------------------|
| Operating Revenues | |
| Student Tuition and Fees (net of allowance of \$737,208) | \$ 289,416 |
| State Grants and Contracts | 105,341 |
| Local Grants and Contracts | 353,574 |
| Auxiliary Enterprises | 355,010 |
| Other Operating Revenues | 13,587 |
| Total Operating Revenues | <u>1,116,928</u> |

Expenses

| | |
|--------------------------|---------------------|
| Operating Expenses | |
| Salaries and Wages | 5,410,060 |
| Benefits | 1,835,322 |
| Actuarial Pension | 543,432 |
| Scholarships | 295,222 |
| Supplies and Services | 3,650,721 |
| Depreciation | 1,467,077 |
| Total Operating Expenses | <u>13,201,834</u> |
| Operating Income (Loss) | <u>(12,084,906)</u> |

Nonoperating Revenues

| | |
|------------------------------|-------------------|
| State Appropriations | 9,968,575 |
| State Grants and Contracts | 398,871 |
| Federal Grants and Contracts | 922,626 |
| PELL Financial Aid | 188,542 |
| Scholarship Gift Revenue | 970,703 |
| Investment Income | 37,670 |
| Gifts | - |
| Total Nonoperating Revenues | <u>12,486,987</u> |

Income (Loss) Before Other Revenues & Expenses 402,081

Other Revenues (Expenses)

| | |
|------------------------|-------------------|
| Capital Appropriations | 149,129 |
| Capital Grants & Gifts | 11,380,206 |
| Sale of Capital Assets | 883 |
| Total Other Revenues | <u>11,530,218</u> |

Increase (Decrease) in Net Position 11,932,299

Net Position

| | |
|----------------------------------|----------------------|
| Net Position – Beginning of Year | <u>23,863,652</u> |
| Net Position – End of Year | <u>\$ 35,795,951</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, 2021

| | |
|--|------------------------|
| Cash Flows From Operating Activities | |
| Receipts from Tuition and Fees | \$ 188,624 |
| Receipts from Grants and Contracts | 411,550 |
| Payments to Suppliers | (3,424,544) |
| Payments to Employees | (8,097,140) |
| Receipts from Auxiliary Enterprise Services | 354,353 |
| Other Receipts | 13,587 |
| Other Payments | (304,260) |
| Net Cash Provided (Used) by Operating Activities | <u>(10,857,830)</u> |
| Cash Flows From Noncapital Financing Activities | |
| State Appropriations | 9,968,575 |
| Grants and Contracts | 1,321,497 |
| PELL Financial Aid | 188,542 |
| Scholarship Gift Revenue | 970,703 |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>12,449,317</u> |
| Cash Flows From Capital and Related Financing Activities | |
| Capital Grants & Gifts | 5,000 |
| Proceeds from Capital Asset Sale | 13,640 |
| Purchases of Capital Assets | (1,156,783) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(1,138,143)</u> |
| Cash Flows From Investing Activities | |
| Investment of Cash | (302,698) |
| Interest on Investments | 37,670 |
| Net Cash Provided (Used) by Investing Activities | <u>(265,028)</u> |
| Net Increase (Decrease) in Cash | 188,316 |
| Cash – Beginning of Year | <u>6,156,678</u> |
| Cash – End of Year | <u>\$ 6,344,994</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Operating Income (Loss) | \$ (12,084,906) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities | |
| Depreciation Expense | 1,467,077 |
| Difference between actuarial calculated pension expense and actual contributions | (362,928) |
| Changes in Assets and Liabilities | |
| Receivables | (100,791) |
| Prepaid Expense | 85,500 |
| Inventories | (657) |
| Accounts Payable | 140,677 |
| Salaries and Wages Payable | 54,600 |
| Deferred Revenue | (47,364) |
| Accrued Leave | 21,808 |
| Accrued Termination Benefits | (30,846) |
| Net Cash Provided (Used) by Operating Activities | <u>\$ (10,857,830)</u> |
| Noncash Investing, Capital, and Financing Activities | |
| Capital Asset Additions through DFCM | \$ 149,129 |
| Retirement of Capital Asset Held for Others Liability | \$ 11,711,750 |

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, 2021

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 Higher Education. It is considered a component unit of the State of Utah and is included in the State's *Annual Comprehensive 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.

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.

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.

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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.

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 |

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021

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 2021.

Capital Assets Held for Others

In previous years the College carried 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 resulted from the District issuing bonds to help finance the building's construction. With the retirement of these bonds in 2021, the District's remaining ownership transferred to the College. The carrying amount of the long-term liability of \$11,375,206, is eliminated and offset with Capital Grants and Gifts revenue in the same amount. As before the ownership transfer, the College continues to include the depreciated value of the building in its Capital Assets.

