

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

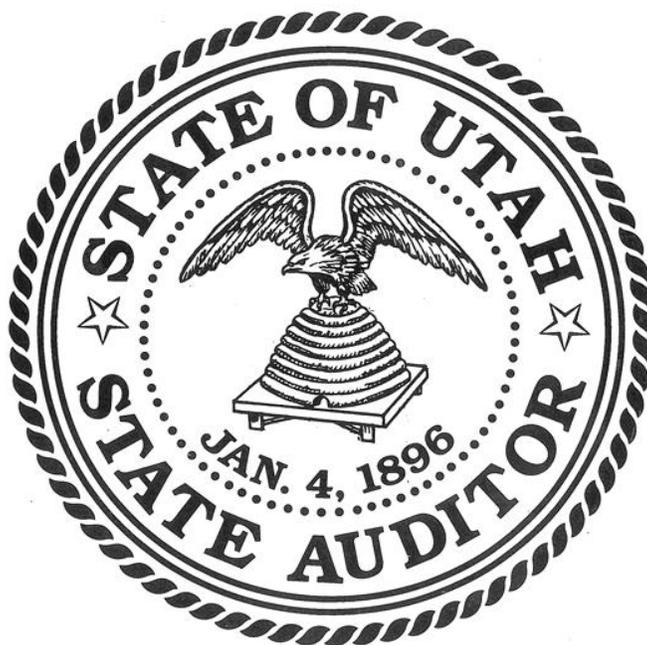
**A Regional College within the  
Utah College of Applied Technology,  
A Component Unit of the State of Utah**

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Annual Financial Report  
and  
Government Auditing Standards Report  
For the Year Ended June 30, 2016

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Report No. 16-30



## **OFFICE OF THE STATE AUDITOR**

**AUDIT LEADERSHIP:**

John Dougall, State Auditor  
Jason Allen, CPA, CFE, Audit Supervisor  
Travis Kartchner, CPA, Audit Senior

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2016

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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, 2016, 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, 2016, 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, 2016, 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 1, 2016 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

*Office of the State Auditor*

Office of the State Auditor  
December 1, 2016

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (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, 2016, 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 are comprised of 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, 2016 (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, 2016 and 2015:

<u>Net Position</u>	<u>Year Ended June 30, 2016 Amount</u>	<u>Year Ended June 30, 2015 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Current Assets	\$ 3,146,009	\$ 3,377,089	\$ (231,080)	(6.84%)
Noncurrent Assets:				
Net Pension Asset	105	398	(293)	(73.62%)
Capital Assets	15,893,570	16,684,299	(790,729)	(4.74%)
Total Assets	<u>19,039,684</u>	<u>20,061,786</u>	<u>(1,022,102)</u>	<u>(5.09%)</u>
Deferred Outflows	<u>2,171,993</u>	<u>585,253</u>	<u>1,586,740</u>	<u>271.12%</u>
Current Liabilities	1,069,336	1,206,839	(137,503)	(11.39%)
Noncurrent Liabilities	5,905,201	4,527,954	1,377,247	30.42%
Total Liabilities	<u>6,974,537</u>	<u>5,734,793</u>	<u>1,239,744</u>	<u>21.62%</u>
Deferred Inflows	<u>509,958</u>	<u>360,240</u>	<u>149,718</u>	<u>41.56%</u>
Net Position:				
Net Investment in Capital Assets	15,893,570	16,684,299	(790,729)	(4.74%)
Restricted Expendable	119,416	123,904	(4,488)	(3.62%)
Unrestricted	<u>(2,285,804)</u>	<u>(2,256,197)</u>	<u>(29,607)</u>	<u>(1.31%)</u>
Total Net Position	<u>\$ 13,727,182</u>	<u>\$ 14,552,006</u>	<u>\$ (824,824)</u>	<u>(5.67%)</u>

Total assets of the College decreased by \$1,022,102 or 5.09% during the fiscal year. Current assets decreased by \$231,080, which consisted of a decrease in cash of \$5,035, a decrease in trade accounts receivable of \$125,996, a decrease in due from state agencies (related parties) in the amount of \$53,413, and a decrease in inventory in the amount of \$46,636. The \$125,996 decrease in trade accounts receivable is the result of a \$64,843 decrease related to grants, a \$83,451 decrease in Pell Grant, a \$28,303 increase in student and third party receivables, a \$38,197 decrease in class project accounts receivable, a \$24,356 increase in Custom Fit receivables, and a \$7,836 overall increase in miscellaneous receivables.

