MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

A Regional College within the
Utah College of Applied Technology,
A Component Unit of the State of Utah

Annual Financial Report
For the Year Ended June 30, 2012

Report No. 12-53

STATE OF UTAH
OFFICE OF THE STATE AUDITOR

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MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

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State of Utah
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Independent State Auditor's Report

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

We have audited the accompanying financial statements of Mountainland Applied Technology College (the College) as of and for the year ended June 30, 2012, as listed in the table of contents. The College is a regional college within the Utah College of Applied Technology (UCAT) which is a component unit of the State of Utah. These financial statements are the responsibility of the College's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of Mountainland Applied Technology College are intended to present the financial position, the changes in financial position, and cash flows of only that portion of UCAT that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of UCAT as of June 30, 2012, the changes in its financial position or cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2012, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Utah State Capitol Complex, East Office Building, Suite E310 • P.O. Box 142310 • Salt Lake City, Utah 84114-2310 • Tel: (801) 538-1025 • Fax: (801) 538-1383

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Office of the Utah State Auditor

Office of the Utah State Auditor
February 28, 2013

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)

Overview of the Financial Statements and Financial Analysis

Mountainland Applied Technology College (the College) is proud to present its financial statements for the fiscal year ended June 30, 2012. 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 Assets and the Statement of Revenues, Expenses, and Changes in Net Assets.

The Mountainland Applied Technology College Foundation (the Foundation) is a separate but affiliated non-profit corporation. The accounts of the Foundation are audited and reported as a blended component unit and are therefore included in the financial statements.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College at the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement or the College's Balance Sheet. The purpose of the Statement of Net Assets is to present to the readers of the financial statements a fiscal snapshot of the College. The Statement of Net Assets presents end-of-year data concerning Assets (current and noncurrent), Liabilities (current and noncurrent), and Net Assets (Assets minus Liabilities or Equity). The difference between current and noncurrent assets is discussed in the footnotes to the financial statements.

From the data presented, readers of the Statement of Net Assets 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 Assets provides a picture of the net assets and their availability for expenditure by the College.

Net assets are divided into three major categories: invested in capital assets, net of debt; restricted net assets; and unrestricted net assets. The first category, invested in capital assets, net of debt, provides the College's equity in property, plant, and equipment owned by the College. The second category is restricted net assets, which is divided into two subcategories: nonexpendable and expendable. The corpus of nonexpendable restricted net assets is only available for investment purposes. Expendable restricted net assets are 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 assets. Unrestricted net assets are available for expenditure for any lawful purpose of the College.

Statement of Net Assets, Condensed

Net Assets	Year Ended June 30, 2012 Amount	Year Ended June 30, 2011 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Assets				
Current Assets	$ 2,627,841	$ 2,060,295	$ 567,546	27.55%
Capital Assets	28,644,464	29,644,131	(999,667)	(3.37%)
Other Assets	183,600	187,200	(3,600)	(1.92%)
Total Assets	31,455,905	31,891,626	(435,721)	(1.37%)
Liabilities				
Current Liabilities	1,274,499	1,282,886	(8,387)	(.65%)
Noncurrent Liabilities	3,051,332	3,220,152	(168,820)	(5.24%)
Total Liabilities	4,325,831	4,503,038	(177,207)	(3.94%)
Net Assets				
Invested in Capital Assets, net of debt	25,528,823	26,394,131	(865,308)	(3.28%)
Restricted Nonexpendable	632,981	632,542	439	0.07%
Restricted Expendable	46,802	50,583	(3,781)	(7.47%)
Unrestricted	921,468	311,333	610,135	195.98%
Total Net Assets	$ 27,130,074	$ 27,388,589	$ (258,515)	(0.94%)

Current assets increased because of a gain on the sale of a piece of land at Thanksgiving Point. The decrease in capital assets is due to the land sale and depreciation. Decreases in noncurrent liabilities and total liabilities were the result of principal being paid on the capital lease. The net change from the items explained above was a decrease in total net assets for the year.

