Mountainland Technical College

Annual Financial Report

For the year ended June 30, 2023

Report No. 23-33

Office of the State Auditor

Audit Leadership:
John Dougall, State Auditor
Jordan Kattelman, CPA, Audit Supervisor
Caleb Tindall, CPA, Audit Supervisor

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying 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, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College's business-type activities and the College's fiduciary activities, as of June 30, 2023, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 described in Note 1, the College implemented Governmental Accounting Standards Board (GASB) Statement No. 96 *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis, the College's Schedule of Proportionate Share of the Net Pension Liability, and Schedule of Defined Benefit Pension Contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 March 25, 2024 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 solely 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

Office of the State Auditor
Salt Lake City, Utah
March 25, 2024

Management's Discussion and Analysis

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, 2023. 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, 2023 Amount	June 30, 2022 Amount	Amount of Change	Percent Change
Assets				
Current Assets	$ 6,050,653	$ 8,888,082	$ (2,837,429)	(31.92%)
Capital Assets	76,183,647	68,773,582	7,410,065	10.77%
Other Noncurrent Assets	13,275	1,675,111	(1,661,836)	(99.21%)
Total Assets	82,247,575	79,336,775	2,910,800	3.67%
Deferred Outflows of Resources	581,223	267,892	313,331	116.96%
Liabilities				
Current Liabilities	4,351,643	3,546,834	804,809	22.69%
Noncurrent Liabilities	2,542,271	2,990,125	(447,854)	(14.98%)
Total Liabilities	6,893,914	6,536,959	356,955	5.46%
Deferred Inflows of Resources	14,694	2,146,967	(2,132,273)	(99.32%)
Net Position				
Net Investment in Capital Assets	73,070,285	65,467,871	7,602,414	11.61%
Unrestricted	2,849,905	5,452,870	(2,602,965)	(47.74%)
Total Net Position	$ 75,920,190	$ 70,920,741	$ 4,999,449	7.05%

Current Assets decreased by $2,837,429 due to decreases in cash and cash equivalents because of a cash land purchase for a future campus in the Heber Valley as well as a decrease in accounts receivable related to federal grants.

Capital assets increased by $7,410,065 due to a donation of land in Payson for a new campus that is under construction. Capital assets also increased because of the addition of new leases as well as Subscription-Based Information Technology Arrangements (SBITAs).

Other Noncurrent Assets decreased by $1,661,836 due to the decrease in Net Pension Asset, as calculated by Utah Retirement Systems.

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 increased by $313,331.

Current Liabilities increased by $804,809 due to the addition of leases and SBITA's, as well as an increase in paid time off accruals as the number of employees increased.

Deferred Inflows 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 decreased by $2,132,273.

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, 2023 Amount	Year Ended June 30, 2022 Amount	Amount of Change	Percent Change
Operating Revenues	$ 7,243,221	$ 10,342,235	$ (3,099,014)	(29.96%)
Operating Expenses	34,713,874	30,961,795	3,752,079	12.12%
Operating Income (Loss)	(27,470,653)	(20,619,560)	(6,851,093)	33.23%
Nonoperating Revenues	32,430,712	21,250,725	11,179,987	52.61%
Capital Appropriations	39,390	373,479	(334,089)	(89.45%)
Increase (Decrease) in Net Position	4,999,449	1,004,644	3,994,805	397.63%
Net Position – Beginning of Year	70,920,741	69,916,097	1,004,644	1.44%
Net Position – End of Year	$ 75,920,190	$ 70,920,741	$ 4,999,449	7.05%

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of $4,999,449 during fiscal year 2023. An explanation of a few of the changes in net position follows:

- Operating revenue decreased mainly because of a substantial decrease in grant revenue from Learn and Work grants. FY 2022 Learn and Work Grants revenues were almost three million dollars and decreased to less than five hundred thousand in FY 2023.
- Operating expenses increased as the College invested in new computer equipment and office furniture for new and existing classrooms.
- Nonoperating revenues increased due to an increase in state appropriations and donations.