NOTE 2. CASH EQUIVALENTS & 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.

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, 2021, \$1,274,191 of the College's bank balance of \$1,902,294 was uninsured and uncollateralized.

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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; reciprocal deposits and negotiable brokered certificates of deposit in accordance with 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 UPMIFA and State Board of Regents Rule 541, allow the College to invest endowment funds including gifts, devises, or bequests of property of any kind from any source in any of the above investments or any of the following, subject to satisfying certain criteria:

- Mutual funds registered with the SEC, investments sponsored by the Common Fund;
- Any investment made in accordance with the donor's directions in a written instrument;
- Investments in corporate stock listed on a major exchange (direct ownership); and
- any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital including venture capital and private equity, natural resources, and private real estate assets or absolute return and long/short hedge funds.

UPMIFA also permits institutions within the Utah System of Higher Education to accept

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

and invest funds on behalf of other institutions. The College maintains an agreement with the University of Utah to invest in its unitized endowment pool (Pool).

The Pool is not registered with the SEC as an investment company and is not rated. The University of Utah invests funds in accordance with Rule 541, and University of Utah investment policies, as approved by the Board of Regents. Deposits in the Pool are not insured or otherwise guaranteed by the University of Utah, and participants share proportionally in any realized gains or losses on investments.

The Pool operates and reports to participants on a fair market basis. The income, gains and losses, net of administration fees are allocated monthly on the ratio of the College's ending monthly balance to the total funds in the Pool.

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

The value of the College's investments in PTIF is calculated by applying the June 30, 2021 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2021 balance in the fund. The fair value of University of Utah Endowment Pool is determined as calculated by the University of Utah to the University's average quarterly balance in the fund.

At June 30, 2021, the College had the following investments valued using level 2 measurements.

| Investment Type | Fair Value | Investment Maturities (in years) |
|---|--------------|----------------------------------|
| | | Less than 1 year |
| <u>Debt Securities</u> | | |
| Public Treasurer' Investment Fund | \$ 4,287,682 | \$ 4,273,356 |
| Public Treasurers' Investment Fund Foundation | \$ 259,727 | \$ 258,860 |
| Total Debt Securities | \$ 4,547,409 | \$ 4,532,216 |
| <u>Equity Securities</u> | | |
| University of Utah Endowment Pool | \$ 302,698 | \$ 302,698 |
| Total Equity Securities | \$ 302,698 | \$ 302,698 |

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, 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.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The College's policy for reducing its exposure to custodial credit risk is to comply with applicable provisions of the Act. As required by the Act, all applicable securities purchased were delivered versus payment and held in safekeeping by a bank.

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

The following schedule presents accounts receivable at June 30, 2021:

| | |
|-------------------------------------|--------------------------------|
| Student Charged Tuition and Fees | \$3,487 |
| Industry Sponsored Tuition and Fees | 115,901 |
| Related Party – State Government | <u>23,057</u> |
| Total Accounts Receivable | <u><u>\$142,445</u></u> |

Accounts payable of \$246,396 at June 30, 2021 are primarily made up of obligations to vendors. Of this amount, \$34,015 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, 2021, was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--------------------------------|------------------------------|---------------------|------------------|---------------------------|
| Land | \$ 62,700 | \$ - | \$ - | \$ 62,700 |
| Buildings and Improvements | 46,770,878 | 501,296 | - | 47,272,174 |
| Equipment | 4,305,986 | 851,438 | 374,625 | 4,782,799 |
| Total | <u>51,139,564</u> | <u>1,352,734</u> | <u>374,625</u> | <u>52,117,673</u> |
| Less Accumulated Depreciation: | | | | |
| Buildings and Improvements | 15,292,006 | 1,388,720 | - | 16,680,726 |
| Equipment | 3,088,462 | 414,901 | 315,047 | 3,188,316 |
| Total Accumulated Depreciation | <u>18,380,468</u> | <u>1,803,621</u> | <u>315,047</u> | <u>19,869,042</u> |
| Net Capital Assets | <u>\$ 32,759,096</u> | <u>\$ (450,887)</u> | <u>\$ 59,578</u> | <u>\$ 32,248,631</u> |

NOTE 5. LONG-TERM LIABILITIES

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

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

| | Beginning Balance | Additions | Reductions | Ending Balance | Current Portion |
|---------------------------------|------------------------------|------------------|-------------------|---------------------------|----------------------------|
| Accrued Termination Benefits | \$39,826 | \$- | \$30,846 | \$8,980 | \$8,980 |
| Capital Assets Held for Others | 11,711,750 | - | 11,711,750 | - | - |
| Net Pension Liability | 2,330,266 | - | 920,957 | 1,409,309 | - |
| Total Long-Term Liabilities | \$14,081,842 | \$- | \$12,663,553 | \$1,418,289 | \$8,980 |

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.