Statement of Revenues, Expenses, and Changes in Net Assets

Changes in net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses, and Changes in Net Assets. 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, expenses, gains, or losses received or spent by the College.

Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies 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.

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

Net Assets	Year Ended June 30, 2012 Amount	Year Ended June 30, 2011 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Revenues	$ 3,739,218	$ 3,983,818	$ (244,600)	(6.14%)
Operating Expenses	10,746,505	11,209,562	(463,057)	(4.13%)
Operating Loss	(7,007,287)	(7,225,744)	(218,457)	3.02%
Nonoperating Revenues and Expenses	5,620,771	5,417,171	203,600	3.76%
Capital Appropriations	41,037	19,604,550	(19,563,513)	(99.79%)
Gain on Disposal of Assets	1,086,964	60,297	1,026,667	1702.68%
Increase in Net Assets	(258,515)	17,856,274	(18,114,789)	(101.45%)
Net Assets – Beginning of Year	27,388,589	9,532,315	17,856,274	187.32%
Net Assets – End of Year	$ 27,130,074	$ 27,388,589	$ (258,515)	(0.94%)

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a fairly flat year with a slight decrease in net assets of $258,515 during fiscal year 2012. An explanation of a few of the changes causing the decrease in net assets follows:

- The most significant change was an increase to gain on disposal of assets due to the sale of land at Thanksgiving Point. A gain of $1,086,964 was realized on the transaction.
- Operating expenses decreased from the prior year, although the prior year was inflated due to the expenses related to the completion of the Thanksgiving Point campus.
- Nonoperating revenues increased slightly due to an increase in state appropriations.
- The decrease in capital appropriations in fiscal year 2012 is due to the one-time spike in capital appropriations for the construction of the Thanksgiving Point campus in fiscal year 2011.

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2012 and 2011:

Revenues	Year Ended June 30, 2012 Amount	Percent of Total Revenue	Year Ended June 30, 2011 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Revenues					
Student Tuition and Fees	$ 1,692,851	16.14%	$ 1,709,585	$ (16,734)	(0.98%)
Federal Grants and Contracts	198,881	1.90%	276,233	(77,352)	(28.00%)
State Grants and Contracts	475,333	4.53%	481,200	(5,867)	(1.22%)
Private Grants and Contracts	540,618	5.15%	471,877	68,741	14.57%
Sales and Service of Education Depts	209,801	2.00%	484,012	(274,211)	(56.65%)
Auxiliary Enterprises	515,154	4.91%	470,756	44,398	9.43%
Other Operating Revenues	106,580	1.02%	90,155	16,425	18.22%
Total Operating Revenues	3,739,218	35.65%	3,983,818	(244,600)	(6.14%)
Nonoperating Revenues					
State Appropriations	4,946,700	47.17%	4,792,700	154,000	3.21%
Federal Grants and Contracts	646,268	6.16%	609,110	37,158	6.10%
Gifts	7,643	0.07%	2,757	4,886	177.22%
Interest Income	20,160	0.19%	12,604	7,556	59.95%
Total Nonoperating Revenues	5,620,771	53.59%	5,417,171	203,600	3.76%
Other Revenues:					
Capital Appropriations	41,037	0.39%	19,604,550	(19,563,513)	(99.79%)
Gain on Disposal of Assets	1,086,964	10.37%	60,297	1,026,667	1702.68%
Total Other Revenues	1,128,001	10.76%	19,664,847	(18,536,846)	(94.26%)
Total Revenues	$ 10,487,990	100.00%	$ 29,065,836	$ (18,577,846)	(63.92%)

The revenue comparisons above show an overall decrease of 63.92%. It is important to note that the majority of the decrease was caused by a one-time event of the completion and transfer of the Thanksgiving Point Campus in the prior year. The large decrease in sales and service of education departments can be attributed to the Building Construction Program which is no longer in operation and the final home was sold in the prior year. There was also a minimal increase in state appropriations during the year.

