# MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

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

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Annual Financial Report
For the Year Ended June 30, 2015

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Report No. 15-39

OFFICE OF THE
# UTAH STATE AUDITOR

# MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

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**Utah College of Applied Technology,**
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AUDIT LEADERSHIP:
Jason Allen, CPA, CFE, Audit Supervisor
Stephen Miller, CPA, Audit Senior

# MOUNTAINLAND APPLIED TECHNLOGY COLLEGE

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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## INDEPENDENT STATE AUDITOR'S REPORT

Board of Directors, Audit Committee,
and
Clay E. Christensen, Campus 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, 2015, 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.

***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, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Emphasis of Matter*

As discussed in Note 1, the financial statements present only the College and do not purport to, and do not, present fairly the financial position of UCAT as of June 30, 2015, 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.

The College implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As a result of these required changes in accounting principle, the College recorded a $1,168,073 reduction in beginning net position. The amounts reported for ending net position reflect the newly required net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to the College's participation in defined benefit retirement systems. See Notes 1 and 10 for further information. Our opinion for the College 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 management's discussion and analysis on pages 3 through 8 and the College's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Defined Benefit Pension Contributions on pages 28 through 29 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 January 25, 2016 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
January 25, 2016

# MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

## 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, 2015. 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 users of the financial statements a fiscal snapshot of the College. The Statement of Net Position presents end-of-year data concerning Assets (current and noncurrent), Deferred Outflows of Resources, Liabilities (current and noncurrent), Deferred Inflows of Resources, and Net Position (Assets and Deferred Outflows minus Liabilities and Deferred Inflows). The difference between current and noncurrent assets is discussed in the footnotes to the financial statements.

From the data presented, users of the Statement of Net Position are able to determine the assets available for continued operations of the College. A determination can also be made as to the debts owed to vendors, investors, and lending institutions. Finally, the Statement of Net Position provides a picture of the net position and their 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.

**Statement of Net Position, Condensed**

| Net Position | Year Ended June 30, 2015 Amount | Year Ended June 30, 2014 Amount* | Amount of Increase (Decrease) | Percent of Increase (Decrease) |
|---|---|---|---|---|
| **Assets** | | | | |
| Current Assets | $ 2,470,451 | $ 1,485,644 | $ 984,807 | 66.29% |
| Capital Assets | 28,834,666 | 28,864,258 | (29,592) | (.10%) |
| Other Noncurrent Assets | 662,701 | 662,506 | 195 | .03% |
| **Total Assets** | 31,967,818 | 31,012,408 | 955,410 | 3.08% |
| **Deferred Outflows of Resources** | 166,869 | - | 166,869 | 100.00% |
| **Liabilities** | | | | |
| Current Liabilities | 1,954,716 | 1,487,846 | 466,870 | 31.38% |
| Noncurrent Liabilities | 3,655,565 | 2,757,866 | 897,699 | 32.55% |
| **Total Liabilities** | 5,610,281 | 4,245,712 | 1,364,569 | 32.14% |
| **Deferred Inflows of Resources** | 104,108 | - | 104,108 | 100.00% |
| **Net Position** | | | | |
| Net Investment in Capital Assets | 26,176,841 | 26,044,117 | 132,724 | .51% |
| Restricted Nonexpendable | 634,025 | 633,706 | 319 | 0.05% |
| Restricted Expendable | 28,676 | 28,800 | (124) | (.43%) |
| Unrestricted | (419,244) | 60,073 | (479,317) | (797.89%) |
| **Total Net Position** | $ 26,420,298 | $ 26,766,696 | $ (346,398) | (1.29%) |

* The 2014 amounts presented here have not been changed for the prior period adjustment discussed in Note 1.

Current assets increased as a result of significant increases in revenues from state appropriations. The increases in state appropriations were for programs and positions, some of which were not implemented during fiscal year 2015; leading to an increase in cash and cash equivalents of $689,163. Accounts receivable from others increased by $135,066 primarily due to a receivable from Questar for $163,752 for billing errors. Unearned revenue also increased by $390,234, as detailed in Note 1, for a prior period adjustment. Capital assets decreased by $29,592 despite the addition of a remodel to the Orem campus being added in the amount of $660,619. The increase was offset by depreciation expense.

