

# BRIDGERLAND TECHNICAL COLLEGE

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, 2020

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Report No. 20-19



## OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

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

# **BRIDGERLAND TECHNICAL COLLEGE**

## ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2020

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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), a component unit of the State of Utah, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents.

***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, 2020, and the changes in its financial position and cash flows thereof for the year then ended in accordance 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, the College's Schedule of Proportionate Share of the Net Pension Liability, and the College's Schedule of Pension Contributions, as listed 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 January 12, 2021 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*

Office of the State Auditor  
January 12, 2021

# **BRIDGERLAND TECHNICAL COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (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, 2020, to the readers of the College's financial statements.

During fiscal year 2020, the College was a member of the Utah System of Technical Colleges (USTC), with system governance provided by the USTC Board of Trustees and local governance provided by the College's Board of Directors. On July 1, 2020, as a result of changes in State statute, all public post-secondary institutions were placed under the governance of the Utah Board of Higher Education. All public colleges and universities are members of the Utah System of Higher Education. The College maintains a local Board of Trustees and remains an independent technical college and component unit of the State of Utah.

### **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, 2020 (Unaudited)

### **Financial Analysis**

**Statement of Net Position.** The following schedule presents a summary of the College's net position as of June 30, 2020 and 2019:

<b><u>Net Position</u></b>	<b><u>June 30, 2020</u></b>	<b><u>June 30, 2019</u></b>	<b><u>Amount of Increase (Decrease)</u></b>	<b><u>Percent Increase (Decrease)</u></b>
Current Assets	\$ 7,229,559	\$ 5,605,326	\$ 1,624,233	28.98%
Noncurrent Assets:				
Other Noncurrent Assets	864,482	480,230	384,252	80.01%
Capital Assets, Net	16,749,721	16,940,240	(190,519)	(1.12%)
Total Assets	<u>24,843,762</u>	<u>23,025,796</u>	<u>1,817,966</u>	7.90%
Deferred Outflows of Resources	<u>795,603</u>	<u>2,178,080</u>	<u>(1,382,477)</u>	(63.47%)
Current Liabilities	1,667,902	1,525,972	141,930	9.30%
Noncurrent Liabilities	4,328,473	6,462,180	(2,133,707)	(33.02%)
Total Liabilities	<u>5,996,375</u>	<u>7,988,152</u>	<u>(1,991,777)</u>	(24.93%)
Deferred Inflows of Resources	<u>1,396,102</u>	<u>263,124</u>	<u>1,132,978</u>	430.59%
Net Position:				
Net Investment in Capital Assets	16,749,721	16,940,240	(190,519)	(1.12%)
Restricted for				
Nonexpendable – Scholarships	49,447	51,905	(2,458)	(4.74%)
Expendable – Scholarships and Other	226,088	129,136	96,952	75.08%
Expendable – Capital Gifts	815,035	428,325	386,710	90.28%
Unrestricted	<u>406,597</u>	<u>(597,006)</u>	<u>1,003,603</u>	168.11%
Total Net Position	<u>\$ 18,246,888</u>	<u>\$ 16,952,600</u>	<u>\$ 1,294,288</u>	7.63%

Total assets of the College increased by \$1,817,966 or 7.90 percent during the fiscal year. Current assets increased by \$1,624,233, which consisted of an increase in cash of \$1,503,831 due to various revenue sources in excess of expenses, an increase in trade accounts receivable of \$144,330 primarily due to an increase in student and grant receivables and a decrease in custom fit receivables, a decrease in due from State agencies in the amount of \$35,585 due to receivables related to grants and capital improvement projects, an increase in inventory of \$4,892, and an increase in prepaid expenses in the amount of \$6,765.

Other noncurrent assets increased by \$384,252 or 80.01 percent during the fiscal year. This is the result of continued fundraising efforts for a new Health Sciences building.

