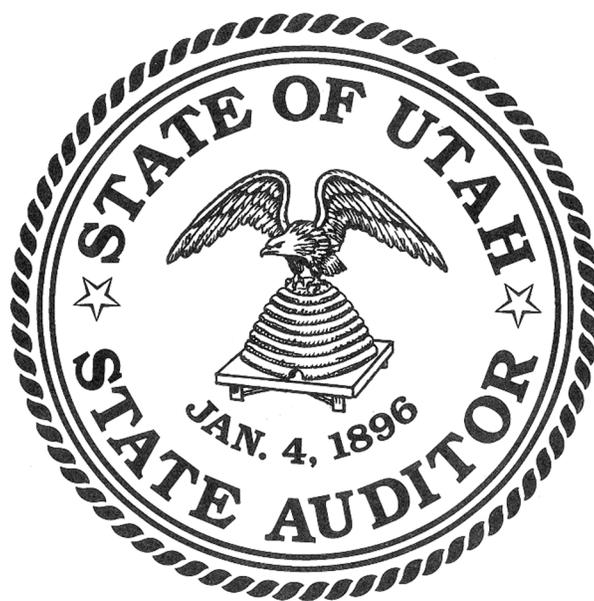


UINTAH BASIN TECHNICAL COLLEGE

A Component Unit of the State of Utah

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2019

Report No. 19-41



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Gregg Hastings, CPA, Audit Manager
Abby Potter, CPA, Audit Senior

UINTAH BASIN TECHNICAL COLLEGE

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2019

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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, 2019, 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, 2019, 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 February 20, 2020 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 20, 2020

UINTAH BASIN TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (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, 2019.

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, 2019 (Unaudited)

Financial Analysis

Statement of Net Position. The following schedule presents a summary of the College's net position as of June 30, 2019 and 2018:

Condensed Statement of Net Position

	As of June 30, 2019	As of June 30, 2018	Amount of Change	Percent Change
Assets				
Current Assets	\$ 4,848,060	\$ 5,608,888	\$ (760,828)	(13.56%)
Capital Assets, Net	32,903,160	26,973,802	5,929,358	21.98%
Other Noncurrent Assets	975,272	-	975,272	100.00%
Total Assets	38,726,492	32,582,690	6,143,802	18.86%
Deferred Outflows of Resources	1,466,549	1,308,355	158,194	12.09%
Liabilities				
Current Liabilities	1,581,107	1,061,751	519,356	48.92%
Noncurrent Liabilities	15,251,053	14,375,967	875,086	6.09%
Total Liabilities	16,832,160	15,437,718	1,394,442	9.03%
Deferred Inflows of Resources	124,293	1,236,738	(1,112,445)	(89.95%)
Net Position				
Net Investment in Capital Assets	20,787,556	14,454,346	6,333,210	43.82%
Restricted	975,272	819,380	155,892	19.03%
Unrestricted	1,473,760	1,942,863	(469,103)	(24.14%)
Total Net Position	\$ 23,236,588	\$ 17,216,589	\$ 6,019,999	34.97%

Capital Assets increased significantly due to capital appropriations transferred from the Division of Facilities Construction and Management (See Note 4 to the financial statements), which resulted in an increase in Net Investment in Capital Assets and the overall Total Net Position.

Current Liabilities increased by \$519,356 and is explained by a change in the payroll process, resulting in a payroll accrual at the end of the fiscal year that did not exist in the prior year.

The increase in Noncurrent Liabilities of \$875,086 is largely comprised of an increase in Net Pension Liability of \$1,300,861, and offset by 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).