The College's capital assets as of June 30, 2016, decreased from \$16,684,299 to \$15,893,570 (net of accumulated depreciation) for a total change of \$790,729. This investment in capital assets includes land, buildings and improvements, and equipment. New equipment acquisitions (including donated assets) totaled \$189,352. Buildings increased by \$285,806 and consisted of capital improvements to the College to upgrade the pharmacy tech lab. Depreciation expense for the College reduced the College's capital

# BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

assets by \$1,263,595, and there was an immaterial loss of \$2,292 on the disposition of capital assets. 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 are derived from information provided by the Utah Retirement System (URS) as outlined by GASB 68. The increase of \$1,586,740 represents contributions made by the College to URS subsequent to their measurement date on December 31, 2015, 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 \$1,239,744 or 21.62% during the fiscal year. Current liabilities decreased by \$137,503. Accounts Payable decreased \$144,865 due to the timing of when obligations are incurred and when payments on these obligations are paid. Accrued Salaries and Wages Payable decreased \$168,265 due to the timing of money being remitted to the URS. Unearned revenue increased \$154,623 as the result of prepayments by students on payment plans, prepayment for a portable classroom, and funds held in scholarship accounts for future student use. Termination benefits increased \$20,322 as the result of two employees being approved for such benefits. Due to State Agencies, Deposits, and Compensated Absences (Current Portion) collectively increased an immaterial amount of \$682.

Noncurrent liabilities increased \$1,377,247, 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 are derived from information provided by URS as outlined by GASB 68. The increase of \$149,718 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, 2016 and 2015:

<u>Net Position</u>	<u>Year Ended June 30, 2016 Amount</u>	<u>Year Ended June 30, 2015 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 4,021,203	\$ 3,790,274	\$ 230,929	6.09%
Operating Expenses	(18,092,976)	(16,497,212)	(1,595,764)	9.67%
Operating Income (Loss)	(14,071,773)	(12,706,938)	(1,364,835)	10.74%
Nonoperating Revenues	12,961,143	12,589,014	372,129	2.96%
Other Revenues	285,806	1,017,799	(731,993)	(71.92%)
Increase (Decrease) in Net Position	(824,824)	899,875	(1,724,699)	(191.66%)
Net Position – Beginning of Year	14,552,006	17,664,191	(3,112,185)	(17.62%)
Prior Period Adjustment	-	(4,012,060)	4,012,060	(100.00%)
Net Position – Beginning of Year (as adjusted)	14,552,006	13,652,131	899,875	6.59%
Net Position – End of Year	<u>\$ 13,727,182</u>	<u>\$ 14,552,006</u>	<u>\$ (824,824)</u>	<u>(5.67%)</u>

# BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

The College experienced a net operating loss of \$14,071,773 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 2016, State appropriations, other nonoperating revenue, and other revenues were insufficient 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, 2016 and 2015:

<u>Revenues</u>	<u>Year Ended June 30, 2016 Amount</u>	<u>Percent of Total Revenue</u>	<u>Year Ended June 30, 2015 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Revenues:					
Student Tuition and Fees	\$ 1,794,765	10.39%	\$ 1,705,828	\$ 88,937	5.21%
Federal Grants and Contracts	210,300	1.22%	231,948	(21,648)	(9.33%)
State Grants and Contracts	336,666	1.95%	126,759	209,907	165.60%
Local Grants and Contracts	395,565	2.29%	380,058	15,507	4.08%
Sales and Services of Educational Activities	677,920	3.93%	739,644	(61,724)	(8.35%)
Auxiliary Enterprises	605,987	3.51%	606,037	(50)	(.01%)
Total Operating Revenues	<u>4,021,203</u>	<u>23.29%</u>	<u>3,790,274</u>	<u>230,929</u>	<u>6.09%</u>
Nonoperating Revenues:					
State Appropriations	11,535,800	66.80%	11,089,600	446,200	4.02%
Federal Grants and Contracts (Pell Grant)	895,397	5.19%	988,380	(92,983)	(9.41%)
State Grants and Contracts	408,700	2.37%	410,000	(1,300)	(.32%)
Gifts	92,782	.54%	82,296	10,486	12.74%
Investment Income	28,464	.16%	18,738	9,726	51.91%
Total Nonoperating Revenues	<u>12,961,143</u>	<u>75.06%</u>	<u>12,589,014</u>	<u>372,129</u>	<u>2.96%</u>
Other Revenues:					
Capital Appropriations - State Sources	285,806	1.66%	1,017,799	(731,993)	(71.92%)
Total Other Revenues	<u>285,806</u>	<u>1.66%</u>	<u>1,017,799</u>	<u>(731,993)</u>	<u>(71.92%)</u>
Total Revenues	<u>\$ 17,268,152</u>	<u>100.00%</u>	<u>\$ 17,397,087</u>	<u>\$ (128,935)</u>	<u>(.74%)</u>