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2023 and 2022:

	Year Ended June 30, 2023 Amount	Percent of Total Revenue	Year Ended June 30, 2022 Amount	Amount of Change	Percent Change
Operating Revenues					
Student Tuition and Fees (Net)	$ 4,954,196	12.44%	$ 4,920,037	$ 34,159	.69%
Federal Grants and Contracts	160,256	.40%	501,786	(341,530)	(68.06%)
State Grants and Contracts	526,057	1.32%	3,003,884	(2,477,827)	(82.49%)
Private Grants and Contracts	123,428	.31%	254,416	(130,988)	(51.49%)
Sales and Service of Educational Activities	478,116	1.20%	452,432	25,684	5.68%
Auxiliary Enterprises (Net)	877,502	2.20%	1,130,939	(253,437)	(22.41%)
Other Operating Revenues	123,667	.31%	78,741	44,926	57.06%
Total Operating Revenues	7,243,222	18.19%	10,342,235	(3,099,013)	(29.96%)
Nonoperating Revenues					
State Appropriations	23,202,104	58.28%	18,855,000	4,347,104	23.06%
Federal Grants and Contracts	1,762,859	4.43%	2,136,307	(373,448)	(17.48%)
State Grants and Contracts	147,000	.37%	146,800	200	.14%
Gifts	7,091,893	17.81%	199,180	6,892,713	3460.54%
Interest Income	324,526	.82%	40,279	284,247	705.70%
Total Nonoperating Revenues	32,528,382	81.71%	21,377,566	11,150,816	52.16%
Other Revenues					
Capital Appropriations	39,390	.10%	373,479	(334,089)	(89.45%)
Total Revenues	$39,810,994	100.00%	$32,093,280	$ 7,717,714	24.05%

The revenue comparisons show an overall increase of 24.05%. While tuition and fees increased slightly, the College saw a decrease in grants and contracts generally. As expected, grants that were created in response to the COVID-19 pandemic were winding down in FY 2023.

Nonoperating revenues increased by 52.16% for the year due to an increase in state appropriations to fund growth and equipment. The College also received a donation of land valued at seven million dollars for its Payson Campus.

Auxiliary enterprise revenues decreased by 22.41% as the College began an initiative to streamline operations and progress toward breaking even. Interest income increased by 705.7% because of significantly higher rates of return on funds held in the Utah Public Treasurer's Investment Fund.

Expenses. The following schedule presents a summary of College expenses for fiscal years ended June 30, 2023 and 2022:

	Year Ended June 30, 2023 Amount	Percent of Total Expense	Year Ended June 30, 2022 Amount	Amount of Change	Percent Change
Operating Expenses					
Salaries	$ 15,159,643	43.55%	$ 13,130,628	$ 2,029,015	15.45%
Fringe Benefits	5,733,917	16.47%	4,672,366	1,061,551	22.72%
Actuarial Calculated Pension Expense	(374,986)	(1.08%)	756,037	(1,131,023)	(149.60%)
Scholarships	1,020,898	2.93%	2,191,194	(1,170,296)	(53.41%)
Maintenance and Utilities	1,591,486	4.57%	1,201,079	390,407	32.50%
General and Administrative	7,424,881	21.33%	5,296,253	2,128,628	40.19%
Costs of Good Sold					
Sales and Service of Educational Activities	97,374	.28%	91,723	5,651	6.16%
Auxiliary Enterprieses	1,206,151	3.46%	989,808	216,343	21.86%
Depreciation & Amortization	2,854,510	8.20%	2,632,707	221,803	8.42%
Total Operating Expenses	34,713,874	99.72%	30,961,795	$ 3,752,079	12.12%
Nonoperating Expenses					
Interest on Notes and Leases	97,670	.28%	126,841	(29,171)	(23.00%)
Total Expenses	$ 34,811,544	100.00%	$ 31,088,636	$ 3,722,908	11.98%

Expenses for the year ended June 30, 2023 increased by $3,722,908 over the previous year. The College increased spending to fund new employees and raise salaries. The College saw an overall increase in many areas due to inflation as well, specifically in increased health care costs and administrative expenses. Maintenance and utilities expenses increased because of additional amounts spent for building security services and security upgrades. General and Administrative expenses increased were higher because the College spent additional amounts on office furniture and computer equipment in new and updated classrooms. Depreciation & Amortization expense increased with amortization expenses related to new leases. Scholarships expenses decreased as the College received less grant funding for student scholarships.