UINTAH BASIN TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

Deferred Inflows of Resources decreased \$1,112,445 from differences between expected and actual investment results and changes in actuarial assumptions. (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, 2019 and 2018:

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

	Year Ended June 30, 2018 Amount	Year Ended June 30, 2017 Amount	Amount of Change	Percent Change
Operating Revenues	\$ 1,449,966	\$ 1,475,285	\$ (25,319)	(1.72%)
Operating Expenses	12,039,090	10,434,826	1,604,264	15.37%
Operating Income (Loss)	(10,589,124)	(8,959,541)	(1,629,583)	(18.19%)
Nonoperating Revenues	10,329,246	9,356,896	972,350	10.39%
Other Revenues	6,279,877	14,919	6,264,958	41993.15%
Increase (Decrease) in Net Position	6,019,999	412,274	5,607,725	1360.19%
Net Position – Beginning of Year	17,216,589	16,804,315	412,274	2.45%
Net Position – End of Year	\$ 23,236,588	\$ 17,216,589	\$ 6,019,999	34.97%

The College experienced a net operating loss of \$10,589,122, an increase of \$1,629,581 over the previous year's loss. This difference is primarily due to an increase in Operating Expenses of \$1,604,264. Much of the expense increase was from Salaries and Wages, Benefits, and Actuarial Pension as a result of the creation of nine new full-time positions.

The College is a State institution and receives a large portion of its revenues from appropriations. State appropriations increased in the amount of \$715,791, comprising most of the increase in the classification of Nonoperating Revenues shown above. The State Appropriation is anticipated as a means of covering a majority of the College's operating costs.

The classification of Other Revenues increased by \$6,264,958, due to the completion of a new Welding Technology building as well as several other capital improvement projects transferred from the Division of Facilities Construction and Management.

UINTAH BASIN TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

Revenues. The following schedule presents a summary of the College's revenues for the fiscal years ended June 30, 2019 and 2018:

	Year Ended June 30, 2019 Amount	Percent of Total Revenue	Year Ended June 30, 2018 Amount	Amount of Change	Percent Change
Operating Revenues					
Student Tuition and Fees, Net	\$ 386,236	2.14%	\$ 537,775	\$ (151,539)	(28.18%)
State and Local Grants and Contracts	527,566	2.92%	467,926	59,640	12.75%
Sales and Services of Educational Activities	11,810	.07%	28,394	(16,584)	(58.41%)
Auxiliary Enterprises	504,857	2.80%	417,233	87,624	21.00%
Other Operating Revenues	19,497	.11%	23,957	(4,460)	(18.62%)
Total Operating Revenues	1,449,966	8.03%	1,475,285	(25,319)	(1.72%)
Nonoperating Revenues					
State Appropriations	9,090,919	50.34%	8,375,128	715,791	8.55%
Federal Grants and Contracts	85,832	.48%	70,453	15,379	21.83%
PELL Financial Aid	112,884	.63%	123,015	(10,131)	(8.24%)
Scholarship Gift Revenue	807,245	4.47%	679,090	128,155	18.87%
Investment Income	182,366	1.01%	109,210	73,156	66.99%
Gifts	50,000	.28%	-	50,000	100.00%
Total Nonoperating Revenues	10,329,246	57.20%	9,356,896	972,350	10.39%
Other Revenues					
Capital Appropriations	6,149,030	34.05%	-	6,149,030	100.00%
Capital Grants and Gifts	65,000	.36%	-	65,000	100.00%
Sale of Capital Assets	2,435	.01%	14,919	(12,484)	(83.68%)
Extraordinary Item	63,412	.35%	-	63,412	100.00%
Total Other Revenues	6,279,877	34.77%	14,919	6,264,958	41993.15%
Total Revenues	\$18,059,089	100.00%	\$10,847,100	\$7,211,989	66.49%

The revenue comparison for fiscal years 2019 and 2018 shows an increase of Total Revenues by \$7,211,989, which is primarily explained by the Capital Appropriations received in the current fiscal year (see Note 4 to the financial statements) as well as an increase in State Appropriations.

The increase in Scholarship Gift Revenue of \$128,155 was a direct cause of much of the decrease in Student Tuition & Fees of \$151,536. This relationship occurs when additional scholarships are awarded which reduce the amount of payments students are required to make.

The College also received an insurance gain for the difference of an asset lost in a fire during the fiscal year, creating a gain of \$63,412, presented above as an Extraordinary Item.

