



OFFICE OF THE
STATE AUDITOR

TO: Roger Pulsipher, Chair, Audit Committee
Bridgerland Technical College

FROM: Bertha Lui, Audit Supervisor, and Jordan Kattelman, Audit Senior
Office of the State Auditor

DATE: 02/13/2020

SUBJECT: **Required Communications - 2019 Audit of Bridgerland Technical College**

AREA	COMMENTS
<p><u>Auditor's Responsibility under Generally Accepted Auditing Standards</u></p> <p>As stated in our engagement letter dated July 16, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.</p>	<p>We have issued an unmodified opinion on Bridgerland Technical College's financial statements for the year ended June 30, 2019.</p>
<p><u>Other Matters</u></p> <p><i>Required Supplementary Information</i></p> <p>We applied certain limited procedures to required supplementary information ("RSI"), such as Management's Discussion and Analysis and defined benefit pension schedules. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.</p>	<p>We have not audited the RSI and have not expressed an opinion or provided any assurance on the RSI.</p> <p>Management's Discussion and Analysis and required supplementary information regarding pensions were reviewed and are consistent with the audited financial statements.</p>
<p><u>Planned Scope and Timing of the Audit</u></p> <p>We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter.</p>	<p>See engagement letter dated July 16, 2019.</p>

AREA	COMMENTS
<p><u>Qualitative Aspects of Accounting Practices</u> Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advise management about the appropriateness of accounting policies and their application.</p>	<p>We noted no transactions entered into by the College during the year for which there is a lack of authoritative guidance or consensus.</p>
<p><u>Accounting Estimates</u> Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.</p>	<p>The most sensitive estimates affecting the College's financial statements was:</p> <ul style="list-style-type: none"> • The estimate of the share of the net pension liability for defined benefit plans sponsored by the Utah Retirement Systems, and <p>We evaluated the procedures, key factors, and assumptions used to develop the estimates and determined that they were reasonable in relation to the financial statements taken as a whole.</p>
<p><u>Disclosures</u> The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are noteworthy because of their significance to financial statement users.</p>	<p>The most sensitive disclosures affecting the financial statements was:</p> <ul style="list-style-type: none"> • The defined benefit pension plan disclosure required by GASB Statement 68 (See Note 8—Pension Plans and Retirement Benefits.)
<p><u>Management Representations</u> We requested certain representations from management.</p>	<p>These representations were included in the management representation letter dated February 13, 2020. A copy of the representation letter from management is attached.</p>
<p><u>Difficulties Encountered in Performing the Audit</u> Professional standards require us to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.</p>	<p>We encountered no significant difficulties in dealing with management in performing and completing our audit.</p>

AREA	COMMENTS
<p><u>Disagreements with Management</u> Professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.</p>	<p>We are pleased to report that no such disagreements arose during the course of our audit.</p>
<p><u>Management Consultations with Other Independent Accountants</u> In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.</p>	<p>To our knowledge, there were no such consultations with other accountants.</p>
<p><u>Corrected and Uncorrected Misstatements</u> Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.</p>	<p>There were no audit adjustments proposed during the audit of Bridgerland Technical College</p>
<p><u>Other Audit Findings or Issues</u> We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. These discussions occurred in the normal course of our professional relationship.</p>	<p><i>Our 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 (Yellow Book Report) was dated February 13, 2020.</i></p>

This information is intended solely for the use of the Board/Audit Committee and management of the College and is not suitable for any other purpose.



February 13, 2020

Bertha Lui
Office of the Utah State Auditor
State Capitol Complex
East Building, Suite 310
Salt Lake City, Utah 84114-2310

This representation letter is provided in connection with your audit(s) of the financial statements of Bridgerland Technical College, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of February 13, 2020, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 16, 2019, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable and appropriate. Disclosures related to accounting estimates are complete and appropriate.
- 6) No subsequent events have occurred that would require adjustments to the accounting estimates or disclosures in the financial statements.
- 7) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 8) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the College is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the College from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of Board of Directors or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the College and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the College's financial statements communicated by employees, former employees, regulators, or others.

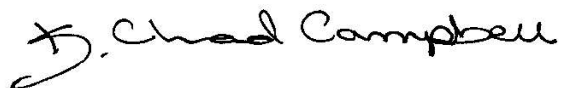
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the College's related parties and all the related party relationships and transactions of which we are aware.
- 19) We have disclosed to you all contracts or other agreements with service organizations, and we have disclosed to you all communications from the service organizations relating to noncompliance at the service organizations.