The College's capital assets as of June 30, 2020, decreased from \$16,940,240 to \$16,749,721 (net of accumulated depreciation) for a total change of \$190,519. This investment in capital assets includes construction/implementation in progress, land, buildings and improvements, and equipment and software. Construction/implementation in progress totaled \$220,088 as a result of programming and planning for the new Health Sciences building and for the implementation of a new point-of-sale software. Buildings

# **BRIDGERLAND TECHNICAL COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

increased by \$341,375 as a result of a significant remodel of office space and an on-going capital improvement HVAC systems project at the Logan Campus – Main. Equipment and software acquisitions (including donated assets) totaled \$714,212. Depreciation expense for the College reduced the College's capital assets by \$1,461,576. Additional information on the changes in the College's capital assets is shown 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 \$1,382,477 represents the net difference between projected and actual earnings on pension plan investments and changes in assumptions used by the actuaries. See Note 8 for additional information.

Total liabilities of the College decreased by \$1,991,777 or 24.93 percent during the fiscal year. Current liabilities increased by \$141,930. Accounts payable decreased \$94,912 due to the timing of when obligations were incurred and when payments on these obligations were paid. Due to State agencies decreased \$116,963 largely as the result of ending fiscal agent responsibilities in fiscal year 2019. Unearned revenue increased \$272,338 as the result of a local grant held for future use and payments by students and third party sponsors for future charges of tuition and fees. Termination benefits increased \$61,614 as the result of employees being approved for such benefits. Compensated absences and accrued salaries and wages payable collectively increased by \$19,853.

Noncurrent liabilities decreased \$2,133,707, primarily due to a decrease in the net pension liability, which is provided by the URS and is based on estimates derived from actuarial calculations. See Note 8 for additional information.

Deferred inflows of resources are derived from information provided by URS as outlined by GASB 68. The increase of \$1,132,978 represents the difference between expected and actual 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, 2020 and 2019:

<u>Net Position</u>	<u>Year Ended June 30, 2020 Amount</u>	<u>Year Ended June 30, 2019 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 4,096,327	\$ 4,620,425	\$ (524,098)	(11.34%)
Operating Expenses	<u>(21,924,271)</u>	<u>(21,589,350)</u>	<u>(334,921)</u>	1.55%
Operating Income (Loss)	<u>(17,827,944)</u>	<u>(16,968,925)</u>	<u>(859,019)</u>	5.06%
Nonoperating Revenues	18,534,437	17,016,826	1,517,611	8.92%
Other Revenues	<u>587,795</u>	<u>2,695,153</u>	<u>(2,107,358)</u>	(78.19%)
Increase (Decrease) in Net Position	1,294,288	2,743,054	(1,448,766)	(52.82%)
Net Position – Beginning of Year	<u>16,952,600</u>	<u>14,209,546</u>	<u>2,743,054</u>	19.30%
Net Position – End of Year	<u>\$ 18,246,888</u>	<u>\$ 16,952,600</u>	<u>\$ 1,294,288</u>	7.63%

# **BRIDGERLAND TECHNICAL COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

The College experienced a net operating loss of \$17,827,944 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 2020, 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, 2020 and 2019:

<u>Revenues</u>	<u>Year Ended June 30, 2020 Amount</u>	<u>Percent of Total Revenue</u>	<u>Year Ended June 30, 2019 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Revenues:					
Student Tuition and Fees	\$ 1,893,146	8.15%	\$ 2,168,421	\$ (275,275)	(12.69%)
Federal Grants and Contracts	253,025	1.09%	396,527	(143,502)	(36.19%)
State Grants and Contracts	42,752	.18%	265,190	(222,438)	(83.88%)
Local Grants and Contracts	673,274	2.90%	654,529	18,745	2.86%
Sales and Services of Educational Activities	882,351	3.80%	657,419	224,932	34.21%
Auxiliary Enterprises	351,779	1.52%	478,339	(126,560)	(26.46%)
Total Operating Revenues	<u>4,096,327</u>	<u>17.64%</u>	<u>4,620,425</u>	<u>(524,098)</u>	<u>(11.34%)</u>
Nonoperating Revenues:					
State Appropriations	16,263,945	70.05%	15,006,244	1,257,701	8.38%
Federal Grants and Contracts	1,163,385	5.01%	1,020,598	142,787	13.99%
State Grants and Contracts	646,917	2.79%	634,100	12,817	2.02%
Gifts	277,910	1.20%	185,402	92,508	49.90%
Investment Income	181,291	.78%	170,871	10,420	6.10%
Disposal of Capital Assets	989	.00%	(389)	1,378	354.24%
Total Nonoperating Revenues	<u>18,534,437</u>	<u>79.83%</u>	<u>17,016,826</u>	<u>1,517,611</u>	<u>8.92%</u>
Other Revenues:					
Capital Appropriations – State Sources	173,585	.75%	2,246,828	(2,073,243)	(92.27%)
Capital Gifts	414,210	1.78%	428,325	(14,115)	(3.30%)
Additions to Quasi Endowments	-	.00%	20,000	(20,000)	(100.00%)
Total Other Revenues	<u>587,795</u>	<u>2.53%</u>	<u>2,695,153</u>	<u>(2,107,358)</u>	<u>(78.19%)</u>
Total Revenues	<u>\$23,218,559</u>	<u>100.00%</u>	<u>\$ 24,332,404</u>	<u>\$(1,113,845)</u>	<u>(4.58%)</u>