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

The College is well positioned economically to sustain its mission into the foreseeable future. The College anticipates continued growth in enrollment and future funding from the State of Utah. The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant negative effect on its financial position or results of operations during this fiscal year.

The College is in a solid financial position. The College believes that growth will continue as its Payson Campus that is currently under construction will come online in the Summer of 2025 and construction on its Heber Valley Campus will begin in the Summer of 2025 and finish in the Fall of 2026. The faculty and staff of the College are committed to continue to enhance the employability of individuals through market-driven career and technical education.

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

Keven Cottle, CPA
Associate Vice President of Finance

Financial Statements

Statement of Net Position

As of June 30, 2023

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 4,041,089
Accounts Receivable, net (Note 3)	
From State Entities	346,614
From Others	964,711
Prepaid Expenses	106,798
Inventories (Note 5)	591,441
Total Current Assets	6,050,653
Noncurrent Assets	
Restricted Receivables	-
Non-depreciable Capital Assets (Note 6)	18,267,607
Depreciable Capital Assets, net (Note 6)	57,916,040
Net Pension Asset	13,275
Total Noncurrent Assets	76,196,922
Total Assets	**82,247,575**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Related to Pensions (Note 10)	581,223
Total Deferred Outflows of Resources	**581,223**
LIABILITIES	
Current Liabilities	
Accounts Payable (Note 4)	
To State Entities	319,005
To Others	1,328,909
Accrued Liabilities (Note 4)	
To State Entities	5,244
To Others	788,252
Unearned Revenue	1,031,877
Current Portion of Notes Payable and Leases	
To State Entities	70,000
To Others	808,356
Total Current Liabilities	4,351,643
Noncurrent Liabilities (Note 8)	
Accrued Liabilities (Note 4)	305,101
Notes Payable and Capital Leases (Note 7)	
To State Entities	565,000
To Others	1,670,006
Net Pension Liabilities	2,164
Total Noncurrent Liabilities	2,542,271
Total Liabilities	**6,893,914**
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Related to Pensions (Note 10)	14,694
Total Deferred Inflows of Resources	**14,694**
NET POSITION	
Net Investment in Capital Assets	73,070,285
Unrestricted	2,849,905
Total Net Position	**$ 75,920,190**

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

Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2023

OPERATING REVENUES	
Student Tuition and Fees (net of allowances of $588,871)	$ 4,954,196
Federal Grants and Contracts	160,256
State Grants and Contracts	526,057
Private Grants and Contracts	123,428
Sales and Service of Educational Activities	478,116
Auxiliary Enterprises (net of allowances of $8,486)	877,502
Other Operating Revenues	123,667
Total Operating Revenues	**7,243,222**
OPERATING EXPENSES	
Salaries	15,159,643
Fringe Benefits	5,733,917
Actuarial Calculated Pension Expense (Note 10)	(374,986)
Scholarships	1,020,898
Maintenance and Utilities	1,591,486
General and Administrative	7,424,881
Cost of Goods Sold - Sales and Service of Educational Activities	97,374
Cost of Goods Sold - Auxiliary Enterprises	1,206,151
Depreciation & Amortization	2,854,510
Total Operating Expenses	34,713,874
Operating Income (Loss)	**(27,470,652)**
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	23,202,104
Federal Grants and Contracts	1,762,859
State Grants and Contracts	147,000
Gifts	7,091,893
Interest Income	324,526
Interest on Notes Payable	(97,670)
Net Nonoperating Revenues (Expenses)	32,430,712
Income Before Other Revenues (Expenses)	**4,960,060**
OTHER REVENUES (EXPENSES)	
Capital Appropriations	39,390
Total Other Revenues (Expenses)	**39,390**
CHANGE IN NET POSITION	**4,999,450**
NET POSITION – BEGINNING OF YEAR	**70,920,740**
ADJUSTMENT TO BEGINNING NET POSITION	**-**
NET POSITION – END OF YEAR	**$ 75,920,190**

