MOUNTAINLAND TECHNICAL COLLEGE
A Component Unit of the State of Utah

Annual Financial Report
For the Year Ended June 30, 2020

Report No. 20-31

OFFICE OF THE
STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Jason Allen, CFE, CPA, Audit Director
David Ingram, Audit Senior

MOUNTAINLAND TECHNICAL COLLEGE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2020

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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, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents. The College is a component unit of the State of Utah.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2020, and the changes in its financial position and its cash flows 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 16, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
February 16, 2021

MOUNTAINLAND TECHNICAL COLLEGE

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

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, 2020. 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.

Condensed Statement of Net Position

	June 30, 2020 Amount	June 30, 2019 Amount (As Restated)	Amount of Change	Percent Change
Assets				
Current Assets	$ 5,677,854	$ 5,395,874	$ 281,980	5.23%
Capital Assets	37,548,858	35,397,100	2,151,758	6.08%
Other Noncurrent Assets	694,233	1,685,121	(990,888)	(58.80%)
Total Assets	43,920,945	42,478,095	1,442,850	3.40%
Deferred Outflows of Resources	965,346	1,208,759	(243,413)	(20.14%)
Liabilities				
Current Liabilities	2,837,663	3,411,533	(573,870)	(16.82%)
Noncurrent Liabilities	3,341,884	4,653,668	(1,311,784)	(28.19%)
Total Liabilities	6,179,547	8,065,201	(1,885,654)	(23.38%)
Deferred Inflows of Resources	507,590	439,504	68,086	15.49%
Net Position				
Net Investment in Capital Assets	35,045,376	32,611,193	2,434,183	7.46%
Restricted Nonexpendable	639,478	638,167	1,311	.21%
Restricted Expendable	54,755	1,046,954	(992,199)	(94.77%)
Unrestricted	2,459,545	885,834	1,573,711	177.65%
Total Net Position	$ 38,199,154	$ 35,182,148	$ 3,017,006	8.58%

Capital assets increased by $2,151,758 due to the addition of the Provo Campus remodel project, $1,000,000 being added to Construction in Progress for the Trades and Technology Building. The CIP is a reflection of the College's contribution to the project which was funded by donations received in the prior year.

Other Noncurrent Assets decreased by $990,888 due to the $1,000,000 in donations being paid into the Trades and Technology Building project and other minor endowment adjustments.

The decrease in noncurrent liabilities was the result of the decrease in net pension liability of $1,172,620 due in part to a creation of a Higher Education division at URS, which causes the net pension liability to be calculated based on a smaller group of participants. There was also a decrease in capital leases payable of $282,425.

The decrease in current liabilities is due to a decrease in accounts payable of over $699,026 which was caused by the slowing down of transactions in the final quarter of the year due to the COVID-19 pandemic. The net change from the items explained above was a significant increase in total net position for the year.

Deferred Inflows (Outflows) of Resources represents an acquisition or consumption of net position that applies to a future period(s). These amounts are related to pensions and are actuarially calculated. The Utah Retirement Systems (URS), made a change to the presentation of the net differences between projected and actual earnings on the pension plan investment of the deferred outflows and deferred inflows. Previously these had been shown separately. These accounts have been changed to show this as a net amount in the GASB 68 disclosure. As a result, the beginning balance needed to be adjusted in order to reflect this change in presentation.

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, 2020 Amount	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Operating Revenues	$ 5,290,143	$ 4,631,449	$ 658,694	14.22%
Operating Expenses	20,799,921	20,426,223	373,698	1.83%
Operating Income (Loss)	(15,509,778)	(15,794,774)	284,996	(1.80%)
Nonoperating Revenues	16,284,742	14,642,045	1,642,697	11.22%
Capital Appropriations	2,054,278	72,155	1,982,123	2747.03%
Capital Grants and Gifts	187,764	4,891,768	(4,704,004)	(96.16%)
Increase (Decrease) in Net Position	3,017,006	3,811,194	(794,188)	(20.84%)
Net Position – Beginning of Year	35,182,148	31,370,954	3,811,194	12.15%
Net Position – End of Year	$ 38,199,154	$ 35,182,148	$ 3,017,006	8.58%

MOUNTAINLAND TECHNICAL COLLEGE

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

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of $3,017,006 during fiscal year 2020. An explanation of a few of the changes in net position follows:

- Operating revenue increased due to increased revenue in tuition and fees revenue as adult enrollments grew during the year.
- Operating expenses increased as new appropriations allowed for additional positions and program expansion from the prior year.
- Nonoperating revenues increased due to an increase in state appropriations.
- Capital appropriations increased as a remodel of the Provo Campus was completed and transferred from the State.

