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, 2013

Report No. 13-35

OFFICE OF THE
UTAH STATE AUDITOR

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AUDIT LEADERSHIP:
Van Christensen, CPA, Audit Director
Ariane Gibson, CPA, Audit Senior

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Mountainland Applied Technology College (the College), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's financial statements, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2013, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

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 the 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, 2013, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 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 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 Utah State Auditor

Office of the Utah State Auditor
December 12, 2013

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013. 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 presents the assets, liabilities, and net position of the College at the end of the fiscal year. 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 readers 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), Liabilities (current and noncurrent), and Net Position (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 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 the availability for expenditure by the College.

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

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Statement of Net Position, Condensed

	Year Ended June 30, 2013 Amount	Year Ended June 30, 2012 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Assets				
Current Assets	$ 1,974,065	$ 2,627,841	$ (653,776)	(24.88%)
Capital Assets	28,257,829	28,644,464	(386,635)	(1.35%)
Other Assets	180,000	183,600	(3,600)	(1.96%)
Total Assets	30,411,894	31,455,905	(1,044,011)	(3.32%)
Liabilities				
Current Liabilities	1,507,518	1,274,499	233,019	18.28%
Noncurrent Liabilities	2,886,057	3,051,332	(165,275)	(5.42%)
Total Liabilities	4,393,575	4,325,831	67,744	1.57%
Net Position				
Net Investment in Capital Assets	25,285,285	25,528,823	(243,538)	(.95%)
Restricted Nonexpendable	633,391	632,981	410	0.06%
Restricted Expendable	31,967	46,802	(14,835)	(31.70%)
Unrestricted	67,676	921,468	(853,792)	(92.66%)
Total Net Position	$ 26,018,319	$ 27,130,074	$ (1,111,755)	(4.10%)

Current assets decreased because of capital investments in the form of a land purchase at Thanksgiving Point and a remodel of the Orem campus. Increases in operating expenses also impacted current assets. The decrease in capital assets is due to depreciation and the purchase and sale of assets. The decrease in noncurrent liabilities was the result of principal being paid on the capital lease. The net change from the items explained above was a decrease in total net position for the year.

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, 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 Position, Condensed

Net Assets	Year Ended June 30, 2013 Amount	Year Ended June 30, 2012 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Revenues	$ 3,804,113	$ 3,739,218	$ 64,895	1.74%
Operating Expenses	11,036,479	10,746,505	289,974	2.70%
Operating Income (Loss)	(7,232,366)	(7,007,287)	(225,079)	3.21%
Nonoperating Revenues	5,953,350	5,620,771	332,579	5.92%
Capital Appropriations	-	41,037	(41,037)	(100.00%)
Gain on Disposal of Assets	167,261	1,086,964	(919,703)	(84.61%)
Increase (Decrease) in Net Position	(1,111,755)	(258,515)	(853,240)	330.05%
Net Position – Beginning of Year	27,130,074	27,388,589	(258,515)	(.94%)
Net Position – End of Year	$ 26,018,319	$ 27,130,074	$ (1,111,755)	(4.10%)

The Statement of Revenues, Expenses, and Changes in Net Position reflects a decrease in net position of $1,111,755 during fiscal year 2013. An explanation of a few of the changes causing the decrease in net position follows:

- The most significant change was a decrease to gain on disposal of assets due to the sale of land at Thanksgiving Point inflating the 2012 number. A gain of $167,261 was realized on the sale of the American Fork Campus.
- Operating expenses increased slightly from the prior year.
- Nonoperating revenues increased slightly due to an increase in state appropriations.
- The decrease in capital appropriations in fiscal year 2013 is due to the fact that capital appropriations were allocated but not transferred.

