

TOOELE TECHNICAL COLLEGE

A Component Unit of the State of Utah

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2020

Report No. 20-25



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Doug Seager, CPA, Audit Director
Daniel Layton, Audit Senior

TOOELE TECHNICAL COLLEGE

FOR THE YEAR ENDED JUNE 30, 2020

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OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Directors, Audit Committee
and
Paul Hacking, President
Tooele Technical College

Report on the Financial Statements

We have audited the accompanying financial statements of Tooele Technical College (College) as of and for the year ended June 30, 2020, 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, 2020, and the changes in its financial position and its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
January 28, 2021

TOOELE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

The Tooele Technical College (the College) is proud to present its financial statements for the fiscal year ended June 30, 2020. This discussion is an overview of the College's financial activities for the year and is based on the comparative data presented.

During FY2020, the College was a member of the Utah System of Technical Colleges (USTC), with system governance provided by the USTC Board of Trustees, and local governance provided by the College's Board of Directors. On July 1, 2020, as a result of changes in state statute, the colleges governed by USTC were placed under the governance of the Utah Board of Higher Education. All public colleges and universities are members of the Utah System of Higher Education. The College maintains a local Board of Trustees and remains an independent technical college and component unit of the State of Utah.

The global pandemic had significant impacts on the financial reporting during FY2020. The State of Utah issued a mandatory Stay-At-Home order, as a result the College was closed for the period from March 16, 2020 through May 15, 2020. During this time tuition and fee charges were suspended while operational expenses continued. In addition, the Utah Legislature approved House Joint Resolution 301, urging state agencies, including technical colleges to limit expenditures for the remainder of the fiscal year, and plan for upcoming budget cuts. The Federal CARES Act, signed March 27, 2020 had significant impacts on the financial statements by providing funding to cover lost revenue and income, additional student aid, and funding to cover costs incurred to manage the effects of the pandemic.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements 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

TOOELE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

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.

Financial Analysis

Condensed Statement of Net Position. The following schedule presents a summary of the College's net position as of June 30, 2020, and 2019:

TOOELE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

Condensed Statement of Net Position

	June 30, 2020	June 30, 2019	Amount of	Percent
	Amount	Amount	Change	Change
Assets				
Current Assets	\$ 2,436,288	\$ 1,935,876	\$ 500,412	25.85%
Noncurrent Assets				
Capital Assets	12,928,745	13,201,914	(273,169)	(2.07%)
Total Assets	15,365,033	15,137,790	227,243	1.50%
Deferred Outflows of Resources	349,011	804,334	(555,323)	(61.41%)
Liabilities				
Current Liabilities	478,261	386,849	91,412	23.63%
Noncurrent Liabilities	1,054,853	1,426,108	(371,255)	(26.03%)
Total Liabilities	1,533,114	1,812,957	(279,843)	(15.44%)
Deferred Inflows of Resources	311,163	300,306	10,857	3.62%
Net Position				
Net Investment in Capital Assets	12,928,745	13,201,914	(273,169)	(2.07%)
Unrestricted	941,022	726,947	214,075	29.45%
Total Net Position	\$ 13,869,767	\$ 13,928,861	\$ (59,094)	(.42%)

The total assets of the College increased by \$227,243 during the fiscal year. The increase in current assets of \$500,412 consists of an increase in cash and cash equivalents of \$336,081. This increase is due to the Utah Legislative House Joint Resolution 301 request to conserve cash. The College had an increase in receivables of \$136,344, which is primarily due to a receivable for Federal Grant under the CARES Act of 2020. Finally, accounting for the change in current assets, inventory increased \$3,375, and prepaid expenses increased \$24,613.

The College's capital assets (net of accumulated depreciation) as of June 30, 2020, amount to \$12,928,745. The net decrease of \$273,169 is mainly due to capitalization of new assets recorded in 2020 in the amount of \$258,190, less depreciation of \$531,359, net of disposal of assets. Additional information on the changes in the College's capital assets can be found in Note 4 of the Notes to the Financial Statements.

Deferred Outflows of Resources represents a consumption of net position that applies to a future period(s), this is an actuarially calculated amount, for this reporting period the amount decreased by \$555,323. The Utah Retirement System (URS), made a change to the presentation of the net differences between projected and actual earnings on the pension plan investment of the deferred outflows and deferred inflows. Previously these had been shown separately. This account has been changed to show this as a net amount in the GASB 68 disclosure. As a result, the beginning

TOOELE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

balance needed to be adjusted in order to reflect this change in presentation. The amount of decrease reflects the change in the beginning balance.

