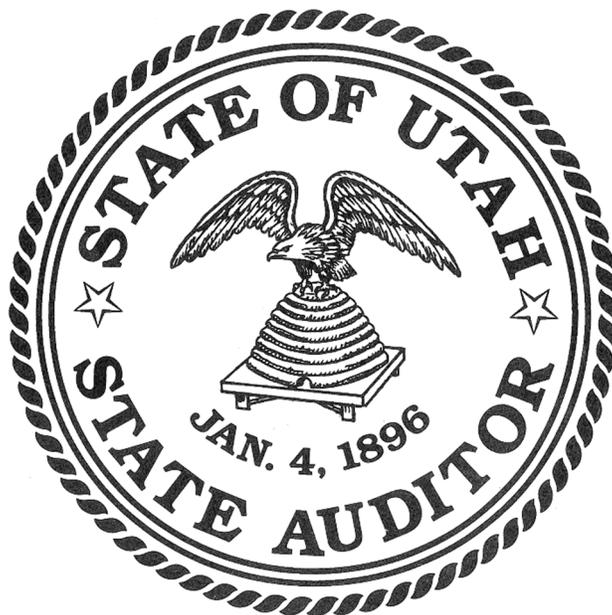


MOUNTAINLAND TECHNICAL COLLEGE
A Component Unit of the State of Utah

Annual Financial Report
For the Year Ended June 30, 2019

Report No. 19-39



**OFFICE OF THE
STATE AUDITOR**

AUDIT LEADERSHIP:

John Dougall, State Auditor
Jason Allen, CPA, CFE, Audit Director
Chantel Wixon, Audit Senior

MOUNTAINLAND 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

Board of Directors, Audit Committee,
and
Clay E. Christensen, President
Mountainland Technical College

Report on the Financial Statements

We have audited the accompanying financial statements of Mountainland Technical College (the 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 its cash flows 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 Schedules 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 18, 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 18, 2020

MOUNTAINLAND TECHNICAL COLLEGE

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

Overview of the Financial Statements and Financial Analysis

Mountainland Technical College (the College) is proud to present its financial statements for the fiscal year ended June 30, 2019. This discussion is an overview of the College's financial activities for the year and is based on the comparative data presented. Two condensed financial statements are presented: The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position.

Statement of Net Position

The Statement of Net Position is a point-in-time financial statement or the College's Balance Sheet. The purpose of the Statement of Net Position is to present to the users of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning assets (current and noncurrent), deferred outflows of resources, liabilities (current and noncurrent), deferred inflows of resources, and net position (assets and deferred outflows minus liabilities and deferred inflows). The difference between current and noncurrent assets is discussed in the footnotes to the financial statements.

From the data presented, users of the Statement of Net Position are able to determine the assets available for continued operations of the College. A determination can also be made as to the debts owed to vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and its availability for expenditure by the College.

Net position is divided into three major categories: net investment in capital assets, restricted net position, and unrestricted net position. The first category, net investment in capital assets, provides the College's equity in property, plant, and equipment owned by the College. The second category is restricted net position, which is divided into two subcategories: nonexpendable and expendable. The corpus of nonexpendable restricted net position is only available for investment purposes. Expendable restricted net position is available for expenditure by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net position. Unrestricted net position is available for expenditure for any lawful purpose of the College.

MOUNTAINLAND TECHNICAL COLLEGE

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

Condensed Statement of Net Position

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Amount of</u>	<u>Percent</u>
	<u>Amount</u>	<u>Amount</u>	<u>Change</u>	<u>Change</u>
Assets				
Current Assets	\$ 5,395,874	\$ 4,723,772	\$ 672,102	14.23%
Capital Assets	35,397,100	31,146,229	4,250,871	13.65%
Other Noncurrent Assets	1,685,121	1,671,274	13,847	.83%
Total Assets	<u>42,478,095</u>	<u>37,541,275</u>	<u>4,936,820</u>	<u>13.15%</u>
Deferred Outflows of Resources	<u>805,347</u>	<u>808,254</u>	<u>(2,907)</u>	<u>(.36%)</u>
Liabilities				
Current Liabilities	3,411,533	2,179,710	1,231,823	56.51%
Noncurrent Liabilities	4,653,668	4,171,704	481,964	11.55%
Total Liabilities	<u>8,065,201</u>	<u>6,351,414</u>	<u>1,713,787</u>	<u>26.98%</u>
Deferred Inflows of Resources	<u>36,093</u>	<u>627,160</u>	<u>(591,067)</u>	<u>(94.25%)</u>
Net Position				
Net Investment in Capital Assets	32,611,193	28,091,480	4,519,713	16.09%
Restricted Nonexpendable	638,167	636,382	1,785	.28%
Restricted Expendable	1,046,954	1,034,892	12,062	1.17%
Unrestricted	885,834	1,608,200	(722,366)	(44.92%)
Total Net Position	<u>\$ 35,182,148</u>	<u>\$ 31,370,954</u>	<u>\$ 3,811,194</u>	<u>12.15%</u>

