

# MOUNTAINLAND TECHNICAL COLLEGE

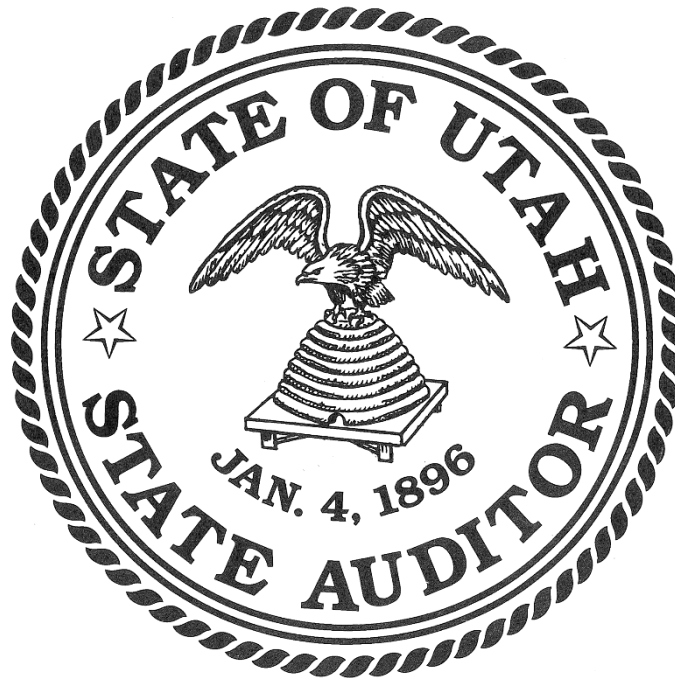
A Component Unit of the State of Utah

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Annual Financial Report  
For the Year Ended June 30, 2021

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Report No. 21-28



**AUDIT LEADERSHIP:**

John Dougall, State Auditor

Jason Allen, CPA, CFE, Audit Director

Taylor Komarek, CPA, CFE, Audit Supervisor

**MOUNTAINLAND TECHNICAL COLLEGE**  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2021

**TABLE OF CONTENTS**

	<u>Page</u>
INDEPENDENT STATE AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	9
Statement of Revenues, Expenses, and Changes in Net Position	10
Statement of Cash Flows	11
Statement of Fiduciary Net Position	12
Statement of Changes in Fiduciary Net Position	13
Notes to the Financial Statements	14
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Mountainland Technical College’s Proportionate Share of the Net Pension Liability	30
Schedule of Mountainland Technical College’s Defined Benefit Pension Contributions	31
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 <i>GOVERNMENT AUDITING STANDARDS</i>	32



OFFICE OF THE  
**STATE AUDITOR**

## Independent Auditor's Report

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

We have audited the accompanying financial statements of Mountainland Technical College (the College), which comprise the respective financial position of the business-type activities and fiduciary activities, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### **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 opinions 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 opinions.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the College implemented Governmental Accounting Standards Board (GASB) Statement 84, *Fiduciary Activities*. This statement defines criteria for identifying fiduciary activities and how those activities should be reported. As a result, the College is now reporting these fiduciary activities in separate fiduciary financial statements as listed in the table of contents. Our opinion is not modified with respect to this matter.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and the College's fiduciary activities, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Defined Pension Contributions, be presented to supplement the financial statements. Such information, although not a part of the 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 23, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's 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

February 23, 2022

# **MOUNTAINLAND TECHNICAL COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021**

### **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, 2021. 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, 2021

