

BRIDGERLAND TECHNICAL COLLEGE

A Component Unit of the State of Utah

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2021

Report No. 21-22



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Gregg Hastings, CPA, Audit Manager
Jordan Kattelman, CPA, Audit Senior

BRIDGERLAND TECHNICAL COLLEGE

ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2021

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OFFICE OF THE
STATE AUDITOR

Independent Auditor's Report

To the Governing Board, Audit Committee
and

K. Chad Campbell, President
Bridgerland Technical College

We have audited the accompanying financial statements of Bridgerland Technical College (College) as of and for the year ended June 30, 2021, 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 College'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 College'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, 2021, and the respective changes in financial position and, where applicable, 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 the management's discussion and analysis, the Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Defined 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 21, 2022 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

January 21, 2022

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021 (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, 2021, to the readers of the College's financial statements.

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, 2021 (Unaudited)

Financial Analysis

Statement of Net Position. The following schedule presents a summary of the College's net position as of June 30, 2021 and 2020:

Net Position	June 30, 2021	June 30, 2020	Amount of Increase (Decrease)	Percent Increase (Decrease)
Current Assets	\$ 8,285,164	\$ 7,229,559	\$ 1,055,605	14.60%
Noncurrent Assets:				
Other Noncurrent Assets	2,995,169	864,482	2,130,687	246.47%
Capital Assets, Net	<u>19,115,824</u>	<u>16,749,721</u>	<u>2,366,103</u>	14.13%
Total Assets	<u>30,396,157</u>	<u>24,843,762</u>	<u>5,552,395</u>	22.35%
Deferred Outflows of Resources	<u>2,047,397</u>	<u>795,603</u>	<u>1,251,794</u>	157.34%
Current Liabilities	1,516,804	1,667,902	(151,098)	(9.06%)
Noncurrent Liabilities	<u>753,102</u>	<u>4,328,473</u>	<u>(3,575,371)</u>	(82.60%)
Total Liabilities	<u>2,269,906</u>	<u>5,996,375</u>	<u>(3,726,469)</u>	(62.15%)
Deferred Inflows of Resources	<u>5,850,747</u>	<u>1,396,102</u>	<u>4,454,645</u>	319.08%
Net Position:				
Net Investment in Capital Assets	19,115,824	16,749,721	2,366,103	14.13%
Restricted for				
Nonexpendable – Scholarships	64,537	49,447	15,090	30.52%
Expendable – Scholarships and Other	302,156	226,088	76,068	33.65%
Expendable – Capital Gifts	993,660	815,035	178,625	21.92%
Unrestricted	<u>3,846,724</u>	<u>406,597</u>	<u>3,440,127</u>	846.08%
Total Net Position	<u>\$ 24,322,901</u>	<u>\$ 18,246,888</u>	<u>\$ 6,076,013</u>	33.30%

Total assets of the College increased by \$5,552,395 or 22.35 percent during the fiscal year. Current assets increased by \$1,055,605, which consisted of an increase in cash of \$1,130,997 due to various revenue sources in excess of expenses, a decrease in accounts receivable of \$227,722 due to decreases in student and grant receivables, a decrease in due from State agencies in the amount of \$52,425 related to capital improvement projects, an increase in inventory of \$209,581 due to Building Technology program projects in progress, and a decrease in prepaid expenses in the amount of \$4,826.

Other noncurrent assets increased by \$2,130,687, primarily due to an increase in the net pension asset, which is provided by the Utah Retirement Systems (URS) and is based on estimates derived from actuarial calculations. See Note 8 for additional information.

The College's capital assets as of June 30, 2021, increased from \$16,749,721 to \$19,115,824 (net of accumulated depreciation) for a total change of \$2,366,103. This investment in capital assets includes construction/implementation in progress, land, buildings and improvements, and equipment and software. Construction/implementation in progress totaled \$295,394 as a result of programming and planning for the

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021 (Unaudited)

new Health Sciences building. Land decreased by \$20,748 as a result of a project to expand the corner of 1400 North and 600 West. Buildings and improvements increased by \$3,217,009 as a result of Machining Technology and Meat Services remodels, continued improvement of HVAC and electrical systems, and improvements as part of the project to expand the corner and roads of 1400 North and 600 West. Equipment and software acquisitions (including donated assets) totaled \$780,102. Depreciation expense for the College reduced the College's capital assets by \$1,622,248. 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 URS as outlined by GASB 68. The increase of \$1,251,794 represents the net difference between expected and actual experience, changes in assumptions, and changes in proportion and differences between contributions and proportionate share of contributions. See Note 8 for additional information.