Capital assets increased by \$4,250,871 due to the addition of the Provo Campus which was formerly the Fourth District Court Building. There was also significant investment in new equipment in many programs and capital appropriations for updates at the Lehi campus. Current assets increased by \$672,102, primarily due to increases in accounts receivable of \$343,226 due to operations and student enrollment increases and an increase in cash and cash equivalents of \$271,775 due in part to more students enrolled for fall courses.

The increase in noncurrent liabilities was the result of the increase in net pension liability of \$722,478 due to actuarial calculations and a decrease in capital leases payable \$268,842.

The increase in current liabilities is due to an increase in accounts payable of over \$578,426 which was caused by the timing of payables being paid and an increase in prepaid tuition and fees of \$584,620. The net change from the items explained above was a significant increase in total net position for the year.

MOUNTAINLAND TECHNICAL COLLEGE

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

Statement of Revenues, Expenses, and Changes in Net Position

Changes in net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. The purpose of the statement is to present the operating and nonoperating revenues received by the College, the operating and nonoperating expenses paid by the College, and any other revenues and expenses received or spent by the College.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituents of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating because they are provided by the Legislature to the College without the Legislature directly receiving commensurate goods or services for those revenues.

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

	Year Ended June 30, 2019 Amount	Year Ended June 30, 2018 Amount	Amount of Change	Percent Change
Operating Revenues	\$ 4,631,449	\$ 5,127,898	\$ (496,449)	(9.68%)
Operating Expenses	20,426,223	17,570,045	2,856,178	16.26%
Operating Income (Loss)	(15,794,774)	(12,442,147)	(3,352,627)	26.95%
Nonoperating Revenues	14,642,045	12,909,601	1,732,444	13.42%
Capital Appropriations	72,155	468,655	(396,500)	(84.60%)
Capital Grants and Gifts	4,891,768	1,324,813	3,566,955	269.24%
Increase (Decrease) in Net Position	3,811,194	2,260,922	1,550,272	68.57%
Net Position – Beginning of Year	31,370,954	29,110,032	2,260,922	7.77%
Net Position – End of Year	<u>\$ 35,182,148</u>	<u>\$ 31,370,954</u>	<u>\$ 3,811,194</u>	12.15%

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of \$3,811,194 during fiscal year 2019. An explanation of a few of the changes in net position follows:

- Operating revenue decreased due to decreases in tuition and fees revenue as high school enrollments continue to grow. High school students by statute do not pay tuition.
- Operating expenses increased as new appropriations allowed for additional positions and program expansion from the prior year. General and administrative expenses increased with enrollment growth and Custom Fit Training Program expansion.
- Nonoperating revenues increased due to an increase in state appropriations.
- Capital gifts increased as gains were realized from the transfer of the Provo Campus from the State.

MOUNTAINLAND TECHNICAL COLLEGE

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

- Capital appropriations decreased with less projects being completed and transferred from DFCM than in the prior year.

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

The revenue comparisons below show an overall increase of 22.18%. Operating revenues decreased by 9.68% for the year. Nonoperating revenues increased by 13.45% with state appropriations increasing by 10.41% during the year. Capital appropriations and gifts had a net increase of 176.78% with the addition of the Provo Campus, which was transferred to the College from the State of Utah.