### Condensed Statement of Net Position

	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>Amount of</b>	<b>Percent</b>
	<b>Amount</b>	<b>Amount</b>	<b>Change</b>	<b>Change</b>
		<b>(As Restated)</b>		
<b>Assets</b>				
Current Assets	\$ 7,613,946	\$ 5,677,854	\$ 1,936,092	34.10%
Capital Assets	67,809,119	37,548,858	30,260,261	80.59%
Other Noncurrent Assets	672,175	-	672,175	100.00%
<b>Total Assets</b>	<b>76,095,240</b>	<b>43,226,712</b>	<b>32,868,528</b>	<b>76.04%</b>
<b>Deferred Outflows of Resources</b>	<b>414,448</b>	<b>965,346</b>	<b>(550,898)</b>	<b>(57.07%)</b>
<b>Liabilities</b>				
Current Liabilities	3,495,370	2,837,663	657,707	23.18%
Noncurrent Liabilities	2,171,614	3,341,884	(1,170,270)	(35.02%)
<b>Total Liabilities</b>	<b>5,666,984</b>	<b>6,179,547</b>	<b>(512,563)</b>	<b>(8.29%)</b>
<b>Deferred Inflows of Resources</b>	<b>926,607</b>	<b>507,590</b>	<b>419,017</b>	<b>82.55%</b>
<b>Net Position</b>				
Net Investment in Capital Assets	65,607,527	35,045,376	30,562,151	87.21%
Unrestricted	4,308,570	2,459,545	1,849,025	75.18%
<b>Total Net Position</b>	<b>\$ 69,916,097</b>	<b>\$ 37,504,921</b>	<b>\$ 32,411,176</b>	<b>86.42%</b>

Prior year restated due to the implementation of GASB 84, Fiduciary Activities (see Note 1 for further information).

Current Assets increased by \$1,936,092 due to increases in cash and cash equivalents and an increase in accounts receivable related to federal grants.

Capital assets increased by \$30,260,261 due to the addition of the Trades and Technology Building.

Other Noncurrent Assets increased by \$672,175 due to the increase in Net Pension Asset.

Deferred Outflows of Resources represents a consumption of net position that applies to a future period(s), this is an actuarially calculated amount related to pensions, for this reporting period the amount decreased by \$550,898.

Current Liabilities increased due to the timing of vendor payments and an increase in overall purchasing, as well as an increase in paid time off accruals as the number of employees increased and employees took less paid time off.

# **MOUNTAINLAND TECHNICAL COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021**

The decrease in noncurrent liabilities was the result of the decrease in net pension liability of \$831,741. There was also a decrease in capital leases payable of \$301,890.

Deferred Inflows (Outflows) of Resources represents an acquisition of net position that applies to a future period(s), this is an actuarially calculated amount related to pensions, for this reporting period the amount increased by \$419,017.

### ***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**

	<b>Year Ended June 30, 2021 Amount</b>	<b>Year Ended June 30, 2020 Amount</b>	<b>Amount of Change</b>	<b>Percent Change</b>
Operating Revenues	\$ 8,277,654	\$ 5,290,143	\$ 2,987,511	56.47%
Operating Expenses	26,631,626	20,799,921	5,831,705	28.04%
Operating Income (Loss)	(18,353,972)	(15,509,778)	(2,844,194)	18.34%
Nonoperating Revenues	18,790,502	16,284,742	2,505,760	15.39%
Capital Appropriations	31,974,646	2,054,278	29,920,368	1456.49%
Capital Grants and Gifts	-	187,764	(187,764)	(100.00%)
Increase (Decrease) in Net Position	32,411,176	3,017,006	29,394,170	974.28%
Net Position – Beginning of Year	37,504,921	35,182,148	2,322,773	6.60%
Adjustment to Beginning Net Position (Note 1)	-	(694,233)	-	
Net Position – End of Year	<u>\$ 69,916,097</u>	<u>\$ 37,504,921</u>	<u>\$ 32,411,176</u>	86.42%

# MOUNTAINLAND TECHNICAL COLLEGE

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

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of \$29,394,170 during fiscal year 2021. An explanation of a few of the changes in net position follows:

- Operating revenue increased due to increased grant revenue from Learn and Work grants.
- Operating expenses increased as grant funds were expended for increased enrollment and depreciation expense increased significantly with the addition of the new Trades and Technology building at the Lehi Campus.
- Nonoperating revenues increased due to an increase in federal grants.
- Capital appropriations increased because the Trades and Technology Building in Lehi was completed.