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

Statement of Cash Flows

For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	$ 5,274,025
Receipts from Grants and Contracts	2,174,757
Payments to Suppliers	(9,963,405)
Payments for Employee Services and Benefits	(21,145,585)
Payments for Student Aid: Scholarships and Fellowships	(1,020,898)
Receipts for Auxiliary and Educational Activities Sales and Services	1,355,618
Other Operating Receipts	(90,320)
Net Cash Provided (Used) by Operating Activities	**(23,415,808)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	23,202,104
Federal Grants and Contracts	1,762,859
State Grants and Contracts	147,000
Gifts	64,000
Net Cash Provided (Used) by Noncapital Financing Activities	**25,175,963**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Lease Payments	(1,102,193)
Purchases of Capital Assets	(2,385,120)
Net Cash Provided (Used) by Capital Financing Activities	**(3,487,313)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	324,526
Net Cash Provided (Used) by Investing Activities	**324,526**
Net Increase in Cash	**(1,402,632)**
Cash and Cash Equivalents – Beginning of Year	**5,443,721**
Cash and Cash Equivalents – End of Year	**$ 4,041,089**
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Loss	**$ (27,470,652)**
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation & Amortization Expense	2,854,510
Difference Between Actuarial Calculated Pension Expense and Actual Contributions	(781,602)
Changes in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	1,147,220
(Increase) Decrease in Inventories	207,731
(Increase) Decrease in Prepaid Expenses	79,846
Increase (Decrease) in Accounts Payable	68,910
Increase (Decrease) in Accrued Liabilities	154,591
Increase (Decrease) in Unearned Revenue	323,638
Net Cash Provided (Used) by Operating Activities	**$ (23,415,808)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital Appropriations	39,390
Disposal of Capital Assets	(42,452)
In-Kind Donations	7,027,893
Total Noncash Investing, Capital, and Financing Activities	**$ 7,024,831**

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

Statement of Fiduciary Net Position

As of June 30, 2023

ASSETS		
Cash and Cash Equivalents		683,461
Total Assets		**683,461**
LIABILITIES		
Liabilities		-
Total Liabilities		**-**
NET POSITION		
Individuals, organizations, and other governments		683,461
Total Net Position	**$**	**683,461**

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

Statement of Changes in Fiduciary Net Position

For the Year Ended of June 30, 2023

INVESTMENT EARNINGS	
Interest Income	23,928
Income from Investment Activity	**23,928**
DEDUCTIONS	
Payments to individuals, organizations, and other governments	21,500
Total Deductions	21,500
Net Increase (Decrease) in Fiduciary Net Position	**2,428**
NET POSITION – BEGINNING OF YEAR	**681,033**
NET POSITION – END OF YEAR	**$ 683,461**

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

Notes to the Financial Statements

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.

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 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 lease and SBITA 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.

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

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.

Subscription-Based Information Technology Arrangements

Effective July 1, 2022, the College implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. The College recognized a subscription liability and asset for software used for instructional and administrative purposes. Subscription assets and liabilities are recorded at the present value of payments expected to be made during the subscription terms. The implementation has no effect on prior period net position. The College used discount rates between 1.00% - 2.89% based on the IRS Applicable Federal Rates at the time each subscription came into effect. Subscription assets are amortized using the straight-line method over the term of the subscription.

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, 2023, $423,843 of the College's bank balances of $673,843 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 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.

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, 2023 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2023 balance in the fund.

At June 30, 2023, the College had the following recurring fair value measurements, of which $683,461 is related to fiduciary activities.

Interest Rate Risk

		Fair Value Measurements Using		
Investment Type	Fair Value	Level 1	Level 2	Level 3
Public Treasurers' Investment Fund	$ 4,532,819	$ -	$ 4,532,819	$ -

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, 2023, the College's investments had the following maturities, of which $683,461 is related to fiduciary activities:

		Investment Maturities (in years)			
Investment Type	Fair Value	Less	1 to 5	6 to 10	More
Public Treasurers' Investment Fund	$ 4,532,819	$ 4,532,819	$ -	$ -	$ -

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, 2023, 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, 2023 consisted of the following:

Student Tuition and Fees	$ 179,768
Other Sales and Services of Educational Activities, Auxiliary, Misc.	399,195
Federal Grants and Contracts	767,101
Less Allowance for Doubtful Accounts	(34,738)
Total Accounts Receivable, net	$ 1,311,326

Note 4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2023 consisted of the following:

Student Pell Grants Payable	$ 722,025
State Taxes Payable	5,244
Payroll Payable	121,964
Compensated Absences Payable	971,388
Vendors Payable	925,890
Total Accounts Payable and Accrued Liabilities	$ 2,746,511