Total liabilities of the College decreased by \$279,842 for the fiscal year 2020. Current liabilities increased by \$91,412, due to recording unearned revenue from the Federal CARES Act grant for the amount of \$105,660. Leave Payable increased by \$64,452, of which \$18,739 is current. As a component of noncurrent liabilities, net pension liability, which is an actuarially calculated amount, decreased by \$410,326. For additional information regarding the net pension liability and the GASB 68 requirement, see Note 6.

Deferred Inflows of Resources represents an acquisition of net position that applies to a future period(s), this is an actuarially calculated amount, for this reporting period the amount increased by \$10,857. The Utah Retirement System (URS), made a change to the presentation of the net differences between projected and actual earnings on the pension plan investment of the deferred outflows and deferred inflows. Previously these had been shown separately. This account has been changed to show this as a net amount in the GASB 68 disclosure. As a result, the beginning balance needed to be adjusted in order to reflect this change in presentation. The amount of increase reflects the change in the beginning balance.

Condensed Statement of Revenues, Expenses, and Changes in Net Position. The following schedule presents a summary of revenues, expenses, and changes in net position for the College for the fiscal years ended June 30, 2020, and 2019.

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

	Year Ended June 30, 2020 Amount	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Operating Revenues	\$ 1,085,241	\$ 1,131,583	\$ (46,342)	(4.1%)
Operating Expenses	7,282,757	6,467,102	815,655	12.6%
Operating Income (Loss)	(6,197,516)	(5,335,519)	(861,997)	16.2%
Nonoperating Revenues	6,042,110	5,273,806	768,304	14.6%
Income (Loss) Before Other Items	(155,406)	(61,713)	(93,693)	151.8%
Other Revenues	96,312	(5,160)	101,472	(1966.5%)
Increase (Decrease) in Net Position	(59,094)	(66,873)	7,779	(11.6%)
Net Position – Beginning of Year	13,928,861	13,995,734	(66,873)	(0.5%)
Net Position – End of Year	<u>\$ 13,869,767</u>	<u>\$ 13,928,861</u>	<u>\$ (59,094)</u>	<u>(0.4%)</u>

TOOELE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

The College experienced a net operating loss of \$6,197,516 during the fiscal year. The College receives a significant portion of its revenues from State appropriations. These appropriations are classified in the financial statements as nonoperating revenues. State appropriations are anticipated as a means of covering a majority of the costs of operating the College. State appropriations during fiscal year 2020 were \$5,192,100.

After considering nonoperating revenues and other items, the College had a decrease in net position of \$59,094.

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2020 and 2019:

	Year Ended June 30, 2020 Amount	Percent of Total Revenue	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Operating Revenues					
Student Tuition and Fees	\$ 385,998	5.34%	\$ 416,372	\$ (30,374)	(7.29%)
Grants and Contracts	256,442	3.55%	281,925	(25,483)	(9.04%)
Corporate Training Fees	159,990	2.21%	154,038	5,952	3.86%
Sales and Services of Educational Activities	64,388	.89%	70,251	(5,863)	(8.35%)
Bookstore Sales	131,630	1.82%	127,681	3,949	3.09%
Other Operating Revenues	86,793	1.20%	81,316	5,477	6.74%
Total Operating Revenues	1,085,241	15.02%	1,131,583	(46,342)	(4.10%)
Nonoperating Revenues					
State Appropriations	5,192,100	71.88%	4,284,600	907,500	21.18%
Grants and Contracts	468,185	6.48%	546,900	(78,715)	(14.39%)
Federal Pell Grants	260,174	3.60%	349,819	(89,645)	(25.63%)
Gifts	67,233	.93%	30,055	37,178	123.70%
Interest Earnings	54,418	.75%	62,432	(8,014)	(12.84%)
Total Nonoperating Revenues	6,042,110	83.64%	5,273,806	768,304	14.57%
Other Revenues (Expenses)					
Capital Appropriations	96,312	1.33%	(5,160)	101,472	(1966.51%)
Total Other Revenues	96,312	1.33%	(5,160)	101,472	(1966.51%)
Total Revenues	\$ 7,223,663	100.00%	\$ 6,400,229	\$ 823,434	12.87%

The revenue comparison between fiscal year 2020 and 2019 shows an increase in total revenues of \$823,434.

Total operating revenues decreased by \$46,342 due in part to a decrease in Student Tuition and Fees of \$30,374. In addition, operating Grants and Contracts decreased by \$25,483, as a result in a change in fiscal procedure where pass through appropriations were transferred directly to the

TOOELE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

College. Corporate Training Fees increased by \$5,952. Sales and Services of Educational Activities decreased by \$5,863 due to the College being closed by the State public health order for the COVID-19 pandemic. Bookstore Sales increased by \$3,949. Other operating revenues increased by \$5,477.

