



BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

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

Annual Financial Report
For the Year Ended June 30, 2006

Report No. 06-02

*Keeping Utah
Financially Strong*

**AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR**

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ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2006

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Auston G. Johnson, CPA
UTAH STATE AUDITOR

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Independent State Auditor's Report

To the Board of Trustees
and
Dr. Richard L. Maughan, President
Bridgerland Applied Technology College

We have audited the accompanying financial statements of Bridgerland Applied Technology College (College), a regional college within the Utah College of Applied Technology (UCAT) which is a component unit of the State of Utah, as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the College's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the College and do not purport to, and do not present fairly the financial position of UCAT, as of June 30, 2006, and the changes in its financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2006, and the changes in financial position

and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2006 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the College's financial statements. The accompanying supplementary information on pages 3 through 9 are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying supplementary information have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

Auston G. Johnson, CPA
Utah State Auditor
October 20, 2006

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006 (Unaudited)

As management of the Bridgerland Applied Technology College (College), we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2006.

Effective September 1, 2001, the Utah State Legislature created the Utah College of Applied Technology (UCAT) which is composed of nine regional applied technology colleges. The existing Bridgerland Applied Technology Center became one of these regional applied technology colleges and became known as the Bridgerland Applied Technology College. With this change, the College became an institution within and subject to the authority of the Utah System of Higher Education. It is anticipated that there will be a great deal of coordination with the other regional colleges in the development of academic programs and operational policies and procedures. Additional information on the College's relationship to UCAT can be found in Note 1 of the Notes to the Financial Statements.

Overview of the Financial Statements

This management 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 Assets, 2) the Statement of Revenues, Expenses, and Changes in Net Assets, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

Statement of Net Assets. The Statement of Net Assets provides information on the College's assets and liabilities at the end of the fiscal year, with the difference between the two reported as net assets. The information provided in the Statement of Net Assets along with disclosures and other information contained in the Statement of Revenues, Expenses, and Changes in Net Assets, 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 Assets. The Statement of Revenues, Expenses, and Changes in Net Assets 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 assets of the College. The information in this statement, together with information in the Statement of Net Assets, 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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006 (Unaudited)

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 of 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.

Financial Analysis

Assets, Liabilities, and Net Assets. The following schedule presents a summary of the College's assets, liabilities, and net assets as of June 30, 2006 and 2005:

<u>Net Assets</u>	<u>Year Ended June 30, 2006 Amount</u>	<u>Year Ended June 30, 2005 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Current Assets	\$ 2,950,470	\$ 1,984,536	\$ 965,934	48.7%
Capital Assets	18,366,653	19,129,448	(762,795)	(4.0%)
Total Assets	<u>21,317,123</u>	<u>21,113,984</u>	<u>203,139</u>	<u>1.0%</u>
Current Liabilities	1,077,794	745,337	332,457	44.6%
Noncurrent Liabilities	944,530	837,068	107,462	12.8%
Total Liabilities	<u>2,022,324</u>	<u>1,582,405</u>	<u>439,919</u>	<u>27.8%</u>
Net Assets:				
Invested in Capital Assets	18,257,699	19,129,448	(871,749)	(4.6%)
Restricted Expendable	177,339	124,556	52,783	42.4%
Unrestricted	859,761	277,575	582,186	209.7%
Total Net Assets	<u>\$ 19,294,799</u>	<u>\$ 19,531,579</u>	<u>\$ (236,780)</u>	<u>(1.2%)</u>

Assets of the College increased by \$203,139, or 1%, during the fiscal year. The increase in current assets consists of an increase in cash and cash equivalents of \$995,352, an increase in receivables of \$22,097, a decrease in "due from other agencies" of \$66,572 and an increase in inventories of \$15,057. The increase in cash and cash equivalents is due to a very careful management effort during fiscal year 2006 to replenish reserve funds that were depleted in fiscal year 2005 to prepare for our accreditation visit and to keep the Bourns Building available for the Legislature to purchase. The only individually significant reason for the decrease in due from other

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006 (Unaudited)

agencies is the result of the College changing our process for requesting reimbursement of our Pell Grant Awards. We changed to requesting reimbursement monthly instead of quarterly.