The revenue comparison between fiscal year 2016 and fiscal year 2015 shows a total revenue decrease in the amount of \$128,935. Operating revenue increased by \$230,929, with the majority of the increase from state grants and contracts due to a grant to assist in the Automated Manufacturing and Robotics department for needed supplies and equipment. Student tuition and fees and local grants and contracts both increased while federal grants and contracts, sales and services of educational activities, and auxiliary enterprises decreased.

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (Unaudited)

Nonoperating revenue increased by a total of \$372,129, which is comprised of a \$446,200 increase in State appropriations, a \$92,983 decrease in Pell Grant revenue, a \$1,300 decrease in state grants and contracts, and a \$20,212 increase in gifts and investment income.

Other revenues decreased by a total of \$731,993, which is comprised entirely of a decrease 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. Fewer projects were transferred in fiscal year 2016 than in the prior year.

**Expenses.** The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2016 and 2015:

<u>Expenses</u>	<u>Year Ended June 30, 2016 Amount</u>	<u>Percent of Total Expense</u>	<u>Year Ended June 30, 2015 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Expenses:					
Salaries and Wages	\$ 7,685,017	42.48%	\$ 7,123,314	\$ 561,703	7.89%
Benefits	2,754,016	15.22%	2,326,189	427,827	18.39%
Actuarial Calculated Pension Expense	1,053,129	5.82%	665,210	387,919	58.32%
Prof. & Technical Education	523,954	2.90%	497,258	26,696	5.37%
Utilities	691,896	3.82%	612,191	79,705	13.02%
Scholarships and Grants in Aid	916,146	5.06%	1,018,051	(101,905)	(10.01%)
Depreciation	1,263,595	6.98%	1,200,508	63,087	5.26%
Other Operating Expenses	3,205,223	17.72%	3,054,491	150,732	4.93%
Total Operating Expenses	<u>\$ 18,092,976</u>	<u>100.00%</u>	<u>\$ 16,497,212</u>	<u>\$ 1,595,764</u>	<u>9.67%</u>

Expenses for the year ended June 30, 2016, increased by \$1,595,764 compared to fiscal year ended June 30, 2015, which represents a 9.67% increase. Salaries and wages increased by \$561,703 as a result of a cost-of-living adjustment along with the addition of faculty and staff. Benefits increased \$427,827 as the result of increases in health and dental insurance costs. As derived from information provided by the URS, the actuarial calculated pension increased by \$387,919. Scholarships and grants decreased by \$101,905. Professional services, utilities, and depreciation expense all showed increases. Other operating expenses increased by \$150,732.

### **Debt Administration**

The College's only debt is the liabilities for compensated absences and termination benefits which collectively increased by \$46,770 during fiscal year 2016.

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2016 (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 has continued the request process for a new Health Science and Technology building, which is dependent on funding. Other capital projects most likely will include future infrastructure projects to increase the capacity of a class projects building, improve College Wi-Fi and security systems, and increase and remodel space at the Brigham City Campus. 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, 2016

### ASSETS

#### Current Assets:

Cash and Cash Equivalents (Notes 1 and 2)	\$ 2,167,884
Accounts Receivable (Note 3)	341,822
Due From State Agencies (Note 3)	181,570
Inventories (Note 1)	454,733
<b>Total Current Assets</b>	<b>3,146,009</b>

#### Noncurrent Assets:

Net Pension Asset (Note 8)	105
Land (Notes 1 and 4)	1,580,000
Buildings and Improvements (Notes 1 and 4)	28,681,218
Equipment and Software (Notes 1 and 4)	6,493,086
Less Accumulated Depreciation (Notes 1 and 4)	(20,860,734)
<b>Total Noncurrent Assets</b>	<b>15,893,675</b>
<b>Total Assets</b>	<b>19,039,684</b>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Relating to Pensions (Notes 1 and 8)	\$ 2,171,993
<b>Total Deferred Outflows of Resources</b>	<b>2,171,993</b>