The increase in noncurrent liabilities was the result of the implementation of GASB 68 and GASB 71 and the recognition of the net pension liability of $1,121,176. Due to this liability, unrestricted net position was reduced by this amount resulting in a negative unrestricted net position. The addition of deferred outflows of resources and deferred inflows of resources is also from GASB 68 and GASB 71 with recognition of deferred outflows and inflows relating to pensions. See Note 10 for further information on pension reporting.

The increase in current liabilities is due to temporary increases in accounts payable and increases in unearned revenue from increased early student enrollment. 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**

| | Year Ended June 30, 2015 Amount | Year Ended June 30, 2014 Amount* | Amount of Increase (Decrease) | Percent of Increase (Decrease) |
|---|---|---|---|---|
| Operating Revenues | $ 4,568,879 | $ 4,427,125 | $ 141,754 | 3.20% |
| Operating Expenses | 12,857,850 | 11,226,294 | 1,631,556 | 14.53% |
| Operating Loss | (8,288,971) | (6,799,169) | (1,489,802) | (21.91%) |
| Nonoperating Revenues (Expenses) | 8,724,445 | 6,588,316 | 2,136,129 | 32.42% |
| Capital Appropriations | 660,619 | 959,230 | (298,611) | (31.13%) |
| Loss on Disposal of Assets | (6,775) | - | (6,775) | (100.00%) |
| Increase in Net Position | 1,089,318 | 748,377 | 340,941 | 45.56% |
| Net Position – Beginning of Year | 26,766,696 | 26,018,319 | 748,377 | 2.88% |
| Prior Period Adjustment (Note 1) | (1,435,716) | - | (1,435,716) | (100.00%) |
| Net Position – Beginning of Year (Restated) | 25,330,980 | - | - | 100.00% |
| Net Position – End of Year | $ 26,420,298 | $ 26,766,696 | $ (346,398) | (1.29%) |

*The 2014 amounts presented here have not been changed for the prior period adjustment discussed in Note 1.

# MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position of $1,089,318 during fiscal year 2015 before the effects of the prior period adjustment, which is explained in Note 1. An explanation of a few of the changes in net position follows:

- Operating revenues were up significantly due to tuition increases from increased enrollment for fiscal year 2015.
- Operating expenses increased significantly as new appropriations allowed for additional positions and program expansion from the prior year.
- Nonoperating revenues increased due to a large increase in state appropriations.
- Capital appropriations decreased due to less capital appropriations being transferred from the State Division of Facilities Construction and Management to the College.

**Revenues.** The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2015 and 2014:

The revenue comparisons below show an overall increase of 16.20%. Operating revenues increased due to tuition increases although grant revenues decreased for the year. Nonoperating revenues also increased with state appropriations increasing by 35.23% during the year. Capital appropriations decreased during the year.

| Revenues | Year Ended June 30, 2015 Amount | Percent of Total Revenue | Year Ended June 30, 2014 Amount | Amount of Increase (Decrease) | Percent of Increase (Decrease) |
|---|---|---|---|---|---|
| Operating Revenues | | | | | |
| Student Tuition and Fees | $ 2,417,577 | 17.10% | $ 2,089,414 | $ 328,163 | 15.71% |
| Federal Grants and Contracts | 249,663 | 1.77% | 202,429 | 47,234 | 23.33% |
| State Grants and Contracts | 517,792 | 3.67% | 682,878 | (165,086) | (24.18%) |
| Private Grants and Contracts | 436,785 | 3.09% | 575,201 | (138,416) | (24.06%) |
| Sales and Service of Educational Depts | 246,736 | 1.75% | 253,128 | (6,392) | (2.53%) |
| Auxiliary Enterprises | 599,944 | 4.25% | 534,162 | 65,782 | 12.31% |
| Other Operating Revenues | 100,382 | .71% | 89,913 | 10,469 | 11.64% |
| Total Operating Revenues | 4,568,879 | 32.34% | 4,427,125 | 141,754 | 3.20% |
| Nonoperating Revenues | | | | | |
| State Appropriations | 8,232,200 | 58.27% | 6,087,400 | 2,144,800 | 35.23% |
| Federal Grants and Contracts | 622,754 | 4.41% | 664,494 | (41,740) | (6.28%) |
| Gifts | 1,000 | 0.01% | 9,500 | (8,500) | (89.47%) |
| Interest Income | 42,009 | 0.30% | 10,349 | 31,660 | 305.92% |
| Total Nonoperating Revenues | 8,897,963 | 62.99% | 6,771,743 | 2,126,220 | 31.40% |
| Other Revenues: | | | | | |
| Capital Appropriations and Gifts | 660,619 | 4.68% | 959,230 | (298,611) | (31.13%) |
| Total Other Revenues | 660,619 | 4.68% | 959,230 | (298,611) | (31.13%) |
| Total Revenues | $ 14,127,461 | 100.00% | $ 12,158,098 | $ 1,969,363 | 16.20% |