Total liabilities of the College decreased by \$3,726,469 or 62.15 percent during the fiscal year. Current liabilities decreased by \$151,098. Accounts payable increased by \$22,021 due to the timing of when obligations were incurred and payments were paid. Due to State agencies increased by \$20,288 as a result of programming and planning expenses for the new Health Sciences building. Unearned revenue decreased by \$210,735 as a result of funds reserved at June 30, 2020, that were used during fiscal year 2021 for the Machining Technology remodel. Termination benefits increased by \$38,563 as a result of employees being approved for such benefits. Compensated absences and accrued payroll collectively decreased by \$21,235.

Noncurrent liabilities decreased \$3,575,371, 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 the URS as outlined by GASB 68. The increase of \$4,454,645 represents the net difference between project and actual earnings on pension plan investments and changes in proportion and differences between contributions and proportionate share of contributions. 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, 2021 and 2020:

Net Position	Year Ended June 30, 2021 Amount	Year Ended June 30, 2020 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	\$ 4,715,291	\$ 4,096,327	\$ 618,964	15.11%
Operating Expenses	(21,113,189)	(21,924,271)	811,082	(3.70%)
Operating Income (Loss)	(16,397,898)	(17,827,944)	1,430,046	(8.02%)
Nonoperating Revenues	19,712,218	18,534,437	1,177,781	6.35%
Other Revenues	2,761,693	587,795	2,173,898	369.84%
Increase (Decrease) in Net Position	6,076,013	1,294,288	4,781,725	369.45%
Net Position – Beginning of Year	18,246,888	16,952,600	1,294,288	7.63%
Net Position – End of Year	<u>\$ 24,322,901</u>	<u>\$ 18,246,888</u>	<u>\$ 6,076,013</u>	33.30%

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021 (Unaudited)

The College experienced a net operating loss of \$16,397,898 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 2021, 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, 2021 and 2020:

Revenues	Year Ended June 30, 2021 Amount	Percent of Total Revenue	Year Ended June 30, 2020 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Revenues:					
Student Tuition and Fees	\$ 1,834,795	6.75%	\$ 1,893,146	\$ (58,351)	(3.08%)
Federal Grants and Contracts	638,141	2.35%	253,025	385,116	152.20%
State Grants and Contracts	16,152	.06%	42,752	(26,600)	(62.22%)
Local Grants and Contracts	935,567	3.44%	673,274	262,293	38.96%
Sales and Services of Educational Activities	857,947	3.16%	882,351	(24,404)	(2.77%)
Auxiliary Enterprises	432,689	1.59%	351,779	80,910	23.00%
Total Operating Revenues	<u>4,715,291</u>	<u>17.34%</u>	<u>4,096,327</u>	<u>618,964</u>	<u>15.11%</u>
Nonoperating Revenues:					
State Appropriations	15,871,176	58.37%	16,263,945	(392,769)	(2.41%)
Federal Grants and Contracts	2,542,252	9.35%	1,163,385	1,378,867	118.52%
State Grants and Contracts	642,750	2.36%	646,917	(4,167)	(.64%)
Gifts	338,386	1.24%	277,910	60,476	21.76%
Investment Income	64,674	.24%	181,291	(116,617)	(64.33%)
Disposal of Capital Assets	252,980	.93%	989	251,991	25479.37%
Total Nonoperating Revenues	<u>19,712,218</u>	<u>72.50%</u>	<u>18,534,437</u>	<u>1,177,781</u>	<u>6.35%</u>
Other Revenues:					
Capital Appropriations	2,557,068	9.40%	173,585	2,383,483	1373.09%
Capital Gifts	184,625	.68%	414,210	(229,585)	(55.43%)
Additions to Quasi Endowments	20,000	.07%	-	20,000	100.00%
Total Other Revenues	<u>2,761,693</u>	<u>10.16%</u>	<u>587,795</u>	<u>2,173,898</u>	<u>369.84%</u>
Total Revenues	<u>\$27,189,202</u>	<u>100.00%</u>	<u>\$ 23,218,559</u>	<u>\$ 3,970,643</u>	<u>17.10%</u>

The revenue comparison between fiscal year 2021 and fiscal year 2020 shows a total revenue increase in the amount of \$3,970,643. Operating revenues increased by \$618,964. Student tuition and fees, State grants and contracts, and sales and services of educational activities all decreased while federal grants and contracts, local grants and contracts, and auxiliary enterprises all increased.