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

The revenue comparisons below show an overall increase of 146.9%. Operating revenues increased by 59.33% for the year due to Learn and Work grants. Nonoperating revenues increased by 13.18% with state appropriations increasing by 1.21% during the year. Capital appropriations had an increase of 1326.14% with the addition of the Trades and Technology Building in Lehi.

	<b>Year Ended June 30, 2021 Amount</b>	<b>Percent of Total Revenue</b>	<b>Year Ended June 30, 2020 Amount</b>	<b>Amount of Change</b>	<b>Percent Change</b>
<b>Operating Revenues</b>					
Student Tuition and Fees (Net)	\$ 4,215,029	7.12%	\$ 3,577,155	\$ 637,874	17.83%
Federal Grants and Contracts	161,612	.27%	114,944	46,668	40.60%
State Grants and Contracts	2,416,347	4.08%	18,600	2,397,747	12891.11%
Private Grants and Contracts	238,408	.40%	301,201	(62,793)	(20.85%)
Sales and Service of Educational Activities	252,542	.43%	352,623	(100,081)	(28.38%)
Auxiliary Enterprises	826,093	1.40%	848,495	(22,402)	(2.64%)
Other Operating Revenues	167,623	.28%	77,125	90,498	117.34%
<b>Total Operating Revenues</b>	<b>8,277,654</b>	<b>13.99%</b>	<b>5,290,143</b>	<b>2,987,511</b>	<b>56.47%</b>
<b>Nonoperating Revenues</b>					
State Appropriations	15,016,975	25.38%	14,837,451	179,524	1.21%
Federal Grants and Contracts	2,863,997	4.84%	619,362	2,244,635	362.41%
State Grants and Contracts	835,500	1.41%	833,500	2,000	.24%
Gifts	169,705	.29%	-	169,705	100.00%
Loss on Sale of Capital Assets	-	.00%	(6,613)	6,613	100.00%
Interest Income	33,810	.06%	149,993	(116,183)	(77.46%)
<b>Total Nonoperating Revenues</b>	<b>18,919,987</b>	<b>31.97%</b>	<b>16,433,693</b>	<b>2,486,294</b>	<b>15.13%</b>
<b>Other Revenues</b>					
Capital Appropriations and Gifts	31,974,646	54.04%	2,242,042	29,732,604	1326.14%
<b>Total Revenues</b>	<b>\$59,172,287</b>	<b>100.00%</b>	<b>\$23,965,878</b>	<b>\$35,206,409</b>	<b>146.90%</b>

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

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

	<b>Year Ended June 30, 2021 Amount</b>	<b>Percent of Total Expense</b>	<b>Year Ended June 30, 2020 Amount</b>	<b>Amount of Change</b>	<b>Percent Change</b>
<b>Operating Expenses</b>					
Salaries	\$ 12,166,292	45.46%	\$ 10,342,247	\$ 1,824,045	17.64%
Fringe Benefits	4,039,312	15.09%	3,525,752	513,560	14.57%
Actuarial Calculated Pension Expense	(200,615)	(.75%)	(500,051)	299,436	(59.88%)
Scholarships	2,195,747	8.20%	381,457	1,814,290	475.62%
Maintenance and Utilities	1,126,365	4.21%	1,004,482	121,883	12.13%
General and Administrative	4,169,912	15.58%	4,074,718	95,194	2.34%
Costs of Good Sold					
Sales and Service of Educational Activities	91,847	.34%	59,224	32,623	55.08%
Auxiliary Enterprises	931,974	3.48%	626,855	305,119	48.67%
Depreciation	2,110,792	7.89%	1,285,237	825,555	64.23%
<b>Total Operating Expenses</b>	<b>26,631,626</b>	<b>99.52%</b>	<b>20,799,921</b>	<b>\$ 5,831,705</b>	<b>28.04%</b>
<b>Nonoperating Expenses</b>					
Interest on Capital Leases	129,485	.48%	148,951	(19,466)	(13.07%)
<b>Total Expenses</b>	<b>\$ 26,761,111</b>	<b>100.00%</b>	<b>\$ 20,948,872</b>	<b>\$ 5,812,239</b>	<b>21.72%</b>