**Expenses.** The following schedule presents a summary of College expenses for fiscal years ended June 30, 2015 and 2014:

| Expenses | Amount | Expenses | Amount* | (Decrease) | (Decrease) |
|---|---|---|---|---|---|
| Operating Expenses | | | | | |
| Salaries | $ 5,427,299 | 41.63% | $ 4,647,894 | $ 779,405 | 16.77% |
| Fringe Benefits | 2,090,140 | 16.03% | 2,074,931 | 15,209 | .73% |
| Actuarial Calculated Pension Expense | 191,157 | 1.47% | - | 191,157 | 100.00% |
| Scholarships | 362,600 | 2.78% | 266,634 | 95,966 | 35.99% |
| Maintenance and Utilities | 620,777 | 4.76% | 616,321 | 4,456 | .72% |
| General and Administrative | 2,483,763 | 19.05% | 2,024,289 | 459,474 | 22.70% |
| Costs of Goods Sold | | | | | |
| Sales and Service of Educational Depts | 146,843 | 1.13% | 93,622 | 53,221 | 56.85% |
| Auxiliary Enterprises | 552,291 | 4.24% | 572,335 | (20,044) | (3.50%) |
| Depreciation | 982,980 | 7.54% | 930,268 | 52,712 | 5.67% |
| Total Operating Expenses | 12,857,850 | 98.62% | 11,226,294 | 1,631,556 | 14.53% |
| Nonoperating Expenses | | | | | |
| Interest on Capital Leases Payable | 173,518 | 1.33% | 183,427 | (9,909) | (5.40%) |
| Other Expenses | | | | | |
| Loss on Disposal of Assets | 6,775 | 0.05% | - | 6,775 | 100.00% |
| Total Expenses | $ 13,038,143 | 100.00% | $ 11,409,721 | $ 1,628,422 | 14.27% |

*The 2014 amounts presented here have not been changed for the prior period adjustment discussed in Note 1.

Expenses for the year ended June 30, 2015 increased by $1,628,422 over the previous year. This increase is due to increases in expenditures in all areas caused by the growth of the College. Salaries increased by $779,405 and General and Administrative expenses increased by $459,474 during the fiscal year as a result of keeping up with increasing enrollments, competitive salaries, and expanding support positions and programs. The increase in Fringe Benefits as a result of these changes was offset by a decrease of $300,815 due to the implementation of the GASB 68 and GASB 71 standards. As a result of these new standards, an additional actuarial calculated pension expense of $191,157 was added to the financial statements.

### *Statement of Cash Flows*

The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into six sections. The first section deals with operating cash flows and shows the cash provided by and used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. This section shows the cash received and spent for nonoperating, noninvesting, and noncapital financing purposes. The third section deals with the cash provided by and used for the acquisition and construction of capital related items. The fourth section details the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash provided by and used in operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Position. The sixth section reflects the noncash transactions for investing, capital, and financing activities.

***Notes to the Financial Statements***

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

**Economic Outlook**

The Utah State Legislature appropriated a significant increase to the College for fiscal year 2016 which will help 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, 2015