Note 5. Inventories

Inventories at June 30, 2023 consisted of the following:

Auxiliary Enterprises	$ 582,077
Educational Departments	9,364
Total	$ 591,441

Note 6. Capital Assets

The following are the changes in capital assets of the College for the year ended June 30, 2023:

	Beginning Balance	Increases	Decreases	Ending Balance
Land	$ 10,161,809	$ 8,047,486	$ -	$ 18,209,295
Construction In Progress	170,816	58,313	170,816	58,313
Buildings and Improvements	65,682,039	393,943	-	66,075,982
Leases	1,575,345	658,829	-	2,234,174
Equipment	7,207,985	1,076,774	120,470	8,164,289
SBITA	-	198,626	-	198,626
Total	84,797,994	10,433,971	291,286	94,940,679
Less Accumulated Depreciation/Amortization:				
Buildings and Improvements	(12,386,523)	(2,296,663)	-	(14,683,186)
Leases	(161,897)	(505,112)	-	(667,009)
Equipment	(3,475,993)	-	(120,416)	(3,355,577)
SBITA	-	(51,260)	-	(51,260)
Total Accumulated Depreciation/Amortization	(16,024,413)	(2,853,035)	(120,416)	(18,757,032)
Net Capital Assets	$ 68,773,581	$ 7,580,936	$ 170,870	$ 76,183,647

Note 7. Notes Payable

The College has acquired land and buildings with notes payable. The cost of College assets held under notes payable totaled $4,494,238 as of June 30, 2023. Accumulated depreciation of these assets totaled $1,754,069 at June 30, 2023.

The following is a schedule by year of future minimum lease payments under notes payable with the present value of the net minimum payments as of June 30, 2023.

Fiscal Year Ending June 30	Notes Payable
2024	431,375
2025	431,375
2026	431,375
2027	95,544
2028	95,544
2029-2031	286,632
Total Future Minimum Payments	1,771,845
Amounts Representing Interest	(224,368)
Present Value of Net Minimum Payments	$ 1,547,477

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, 2023.

	Balance June 30, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Compensated Absences	$ 830,579	$ 759,747	$ 618,940	$ 971,387	$ 666,288
Leases and SBITAs	1,421,416	857,456	711,099	1,567,772	527,175
Notes Payable	1,884,295	-	336,818	1,547,477	351,181
Total Long-term Liabilities	$ 4,136,290	$ 1,617,203	$ 1,666,857	$ 4,086,636	$ 1,544,643

Note 9. Leases and SBITAS

The College has entered into several leases for classroom and office space as a lessee as well as subscription-based information technology agreements (SBITA). Total payments for such leases and SBITAs were $680,638, which includes $39,854 in interest expense for the fiscal year ended June 30, 2023.

The following is a schedule by year of future financing obligations for the previously described leases and SBITAs.

Fiscal Year Ending June 30	Principal	Interest	Total Payment
2024	$ 527,175	$ 30,152	$ 557,327
2025	$ 412,461	$ 20,277	$ 432,738
2026	$ 393,555	$ 13,081	$ 406,635
2027	$ 233,475	$ 5,556	$ 239,031
2028	$ 1,108	$ 17	$ 1,125
Total Leases Payable	**$ 1,567,773**	**$ 69,083**	**$ 1,636,856**

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.

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.

Summary of Benefits by System

Benefits provided: URS provides retirement, disability, and death benefits.

Retirement benefits are as follows:

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percentage per Year of Service	COLA **
Noncontributory System	Highest 3 Years	30 years, any age 25 years, any age* 20 years, age 60* 10 years, age 62* 4 years, age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 Years	35 years, any age 20 years, age 60* 10 years, age 62* 4 years, age 65	1.50% per year all years	Up to 2.5%

* Actuarial reductions are applied.

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, 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.