Nonoperating revenue increased by \$768,304 due to an increase in State appropriations of \$907,500 granted by the Utah State Legislature. Part of this increase, \$221,900 is a change in the appropriation the College received directly, which previously was received as a pass-through entity. Nonoperating grants decreased by \$78,715. Federal Pell Grant revenue decreased by \$89,645, this is due in part to the closure for the COVID-19 pandemic.

Other revenues, increased by \$101,472 from the previous year. The College recognized capital appropriations of \$99,532.

Expenses. The following schedule presents a summary of College operating expenses for the fiscal years ended June 30, 2020, and 2019:

	Year Ended June 30, 2020 Amount	Percent of Total Expense	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Operating Expenses					
Cost of Goods Sold	\$ 163,722	2.25%	\$ 127,641	\$ 36,081	28.27%
Salaries and Wages	3,280,359	45.04%	2,922,904	357,455	12.23%
Employee Benefits	1,078,523	14.81%	1,002,361	76,162	7.60%
Actuarial Calculated Pension Expense	480,440	6.60%	396,256	84,184	21.24%
Scholarships	246,431	3.38%	232,411	14,020	6.03%
Services and Supplies	998,650	13.71%	753,607	245,043	32.52%
Operating Leases	6,542	.09%	9,456	(2,914)	(30.82%)
Depreciation	536,538	7.37%	506,418	30,120	5.95%
Non-Capitalized Equipment Purchases	151,319	2.08%	174,361	(23,042)	(13.22%)
Utilities and Maintenance	159,650	2.19%	166,609	(6,959)	(4.18%)
Other Operating Expenses	180,583	2.48%	175,078	5,505	3.14%
Total Operating Expenses	\$ 7,282,757	100.00%	\$ 6,467,102	\$ 815,655	12.61%

Total operating expenses for the year were \$815,655 higher than the prior year. Salaries and wages increased by \$357,455 due to the hiring of new faculty and staff along with merit increases for existing employees. Employee benefits increased by \$76,162 as a result of new employees' health insurance costs and retirement benefits. The actuarial calculated pension expense increased by \$84,184 from the prior period. Scholarship expense for the year increased by \$14,020. Services and supplies expense increased by \$245,043. Operating leases decreased by \$2,914. Depreciation increased by \$30,120. Non-capitalized equipment purchases, the cost of which was below the capitalization level of \$5,000 for an individual asset, decreased by \$23,042.

TOOELE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

Utilities and maintenance expense decreased by \$6,959. Other operating expenses increased by \$5,505.

Economic Outlook

The College receives a significant portion of its funding through legislative appropriations from the State of Utah; therefore, the general economic condition of the State has a direct impact on the College's ability to provide services to students and employers in Tooele County. The State of Utah maintains a practice of prudent fiscal management. As the state recovers from the pandemic, we anticipate that funding from the State of Utah will continue.

Requests for Information

This financial report is designed to provide a general overview of the College's finances and to show the College's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Services Office, Tooele Technical College, 88 South Tooele Blvd., Tooele, Utah 84074.

TOOELE TECHNICAL COLLEGE

STATEMENT OF NET POSITION JUNE 30, 2020

Assets

Current Assets

Cash and Cash Equivalents (Note 2)	\$ 2,195,698
Accounts Receivable (Note 3)	
From Primary Government	143,172
From Others	27,551
Inventory (Note 1)	41,123
Prepaid Expense	28,744
Total Current Assets	<u>2,436,288</u>

Noncurrent Assets

Capital Assets

Buildings (Note 4)	15,160,096
Equipment (Note 4)	1,158,543
Less Accumulated Depreciation (Note 4)	<u>(3,389,894)</u>
Total Noncurrent Assets	<u>12,928,745</u>

Total Assets 15,365,033

Deferred Outflows of Resources

Deferred Outflows Related to Pensions (Note 6)	349,011
Total Deferred Outflows of Resources	<u>349,011</u>

Liabilities

Current Liabilities

Accounts Payable (Note 3)	
To Primary Government	142,248
To Others	57,896
Salaries and Benefits Payable	75,146
Accrued Leave Payable (Note 5)	195,999
Termination Benefits Payable (Notes 5 and 7)	6,972
Total Current Liabilities	<u>478,261</u>

Noncurrent Liabilities:

Accrued Leave Payable (Note 5)	77,548
Termination Benefits Payable (Notes 5 and 7)	5,404
Net Pension Liability (Note 6)	971,901
Total Noncurrent Liabilities	<u>1,054,853</u>

Total Liabilities 1,533,114

Deferred Inflows of Resources

Deferred Inflows Related to Pensions (Note 6)	311,163
Total Deferred Inflows of Resources	<u>311,163</u>

Net Position

Net Investment in Capital Assets	12,928,745
Unrestricted	941,022
Total Net Position	<u>\$ 13,869,767</u>