Benefits Provided

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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% |

* Actuarial reductions are applied.

** 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:

| | Paid by College for Employee | College Contribution Rates |
|--------------------------------|---|---|
| Noncontributory System | N/A | 22.19% |
| Tier 2 Public Employees System | N/A | 19.13% |

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, 2021, 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, 2021

| | College Contributions | Employee Contributions |
|--------------------------------|----------------------------------|-----------------------------------|
| Noncontributory System | \$ 442,575 | \$ - |
| Tier 2 Public Employees System | 388,771 | - |
| Total Contributions | \$ 831,346 | \$ - |

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, 2021, the College reported a net pension asset of \$0 and a net pension liability of \$1,409,309.

| | Net Pension Asset | Net Pension Liability | Proportionate Share 12/31/2020 | Proportionate Share 12/31/2019 | Change (Decrease) |
|--|----------------------------------|--------------------------------------|---|---|------------------------------|
| Noncontributory System | \$ - | \$ 1,391,377 | 0.1043698% | 0.1035398% | 0.0008300% |
| Tier 2 Public Employees System | - | 17,932 | 0.1246786% | 0.1330346% | -0.0083560% |
| Total Net Pension Asset / Liability | \$ - | \$ 1,409,309 | | | |

The net pension asset and liability were measured as of December 31, 2020. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 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, 2021, the College recognized a pension expense of \$543,432. At June 30, 2021, the College's portion of the deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 169,101 | \$ 8,211 |
| Changes in assumptions | 153,926 | 652 |
| Net difference between projected and actual earnings on pension plan investments | - | 1,452,935 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 80,401 | - |
| Contributions subsequent to the measurement date | 461,883 | - |
| Total | \$ 865,311 | \$ 1,461,798 |

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Of the amount reported as deferred outflows of resources to pensions, \$461,883 resulted from contributions made by the College prior to its fiscal year end, but subsequent to the measurement date of December 31, 2020. 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> |
|---------------------------------|---|
| 2021 | \$ (279,326) |
| 2022 | \$ (94,169) |
| 2023 | \$ (482,271) |
| 2024 | \$ (236,067) |
| 2025 | \$ 5,914 |
| Thereafter | \$ 27,550 |

Actuarial Assumptions

The total pension liability in the December 31, 2020 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, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

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, 2021

| Expected Return Arithmetic Basis | | | |
|---|---|-------------------------------------|---|
| Asset Class | Target Asset Allocation | Real Return Arithmetic Basis | Long-Term Expected Portfolio Real Rate of Return |
| Equity Securities | 37% | 6.30% | 2.33% |
| Debt Securities | 20% | 0.00% | 0.00% |
| Real Assets | 15% | 6.19% | 0.93% |
| Private Equity | 12% | 9.50% | 1.14% |
| Absolute Return | 16% | 2.75% | 0.44% |
| Cash & Cash Equivalents | 0% | 0.00% | 0.00% |
| Totals | 100% | | 4.84% |
| | <u>Inflation</u> | | 2.50% |
| | <u>Expected Arithmetic Nominal Return</u> | | 7.34% |

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.

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, 2021

Proportionate Share of Net Pension (Asset) / Liability

| | 1% Decrease (5.95%) | Discount Rate (6.95%) | 1% Increase (7.95%) |
|--------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Noncontributory System | \$ 4,460,439 | \$ 1,391,377 | \$ (1,174,778) |
| Tier 2 Public Employees System | 301,746 | 17,932 | (199,178) |
| Total | <u>\$ 4,762,185</u> | <u>\$ 1,409,309</u> | <u>\$ (1,373,956)</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, 2021, the College contributed \$423,299 to the plan and the employees made voluntary contributions to the plan of \$198,970.

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 2021. Benefits include direct payments for retirement and medical insurance premiums. At June 30, 2021, the liability for the three retirees still receiving benefits was \$8,980.