Contribution Rate Summary

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2023 are as follows:

	Employee	Employer	Employer 401(k)
Contributory System			
117 Higher Education - Tier 2	-	19.84	0.18
Noncontributory System			
18 Higher Education - Tier 1	-	22.19	1.50
Tier 2 DC Only			
217 Higher Education	-	10.02	10.00

***Tier 2 rates include a statutory required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans.

For fiscal year ended June 30, 2023, the employer and employee contributions to the Systems were as follows:

System	Employer Contributions	Employee Contributions
Noncontributory System	$ 387,641	$ -
Tier 2 Public Employees System	18,975	-
Total Contributions	$ 406,616	$ -

Contributions reported are the URS Board-approved required contributions by System. Contributions in the Tier 2 Systems are used to finance the unfunded liabilities in the Tier 1 Systems.

Combined Pension Assets, Liabilities, Expense, and Deferred Outflows and Inflows of Resources Relating to Pensions

At June 30, 2023, we reported a net pension asset of $ 13,275 and a net pension liability of $ 2,165.

	(Measurement Date): December 31, 2022				
	Net Pension Asset	Net Pension Liability	Proportionate Share	Proportionate Share December 31, 2021	Change (Decrease)
Noncontributory System	$ 13,275	$ -	0.7583093 %	0.6815207 %	0.0767886 %
Contributory System	$ -	$ -	- %	- %	- %
Public Safety System	$ -	$ -	- %	- %	- %
Firefighters System	$ -	$ -	- %	- %	- %
Judges Retirement System	$ -	$ -	- %	- %	- %
Governors & Legislators Plan	$ -	$ -	- %	- %	- %
Tier 2 Public Employees System	$ -	$ 2,165	0.0019886 %	- %	0.0019886 %
Tier 2 Public Safety and Firefighter	$ -	$ -	- %	- %	- %
	$ 13,275	$ 2,165			

The net pension asset and liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022, and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2023, we recognized pension expense of ($ 374,986).

At June 30, 2023, we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 92,835	$ 14,688
Changes in assumptions	$ 3,607	$ 6
Net difference between projected and actual earnings on pension plan investments	$ 258,730	$ -
Changes in proportion and differences between contributions and proportionate share of contributions	$ 20,471	$ -
Contributions subsequent to the measurement date	$ 205,581	$ -
	$ 581,224	$ 14,694

$ 205,581 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2022.

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 ended December 31,	Net Deferred Outflows (Inflows) of Resources
2023	$ (135,151)
2024	$ (46,204)
2025	$ 116,209
2026	$ 425,271
2027	$ 154
Thereafter	$ 671

Actuarial Assumptions

The total pension liability in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 - 9.25 percent, average, including inflation
Investment Rate of Return	6.85 percent, 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 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2022, valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method, in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Expected Return Arithmetic Basis		
Asset Class	**Target Asset Allocation**	**Real Return Arithmetic Basis**	**Long Term Expected Portfolio Real Rate of Return**
Equity securities	35.00 %	6.58 %	2.30 %
Debt securities	20.00 %	1.08 %	0.22 %
Real assets	18.00 %	5.72 %	1.03 %
Private equity	12.00 %	9.80 %	1.18 %
Absolute return	15.00 %	2.91 %	0.44 %
Cash and cash equivalents	0.00 %	(0.11)%	0.00 %
Totals	100.00 %		5.17 %
Inflation			2.50 %
Expected arithmetic nominal return			7.67 %

The 6.85% assumed investment rate of return is comprised of an inflation rate of 2.50%, and a real return of 4.35% that is net of investment expense.

Discount rate: The discount rate used to measure the total pension liability was 6.85 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS 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.

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 6.85 percent, as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.85 percent) or 1 percentage point higher (7.85 percent) than the current rate:

System		**1% Decrease or 5.85%**	**Discount Rate of 6.85%**	**1% Increase or 7.85%**
Noncontributory System	$	2,020,325	(13,275)	(1,717,009)
Tier 2 Public Employees System	$	9,461	2,165	(3,455)
Total	$	2,029,786	(11,110)	(1,720,464)

***Pension plan fiduciary net position: Detailed information about the fiduciary net position of the pension plans is available in the separately issued URS 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.