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

The revenue comparisons below show an overall decrease of 1.78%. Operating revenues increased by 14.22% for the year. Nonoperating revenues increased by 11.00% with state appropriations increasing by 15.93% during the year. Capital appropriations and gifts had a net decrease of 54.83% with the addition of the Provo Campus in 2019 being a one-time gift.

	Year Ended June 30, 2020 Amount	Percent of Total Revenue	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Operating Revenues					
Student Tuition and Fees (Net)	$ 3,577,155	14.93%	$ 2,482,178	$ 1,094,977	44.11%
Federal Grants and Contracts	114,944	.48%	167,363	(52,419)	(31.32%)
State Grants and Contracts	18,600	.08%	9,192	9,408	102.35%
Private Grants and Contracts	301,201	1.26%	406,383	(105,182)	(25.88%)
Sales and Service of Educational Activities	352,623	1.47%	475,405	(122,782)	(25.83%)
Auxiliary Enterprises	848,495	3.54%	1,003,806	(155,311)	(15.47%)
Other Operating Revenues	77,125	.32%	87,122	(9,997)	(11.47%)
Total Operating Revenues	5,290,143	22.07%	4,631,449	658,694	14.22%
Nonoperating Revenues					
State Appropriations	14,837,451	61.91%	12,799,100	2,038,351	15.93%
Federal Grants and Contracts	619,362	2.58%	926,571	(307,209)	(33.16%)
State Grants and Contracts	833,500	3.48%	854,893	(21,393)	(2.50%)
Gain on Sale of Capital Assets	(6,613)	(.03%)	44,974	(51,587)	100.00%
Interest Income	149,993	.63%	179,040	(29,047)	(16.22%)
Total Nonoperating Revenues	16,433,693	68.57%	14,804,578	1,629,115	11.00%
Other Revenues					
Capital Appropriations and Gifts	2,242,042	9.36%	4,963,923	(2,721,881)	(54.83%)
Total Revenues	$ 23,965,878	100.00%	$ 24,399,950	$ (434,072)	(1.78%)

MOUNTAINLAND TECHNICAL COLLEGE

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

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

	Year Ended June 30, 2020 Amount	Percent of Total Expense	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Operating Expenses					
Salaries	$ 10,342,247	49.37%	$ 9,212,504	$ 1,129,743	12.26%
Fringe Benefits	3,525,752	16.83%	3,119,035	406,717	13.04%
Actuarial Calculated Pension Expense	(500,051)	(2.39%)	505,583	(1,005,634)	(198.91%)
Scholarships	381,457	1.82%	405,536	(24,079)	(5.94%)
Maintenance and Utilities	1,004,482	4.79%	866,609	137,873	15.91%
General and Administrative	4,074,718	19.45%	4,004,644	70,074	1.75%
Costs of Good Sold					
Sales and Service of Educational Activities	59,224	.28%	67,050	(7,826)	(11.67%)
Auxiliary Enterprieses	626,855	2.99%	988,806	(361,951)	(36.60%)
Depreciation	1,285,237	6.14%	1,233,242	51,995	4.22%
Total Operating Expenses	20,799,921	99.29%	20,403,009	$ 396,912	1.95%
Nonoperating Expenses					
Interest on Capital Leases	148,951	.71%	162,533	(13,582)	(8.36%)
Total Expenses	$ 20,948,872	100.00%	$ 20,565,542	$ 383,330	1.83%

Expenses for the year ended June 30, 2020 increased by $383,330 over the previous year. This increase is due to increases in salaries and benefits as positions expanded with increased appropriations. Pension expense decreased due to adjustments with expected returns and actuarial assumptions. Cost of Goods Sold decreased as Auxiliary Enterprises were closed for the last quarter of 2020 due to the COVID-19 pandemic.

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.