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2013 and 2012:

Revenues	Year Ended June 30, 2013 Amount	Percent of Total Revenue	Year Ended June 30, 2012 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Revenues					
Student Tuition and Fees	$ 1,726,265	17.39%	$ 1,692,851	$ 33,414	1.97%
Federal Grants and Contracts	228,657	2.30%	198,881	29,776	14.97%
State Grants and Contracts	483,016	4.87%	475,333	7,683	1.62%
Private Grants and Contracts	507,231	5.11%	540,618	(33,387)	(6.18%)
Sales and Service of Education Depts	226,604	2.28%	209,801	16,803	8.01%
Auxiliary Enterprises	529,686	5.34%	515,154	14,532	2.82%
Other Operating Revenues	102,654	1.03%	106,580	(3,926)	(3.68%)
Total Operating Revenues	3,804,113	38.33%	3,739,218	64,895	1.74%
Nonoperating Revenues					
State Appropriations	5,311,300	53.52%	4,946,700	364,600	7.37%
Federal Grants and Contracts	620,745	6.25%	646,268	(25,523)	(3.95%)
Gifts	1,006	0.01%	7,643	(6,637)	(86.84%)
Interest Income	20,299	0.20%	20,160	139	.69%
Total Nonoperating Revenues	5,953,350	59.99%	5,620,771	332,579	5.92%
Other Revenues:					
Capital Appropriations	-	0.00%	41,037	(41,037)	(100.00%)
Gain on Disposal of Assets	167,261	1.70%	1,086,964	(919,703)	(84.61%)
Total Other Revenues	167,261	1.69%	1,128,001	(960,740)	(85.17%)
Total Revenues	$ 9,924,724	100.00%	$ 10,487,990	$ (563,266)	(5.37%)

The revenue comparisons above show an overall decrease of 5.37%. The majority of the decrease was caused by a decrease in gain on disposal of assets, caused by the large spike in this area for the sale of land at Thanksgiving Point in 2012.

Expenses. The following schedule presents a summary of College expenses for fiscal years ended June 30, 2013 and 2012:

Expenses	Year Ended June 30, 2013 Amount	Percent of Total Expenses	Year Ended June 30, 2012 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Expenses					
Salaries	$ 4,526,242	41.01%	$ 4,361,107	$ 165,135	3.79%
Fringe Benefits	1,935,434	17.54%	1,887,621	47,813	2.53%
Scholarships	312,573	2.84%	334,651	(22,078)	(6.60%)
Maintenance and Utilities	609,794	5.53%	554,066	55,728	10.06%
General and Administrative	2,142,015	19.41%	2,149,896	(7,881)	(.37%)
Costs of Goods Sold					
Sales and Service of Education Depts	97,356	0.88%	81,788	15,568	19.03%
Auxiliary Enterprises	468,193	4.24%	427,037	41,156	9.64%
Depreciation	944,872	8.56%	950,339	(5,467)	(.58%)
Total Operating Expenses	$ 11,036,479	100.00%	$ 10,746,505	$ 289,974	2.70%

Expenses for the year ended June 30, 2013 increased by $289,974 over the previous year. This increase is due to increases in expenditures in all areas caused by the growth of the College. Salaries and benefits increased by over $200,000 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 Position.

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

Economic Outlook

The College is currently experiencing growth that outpaces the ability of the Utah State Legislature to fund that growth. The College has adapted 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 POSITION
AS OF JUNE 30, 2013

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 702,053
Accounts Receivable, net (Note 3)	
From State Entities	199,684
From Others	751,117
Current Portion of Notes Receivable	3,600
Prepaid Expenses	5,660
Inventories (Note 5)	311,951
Total Current Assets	1,974,065
Noncurrent Assets	
Notes Receivable	180,000
Non-depreciable Capital Assets, Net (Note 6)	6,171,873
Depreciable Capital Assets, Net (Note 6)	22,085,956
Total Noncurrent Assets	28,437,829
Total Assets	**30,411,894**
LIABILITIES	
Current Liabilities	
Accounts Payable (Note 4)	
To State Entities	35,638
To Others	612,171
Accrued Liabilities (Note 4)	
To State Entities	52,274
To Others	260,706
Unearned Revenue	394,325
Current Portion of Capital Leases	152,404
Total Current Liabilities	1,507,518
Noncurrent Liabilities (Note 8)	
Accrued Liabilities (Note 4)	65,917
Capital Leases (Note 7)	2,820,140
Total Noncurrent Liabilities	2,886,057
Total Liabilities	**4,393,575**
NET POSITION	
Net Investment in Capital Assets	25,285,285
Restricted for	
Nonexpendable	
Scholarships	633,391
Expendable	
Scholarships and Grants	31,967
Unrestricted	67,676
Total Net Position	**$ 26,018,319**