### LIABILITIES

#### Current Liabilities

Accounts Payable (Note 3)	304,510
Due to State Agencies (Note 3)	5,217
Unearned Revenue	336,775
Deposits	8,719
Accrued Salaries and Wages Payable	162,744
Termination Benefits (Current Portion) (Notes 6 and 7)	20,322
Compensated Absences (Current Portion) (Notes 6 and 9)	231,049
<b>Total Current Liabilities</b>	<b>1,069,336</b>

#### Noncurrent Liabilities

Net Pension Liability (Notes 1, 6, and 8)	5,222,649
Termination Benefits (Notes 6 and 7)	39,272
Compensated Absences (Notes 6 and 9)	643,280
<b>Total Noncurrent Liabilities</b>	<b>5,905,201</b>
<b>Total Liabilities</b>	<b>6,974,537</b>

### DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Relating to Pensions (Notes 1 and 8)	\$ 509,958
<b>Total Deferred Inflows of Resources</b>	<b>509,958</b>

### NET POSITION

Net Investment in Capital Assets	15,893,570
Restricted Expendable	119,416
Unrestricted	(2,285,804)
<b>Total Net Position</b>	<b>\$ 13,727,182</b>

*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, 2016

### REVENUES

#### Operating Revenues (Note 1)

Student Tuition and Fees (Net of Scholarship Allowance of \$78,041)	\$ 1,794,765
Federal Grants and Contracts	210,300
State Grants and Contracts	336,666
Local Grants and Contracts	395,565
Sales and Services of Educational Activities	677,920
Auxiliary Enterprises	605,987
<b>Total Operating Revenues</b>	<b><u>4,021,203</u></b>

### EXPENSES

#### Operating Expenses (Note 1)

Salaries and Wages	7,685,017
Benefits	2,754,016
Actuarial Calculated Pension Expense (Note 8)	1,053,129
Professional and Technical Educational Services	523,954
Utilities	691,896
Scholarships and Grants in Aid	916,146
Depreciation	1,263,595
Other Operating Expenses	3,205,223
<b>Total Operating Expenses</b>	<b><u>18,092,976</u></b>
<b>Operating Loss</b>	<b><u>(14,071,773)</u></b>

### NONOPERATING REVENUES

State Appropriations	11,535,800
Federal Grants and Contracts (Pell Grant)	895,397
State Grants and Contracts	408,700
Gifts	92,782
Investment Income	28,464
<b>Net Nonoperating Revenues</b>	<b><u>12,961,143</u></b>

### OTHER REVENUES

Capital Appropriations – State Sources	<u>285,806</u>
<b>Total Other Revenues</b>	<b><u>285,806</u></b>

**Increase (Decrease) in Net Position** (824,824)

### NET POSITION

Net Position – Beginning of Year	<u>14,552,006</u>
Net Position – End of Year	<b><u>\$ 13,727,182</u></b>

*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, 2016

### **CASH FLOWS FROM OPERATING ACTIVITIES**

Receipts from Tuition and Fees	\$ 1,826,325
Receipts from Grants and Contracts	1,168,034
Receipts from Auxiliary Enterprise Charges	609,917
Receipts from Sales and Services of Educational Activities	754,153
Payments to Employees for Salaries and Benefits	(11,699,599)
Payments to Suppliers	(4,595,867)
Payments for Scholarships	<u>(916,146)</u>
Net Cash Used by Operating Activities	<u>(12,853,183)</u>

### **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

Receipts from State Appropriations	11,535,800
Receipts from Noncapital Contracts and Grants	1,387,548
Gifts Received	77,169
Fiscal Agent Funds Receipts	881,353
Fiscal Agent Funds Payments	<u>(875,126)</u>
Net Cash Provided by Noncapital Financing Activities	<u>13,006,744</u>

### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Cash Paid for Capital Assets	<u>(187,060)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(187,060)</u>

### **CASH FLOWS FROM INVESTING ACTIVITIES**

Receipt of Interest on Investments	<u>28,464</u>
Net Cash Provided by Investing Activities	<u>28,464</u>

**Net Increase (Decrease) in Cash and Cash Equivalents** (5,035)

**CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR** 2,172,919

**CASH AND CASH EQUIVALENTS – END OF YEAR** \$ 2,167,884

(continued next page)

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

(continued)

### **RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES**

Operating Loss	\$ (14,071,773)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,263,595
In-kind Gifts Received and Expensed	16,150
Difference between Actuarial Calculated Pension Expense and Actual Contributions	(85,942)
Changes in Assets and Liabilities:	
Accounts Receivable/Due From State Agencies	95,421
Inventories	46,636
Accounts Payable and Accrued Expenses	(318,663)
Unearned Revenue	154,623
Compensated Absences and Termination Benefits	46,770
Net Cash Used by Operating Activities	<u><u>\$ (12,853,183)</u></u>

