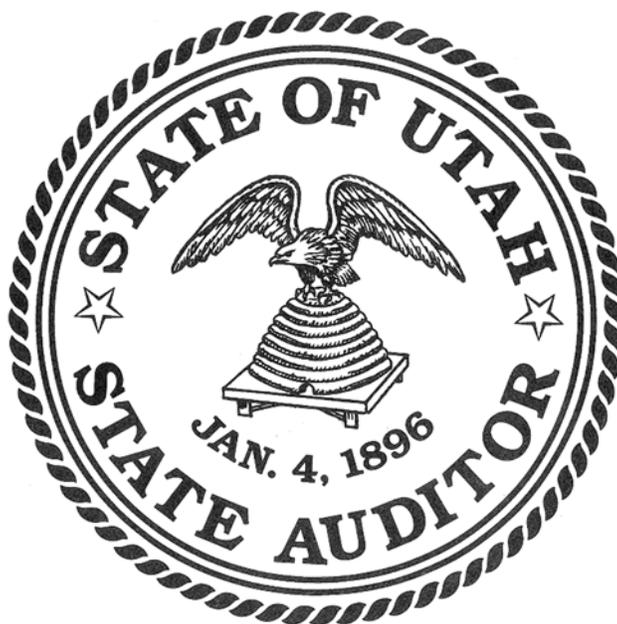


BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

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

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2017

Report No. 17-22



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Jason Allen, CPA, CFE, Senior Audit Manager
Chantel Wixon, Audit Senior

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2017

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OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Directors, Audit Committee
and
K. Chad Campbell, President
Bridgerland Applied Technology College

Report on the Financial Statements

We have audited the accompanying financial statements of Bridgerland Applied Technology College (College) as of and for the year ended June 30, 2017, 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, 2017, and the changes in its financial position and cash flows thereof for the year then ended in conformity 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, 2017, 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 3–8 and the College's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions 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 18, 2017 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
December 18, 2017

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017 (Unaudited)

As management of the Bridgerland Applied Technology College (College), we offer this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2017, to the readers of the College's financial statements.

Effective September 1, 2001, the Utah State Legislature created the Utah College of Applied Technology (UCAT) which is composed of eight regional applied technology colleges. The former Bridgerland Applied Technology Center became one of these regional applied technology colleges and was named Bridgerland Applied Technology College. With this change, the College became an institution within and subject to the authority of the Utah System of Higher Education. Effective July 1, 2009, UCAT and the College were moved out from under the jurisdiction of the Utah State Board of Regents and were placed under the governance of the UCAT Board of Trustees. The legislation making this change in governance left UCAT as an Institution under the Utah System of Higher Education but changed the direct governance from the Board of Regents to the UCAT Board of Trustees. Additional information on the College's relationship to UCAT can be found in Note 1 of the Notes to the Financial Statements or in *Utah Code*, Title 53B, Chapter 2a.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements comprise four components: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

Statement of Net Position. The Statement of Net Position provides information on the College's assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the end of the fiscal year, with the difference reported as net position. The information provided in the Statement of Net Position along with disclosures and other information contained in the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and accompanying notes helps users assess, among other things, the College's liquidity, and its ability to meet its obligations.

Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position provides information to users both about the operating performance of the College and the effects of nonoperating transactions and events that change the amount of net position of the College. The information in this statement, together with information in the Statement of Net Position, the Statement of Cash Flows, and accompanying notes, should assist users of the College's financial statements in evaluating the College's performance during the fiscal year and how well management has discharged their stewardship responsibilities and other aspects of their duties.

Statement of Cash Flows. The Statement of Cash Flows provides information about the cash receipts and cash payments of the College during the fiscal year. When used with related disclosures and information in other financial statements, a statement of cash flows should help financial statement report users assess the College's ability to generate future net cash flows; its ability to meet its obligations as they come due; the reasons for differences between operating income and the associated cash receipts and payments; and the effects on the College's financial position on both its cash and noncash investing, capital, and financing transactions during the fiscal year.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017 (Unaudited)

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.

Financial Analysis

Statement of Net Position. The following schedule presents a summary of the College's net position for the fiscal years ended June 30, 2017 and 2016:

<u>Net Position</u>	<u>Year Ended June 30, 2017 Amount</u>	<u>Year Ended June 30, 2016 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Current Assets	\$ 3,735,892	\$ 3,146,009	\$ 589,883	18.75%
Noncurrent Assets:				
Net Pension Asset	-	105	(105)	(100.00%)
Capital Assets	16,454,221	15,893,570	560,651	3.53%
Total Assets	<u>20,190,113</u>	<u>19,039,684</u>	<u>1,150,429</u>	6.04%
Deferred Outflows of Resources	<u>2,319,746</u>	<u>2,171,993</u>	<u>147,753</u>	6.80%
Current Liabilities	1,134,358	1,069,336	65,022	6.08%
Noncurrent Liabilities	<u>6,028,655</u>	<u>5,905,201</u>	<u>123,454</u>	2.09%
Total Liabilities	<u>7,163,013</u>	<u>6,974,537</u>	<u>188,476</u>	2.70%
Deferred Inflows of Resources	<u>661,365</u>	<u>509,958</u>	<u>151,407</u>	29.69%
Net Position:				
Net Investment in Capital Assets	16,454,221	15,893,570	560,651	3.53%
Restricted Expendable	247,781	119,416	128,365	107.49%
Unrestricted	<u>(2,016,521)</u>	<u>(2,285,804)</u>	<u>269,283</u>	11.78%
Total Net Position	<u>\$ 14,685,481</u>	<u>\$ 13,727,182</u>	<u>\$ 958,299</u>	6.98%

Total assets of the College increased by \$1,150,429 or 6.04% during the fiscal year. Current assets increased by \$589,883, which consisted of an increase in cash of \$392,117 due to various revenue sources in excess of expenses, a decrease in trade accounts receivable of \$104,216 primarily due to a decrease in trade grants receivable and the implementation of an allowance for doubtful accounts, an increase in due from state agencies (related parties) in the amount of \$292,558 due to receivables related to grants and capital improvement projects, and an increase in inventory in the amount of \$9,424.

The College's capital assets as of June 30, 2017, increased from \$15,893,570 to \$16,454,221 (net of accumulated depreciation) for a total change of \$560,651. This investment in capital assets includes land, buildings and improvements, and equipment. New equipment acquisitions (including donated assets) totaled \$405,892. Buildings increased by \$1,445,348 and consisted of capital improvements to upgrade the infrastructure at West Campus, increase and improve space at the Brigham City Campus, update the College

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017 (Unaudited)

Wi-Fi, and complete a class project storage building. Depreciation expense for the College reduced the College's capital assets by \$1,289,268. Additional information on the changes in the College's capital assets can be found in Note 4 of the Notes to the Financial Statements.

Deferred outflows of resources are derived from information provided by the Utah Retirement System (URS) as outlined by GASB 68. The increase of \$147,753 represents contributions made by the College to URS subsequent to their measurement date on December 31, 2016, and the net difference between projected and actual earnings on pension plan investments. See Note 8 for additional information.

Total liabilities of the College increased by \$188,476 or 2.70% during the fiscal year. Current liabilities increased by \$65,022. Deposits increased \$32,227 as a result of grants for which the College serves as fiscal agent. Unearned revenue increased \$19,687 primarily as the result of prepayments by students on payment plans. Accounts payable increased \$14,359 due to the timing of when obligations are incurred and when payments on these obligations are paid. Termination benefits increased \$16,164 as the result of employees being approved for such benefits. Compensated absences decreased \$14,113 as the result of employees retiring in addition to using up leave balances. Due to State agencies and accrued salaries and wages payable collectively decreased an immaterial amount of \$3,302.

Noncurrent liabilities increased \$123,454, due to an increase in termination benefits, a decrease in compensated absences, and an increase in the net pension liability, which is provided by the URS and is based on estimates derived from actuarial calculations. See Note 8 for additional information.

Deferred inflows of resources are derived from information provided by URS as outlined by GASB 68. The increase of \$151,407 represents the differences between expected and actual investments by the plans participants and changes in assumptions used by the actuaries. See Note 8 for additional information.

Statement of Revenues, Expenses, and Changes in Net Position. The following schedule presents a summary of changes in net position for the College for the fiscal years ended June 30, 2017 and 2016:

<u>Net Position</u>	<u>Year Ended June 30, 2017 Amount</u>	<u>Year Ended June 30, 2016 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 3,823,130	\$ 4,021,203	\$ (198,073)	(4.93%)
Operating Expenses	(18,573,877)	(18,092,976)	(480,901)	2.66%
Operating Income (Loss)	(14,750,747)	(14,071,773)	(678,974)	4.83%
Nonoperating Revenues	14,030,835	12,961,143	1,069,692	8.25%
Other Revenues	1,678,211	285,806	1,392,405	487.19%
Increase (Decrease) in Net Position	958,299	(824,824)	1,783,123	(216.18%)
Net Position – Beginning of Year	13,727,182	14,552,006	(824,824)	(5.67%)
Net Position – End of Year	<u>\$ 14,685,481</u>	<u>\$ 13,727,182</u>	<u>\$ 958,299</u>	6.98%

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017 (Unaudited)

The College experienced a net operating loss of \$14,750,747 during the fiscal year. The College is a State institution and receives a large portion of its revenues from State appropriations. These appropriations are classified in the financial statements of the College as nonoperating revenues. State appropriations are anticipated as a means of covering a majority of the operating costs at the College. During fiscal year 2017, State appropriations, other nonoperating revenue, and other revenues were sufficient to offset the operating loss. The College will generally experience an increase in net position only in years where the Legislature appropriates funds for capital equipment purchases, capital improvement projects, or capital development and construction projects in an amount that exceeds the unfunded depreciation expense.