| | |
|---|---|
| **ASSETS** | |
| *Current Assets* | |
| Cash and Cash Equivalents | $ 839,329 |
| Accounts Receivable, net (Note 3) | |
| From State Entities | 393,916 |
| From Others | 774,136 |
| Prepaid Expenses | 16,820 |
| Inventories (Note 5) | 446,250 |
| Total Current Assets | 2,470,451 |
| *Noncurrent Assets* | |
| Restricted Cash and Cash Equivalents | 662,701 |
| Non-depreciable Capital Assets (Note 6) | 5,921,873 |
| Depreciable Capital Assets, Net (Note 6) | 22,912,793 |
| Total Noncurrent Assets | 29,497,367 |
| **Total Assets** | **31,967,818** |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Deferred Outflows Related to Pensions (Note 10) | 166,869 |
| **Total Deferred Outflows of Resources** | **166,869** |
| **LIABILITIES** | |
| *Current Liabilities* | |
| Accounts Payable (Note 4) | |
| To State Entities | 49,970 |
| To Others | 540,970 |
| Accrued Liabilities (Note 4) | |
| To State Entities | 13,415 |
| To Others | 336,260 |
| Unearned Revenue | 841,229 |
| Current Portion of Capital Leases | 172,872 |
| Total Current Liabilities | 1,954,716 |
| *Noncurrent Liabilities (Note 8)* | |
| Accrued Liabilities (Notes 4 and 8) | 49,436 |
| Capital Leases (Notes 7 and 8) | 2,484,953 |
| Net Pension Liability (Note 10) | 1,121,176 |
| Total Noncurrent Liabilities | 3,655,565 |
| **Total Liabilities** | **5,610,281** |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Deferred Inflows Related to Pensions (Note 10) | 104,108 |
| **Total Deferred Inflows of Resources** | **104,108** |
| **NET POSITION** | |
| Net Investment in Capital Assets | 26,176,841 |
| Restricted Nonexpendable — Scholarships | 634,025 |
| Restricted Expendable — Scholarships and Grants | 28,676 |
| Unrestricted (Note 1) | (419,244) |
| **Total Net Position** | **$ 26,420,298** |

*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, 2015

| | |
|---|---|
| **REVENUES** | |
| *Operating Revenues* | |
| Student Tuition and Fees (net of allowances of $313,188) | $ 2,417,577 |
| Federal Grants and Contracts | 249,663 |
| State Grants and Contracts | 517,792 |
| Private Grants and Contracts | 436,785 |
| Sales and Service of Educational Departments | 246,736 |
| Auxiliary Enterprises | 599,944 |
| Other Operating Revenues | 100,382 |
| **Total Operating Revenues** | **4,568,879** |
| **EXPENSES** | |
| *Operating Expenses* | |
| Salaries | 5,427,299 |
| Fringe Benefits | 2,090,140 |
| Actuarial Calculated Pension Expense (Note 10) | 191,157 |
| Scholarships | 362,600 |
| Maintenance and Utilities | 620,777 |
| General and Administrative | 2,483,763 |
| Cost of Goods Sold – Sales and Service of Education Departments | 146,843 |
| Cost of Goods Sold – Auxiliary Enterprises | 552,291 |
| Depreciation | 982,980 |
| **Total Operating Expenses** | 12,857,850 |
| **Operating Loss** | **(8,288,971)** |
| **NONOPERATING REVENUES (EXPENSES)** | |
| State Appropriations | 8,232,200 |
| Federal Grants and Contracts | 622,754 |
| Gifts | 1,000 |
| Interest Income | 42,009 |
| Interest on Capital Leases | (173,518) |
| Net Nonoperating Revenues (Expenses) | 8,724,445 |
| **Income Before Other Revenues (Expenses)** | **435,474** |
| **OTHER REVENUES (EXPENSES)** | |
| Capital Appropriations | 660,619 |
| Gain (Loss) on Disposal of Assets | (6,775) |
| Total Other Revenues (Expenses) | 653,844 |
| **Increase in Net Position** | **1,089,318** |
| **NET POSITION** | |
| Net Position − Beginning of Year | 26,766,696 |
| Prior Period Adjustment (Note 1) | (1,435,716) |
| Net Position - Beginning of Year (Restated) | 25,330,980 |
| **Net Position − End of Year** | **$ 26,420,298** |