Government—specific

- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 22) The College has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have identified and disclosed to you all instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 26) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 28) The College has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The College has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 31) The financial statements properly classify all funds and activities, in accordance with GASB Statement No. 34.
- 32) Components of net position (net investment in capital assets, restricted, and unrestricted), and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 33) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 34) Provisions for uncollectible receivables have been properly identified and recorded.
- 35) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 36) We agree with the findings of specialists in evaluating the College's pension expense, assets, liabilities and deferred outflows/inflows of resources, and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists. We believe that the actuarial assumptions and methods used to measure the liabilities and costs for financial accounting purposes are appropriate in the circumstances.
- 37) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 38) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 39) We have appropriately disclosed the College's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 40) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of

measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.



K. Chad Campbell

President



Lisa Rock

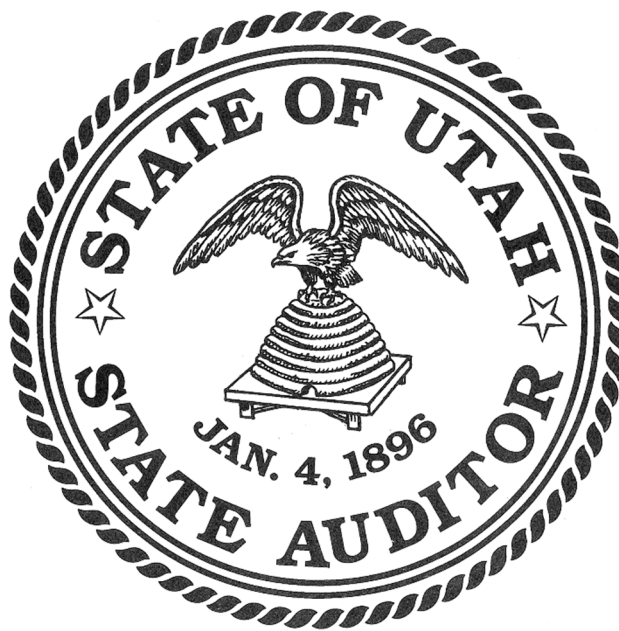
Controller

BRIDGERLAND TECHNICAL COLLEGE

A Component Unit of the State of Utah

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2019

Report No. 19-38



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Bertha Lui, CPA, Senior Audit Manager
Jordan Kattelman, Staff Auditor

BRIDGERLAND TECHNICAL COLLEGE

ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2019

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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 Technical College

Report on the Financial Statements

We have audited the accompanying financial statements of Bridgerland Technical College (College) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents. The College 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, 2019, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the College's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions, as noted in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.



Office of the State Auditor
February 13, 2020

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

As management of the Bridgerland Technical College (College), we offer this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2019, to the readers of the College's financial statements.

The College is one of eight independent technical colleges within the Utah System of Technical Colleges (USTC). The College is a legally separate entity and is considered a component unit of the State of Utah. Additional information on the College's relationship to USTC can be found in Note 1 of the Notes to the Financial Statements.

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.

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.

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

Financial Analysis

Statement of Net Position. The following schedule presents a summary of the College's net position as of June 30, 2019 and 2018:

Net Position	June 30, 2019	June 30, 2018	Amount of Increase (Decrease)	Percent Increase (Decrease)
Current Assets	\$ 5,605,326	\$ 4,303,552	\$ 1,301,774	30.25%
Noncurrent Assets:				
Other Noncurrent Assets	480,230	36,000	444,230	1233.97%
Capital Assets, Net	16,940,240	15,655,235	1,285,005	8.21%
Total Assets	23,025,796	19,994,787	3,031,009	15.16%
Deferred Outflows of Resources	2,178,080	2,297,616	(119,536)	(5.20%)
Current Liabilities	1,525,972	1,446,665	79,307	5.48%
Noncurrent Liabilities	6,462,180	4,600,221	1,861,959	40.48%
Total Liabilities	7,988,152	6,046,886	1,941,266	32.10%
Deferred Inflows of Resources	263,124	2,035,971	(1,772,847)	(87.08%)
Net Position:				
Net Investment in Capital Assets	16,940,240	15,655,235	1,285,005	8.21%
Restricted for				
Nonexpendable – Scholarships	51,905	36,000	15,905	44.18%
Expendable – Scholarships and Other	129,136	10,875	118,261	1087.46%
Expendable – Capital Gifts	428,325	-	428,325	100.00%
Unrestricted	(597,006)	(1,492,564)	895,558	60.00%
Total Net Position	\$ 16,952,600	\$ 14,209,546	\$ 2,743,054	19.30%

Total assets of the College increased by \$3,301,009 or 15.16 percent during the fiscal year. Current assets increased by \$1,301,774, which consisted of an increase in cash of \$1,297,116 due to various revenue sources in excess of expenses, an increase in trade accounts receivable of \$8,211 due to an increase in student receivables, a decrease in due from state agencies (related parties) in the amount of \$175,553 due to receivables related to grants and capital improvement projects, an increase in inventory of \$178,407 as a result of projects by students in the Building Technology Program, and a decrease in prepaid expenses in the amount of \$6,407.