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)

Expenses. The following schedule presents a summary of College expenses for fiscal years ended June 30, 2012 and 2011:

Expenses	Year Ended June 30, 2012 Amount	Percent of Total Expenses	Year Ended June 30, 2011 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Expenses					
Salaries	$ 4,361,107	40.58%	$ 4,099,541	$ 261,566	6.38%
Fringe Benefits	1,887,621	17.56%	1,691,902	195,719	11.57%
Scholarships	334,651	3.12%	331,252	3,399	1.03%
Maintenance and Utilities	554,066	5.16%	462,811	91,255	19.72%
General and Administrative	2,149,896	20.01%	3,261,438	(1,111,542)	(34.08%)
Costs of Goods Sold					
Sales and Service of Education Depts	81,788	0.76%	340,000	(258,212)	(75.94%)
Auxiliary Enterprises	427,037	3.97%	354,950	72,087	20.31%
Depreciation	950,339	8.84%	667,668	282,671	42.34%
Total Operating Expenses	$ 10,746,505	100.00%	$ 11,209,562	$ (463,057)	(4.13%)

Expenses for the year ended June 30, 2012 decreased by $463,057 over the previous year. This decrease is greatly due to the one-time increase in expenditures related to the Thanksgiving Point Campus start-up in the prior year. Cost of goods sold for education departments decreased due to the elimination of the Building Construction Program and the related home sales. Salaries and benefits also increased by over $450,000 during the fiscal year as a result of keeping up with increasing enrollments and maintenance of facilities.

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 five 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 Assets.

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2012
(Unaudited)

Economic Outlook

The College is aware of the difficult economic conditions that currently exist in the State of Utah and has adapted to the changes enacted by the Utah State Legislature to ensure a strong financial position for the College. The College is not aware of any currently known facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations.

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

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

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF NET ASSETS
AS OF JUNE 30, 2012

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 1,338,640
Accounts Receivable, net (Note 3)	
From State Entities	458,192
From Others	470,891
Current Portion of Notes Receivable	3,600
Prepaid Expenses	68,955
Inventories (Note 5)	287,563
Total Current Assets	2,627,841
Noncurrent Assets	
Notes Receivable	183,600
Non-depreciable Capital Assets, Net (Note 6)	4,453,877
Depreciable Capital Assets, Net (Note 6)	24,190,587
Total Noncurrent Assets	28,828,064
Total Assets	**31,455,905**
LIABILITIES	
Current Liabilities	
Accounts Payable (Note 4)	
To State Entities	15,539
To Others	318,928
Accrued Labilities (Note 4)	
To State Entities	96,065
To Others	335,744
Deferred Revenue	365,126
Current Portion of Capital Leases (Note 8)	143,097
Total Current Liabilities	1,274,499
Noncurrent Liabilities (Note 8)	
Accrued Liabilities (Note 4)	64,702
Deferred Revenue	14,086
Capital Leases (Note 7)	2,972,544
Total Noncurrent Liabilities	3,051,332
Total Liabilities	**4,325,831**
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	25,528,823
Restricted for	
Nonexpendable	
Scholarships	632,981
Expendable	
Scholarships and Grants	46,802
Unrestricted	921,468
Total Net Assets	**$ 27,130,074**

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

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

REVENUES	
Operating Revenues	
Student Tuition and Fees (net of allowance of $338,732)	$ 1,692,851
Federal Grants and Contracts	198,881
State Grants and Contracts	475,333
Private Grants and Contracts	540,618
Sales and Service of Education Departments	209,801
Auxiliary Enterprises	515,154
Other Operating Revenues	106,580
Total Operating Revenues	**3,739,218**
EXPENSES	
Operating Expenses	
Salaries	4,361,107
Fringe Benefits	1,887,621
Scholarships	334,651
Maintenance and Utilities	554,066
General and Administrative	2,149,896
Cost of Goods Sold - Sales and Service of Education Departments	81,788
Cost of Goods Sold - Auxiliary Enterprises	427,037
Depreciation	950,339
Total Operating Expenses	10,746,505
Operating Income (Loss)	**(7,007,287)**
NONOPERATING REVENUES (EXPENSES)	
State Appropriations	4,946,700
Federal Grants and Contracts	646,268
Gifts	7,643
Interest Income	20,160
Net Nonoperating Revenues (Expenses)	5,620,771
Income Before Other Revenues, Expenses, Gains, or Losses	**(1,386,516)**
Capital Appropriations	41,037
Gain (Loss) on Disposal of Assets	1,086,964
Total Other Revenues	1,128,001
Increase (Decrease) in Net Assets	**(258,515)**
NET ASSETS	
Net Assets − Beginning of Year	**27,388,589**
Net Assets − End of Year	**$ 27,130,074**