Expenses for the year ended June 30, 2021 increased by \$5,831,705 over the previous year. The greatest increase is due to increased scholarships from additional student funding from both CARES Act funding and Learn and Work Funding. This increase is due to increases in salaries and benefits funded by increased appropriations and Learn and Work funding. Pension expense decreased due to adjustments with expected returns and actuarial assumptions. Cost of Goods Sold increased as Auxiliary Enterprises were reopened after the 2020 closures due to the COVID-19 pandemic. Depreciation also increased with the additional depreciation related to the addition of the Trades and Technology building in Lehi.

### ***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, 2021

### *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**

Although the College is facing the COVID-19 pandemic along with all institutions, the economic outlook for the College is strong. The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant negative 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 FOR THE YEAR ENDED JUNE 30, 2021

### ASSETS

#### *Current Assets*

Cash and Cash Equivalents	\$ 4,610,097
Accounts Receivable, net (Note 3)	
From State Entities	61,967
From Others	2,203,436
Prepaid Expenses	367,075
Inventories (Note 5)	371,371
Total Current Assets	<u>7,613,946</u>

#### *Noncurrent Assets*

Non-depreciable Capital Assets (Note 6)	10,161,809
Depreciable Capital Assets, net (Note 6)	57,647,310
Net Pension Asset	672,175
Total Noncurrent Assets	<u>68,481,294</u>
<b>Total Assets</b>	<b><u>76,095,240</u></b>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions (Note 10)	414,448
<b>Total Deferred Outflows of Resources</b>	<b><u>414,448</u></b>

### LIABILITIES

#### *Current Liabilities*

Accounts Payable (Note 4)	
To State Entities	39,270
To Others	1,005,629
Accrued Liabilities (Note 4)	
To State Entities	4,272
To Others	551,507
Unearned Revenue	1,577,395
Current Portion of Notes Payable and Capital Leases	
To State Entities	65,000
To Others	252,297
Total Current Liabilities	<u>3,495,370</u>

#### *Noncurrent Liabilities (Note 8)*

Accrued Liabilities (Note 4)	287,319
Notes Payable and Capital Leases (Note 7)	
To State Entities	700,000
To Others	1,184,295
Total Noncurrent Liabilities	<u>2,171,614</u>
<b>Total Liabilities</b>	<b><u>5,666,984</u></b>

### DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Related to Pensions (Note 10)	926,607
<b>Total Deferred Inflows of Resources</b>	<b><u>926,607</u></b>

### NET POSITION

Net Investment in Capital Assets	65,607,527
Unrestricted	4,308,570
<b>Total Net Position</b>	<b><u>\$ 69,916,097</u></b>

*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, 2021

### **OPERATING REVENUES**

Student Tuition and Fees (net of allowances of \$419,621)	\$ 4,215,029
Federal Grants and Contracts	161,612
State Grants and Contracts	2,416,347
Private Grants and Contracts	238,408
Sales and Service of Educational Activities	252,542
Auxiliary Enterprises	826,093
Other Operating Revenues	167,623
<b>Total Operating Revenues</b>	<b><u>8,277,654</u></b>

### **OPERATING EXPENSES**

Salaries	12,166,292
Fringe Benefits	4,039,312
Actuarial Calculated Pension Expense (Note 10)	(200,615)
Scholarships	2,195,747
Maintenance and Utilities	1,126,365
General and Administrative	4,169,912
Cost of Goods Sold - Sales and Service of Educational Activities	91,847
Cost of Goods Sold - Auxiliary Enterprises	931,974
Depreciation	2,110,792
Total Operating Expenses	<u>26,631,626</u>
<b>Operating Income (Loss)</b>	<b><u>(18,353,972)</u></b>