	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)	\$ 2,482,178	10.17%	\$ 3,184,582	\$ (702,404)	(22.06%)
Federal Grants and Contracts	167,363	.69%	110,217	57,146	51.85%
State Grants and Contracts	9,192	.04%	9,892	(700)	(7.08%)
Private Grants and Contracts	406,383	1.67%	584,192	(177,809)	(30.44%)
Sales and Service of Educational Activities	475,405	1.95%	362,964	112,441	30.98%
Auxiliary Enterprises	1,003,806	4.11%	830,384	173,422	20.88%
Other Operating Revenues	87,122	.36%	45,667	41,455	90.78%
Total Operating Revenues	4,631,449	18.98%	5,127,898	(496,449)	(9.68%)
Nonoperating Revenues					
State Appropriations	12,799,100	52.46%	11,592,000	1,207,100	10.41%
Federal Grants and Contracts	926,571	3.80%	761,465	165,106	21.68%
State Grants and Contracts	854,893	3.50%	556,000	298,893	53.76%
Gain on Sale of Capital Assets	44,974	.18%	49,002	(4,028)	100.00%
Interest Income	179,040	.73%	90,876	88,164	97.02%
Total Nonoperating Revenues	14,804,578	60.67%	13,049,343	1,755,235	13.45%
Other Revenues					
Capital Appropriations and Gifts	4,963,923	20.34%	1,793,468	3,170,455	176.78%
Total Revenues	\$ 24,399,950	100.00%	\$ 19,970,709	\$ 4,429,241	22.18%

MOUNTAINLAND TECHNICAL COLLEGE

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

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

	Year Ended June 30, 2019 Amount	Percent of Total Expense	Year Ended June 30, 2018 Amount	Amount of Change	Percent Change
Operating Expenses					
Salaries	\$ 9,212,504	44.75%	\$ 7,822,956	\$ 1,389,548	17.76%
Fringe Benefits	3,119,035	15.15%	2,612,159	506,876	19.40%
Actuarial Calculated Pension Expense	505,583	2.46%	359,220	146,363	40.74%
Scholarships	405,536	1.97%	328,232	77,304	23.55%
Maintenance and Utilities	866,609	4.21%	962,428	(95,819)	(9.96%)
General and Administrative	4,004,644	19.45%	3,252,318	752,326	23.13%
Costs of Good Sold					
Sales and Service of Educational Activities	67,050	.33%	88,832	(21,782)	(24.52%)
Auxiliary Enterprises	1,012,020	4.92%	1,036,068	(24,048)	(2.32%)
Depreciation	1,233,242	5.99%	1,107,832	125,410	11.32%
Total Operating Expenses	20,426,223	99.21%	17,570,045	\$ 2,856,178	16.26%
Nonoperating Expenses					
Interest on Capital Leases	162,533	.79%	139,742	22,791	16.31%
Total Expenses	\$ 20,588,756	100.00%	\$ 17,709,787	\$ 2,878,969	16.26%

Expenses for the year ended June 30, 2019 increased by \$2,878,969 over the previous year. This increase is due to increases in expenditures in all areas caused by the growth of the College. Salaries increased by \$1,389,548; Fringe benefits increased by \$506,876 as a result of keeping up with increasing enrollments, competitive salaries, and expanding support positions and programs; and general and administrative expenses increased by \$752,326 due to enrollment growth and increases in expenditures in programs.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into six sections. The first section deals with operating cash flows and shows the cash provided by and used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash provided by and used for the acquisition and construction of capital related items. The fourth section details the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash provided by and used in operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. The sixth section reflects the noncash transactions for investing, capital, and financing activities.

MOUNTAINLAND TECHNICAL COLLEGE

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

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.

Economic Outlook

The Utah State Legislature appropriated a modest increase to the College for fiscal year 2020 which will help ensure a strong financial position for the College. The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

The College's overall financial position is strong. The College anticipates the current fiscal year will be stronger than the last and will maintain a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

Kirt J. Michaelis, MBA, CPA
Vice President of Administrative Services

Keven Cottle, CPA
Director of Finance

MOUNTAINLAND TECHNICAL COLLEGE

STATEMENT OF NET POSITION

JUNE 30, 2019

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 3,617,980
Accounts Receivable, net (Note 3)	
From State Entities	439,080
From Others	917,379
Prepaid Expenses	19,670
Inventories (Note 5)	401,765
Total Current Assets	<u>5,395,874</u>

Noncurrent Assets

Restricted Cash and Cash Equivalents	1,685,121
Non-depreciable Capital Assets (Note 6)	10,161,809
Depreciable Capital Assets, net (Note 6)	25,235,291
Total Noncurrent Assets	<u>37,082,221</u>
Total Assets	<u>42,478,095</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions (Note 10)	<u>805,347</u>
Total Deferred Outflows of Resources	<u>805,347</u>