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

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	$ 1,705,663
Receipts from Grants and Contracts	1,368,099
Payments to Suppliers	(3,151,156)
Payments for Employee Services and Benefits	(6,108,664)
Payments for Student Aid: Scholarships and Fellowships	(334,651)
Receipts for Auxiliary and Education Departments Sales and Services	724,955
Other Operating Receipts	87,004
Net Cash Provided (Used) by Operating Activities	**(5,708,750)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	4,946,700
Nonoperating Grants and Contracts	692,552
Gifts and Grants for Other than Capital Purposes	7,643
Net Cash Provided (Used) by Noncapital Financing Activities	**5,646,895**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Lease Payments	(335,832)
Proceeds from Sale of Capital Assets	1,231,097
Purchases of Capital Assets	(53,768)
Net Cash Provided (Used) by Capital Financing Activities	**841,497**
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	20,160
Net Cash Provided (Used) by Investing Activities	**20,160**
Net Increase (Decrease) in Cash	**799,802**
Cash and Cash Equipvalents − Beginning of Year	**538,838**
Cash and Cash Equivalents − End of Year	**$ 1,338,640**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	**$ (7,007,287)**
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	950,339
Capital Lease Interest Included in Capital Financing Activities	201,473
Changes in Assets and Liabilities	
(Increase) Decrease in Receivables	172,387
(Increase) Decrease in Inventories	18,573
(Increase) Decrease in Prepaid Expenses	(1,387)
Increase (Decrease) in Accounts Payable	(172,647)
Increase (Decrease) in Accrued Liabilities	136,288
Increase (Decrease) in Deferred Revenue	(6,489)
Net Cash Provided (Used) by Operating Activities	**$ (5,708,750)**
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Noncash Capital Appropriations	$ 41,037
Total Noncash Activities	**$ 41,037**

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

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Mountainland Applied Technology College (College) is one of eight regional campuses of the Utah College of Applied Technology, a public college in the State of Utah. The 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 financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity,* and Statement No. 39, *Determining Whether Certain Organizations Are Component Units*, consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion could cause the financial statements to be misleading or incomplete.

As noted above, Mountainland Applied Technology College is one of eight campuses of the Utah College of Applied Technology (UCAT), a public college in the State of Utah. UCAT is considered a component unit of the State of Utah because it receives appropriations from the State. The financial activity of UCAT is included in the State's *Comprehensive Annual Financial Report.*

The Mountainland Applied Technology College Foundation (the Foundation) is a separate but affiliated non-profit corporation. The accounts of the Foundation are reported in the financial statements. The College also provides accounting and financial services to the Foundation. Because the Foundation's Board of Directors and the College's Board of Directors are substantively the same, the Foundation has been reported as a blended component unit.

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.

The College has the option to apply all FASB pronouncements issued after November 30, 1989, unless they conflict with GASB. The College has elected not to exercise this option.

Cash Equivalents

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

The College accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Changes in unrealized gains (losses) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses, and Changes in Net Assets.

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

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

Noncurrent Liabilities

Noncurrent liabilities include: (1) 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 Assets, and as a component of 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, (3) most federal, state, and local grants and contracts; and federal appropriations.

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.

Expenditures

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 expenditures 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 Office of Education. Earnings generated by the endowment are used to support scholarships for students in this field. 90% of earnings are available for scholarships and other awards and 10% is reinvested into the endowment.