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
JUNE 30, 2020

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 2,672,367
Accounts Receivable, net (Note 3)	
From State Entities	1,606,126
From Others	954,134
Prepaid Expenses	22,485
Inventories (Note 5)	422,742
Total Current Assets	5,677,854
Noncurrent Assets	
Restricted Cash and Cash Equivalents	694,233
Restricted Receivables	-
Non-depreciable Capital Assets (Note 6)	11,161,809
Depreciable Capital Assets, net (Note 6)	26,387,049
Total Noncurrent Assets	38,243,091
Total Assets	**43,920,945**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions (Note 10)	965,346
Total Deferred Outflows of Resources	**965,346**
LIABILITIES	
Current Liabilities	
Accounts Payable (Note 4)	
To State Entities	74,690
To Others	727,259
Accrued Liabilities (Note 4)	
To State Entities	1,101
To Others	481,293
Unearned Revenue	1,251,430
Current Portion of Notes Payable and Capital Leases	
To State Entities	65,000
To Others	236,890
Total Current Liabilities	2,837,663
Noncurrent Liabilities (Note 8)	
Accrued Liabilities (Note 4)	308,551
Notes Payable and Capital Leases (Note 7)	
To State Entities	765,000
To Others	1,436,592
Net Pension Liability (Note 10)	831,741
Total Noncurrent Liabilities	3,341,884
Total Liabilities	**6,179,547**
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions (Note 10)	507,590
Total Deferred Inflows of Resources	**507,590**
NET POSITION	
Net Investment in Capital Assets	35,045,376
Restricted for:	
Nonexpendable – Scholarships	639,478
Expendable – Scholarships and Grants	54,755
Unrestricted	2,459,545
Total Net Position	**$ 38,199,154**

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, 2020

OPERATING REVENUES	
Student Tuition and Fees (net of allowances of $404,170)	$ 3,577,155
Federal Grants and Contracts	114,944
State Grants and Contracts	18,600
Private Grants and Contracts	301,201
Sales and Service of Educational Activities	352,623
Auxiliary Enterprises	848,495
Other Operating Revenues	77,125
Total Operating Revenues	**5,290,143**
OPERATING EXPENSES	
Salaries	10,342,247
Fringe Benefits	3,525,752
Actuarial Calculated Pension Expense (Note 10)	(500,051)
Scholarships	381,457
Maintenance and Utilities	1,004,482
General and Administrative	4,074,718
Cost of Goods Sold - Sales and Service of Educational Activities	59,224
Cost of Goods Sold - Auxiliary Enterprises	626,855
Depreciation	1,285,237
Total Operating Expenses	20,799,921
Operating Income (Loss)	**(15,509,778)**
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	14,837,451
Federal Grants and Contracts	619,362
State Grants and Contracts	833,500
Loss on Sale of Capital Assets	(6,613)
Interest Income	149,993
Interest on Capital Leases	(148,951)
Net Nonoperating Revenues (Expenses)	16,284,742
Income Before Other Revenues (Expenses)	**774,964**
OTHER REVENUES (EXPENSES)	
Capital Appropriations	2,054,278
Capital Grants and Gifts	187,764
Total Other Revenues (Expenses)	**2,242,042**
CHANGE IN NET POSITION	**3,017,006**
NET POSITION – BEGINNING OF YEAR	**35,182,148**
NET POSITION – END OF YEAR	**$ 38,199,154**

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

MOUNTAINLAND TECHNICAL COLLEGE

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

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	$ 3,789,644
Receipts from Grants and Contracts	563,453
Payments to Suppliers	(6,642,362)
Payments for Employee Services and Benefits	(14,051,835)
Payments for Student Aid: Scholarships and Fellowships	(381,458)
Receipts for Auxiliary and Educational Activities Sales and Services	1,201,118
Other	(1,222,427)
Net Cash Provided (Used) by Operating Activities	**(16,743,867)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	14,837,451
Federal Grants and Contracts	896,862
State Grants and Contracts	556,000
Net Cash Provided (Used) by Noncapital Financing Activities	**16,290,313**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Lease Payments	(431,375)
Proceeds from Sale of Capital Assets	7,201
Purchases of Capital Assets	(1,358,759)
Gifts	149,991
Net Cash Provided (Used) by Capital Financing Activities	**(1,632,942)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	149,993
Less: FMV adjustment	-
Net Cash Provided (Used) by Investing Activities	**149,993**
Net Increase (Decrease) in Cash	**(1,936,501)**
Cash and Cash Equivalents – Beginning of Year	**5,303,101**
Cash and Cash Equivalents – End of Year	**$ 3,366,600**
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	**$ (15,509,778)**
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	1,285,237
Difference Between Actuarial Calculated Pension Expense and Actual Contributions	(861,124)
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(1,203,801)
(Increase) Decrease in Inventories	(20,977)
(Increase) Decrease in Prepaid Expenses	(2,815)
Increase (Decrease) in Accounts Payable	(699,026)
Increase (Decrease) in Accrued Liabilities	177,237
Increase (Decrease) in Unearned Revenue	91,180
Net Cash Provided (Used) by Operating Activities	**$ (16,743,867)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital Appropriations	2,054,278
Disposal of Capital Assets	(967,774)
Donated Assets	37,773
Total Noncash Investing, Capital, and Financing Activities	**$ 1,124,277**