### **NONOPERATING REVENUES (EXPENSES)**

State Appropriations	15,016,975
Federal Grants and Contracts	2,863,997
State Grants and Contracts	835,500
Gifts	169,705
Interest Income	33,810
Interest on Capital Leases	(129,485)
Net Nonoperating Revenues (Expenses)	<u>18,790,502</u>
<b>Income Before Other Revenues (Expenses)</b>	<b><u>436,530</u></b>

### **OTHER REVENUES (EXPENSES)**

Capital Appropriations	31,974,646
<b>Total Other Revenues (Expenses)</b>	<b><u>31,974,646</u></b>

<b>CHANGE IN NET POSITION</b>	<b>32,411,176</b>
<b>NET POSITION – BEGINNING OF YEAR</b>	<b>38,199,154</b>
<b>ADJUSTMENT TO BEGINNING NET POSITION</b>	<b><u>(694,233)</u></b>
<b>NET POSITION – END OF YEAR</b>	<b><u>\$ 69,916,097</u></b>

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

# MOUNTAINLAND TECHNICAL COLLEGE

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Tuition and Fees	\$ 4,483,610
Receipts from Grants and Contracts	1,541,679
Payments to Suppliers	(6,370,377)
Payments for Employee Services and Benefits	(16,486,819)
Payments for Student Aid: Scholarships and Fellowships	(2,195,747)
Receipts for Auxiliary and Educational Activities Sales and Services	1,078,635
Other Operating Receipts	1,794,552
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>(16,154,467)</u></b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	15,016,975
Federal Grants and Contracts	2,863,997
State Grants and Contracts	835,500
Gifts	169,705
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b><u>18,886,177</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Lease Payments	(411,909)
Purchases of Capital Assets	(415,881)
<b>Net Cash Provided (Used) by Capital Financing Activities</b>	<b><u>(827,790)</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income Received	33,810
Less: FMV adjustment	
<b>Net Cash Provided (Used) by Investing Activities</b>	<b><u>33,810</u></b>
<b>Net Increase in Cash</b>	<b>1,937,730</b>
<b>Cash and Cash Equivalents – Beginning of Year</b>	<b>2,672,367</b>
<b>Cash and Cash Equivalents – End of Year</b>	<b><u>\$ 4,610,097</u></b>
<b>RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
<b>Operating Loss</b>	<b>\$ (18,353,972)</b>
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	2,110,792
Difference Between Actuarial Calculated Pension Expense and Actual Contributions	(533,983)
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	294,857
(Increase) Decrease in Inventories	51,371
(Increase) Decrease in Prepaid Expenses	(344,590)
Increase (Decrease) in Accounts Payable	242,940
Increase (Decrease) in Accrued Liabilities	52,153
Increase (Decrease) in Unearned Revenue	325,965
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (16,154,467)</u></b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>	
Capital Appropriations	31,974,646
Disposal of Capital Assets	(34,900)
<b>Total Noncash Investing, Capital, and Financing Activities</b>	<b><u>\$ 31,939,746</u></b>

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

# **MOUNTAINLAND TECHNICAL COLLEGE**

## STATEMENT OF FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

### **ASSETS**

Cash and Cash Equivalents	689,333
<b>Total Assets</b>	<b><u>689,333</u></b>

### **LIABILITIES**

Liabilities	-
<b>Total Liabilities</b>	<b><u>-</u></b>

### **NET POSITION**

Restricted for:

Individuals, organizations, and other governments	<u>689,333</u>
<b>Total Net Position</b>	<b><u>\$ 689,333</u></b>

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

# **MOUNTAINLAND TECHNICAL COLLEGE**

## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR THE YEAR ENDED JUNE 30, 2021