UINTAH BASIN TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

Expenses. The following schedule presents a summary of the College's expenses for the fiscal years ended June 30, 2019 and 2018:

	<u>Year Ended June 30, 2019 Amount</u>	<u>Percent of Total Expense</u>	<u>Year Ended June 30, 2018 Amount</u>	<u>Amount of Change</u>	<u>Percent Change</u>
Operating Expenses					
Salaries and Wages	\$ 4,812,678	39.98%	\$ 4,327,335	\$ 485,343	11.22%
Benefits	1,644,045	13.66%	1,395,233	248,812	17.83%
Actuarial Pension	859,601	7.14%	569,020	290,581	51.07%
Scholarships	114,811	.95%	127,197	(12,386)	(9.74%)
Supplies and Services	3,495,718	29.04%	3,018,005	477,713	15.83%
Depreciation	1,112,237	9.24%	998,036	114,201	11.44%
Total Operating Expenses	<u>\$ 12,039,090</u>	<u>100.00%</u>	<u>\$ 10,434,826</u>	<u>\$ 1,604,264</u>	<u>15.37%</u>

Operating Expenses increased in the amount of \$1,604,264. Salaries and Wages, Benefits, and Actuarial Pension saw a significant increase due to the addition of nine full-time positions with benefits. The increase in Supplies and Services of \$477,713 is a natural result of additional grants and gift revenues awarded, as well as the cost recognition of a Building Trades house that was sold during the fiscal year and not in the previous fiscal year.

Capital Assets and Debt Administration

Capital Assets. The College's capital assets as of June 30, 2019 were \$49,865,100. This investment in capital assets includes land, buildings and improvements, and equipment. The increase in buildings and improvements is primarily due to capital appropriations of \$6,149,030. The following schedule reflects these changes.

	<u>June 30, 2019 Amount</u>	<u>June 30, 2018 Amount</u>	<u>Amount of Change</u>
Land	\$ 62,700	\$ 62,700	\$ -
Buildings and Improvements	45,478,353	38,694,795	6,783,558
Equipment	4,324,047	4,103,133	220,914
Total	<u>49,865,100</u>	<u>42,860,628</u>	<u>7,004,472</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, 2019 (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 2019 was \$2.00 per hour. The rate effective July 1, 2019 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 2020, 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, 2019

Assets

Current Assets

Cash and Cash Equivalents (Note 2)	\$ 4,395,803
Receivables (Note 3)	62,345
Receivables – Related Party (Note 3)	237,930
Inventories	151,982
Total Current Assets	<u>4,848,060</u>

Noncurrent Assets

Restricted Cash and Cash Equivalents	975,272
Capital Assets, net (Note 4)	32,903,160
Total Noncurrent Assets	<u>33,878,432</u>
Total Assets	<u>38,726,492</u>

Deferred Outflows of Resources

Deferred Outflows Relating to Pensions (Note 6)	<u>1,466,549</u>
Total Deferred Outflows of Resources	<u>1,466,549</u>

Liabilities

Current Liabilities

Accounts Payable (Note 3)	160,541
Salaries and Wages Payable	707,795
Unearned Revenue	14,500
Accrued Leave	271,981
Accrued Termination Benefits (Notes 1, 5 and 7)	22,437
Capital Assets Held for Others (Notes 1 and 5)	403,853
Total Current Liabilities	<u>1,581,107</u>

Noncurrent Liabilities

Accrued Termination Benefits (Note 1, 5 and 7))	22,403
Capital Assets Held for Others (Note 1,5)	11,711,750
Net Pension Liability (Note 6)	3,516,900
Total Noncurrent Liabilities	<u>15,251,053</u>
Total Liabilities	<u>16,832,160</u>

Deferred Inflows of Resources

Deferred Inflows Relating to Pensions (Note 6)	<u>124,293</u>
Total Deferred Inflows of Resources	<u>124,293</u>

Net Position

Net Investment in Capital Assets	20,787,556
Restricted for	
Expendable	
Scholarships	878,686
Other	96,586
Unrestricted	1,473,760
Total Net Position	<u>\$ 23,236,588</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, 2019