Nonoperating revenues increased by a total of \$1,177,781. State appropriations decreased by \$392,769 as a result of funding changes by the Utah State Legislature. Federal grants and contracts increased by \$1,378,867, which was the result of federal funding received for various projects related to the COVID-19

BRIDGERLAND TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021 (Unaudited)

global pandemic. Nonoperating revenues also included a \$60,476 increase in gifts, a \$4,167 decrease in State grants and contracts, a \$116,617 decrease in investment income due to lower interest rates, and a \$251,991 increase in the disposal of capital assets due to land being used for the expansion of the corner of 1400 North and 600 West.

Other revenues increased by a total of \$2,173,898, which is largely due to an increase in Capital Appropriations 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. Several major projects were completed in fiscal year 2021, 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, 2021 and 2020:

Expenses	Year Ended June 30, 2021 Amount	Percent of Total Expense	Year Ended June 30, 2020 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Expenses:					
Salaries and Wages	\$ 9,731,382	46.09%	\$ 9,352,748	\$ 378,634	4.05%
Benefits	3,591,185	17.01%	3,619,518	(28,333)	(.78%)
Actuarial Calculated Pension Expense	(1,232,703)	(5.84%)	1,319,149	(2,551,852)	(193.45%)
Professional and Technical Educational Services	822,401	3.90%	690,474	131,927	19.11%
Utilities	661,517	3.13%	631,584	29,933	4.74%
Scholarships and Grants in Aid	1,251,414	5.93%	1,090,474	160,940	14.76%
Depreciation	1,622,248	7.68%	1,461,576	160,672	10.99%
Other Operating Expenses	4,665,745	22.10%	3,758,748	906,997	24.13%
Total Operating Expenses	<u>\$ 21,113,189</u>	<u>100.00%</u>	<u>\$ 21,924,271</u>	<u>\$ (811,082)</u>	<u>(3.70%)</u>

Expenses for the year ended June 30, 2021, decreased by \$811,082 compared to fiscal year ended June 30, 2020, which represents a 3.70 percent decrease. As derived from information provided by the URS, the actuarial calculated pension expense was (\$1,232,703) resulting in a significant decrease of \$2,551,852. Salaries and wages increased by \$378,634 and benefits decreased by \$28,333 because of changes in the mixture of staff as well as early retirement incentives. Scholarships and grants in aid increased by \$160,940. Professional and technical educational services increased by \$131,927. Utilities and depreciation collectively increased by \$190,605. Other operating expenses increased by \$906,997 largely because of projects funded by federal funds received due to the COVID-19 global pandemic.

Debt Administration

The College's debt consists of liabilities for compensated absences and termination benefits, which collectively decreased by \$38,229 during fiscal year 2021. 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, 2021 (Unaudited)

Economic Outlook

Besides the COVID-19 global pandemic 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 is moving vigorously toward the completion of the new Health Sciences building now that it is fully funded. 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 respond 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 FOR THE YEAR ENDED JUNE 30, 2021

ASSETS

Current Assets:

Cash and Cash Equivalents (Notes 1 and 2)	\$ 7,205,487
Accounts Receivable (Note 3)	196,704
Due From State Agencies (Note 3)	9,086
Inventories (Note 1)	866,009
Prepaid Expenses	7,878
Total Current Assets	8,285,164

Noncurrent Assets:

Restricted Cash and Cash Equivalents (Notes 1 and 2)	1,058,197
Construction/Implementation in Progress (Note 4)	295,394
Land (Notes 1 and 4)	1,559,252
Buildings and Improvements (Notes 1 and 4)	35,971,657
Equipment and Software (Notes 1 and 4)	8,213,380
Less Accumulated Depreciation (Notes 1 and 4)	(26,923,859)
Net Pension Asset (Notes 1 and 8)	1,936,972
Total Noncurrent Assets	22,110,993
Total Assets	30,396,157