### **INVESTMENT EARNINGS**

Interest Income	3,100
<b>Income from Investment Activity</b>	<b><u>3,100</u></b>

### **DEDUCTIONS**

Payments to individuals, organizations, and other governments	8,000
<b>Total Deductions</b>	<b><u>8,000</u></b>
<b>Net Increase (Decrease) in Fiduciary Net Position</b>	<b><u>(4,900)</u></b>

<b>NET POSITION – BEGINNING OF YEAR</b>	<b><u>694,233</u></b>
<b>NET POSITION – END OF YEAR</b>	<b><u>\$ 689,333</u></b>

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

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

### **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 Higher Education. It is considered a component unit of the State of Utah and is included in the State's *Annual Comprehensive Financial Report*. The College is considered a component unit because it was established under Utah statute, receives appropriations from the State, and is financially accountable to the State.

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

#### Basis of Accounting

For financial reporting purposes, the College is considered a special purpose government entity engaged in business-type and fiduciary-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.

#### 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.

# MOUNTAINLAND TECHNICAL COLLEGE

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

### 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 \$5,000 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 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

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

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 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.

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

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.

### 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.

### Fiduciary Activities

For the year ended June 30, 2021, the College implemented GASB Statement No. 84, Fiduciary Activities, which decreased beginning net position by \$694,233.

The College is the custodian 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. The endowment and related activity are reported on the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position.

## **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, 2021, \$687,028 of the College’s bank balances of \$937,028 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

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

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 Utah Board of Higher Education Rule 541, Management and Reporting of Institutional 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 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.

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

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:

- *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, 2021 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2021 balance in the fund.

At June 30, 2021, the College had the following recurring fair value measurements, of which \$689,333 is related to fiduciary activities.

Investment Type	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Public Treasurers' Investment Fund	\$ 4,825,492	\$ -	\$ 4,825,492	\$ -

### ***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

# MOUNTAINLAND TECHNICAL COLLEGE

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

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, 2021, the College's investments had the following maturities, of which \$689,333 is related to fiduciary activities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less	1 to 5	6 to 10	More
Public Treasurers' Investment Fund	\$ 4,825,492	\$ 4,825,492	\$ -	\$ -	\$ -

### *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, 2021, the College's investments were all unrated.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council 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.

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

### **NOTE 3. ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2021 consisted of the following:

Student Tuition and Fees	\$ 229,257
Other Sales and Services of Educational Activities, Auxiliary, Misc.	166,213
Federal Grants and Contracts	1,893,661
Less Allowance for Doubtful Accounts	<u>(23,728)</u>
<b>Total Accounts Receivable, net</b>	<b><u>\$ 2,265,403</u></b>

### **NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2021 consisted of the following:

Student Pell Grants Payable	\$ 253,798
State Taxes Payable	4,272
Payroll Payable	129,929
Compensated Absences Payable	708,897
Vendors Payable	<u>791,101</u>
<b>Total Accounts Payable and Accrued Liabilities</b>	<b><u>\$ 1,887,997</u></b>

### **NOTE 5. INVENTORIES**

Inventories at June 30, 2021 consisted of the following:

Auxiliary Enterprises	\$ 359,324
Educational Departments	<u>12,047</u>
<b>Total</b>	<b><u>\$ 371,371</u></b>

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

### **NOTE 6. CAPITAL ASSETS**

The following are the changes in capital assets of the College for the year ended June 30, 2021:

	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>
Land	\$ 10,161,809	\$ -	\$ -	\$ 10,161,809
Construction In Progress	1,000,000	-	1,000,000	-
Buildings and Improvements	33,749,150	31,296,482	-	65,045,632
Equipment	4,211,424	2,074,570	34,900	6,251,094
Total	<u>49,122,383</u>	<u>33,371,052</u>	<u>1,034,900</u>	<u>81,458,535</u>
Less Accumulated Depreciation:				
Buildings and Improvements	8,501,704	1,614,358	-	10,116,062
Equipment	3,071,821	496,433	34,900	3,533,354
Total Accumulated Depreciation	<u>11,573,525</u>	<u>2,110,791</u>	<u>34,900</u>	<u>13,649,416</u>
Net Capital Assets	<u>\$ 37,548,858</u>	<u>\$ 31,260,261</u>	<u>\$1,000,000</u>	<u>\$ 67,809,119</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 capital leases and notes payable totaled \$4,494,238 as of June 30, 2021. Accumulated depreciation of these assets totaled \$1,511,058 at June 30, 2021.