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2017 and 2016:

<u>Revenues</u>	<u>Year Ended June 30, 2017 Amount</u>	<u>Percent of Total Revenue</u>	<u>Year Ended June 30, 2016 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Revenues:					
Student Tuition and Fees	\$ 1,975,281	10.11%	\$ 1,794,765	\$ 180,516	10.06%
Federal Grants and Contracts	247,340	1.27%	210,300	37,040	17.61%
State Grants and Contracts	51,411	.26%	336,666	(285,255)	(84.73%)
Local Grants and Contracts	428,376	2.19%	395,565	32,811	8.29%
Sales and Services of Educational Activities	522,618	2.68%	677,920	(155,302)	(22.91%)
Auxiliary Enterprises	598,104	3.06%	605,987	(7,883)	(1.30%)
Total Operating Revenues	<u>3,823,130</u>	<u>19.57%</u>	<u>4,021,203</u>	<u>(198,073)</u>	<u>(4.93%)</u>
Nonoperating Revenues:					
State Appropriations	12,430,900	63.64%	11,535,800	895,100	7.76%
Federal Grants and Contracts (Pell Grant)	955,056	4.89%	895,397	59,659	6.66%
State Grants and Contracts	509,700	2.61%	408,700	101,000	24.71%
Gifts	88,465	.45%	92,782	(4,317)	(4.65%)
Investment Income	46,714	.24%	28,464	18,250	64.12%
Total Nonoperating Revenues	<u>14,030,835</u>	<u>71.83%</u>	<u>12,961,143</u>	<u>1,069,692</u>	<u>8.25%</u>
Other Revenues:					
Capital Appropriations - State Sources	1,678,211	8.59%	285,806	1,392,405	487.19%
Total Other Revenues	<u>1,678,211</u>	<u>8.59%</u>	<u>285,806</u>	<u>1,392,405</u>	<u>487.19%</u>
Total Revenues	<u>\$19,532,176</u>	<u>100.00%</u>	<u>\$ 17,268,152</u>	<u>\$ 2,264,024</u>	<u>13.11%</u>

The revenue comparison between fiscal year 2017 and fiscal year 2016 shows a total revenue increase in the amount of \$2,264,024. Operating revenue decreased by \$198,073. Student tuition and fees, federal grants and contracts, and local grants and contracts all showed increases while state grants and contracts, sales and services of educational activities, and auxiliary enterprises all decreased.

Nonoperating revenue increased by a total of \$1,069,692, which is comprised of an \$895,100 increase in State appropriations, a \$59,659 increase in Pell Grant revenue, a \$101,000 increase in state grants and contracts, and a \$13,933 increase in gifts and investment income.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017 (Unaudited)

Other revenues increased by a total of \$1,392,405, which is comprised entirely of an increase in Capital Appropriations—State Sources from funding provided by the State of Utah Division of Facilities Construction and Management (DFCM) and the State Building Board for various capital improvement projects at the College. These capital improvement projects are transferred from DFCM to the College at the time of substantial completion of the project. More projects were transferred in fiscal year 2017 than in the prior year.

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2017 and 2016:

Expenses	Year Ended June 30, 2017 Amount	Percent of Total Expense	Year Ended June 30, 2016 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Expenses:					
Salaries and Wages	\$ 7,901,602	42.54%	\$ 7,685,017	\$ 216,585	2.82%
Benefits	2,956,416	15.92%	2,754,016	202,400	7.35%
Actuarial Calculated Pension Expense	1,280,908	6.90%	1,053,129	227,779	21.63%
Professional and Technical Education	517,783	2.79%	523,954	(6,171)	(1.18%)
Utilities	698,952	3.76%	691,896	7,056	1.02%
Scholarships and Grants in Aid	969,130	5.22%	916,146	52,984	5.78%
Depreciation	1,289,268	6.94%	1,263,595	25,673	2.03%
Other Operating Expenses	2,959,818	15.94%	3,205,223	(245,405)	(7.66%)
Total Operating Expenses	<u>\$ 18,573,877</u>	<u>100.00%</u>	<u>\$ 18,092,976</u>	<u>\$ 480,901</u>	<u>2.66%</u>

Expenses for the year ended June 30, 2017, increased by \$480,901 compared to fiscal year ended June 30, 2016, which represents a 2.66% increase. Salaries and wages increased by \$216,585 as a result of a cost-of-living adjustment along with the addition of faculty and staff. Benefits increased by \$202,400 as the result of adding faculty and staff as well as an increase in health insurance costs. As derived from information provided by the URS, the actuarial calculated pension increased by \$227,779. Scholarships and grants increased by \$52,984. Professional services, utilities, and depreciation expense collectively increased by \$26,558. Other operating expenses decreased by \$245,405.