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Relating to Pensions (Notes 1 and 8)	\$ 2,047,397
Total Deferred Outflows of Resources	2,047,397

LIABILITIES

Current Liabilities

Accounts Payable (Note 3)	336,686
Due to State Agencies (Note 3)	29,775
Unearned Revenue	543,404
Accrued Payroll	174,769
Termination Benefits (Current Portion) (Notes 6 and 7)	212,296
Compensated Absences (Current Portion) (Notes 6 and 9)	219,874
Total Current Liabilities	1,516,804

Noncurrent Liabilities

Termination Benefits (Notes 6 and 7)	269,415
Compensated Absences (Notes 6 and 9)	478,796
Net Pension Liability (Notes 1, 6, and 8)	4,891
Total Noncurrent Liabilities	753,102
Total Liabilities	2,269,906

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Relating to Pensions (Notes 1 and 8)	\$ 5,850,747
Total Deferred Inflows of Resources	5,850,747

NET POSITION

Net Investment in Capital Assets	19,115,824
Restricted for	
Nonexpendable – Scholarships	64,537
Expendable – Scholarships and Other	302,156
Expendable – Capital Gifts	993,660
Unrestricted	3,846,724
Total Net Position	\$ 24,322,901

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, 2021

REVENUES

Operating Revenues (Note 1)

Student Tuition and Fees (Net of Scholarship Allowances of \$741,359)	\$ 1,834,795
Federal Grants and Contracts	638,141
State Grants and Contracts	16,152
Local Grants and Contracts	935,567
Sales and Services of Educational Activities	857,947
Auxiliary Enterprises (Net of Scholarship Allowances of \$35,003)	432,689
Total Operating Revenues	4,715,291

EXPENSES

Operating Expenses (Note 1)

Salaries and Wages	9,731,382
Benefits	3,591,185
Actuarial Calculated Pension Expense (Note 8)	(1,232,703)
Professional and Technical Educational Services	822,401
Utilities	661,517
Scholarships and Grants in Aid	1,251,414
Depreciation	1,622,248
Other Operating Expenses	4,665,745
Total Operating Expenses	21,113,189
Operating Loss	(16,397,898)

NONOPERATING REVENUES

State Appropriations	15,871,176
Federal Grants and Contracts	2,542,252
State Grants and Contracts	642,750
Gifts	338,386
Investment Income	64,674
Disposal of Capital Assets	252,980
Net Nonoperating Revenues	19,712,218

OTHER REVENUES

Capital Appropriations	2,557,068
Capital Gifts	184,625
Additions to Quasi Endowments	20,000
Total Other Revenues	2,761,693
Increase (Decrease) in Net Position	6,076,013

NET POSITION

Net Position – Beginning of Year	18,246,888
Net Position – End of Year	\$ 24,322,901

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

BRIDGERLAND TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Tuition and Fees	\$ 1,881,671
Receipts from Grants and Contracts	1,399,776
Receipts from Auxiliary Enterprise Charges	431,603
Receipts from Sales and Services of Educational Activities	860,399
Payments to Employees for Salaries and Benefits	(14,362,199)
Payments to Suppliers	(6,198,535)
Payments for Scholarships	<u>(1,251,414)</u>
Net Cash Used by Operating Activities	<u>(17,238,699)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from State Appropriations	15,871,176
Receipts from Noncapital Contracts and Grants	3,262,570
Gifts Received	338,669
Additions to Quasi Endowments	<u>20,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>19,492,415</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Paid for Capital Assets	(1,164,934)
Cash Paid for Construction/Implementation in Progress	(103,800)
Proceeds from Sale of Capital Assets	96,431
Gifts Received	<u>178,625</u>
Net Cash Used by Capital and Related Financing Activities	<u>(993,678)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of Interest on Investments	<u>64,674</u>
Net Cash Provided by Investing Activities	<u>64,674</u>