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

MOUNTAINLAND TECHNICAL COLLEGE participates in the following Defined Contribution Savings Plans with Utah
* 401(k) Plan
* 457(b) Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30th were as follows:

		2023		2022		2021
401(k) Plan						
Employer Contributions	$	29,712	$	28,191	$	22,369
Employee Contributions	$	35,691	$	32,943	$	40,620
457 Plan						
Employer Contributions	$	-	$	-	$	-
Employee Contributions	$	14,820	$	13,222	$	8,152

The Teacher's Insurance and Annuity Association (TIAA) provides individual retirement fund contracts with each eligible 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, 2023, the College's contribution to this defined contribution plan was 14.2% of the employee's eligible annual salary or $1,444,262. The College has no further liability once annual contributions are made.

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, the College contributes 6.2% of eligible employees' salaries into a TIAA retirement in place of the Employer's Social Security contribution. These contributions totaled $739,996 for the year ended June 30, 2023.

Eligible employees may also contribute voluntarily into TIAA plans, subject to plan and internal revenue code limitations. These contributions totaled $232,709 for the year ended June 30, 2023.

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

Note 13. Subsequent Events

In July 2023, the College exercised a purchase option to acquire an additional 5.31 acres of land for its Heber Valley Campus at a cost of $1,793,873.

Required Supplementary Information

Schedule of Mountainland Technical College's Proportionate Share of the Net Pension Liability

Utah Retirement Systems

Last 9 Years*

	December 31,								
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability (Asset)									
Noncontributory System	0.7583093%	0.6815207%	0.6815207%	0.7090543%	0.0538732%	0.5242100%	0.0526579%	0.0472498%	0.0446234%
Tier 2 Public Employees System	0.0019886%	-	-	-	-	-	-	-	-
Proportionate Share of Net Pension Liability (Asset)									
Noncontributory System	$ (13,275)	$ (1,675,110)	$ (672,175)	$ 831,742	$ 2,004,362	$ 1,281,883	$ 1,706,599	$ 1,484,252	$ 1,121,176
Tier 2 Public Employees System	$ 2,165	-	-	-	-	-	-	-	-
Covered Payroll									
Noncontributory System	$ 1,751,891	$ 1,572,571	$ 1,571,942	$ 1,676,982	$ 1,665,163	$ 1,566,764	$ 1,565,144	$ 1,364,874	$ 1,265,612
Tier 2 Public Employees System	$ 42,675	-	-	-	-	-	-	-	-
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll									
Noncontributory System	-0.76%	-106.52%	42.76%	49.60%	120.37%	89.20%	109.04%	108.75%	88.60%
Tier 2 Public Employees System	5.07%	-	-	-	-	-	-	-	-
Plan Fiduciary Net Position as a Percentage of Total Pension Liability									
Noncontributory System	100.10%	111.80%	104.70%	94.20%	84.10%	84.90%	84.90%	84.50%	87.20%
Tier 2 Public Employees System	92.30%	-	-	-	-	-	-	-	-

*In accodance 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.

Schedule of Mountainland Technical College's Defined Benefit Pension Contributions

Utah Retirement Systems

Last 10 Fiscal Years Ending June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution										
Noncontributory System	$ 387,641	$ 360,039	$ 333,368	$ 361,073	$ 371,227	$ 351,081	$ 354,359	$ 318,579	$ 297,214	$ 255,424
*Tier 2 Public Employees System**	$ 18,975	$ 909	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Contributions in Relation to the Contractually Required Contribution	(406,616)	(360,948)	(333,368)	(361,073)	(371,227)	(351,081)	(354,359)	(318,579)	(297,214)	(255,424)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll										
Noncontributory System	$ 1,790,963	$1,681,175	$1,516,902	$1,643,285	$ 1,694,001	$ 1,589,005	$ 1,601,739	$ 1,441,271	$ 1,339,402	$ 1,248,408
*Tier 2 Public Employees System**	$ 95,642	$ 4,683	$ -		$ -	$ -	$ -	$ -	$ -	$ -
Contributions as a Percentage of Covered Payroll										
Noncontributory System	21.64%	21.42%	21.98%	21.97%	21.91%	22.09%	22.12%	22.10%	22.19%	20.46%
*Tier 2 Public Employees System**	19.84%	19.42%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabililites in the Tier 1 systems.
Tier 2 systems were created July 1, 2011.

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

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 Trustees, 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 the business-type activities and fiduciary activities of Mountainland Technical College (the College), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 25, 2024.

Report on 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. 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 or significant deficiencies may exist that were not identified.

Report on 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
Salt Lake City, Utah
March 25, 2024