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

TOOELE TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2020

Operating Revenues	
Student Tuition and Fees (Net of Allowance of \$128,838)	\$ 385,998
Grants and Contracts	256,442
Corporate Training Fees	159,990
Sales and Services of Educational Activities	64,388
Bookstore Sales	131,630
Other Operating Revenue	86,793
Total Operating Revenues	<u>1,085,241</u>
Operating Expenses	
Cost of Goods Sold	163,722
Salaries and Wages	3,280,359
Employee Benefits	1,078,523
Actuarial Calculated Pension Expense (Note 6)	480,440
Scholarships	246,431
Services and Supplies	998,650
Operating Leases	6,542
Depreciation	536,538
Non-Capitalized Equipment Purchases	151,319
Utilities and Maintenance	159,650
Other Operating Expenses	180,583
Total Operating Expenses	<u>7,282,757</u>
Operating Income (Loss)	<u>(6,197,516)</u>
Nonoperating Revenues	
State Appropriations	5,192,100
Grants and Contracts	468,185
Federal Pell Grants	260,174
Gifts	67,233
Interest Earnings	54,418
Total Nonoperating Revenues	<u>6,042,110</u>
Increase (Decrease) in Net Position Before Other Revenues	<u>(155,406)</u>
Other Revenues (Expenses)	
Capital Appropriations	99,532
Gain (Loss) on Asset Disposal	(3,220)
Total Other Revenues	<u>96,312</u>
Increase (Decrease) in Net Position	(59,094)
Net Position – Beginning of Year	<u>13,928,861</u>
Net Position – End of Year	<u>\$ 13,869,767</u>

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

TOOELE TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

Cash Flows from Operating Activities	
Receipts from Tuition and Fees	\$ 244,717
Receipts from Grants and Contracts	261,379
Receipts from Bookstore Sales	131,630
Receipts from Sales and Services of Educational Activities	224,378
Receipts from Other Operating Activities	86,793
Payments to Employees for Salaries and Benefits	(4,626,367)
Payments to Students and Suppliers	<u>(1,861,503)</u>
Net Cash Provided (Used) by Operating Activities	<u>(5,538,973)</u>
Cash Flows from Noncapital Financing Activities	
Receipts from Grants and Contracts	728,359
Receipts from State Appropriations	5,192,100
Receipts from Gifts for Other than Capital Purposes	<u>67,233</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>5,987,692</u>
Cash Flows from Capital and Related Financing Activities	
Purchase of Capital Assets	<u>(167,056)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(167,056)</u>
Cash Flows from Investing Activities	
Receipt of Interest Earnings	<u>54,418</u>
Net Cash Provided (Used) by Investing Activities	<u>54,418</u>
Net Increase (Decrease) in Cash and Cash Equivalents	336,081
Cash and Cash Equivalents – Beginning of Year	<u>1,859,617</u>
Cash and Cash Equivalents – End of Year	<u><u>2,195,698</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Operating Income (Loss)	(6,197,516)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	\$ 536,538
Changes in Assets and Liabilities	
(Increase) Decrease in Receivables	(136,344)
(Increase) Decrease in Inventories	(3,375)
(Increase) Decrease Prepaid Expenses	(24,613)
Increase (Decrease) in Accounts Payable	73,382
Increase (Decrease) in Accrued Liabilities	57,101
Increase (Decrease) in Pension Liabilities	<u>155,854</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(5,538,973)</u></u>
Noncash Investing, Capital, and Financing Activities	
Noncash Capital Appropriations	\$ 99,532
Capital Asset Additions from Gifts and Grants	<u>40,000</u>
Total Noncash Investing, Capital, and Financing Activities	<u><u>\$ 139,532</u></u>

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

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Tooele 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 (USTC) and granted legal separation of all eight established colleges. The College's name was changed to Tooele 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.

On July 1, 2020, the Legislature merged the governance for the colleges governed by USTC to be placed under the governance of the Utah Board of Higher Education. All public colleges and universities are members of the Utah System of Higher Education. The College maintains a local Board of Trustees and remains an independent technical college and component unit of the State of Utah.

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

The College's financial statements encompass all of its operations, including auxiliary enterprises, restricted and unrestricted funds, and the Tooele Technical College Foundation

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

(Foundation). The Foundation is a component unit and, as such, is presented in the College's financial statements as a blended component unit. Further information can be found in Note 9.

Measurement Focus and Basis of Accounting

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

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

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

Deposits and Investments

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

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

Investments are recorded at fair value in accordance with GASB Statement No. 72, Fair Value Measurement and Application. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The College distributes earnings from pooled investments based on the average daily investment of each participating account.

Inventories

Inventories are carried at the lower of cost or market on either the first-in, first-out ("FIFO") basis or on the average cost basis.