LIABILITIES

Current Liabilities

Accounts Payable (Note 4)	
To State Entities	231,908
To Others	1,269,067
Accrued Liabilities (Note 4)	
To State Entities	4,874
To Others	463,009
Unearned Revenue	1,160,250
Current Portion of Notes Payable and Capital Leases	
To State Entities	60,000
To Others	222,425
Total Current Liabilities	<u>3,411,533</u>

Noncurrent Liabilities (Note 8)

Accrued Liabilities (Note 4)	145,825
Notes Payable and Capital Leases (Note 7)	
To State Entities	830,000
To Others	1,673,482
Net Pension Liability (Note 10)	2,004,361
Total Noncurrent Liabilities	<u>4,653,668</u>
Total Liabilities	<u>8,065,201</u>

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions (Note 10)	<u>36,093</u>
Total Deferred Inflows of Resources	<u>36,093</u>

NET POSITION

Net Investment in Capital Assets	32,611,193
Restricted for:	
Nonexpendable – Scholarships	638,167
Expendable – Scholarships and Grants	46,954
Expendable – Capital Gifts	1,000,000
Unrestricted	<u>885,834</u>
Total Net Position	<u>\$ 35,182,148</u>

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

MOUNTAINLAND TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES

Student Tuition and Fees (net of allowances of \$564,999)	\$ 2,482,178
Federal Grants and Contracts	167,363
State Grants and Contracts	9,192
Private Grants and Contracts	406,383
Sales and Service of Educational Activities	475,405
Auxiliary Enterprises	1,003,806
Other Operating Revenues	87,122
Total Operating Revenues	<u>4,631,449</u>

OPERATING EXPENSES

Salaries	9,212,504
Fringe Benefits	3,119,035
Actuarial Calculated Pension Expense (Note 10)	505,583
Scholarships	405,536
Maintenance and Utilities	866,609
General and Administrative	4,004,644
Cost of Goods Sold - Sales and Service of Educational Activities	67,050
Cost of Goods Sold - Auxiliary Enterprises	1,012,020
Depreciation	1,233,242
Total Operating Expenses	<u>20,426,223</u>
Operating Income (Loss)	<u>(15,794,774)</u>

NONOPERATING REVENUES (EXPENSES)

State Appropriations	12,799,100
Federal Grants and Contracts	926,571
State Grants and Contracts	854,893
Gain on Sale of Capital Assets	44,974
Interest Income	179,040
Interest on Capital Leases	(162,533)
Net Nonoperating Revenues (Expenses)	<u>14,642,045</u>
Income Before Other Revenues (Expenses)	<u>(1,152,729)</u>

OTHER REVENUES (EXPENSES)

Capital Appropriations	72,155
Capital Grants and Gifts	4,891,768
Total Other Revenues (Expenses)	<u>4,963,923</u>

CHANGE IN NET POSITION

	3,811,194
NET POSITION – BEGINNING OF YEAR	<u>31,370,954</u>
NET POSITION – END OF YEAR	<u>\$ 35,182,148</u>

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

MOUNTAINLAND TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	\$ 3,571,859
Receipts from Grants and Contracts	257,034
Payments to Suppliers	(5,428,998)
Payments for Employee Services and Benefits	(12,605,661)
Payments for Student Aid: Scholarships and Fellowships	(405,536)
Receipts for Auxiliary and Educational Activities Sales and Services	1,479,211
Other Operating Receipts	64,739
Net Cash Provided (Used) by Operating Activities	<u>(13,067,352)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	12,799,100
Federal Grants and Contracts	1,225,464
State Grants and Contracts	556,000
Net Cash Provided (Used) by Noncapital Financing Activities	<u>14,580,564</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Notes Payable and Capital Lease Payments	(431,375)
Proceeds from Sale of Capital Assets	(894,480)
Purchases of Capital Assets	500,000
Gifts	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(825,855)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	179,040
Net Cash Provided (Used) by Investing Activities	<u>179,040</u>
Net Increase in Cash	785,622
Cash and Cash Equivalents – Beginning of Year	<u>4,517,479</u>
Cash and Cash Equivalents – End of Year	<u>\$ 5,303,101</u>
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	\$ (15,794,774)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,233,242
Difference Between Actuarial Calculated Pension Expense and Actual Contributions	134,356
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	156,774
(Increase) Decrease in Inventories	(56,931)
(Increase) Decrease in Prepaid Expenses	(170)
Increase (Decrease) in Accounts Payable	578,426
Increase (Decrease) in Accrued Liabilities	97,105
Increase (Decrease) in Unearned Revenue	584,620
Net Cash Provided (Used) by Operating Activities	<u>\$ (13,067,352)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital Appropriations	72,155
Disposal of Capital Assets	(150,241)
Donated Assets	4,694,768
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 4,616,682</u>

MOUNTAINLAND TECHNICAL COLLEGE

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mountainland Technical College's (College's) mission is to provide market-driven career and technical education which meets the demand by employers for technically skilled workers.