The revenue comparison between fiscal year 2020 and fiscal year 2019 shows a total revenue decrease in the amount of \$1,113,845. Operating revenues decreased by \$524,098. Student tuition and fees, federal grants and contracts, State grants and contracts, and auxiliary enterprises all decreased while local grants and contracts and sales and services of educational activities both increased.

Nonoperating revenues increased by a total of \$1,517,611. State appropriations increased by \$1,257,701 as a result of new funding granted by the Utah State Legislature. Federal grants and contracts increased by \$142,787, which was a combination of new CARES Act funding of \$182,511 offset by a \$39,724 decrease

# **BRIDGERLAND TECHNICAL COLLEGE**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)**

in Pell Grant. Nonoperating revenues also included a \$92,508 increase in gifts, a \$12,817 increase in State grants and contracts, a \$10,420 increase in investment income, and a \$1,378 increase in the disposal of capital assets.

Other revenues decreased by a total of \$2,107,358, which is largely due to a decrease in Capital Appropriations – State Sources from funding provided by the 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 project was completed in fiscal year 2019, whereas very few projects were completed in fiscal year 2020.

**Expenses.** The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2020 and 2019:

<b>Expenses</b>	<b>Year Ended June 30, 2020 Amount</b>	<b>Percent of Total Expense</b>	<b>Year Ended June 30, 2019 Amount</b>	<b>Amount of Increase (Decrease)</b>	<b>Percent of Increase (Decrease)</b>
Operating Expenses:					
Salaries and Wages	\$ 9,352,748	42.66%	\$ 9,006,777	\$ 345,971	3.84%
Benefits	3,619,518	16.51%	3,492,464	127,054	3.64%
Actuarial Calculated Pension Expense	1,319,149	6.02%	1,337,562	(18,413)	(1.38%)
Professional and Technical Educational Services	690,474	3.15%	578,771	111,703	19.30%
Utilities	631,584	2.88%	663,883	(32,299)	(4.87%)
Scholarships and Grants in Aid	1,090,474	4.97%	1,028,811	61,663	5.99%
Depreciation	1,461,576	6.67%	1,412,369	49,207	3.48%
Other Operating Expenses	3,758,748	17.14%	4,068,713	(309,965)	(7.62%)
Total Operating Expenses	<u>\$ 21,924,271</u>	<u>100.00%</u>	<u>\$ 21,589,350</u>	<u>\$ 334,921</u>	<u>1.55%</u>

Expenses for the year ended June 30, 2020, increased by \$334,921 compared to fiscal year ended June 30, 2019, which represents a 1.55 percent increase. Salaries and wages increased by \$345,971 and benefits increased by \$127,054 as a result of a cost-of-living adjustment along with early retirement incentives. As derived from information provided by the URS, the actuarial calculated pension expense decreased by \$18,413. Scholarships and grants in aid increased by \$61,663. Professional and technical educational services increased by \$111,703. Utilities and depreciation collectively increased by \$16,908. Other operating expenses decreased by \$309,965 as a result of decreased spending at the end of fiscal year 2020 due to the COVID-19 pandemic.