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

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	
Operating Revenues	
Student Tuition and Fees (net of allowance of $346,112)	$ 1,726,265
Federal Grants and Contracts	228,657
State Grants and Contracts	483,016
Private Grants and Contracts	507,231
Sales and Service of Education Departments	226,604
Auxiliary Enterprises	529,686
Other Operating Revenues	102,654
Total Operating Revenues	**3,804,113**
EXPENSES	
Operating Expenses	
Salaries	4,526,242
Fringe Benefits	1,935,434
Scholarships	312,573
Maintenance and Utilities	609,794
General and Administrative	2,142,015
Cost of Goods Sold – Sales and Service of Education Departments	97,356
Cost of Goods Sold – Auxiliary Enterprises	468,193
Depreciation	944,872
Total Operating Expenses	11,036,479
Operating Income (Loss)	**(7,232,366)**
NONOPERATING REVENUES	
State Appropriations	5,311,300
Federal Grants and Contracts	620,745
Gifts	1,006
Interest Income	20,299
Net Nonoperating Revenues	5,953,350
Income Before Other Revenues, Expenses, Gains, or Losses	**(1,279,016)**
Gain (Loss) on Disposal of Assets	167,261
Total Other Revenues	167,261
Increase (Decrease) in Net Position	**(1,111,755)**
NET POSITION	
Net Position − Beginning of Year	**27,130,074**
Net Position − End of Year	**$ 26,018,319**

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	$ 1,601,586
Receipts from Grants and Contracts	1,065,672
Payments to Suppliers	(2,768,775)
Payments for Employee Services and Benefits	(6,579,290)
Payments for Student Aid: Scholarships and Fellowships	(312,573)
Receipts for Auxiliary and Education Departments Sales and Services	756,290
Other Operating Receipts	373,960
Net Cash Provided (Used) by Operating Activities	**(5,863,130)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	5,311,300
Nonoperating Grants and Contracts	620,745
Gifts and Grants for Other than Capital Purposes	1,006
Net Cash Provided (Used) by Noncapital Financing Activities	**5,933,051**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Capital Lease Payments	(335,831)
Proceeds from Sale of Capital Assets	1,490,000
Purchases of Capital Assets	(1,880,976)
Net Cash Provided (Used) by Capital Financing Activities	**(726,807)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	20,299
Net Cash Provided (Used) by Investing Activities	**20,299**
Net Increase (Decrease) in Cash	**(636,587)**
Cash and Cash Equivalents − Beginning of Year	**1,338,640**
Cash and Cash Equivalents − End of Year	**$ 702,053**
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	**$ (7,232,366)**
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	944,872
Capital Lease Interest Included in Capital Financing Activities	192,734
Changes in Assets and Liabilities	
(Increase) Decrease in Receivables	(18,118)
(Increase) Decrease in Inventories	(24,388)
(Increase) Decrease in Prepaid Expenses	63,295
Increase (Decrease) in Accounts Payable	313,342
Increase (Decrease) in Accrued Liabilities	(117,614)
Increase (Decrease) in Unearned Revenue	15,113
Net Cash Provided (Used) by Operating Activities	**$ (5,863,130)**

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

MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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 the Governmental Accounting Standards Board (GASB), 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.

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.*

Basis of Accounting

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

Cash 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 Position.

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 Position, 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 program. 90% of earnings are available for scholarships and other awards and 10% is reinvested into the endowment.

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

Net Investment in Capital Assets
This amount represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but

not yet expended for capital assets, such amounts are not included as a component of net investments in capital assets.

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

Restricted net position – expendable
Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

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

NOTE 2. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the State of Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) (the Act) that relate to the deposit and investment of public funds.

Except for endowment funds, the College follows the requirements of the Act in handling its depository and investment transactions. The Act requires the depositing of College funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

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

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, 2013, $100,651 of the College's bank balances of $350,651 were uninsured and uncollateralized.

Investments

The Act defines the types of securities authorized as appropriate investments for the College's non-endowment funds 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; 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 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, 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.

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, 2013, the College had investments of $660,394 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 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. 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.