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021:

| | <u>Salary and Wages</u> | <u>Employee Benefits</u> | <u>Scholarships</u> | <u>Supplies and Services</u> | <u>Depreciation</u> | <u>Total</u> |
|--|-----------------------------|------------------------------|---------------------|----------------------------------|---------------------|----------------------|
| Instruction | \$ 3,184,756 | \$ 1,192,281 | \$ - | \$ 1,696,622 | \$ - | \$ 6,073,659 |
| Student Services | 326,417 | 214,142 | - | 23,977 | - | 564,536 |
| Institutional Support Operation and Maintenance of Plant | 1,423,886 | 680,781 | - | 657,647 | - | 2,762,314 |
| Scholarships | 419,893 | 287,060 | - | 982,599 | 1,467,077 | 3,156,629 |
| Auxiliary Enterprises | - | - | 295,222 | 13,411 | - | 308,633 |
| Totals | <u>\$ 5,410,060</u> | <u>\$ 2,378,754</u> | <u>\$ 295,222</u> | <u>\$ 3,650,721</u> | <u>\$ 1,467,077</u> | <u>\$ 13,201,834</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, 2021

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

| | 2020 | 2019 | December 31, 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|----------------------|--------------|--------------|--------------|--------------|
| <i>Noncontributory System</i> | | | | | | | |
| Proportion of Net Pension Liability (Asset) | 0.1043698% | 0.1035398% | 0.0929923% | 0.0901357% | 0.0910951% | 0.0918514% | 0.1033149% |
| Proportionate Share of Net Pension Liability (Asset) | \$ 1,391,377 | \$ 2,300,346 | \$ 3,459,794 | \$ 2,204,144 | \$ 2,952,316 | \$ 2,885,316 | \$ 2,595,816 |
| Covered Payroll | \$ 1,950,950 | \$ 1,900,461 | \$ 1,925,952 | \$ 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 | 71.32% | 121.04% | 179.64% | 113.33% | 141.22% | 136.09% | 100.09% |
| Plan Fiduciary Net Position as a Percentage of Total Pension | 94.30% | 90.10% | 84.10% | 89.20% | 84.90% | 84.50% | 87.20% |
| <i>Tier 2 Public Employees System</i> | | | | | | | |
| Proportion of Net Pension Liability (Asset) | 0.1246786% | 0.1330346% | 0.1333377% | 0.1349106% | 0.1417378% | 0.1779284% | 0.1821832% |
| Proportionate Share of Net Pension Liability (Asset) | \$ 17,932 | \$ 29,920 | \$ 57,106 | \$ 11,895 | \$ 15,811 | \$ (388) | \$ (5,521) |
| Covered Payroll | \$ 1,993,632 | \$ 1,849,335 | \$ 1,555,664 | \$ 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% | 1.62% | 3.67% | 0.90% | 1.36% | -0.03% | -0.62% |
| Plan Fiduciary Net Position as a Percentage of Total Pension | 98.30% | 96.50% | 90.80% | 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, 2021

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> | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 442,575 | \$ 420,159 | \$ 439,031 | \$ 422,103 | \$ 441,133 | \$ 454,839 | \$ 493,734 | \$ 616,265 | \$ 595,425 | \$ 553,849 |
| Contributions in Relation to the Contractually Required Contribution | (442,575) | (420,159) | (439,031) | (422,103) | (441,133) | (454,839) | (493,734) | (616,265) | (595,425) | (553,849) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 2,024,681 | \$ 1,912,699 | \$ 1,979,785 | \$ 1,905,540 | \$ 1,999,857 | \$ 2,116,055 | \$ 2,302,595 | \$ 2,778,037 | \$ 3,048,031 | \$ 3,344,086 |
| Contributions as a Percentage of Covered Payroll | 21.86% | 21.97% | 22.18% | 22.15% | 22.06% | 21.49% | 21.44% | 22.18% | 19.53% | 16.56% |
| | | | | | | | | | | |
| <i>Tier 2 Public Employees System^{1, 2}</i> | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Contractually Required Contribution | \$ 388,771 | \$ 367,145 | \$ 333,314 | \$ 260,530 | \$ 226,276 | \$ 197,581 | \$ 193,881 | \$ 57,444 | \$ 42,376 | \$ 14,291 |
| Contributions in Relation to the Contractually Required Contribution | (388,771) | (367,145) | (333,314) | (260,530) | (226,276) | (197,581) | (193,881) | (57,444) | (42,376) | (14,291) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered Payroll | \$ 2,032,259 | \$ 1,933,362 | \$ 1,766,371 | \$ 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 | 19.13% | 18.99% | 18.87% | 18.44% | 18.24% | 16.79% | 18.27% | 8.50% | 8.56% | 8% |

¹ 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.

² For employees participating in the Tier 2 Public Employees System, the College is required to contribute 19.13% 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.



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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Uintah Basin Technical College (College), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or to detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

Office of the State Auditor

Office of the State Auditor

February 16, 2022