Debt Administration

The College's debt consists of liabilities for compensated absences and termination benefits, which collectively decreased by \$40,905 during fiscal year 2017. The College also recorded a pension liability as required under GASB 68. For additional information on these liabilities see Notes 1, 6, and 8.

Economic Outlook

The College is not aware of any current facts, decisions, or conditions, other than the effect of unfunded depreciation described below, that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations which have a global effect on

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2017 (Unaudited)

virtually all types of business operations. The College continues to update facilities as budgets allow. Upcoming capital projects most likely include infrastructure projects to update the HVAC system throughout the College. The unfunded depreciation expenses are likely to have a significant negative impact on the Changes in Net Position. Other than the issue of unfunded depreciation, the College's overall financial position is strong. The College anticipates the current fiscal year will be similar to the last and will maintain a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

Requests for Information

This financial report is designed to provide a general overview of the College's finances for all those with an interest in the College's finances and to show the College's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Services Office, Bridgerland Applied Technology College, 1301 North 600 West, Logan, Utah 84321.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF NET POSITION JUNE 30, 2017

ASSETS

Current Assets:

Cash and Cash Equivalents (Notes 1 and 2)	\$ 2,560,001
Accounts Receivable (Note 3)	237,606
Due From State Agencies (Note 3)	474,128
Inventories (Note 1)	464,157
Total Current Assets	3,735,892

Noncurrent Assets:

Land (Notes 1 and 4)	1,580,000
Buildings and Improvements (Notes 1 and 4)	30,126,566
Equipment and Software (Notes 1 and 4)	6,716,568
Less Accumulated Depreciation (Notes 1 and 4)	(21,968,913)
Total Noncurrent Assets	16,454,221
Total Assets	20,190,113

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Relating to Pensions (Notes 1 and 8)	\$ 2,319,746
Total Deferred Outflows of Resources	2,319,746

LIABILITIES

Current Liabilities

Accounts Payable (Note 3)	318,869
Due to State Agencies (Note 3)	11,740
Unearned Revenue	356,462
Deposits	40,946
Accrued Salaries and Wages Payable	152,919
Termination Benefits (Current Portion) (Notes 6 and 7)	36,486
Compensated Absences (Current Portion) (Notes 6 and 9)	216,936
Total Current Liabilities	1,134,358

Noncurrent Liabilities

Net Pension Liability (Notes 1, 6, and 8)	5,389,059
Termination Benefits (Notes 6 and 7)	50,703
Compensated Absences (Notes 6 and 9)	588,893
Total Noncurrent Liabilities	6,028,655
Total Liabilities	7,163,013

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Relating to Pensions (Notes 1 and 8)	\$ 661,365
Total Deferred Inflows of Resources	661,365

NET POSITION

Net Investment in Capital Assets	16,454,221
Restricted Expendable	247,781
Unrestricted	(2,016,521)
Total Net Position	\$ 14,685,481

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2017

REVENUES

Operating Revenues (Note 1)

Student Tuition and Fees (Net of Scholarship Allowance of \$77,809)	\$ 1,975,281
Federal Grants and Contracts	247,340
State Grants and Contracts	51,411
Local Grants and Contracts	428,376
Sales and Services of Educational Activities	522,618
Auxiliary Enterprises	598,104
Total Operating Revenues	<u>3,823,130</u>

EXPENSES

Operating Expenses (Note 1)

Salaries and Wages	7,901,602
Benefits	2,956,416
Actuarial Calculated Pension Expense (Note 8)	1,280,908
Professional and Technical Educational Services	517,783
Utilities	698,952
Scholarships and Grants in Aid	969,130
Depreciation	1,289,268
Other Operating Expenses	2,959,818
Total Operating Expenses	<u>18,573,877</u>
Operating Loss	<u>(14,750,747)</u>

NONOPERATING REVENUES

State Appropriations	12,430,900
Federal Grants and Contracts (Pell Grant)	955,056
State Grants and Contracts	509,700
Gifts	88,465
Investment Income	46,714
Net Nonoperating Revenues	<u>14,030,835</u>

OTHER REVENUES

Capital Appropriations – State Sources	<u>1,678,211</u>
Total Other Revenues	<u>1,678,211</u>
Increase (Decrease) in Net Position	958,299

NET POSITION

Net Position – Beginning of Year	<u>13,727,182</u>
Net Position – End of Year	<u>\$ 14,685,481</u>