### **NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

Capital Asset Additions through the State	\$ 285,806
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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, 2016

### 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, 2016

### 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	3-10

### 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

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, \$534,719 of the College's bank balance of \$821,565 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, 2016

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 PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participants' average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. The value of the College's investment in the fund is calculated by applying the June 30, 2016, fair value factor, as calculated by the Utah State Treasurer, to the College's average daily balance in the Fund.

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, 2016, the College had the following investments and maturities. The investments were valued using level 2 measurements.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>
		<u>Less than 1 year</u>
<i>Debt Securities - PTIF</i>	\$1,705,410	\$1,705,410

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### *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 securities may not have a remaining term to final maturity exceeding 3 years.

### *Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Act, as previously discussed. At June 30, 2016, the College's investments were all unrated.

### *Concentration of Credit Risk*

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The College's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council, as applicable. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

### NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable of \$341,822 at June 30, 2016, consisted of tuition and fee charges to students of \$125,167; grant trade accounts receivable of \$84,428; charges for class project services of \$14,427; Custom Fit trade account receivables of \$53,018; auxiliary enterprise services provided to students, faculty, and staff of \$3,366, the majority of each residing in the State of Utah; facility rentals of \$9,120; and \$52,296 for Pell Grant. Due from State agencies in the amount of \$181,570 includes amounts due from State agencies in connection with reimbursement of allowable expenses made pursuant to the College's grants and contracts. Accounts payable at June 30, 2016, consist of vendor payments totaling \$304,510 and due to State agencies in the amount of \$5,217.

### 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, 2016, was as follows:

## **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Land	\$ 1,580,000	\$ -	\$ -	\$ 1,580,000
Buildings and Improvements	28,395,412	285,806	-	28,681,218
Equipment and Software	6,431,227	189,352	127,493	6,493,086
Total	36,406,639	475,158	127,493	36,754,304
Less Accumulated Depreciation	(19,722,340)	(1,263,595)	(125,201)	(20,860,734)
Net Capital Assets	\$ 16,684,299	\$ (788,437)	\$ 2,292	\$ 15,893,570

#### NOTE 5. LEASE OBLIGATIONS

The College did not have any capital or operating leases as of June 30, 2016.

#### 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, 2016:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Termination Benefits	\$ -	\$ 59,594	\$ -	\$ 59,594	\$ 20,322
Compensated Absences	887,153	299,031	311,855	874,329	231,049
Net Pension Liability	3,871,862	1,350,787	-	5,222,649	-
Total Noncurrent Liabilities	\$ 4,759,015	\$ 1,709,412	\$ 311,855	\$ 6,156,572	\$ 251,371

#### 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

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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, 2016, there were two 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%. The cumulative accrued retirement incentive plan liability as of June 30, 2016, totaled \$59,594. The retirement incentive program expense for the year ended June 30, 2016, was \$59,594.

### 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.

# BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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](http://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:

	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 9.94% 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, 2016

For fiscal year ended June 30, 2016, the employer and employee contributions to the Systems were as follows:

<b>System</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 1,062,448	N/A
Tier 2 Public Employees System	70,625	-
Total Contributions	\$ 1,133,073	\$ -

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, 2016, the College reported a net pension asset of \$105 and a net pension liability of \$5,222,649.

	<b>Proportionate Share</b>	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>
Noncontributory System	0.1662583%	\$ -	\$ 5,222,649
Tier 2 Public Employees System	0.0481371%	105	-
Total Net Pension Asset / Liability		\$ 105	\$ 5,222,649

The net pension asset and liability were measured as of December 31, 2015. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2015, 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, 2016, the College recognized pension expense of \$1,053,129.

At June 30, 2016, the College's portion of the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ 406,647
Changes in assumptions	-	103,311
Net difference between projected and actual earnings on pension plan investments	1,354,507	-
Changes in proportion and differences between contributions and proportionate share of contributions	250,078	-
Contributions subsequent to the measurement date	567,408	-
<b>Total</b>	<b>\$ 2,171,993</b>	<b>\$ 509,958</b>

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Of the amount reported as deferred outflows of resources related to pensions, \$567,408 resulted from contributions made by the College prior to its fiscal year end, but subsequent to the measurement date of December 31, 2015. 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 Ended December 31,</u>	<u>Net Deferred Outflows (Inflows) of</u>
2016	\$ 250,866
2017	\$ 250,866
2018	\$ 264,935
2019	\$ 329,172
2020	\$ (236)
Thereafter	\$ (978)

### Actuarial Assumptions

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	3.50 - 10.50 percent, average, including inflation
Investment Rate of Return	7.50 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, 2015, valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2013.