# MOUNTAINLAND TECHNICAL COLLEGE

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

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, 2021.

Fiscal Year Ending June 30	Capital Leases
2022	\$ 335,831
2023	335,831
2024	335,831
2025	335,831
2026	335,830
Total Future Minimum Lease Payments	1,679,154
Amounts Representing Interest	(242,564)
Present Value of Net Minimum Lease Payments	\$ 1,436,590

Fiscal Year Ending June 30	Notes Payable
2022	\$ 95,544
2023	95,544
2024	95,544
2025	95,544
2026	95,544
2027-2031	477,720
Total Future Minimum Lease Payments	955,440
Amounts Representing Interest	(190,440)
Present Value of Net Minimum Lease Payments	\$ 765,000

### 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, 2021.

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year
Compensated Absences	\$ 654,003	\$ 501,458	\$ 446,564	\$ 708,897	\$ 421,578
Capital Leases	1,673,482	-	236,892	1,436,590	252,297
Notes Payable	830,000		65,000	765,000	65,000
Net Pension Liability	831,741	-	831,741	-	-
Total Long-term Liabilities	\$ 3,989,226	\$ 501,458	\$ 1,580,197	\$ 2,910,487	\$ 738,875

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

### **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 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, 2021, operating lease expenses totaled \$141,844.

The following is a schedule by year of future operating lease payments as of June 30, 2021.

<u>Fiscal Year Ending June 30</u>	<u>Operating Leases</u>
2022	\$ 236,938
2023	168,000
2024	168,000
2025	168,000
2026	157,000
Total Future Minimum Lease Payments	<u>\$ 897,938</u>

### **NOTE 10. PENSION PLANS AND RETIREMENT BENEFITS**

#### 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 Utah Retirement Systems (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 (and other employee benefit) 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 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](http://www.urs.org).

# MOUNTAINLAND TECHNICAL COLLEGE

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

### Benefits Provided

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%

\* with actuarial reductions

\*\* All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit, which is a compounding 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.

The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

### 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, 2021, the College and employee contributions to the Systems were as follows:

	<u>College Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 333,368	N/A

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

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

At June 30, 2021, the College reported a net pension asset of \$672,175 and a net pension liability of \$0.

# MOUNTAINLAND TECHNICAL COLLEGE

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

	Net Pension Asset	Net Pension Liability	Proportionate Share Dec. 31, 2020	Proportionate Share Dec. 31, 2019	Change (Decrease)
Noncontributory System	\$672,175	\$ -	0.6815207%	0.7090543%	-0.0275336%

The net pension asset and liability was measured as of December 31, 2020, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the 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 2021, the College recognized pension expense of \$(200,615).

At June 30, 2021, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 222,532	\$ 10,205
Changes in assumptions	20,139	-
Net difference between projected and actual earnings on pension plan investments	-	904,554
Changes in proportion and differences between contributions and proportionate share of contributions	7,297	11,848
Contributions subsequent to the measurement date	164,481	-
<b>Total</b>	<b>\$ 414,449</b>	<b>\$ 926,607</b>

The College reported \$164,481 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, 2020.

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

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ (50,593)
2022	\$ (163,949)
2023	\$ (316,269)
2024	\$ (145,828)
2025	\$ -
Thereafter	\$ -

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

### Actuarial assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
Salary increases	3.25 % - 9.75 % average, including inflation
Investment rate of return including inflation	6.95 %, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employee Mortality Table for public employees, teachers, and public safety members, respectively.