### **Debt Administration**

The College's debt consists of liabilities for compensated absences and termination benefits, which collectively increased by \$209,680 during fiscal year 2020. 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, 2020 (Unaudited)**

### **Economic Outlook**

Besides the global pandemic in the form of COVID-19 and the effect of unfunded depreciation, the College is not aware of any current facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations 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 will maintain a close watch over resources to maintain the College's ability to react to the current pandemic as well as 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, 2020

### ASSETS

#### Current Assets:

Cash and Cash Equivalents (Notes 1 and 2)	\$ 6,074,490
Accounts Receivable (Note 3)	424,426
Due From State Agencies (Note 3)	61,511
Inventories (Note 1)	656,428
Prepaid Expenses	12,704
<b>Total Current Assets</b>	<u>7,229,559</u>

#### Noncurrent Assets:

Restricted Cash and Cash Equivalents (Notes 1 and 2)	864,482
Construction/Implementation in Progress (Note 4)	220,088
Land (Notes 1 and 4)	1,580,000
Buildings and Improvements (Notes 1 and 4)	32,754,648
Equipment and Software (Notes 1 and 4)	7,851,207
Less Accumulated Depreciation (Notes 1 and 4)	<u>(25,656,222)</u>
<b>Total Noncurrent Assets</b>	<u>17,614,203</u>
<b>Total Assets</b>	<u>24,843,762</u>

### DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Relating to Pensions (Notes 1 and 8)	\$ 795,603
<b>Total Deferred Outflows of Resources</b>	<u>795,603</u>

### LIABILITIES

#### Current Liabilities

Accounts Payable (Note 3)	314,665
Due to State Agencies (Note 3)	9,487
Accrued Salaries and Wages Payable	143,240
Unearned Revenue	754,139
Termination Benefits (Current Portion) (Notes 6 and 7)	173,733
Compensated Absences (Current Portion) (Notes 6 and 9)	272,638
<b>Total Current Liabilities</b>	<u>1,667,902</u>

#### Noncurrent Liabilities

Net Pension Liability (Notes 1, 6, and 8)	3,556,234
Termination Benefits (Notes 6 and 7)	249,573
Compensated Absences (Notes 6 and 9)	522,666
<b>Total Noncurrent Liabilities</b>	<u>4,328,473</u>
<b>Total Liabilities</b>	<u>5,996,375</u>

### DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Relating to Pensions (Notes 1 and 8)	\$ 1,396,102
<b>Total Deferred Inflows of Resources</b>	<u>1,396,102</u>

### NET POSITION

Net Investment in Capital Assets	16,749,721
Restricted for	
Nonexpendable – Scholarships	49,447
Expendable – Scholarships and Other	226,088
Expendable – Capital Gifts	815,035
Unrestricted	406,597
<b>Total Net Position</b>	<u>\$ 18,246,888</u>

*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, 2020

#### REVENUES

##### **Operating Revenues (Note 1)**

Student Tuition and Fees (Net of Scholarship Allowance of \$32,901)	\$ 1,893,146
Federal Grants and Contracts	253,025
State Grants and Contracts	42,752
Local Grants and Contracts	673,274
Sales and Services of Educational Activities	882,351
Auxiliary Enterprises	351,779
<b>Total Operating Revenues</b>	<b><u>4,096,327</u></b>

#### EXPENSES

##### **Operating Expenses (Note 1)**

Salaries and Wages	9,352,748
Benefits	3,619,518
Actuarial Calculated Pension Expense (Note 8)	1,319,149
Professional and Technical Educational Services	690,474
Utilities	631,584
Scholarships and Grants in Aid	1,090,474
Depreciation	1,461,576
Other Operating Expenses	3,758,748
<b>Total Operating Expenses</b>	<b><u>21,924,271</u></b>
<b>Operating Loss</b>	<b><u>(17,827,944)</u></b>

#### NONOPERATING REVENUES

State Appropriations	16,263,945
Federal Grants and Contracts	1,163,385
State Grants and Contracts	646,917
Gifts	277,910
Investment Income	181,291
Disposal of Capital Assets	989
<b>Net Nonoperating Revenues</b>	<b><u>18,534,437</u></b>