Other noncurrent assets increased by \$444,230 or 1233.97 percent during the fiscal year. This is the result of continued support for a quasi endowment for scholarships as well as fundraising efforts for a new Health Sciences building.

The College's capital assets as of June 30, 2019, increased from \$15,655,235 to \$16,940,240 (net of accumulated depreciation) for a total change of \$1,285,005. This investment in capital assets includes land, buildings and improvements, and equipment and software. Buildings increased by \$2,275,122 primarily as

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

a result of a major capital improvement project at the Logan Campus – Main that improved a portion of the HVAC systems. Equipment and software acquisitions (including donated assets) totaled \$490,072. Depreciation expense for the College reduced the College's capital assets by \$1,412,369. 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 decrease of \$119,536 represents contributions made by the College to URS subsequent to their measurement date on December 31, 2018, 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 \$1,941,266 or 32.10 percent during the fiscal year. Current liabilities increased by \$79,307. Accounts payable decreased \$143,495 due to the timing of when obligations are incurred and when payments on these obligations are paid. Due to State Agencies increased \$120,763 primarily as the result of remitting back funds to end fiscal agent responsibilities. Deposits decreased \$62,327 as a result of the grants for which the College formally served as fiscal agent. Unearned revenue increased \$86,098 as the result of external scholarship funds held for future use and payments by students and third party sponsors for future charges of tuition and fees. Termination benefits increased \$46,687 as the result of employees being approved for such benefits. Compensated absences and accrued salaries and wages payable collectively increased by \$31,581.

Noncurrent liabilities increased \$1,861,959, primarily due to 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 decrease of \$1,772,847 represents the difference between expected and return on 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, 2019 and 2018:

Net Position	Year Ended June 30, 2019 Amount	Year Ended June 30, 2018 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	\$ 4,620,425	\$ 4,101,625	\$ 518,800	12.65%
Operating Expenses	(21,589,350)	(20,065,739)	(1,523,611)	7.59%
Operating Income (Loss)	(16,968,925)	(15,964,114)	(1,004,811)	6.29%
Nonoperating Revenues	17,016,826	15,349,399	1,667,427	10.86%
Other Revenues	2,695,153	138,780	2,556,373	1842.03%
Increase (Decrease) in Net Position	2,743,054	(475,935)	3,218,989	676.35%
Net Position – Beginning of Year	14,209,546	14,685,481	(475,935)	(3.24%)
Net Position – End of Year	<u>\$ 16,952,600</u>	<u>\$ 14,209,546</u>	<u>\$ 2,743,054</u>	19.30%

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

The College experienced a net operating loss of \$16,968,925 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 2019, 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, 2019 and 2018:

Revenues	Year Ended June 30, 2019 Amount	Percent of Total Revenue	Year Ended June 30, 2018 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Revenues:					
Student Tuition and Fees	\$ 2,168,421	8.91%	\$ 1,991,488	\$ 176,933	8.88%
Federal Grants and Contracts	396,527	1.63%	234,981	161,546	68.75%
State Grants and Contracts	265,190	1.09%	61,767	203,423	329.34%
Local Grants and Contracts	654,529	2.69%	462,930	191,599	41.39%
Sales and Services of Educational Activities	657,419	2.70%	806,645	(149,226)	(18.50%)
Auxiliary Enterprises	478,339	1.97%	543,814	(65,475)	(12.04%)
Total Operating Revenues	<u>4,620,425</u>	<u>18.99%</u>	<u>4,101,625</u>	<u>518,800</u>	<u>12.65%</u>
Nonoperating Revenues (Expenses):					
State Appropriations	15,006,244	61.67%	13,550,700	1,455,544	10.74%
Federal Grants and Contracts (Pell Grant)	1,020,598	4.19%	930,389	90,209	9.70%
State Grants and Contracts	634,100	2.61%	508,600	125,500	24.68%
Gifts	185,402	.76%	253,421	(68,019)	(26.84%)
Investment Income	170,871	.70%	90,401	80,470	89.01%
Disposal of Capital Assets	(389)	(.00%)	15,888	(16,277)	(102.45%)
Total Nonoperating Revenues	<u>17,016,826</u>	<u>69.93%</u>	<u>15,349,399</u>	<u>1,667,427</u>	<u>10.86%</u>
Other Revenues:					
Capital Appropriations – State Sources	2,246,828	9.23%	79,345	2,167,483	2731.72%
Capital Gifts	428,325	1.76%	19,435	408,890	2103.88%
Additions to Quasi Endowments	20,000	.08%	40,000	(20,000)	(50.00%)
Total Other Revenues	<u>2,695,153</u>	<u>11.08%</u>	<u>138,780</u>	<u>2,556,373</u>	<u>1842.03%</u>
Total Revenues	<u>\$ 24,332,404</u>	<u>100.00%</u>	<u>\$ 19,589,804</u>	<u>\$ 4,742,600</u>	<u>24.21%</u>