*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, 2015

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Receipts from Tuition and Fees | $ | 2,408,863 |
| Receipts from Grants and Contracts | | 1,165,766 |
| Payments to Suppliers | | (3,660,037) |
| Payments for Employee Services and Benefits | | (7,913,761) |
| Payments for Student Aid: Scholarships and Fellowships | | (280,705) |
| Receipts for Auxiliary and Education Departments Sales and Services | | 846,680 |
| Other Operating Receipts (Payments) | | (140,033) |
| **Net Cash Provided (Used) by Operating Activities** | | **(7,573,227)** |
| **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES** | | |
| State Appropriations | | 8,232,200 |
| Nonoperating Grants and Contracts | | 622,754 |
| Gifts and Grants for Other than Capital Purposes | | 1,000 |
| **Net Cash Provided (Used) by Noncapital Financing Activities** | | **8,855,954** |
| **CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES** | | |
| Capital Lease Payments | | (335,832) |
| Purchases of Capital Assets | | (299,546) |
| **Net Cash Provided (Used) by Capital Financing Activities** | | **(635,378)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Investment Income Received | | 42,009 |
| **Net Cash Provided (Used) by Investing Activities** | | **42,009** |
| **Net Increase in Cash** | | **689,358** |
| **Cash and Cash Equivalents − Beginning of Year** | | **812,672** |
| **Cash and Cash Equivalents − End of Year** | **$** | **1,502,030** |
| **RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES** | | |
| **Operating Loss** | **$** | **(8,288,971)** |
| Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities | | |
| Depreciation Expense | | 982,980 |
| Difference Between Actuarial Calculated Pension Expense and Actual Contributions | | (109,658) |
| Changes in Assets and Liabilities | | |
| (Increase) Decrease in Accounts Receivable | | (240,824) |
| (Increase) Decrease in Inventories | | (48,024) |
| (Increase) Decrease in Prepaid Expenses | | (6,796) |
| Increase (Decrease) in Accounts Payable | | 110,982 |
| Increase (Decrease) in Accrued Liabilities | | (95,507) |
| Increase (Decrease) in Unearned Revenue | | 122,591 |
| **Net Cash Provided (Used) by Operating Activities** | **$** | **(7,573,227)** |
| **NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES** | | |
| Capital Appropriations | | 660,619 |
| **Total Noncash Investing, Capital and Financing Activities** | **$** | **660,619** |

*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, 2015

## 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 (UCAT), 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) Statements No. 14, No. 39, and No. 61, 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, the College is one of eight campuses of UCAT. 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 improvements and 3 to 5 years for equipment.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah State Retirement Systems (URS) Pension Plan and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Adjustment to Beginning Net Position

Effective July 1, 2014, the College implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions,* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* As a result, beginning net position was reduced by $1,168,073. This reduction reflects the College's $1,289,107 share of beginning net pension liability in the Noncontributory System and the College's $121,034 of contributions made to the System between January 1 and June 30, 2014.

The net pension liability recorded in the Statement of Net Position required by GASB Statement Number 68 and GASB Statement Number 71 caused the College to have a deficit in unrestricted net position at the end of the fiscal year 2015. See Note 10 for further information on pension reporting.

An error was discovered in the prior year statements which overstated tuition and understated unearned revenue due to inaccuracies in a subsidiary ledger report. As a result, beginning net position was reduced by $267,643.

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 current and noncurrent liabilities.

Classification of Revenues

The College has classified its revenues as either operating or nonoperating revenues according to the following criteria:

*Operating Revenues*
Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, (2) sales and services of auxiliary enterprises, (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.

Expenses

The College distinguishes operating expenses from nonoperating expenses. Operating expenses generally result from providing services in connection with the College's principal mission of instruction. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All expenses not meeting this definition are reported as nonoperating expenses.

When 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, with 90% of the earnings available for scholarships and other awards, and 10% reinvested into the endowment.

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

*Net investment in capital assets*
This amount represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

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

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

*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, 2015, none of the College's bank balances of $221,630 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), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; 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 (SEC); investments sponsored by the Common Fund; any investment made in accordance with the donor's directions in a written instrument; investments in corporate stock listed on a major exchange (direct ownership); and any alternative investment funds that derive returns primarily from high yield and distressed debt (hedged or non-hedged), private capital (including venture capital and private equity), natural resources, and private real estate assets or absolute return and long/short hedge funds.