Revenues

Operating Revenues	
Student Tuition and Fees (net of allowance of \$666,238)	\$ 386,236
State Grants and Contracts	182,292
Local Grants and Contracts	345,274
Sales and Services of Educational Activities	11,810
Auxiliary Enterprises	504,857
Other Operating Revenues	19,497
Total Operating Revenues	<u>1,449,966</u>

Expenses

Operating Expenses	
Salaries and Wages	4,812,678
Benefits	1,644,045
Actuarial Pension	859,601
Scholarships	114,811
Supplies and Services	3,495,718
Depreciation	1,112,237
Total Operating Expenses	<u>12,039,090</u>
Operating Income (Loss)	<u>(10,589,124)</u>

Nonoperating Revenues

State Appropriations	9,090,919
Federal Grants and Contracts	85,832
PELL Financial Aid	112,884
Scholarship Gift Revenue	807,245
Investment Income	182,366
Gifts	50,000
Total Nonoperating Revenues	<u>10,329,246</u>
Income (Loss) Before Other Revenues & Expenses	<u>(259,878)</u>

Other Revenues (Expenses)

Capital Appropriations	6,149,030
Capital Grants & Gifts	65,000
Sale of Capital Assets	2,435
Extraordinary Item	63,412
Total Other Revenues	<u>6,279,877</u>

Increase (Decrease) in Net Position 6,019,999

Net Position

Net Position – Beginning of Year	<u>17,216,589</u>
Net Position – End of Year	<u>\$ 23,236,588</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, 2019

Cash Flows From Operating Activities	
Receipts from Tuition and Fees	\$ 206,947
Receipts from Grants and Contracts	526,194
Payments to Suppliers	(3,526,696)
Payments to Employees	(6,771,350)
Receipts from Auxiliary Enterprise Services	675,258
Other Receipts	19,497
Other Payments	(99,779)
Net Cash Provided (Used) by Operating Activities	<u>(8,969,929)</u>
Cash Flows From Noncapital Financing Activities	
State Appropriations	9,090,919
Grants and Contracts	85,832
PELL Financial Aid	112,884
Scholarship Gift Revenue	807,245
Gifts	50,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,146,880</u>
Cash Flows From Capital and Related Financing Activities	
Capital Grants & Gifts	65,000
Proceeds from Capital Asset Sale	7,644
Purchases of Capital Assets	(1,238,214)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,165,570)</u>
Cash Flows From Investing Activities	
Interest on Investments	182,366
Net Cash Provided (Used) by Investing Activities	<u>182,366</u>
Net Increase (Decrease) in Cash	193,747
Cash – Beginning of Year	<u>5,177,328</u>
Cash – End of Year	<u>\$ 5,371,075</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	\$ (10,589,124)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	1,112,237
Difference between actuarial calculated pension expense and actual contributions	30,222
Changes in Assets and Liabilities	
Receivables	(179,289)
Inventories	158,591
Accounts Payable	(30,978)
Salaries and Wages Payable	514,752
Deferred Revenue	(1,372)
Accrued Leave	42,193
Accrued Termination Benefits	(27,161)
Net Cash Provided (Used) by Operating Activities	<u>\$ (8,969,929)</u>
Noncash Investing, Capital, and Financing Activities	
Capital Asset Additions through DFCM	\$ 6,271,228
Extraordinary Item - Insurance Gain	\$ 63,412

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, 2019

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, 2019

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, 2019

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, 2019

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 2019.

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, 2019

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, 2019, \$95,417 of the College's bank balance of \$513,770 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; 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 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;

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs

The value of the College's investment in the PTIF is calculated by applying the June 30, 2019 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2019 balance in the fund.

At June 30, 2019, 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	\$ 5,036,506	\$ 5,036,506

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, 2019, the College's investments were all unrated.