The revenue comparison between fiscal year 2019 and fiscal year 2018 shows a total revenue increase in the amount of \$4,742,600. Operating revenue increased by \$518,800. Student tuition and fees, federal grants and contracts, state grants and contracts, and local grants and contracts all increased while sales and services of educational activities and auxiliary enterprises both decreased.

Nonoperating revenue increased by a total of \$1,667,427, which is comprised of a \$1,455,544 increase in State appropriations, a \$90,209 increase in Pell Grant, a \$125,500 increase in State grants and contracts, an \$80,470 increase in investment income, a \$16,277 decrease in the disposal of capital assets, and a \$68,019 decrease in gifts.

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

Other revenues increased by a total of \$2,556,373, which includes a \$2,167,483 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 capital improvement needs at the College. These capital improvement projects are transferred from DFCM to the College at the time of substantial completion of the project. A major HVAC enhancement was completed in fiscal year 2019, whereas very few projects were completed in fiscal year 2018. The College also received donations totaling \$428,325 for use toward a new Health Sciences building. Additional donations of \$20,000 were contributed toward the quasi endowment that was established in fiscal year 2018.

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2019 and 2018:

Expenses	Year Ended June 30, 2019 Amount	Percent of Total Expense	Year Ended June 30, 2018 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Expenses:					
Salaries and Wages	\$ 9,006,777	41.72%	\$ 8,366,275	\$ 640,502	7.66%
Benefits	3,492,464	16.18%	3,204,696	287,768	8.98%
Actuarial Calculated Pension Expense	1,337,562	6.20%	1,026,090	311,472	30.36%
Professional and Technical Education	578,771	2.68%	545,555	33,216	6.09%
Utilities	663,883	3.08%	685,800	(21,917)	(3.20%)
Scholarships and Grants in Aid	1,028,811	4.77%	935,154	93,657	10.02%
Depreciation	1,412,369	6.54%	1,374,114	38,255	2.78%
Other Operating Expenses	4,068,713	18.85%	3,928,055	140,658	3.58%
Total Operating Expenses	<u>\$ 21,589,350</u>	<u>100.00%</u>	<u>\$ 20,065,739</u>	<u>\$ 1,523,611</u>	<u>7.59%</u>

Expenses for the year ended June 30, 2019, increased by \$1,523,611 compared to fiscal year ended June 30, 2018, which represents a 7.59 percent increase. Salaries and wages increased by \$640,502 and benefits increased by \$287,768 as a result of a cost-of-living adjustment along with the addition of faculty and staff. As derived from information provided by the URS, the actuarial calculated pension expense increased by \$311,472. Scholarships and grants increased by \$93,657. Professional and technical education increased by \$33,216. Utilities and depreciation expense collectively increased by \$16,338. Other operating expenses increased by \$140,658 as a result of funds available from increased appropriations and grants. Highlights included starting the Paramedic program, updating software and equipment in Dental Assisting, and enhancing the Automated Manufacturing program to meet the demands of industry.

Debt Administration

The College's debt consists of liabilities for compensated absences and termination benefits, which collectively increased by \$52,427 during fiscal year 2019. The College also recorded a pension liability as required under GASB 68. For additional information on these liabilities see Notes 1, 6, and 8.

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

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 virtually all types of business operations. The College continues to update facilities as budgets allow. Pending capital projects include continued infrastructure projects to update and modernize the College. In addition, the College continues to work vigorously to secure funding sources for a new Health Sciences building. 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 Technical College, 1301 North 600 West, Logan, Utah 84321.