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

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, 2015, the College had investments of $1,348,016 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. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by the U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 10 years. 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, 2015, 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, 2015 |
|---|---|
| Student Tuition and Fees | $ 226,958 |
| Operating Activities | 508,951 |
| Federal Grants and Contracts | 479,571 |
| | 1,215,480 |
| Less: Allowance for Doubtful Accounts | (47,428) |
| Total Accounts Receivable, net | $ 1,168,052 |

## NOTE 4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following:

| | June 30, 2015 |
|---|---|
| Student Pell Grants Payable | $ 204,908 |
| State Taxes Payable | 13,415 |
| Payroll Payable | 86,918 |
| Compensated Absences Payable | 298,778 |
| Vendors Payable | 386,032 |
| Total Accounts Payable and Accrued Liabilities | $ 990,051 |

## NOTE 5. INVENTORIES

Current inventories were as follows:

| | June 30, 2015 |
|---|---|
| Auxiliary Enterprises | $ 343,471 |
| Building Construction Homes | 92,150 |
| Educational Departments | 10,629 |
| Total | $ 446,250 |

# MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

## NOTE 6. CAPITAL ASSETS

The following are the changes in capital assets of the College for the year ended June 30, 2015:

| | Book Value 6/30/2014 | Increases | Decreases | Book Value 6/30/2015 |
|---|---|---|---|---|
| **Capital Assets Not Being Depreciated** | | | | |
| Land | $ 5,921,873 | $ - | $ - | $ 5,921,873 |
| **Total Nondepreciable** | **5,921,873** | **-** | **-** | **5,921,873** |
| **Capital Assets Being Depreciated** | | | | |
| Buildings and Improvements | 24,556,824 | 732,535 | - | 25,289,359 |
| Equipment | 2,766,019 | 227,630 | (66,599) | 2,927,050 |
| **Total Depreciable** | **27,322,843** | **960,165** | **(66,599)** | **28,216,409** |
| **Less Accumulated Depreciation** | | | | |
| Buildings and Improvements | 2,484,340 | 614,278 | - | 3,098,618 |
| Equipment | 1,896,118 | 368,702 | (59,822) | 2,204,998 |
| **Total Accumulated Depreciation** | **4,380,458** | **982,980** | **(59,822)** | **5,303,616** |
| **Capital Assets Being Depreciated, Net** | **22,942,385** | **(22,815)** | **(6,777)** | **22,912,793** |
| **Total Capital Assets, Net** | **$ 28,864,258** | **$ (22,815)** | **$ (6,777)** | **$ 28,834,666** |

## 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, 2015. Accumulated depreciation of these assets totaled $732,375 at June 30, 2015.

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, 2015.

| Fiscal Year Ending June 30 | Capital Leases |
|---|---|
| 2016 | $ 335,831 |
| 2017 | 335,831 |
| 2018 | 335,831 |
| 2019 | 335,831 |
| 2020 | 335,831 |
| 2021-2025 | 1,679,158 |
| 2026 | 335,831 |
| Total Future Minimum Lease Payments | 3,694,144 |
| Amounts Representing Interest | (1,036,319) |
| Present Value of Net Minimum Lease Payments | $ 2,657,825 |

## NOTE 8. LONG-TERM LIABILITIES

The following is a summary of the changes to the College's long-term liabilities during the fiscal year ended June 30, 2015.

| | Beginning Balance 6/30/14 | Additions | Reductions | Ending Balance 6/30/15 | Due Within One Year |
|---|---|---|---|---|---|
| Compensated Absences | $ 266,843 | $ 254,626 | $ (222,691) | $ 298,778 | $ 249,342 |
| Capital Leases | 2,820,141 | - | (162,316) | 2,657,825 | 172,872 |
| Net Pension Liability | 1,289,107 | - | (167,931) | 1,121,176 | - |
| Total Long-term Liabilities | $ 4,376,091 | $ 254,626 | $ (552,938) | $ 4,077,779 | $ 422,214 |

## NOTE 9. OPERATING LEASES

The College leases instructional facilities in American Fork under non-cancelable operating leases. The College leases space to provide services for the Associated General Contractors Apprenticeship Program. The College also leases space in Orem to expand the existing Orem Campus. For the year ended June 30, 2015, operating lease expenses totaled $101,493.