Capital Assets

Capital assets include property, buildings, and equipment. Capital assets are defined by the College as assets with an initial, individual cost of more than \$5,000 and an estimated useful

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

life in excess of one year. 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 the life of the asset are not capitalized. All land is capitalized and not depreciated.

Capital assets are being depreciated over their estimated useful lives using the straight-line method of depreciation. The estimated useful life of an asset is determined at acquisition based on the College's adopted policies and the professional judgment of the applicable department head.

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

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

Pensions

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

Deferred Outflows/Inflows of Resources

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

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 State of Utah Money Management Act (the Act) that relate to the deposit and investment of public funds.

The College follows the requirements of the Act in handling its depository and investment transactions. The Act requires the depositing of the College's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2020, all of the College's bank balance of \$117,316 was insured by FDIC.

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).

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 (SEC) as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

Fair Value of Investments

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

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

At June 30, 2020 the College had the following recurring fair value measurements. The investments were valued using level 2 measurements and were unrated.

Investment Type	Level	Fair Value	Investment Maturities (in years)
			Less than 1 year
Public Treasurers' Investment Fund	2	\$ 2,104,165	\$ 2,104,165

The value of the College's investment in the PTIF is calculated by applying the June 30, 2020 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2020 balance in the fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days–15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. Government-sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 10 years for institutions of higher education. In addition, variable rate negotiable deposits and variable rate securities may

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

not have a remaining term to final maturity exceeding 3 years. The Foundation does not have a formal policy for interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Act, as previously discussed. The Foundation does not have a formal policy for credit risk.

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 at the time of purchase. The Foundation does not have a formal policy for concentration of credit risk.

NOTE 3. ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts receivable at June 30, 2020 consisted of amounts due from the State of Utah for sponsored students and other receivables. Other receivables consist mainly of unpaid student tuition/fee charges. Accounts receivable are reported net of estimated uncollectible amounts of \$1,799. See chart below for a breakout of receivables:

Amounts Due from Primary Government	\$ 143,172
Total Due from Primary Government	<u>\$ 143,172</u>
Amounts Due from Others:	
Other Receivables – Tuition and Fees	\$ 29,350
Less Allowance for Doubtful Accounts	<u>(1,799)</u>
Total Due from Others	<u>\$ 27,551</u>

The following schedule presents the accounts payable of the College as of June 30, 2020:

Amounts Due to Primary Government:	
Supplies and Contracted Services	\$ 142,248
Total Due to Primary Government	<u>\$ 142,248</u>
Amounts Due to Others:	
Vendors for Supplies and Services	\$ 57,896
Total Due to Others	<u>\$ 57,896</u>

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 4. CAPITAL ASSETS

Additions to capital assets include amounts paid for by the College as well as additions paid for by the State of Utah Division of Facilities Construction and Management. Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Buildings	\$ 15,060,564	\$ 99,532	\$ -	\$ 15,160,096
Equipment	999,885	167,057	(8,399)	1,158,543
Total	<u>16,060,449</u>	<u>266,589</u>	<u>(8,399)</u>	<u>16,318,639</u>
Less Accumulated Depreciation:				
Buildings	(2,282,216)	(392,361)	-	(2,674,577)
Equipment	(576,319)	(144,177)	5,179	(715,317)
Total Accumulated Depreciation	<u>(2,858,535)</u>	<u>(536,538)</u>	<u>5,179</u>	<u>(3,389,894)</u>
Net Capital Assets	<u>\$ 13,201,914</u>	<u>\$ (269,949)</u>	<u>\$ (3,220)</u>	<u>\$ 12,928,745</u>

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of the changes to the College's long-term liabilities during the fiscal year ended June 30, 2020.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Accrued Leave Payable	\$ 209,095	\$ 228,682	\$ 164,230	\$ 273,547	\$ 195,999
Termination Benefits Payable	23,420	-	11,044	12,376	6,972
Net Pension Liability	1,382,227	-	410,326	971,901	-
Total Long-Term Liabilities	<u>\$ 1,614,742</u>	<u>\$ 228,682</u>	<u>\$ 585,600</u>	<u>\$ 1,257,824</u>	<u>\$ 202,971</u>

NOTE 6. RETIREMENT PLANS

Defined Benefit Plans

Eligible plan participants are provided with pensions through 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) is a multiple-employer, cost-sharing, public employee retirement system.

Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple-employer, cost-sharing, public employee retirement system.

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 Utah State Retirement Office Act in Title 49 provides for the administration of the Systems and plans under the direction of the Utah State Retirement Board (Systems 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 Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102, by calling 1-800-365-8772, or visiting the website: www.urs.org.