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Tuition and Fees	\$ 2,003,328
Receipts from Grants and Contracts	740,967
Receipts from Auxiliary Enterprise Charges	596,681
Receipts from Sales and Services of Educational Activities	495,229
Payments to Employees for Salaries and Benefits	(12,019,487)
Payments to Suppliers	(4,406,097)
Payments for Scholarships	<u>(969,130)</u>
Net Cash Used by Operating Activities	<u>(13,558,509)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from State Appropriations	12,430,900
Receipts from Noncapital Contracts and Grants	1,455,712
Gifts Received	156,781
Fiscal Agent Funds Receipts	532,398
Fiscal Agent Funds Payments	<u>(500,171)</u>
Net Cash Provided by Noncapital Financing Activities	<u>14,075,620</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Paid for Capital Assets	<u>(171,708)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(171,708)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of Interest on Investments	<u>46,714</u>
Net Cash Provided by Investing Activities	<u>46,714</u>

Net Increase (Decrease) in Cash and Cash Equivalents 392,117

CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR 2,167,884

CASH AND CASH EQUIVALENTS – END OF YEAR \$ 2,560,001

(continued next page)

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017

(continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (14,750,747)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,289,268
In-kind Gifts Received and Expensed	13,073
Difference between Actuarial Calculated Pension Expense and Actual Contributions	170,169
Changes in Assets and Liabilities:	
Accounts Receivable/Due From State Agencies	(178,669)
Inventories	(9,424)
Accounts Payable and Accrued Expenses	11,057
Unearned Revenue	(62,331)
Compensated Absences and Termination Benefits	<u>(40,905)</u>
Net Cash Used by Operating Activities	<u><u>\$ (13,558,509)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital Asset Additions through the State	\$ 1,678,211
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The accompanying notes are an integral part of these financial statements.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Bridgerland Applied Technology College (College) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reporting Entity

The College is a regional college within the Utah College of Applied Technology (UCAT). UCAT is considered a component unit of the State of Utah and is included in the State's *Comprehensive Annual Financial Report*. UCAT is considered a component unit because it was established under Utah Statute, receives appropriations from the State, and is financially accountable to the State.

The College was established by the Utah State Legislature to offer career and technical education to secondary and adult students. Effective September 1, 2001, the Legislature created UCAT which is composed of eight regional applied technology colleges. The Bridgerland Applied Technology College became one of these regional applied technology colleges and became an institution within and subject to the authority of the Utah System of Higher Education. The College is under the control of the UCAT Board of Trustees and is governed directly by the College's local Board of Directors.

Funding for the College is received primarily from direct appropriations from the Utah State Legislature, as well as tuition and fees, and grants and contracts with federal, state, and local agencies.

Measurement Focus and Basis of Accounting

The financial statements of the College are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The College distinguishes operating revenues and expenses from nonoperating items. Operating revenues and 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 of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Deposits and Investments

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and amounts invested with the Utah Public Treasurers' Investment Fund.

Cash and investment management at the College is administered in accordance with the State of Utah Money Management Act (*Utah Code*, Title 51, Chapter 7).

Investments for the College are reported at fair value in accordance with GASB No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

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 include property, buildings and improvements, and equipment and software. Capital assets are defined by the College as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the capacity of the asset or materially extend assets lives are not capitalized. All land is capitalized and not depreciated.

Capital assets are being depreciated over their estimated useful lives using the straight-line method of depreciation. The estimated useful life of an asset is determined at acquisition based on guidelines of the Utah System of Higher Education and the professional judgment of the applicable department head.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20-40
Equipment, Vehicles, and Software	3-15

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (Systems) Pension Plan and additions to/deductions from the Systems' fiduciary net position are now determined on the same basis as they are reported by the

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Systems. For this purpose, benefit payments (including refunds of employee contributions) are now recognized when due and payable in accordance with the benefits terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

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 Money Management Act (*Utah Code*, Title 51, Chapter 7) that relate to the deposit and investment of public funds.

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

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2017, \$84,068 of the College's bank balance of \$372,163 was uninsured and uncollateralized.

Investments

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 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 College measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

As of June 30, 2017, the College had \$2,642,546 held in the PTIF. The College's investment in the PTIF was valued using Level 2 measurements by applying the June 30, 2017, fair value factor, as calculated by the Utah State Treasurer, to its average daily balance in the fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. government sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 10 years for institutions of higher education. In addition, variable rate negotiable deposits and variable rate

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

securities may not have a remaining term to final maturity exceeding 3 years. As of June 30, 2017, the average maturity of the College's investments was:

Investment Type	Fair Value	Investment Maturities (in years) Less than 1 year
<i>Debt Securities - PTIF</i>	\$2,642,546	\$2,642,546

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Act, as previously discussed. At June 30, 2017, the College's investments were all unrated.

NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable of \$237,606 at June 30, 2017, consisted of tuition and fee charges to students of \$128,960; grant trade accounts receivable of \$1,892; charges for class project services of \$1,741; Custom Fit trade account receivables of \$58,908; auxiliary enterprise services provided to students, faculty, and staff of \$3,136; Pell grants of \$61,340; and scholarships receivable of \$629. Accounts receivable are reported net of estimated uncollectible amounts of \$19,000. Due from State agencies in the amount of \$474,128 includes amounts due from State agencies in connection with the College's grants, contracts, and capital improvement projects. Accounts payable at June 30, 2017 consist of vendor payments totaling \$318,869 and due to State agencies in the amount of \$11,740.

NOTE 4. CAPITAL ASSETS

Additions to capital assets include amounts paid by the College as well as additions paid for by the Utah State Division of Facilities Construction and Management. Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Land	\$ 1,580,000	\$ -	\$ -	\$ 1,580,000
Buildings and Improvements	28,681,218	1,445,348	-	30,126,566
Equipment and Software	6,493,086	405,892	182,410	6,716,568
Total	36,754,304	1,851,240	182,410	38,423,134
Less Accumulated Depreciation	(20,860,734)	(1,289,268)	(181,089)	(21,968,913)
Net Capital Assets	\$ 15,893,570	\$ 561,972	\$ 1,321	\$ 16,454,221

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

NOTE 5. LEASE OBLIGATIONS

The College did not have any capital or operating leases as of June 30, 2017.

NOTE 6. 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, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Termination Benefits	\$ 59,594	\$ 48,049	\$ 20,454	\$ 87,189	\$ 36,486
Compensated Absences	874,329	304,046	372,546	805,829	216,936
Net Pension Liability	5,222,649	166,410	-	5,389,059	-
Total Noncurrent Liabilities	<u>\$ 6,156,572</u>	<u>\$ 518,505</u>	<u>\$ 393,000</u>	<u>\$ 6,282,077</u>	<u>\$ 253,422</u>

NOTE 7. TERMINATION BENEFITS

In accordance with the College's Early Retirement Incentive Policy, employees (1) whose accumulated age and years of service equal or exceed 75, (2) who have at least five years of service at the College, and (3) who will retire prior to reaching the age of eligibility for unreduced social security benefits (typically 65), may apply for participation in the College's Voluntary Early Retirement Incentive Program.

Entrance or participation in the early retirement incentive program is strictly voluntary and is not a right or entitlement but is a privilege available to benefits-eligible, salaried employees who apply for and receive approval from the College's administration.

The voluntary early retirement incentive program provides for two types of incentives: (1) a stipend incentive and (2) a health insurance coverage incentive. The College's administration has the option of approving the incentives independent of each other or may approve both incentives depending on the facts and circumstances of the individual situation consistent with the overall theory behind the availability of the incentives.

The incentive stipend, when approved, results in a lump-sum payment directly to the employee's 401(k) and/or 457 up to approved IRS limitations. Because the lump-sum is paid out in the fiscal year in which the incentive is approved, no accrual amount is necessary.

The incentive health insurance coverage is provided for 60 months or when the employee reaches the age of eligibility for full Medicare coverage (presumably 65), whichever occurs first.

These benefits are funded by the College on a pay-as-you-go basis. At June 30, 2017, there were four retirees approved for benefits under the retirement incentive program.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The College accrues and reports retirement incentive amounts equal to the projected total benefit obligation in the year in which the individual retires. These benefits are accrued as qualified employees apply for and are approved for this retirement option. The College has recorded a liability for the cost of these benefits at their current cost plus projected increases expected based on historical data for health care inflationary trends which has been estimated at 10%. The cumulative accrued retirement incentive plan liability as of June 30, 2017, totaled \$87,189.

NOTE 8. RETIREMENT PLANS

Plan Description

Eligible plan participants are provided with pensions through the Utah Retirement Systems (Systems). The Systems are comprised of the following pension trust funds, which are multiple-employer, cost-sharing public employee retirement systems:

- Public Employees Noncontributory Retirement System (Noncontributory System);
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System).

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the Systems, are members of the Tier 2 Public Employees System.

The Systems are established and governed by the respective sections of Title 49 of the *Utah Code*. The Systems' defined benefit plans are amended statutorily by the State Legislature. The Utah State Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the 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 the 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:

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* 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.

Contributions

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

	Employee Paid	Paid by Employer for Employee	Employer Contribution Rate	Employer rate for 401(k) Plan
Noncontributory System				
State and School Division Tier 1	N/A	N/A	22.19	1.50
Contributory System				
State and School Division Tier 2	N/A	N/A	18.24	1.78

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

For fiscal year ended June 30, 2017, the employer and employee contributions to the Systems were as follows:

System	College Contributions	Employee Contributions
Noncontributory System	\$ 1,003,413	N/A
Tier 2 Public Employees System	91,121	-
Total Contributions	\$ 1,094,534	\$ -

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

At June 30, 2017, the College reported a net pension asset of \$0 and a net pension liability of \$5,389,059.