The following is a schedule by year of future operating lease payments as of June 30, 2015.

| Fiscal Year Ending June 30 | Operating Leases |
|---|---|
| 2016 | $ 212,057 |
| 2017 | 157,138 |
| 2018 | 160,790 |
| 2019 | 99,092 |
| Total Future Minimum Lease Payments | $ 629,077 |

## NOTE 10. PENSION PLANS AND RETIREMENT BENEFITS

Plan Description

The College contributes to the Public Employees Noncontributory Retirement System, which is a cost-sharing, multiple-employer, defined benefit pension plan administered by the Utah Retirement Systems (Systems) . All eligible employees that begin employment on or after July 1, 2011, who have no previous service credit with any of the Utah Retirement Systems, may become members of the Tier 2 Public Employees Contributory

Retirement System (Tier 2). Currently, the College has no employees covered under the Tier 2 System.

The Systems are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board), whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. The Systems are a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms. The Systems issue a publicly available financial report that can be obtained by writing to Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Benefits Provided

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

| System | Final Average Salary | Years of Service Required and/or Age Eligible for Benefits | Benefit Percent per Year of Service | COLA** |
|---|---|---|---|---|
| Noncontributory System | Highest 3 years | 30 years any age<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2% per year all years | Up to 4% |

* *with actuarial reductions*

***all post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) Increase for the year, although unused CPI increases not met may be carried forward to subsequent years.*

Funding Policy

As a condition of participation in the Systems, the College is required to contribute certain percentages of salary and wages as authorized by statute and specified by the Board. Contributions are actuarially determined as an amount that is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates for the pension portion of the plans for the year were as follows:

| | Employer Contribution Rates |
|---|---|
| Noncontributory System | 22.19% |

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

At December 31, 2014, the College reported a net pension asset of $0 and a net pension liability of $1,121,176.

| | Proportionate Share | Pension Asset | Net Pension Liability |
|---|---|---|---|
| Noncontributory System | 0.04462340% | $ - | $ 1,121,176 |
| Total Net Pension Asset/Liability | | $ - | $ 1,121,176 |

The net pension asset and liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2014 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability was based upon actual historical employer contributions to the plan from the census data submitted to the plan for pay periods ending in 2014.

For the year ended December 31, 2014, the College recognized pension expense of $191,157.

At December 31, 2014, the reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ - | $ 66,883 |
| Changes in assumptions | - | 37,225 |
| Net difference between projected and actual earnings on pension plan investments | 19,227 | - |
| Changes in proportion and differences between and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | 147,642 | - |
| **Total** | $ 166,869 | $ 104,108 |

The College reported $147,642 as deferred outflows of resources related to pensions resulting from contributions made prior to its fiscal year end, but subsequent to the measurement date of December 31, 2014. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31, | Deferred Outflows (Inflows) of Resources |
|---|---|
| 2015 | $ (22,164) |
| 2016 | $ (22,164) |
| 2017 | $ (22,164) |
| 2018 | $ (18,388) |
| 2019 | $ - |
| Thereafter | $ - |

Actuarial assumptions

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|---|
| Inflation | 2.75 % |
| Salary increases | 3.50 % - 10.75 % average, including inflation |
| Investment rate of return including inflation | 7.50 %, net of pension plan investment expense, |

Active member mortality rates are a function of the member's gender, occupation, and age and are developed based upon plan experience. Retiree mortality assumptions are highlighted in the table below.

**Retired Member Mortality**

| Class of Member | |
|---|---|
| **Educators** | |
| Men | EDUM (90%) |
| Women | EDUF (100%) |
| **Local Government, Public Employees** | |
| Men | RP 2000mWC (100%) |
| Women | EDUF (120%) |

*EDUM = Constructed mortality table based on actual experience of male educators multiplied by given percentage*
*EDUF = Constructed mortality table based on actual experience of femal educators multiplied by given percentage*
*RP 2000mWC = RP 2000 Combined mortality tables for males with white collar adjustments multiplied by given percentage*

The actuarial assumptions used in the January 1, 2014 valuation were based on the results of an actuarial experience study for the five-year period of January 1, 2008 – December 31, 2013.