#### OTHER REVENUES

Capital Appropriations – State Sources	173,585
Capital Gifts	414,210
<b>Total Other Revenues</b>	<b><u>587,795</u></b>

**Increase (Decrease) in Net Position** 1,294,288

#### NET POSITION

Net Position – Beginning of Year	<u>16,952,600</u>
Net Position – End of Year	<u><u>\$ 18,246,888</u></u>

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

# **BRIDGERLAND TECHNICAL COLLEGE**

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

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

Receipts from Tuition and Fees	\$ 1,954,125
Receipts from Grants and Contracts	1,265,499
Receipts from Auxiliary Enterprise Charges	357,599
Receipts from Sales and Services of Educational Activities	887,216
Payments to Employees for Salaries and Benefits	(13,848,029)
Payments to Suppliers	(5,322,790)
Payments for Scholarships	(1,090,474)
	<hr/>
Net Cash Used by Operating Activities	(15,796,854)

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

Receipts from State Appropriations	16,263,945
Receipts from Noncapital Contracts and Grants	1,725,626
Gifts Received	196,348
	<hr/>
Net Cash Provided by Noncapital Financing Activities	18,185,919

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

Cash Paid for Capital Assets	(854,502)
Cash Paid for Construction/Implementation in Progress	(220,088)
Proceeds from Sale of Capital Assets	5,607
Gifts Received	386,710
	<hr/>
Net Cash Used by Capital and Related Financing Activities	(682,273)

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

Receipt of Interest on Investments	181,291
	<hr/>
Net Cash Provided by Investing Activities	181,291

**Net Increase (Decrease) in Cash and Cash Equivalents** 1,888,083

**CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR** 

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 5,050,889

**CASH AND CASH EQUIVALENTS – END OF YEAR** 

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 \$ 6,938,972 

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(continued next page)

# **BRIDGERLAND TECHNICAL COLLEGE**

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020

(continued)

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

Operating Loss	\$ (17,827,944)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,461,576
In-kind Gifts Received and Expensed	42,983
Difference between Actuarial Calculated Pension Expense and Actual Contributions	252,513
Changes in Assets and Liabilities:	
Accounts Receivable/Due From State Agencies	(25,475)
Inventories	(4,892)
Prepaid Expenses	(6,765)
Accounts Payable/Due to State Agencies/Accrued Expenses	(210,853)
Unearned Revenue	312,323
Compensated Absences/Termination Benefits	209,680
Net Cash Used by Operating Activities	<u><u>\$ (15,796,854)</u></u>

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

Capital Asset Additions through the State	\$ 173,585
Capital Gifts	\$ 27,500

*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, 2020

### 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 Higher Education. 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.

During fiscal year 2020, the College was a member of the Utah System of Technical Colleges (USTC), with system governance provided by the USTC Board of Trustees and local governance provided by the College's Board of Directors. On July 1, 2020, as a result of changes in State statute, all public post-secondary institutions were placed under the governance of the Utah Board of Higher Education. All public colleges and universities are members of the Utah System of Higher Education. The College maintains a local Board of Trustees and remains an independent technical college and 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.

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 TECHNICAL COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

### 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 property, 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 reported at acquisition value at the time 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 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

### Pensions

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

# **BRIDGERLAND TECHNICAL COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, \$13,946 of the College's bank balance of \$304,456 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 TECHNICAL COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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, 2020, the College had \$6,889,091 held in the PTIF. The College's investment in the PTIF was valued using Level 2 measurements by applying the June 30, 2020 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' 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, 2020, the average maturity of the College's investments was:

# **BRIDGERLAND TECHNICAL COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

<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>	\$6,889,091	\$6,889,091

### *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, 2020, the College's investments were all unrated.

### NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

The following schedule presents accounts receivable at June 30, 2020:

Student Tuition and Fees	\$ 138,643
Federal Grants and Contracts	236,458
State and Local Grants and Contracts	50,081
Sales and Services of Educational Activities, Auxiliary Enterprises, Miscellaneous	31,244
Less Allowance for Doubtful Accounts	<u>(32,000)</u>
<b>Total Accounts Receivable, net</b>	<b><u>\$ 424,426</u></b>
Amounts Due From State Agencies	\$ 61,511
<b>Total Due From State Agencies</b>	<b><u>\$ 61,511</u></b>

Accounts payable at June 30, 2020, consisted of vendor payments totaling \$314,665 and due to State agencies in the amount of \$9,487.