	Proportionate Share	Net Pension Asset	Net Pension Liability
Noncontributory System	0.1660955%	\$ -	\$ 5,383,017
Tier 2 Public Employees System	0.0541636%	-	6,042
Total Net Pension Asset / Liability		\$ -	\$ 5,389,059

The net pension asset and liability were measured as of December 31, 2016. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2016, and rolled forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June 30, 2017, the College recognized pension expense of \$1,280,908.

At June 30, 2017, the College's portion of the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 295,412
Changes in assumptions	574,657	67,316
Net difference between projected and actual earnings on pension plan investments	1,010,654	290,041
Changes in proportion and differences between contributions and proportionate share of contributions	181,831	8,596
Contributions subsequent to the measurement date	552,604	-
Total	\$ 2,319,746	\$ 661,365

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Of the amount reported as deferred outflows of resources related to pensions, \$552,604 resulted from contributions made by the College prior to its fiscal year end, but subsequent to the measurement date of December 31, 2016. 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 as pension expense as follows:

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2017	\$ 349,818
2018	\$ 363,872
2019	\$ 428,005
2020	\$ (38,243)
2021	\$ 219
Thereafter	\$ 2,105

Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary Increases	3.35 – 10.35 percent, average, including inflation
Investment Rate of Return	7.20 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The following actuarial assumption changes were adopted January 1, 2016:

- The assumed investment return assumption was decreased from 7.50% to 7.20%.
- The assumed inflation rate was decreased from 2.75% to 2.60%.

With the decrease in the assumed rate of inflation, both the payroll growth and wage inflation assumptions were decreased by 0.15% from prior years' assumptions.

The actuarial assumptions used in the January 1, 2016, valuation were based on the results of an actuarial experience study for the five-year period ending 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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Asset Class	Expected Return Arithmetic Basis		
	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 and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		5.23%
	Inflation		2.60%
	Expected Arithmetic Nominal Return		7.83%

The 7.20% assumed investment rate of return is comprised of an inflation rate of 2.60%, a real return of 4.60% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 7.20 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Systems' Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced to 7.20 percent from 7.50 percent from the prior measurement period.

Sensitivity of the Proportionate Share of the Net Pension (asset) / liability to Changes in the Discount Rate:

The following presents the proportionate share of the net pension (asset)/liability calculated using the discount rate of 7.20 percent, as well as what the proportionate share of the net pension (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.20 percent) or 1 percentage point higher (8.20 percent) than the current rate:

System	1% Decrease (6.20%)	Discount Rate (7.20%)	1% Increase (8.20%)
Noncontributory System	\$ 9,869,860	\$ 5,383,017	\$ 1,622,605
Tier 2 Public Employees System	41,125	6,042	(20,648)
Total	\$ 9,910,985	\$ 5,389,059	\$ 1,601,957

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the Systems' separately issued financial report.

Defined Contribution Plans

Noncontributory retirement plan employees are also eligible to participate in a deferred compensation 401(k) defined contribution plan administered by the Utah Retirement Systems. The College is required to contribute 1.5% of eligible employees' gross earnings to the plan which vests immediately. In September of 2011, eligible employees of the Utah College of Applied Technology (UCAT) voted to discontinue 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 an additional 6.2% of these eligible employees' salaries into their respective 401(k) accounts. Employer contributions by the College for the year ended June 30, 2017, totaled \$408,897. Under certain IRS and plan restrictions, employees can make additional contributions. Contributions by College employees for the year ended June 30, 2017, totaled \$398,214.

Employees may also elect to participate in an IRS 457 deferred compensation plan offered through the Systems. Employee contributions toward this plan for the year ended June 30, 2017, totaled \$24,149.

For employees participating in the Tier 2 Public Employee defined contribution (Tier 2 DC), the College is required to contribute 20.02 percent of the employees' salary, of which 10 percent is paid into a 401(k)/457 plan while the remainder is contributed to the Tier 1 Contributory Public Employee System, as required by law.

NOTE 9. COMPENSATED ABSENCES

The College accrues and reports annual vacation leave in the year earned. Full-time, benefits-eligible employees are eligible for one day (1.00) of paid vacation per month for the first five years of employment, one and a quarter days (1.25) per month for the next five years of employment, and one and a half days (1.50) per month after that. There is no requirement to use vacation days, and they may be carried forward without limit. Upon termination, the cash value of accumulated unused annual leave calculated by multiplying the employee's current hourly rate by the number of accrued hours of annual leave will be paid directly to the employee's 401(k)/457 plan account as an employer paid contribution, subject to the IRS rules and regulations and rules set by the Utah Retirement Systems. Any excess or remaining benefit will be distributed to the employee as taxable compensation.