Net Increase (Decrease) in Cash and Cash Equivalents 1,324,712

CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR 6,938,972

CASH AND CASH EQUIVALENTS – END OF YEAR \$ 8,263,684

(continued next page)

BRIDGERLAND TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021 (continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (16,397,898)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,622,248
In-kind Gifts Received and Expensed	54,734
Difference between Actuarial Calculated Pension Expense and Actual Contributions	(2,285,464)
Changes in Assets and Liabilities:	
Accounts Receivable/Due From State Agencies	204,684
Inventories	(209,581)
Prepaid Expenses	4,826
Accounts Payable/Due to State Agencies	42,309
Unearned Revenue	(267,857)
Accrued Payroll	31,529
Termination Benefits/Compensated Absences	(38,229)
Net Cash Used by Operating Activities	<u>\$ (17,238,699)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital Asset Additions through the State of Utah (DFCM)	\$ 2,557,068
Capital Asset Additions through Other Sources	\$ 240,615
Capital Gifts	\$ 6,000

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, 2021

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 and maintains a local Board of Trustees. It is included as a component unit of the State of Utah and is included in the State's *Annual Comprehensive 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.

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, the College uses restricted resources first and then unrestricted resources as they are needed.

Deposits and Investments

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

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

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 recorded at acquisition value at the time of the donation.

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

Capital assets are depreciated over an estimated useful life using the straight-line method of depreciation. The estimated useful life of an asset is determined at acquisition based on guidelines provided in the State of Utah Fixed Assets Useful Life Table (FIACCT 09-17.01) and the professional judgment of the applicable department head. Typically assets have estimated useful lives as follows:

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

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 have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are 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

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, \$472,090 of the College's bank balance of \$762,612 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.

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

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the College had \$8,142,590 held in the PTIF. The College's investment in the PTIF was valued using Level 2 measurements by applying the June 30, 2021, 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, 2021, the average maturity of the College's investments was:

<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>	\$8,142,590	\$8,142,590

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the College's investments were all unrated.

NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

The following schedule presents accounts receivable at June 30, 2021:

Student Tuition and Fees	\$ 111,117
Federal Grants and Contracts	50,705
State and Local Grants and Contracts	69,364
Sales and Services of Educational Activities, Auxiliary Enterprises, Miscellaneous	3,518
Less Allowance for Doubtful Accounts	<u>(38,000)</u>
Total Accounts Receivable, net	<u>\$ 196,704</u>
Amounts Due From State Agencies	<u>\$ 9,086</u>
Total Due From State Agencies	<u>\$ 9,086</u>

Accounts payable at June 30, 2021, consisted of vendor payments totaling \$336,686 and due to State agencies in the amount of \$29,775.

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, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Construction/Implementation in Progress	\$ 220,088	\$ 103,800	\$ 28,494	\$ 295,394
Land	1,580,000	-	20,748	1,559,252
Buildings and Improvements	32,754,648	3,217,009	-	35,971,657
Equipment and Software	<u>7,851,207</u>	<u>780,102</u>	<u>417,929</u>	<u>8,213,380</u>
Total	42,405,943	4,100,911	467,171	46,039,683
Less Accumulated Depreciation: Buildings, Improvements, Equipment, and Software	<u>(25,656,222)</u>	<u>(1,622,248)</u>	<u>(354,611)</u>	<u>(26,923,859)</u>
Net Capital Assets	<u>\$ 16,749,721</u>	<u>\$ 2,478,663</u>	<u>\$ 112,560</u>	<u>\$ 19,115,824</u>

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5. LEASE OBLIGATIONS

The College did not have any capital or operating leases as of June 30, 2021.

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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Termination Benefits	\$ 423,306	\$ 183,274	\$ 124,869	\$ 481,711	\$ 212,296
Compensated Absences	795,304	239,538	336,172	698,670	219,874
Net Pension Liability	3,556,234	-	3,551,343	4,891	-
Total Noncurrent Liabilities	<u>\$ 4,774,844</u>	<u>\$ 422,812</u>	<u>\$4,012,384</u>	<u>\$ 1,185,272</u>	<u>\$ 432,170</u>

NOTE 7. TERMINATION BENEFITS

In accordance with the College's Early Retirement Incentive Policy, benefits-eligible employees (1) whose accumulated age and years of service in the Utah Retirement Systems (URS) or Alternate Retirement Plan equal or exceed 75, (2) who have at least five years of service at the College, (3) who meet the eligibility requirements for retirement under rules established by the URS or are eligible to retire and withdraw funds from the Alternate Retirement Plan without an early withdrawal penalty as determined by IRS (typically age 59 ½), and (4) who actually retire prior to reaching the age of eligibility for unreduced social security benefits (typically age 65), may apply for participation in the College's Voluntary Early Retirement Incentive Program.