Net Assets – The College's net assets are classified as follows:

Invested in capital assets, net of related debt
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 invested in capital assets, net of related debt.

Restricted net assets – nonexpendable
Nonexpendable restricted net assets consist 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 assets – expendable
Restricted expendable net assets include resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted net assets
Unrestricted net assets represent 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

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.

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.

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, 2012, all of the College's bank balances of $282,365 were insured.

Investments

The Act defines the types of securities authorized as appropriate investments for the College and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of the investments securities.

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Service or Standard & Poor's; 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), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie 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; and the Utah State Public Treasurers' Investment Fund (PTIF).

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

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

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

For the year ended June 30, 2012, the College had investments of $1,387,506 with the PTIF. The entire balance had a maturity of less than one year.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, fixed rate corporate obligations, to 270 days – 13 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Act as previously discussed. At June 30, 2012, all College investments were 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. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	June 30, 2012
Student Tuition and Fees	$ 142,683
Operating Activities	398,638
Federal Grants and Contracts	387,762
Total Accounts Receivable	$ 929,083

NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

	June 30, 2012
Student Pell Grants Payable	$ 276,949
Perkins Grants Payable	2,929
State Taxes Payable	48,575
Payroll Payable	56,523
Accrued Leave Payable	249,238
Vendors Payable	196,764
Total Accounts Payable and Accrued Liabilities	$ 830,978

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5. INVENTORIES

Current unrestricted fund inventories were as follows:

	June 30, 2012
Auxiliary Enterprises	$ 203,525
Building Construction Homes	57,500
Education Departments	26,538
Total	$ 287,563

NOTE 6. CAPITAL ASSETS

The following are the changes in capital assets of the College for the year ended June 30, 2012:

	Book Value 6/30/2011	Increases	Decreases	Book Value 6/30/2012
Capital Assets Not Being Depreciated				
Land	$ 4,598,010	$ -	$ (144,133)	$ 4,453,877
Total Nondepreciable	**4,598,010**	**-**	**(144,133)**	**4,453,877**
Capital Assets Being Depreciated				
Buildings and Improvements	24,642,062	41,037	-	24,683,099
Equipment	2,353,088	53,768	-	2,406,856
Total Depreciable	**26,995,150**	**94,805**	**-**	**27,089,955**
Less Accumulated Depreciation				
Buildings and Improvements	918,440	618,367	-	1,536,807
Equipment	1,030,589	331,972	-	1,362,561
Total Accumulated Depreciation	**1,949,029**	**950,339**	**-**	**2,899,368**
Capital Assets Being Depreciated, Net	**25,046,121**	**(855,534)**	**-**	**24,190,587**
Total Capital Assets, Net	**$ 29,644,131**	**$ (855,534)**	**$ (144,133)**	**$ 28,644,464**

NOTE 7. CAPITAL LEASE OBLIGATIONS

The College has acquired land and buildings under capital lease agreements. The cost of College assets held under these agreements totaled $3,484,238 as of June 30, 2012. Accumulated depreciation of these assets totaled $393,656 at June 30, 2012.

The following is a schedule by year of future minimum lease payments under this capital lease together with the present value of the net minimum lease payments as of June 30, 2012.

Fiscal Year Ending June 30	Capital Leases
2013	$ 335,831
2014	335,831
2015	335,831
2016	335,831
2017	335,831
2018-2022	1,679,157
2023-2026	1,343,325
Total Future Minimum Lease Payments	4,701,637
Amounts Representing Interest	(1,585,996)
Present Value of Net Minimum Lease Payments	$ 3,115,641

NOTE 8. CHANGES IN NONCURRENT LIABILITIES

The following is a summary of the changes to the College's noncurrent liabilities during the fiscal year ended June 30, 2012.