BRIDGERLAND TECHNICAL COLLEGE

STATEMENT OF NET POSITION JUNE 30, 2019

ASSETS

Current Assets:

Cash and Cash Equivalents (Notes 1 and 2)	\$ 4,570,659
Accounts Receivable (Note 3)	280,096
Due From State Agencies (Note 3)	97,096
Inventories (Note 1)	651,536
Prepaid Expenses	5,939
Total Current Assets	5,605,326

Noncurrent Assets:

Restricted Cash and Cash Equivalents (Notes 1 and 2)	480,230
Land (Notes 1 and 4)	1,580,000
Buildings and Improvements (Notes 1 and 4)	32,413,273
Equipment and Software (Notes 1 and 4)	7,314,288
Less Accumulated Depreciation (Notes 1 and 4)	(24,367,321)
Total Noncurrent Assets	17,420,470
Total Assets	23,025,796

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Relating to Pensions (Notes 1 and 8)	\$ 2,178,080
Total Deferred Outflows of Resources	2,178,080

LIABILITIES

Current Liabilities

Accounts Payable (Note 3)	409,577
Due to State Agencies (Note 3)	126,450
Accrued Salaries and Wages Payable	142,218
Unearned Revenue	481,801
Termination Benefits (Current Portion) (Notes 6 and 7)	112,119
Compensated Absences (Current Portion) (Notes 6 and 9)	253,807
Total Current Liabilities	1,525,972

Noncurrent Liabilities

Net Pension Liability (Notes 1, 6, and 8)	5,819,176
Termination Benefits (Notes 6 and 7)	103,685
Compensated Absences (Notes 6 and 9)	539,319
Total Noncurrent Liabilities	6,462,180
Total Liabilities	7,988,152

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Relating to Pensions (Notes 1 and 8)	\$ 263,124
Total Deferred Inflows of Resources	263,124

NET POSITION

Net Investment in Capital Assets	16,940,240
Restricted for	
Nonexpendable – Scholarships	51,905
Expendable – Scholarships and Other	129,136
Expendable – Capital Gifts	428,325
Unrestricted	(597,006)
Total Net Position	\$ 16,952,600

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

BRIDGERLAND TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2019

REVENUES

Operating Revenues (Note 1)

Student Tuition and Fees (Net of Scholarship Allowance of \$60,331)	\$ 2,168,421
Federal Grants and Contracts	396,527
State Grants and Contracts	265,190
Local Grants and Contracts	654,529
Sales and Services of Educational Activities	657,419
Auxiliary Enterprises	478,339
Total Operating Revenues	4,620,425

EXPENSES

Operating Expenses (Note 1)

Salaries and Wages	9,006,777
Benefits	3,492,464
Actuarial Calculated Pension Expense (Note 8)	1,337,562
Professional and Technical Educational Services	578,771
Utilities	663,883
Scholarships and Grants in Aid	1,028,811
Depreciation	1,412,369
Other Operating Expenses	4,068,713
Total Operating Expenses	21,589,350
Operating Loss	(16,968,925)

NONOPERATING REVENUES (EXPENSES)

State Appropriations	15,006,244
Federal Grants and Contracts (Pell Grant)	1,020,598
State Grants and Contracts	634,100
Gifts	185,402
Investment Income	170,871
Disposal of Capital Assets	(389)
Net Nonoperating Revenues	17,016,826

OTHER REVENUES

Capital Appropriations – State Sources	2,246,828
Capital Gifts	428,325
Additions to Quasi Endowments	20,000
Total Other Revenues	2,695,153
Increase (Decrease) in Net Position	2,743,054

NET POSITION

Net Position – Beginning of Year	14,209,546
Net Position – End of Year	\$ 16,952,600

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

BRIDGERLAND TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Tuition and Fees	\$ 2,185,061
Receipts from Grants and Contracts	1,253,558
Receipts from Auxiliary Enterprise Charges	474,626
Receipts from Sales and Services of Educational Activities	650,627
Payments to Employees for Salaries and Benefits	(13,549,887)
Payments to Suppliers	(5,285,304)
Payments for Scholarships	<u>(1,028,811)</u>
Net Cash Used by Operating Activities	<u>(15,300,130)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from State Appropriations	15,006,244
Receipts from Noncapital Contracts and Grants	1,705,366
Gifts Received	223,932
Additions to Quasi Endowments	20,000
Fiscal Agent Funds Receipts	540,411
Fiscal Agent Funds Payments	<u>(602,738)</u>
Net Cash Provided by Noncapital Financing Activities	<u>16,893,215</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Paid for Capital Assets	(518,366)
Proceeds from Sale of Capital Assets	67,431
Gifts Received	<u>428,325</u>
Net Cash Used by Capital and Related Financing Activities	<u>(22,610)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of Interest on Investments	<u>170,871</u>
Net Cash Provided by Investing Activities	<u>170,871</u>

Net Increase (Decrease) in Cash and Cash Equivalents 1,741,346

CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR 3,309,543

CASH AND CASH EQUIVALENTS – END OF YEAR \$ 5,050,889

(continued next page)