Entrance or participation in the Voluntary 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 first as an employer-paid purchase of service credits to the URS if the employee is eligible and next as an employer-paid contribution 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.

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

These benefits are funded by the College on a pay-as-you-go basis. At June 30, 2021, there were eight retirees approved for benefits under the Voluntary Early 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, 2021, totaled \$481,711.

NOTE 8. RETIREMENT PLANS

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

Defined Benefit Plans

The Systems are comprised of the following pension trust funds, which are multiple-employer, cost-sharing public employee retirement systems:

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

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

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

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/general/publications.

Benefits Provided

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

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 as of June 30, 2021, are as follows:

	<u>Paid by College for Employee</u>	<u>College Contribution Rate</u>
Noncontributory System	N/A	22.19
Tier 2 Public Employees System	N/A	19.13

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

For fiscal year ended June 30, 2021, the employer and employee contributions to the Systems were as follows:

	<u>College Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 910,592	N/A
Tier 2 Public Employees System	109,016	-
Total Contributions	<u>\$ 1,019,608</u>	<u>\$ -</u>

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

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

At June 30, 2021, the College reported a net pension asset of \$1,936,972 and a net pension liability of \$4,891.

	Net Pension Asset	Net Pension Liability	Proportionate Share December 31, 2020	Proportionate Share December 31, 2019	Change (Decrease)
Noncontributory System	\$ 1,936,972	\$ -	1.9639043%	0.1597078%	1.8041965%
Tier 2 Public Employees System	-	4,891	0.0340092%	0.0355827%	(0.0015735)%
Total Net Pension Asset / Liability	<u>\$ 1,936,972</u>	<u>\$ 4,891</u>			

The net pension asset and liability were measured as of December 31, 2020. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020, 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, 2021, the College recognized pension expense of (\$1,232,703).

At June 30, 2021, the College's portion of the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 645,763	\$ 31,647
Changes in assumptions	64,220	178
Net difference between projected and actual earnings on pension plan investments	-	2,620,906
Changes in proportion and differences between contributions and proportionate share of contributions	806,308	3,198,016
Contributions subsequent to the measurement date	531,106	-
Total	<u>\$ 2,047,397</u>	<u>\$ 5,850,747</u>

Of the amount reported as deferred outflows of resources related to pensions, \$531,106 resulted from contributions made by the College prior to its fiscal year end, but subsequent to the measurement date of December 31, 2020. 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:

Year Ending December 31,	Deferred Outflows (Inflows) of Resources
2021	\$ (773,282)
2022	\$ (1,824,565)
2023	\$ (1,323,937)
2024	\$ (421,257)
2025	\$ 1,606
Thereafter	\$ 6,980

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Actuarial Assumptions

The total pension liability in the December 31, 2020, 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 adopted from an actuarial experience dated January 1, 2020. The retired mortality tables are developed using Systems' retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80 percent of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employee Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2020, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2019.

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 and is applied consistently to each defined benefit pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Expected Return Arithmetic Basis			
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	37%	6.30%	2.33%
Debt Securities	20%	0.00%	0.00%
Real Assets	15%	6.19%	0.93%
Private Equity	12%	9.50%	1.14%
Absolute Return	16%	2.75%	0.44%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		4.84%
	Inflation		2.50%
	Expected Arithmetic Nominal Return		7.34%

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, and 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:

<u>System</u>	<u>1% Decrease (5.95%)</u>	<u>Discount Rate (6.95%)</u>	<u>1% Increase (7.95%)</u>
Noncontributory System	\$ 3,488,178	\$ (1,936,972)	\$ (6,442,116)
Tier 2 Public Employees System	82,309	4,891	(54,331)
Total	<u>\$ 3,570,487</u>	<u>\$ (1,932,081)</u>	<u>\$ (6,496,447)</u>

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

Changes in Assumptions

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020, actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the total pension liability, which is about 0.50 percent of the total pension liability as of December 31, 2019, for all systems combined. The Actuarial Experience Study report as of December 31, 2019, provides detailed information regarding those assumption changes, which may be accessed online at newsroom.urs.org under the "Retirement Office" column using the "Reports and Stats" tab.