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, 2020

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 *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.

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 $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.

Prior to FY2020, the College's capitalization policy included items with a unit cost of $1,000 or more. All fully depreciated assets that had been capitalized under the prior policy were removed from the books for fiscal year 2020. The policy change resulted in approximately $200,000 in items that would have been capitalized under the prior policy being expensed.

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 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.

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 endowments available for authorization for expenditure at June 30, 2020 was approximately $54,800. 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, 2020, $842,728 of the College's bank balances of $1,092,728 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.

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:

- *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, 2020 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2020 balance in the fund.

At June 30, 2020, the College had the following recurring fair value measurements.

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1	Level 2	Level 3
Public Treasurers' Investment Fund	$ 2,642,845	$ -	$ 2,642,845	$ -

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, 2020, the College's investments had the following maturities:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less	1 to 5	6 to 10	More
Public Treasurers' Investment Fund	$ 2,642,845	$ 2,642,845	$ -	$ -	$ -

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, 2020, 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, 2020 consisted of the following:

Student Tuition and Fees	$ 194,324
Other Sales and Services of Educational Activities, Auxiliary, Misc.	1,793,142
Federal Grants and Contracts	618,973
Less Allowance for Doubtful Accounts	(46,179)
Total Accounts Receivable, net	$ 2,560,260

NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2020 consisted of the following:

Student Pell Grants Payable	$ 314,893
State Taxes Payable	1,101
Payroll Payable	135,838
Compensated Absences Payable	654,003
Vendors Payable	487,056
Total Accounts Payable and Accrued Liabilities	$ 1,592,891

NOTE 5. INVENTORIES

Inventories at June 30, 2020 consisted of the following:

Auxiliary Enterprises	$ 410,129
Educational Departments	12,614
Total	$ 422,742

NOTE 6. CAPITAL ASSETS

The following are the changes in capital assets of the College for the year ended June 30, 2020:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 10,161,809	$ -	$ -	$ 10,161,809
Construction In Progress	-	1,000,000	-	1,000,000
Buildings and Improvements	31,667,208	2,081,942	-	33,749,150
Equipment	4,810,330	368,868	967,774	4,211,424
Total	46,639,347	3,450,810	967,774	49,122,383
Less Accumulated Depreciation:				
Buildings and Improvements	7,683,393	818,311	-	8,501,704
Equipment	3,558,855	466,925	953,959	3,071,821
Total Accumulated Depreciation	11,242,248	1,285,236	953,959	11,573,525
Net Capital Assets	$ 35,397,099	$ 2,165,574	$ 13,815	$ 37,548,858

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, 2020. Accumulated depreciation of these assets totaled $1,251,540 at June 30, 2020.

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, 2020.

Fiscal Year Ending June 30	Capital Leases
2021	$ 335,831
2022	335,831
2023	335,831
2024	335,831
2025	335,831
2026	335,830
Total Future Minimum Lease Payments	2,014,985
Amounts Representing Interest	(341,503)
Present Value of Net Minimum Lease Payments	$ 1,673,482

Fiscal Year Ending June 30	Notes Payable
2021	$ 95,544
2022	95,544
2023	95,544
2024	95,544
2025	95,544
2026-2030	477,720
2031	95,544
Total Future Minimum Lease Payments	1,050,984
Amounts Representing Interest	(220,984)
Present Value of Net Minimum Lease Payments	$ 830,000

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, 2020.