The following assumption changes were adopted from the most recent actuarial experience study: There was a decrease in the wage inflation assumption for all employee groups from 3.75% to 3.50%, a modification to the rate of salary increases for most groups, and the payroll growth assumption was decreased from 3.50% to 3.25%. The post-retirement mortality assumption for female educators improved and the pre-retirement mortality assumption had minor changes. There were additional changes to certain demographic assumptions. As a result, more members are anticipated to terminate employment prior to retirement, slightly fewer members are expected to become disabled, and members are expected to retire at a slightly later age.

## **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 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:

<b>Expected Return Arithmetic Basis</b>			
<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
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%
<b>Totals</b>	<b>100%</b>		<b>5.23%</b>
	<u>Inflation</u>		<u>2.75%</u>
	<u>Expected Arithmetic Nominal Return</u>		<u>7.98%</u>

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

#### Discount Rate

The discount rate used to measure the total pension liability was 7.50 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.

#### 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 7.50 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 (6.50 percent) or 1 percentage point higher (8.50 percent) than the current rate:

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

<b>System</b>	<b>1% Decrease (6.50%)</b>	<b>Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Noncontributory System	\$ 9,452,798	\$ 5,222,649	\$ 1,675,664
Tier 2 Public Employees System	19,270	(105)	(14,790)
Total	<u>\$ 9,472,068</u>	<u>\$ 5,222,544</u>	<u>\$ 1,660,874</u>

### 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, 2016, totaled \$427,079. Under certain IRS and plan restrictions, employees can make additional contributions. Contributions by College employees for the year ended June 30, 2016, totaled \$464,896.

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, 2016, totaled \$61,229.

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.

# **BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

### 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 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 30<sup>th</sup>. As of June 30, 2016, the contract had been renewed effective until June 30, 2017. During fiscal year 2016, the College paid a total of \$156,609 in rental payments to DFCM.

### NOTE 13. SUBSEQUENT EVENTS

In August 2016, the Utah Retirement Board lowered the pension systems discount rate from 7.50% to 7.20% effective January 1, 2016. The effect of this change in assumption will be reflected at the Systems next measurement date of December 31, 2016. This reduction will increase both the collective net pension liability to be calculated as of December 31, 2016, and the College's share of this liability. This change in assumption does not change the current required actuarial contribution rate.

**BRIDGERLAND APPLIED TECHNOLOGY COLLEGE**

REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2016

**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,	
	2015	2014
<i>Noncontributory System</i>		
Proportion of Net Pension Liability (Asset)	0.1662583%	0.1541022%
Proportionate Share of Net Pension Liability (Asset)	\$ 5,222,649	\$ 3,871,862
Covered Payroll	\$ 5,034,709	\$ 4,757,349
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	103.73%	81.4%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.5%	87.2%
<i>Tier 2 Public Employees System</i>		
Proportion of Net Pension Liability (Asset)	0.0481371%	0.013412%
Proportionate Share of Net Pension Liability (Asset)	\$ (105)	\$ (398)
Covered Payroll	\$ 311,024	\$ 65,086
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	-0.03%	-0.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	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, 2016

#### 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*

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$ 1,062,448	\$ 1,002,013	\$ 877,560	\$ 819,522	\$ 743,862	\$ 723,118	\$ 651,930	\$ 710,278	\$ 736,019	\$ 630,190
Contributions in Relation to the Contractually Required Contribution	(1,062,448)	(1,002,013)	(877,560)	(819,522)	(743,862)	(723,118)	(651,930)	(710,278)	(736,019)	(630,190)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 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	\$ 4,431,716
Contributions as a Percentage of Covered Payroll	21.18%	20.58%	18.75%	17.24%	15.58%	16.32%	14.22%	14.22%	14.22%	14.22%

##### *Tier 2 Public Employees System\**

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Contractually Required Contribution	\$ 70,625	\$ 16,886	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(70,625)	(16,886)								
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 387,198	\$ 202,716								
Contributions as a Percentage of Covered Payroll	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, 2016, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated December 1, 2016.

**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 1, 2016