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

The following schedule presents accounts receivable at June 30, 2019:

Student Charged Tuition and Fees	\$ 7,959
Industry Sponsored Tuition and Fees	54,386
Related Party – State Government	<u>237,930</u>
Total Accounts Receivable	<u>\$ 300,275</u>

Accounts payable of \$160,541 at June 30, 2019 are primarily made up of obligations to vendors. Of this amount, \$8,786 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, 2019, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 62,700	\$ -	\$ -	\$ 62,700
Buildings and Improvements	38,694,795	6,928,028	144,470	45,478,353
Equipment	4,103,133	699,555	478,641	4,324,047
Total	<u>42,860,628</u>	<u>7,627,583</u>	<u>623,111</u>	<u>49,865,100</u>
Less Accumulated Depreciation:				
Buildings and Improvements	12,769,681	1,178,857	22,272	13,926,266
Equipment	3,117,145	337,233	418,704	3,035,674
Total Accumulated Depreciation	<u>15,886,826</u>	<u>1,516,090</u>	<u>440,976</u>	<u>16,961,940</u>
Net Capital Assets	<u>\$ 26,973,802</u>	<u>\$ 6,111,493</u>	<u>\$ 182,135</u>	<u>\$ 32,903,160</u>

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Several projects totaling \$6,334,640 were transferred from Utah Division of Facilities Construction and Management during the fiscal year, with the largest being the construction of a new Welding Technology building that cost \$4,275,727. The College also self-funded several building improvements costing \$593,388.

Of the amount transferred from Utah Division of Facilities Construction and Management, \$63,412 was recognized as an Extraordinary item for an insurance gain for the replacement of an asset that was lost due to a fire.

Total additions to accumulated depreciation shown above exceed depreciation expense of \$1,112,237 by \$403,853 (see Note 1, "Capital Assets Held for Others").

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	\$ 72,001	\$ -	\$ 27,161	\$ 44,840	\$ 22,437
Capital Assets Held for Others	12,519,456	-	403,853	12,115,603	403,853
Net Pension Liability	2,216,039	1,300,861	-	3,516,900	
Total Long-Term Liabilities	<u>\$ 14,807,496</u>	<u>\$ 1,300,861</u>	<u>\$ 431,014</u>	<u>\$ 15,677,343</u>	<u>\$ 426,290</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.

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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:

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Paid by College for Employee	College Contribution Rates
Noncontributory System	N/A	22.19%
Tier 2 Public Employees System	N/A	18.87%

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, 2019, the College and employee contributions to the Systems were as follows:

	College Contributions	Employee Contributions
Noncontributory System	\$ 439,031	\$ -
Tier 2 Public Employees System	333,314	-
Total Contributions	\$ 772,345	\$ -

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, 2019, the College reported a net pension asset of \$0 and a net pension liability of \$3,516,900.

	Net Pension Asset	Net Pension Liability	Proportionate Share 12/31/2018	Proportionate Share 12/31/2017	Change (Decrease)
Noncontributory System	\$ -	\$ 3,459,794	0.0929923%	0.0901357%	0.0028566%
Tier 2 Public Employees System	-	57,106	0.1333377%	0.1349106%	-0.0015729%
Total Net Pension Asset / Liability	\$ -	\$ 3,516,900			

The net pension asset and liability were measured as of December 31, 2018. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 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, 2019, the College recognized a pension expense of \$859,601. At June 30, 2019, the College's portion of the deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 18,832	\$ 60,347
Changes in assumptions	366,220	1,026
Net difference between projected and actual earnings on pension plan investments	594,210	-
Changes in proportion and differences between contributions and proportionate share of contributions	69,181	62,920
Contributions subsequent to the measurement date	418,106	-
Total	\$ 1,466,549	\$ 124,293

Of the amount reported as deferred outflows of resources to pensions, \$418,106 resulted from contributions made by the College prior to its fiscal year end, but subsequent to the measurement date of December 31, 2018. 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>
2019	\$ 377,452
2020	\$ 163,574
2021	\$ 89,461
2022	\$ 281,685
2023	\$ 1,685
Thereafter	\$ 10,294

Actuarial Assumptions

The total pension liability in the December 31, 2018 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.