Summary of Benefits by System

The Systems provide retirement benefits, disability, and death benefits to plan members and beneficiaries in accordance with the retirement statutes. 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.

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

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	Employee Contributions	College Contribution Rates
Noncontributory System	N/A	22.19%
Tier 2 Contributory System	N/A	18.99%

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, 2020, the employer and employee contributions to the System were as follows:

	College Contributions	Employee Contributions
Noncontributory System	\$ 248,097	N/A
Tier 2 Public Employees System	60,216	-
Total Contributions	\$ 308,313	\$ -

Pension Assets, Liabilities, Expenses, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the College reported a net pension asset of \$0 and a net pension liability of \$971,900.

(Measurement Date): December 31, 2019

	Net Pension Asset	Net Pension Liability	Proportionate Share December 31, 2018	Proportionate Share December 31, 2018	Change
Noncontributory System	\$ -	\$ 966,680	0.0435108%	0.0368368%	0.0066740 %
Tier 2 Public Employees System	-	5,220	0.0232097%	0.0273347%	(0.0041250)%
Total Net Pension Asset / Liability	\$ -	\$ 971,900			

The net pension asset and liability were measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 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 Systems during the plan year.

For the year ended June 30, 2020, the College recognized pension expense of \$480,440.

At June 30, 2020, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 16,488	\$ 7,721
Changes in assumptions	58,264	150
Net difference between projected and actual earnings on pension plan investments	-	303,292
Changes in proportion and differences between contributions and proportionate share of contributions	112,527	-
Contributions subsequent to the measurement date	161,732	-
Total	\$ 349,011	\$ 311,163

Contributions of \$161,732 made prior to the College’s fiscal year end but subsequent to the measurement date of December 31, 2019 are reported by the College as deferred outflows of resources related to pensions.

These contributions will be recognized as a reduction of net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending December 31,	Deferred Outflows (Inflows) of Resources
2020	11,280
2021	(41,530)
2022	18,781
2023	(115,615)
2024	476
Thereafter	2,724

The total pension liability in the December 31, 2019 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 for January 1, 2019, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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:

Expected Return Arithmetic Basis			
Asset Class	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 and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected Arithmetic Nominal Return		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.

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Systems' Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained unchanged at 6.95 percent.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension liability

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

would be if calculated using a discount rate that is one percentage point lower (5.95%) or one percentage higher (7.95%) than the current rate:

Sensitivity of Proportionate Share of Net Pension (Asset) / Liability

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 2,180,718	\$ 966,680	\$ (50,991)
Tier 2 Public Employees System	45,015	5,220	(25,534)
Total	<u>\$ 2,225,733</u>	<u>\$ 971,900</u>	<u>\$ (76,525)</u>

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

Defined Contribution Plans

401(k) Plan

The College participates in a 401(k) defined contribution plan as administered by the Systems. The College is required by statute to contribute 1.5% of eligible employees' salaries for employees in the Noncontributory System and 1.03% for employees in the Tier 2 Public Employees System. For employees participating in the Tier 2 Public Employees defined contributions (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 remaining is contributed to the Tier 1 Contributory Public Employee System as required by law.

Employees of all colleges in the Utah System of Technical Colleges (USTC) who are eligible for retirement benefits voted in a referendum on September 6, 2011 to opt out of participating in the Federal Social Security system, as permitted under Internal Revenue Service regulations. As a result, USTC colleges, including the Tooele Technical College, will not participate in the Federal Social Security system retroactively effective January 1, 2008, with the exception of the 1.45% of wages paid toward Medicare benefits. Beginning in October 2011, the College began contributing 6.2% of these eligible employees' salaries into their respective System-administered 401(k) accounts in place of the employer's social security contribution. During the year ended June 30 2020, College contributions totaled \$204,530.

Under certain IRS and plan restrictions, employees can make additional 401(k) contributions. Employee contributions for the same period totaled \$83,637. Plan assets are held by the Systems and all plan funds are fully vested to the employees at the time of deposit.

Teachers Insurance and Annuity Association

Eligible faculty and professional/administrative employees of the College participate in the Teachers Insurance and Annuity Association Fund (TIAA). Eligible faculty and professional/

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

administrative employees who were employed by the College and enrolled in the Systems on or before April 29, 2005 were allowed to elect to continue participation in the Systems or to begin participation in TIAA.

TIAA provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are based on the value of the individual contracts and the estimated life expectancy of the employee at retirement. Participation in TIAA is authorized by Title 49 of the *Utah Code*. Contributions by the College to the employee's contract become vested at the time the contribution is made. Employees are eligible to participate from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2020, the College's contribution to this defined contribution pension plan was 14.2% of the employees' annual salaries. The College has no further liability once contributions are made. During the year ended June 30, 2020, the College contributed \$156,485 to the plan and employees did not make any voluntary contributions to the plan.