BRIDGERLAND TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

(continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (16,968,925)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,412,369
In-kind Gifts Received and Expensed	31,434
Difference between Actuarial Calculated Pension Expense and Actual Contributions	241,823
Changes in Assets and Liabilities:	
Accounts Receivable/Due From State Agencies	116,780
Inventories	(178,407)
Prepaid Expenses	6,407
Accounts Payable/Due to State Agencies/Accrued Expenses	(30,066)
Unearned Revenue	16,028
Compensated Absences and Termination Benefits	52,427
Net Cash Used by Operating Activities	<u><u>\$ (15,300,130)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital Asset Additions through the State	\$ 2,246,828
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The accompanying notes are an integral part of these financial statements.

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Bridgerland Technical 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 an independent college within the Utah System of Technical Colleges. It is included as a component unit of the State of Utah and is included in the State's *Comprehensive Annual Financial Report*. The College is considered a component unit because it was established under Utah statute, receives appropriations from the State, and is financially accountable to the State.

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 the Utah College of Applied Technology (UCAT) which was composed of eight regional applied technology colleges. The College was one of these regional technology colleges and was subject to the authority of the Utah System of Higher Education under the control of the UCAT Board of Trustees. The College's local Board of Directors was charged with direct governance.

Effective July 1, 2017, the Legislature restructured UCAT to become the Utah System of Technical Colleges and granted legal separation of all eight established colleges. The College's name was changed to Bridgerland Technical College with authority and direct governance under the College's Board of Directors. The College is now considered an independent technical college and a component unit of the State of Utah.

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.

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

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 investments at the College are 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.

The College's quasi endowment, established during fiscal year 2018, is invested solely in the Utah Public Treasurers' Investment Fund.

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 land, buildings and improvements, equipment, vehicles, and software with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at the estimated fair market value at the time of the 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 depreciated over an estimated useful life using the straight-line method of depreciation. The estimated useful life of an asset is determined at acquisition based on guidelines provided in the State of Utah Fixed Assets Useful Life Table (FIACCT 09-17.01) and the professional judgment of the applicable department head. Typically assets have estimated useful lives as follows:

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

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 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, 2019, \$318,264 of the College's bank balance of \$608,746 was uninsured and uncollateralized.

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Investments

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

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified or permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. Government-sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; reciprocal deposits and negotiable brokered certificates of deposit in accordance with the Act; and the Utah 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 and is not registered with the Securities and Exchange Commission (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.

At June 30, 2019, the College had \$4,811,140 held in the PTIF. The College's investment in the PTIF was valued using Level 2 measurements by applying the June 30, 2019 fair value factor as calculated by the Utah State Treasurer, to its June 30 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'

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 securities may not have a remaining term to final maturity exceeding 3 years. As of June 30, 2019, 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>	\$4,811,140	\$4,811,140

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, 2019, the College's investments were all unrated.

NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable of \$280,096 at June 30, 2019, consisted of tuition and fee charges to students of \$124,309; grant trade accounts receivable of \$15,621; charges for class project services of \$7,538; Custom Fit trade account receivables of \$103,050; auxiliary enterprise services provided to students, faculty, and staff of \$7,099; Pell Grant of \$29,076; local contracts receivable of \$1,997; and scholarships and gift receivable of \$1,406. Accounts receivable are reported net of estimated uncollectible amounts of \$10,000. Due from State agencies in the amount of \$97,096 includes amounts due from State agencies in connection with the College's grants, contracts, and capital improvement projects. Accounts payable at June 30, 2019, consisted of vendor payments totaling \$409,577 and due to State agencies in the amount of \$126,450.

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, 2019, was as follows:

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Land	\$ 1,580,000	\$ -	\$ -	\$ 1,580,000
Buildings and Improvements	30,205,910	2,275,122	67,759	32,413,273
Equipment and Software	7,076,783	490,072	252,567	7,314,288
Total	38,862,693	2,765,194	320,326	41,307,561
Less Accumulated Depreciation: Buildings, Improvements, Equipment, and Software	<u>(23,207,458)</u>	<u>(1,412,369)</u>	<u>(252,506)</u>	<u>(24,367,321)</u>
Net Capital Assets	<u>\$ 15,655,235</u>	<u>\$ 1,352,825</u>	<u>\$ 67,820</u>	<u>\$ 16,940,240</u>

NOTE 5. LEASE OBLIGATIONS

The College did not have any capital or operating leases as of June 30, 2019.