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 these regional technology 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 Mountainland 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.

Basis of Accounting

For financial reporting purposes, the College is considered a special purpose government entity engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

MOUNTAINLAND TECHNICAL COLLEGE

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

Cash and Cash Equivalents and Investments

For the purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Public Treasurers' Investment Fund (PTIF) are considered cash equivalents.

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 balance of each participating account or, for endowments, distributes according to the College's spending policy.

Accounts Receivable

Accounts receivable consist of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Utah. Accounts receivable also include amounts due from the Federal Government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts.

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 are recorded at cost on the date of acquisition or acquisition value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$1,000 or more and an estimated useful life greater than one year. Buildings, building additions, and building improvements that extend the useful life or add to the capacity of the asset or infrastructure, and land improvements are capitalized if the cost is over \$20,000. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets: 40 years for buildings and improvements and 3 to 5 years for equipment.

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

MOUNTAINLAND TECHNICAL COLLEGE

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

the fiduciary net position of the Utah Retirement Systems (Systems) Pension Plan and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit 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.

Noncurrent Liabilities

Noncurrent liabilities include: (1) notes payable and capital lease obligations with contractual maturities greater than one year; and (2) estimated amounts for accrued liabilities that will not be paid within the next fiscal year.

Compensated Absences

Employee vacation and compensation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as accrued liabilities in the Statement of Net Position and as a component of current and noncurrent liabilities.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating Revenues

Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, and (3) most federal, state, and local grants and contracts.

Nonoperating Revenues

Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating cash flows by GASB No. 9, *Reporting Cash Flows of Proprietary and*

MOUNTAINLAND TECHNICAL COLLEGE

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

Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, and GASB No. 34, Basic Financial Statements and Management Discussion and Analysis for State and Local Governments, such as state appropriations and investment income.

Expenses

The College distinguishes operating expenses from nonoperating expenses. Operating 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 expenses not meeting this definition are reported as nonoperating expenses.

When expenses are incurred for purposes for which both restricted and unrestricted resources are available, it is the College's general policy to use restricted resources first.

Endowment

The College is the fiscal agent for an endowment that supports the Young Network Professional Program. This endowment was created as a partnership between Novell and the Utah State Board of Education. Earnings generated by the endowment are used to support scholarships for students in this field, with 90% of the earnings available for scholarships and other awards, and 10% reinvested into the endowment.

Net Position – The College's net position is classified as follows:

Net investment in capital assets

This amount represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted net position – nonexpendable

Nonexpendable restricted net position consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal be maintained inviolate and in perpetuity and invested for the purpose of producing present and future income, which may either be expended or added to the principal.

Restricted net position – expendable

Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties. The amount of net appreciation on investments of donor-restricted

MOUNTAINLAND TECHNICAL COLLEGE

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

endowments available for authorization for expenditure at June 30, 2019 was approximately \$47,000. The net appreciation is a component of restricted expendable net position.

Unrestricted net position

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

NOTE 2. DEPOSITS AND INVESTMENTS

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, \$344,865 of the College's bank balances of \$594,865 were uninsured and uncollateralized.

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 (*Utah Code*, Title 51, Chapter 7) (the Act) that relate to the deposit and investment of public funds.

Except for endowment 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.

For endowment funds, the College follows the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and State Board of Regents Rule 541, Management and Reporting of Institutional Investments.

MOUNTAINLAND TECHNICAL COLLEGE

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

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 Public Treasurers' Investment Fund (PTIF).

The UPMIFA and Rule 541 allow the College to invest endowment funds (including gifts, devises, or bequests of property of any kind from any source) in any of the above investments or any of the following subject to satisfying certain criteria: mutual funds registered with the Securities and Exchange Commission (SEC); investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

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 SEC as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Utah 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.