NOTE 7. TERMINATION BENEFITS

In February 2004, the College entered into a termination agreement with a former Campus President. The termination agreement provides health care benefits for the former President through March 2022. The College has recorded a liability for the cost of these benefits at their net present value using a discount rate of 2.05% and an inflationary factor of 3.52% to account for estimated future increases in health care costs.

NOTE 8. RISK MANAGEMENT

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

NOTE 9. TOOELE ATC FOUNDATION

The Tooele ATC Foundation, (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation was organized as an Internal Revenue Code Section 501(c)(3) organization and is operated exclusively as a tax-exempt organization to support the educational purposes of the College. The majority of the resources or income the Foundation holds and invests is restricted to the activities of the College by the donors. Additionally, the officers of the Foundation are the College President, College Vice-President of Finance and Operations, and a member of the College Board. These resources held by the Foundation can only be used by, or for the benefit of, the College. For these reasons, the Foundation is

TOOELE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

considered a blended component unit of the College and is presented in the College's financial statements.

Elimination of internal balances and transactions between Tooele Technical College and the Tooele ATC Foundation and a presentation of eliminating balances and transactions in a separate column is required by GASB Statement 34. However, because there are no such internal balances and transactions, the following is a single-column, condensed version of the Foundation financial statements for fiscal year ended June 30, 2020:

Tooele ATC Foundation Condensed Financial Statements For the Fiscal Year Ended June 30, 2020

Statement of Net Position	Statement of Revenues, Expenses, and Changes in Net Position																																																								
<table style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2">Assets</td></tr> <tr><td colspan="2"> Current Assets</td></tr> <tr><td> Cash</td><td style="text-align: right;">\$ 35,353</td></tr> <tr><td> Pledge Receivable</td><td style="text-align: right;">-</td></tr> <tr><td> Total Current Assets</td><td style="text-align: right; border-top: 1px solid black;">35,353</td></tr> <tr><td> Noncurrent Assets</td><td style="text-align: right;">-</td></tr> <tr><td> Total Assets</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 35,353</td></tr> <tr><td colspan="2">Liabilities</td></tr> <tr><td> Payable to College</td><td style="text-align: right;">\$ -</td></tr> <tr><td> Total Liabilities</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ -</td></tr> <tr><td colspan="2">Net Position</td></tr> <tr><td> Restricted</td><td style="text-align: right;">-</td></tr> <tr><td> Unrestricted</td><td style="text-align: right;">35,353</td></tr> <tr><td> Total Net Position</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 35,353</td></tr> </table>	Assets		Current Assets		Cash	\$ 35,353	Pledge Receivable	-	Total Current Assets	35,353	Noncurrent Assets	-	Total Assets	\$ 35,353	Liabilities		Payable to College	\$ -	Total Liabilities	\$ -	Net Position		Restricted	-	Unrestricted	35,353	Total Net Position	\$ 35,353	<table style="width: 100%; border-collapse: collapse;"> <tr><td colspan="2">Operating Revenues</td></tr> <tr><td> Gifts</td><td style="text-align: right;">\$ 16,358</td></tr> <tr><td> Fundraisers</td><td style="text-align: right;">-</td></tr> <tr><td> Total Operating Revenues</td><td style="text-align: right; border-top: 1px solid black;">16,358</td></tr> <tr><td colspan="2">Operating Expenses</td></tr> <tr><td> Scholarships</td><td style="text-align: right;">10,027</td></tr> <tr><td> Capital Donations to College</td><td style="text-align: right;">-</td></tr> <tr><td> Other Expenses</td><td style="text-align: right;">5,180</td></tr> <tr><td> Total Operating Expenses</td><td style="text-align: right; border-top: 1px solid black;">15,207</td></tr> <tr><td> Operating Income</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,151</td></tr> <tr><td colspan="2">Change in Net Position</td></tr> <tr><td> Change in Net Position</td><td style="text-align: right;">\$ 1,151</td></tr> <tr><td> Net Position at beginning of year</td><td style="text-align: right;">34,202</td></tr> <tr><td> Net Position at end of year</td><td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 35,353</td></tr> </table>	Operating Revenues		Gifts	\$ 16,358	Fundraisers	-	Total Operating Revenues	16,358	Operating Expenses		Scholarships	10,027	Capital Donations to College	-	Other Expenses	5,180	Total Operating Expenses	15,207	Operating Income	\$ 1,151	Change in Net Position		Change in Net Position	\$ 1,151	Net Position at beginning of year	34,202	Net Position at end of year	\$ 35,353
Assets																																																									
Current Assets																																																									
Cash	\$ 35,353																																																								
Pledge Receivable	-																																																								
Total Current Assets	35,353																																																								
Noncurrent Assets	-																																																								
Total Assets	\$ 35,353																																																								
Liabilities																																																									
Payable to College	\$ -																																																								
Total Liabilities	\$ -																																																								
Net Position																																																									
Restricted	-																																																								
Unrestricted	35,353																																																								
Total Net Position	\$ 35,353																																																								
Operating Revenues																																																									
Gifts	\$ 16,358																																																								
Fundraisers	-																																																								
Total Operating Revenues	16,358																																																								
Operating Expenses																																																									
Scholarships	10,027																																																								
Capital Donations to College	-																																																								
Other Expenses	5,180																																																								
Total Operating Expenses	15,207																																																								
Operating Income	\$ 1,151																																																								
Change in Net Position																																																									
Change in Net Position	\$ 1,151																																																								
Net Position at beginning of year	34,202																																																								
Net Position at end of year	\$ 35,353																																																								