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, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Termination Benefits	\$ 133,088	\$ 148,148	\$ 65,432	\$ 215,804	\$ 112,119
Compensated Absences	823,415	379,881	410,170	793,126	253,807
Net Pension Liability	3,924,042	1,895,134	-	5,819,176	-
Total Noncurrent Liabilities	<u>\$ 4,880,545</u>	<u>\$ 2,423,163</u>	<u>\$ 475,602</u>	<u>\$ 6,828,106</u>	<u>\$ 365,926</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 a mix of both incentives

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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. The incentive health insurance coverage is provided for a maximum of 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, 2019, there were five retirees approved for benefits under the retirement incentive program.

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 percent. The cumulative accrued retirement incentive plan liability as of June 30, 2019, totaled \$215,804.

NOTE 8. RETIREMENT PLANS

The College provides retirement benefits to all benefits eligible employees in accordance with the requirements of Title 49 of the *Utah Code*, Annotated, 1953, as amended. Employees participate in the Utah Retirement Systems (Systems) and/or an alternate defined contribution plan depending on hire date and employee classification.

Defined Benefit Plans

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 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.

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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:

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:

	Paid by College for Employee	College Contribution Rate
Noncontributory System	N/A	22.19
Tier 2 Public Employees System	N/A	18.87

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

For fiscal year ended June 30, 2019, the employer and employee contributions to the Systems were as follows:

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	College Contributions	Employee Contributions
Noncontributory System	\$ 974,725	N/A
Tier 2 Public Employees System	85,397	-
Total Contributions	<u>\$ 1,060,122</u>	<u>\$ -</u>

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, 2019, the College reported a net pension asset of \$0 and a net pension liability of \$5,819,176.

	Net Pension Asset	Net Pension Liability	Proportionate Share December 31, 2018	Proportionate Share December 31, 2017	Change (Decrease)
Noncontributory System	\$ -	\$ 5,802,481	0.1559590%	0.1602861%	(0.0043271)%
Tier 2 Public Employees System	-	16,695	0.0389818%	0.0506540%	(0.0116722)%
Total Net Pension Asset / Liability	<u>\$ -</u>	<u>\$ 5,819,176</u>			

The net pension asset and liability were measured as of December 31, 2018. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018, 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, 2019, the College recognized pension expense of \$1,337,562.

At June 30, 2019, 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	\$ 31,028	\$ 84,866
Changes in assumptions	594,374	300
Net difference between projected and actual earnings on pension plan investments	970,808	-
Changes in proportion and differences between contributions and proportionate share of contributions	40,464	177,958
Contributions subsequent to the measurement date	541,406	-
Total	<u>\$ 2,178,080</u>	<u>\$ 263,124</u>

Of the amount reported as deferred outflows of resources related to pensions, \$541,406 resulted from contributions made by the College prior to its fiscal year end, but subsequent to the measurement date of December 31, 2018. 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:

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2019	\$ 630,842
2020	\$ 177,493
2021	\$ 102,123
2022	\$ 459,871
2023	\$ 509
Thereafter	\$ 2,712

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.25 – 9.75 percent, average, including inflation
Investment Rate of Return	6.95 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 actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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:

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Expected Return Arithmetic Basis			
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40%	6.15%	2.46%
Debt Securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private Equity	9%	9.95%	0.89%
Absolute Return	16%	2.85%	0.46%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
		Inflation	2.50%
		Expected Arithmetic Nominal Return	7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

Discount Rate

The discount rate used to measure the total pension liability was 6.95 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 remained the same at 6.95 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 6.95 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 (5.95 percent) or 1 percentage point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 10,429,735	\$ 5,802,481	\$ 1,931,206
Tier 2 Public Employees System	66,884	16,695	(22,038)
Total	<u>\$ 10,496,619</u>	<u>\$ 5,819,176</u>	<u>\$ 1,909,168</u>

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Defined Contribution Plans

The College offers employees the choice between a 401(k) defined contribution plan through the Utah Retirement Systems (Systems) or the Utah Interlocal Educational Benefits Trust (UIEBT).

In September of 2011, eligible employees of the Utah System of Technical Colleges (USTC) 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 percent of these eligible employees' salaries into their respective 401(k) accounts.

The College also contributes 1.5 percent of eligible employees' gross earnings to the respective contribution plan for Tier 1 and Tier 2 Systems' participants. Employees who participate in the Tier 2 plan have two options. The first option is the Hybrid Plan, which requires an employer to pay 20.02 percent, of which 18.87 percent is a retirement contribution and the balance of 1.15 percent is contributed to the employee's contribution plan. If the retirement contribution rises above 20.02 percent as published by the Systems each year, then there will not be a defined contribution and the employee is required to pay the difference for the retirement contribution. The second option is the DC Only Plan, which requires the employer to pay 20.02 percent of which 10.02 percent is a retirement contribution and the remainder 10.00 percent is contributed to the employee's contribution plan. Tier 2 retirement rates include a statutory required contribution to finance the unfunded actuarial accrued liability of Tier 1 plans.