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:

MOUNTAINLAND TECHNICAL COLLEGE

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

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

The value of the College's 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 recurring fair value measurements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Public Treasurers' Investment Fund	\$ 4,989,352	\$ -	\$ 4,989,352	\$ -

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 or the UPMIFA and Rule 541, as applicable. For non-endowment funds, 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 for institutions of higher education. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding three years. For endowment funds, Rule 541 is more general, requiring only that investments be made as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the endowments and by exercising reasonable care, skill, and caution.

As of June 30, 2019, the College's investments had the following maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More</u>
Public Treasurers' Investment Fund	\$ 4,989,352	\$ 4,989,352	\$ -	\$ -	\$ -

MOUNTAINLAND TECHNICAL COLLEGE

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

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, the UPMIFA, and Rule 541, as previously discussed. At June 30, 2019, the College's investments were all unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council or the UPMIFA and Rule 541, as applicable. Rule 17 of the Money Management Council limits non-endowment fund 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. For endowment funds, Rule 541 requires that a minimum of 25% of the overall endowment portfolio be invested in fixed income or cash equivalents. Also, the overall endowment portfolio cannot consist of more than 75% equity investments, with a maximum of 3% in corporate stock listed on a major exchange (direct ownership). Rule 541 also limits investments in alternative investment funds, as allowed by Rule 541, to between 0% and 30% based on the size of the College's endowment fund.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 consisted of the following:

Student Tuition and Fees	\$ 159,203
Other Sales and Services of Educational Activities, Auxiliary, Misc.	493,589
Federal Grants and Contracts	747,681
Less Allowance for Doubtful Accounts	<u>(44,014)</u>
Total Accounts Receivable, net	<u>\$ 1,356,459</u>

MOUNTAINLAND TECHNICAL COLLEGE

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

NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2019 consisted of the following:

Student Pell Grants Payable	\$ 654,037
State Taxes Payable	4,874
Payroll Payable	102,777
Compensated Absences Payable	506,058
Vendors Payable	846,937
Total Accounts Payable and Accrued Liabilities	\$ 2,114,683

NOTE 5. INVENTORIES

Inventories at June 30, 2019 consisted of the following:

Auxiliary Enterprises	\$ 391,274
Educational Departments	10,491
Total	\$ 401,765

NOTE 6. CAPITAL ASSETS

The following are the changes in capital assets of the College for the year ended June 30, 2019:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	\$ 6,173,992	\$ 3,987,817	\$ -	\$ 10,161,809
Buildings and Improvements	29,024,718	2,642,490	-	31,667,208
Equipment	4,104,686	855,885	150,241	4,810,330
Total	<u>39,303,396</u>	<u>7,486,192</u>	<u>150,241</u>	<u>46,639,347</u>
Less Accumulated Depreciation:				
Buildings and Improvements	4,817,433	2,865,960	-	7,683,393
Equipment	3,339,734	367,878	148,758	3,558,854
Total Accumulated Depreciation	<u>8,157,167</u>	<u>3,233,838</u>	<u>148,758</u>	<u>11,242,247</u>
Net Capital Assets	<u>\$ 31,146,229</u>	<u>\$ 4,252,354</u>	<u>\$ 1,483</u>	<u>\$ 35,397,100</u>

NOTE 7. NOTES PAYABLE AND CAPITAL LEASE OBLIGATIONS

The College has acquired land and buildings under capital lease agreements and notes payable. The cost of College assets held under these agreements totaled \$3,484,238 as of June 30, 2019. Accumulated depreciation of these assets totaled \$1,072,365 at June 30, 2019.

MOUNTAINLAND TECHNICAL COLLEGE

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

The following is a schedule by year of future minimum lease payments under capital leases and notes payable with the present value of the net minimum payments as of June 30, 2019.

Fiscal Year Ending June 30	Capital Leases
2020	\$ 335,831
2021	335,831
2022	335,831
2023	335,831
2024	335,831
2025-2029	671,662
Total Future Minimum Lease Payments	2,350,817
Amounts Representing Interest	(454,910)
Present Value of Net Minimum Lease Payments	\$ 1,895,907

Fiscal Year Ending June 30	Notes Payable
2020	\$ 92,669
2021	96,169
2022	94,831
2023	92,431
2024	95,400
2025-2029	473,200
2030-2031	185,600
Total Future Minimum Note Payments	1,130,300
Amounts Representing Interest	(240,300)
Present Value of Net Minimum Note Payments	\$ 890,000

NOTE 8. CHANGES IN 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, 2019.