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Compensated Absences	$ 506,058	$ 506,089	$ 358,144	$ 654,003	$ 345,452
Capital Leases	1,895,907	-	222,425	1,673,482	236,890
Notes Payable	890,000		60,000	830,000	65,000
Net Pension Liability	2,004,361	-	1,172,620	831,741	-
Total Long-term Liabilities	$ 5,296,326	$ 506,089	$ 1,813,189	$ 3,989,226	$ 647,342

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, 2020, operating lease expenses totaled $179,367.

The following is a schedule by year of future operating lease payments as of June 30, 2020.

Fiscal Year Ending June 30	Capital Leases
2021	$ 144,875
2022	111,938
2023	5,000
2024	5,000
2025	5,000
2026-2027	10,000
Total Future Minimum Lease Payments	281,813

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.

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:

	College Contribution Rate
Noncontributory System	22.19%

For the fiscal year ended June 30, 2020, the College and employee contributions to the Systems were as follows:

	College Contributions	Employee Contributions
Noncontributory System	$ 361,073	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, 2020, the College reported a net pension asset of $0 and a net pension liability of $831,742.

	Net Pension Asset	Net Pension Liability	Proportionate Share Dec. 31, 2019	Proportionate Share Dec. 31, 2018	Change (Decrease)
Noncontributory System	$ -	$ 831,742	0.7090543%	0.0538732%	0.6551811%

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the 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 2020, the College recognized pension expense of $(500,051).

At June 30, 2020, 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	$ 687,232	$ 7,978
Changes in assumptions	75,385	-
Net difference between projected and actual earnings on pension plan investments	-	495,943
Changes in proportion and differences between contributions and proportionate share of contributions	26,000	3,768
Contributions subsequent to the measurement date	176,730	-
Total	**$ 965,347**	**$ 507,689**

The College reported $176,730 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, 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:

Year Ending December 31,	Deferred Outflows (Inflows) of Resources
2020	$ 376,424
2021	$ 100,739
2022	$ (18,811)
2023	$ (177,325)
2024	$ -
Thereafter	$ -

Actuarial assumptions

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 %
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, 2019 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:

	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%	0.90%
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:

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

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	$ 2,737,793	$ 831,742	$ (754,270)

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, 2020, the College contributed $23,266. Employee contributions for 2020 were $44,251.

The Systems also administers a voluntary 457 plan for eligible employees. Employee contributions for 2020 were $8,652.

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, 2020, the College's contribution to this defined contribution plan was 14.2% of the employee's eligible annual salary or $810,022. The College has no further liability once annual contributions are made. Employee contributions for 2020 were $62,213.

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 $453,434 for the year ended June 30, 2020. 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, 2020, College employees made voluntary contributions to the plan of $60,282.

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, 2020

Schedule of Mountainland Technical College's Proportionate Share of the Net Pension Liability
Utah Retirement Systems
Last 6 Years*

	December 31,					
Noncontributory System	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability (Asset)	0.7090543%	0.0538732%	0.0524210%	0.0526579%	0.0472498%	0.0446234%
Proportionate Share of Net Pension Liability (Asset)	$ 831,742	$ 2,004,362	$ 1,281,883	$ 1,706,599	$ 1,484,252	$1,121,176
Covered Payroll	$ 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	49.60%	120.37%	81.82%	109.04%	108.75%	88.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.20%	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.
** 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, 2020

Schedule of Mountainland Technical College's Defined Benefit Pension Contributions
Utah Retirement Systems
Last 10 Fiscal Years Ending June 30, 2020

Noncontributory System	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	$ 361,073	$ 371,227	$ 351,081	$ 354,359	$ 318,579	$ 297,214	$ 255,424	$ 248,470	$ 239,923	$ 222,009
Contributions in Relation to the Contractually Required Contribution	(361,073)	(371,227)	(351,081)	(354,359)	(318,579)	(297,214)	(255,424)	(248,470)	(239,923)	(222,009)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 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	$ 1,360,351
Contributions as a Percentage of Covered Payroll	21.97%	21.91%	22.09%	22.12%	22.10%	22.19%	20.46%	18.76%	16.86%	16.32%

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

Changes in Assumptions

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mountainland Technical College (the College) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated February 16, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Office of the State Auditor

Office of the State Auditor
February 16, 2021