Employer contributions by the College to the Systems for the year ended June 30, 2019, totaled \$417,745. Under certain IRS and plan restrictions, employees can make additional contributions. Contributions by College employees for the year ended June 30, 2019, totaled \$354,571.

Employees may also participate in an IRS 457 deferred compensation plan offered through the Systems. Employee contributions toward this plan for the year ended June 30, 2019, totaled \$37,074.

For employees covered by the alternate defined contribution plan administered by UIEBT, the College contributes 14.2 percent of eligible employees' gross earnings. Employer contributions toward this plan for the year ended June 30, 2019, totaled \$212,912.

NOTE 9. COMPENSATED ABSENCES

The College accrues and reports annual vacation leave in the year earned. 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. Effective January 1, 2009, annual vacation leave carryover was suspended. Employees retained accumulated vacation leave earned prior to this date; however, vacation leave earned thereafter does not carry over if unused. Upon termination, the cash value of accumulated unused annual leave calculated by multiplying the employee's current hourly rate by

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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 respective defined contribution plan. 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 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 operating and maintenance agreement with the State of Utah, acting through the State of Utah Division of Facilities Construction and Management (DFCM) for the Brigham City Branch Campus building. This agreement is renewable on a yearly basis on June 30th. As of June 30, 2019, the contract had been renewed effective until June 30, 2020. During fiscal year 2019, the College paid a total of \$296,884 to DFCM under this agreement.

BRIDGERLAND TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

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

	December 31,				
	2018	2017	2016	2015	2014
<i>Noncontributory System</i>					
Proportion of Net Pension Liability (Asset)	0.1559590%	0.1602861%	0.1660955%	0.1662583%	0.1541022%
Proportionate Share of Net Pension Liability (Asset)	\$ 5,802,481	\$ 3,919,576	\$ 5,383,017	\$ 5,222,649	\$ 3,871,862
Covered Payroll	\$ 4,526,501	\$ 4,519,729	\$ 4,775,084	\$ 5,034,709	\$ 4,757,349
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	128.19%	86.72%	112.73%	103.73%	81.4%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.1%	89.2%	84.9%	84.5%	87.2%
<i>Tier 2 Public Employees System</i>					
Proportion of Net Pension Liability (Asset)	0.0389818%	0.0506540%	0.0541636%	0.0481371%	0.013412%
Proportionate Share of Net Pension Liability (Asset)	\$ 16,695	\$ 4,466	\$ 6,042	\$ (105)	\$ (398)
Covered Payroll	\$ 455,813	\$ 495,559	\$ 444,186	\$ 311,024	\$ 65,086
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	3.66%	0.90%	1.36%	-0.03%	-0.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.8%	97.4%	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 plans' net pension liability (asset) is not available for periods prior to fiscal year 2015.

BRIDGERLAND TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

Schedule of Bridgerland Technical College's Pension Contributions Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems Last 10 Fiscal Years for the Years Ended June 30

Noncontributory System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 974,725	\$ 975,074	\$ 1,003,413	\$ 1,062,448	\$ 1,002,013	\$ 877,560	\$ 819,522	\$ 743,862	\$ 723,118	\$ 651,930
Contributions in Relation to the Contractually Required Contribution	(974,725)	(975,074)	(1,003,413)	(1,062,448)	(1,002,013)	(877,560)	(819,522)	(743,862)	(723,118)	(651,930)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,498,114	\$ 4,481,646	\$ 4,599,870	\$ 5,016,079	\$ 4,869,256	\$ 4,680,415	\$ 4,754,290	\$ 4,773,136	\$ 4,430,868	\$ 4,584,596
Contributions as a Percentage of Covered Payroll	21.67%	21.76%	21.81%	21.18%	20.58%	18.75%	17.24%	15.58%	16.32%	14.22%

*Tier 2 Public Employees System **

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 85,397	\$ 92,955	\$ 91,121	\$ 70,625	\$ 16,886	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(85,397)	(92,955)	(91,121)	(70,625)	(16,886)					
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 452,557	\$ 505,951	\$ 499,567	\$ 387,198	\$ 202,716					
Contributions as a Percentage of Covered Payroll	18.87%	18.37%	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 Technical College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bridgerland Technical College (the College) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated February 13, 2020.

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. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

A handwritten signature in cursive script that reads "Office of the State Auditor".

Office of the State Auditor
February 13, 2020