NOTE 10. CONTINGENT LIABILITIES

The College has received notice of various legal actions arising out of the normal course of business. The College is vigorously contesting all of these matters, but as of this date, it is not possible to

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

estimate the outcome or the financial impact an adverse ruling on these actions would have upon the College. In the opinion of management, the ultimate resolution of these matters will not have a material adverse effect upon the College's financial position.

The College participates in certain federal grant programs that are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to the grantor agency requesting reimbursement for any disallowed expenditures under the grant terms. Management believes such program review disallowances, if any, will not be material.

NOTE 11. RISK MANAGEMENT

The College maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty and malpractice liability through policies administered by the Utah State Risk Management Fund (the Fund). The College also has replacement cost insurance on its buildings and contents against all insurable risks of direct physical loss or damage with the Fund. This all-risk insurance coverage provides for repair or replacement of damaged or stolen College property on a replacement cost basis subject to a \$1,000 deductible per occurrence. All College employees are covered by workers compensation insurance administered by the Workers Compensation Fund of Utah.

NOTE 12. RELATED PARTIES

The College entered into an operation, maintenance, and rental agreement with the State of Utah, acting through the State of Utah Division of Facilities Construction and Management (DFCM) for the rental of the Brigham City Campus building. This rental agreement is renewable on a yearly basis on June 30th. As of June 30, 2017, the contract had been renewed effective until June 30, 2018. During fiscal year 2017, the College paid a total of \$213,985 in rental payments to DFCM.

NOTE 13. SUBSEQUENT EVENTS

In August 2017, the Utah Retirement Systems board approved to change the discount rate of 7.2%, previously used to calculate the net pension liability, to 6.95%. This reduction will increase both the collective net pension liability to be calculated as of December 31, 2017 and the College's share of this liability. However, the monetary effect on this change is not known.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Bridgerland ATC's Proportionate Share of the Net Pension Liability Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems

	December 31,		
	2016	2015	2014
<i>Noncontributory System</i>			
Proportion of Net Pension Liability (Asset)	0.1660955%	0.1662583%	0.1541022%
Proportionate Share of Net Pension Liability (Asset)	\$ 5,383,017	\$ 5,222,649	\$ 3,871,862
Covered Payroll	\$ 4,775,084	\$ 5,034,709	\$ 4,757,349
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	112.73%	103.73%	81.4%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.9%	84.5%	87.2%
<i>Tier 2 Public Employees System</i>			
Proportion of Net Pension Liability (Asset)	0.0541636%	0.0481371%	0.013412%
Proportionate Share of Net Pension Liability (Asset)	\$ 6,042	\$ (105)	\$ (398)
Covered Payroll	\$ 444,186	\$ 311,024	\$ 65,086
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	1.36%	-0.03%	-0.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	95.1%	100.2%	103.5%

Note: The College implemented GASB Statement No. 68 and 71 in fiscal year 2015.

Information on the College's portion of the plan's net pension liability (asset) is not available for periods prior to fiscal year 2015.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Bridgerland ATC's Pension Contributions Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems Last 10 Fiscal Years

Noncontributory System

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 1,003,413	\$ 1,062,448	\$ 1,002,013	\$ 877,560	\$ 819,522	\$ 743,862	\$ 723,118	\$ 651,930	\$ 710,278	\$ 736,019
Contributions in Relation to the Contractually Required Contribution	(1,003,413)	(1,062,448)	(1,002,013)	(877,560)	(819,522)	(743,862)	(723,118)	(651,930)	(710,278)	(736,019)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,599,870	\$ 5,016,079	\$ 4,869,256	\$ 4,680,415	\$ 4,754,290	\$ 4,773,136	\$ 4,430,868	\$ 4,584,596	\$ 4,994,917	\$ 5,175,942
Contributions as a Percentage of Covered Payroll	21.81%	21.18%	20.58%	18.75%	17.24%	15.58%	16.32%	14.22%	14.22%	14.22%

*Tier 2 Public Employees System**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 91,121	\$ 70,625	\$ 16,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(91,121)	(70,625)	(16,886)							
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 499,567	\$ 387,198	\$ 202,716							
Contributions as a Percentage of Covered Payroll	18.24%	18.24%	8.33%	-	-	-	-	-	-	-

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

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



OFFICE OF THE
STATE AUDITOR

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

To the Board of Directors, Audit Committee
and
K. Chad Campbell, President
Bridgerland Applied Technology College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bridgerland Applied Technology College (the College) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated December 18, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the State Auditor

Office of the State Auditor

December 18, 2017