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| | Expected Return Arithmetic Basis | | |
|---|---|---|---|
| **Asset Class** | **Target Asset Allocation** | **Real Return Arithmetic Basis** | **Long-Term Expected Portfolio Real Rate of Return** |
| Equity Securities | 40% | 7.06% | 2.82% |
| Debt Securities | 20% | 0.80% | 0.16% |
| Real Assets | 13% | 5.10% | 0.66% |
| Private Equity | 9% | 11.30% | 1.02% |
| Absolute Return | 18% | 3.15% | 0.57% |
| Cash & Cash Equivalents | 0% | 0.00% | 0.00% |
| **Totals** | 100% | | 5.23% |
| | Inflation | | 2.75% |
| | Expected Arithmetic Nominal Return | | 7.98% |

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75%, a real return of 4.75% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Asset and Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

**Proportionate Share of Net Pension Liability (Asset)**

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|---|---|---|---|
| Noncontributory System | $ 2,233,758 | $ 1,121,176 | $ 189,386 |

## NOTE 11. DEFINED CONTRIBUTION PLANS

The College participates in the 401(k) plan administered by the Systems. This plan is a defined contribution plan. The plan is established and governed by Chapter 49 of the Utah Code Annotated, 1953, as amended. The 401(k) plan is a supplemental plan to basic retirement benefits of the Systems. The College is required by statute to contribute 1.5 percent of eligible employees' salaries which vests immediately. During the year ended June 30, 2015, the College contributed $19,509. Employee contributions for 2015 were $21,868.

The Systems also administer a voluntary 457 plan for eligible employees. Employee contributions for 2015 were $7,842.

The Teacher's Insurance and Annuity Association is a qualified alternate 401(k) and provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment. Employees are eligible to participate from the date of employment and are not required to contribute to the fund.

For the years ended June 30, 2015, 2014, and 2013, the College's contribution to this defined contribution plan was 14.2 percent of the employee's eligible annual salary or $332,317, $244,122, and $227,875, respectively. The College has no further liability once annual contributions are made. Employee contributions for 2015 were $7,676.

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 401(k) accounts administered by the Utah Interlocal Educational Benefits Trust (UIEBT) in place of the Employer's Social Security contribution. These contributions totaled $224,225 for the year ended June 30, 2015. Voluntary contributions may also be made into the UIEBT plan by employees, subject to plan and internal revenue code limitations. During the year ended June 30, 2015, College employees made voluntary contributions to the plan of $74,215.

## NOTE 12. RISK MANAGEMENT

Due to the diverse risk exposure of the College, the insurance portfolio contains a full variety of coverage. The College participates in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Utah Division of Risk Management. The College's liabilities for this policy are limited to the cost of premiums.

The College's buildings and contents are insured for replacement value. Each loss incident is subject to a $1,000 deductible.

# MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

## REQUIRED SUPPLEMENTARY INFORMATION
## FOR THE YEAR ENDED JUNE 30, 2015

**Schedule of Mountainland Applied Technology College's Proportionate Share of the Net Pension Liability Noncontributory Public Employees System of the Utah Retirement Systems**

| | Dec. 31, 2014<br>Noncontributory System |
|---|---|
| Proportion of Net Pension Liability (Asset) | 0.0446234% |
| Proportionate Share of Net Pension Liability (Asset) | $ 1,121,176 |
| Covered Employee Payroll | $ 1,265,612 |
| Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll | 88.6% |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability | 87.2% |

*Note: The College implemented GASB Statement No. 68 in fiscal year 2015. Information on the College's portion of the plans' net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

# MOUNTAINLAND APPLIED TECHNOLOGY COLLEGE

## REQUIRED SUPPLEMENTARY INFORMATION
## FOR THE YEAR ENDED JUNE 30, 2015

### Schedule of Mountainland Applied Technology College's Defined Benefit Pension Contributions
### Noncontributory Public Employees System of the Utah Retirement Systems
### Last 10 Fiscal Years

***Noncontributory System***

| | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $ 297,214 | $ 255,424 | $ 248,470 | $ 239,923 | $ 222,009 | $ 172,266 | $ 171,945 | $ 168,201 | $ 200,165 | $ 143,383 |
| Contributions in Relation to the Contractually Required Contribution | 297,214 | 255,424 | 248,470 | 239,923 | 222,009 | 172,266 | 171,945 | 168,201 | 200,165 | 143,383 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered Employee Payroll | $1,339,402 | $1,248,408 | $1,324,465 | $1,423,030 | $1,360,351 | $1,211,437 | $1,209,174 | $1,182,849 | $1,407,626 | $1,071,621 |
| Contributions as a Percentage of Covered-Employee Payroll | 22.19% | 20.46% | 18.76% | 16.86% | 16.32% | 14.22% | 14.22% | 14.22% | 14.22% | 13.38% |