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Compensated Absences	\$ 410,972	\$ 451,339	\$ 356,253	\$ 506,058	\$ 360,234
Capital Leases	2,104,749	-	208,842	1,895,907	222,425
Notes Payable	950,000		60,000	890,000	60,000
Net Pension Liability	1,281,883	722,478	-	2,004,361	-
Total Long-term Liabilities	\$ 4,747,604	\$ 1,173,817	\$ 625,095	\$ 5,296,326	\$ 642,659

NOTE 9. OPERATING LEASES

The College leases space to provide services for the Associated General Contractors Apprenticeship Program. The College also leases space in Orem to expand the existing

MOUNTAINLAND TECHNICAL COLLEGE

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

Orem Campus. The duration of these leases varies, with the longest lease terminating in fiscal year 2027. The College also entered into a partnership during 2018 with Miller Electric Mfg. Co. and Norco Inc. which included a discounted equipment lease for welding equipment. This lease is a ten-year lease with renewable periods. For the year ended June 30, 2019, operating lease expenses totaled \$187,591.

The following is a schedule by year of future operating lease payments as of June 30, 2019.

<u>Fiscal Year Ending June 30</u>	<u>Operating Leases</u>
2020	\$ 179,367
2021	144,875
2022	111,938
2023	5,000
2024	5,000
2025-2027	<u>15,000</u>
Total Future Minimum Lease Payments	<u>\$ 461,180</u>

NOTE 10. PENSION PLANS AND RETIREMENT BENEFITS

As required by State Law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the College are covered by defined benefit plans sponsored by the Utah Retirement Systems (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by defined contribution plans, such as the Teachers Insurance and Annuity Association (TIAA).

Plan Description

The College contributes to the Public Employees Noncontributory Retirement System (Noncontributory System), which is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Systems. All eligible employees that begin employment on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, may become members of the Tier 2 Public Employees Contributory Retirement System (Tier 2), which is a cost-sharing, multiple-employer, defined benefit pension plan. Currently, the College has no employees covered under the Tier 2 System.

The Systems are established and governed by the respective sections of Title 49 of the *Utah Code*. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board), whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension trust funds. The Systems are a component unit of the State of Utah. Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms. The Systems issue a publicly

MOUNTAINLAND TECHNICAL COLLEGE

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

available financial report that can be obtained by writing Utah Retirement Systems, 560 E. 200 S, 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 Benefits	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% per year all years	Up to 4%

* 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.

Funding Policy

As a condition of participation in the Systems, the College is required to contribute certain percentages of salary and wages as authorized by statute and specified by the Board. Contributions are actuarially determined as an amount that 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 for the pension portion of the plans for the year were as follows:

	<u>College Contribution Rate</u>
Noncontributory System	22.19%

For the fiscal year ended June 30, 2019, the College and employee contributions to the Systems were as follows:

	<u>College Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 371,227	N/A

Contributions reported are the Systems' Board-approved required contributions by the Systems.

MOUNTAINLAND TECHNICAL COLLEGE

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

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

At June 30, 2019, the College reported a net pension asset of \$0 and a net pension liability of \$2,004,362.

	Net Pension Asset	Net Pension Liability	Proportionate Share Dec. 31, 2018	Proportionate Share Dec. 31, 2017	Change (Decrease)
Noncontributory System	\$ -	\$ 2,004,362	0.0538732%	0.0524210%	0.0014522%

The net pension asset and liability was measured as of December 31, 2018, and 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 College'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 2019, the College recognized pension expense of \$505,583.

At June 30, 2019, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,678	\$ 28,123
Changes in assumptions	203,870	-
Net difference between projected and actual earnings on pension plan investments	333,469	-
Changes in proportion and differences between contributions and proportionate share of contributions	74,133	7,970
Contributions subsequent to the measurement date	183,197	-
Total	\$ 805,347	\$ 36,093

The College reported \$183,197 as deferred outflows of resources related to pensions resulting from contributions made prior to its fiscal year end, but subsequent to the measurement date of December 31, 2018.

MOUNTAINLAND TECHNICAL COLLEGE

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

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 in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ 280,334
2020	\$ 99,846
2021	\$ 47,946
2022	\$ 157,932
2023	\$ -
Thereafter	\$ -

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 %
Salary increases	3.25 % - 9.75 % average, including inflation
Investment rate of return including inflation	6.95 %, net of pension plan investment expense,

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

The actuarial assumptions used in the January 1, 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. 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:

MOUNTAINLAND TECHNICAL COLLEGE

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

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.