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The actuarial assumptions used in the January 1, 2018 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:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
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%
Totals	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

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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:

Proportionate Share of Net Pension (Asset) / Liability

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 6,218,846	\$ 3,459,794	\$ 1,151,503
Tier 2 Public Employees System	<u>228,776</u>	<u>57,106</u>	<u>(75,381)</u>
Total	<u>\$ 6,447,622</u>	<u>\$ 3,516,900</u>	<u>\$ 1,076,122</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

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

June 30, 2019, the College contributed \$375,565 to the plan and the employees made voluntary contributions to the plan of \$261,551.

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 2019. Benefits include direct payments for retirement and medical insurance premiums. At June 30, 2019, the liability for the three retirees still receiving benefits was \$44,840.

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, 2019:

	<u>Salary and Wages</u>	<u>Employee Benefits</u>	<u>Scholarships</u>	<u>Supplies and Services</u>	<u>Depreciation</u>	<u>Total</u>
Instruction	\$ 2,944,171	\$ 1,498,574	\$ -	\$ 1,514,615	\$ -	\$ 5,957,360
Student Services	308,596	184,478	-	76,844	-	569,918
Institutional Support	1,151,346	627,527	-	806,073	-	2,584,946
Operation and Maintenance of Plant	366,771	189,202	-	665,552	1,112,237	2,333,762
Scholarships	-	-	114,811	22,720	-	137,531
Auxiliary Enterprises	41,794	3,865	-	409,914	-	455,573
Totals	<u>\$ 4,812,678</u>	<u>\$ 2,503,646</u>	<u>\$ 114,811</u>	<u>\$ 3,495,718</u>	<u>\$ 1,112,237</u>	<u>\$ 12,039,090</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.

UINTAH BASIN TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019

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

	2018	2017	December 31, 2016	2015	2014
<i>Noncontributory System</i>					
Proportion of Net Pension Liability (Asset)	0.0929923%	0.0901357%	0.0910951%	0.0918514%	0.1033149%
Proportionate Share of Net Pension Liability (Asset)	\$ 3,459,794	\$ 2,204,144	\$ 2,952,316	\$ 2,885,316	\$ 2,595,816
Covered Payroll	\$ 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	179.64%	113.33%	141.22%	136.09%	100.09%
Plan Fiduciary Net Position as a Percentage of Total Pension	84.10%	89.20%	84.90%	84.50%	87.20%
<i>Tier 2 Public Employees System</i>					
Proportion of Net Pension Liability (Asset)	0.1333377%	0.1349106%	0.1417378%	0.1779284%	0.1821832%
Proportionate Share of Net Pension Liability (Asset)	\$ 57,106	\$ 11,895	\$ 15,811	\$ (388)	\$ (5,521)
Covered Payroll	\$ 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	3.67%	0.90%	1.36%	-0.03%	-0.62%
Plan Fiduciary Net Position as a Percentage of Total Pension	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, 2019

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>	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 439,031	\$ 422,103	\$ 441,133	\$ 454,839	\$ 493,734	\$ 616,265	\$ 595,425	\$ 553,849	\$ 504,362	\$ 404,595
Contributions in Relation to the Contractually Required Contribution	(439,031)	(422,103)	(441,133)	(454,839)	(493,734)	(616,265)	(595,425)	(553,849)	(504,362)	(404,595)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,979,785	\$ 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
Contributions as a Percentage of Covered Payroll	22.19%	22.15%	22.06%	21.49%	21.44%	22.18%	19.53%	16.56%	16.18%	14.22%

<i>Tier 2 Public Employees System^{1,2}</i>	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 333,314	\$ 260,530	\$ 226,276	\$ 197,581	\$ 193,881	\$ 57,444	\$ 42,376	\$ 14,291	N/A	N/A
Contributions in Relation to the Contractually Required Contribution	(333,314)	(260,530)	(226,276)	(197,581)	(193,881)	(57,444)	(42,376)	(14,291)		
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Covered Payroll	\$ 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	18.87%	18.44%	18.24%	16.79%	18.27%	8.50%	8.56%	7.59%		

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 18.87% 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.

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

Changes in Assumptions

The assumptions and methods used to calculate the total pension liability remain unchanged from the prior year.



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, 2019, 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 20, 2020. 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 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 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. 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 20, 2020