Statement of Cash Flows

Cash flow from Operating Activities	
Cash received through contributions and fundraise:	\$ 16,358
Cash payments for operations	(5,180)
Cash payments for scholarships	(10,027)
Net Cash provided by Operating Activities	\$ 1,151
Increase in Cash and Cash Equivalents	
Increase in Cash and Cash Equivalents	\$ 1,151
Cash and Cash Equivalents at beginning of year	34,202
Cash and Cash Equivalents at end of year	\$ 35,353

TOOELE TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

**Schedule of Tooele Technical College’s Proportionate Share of the Net Pension Liability
Noncontributory, and Tier 2 Public Employees Systems of the Utah Retirement Systems**

	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<i>Noncontributory System</i>						
Proportion of Net Pension Liability (Asset)	0.043511%	0.036837%	0.033987%	0.032005%	0.003132%	0.002769%
Proportionate Share of Net Pension Liability (Asset)	\$ 966,680	\$ 1,370,519	\$ 831,098	\$ 1,037,110	\$ 983,889	\$ 695,830
Covered Payroll	\$ 1,112,867	\$ 965,007	\$ 881,980	\$ 821,093	\$ 781,163	\$ 670,725
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	86.86%	142.02%	94.23%	126.31%	125.95%	103.74%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	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)	0.02320097%	0.027335%	0.021414%	0.021538%	0.025153%	0.393419%
Proportionate Share of Net Pension Liability (Asset)	\$ 5,220	\$ 11,707	\$ 1,888	\$ 2,403	\$ (55)	\$ (1,192)
Covered Payroll	\$ 322,714	\$ 318,095	\$ 209,285	\$ 176,628	\$ 162,492	\$ 192,654
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	1.62%	3.68%	0.90%	1.36%	-0.03%	-0.62%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.50%	90.80%	97.40%	95.10%	100.20%	103.50%

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

TOOELE TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

Schedule of Tooele Technical College's Defined Benefit Pension Contributions Utah Retirement System Last 10 Fiscal Years Ending June 30

Noncontributory System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 248,097	\$ 221,793	\$ 200,607	\$ 189,830	\$ 172,031	\$ 170,314	\$ 119,026	\$ 95,985	\$ 73,773	\$ 93,544
Contributions in Relation to the Contractually Required Contribution	248,097	221,793	200,607	189,830	172,031	170,314	119,026	95,985	73,773	93,544
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,172,012	\$ 1,051,511	\$ 904,653	\$ 855,475	\$ 775,263	\$ 767,525	\$ 581,750	\$ 474,607	\$ 437,561	\$ 500,645
Contributions as a Percentage of Covered Payroll	21.17%	21.09%	22.18%	22.19%	22.19%	22.19%	20.46%	20.22%	16.86%	18.68%

*Tier 2 Public Employees System**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011**
Contractually Required Contribution	\$ 60,216	\$ 67,334	\$ 46,712	\$ 31,633	\$ 31,743	\$ 30,023	\$ 34,605	\$ 8,818	\$ 3,776	N/A
Contributions in Relation to the Contractually Required Contribution	60,216	67,334	46,712	31,633	31,743	30,023	34,605	8,818	3,776	
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 317,093	\$ 356,832	\$ 253,318	\$ 173,428	\$ 174,030	\$ 164,327	\$ 206,597	\$ 103,012	\$ 49,750	
Contributions as a Percentage of Covered Payroll	18.99%	18.87%	18.44%	18.24%	18.24%	18.27%	16.75%	8.56%	7.59%	

* Tier 2 rates include a 9.94% required contribution to finance the unfunded actuarial accrued liability of the Tier 1 systems.

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



OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors, Audit Committee
and
Paul Hacking, President
Tooele 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 the Tooele Technical College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 28, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Office of the State Auditor

Office of the State Auditor

January 28, 2021