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 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 19.13 percent is a retirement contribution and the balance of 0.89 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, 2021, totaled \$397,795. Under certain IRS and plan restrictions, employees can make additional contributions. Contributions by College employees for the year ended June 30, 2021, totaled \$346,300.

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, 2021, totaled \$35,633.

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, 2021, totaled \$330,300.

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 years 2020 and 2021, employees were allowed to accrue unused annual leave at a rate of 10.00 percent of the total amount of annual leave earned during each 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

BRIDGERLAND TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021, the contract had been renewed effective until June 30, 2022. During fiscal year 2021, 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, 2021

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,						
	2020	2019	2018	2017	2016	2015	2014
<i>Noncontributory System</i>							
Proportion of Net Pension Liability (Asset)	1.9639043%	0.1597078%	0.1559590%	0.1602861%	0.1660955%	0.1662583%	0.1541022%
Proportionate Share of Net Pension Liability (Asset)	\$ (1,936,972)	\$ 3,548,231	\$ 5,802,481	\$ 3,919,576	\$ 5,383,017	\$ 5,222,649	\$ 3,871,862
Covered Payroll	\$ 4,220,827	\$ 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	-45.89%	80.28%	128.19%	86.72%	112.73%	103.73%	81.4%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	199.0%	90.1%	84.1%	89.2%	84.9%	84.5%	87.2%
<i>Tier 2 Public Employees System</i>							
Proportion of Net Pension Liability (Asset)	0.0340092%	0.0355827%	0.0389818%	0.0506540%	0.0541636%	0.0481371%	0.013412%
Proportionate Share of Net Pension Liability (Asset)	\$ 4,891	\$ 8,003	\$ 16,695	\$ 4,466	\$ 6,042	\$ (105)	\$ (398)
Covered Payroll	\$ 543,807	\$ 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	0.90%	1.62%	3.66%	0.90%	1.36%	-0.03%	-0.6%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.3%	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, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 910,592	\$ 930,930	\$ 974,725	\$ 975,074	\$ 1,003,413	\$ 1,062,448	\$ 1,002,013	\$ 877,560	\$ 819,522	\$ 743,862
Contributions in Relation to the Contractually Required Contribution	(910,592)	(930,930)	(974,725)	(975,074)	(1,003,413)	(1,062,448)	(1,002,013)	(877,560)	(819,522)	(743,862)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,218,304	\$ 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
Contributions as a Percentage of Covered Payroll	21.59%	21.57%	21.67%	21.76%	21.81%	21.18%	20.58%	18.75%	17.24%	15.58%

*Tier 2 Public Employees System**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 109,016	\$ 101,900	\$ 85,397	\$ 92,955	\$ 91,121	\$ 70,625	\$ 16,886	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	(109,016)	(101,900)	(85,397)	(92,955)	(91,121)	(70,625)	(16,886)			
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 572,645	\$ 536,597	\$ 452,557	\$ 505,951	\$ 499,567	\$ 387,198	\$ 202,716			
Contributions as a Percentage of Covered Payroll	19.04%	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 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 Governing Board, 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 (College), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 21, 2022.

Internal Control over Financial Reporting

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

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

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

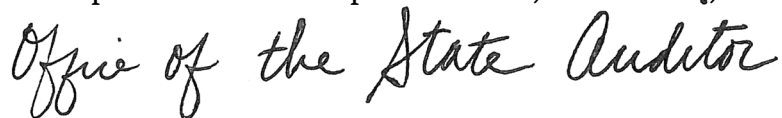
be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to *Utah Code* Title 63G Chapter 2, this report is a matter of public record, and as such, its distribution is not limited.

A handwritten signature in black ink that reads "Office of the State Auditor". The signature is written in a cursive, flowing style.

Office of the State Auditor

January 21, 2022