There were a number of demographic assumptions (e.g., rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50% of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at [newsroom.urs.org](http://newsroom.urs.org) under the "Retirement Office" column using the "Report and Stats" tab.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 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, 2021

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

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

### Discount Rate

The discount rate used to measure the total pension liability was 6.95%. 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:

<b>Sensitivity of Proportionate Share of Net Pension (Asset) / Liability</b>			
	<b>1% Decrease (5.95%)</b>	<b>Discount Rate (6.95%)</b>	<b>1% Increase (7.95%)</b>
Noncontributory System	\$ 1,210,479	\$ (672,175)	\$(2,235,565)

Pension Plan Fiduciary Net Position

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

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, 2021, the College contributed \$22,357. Employee contributions for 2021 were \$40,620.

The Systems also administers a voluntary 457 plan for eligible employees. Employee contributions for 2021 were \$8,152.

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, 2021, the College's contribution to this defined contribution plan was 14.2% of the employee's eligible annual salary or \$983,346. The College has no further liability once annual contributions are made. Employee contributions for 2021 were \$85,764.

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 \$520,315 for the year ended June 30, 2021. 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, 2021, College employees made voluntary contributions to the plan of \$56,635.

### **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,

# **MOUNTAINLAND TECHNICAL COLLEGE**

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

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, 2021

### Schedule of Mountainland Technical College's Proportionate Share of the Net Pension Liability Utah Retirement Systems Last 7 Years\*

<i>Noncontributory System</i>	December 31,						
	2020	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability (Asset)	0.6815207%	0.7090543%	0.0538732%	0.0524210%	0.0526579%	0.0472498%	0.0446234%
Proportionate Share of Net Pension Liability (Asset)	\$ (672,175)	\$ 831,742	\$ 2,004,362	\$ 1,281,883	\$ 1,706,599	\$ 1,484,252	\$ 1,121,176
Covered Payroll	\$ 1,571,942	\$ 1,676,982	\$ 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	-42.76%	49.60%	120.37%	81.82%	109.04%	108.75%	88.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.70%	94.20%	84.10%	89.20%	84.90%	84.50%	87.20%

\*In accordance with paragraph 81.a of GASB 68, employers need to disclose a 10-year history of their proportionate share of the net position liability(asset) in their RSI.

The plans' net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

\*\* The proportionate share is higher in 2019 due to URS adding a Higher Education division, so the Net Pension Liability is calculated based on a smaller group of participants.

# MOUNTAINLAND TECHNICAL COLLEGE

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

### Schedule of Mountainland Technical College's Defined Benefit Pension Contributions Utah Retirement Systems Last 10 Fiscal Years Ending June 30, 2021

<i>Noncontributory System</i>	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 333,368	\$ 361,073	\$ 371,227	\$ 351,081	\$ 354,359	\$ 318,579	\$ 297,214	\$ 255,424	\$ 248,470	\$ 239,923
Contributions in Relation to the Contractually Required Contribution	(333,368)	(361,073)	(371,227)	(351,081)	(354,359)	(318,579)	(297,214)	(255,424)	(248,470)	(239,923)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 1,516,902	\$ 1,643,285	\$ 1,694,001	\$ 1,589,005	\$ 1,601,739	\$ 1,441,271	\$ 1,339,402	\$ 1,248,408	\$ 1,324,465	\$ 1,423,030
Contributions as a Percentage of Covered Payroll	21.98%	21.97%	21.91%	22.09%	22.12%	22.10%	22.19%	20.46%	18.76%	16.86%

\* 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 practices.

#### Changes in Assumptions

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



OFFICE OF THE  
**STATE AUDITOR**

## Independent 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  
Clay E. Christensen, President  
Mountainland Technical College

We have audited the financial statements of the business-type activities and fiduciary activities of Mountainland Technical College (the College), as of and for the year ended June 30, 2021, and the related notes to the basic financial statements, which collectively comprise the College's financial statements and have issued our report thereon dated February 23, 2022. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **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.

### **Purpose of this Report**

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



Office of the State Auditor

February 23, 2022