## **BRIDGERLAND TECHNICAL COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

#### NOTE 4. CAPITAL ASSETS

Additions to capital assets include amounts paid by the College as well as additions paid for by the Utah Division of Facilities Construction and Management (DFCM). Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
Construction/Implementation in Progress	\$ -	\$ 220,088	\$ -	\$ 220,088
Land	1,580,000	-	-	1,580,000
Buildings and Improvements	32,413,273	341,375	-	32,754,648
Equipment and Software	7,314,288	714,212	177,293	7,851,207
Total	41,307,561	1,275,675	177,293	42,405,943
Less Accumulated Depreciation: Buildings, Improvements, Equipment, and Software	(24,367,321)	(1,461,576)	(172,675)	(25,656,222)
Net Capital Assets	<u>\$ 16,940,240</u>	<u>\$ (185,901)</u>	<u>\$ 4,618</u>	<u>\$ 16,749,721</u>

#### NOTE 5. LEASE OBLIGATIONS

The College did not have any capital or operating leases as of June 30, 2020.

#### 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, 2020:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Termination Benefits	\$ 215,804	\$ 319,621	\$ 112,119	\$ 423,306	\$ 173,733
Compensated Absences	793,126	339,593	337,415	795,304	272,638
Net Pension Liability	5,819,176	-	2,262,942	3,556,234	-
Total Noncurrent Liabilities	<u>\$ 6,828,106</u>	<u>\$ 659,214</u>	<u>\$2,712,476</u>	<u>\$ 4,774,844</u>	<u>\$ 446,371</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.

# **BRIDGERLAND TECHNICAL COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 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, 2020, there were seven 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 10.00 percent. The cumulative accrued retirement incentive plan liability as of June 30, 2020, totaled \$423,306.

### 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

# BRIDGERLAND TECHNICAL COLLEGE

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Retirement Office Act in Title 49 provides for the administration of the Systems under the direction of the Utah State Retirement Board (Board), whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds. The Systems are a component unit of the State of Utah. Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms.

The Systems issue a publicly available financial report that can be obtained by writing to 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% 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	18.99

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

## **BRIDGERLAND TECHNICAL COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

For fiscal year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

	<b>College Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 930,930	N/A
Tier 2 Public Employees System	101,900	-
Total Contributions	\$ 1,032,830	\$ -

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, 2020, the College reported a net pension asset of \$0 and a net pension liability of \$3,556,234.

	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>	<b>Proportionate Share December 31, 2019</b>	<b>Proportionate Share December 31, 2018</b>	<b>Change (Decrease)</b>
Noncontributory System	\$ -	\$ 3,548,231	0.1597078%	0.1559590%	0.0037488%
Tier 2 Public Employees System	-	8,003	0.0355827%	0.0389818%	(0.0033991)%
Total Net Pension Asset / Liability	\$ -	\$ 3,556,234			

The net pension asset and liability were measured as of December 31, 2019. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019, 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, 2020, the College recognized pension expense of \$1,319,149.

At June 30, 2020, 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	\$ 57,401	\$ 24,514
Changes in assumptions	209,094	230
Net difference between projected and actual earnings on pension plan investments	-	1,104,665
Changes in proportion and differences between contributions and proportionate share of contributions	5,157	266,693
Contributions subsequent to the measurement date	523,951	-
<b>Total</b>	<b>\$ 795,603</b>	<b>\$ 1,396,102</b>

Of the amount reported as deferred outflows of resources related to pensions, \$523,951 resulted from contributions made by the College prior to its fiscal year end, but subsequent to the measurement date

# **BRIDGERLAND TECHNICAL COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

of December 31, 2019. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2020	\$ (311,975)
2021	\$ (380,278)
2022	\$ (14,834)
2023	\$ (421,911)
2024	\$ 778
Thereafter	\$ 3,770

### Actuarial Assumptions

The total pension liability in the December 31, 2019, 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, 2019, 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, 2020

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%
<b>Totals</b>	100%		4.75%
	<u>Inflation</u>		2.50%
	<u>Expected Arithmetic Nominal Return</u>		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	\$ 8,004,397	\$ 3,548,231	\$ (187,163)
Tier 2 Public Employees System	69,012	8,003	(39,146)
Total	\$ 8,073,409	\$ 3,556,234	\$ (226,309)

# **BRIDGERLAND TECHNICAL COLLEGE**

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 6.20 percent of these eligible employees' salaries into their respective 401(k) accounts.