	Beginning Balance 6/30/11	Additions	Reductions	Ending Balance 6/30/12	Due Within One Year
Deferred Revenue	$ 385,701	$ 339,122	$ (345,611)	$ 379,212	$ 365,126
Capital Leases	3,250,000	-	(134,359)	3,115,641	143,097
Compensated Absences	248,155	205,102	(204,019)	249,238	184,536
Total Noncurrent Liabilities	$ 3,883,856	$ 544,224	$ (683,989)	$ 3,744,091	$ 692,759

NOTE 9. OPERATING LEASES

The College leases instructional facilities in American Fork under a non-cancelable operating lease. This lease came as a result of the termination of a capital lease with Alpine School District. The College also leases facilities at the Wasatch UVU Campus in Heber under a non-cancelable operating lease. For the year ended June 30, 2012, operating lease expenses totaled $97,104.

The following is a schedule by year of future operating lease payments as of June 30, 2012.

Fiscal Year Ending June 30	Operating Leases
2013	$ 99,685
2014	102,376
2015	105,147
2016	91,262
2017	10,000
2018-2022	40,000
Total Future Minimum Lease Payments	$ 448,470

NOTE 10. PENSION PLANS AND RETIREMENT BENEFITS

Plan Description

The College contributes to the State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (URS). URS provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The URS are established and governed by the respective chapters of Title 49 of the *Utah Code*. The Utah State Retirement Office Act in Title 49 provides for the administration of the URS and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor with the exception of the State Treasurer. The URS issues a publicly available financial report that includes financial statements and required supplementary information for the State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy

In the State and School Noncontributory Retirement System, the College is required to contribute 18.36 percent of their annual covered salary for fiscal year 2012. The contribution rate is actuarially determined and is broken down to 16.86 percent for the Noncontributory Retirement System for fiscal year 2012 and 1.5 percent to a 401(k) Plan. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The College contributions to the URS were:

	June 30, 2012	June 30, 2011	June 30, 2010
Noncontributory Retirement System	$ 219,460	$ 197,308	$ 138,971
401(k) Plan Employer Contribution	$ 19,490	$ 22,108	$ 23,598
401(k) Plan Employee Contribution	$ 34,401	$ 29,127	$ 36,209
457(k) Plan Employee Contribution	$ 6,224	$ 2,497	$ 2,393

The employer contributions were equal to the required contributions for each year. No employee contributions are required.

Chapter 49 of the *Utah Code* which establishes and governs the Utah Retirement Systems 401(k) allows for employees of the College to elect not to participate in the Utah Retirement Systems 401(k) if a qualified alternate 401(k) is selected. These contributions vest immediately.

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 years ended June 30, 2012, 2011, and 2010, the College's contribution to this defined contribution plan was 14.2 percent of the employee's eligible annual salary or $223,145, $225,050, and $199,487, respectively. The College has no further liability once annual contributions are made. Employee contributions for 2012 were $12,639.

The College also participates in the 401(k) plan administered by Utah Interlocal Educational Benefits Trust (UIEBT). This plan is a defined-contribution plan.

In September of 2011, eligible employees of the Utah College of Applied Technology (UCAT) 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 these eligible employee's salaries into their respective UIEBT 401(k) accounts in place of the Employer's Social Security contribution. These contributions totaled $135,663 for the year ended June 30, 2012. The Social Security Administration also issued a refund of the Social Security Taxes withheld and paid by the Campus for the eligible employees, plus interest, for the period January 2008 through June 2011. This refund and interest was deposited into the 401(k) accounts of the eligible employees as an employer contribution in the amount of $771,392.

Voluntary contributions may also be made into the plan by employees, subject to plan and internal revenue code limitations. During the year ended June 30, 2012, College Campus employees made voluntary contributions to the plan of $69,950.

NOTE 11. 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 12. SUBSEQUENT EVENT

The College Board of Directors approved the sale of the American Fork Campus to Alpine School District in January of 2013. The funds from the sale of the campus will be used to purchase an additional 4 acres of land adjacent to the Thanksgiving Point Campus. The sale of the campus is estimated to raise $1,500,000 and the cost of the additional acreage is also estimated to be $1,500,000.