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, 2013, 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 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. 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. 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 consisted of the following:

	June 30, 2013
Student Tuition and Fees	$ 282,475
Operating Activities	127,331
Federal Grants and Contracts	540,995
Total Accounts Receivable	$ 950,801

NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

	June 30, 2013
Student Pell Grants Payable	$ 409,049
State Taxes Payable	52,274
Payroll Payable	72,708
Accrued Leave Payable	253,916
Vendors Payable	238,759
Total Accounts Payable and Accrued Liabilities	$ 1,026,706

NOTE 5. INVENTORIES

Current inventories were as follows:

	June 30, 2013
Auxiliary Enterprises	$ 204,255
Building Construction Homes	73,675
Education Departments	34,021
Total	$ 311,951

NOTE 6. CAPITAL ASSETS

The following are the changes in capital assets of the College for the year ended June 30, 2013:

	Book Value June 30, 2012	Increases	Decreases	Book Value June 30, 2013
Capital Assets Not Being Depreciated				
Construction in Process	$ -	$ 250,000	$ -	$ 250,000
Land	4,453,877	1,577,273	(109,277)	5,921,873
Total Nondepreciable	**4,453,877**	**1,827,273**	**(109,277)**	**6,171,873**
Capital Assets Being Depreciated				
Buildings and Improvements	24,683,099	-	(1,468,478)	23,214,621
Equipment	2,406,856	53,703	-	2,460,559
Total Depreciable	**27,089,955**	**53,703**	**(1,468,478)**	**25,675,180**
Less Accumulated Depreciation				
Buildings and Improvements	1,536,807	618,390	(255,016)	1,900,181
Equipment	1,362,561	326,482	-	1,689,043
Total Accumulated Depreciation	**2,899,368**	**944,872**	**(255,016)**	**3,589,224**
Capital Assets Being Depreciated, Net	**24,190,587**	**(891,169)**	**(1,213,462)**	**22,085,956**
Total Capital Assets, Net	**$ 28,644,464**	**$ 936,104**	**$ (1,322,739)**	**$ 28,257,829**

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, 2013. Accumulated depreciation of these assets totaled $562,381 at June 30, 2013.

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, 2013.

Fiscal Year Ending June 30	Capital Leases
2014	$ 335,831
2015	335,831
2016	335,831
2017	335,831
2018	335,831
2019-2023	1,679,157
2024-2026	1,007,493
Total Future Minimum Lease Payments	4,365,805
Amounts Representing Interest	(1,393,261)
Present Value of Net Minimum Lease Payments	$ 2,972,544

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, 2013.

	Beginning Balance June 30, 2012	Additions	Reductions	Ending Balance June 30, 2013	Due Within One Year
Unearned Revenue	$ 379,212	$ 380,239	$ (365,126)	$ 394,325	$ 394,325
Capital Leases	3,115,641	-	(143,097)	2,972,544	152,404
Compensated Absences	249,238	164,911	(160,233)	253,916	187,999
Total Noncurrent Liabilities	$ 3,744,091	$ 545,150	$ (668,456)	$ 3,620,785	$ 734,728

NOTE 9. OPERATING LEASES

The College leases instructional facilities in American Fork under non-cancelable operating leases. These leases 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, 2013, operating lease expenses totaled $119,376.

The following is a schedule by year of future operating lease payments as of June 30, 2013.

Fiscal Year Ending June 30	Operating Leases
2014	$ 150,055
2015	105,147
2016	91,262
2017	10,000
2018	10,000
2019-22	30,000
Total Future Minimum Lease Payments	$ 396,464

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 is 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 20.26 percent of their annual covered salary for fiscal year 2013. The contribution rate is actuarially determined and is broken down to 18.76 percent for the Noncontributory Retirement System for fiscal year 2013 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, 2013	June 30, 2012	June 30, 2011
Noncontributory Retirement System	$ 235,614	$ 219,460	$ 197,308
401(k) Plan Employer Contribution	$ 19,006	$ 19,490	$ 22,108
401(k) Plan Employee Contribution	$ 28,183	$ 34,401	$ 29,127
457(k) Plan Employee Contribution	$ 6,701	$ 6,224	$ 2,497

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, 2013, 2012, and 2011, the College's contribution to this defined contribution plan was 14.2 percent of the employee's eligible annual salary or $227,875, $223,145, and $225,050, respectively. The College has no further liability once annual contributions are made. Employee contributions for 2013 were $10,252.

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 $178,125 for the year ended June 30, 2013. 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, 2013, College Campus employees made voluntary contributions to the plan of $81,462.

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.