The College also contributes 1.50 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 18.99 percent is a retirement contribution and the balance of 1.03 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, 2020, totaled \$407,385. Under certain IRS and plan restrictions, employees can make additional contributions. Contributions by College employees for the year ended June 30, 2020, totaled \$328,242.

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, 2020, totaled \$35,409.

For employees covered by the alternate defined contribution plan administered by UIEBT, the College contributes 14.20 percent of eligible employees' gross earnings. Employer contributions toward this plan for the year ended June 30, 2020, totaled \$283,989.

### NOTE 9. COMPENSATED ABSENCES

The College accrues and reports annual leave in the year earned. Benefits-eligible employees are eligible for one day (1.00) of paid annual leave 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 leave carryover was suspended. Employees retained accumulated annual leave earned prior to this date. For fiscal year 2020,

# **BRIDGERLAND TECHNICAL COLLEGE**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020**

employees were allowed to accrue unused annual leave at a rate of 10.00 percent of the total amount of annual leave earned during the fiscal year.

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 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 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 30. As of June 30, 2020, the contract had been renewed effective until June 30, 2021. During fiscal year 2020, 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, 2020

### 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,					
	2019	2018	2017	2016	2015	2014
<i><b>Noncontributory System</b></i>						
Proportion of Net Pension Liability (Asset)	0.1597078%	0.1559590%	0.1602861%	0.1660955%	0.1662583%	0.1541022%
Proportionate Share of Net Pension Liability (Asset)	\$ 3,548,231	\$ 5,802,481	\$ 3,919,576	\$ 5,383,017	\$ 5,222,649	\$ 3,871,862
Covered Payroll	\$ 4,419,658	\$ 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	80.28%	128.19%	86.72%	112.73%	103.73%	81.4%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.1%	84.1%	89.2%	84.9%	84.5%	87.2%
<i><b>Tier 2 Public Employees System</b></i>						
Proportion of Net Pension Liability (Asset)	0.0355827%	0.0389818%	0.0506540%	0.0541636%	0.0481371%	0.013412%
Proportionate Share of Net Pension Liability (Asset)	\$ 8,003	\$ 16,695	\$ 4,466	\$ 6,042	\$ (105)	\$ (398)
Covered Payroll	\$ 494,391	\$ 455,813	\$ 495,559	\$ 444,186	\$ 311,024	\$ 65,086
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	1.62%	3.66%	0.90%	1.36%	-0.03%	-0.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.5%	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, 2020

**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*

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 930,930	\$ 974,725	\$ 975,074	\$ 1,003,413	\$ 1,062,448	\$ 1,002,013	\$ 877,560	\$ 819,522	\$ 743,862	\$ 723,118
Contributions in Relation to the Contractually Required Contribution	(930,930)	(974,725)	(975,074)	(1,003,413)	(1,062,448)	(1,002,013)	(877,560)	(819,522)	(743,862)	(723,118)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,314,911	\$ 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
Contributions as a Percentage of Covered Payroll	21.57%	21.67%	21.76%	21.81%	21.18%	20.58%	18.75%	17.24%	15.58%	16.32%

*Tier 2 Public Employees System\**

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 101,900	\$ 85,397	\$ 92,955	\$ 91,121	\$ 70,625	\$ 16,886	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(101,900)	(85,397)	(92,955)	(91,121)	(70,625)	(16,886)				
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 536,597	\$ 452,557	\$ 505,951	\$ 499,567	\$ 387,198	\$ 202,716				
Contributions as a Percentage of Covered Payroll	18.99%	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, 2020, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated January 12, 2021.

### 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.

*Office of the State Auditor*

Office of the State Auditor  
January 12, 2021