Discount Rate

The discount rate used to measure the total pension liability was 6.95%. 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 the same at 6.95% from the prior measurement period.

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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.95%) or 1-percentage-point higher (7.95%) than the current rate:

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 3,602,762	\$ 2,004,362	\$ 667,100

MOUNTAINLAND TECHNICAL COLLEGE

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

Pension Plan Fiduciary Net Position

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

NOTE 11. DEFINED CONTRIBUTION PLANS

The College participates in the 401(k) plan administered by the Systems. This plan is a defined contribution plan. The plan is established and governed by Chapter 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. During the year ended June 30, 2019, the College contributed \$24,846. Employee contributions for 2019 were \$45,753.

The Systems also administers a voluntary 457 plan for eligible employees. Employee contributions for 2019 were \$9,352.

The Teacher's Insurance and Annuity Association is a qualified alternate 401(k) and provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment. Employees are eligible to participate from the date of employment and are not required to contribute to the fund.

For the year ended June 30, 2019, the College's contribution to this defined contribution plan was 14.2% of the employee's eligible annual salary or \$676,825. The College has no further liability once annual contributions are made. Employee contributions for 2019 were \$27,046.

In September of 2011, eligible employees of the Utah System of Technical Colleges (UTECH) voted to discontinue their participation in Social Security Administration as allowed under the guidelines of Section 218 of the Social Security Act.

As a result, beginning in October of 2011, the College began contributing 6.2% of eligible employee's salaries into their respective 401(k) accounts administered by the Utah Interlocal Educational Benefits Trust (UIEBT) in place of the Employer's Social Security contribution. These contributions totaled \$393,078 for the year ended June 30, 2019. Voluntary contributions may also be made into the UIEBT plan by employees, subject to plan and internal revenue code limitations. During the year ended June 30, 2019, College employees made voluntary contributions to the plan of \$79,005.

MOUNTAINLAND TECHNICAL COLLEGE

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

NOTE 12. RISK MANAGEMENT

Due to the diverse risk exposure of the College, the insurance portfolio contains a full variety of coverage. The College participates in basic general liability, tort claim coverage, directors' and officers' liability, and property and casualty programs provided by the State of Utah Division of Risk Management. The College's liabilities for this policy are limited to the cost of premiums.

The College's buildings and contents are insured for replacement value. Each loss incident is subject to a \$1,000 deductible.

MOUNTAINLAND TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

**Schedule of Mountainland Technical College's Proportionate Share of the Net Pension Liability
Utah Retirement Systems
Last 5 Years***

	December 31,				
	2018	2017	2016	2015	2014
<i>Noncontributory System</i>					
Proportion of Net Pension Liability (Asset)	0.0538732%	0.0524210%	0.0526579%	0.0472498%	0.0446234%
Proportionate Share of Net Pension Liability (Asset)	\$ 2,004,362	\$ 1,281,883	\$ 1,706,599	\$ 1,484,252	\$ 1,121,176
Covered Payroll	\$ 1,665,163	\$ 1,566,764	\$ 1,565,144	\$ 1,364,874	\$ 1,265,612
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	120.37%	81.82%	109.04%	108.75%	88.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.10%	89.20%	84.90%	84.50%	87.20%

* The College implemented GASB Statement No. 68 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.

MOUNTAINLAND TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

**Schedule of Mountainland Technical College's Defined Benefit Pension Contributions
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	\$ 371,227	\$ 351,081	\$ 354,359	\$ 318,579	\$ 297,214	\$ 255,424	\$ 248,470	\$ 239,923	\$ 222,009	\$ 172,266
Contributions in Relation to the Contractually Required Contribution	(371,227)	(351,081)	(354,359)	(318,579)	(297,214)	(255,424)	(248,470)	(239,923)	(222,009)	(172,266)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,694,001	\$ 1,589,005	\$ 1,601,739	\$ 1,441,271	\$ 1,339,402	\$ 1,248,408	\$ 1,324,465	\$ 1,423,030	\$ 1,360,351	\$ 1,211,437
Contributions as a Percentage of Covered Payroll	21.91%	22.09%	22.12%	22.10%	22.19%	20.46%	18.76%	16.86%	16.32%	14.22%

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