The College's investment in capital assets as of June 30, 2006 amounts to \$18,366,653 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment. New equipment purchases were made in the amount of \$380,155. Depreciation for the year was \$1,142,950. This resulted in a net decrease in capital assets of \$762,795 during the fiscal year. Additional information on the changes in the College's capital assets can be found in Note 4 of the Notes to the Financial Statements.

The liabilities of the College increased by \$439,919, or 27.8%, during the fiscal year. This increase is due to an increase in current liabilities in the amount of \$332,457 and an increase in noncurrent liabilities of \$107,462. The increase in current liabilities is primarily due to an increase in accounts payable and due to other governments because the College ran a final check run for fiscal year 2006 on June 30, 2006, but the checks, totaling \$185,000 did not go in the mail until July 1, 2006. The remainder of the increase in current liabilities is due to the current portion of a capital lease initiated in fiscal year 2006 in the amount of \$45,236 and an increase in the current portion of the liability for compensated absences and other post-employment benefits in the amount of \$46,367. The \$107,462 increase in noncurrent liabilities is due to the noncurrent portion of the capital lease initiated in fiscal year 2006 in the amount of \$63,718 and the noncurrent portion of the increase in liability for compensated absences and other post-employment benefits in the amount of \$43,744.

Changes in Net Assets. The following schedule presents a summary of changes in net assets for the College for the fiscal years ended June 30, 2006 and 2005:

<u>Net Assets</u>	<u>Year Ended June 30, 2006 Amount</u>	<u>Year Ended June 30, 2005 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 3,900,890	\$ 4,468,093	\$ (567,203)	(12.7%)
Operating Expenses	12,979,937	13,671,781	(691,844)	(5.1%)
Operating Income (Loss)	<u>(9,079,047)</u>	<u>(9,203,688)</u>	<u>124,641</u>	<u>1.4%</u>
Nonoperating Revenues	8,711,065	7,767,721	943,344	12.1%
Other Revenue	131,202	3,722,581	(3,591,379)	(96.5%)
Net Increase (Decrease) in Net Assets	<u>(236,780)</u>	<u>2,286,614</u>	<u>(2,523,394)</u>	<u>(110.3%)</u>
Net Assets – Beginning of Year	<u>19,531,579</u>	<u>17,244,965</u>	<u>2,286,614</u>	<u>13.3%</u>
Total Net Assets – End of Year	<u>\$ 19,294,799</u>	<u>\$ 19,531,579</u>	<u>\$ (236,780)</u>	<u>(1.2%)</u>

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006 (Unaudited)

The College experienced a net operating loss of \$9,047,047 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. The State appropriation is anticipated as a means of covering a majority of the costs of operating the College. During fiscal year 2006, the State appropriation and other nonoperating revenue was insufficient by itself to offset the operating loss.

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2006 and 2005:

<u>Revenues</u>	<u>Year Ended June 30, 2006 Amount</u>	<u>Percent of Total Revenue</u>	<u>Year Ended June 30, 2005 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Revenues					
Student Tuition and Fees	\$ 1,002,482	7.9%	\$ 1,104,324	\$ (101,842)	(9.2%)
Federal Grants and Contracts	690,328	5.4%	950,984	(260,656)	(27.4%)
State Grants and Contracts	493,520	3.9%	881,449	(387,929)	(44.0%)
Local Agency Grants and Contracts	505,760	4.0%	312,636	193,124	61.8%
Sales and Services of Educational Activities	604,629	4.7%	566,491	38,138	6.7%
Auxiliary Enterprises	604,171	4.7%	652,209	(48,038)	(7.4%)
Total Operating Revenues	<u>\$3,900,890</u>	<u>30.6%</u>	<u>4,468,093</u>	<u>(567,203)</u>	<u>(12.7%)</u>
Nonoperating Revenues					
State Appropriations	8,599,219	67.5%	7,705,340	893,879	11.6%
Investment Income	111,846	0.9%	62,381	49,465	79.3%
Total Nonoperating Revenues	<u>8,711,065</u>	<u>68.4%</u>	<u>7,767,721</u>	<u>943,344</u>	<u>12.1%</u>
Other Revenues					
Capital Appropriations – State Sources	131,202	1.0%	3,722,581	(3,591,379)	(96.5%)
Total Other Revenues	<u>131,202</u>	<u>1.0%</u>	<u>3,722,581</u>	<u>(3,591,379)</u>	<u>(96.5%)</u>
Total Revenues	<u>\$ 12,743,157</u>	<u>100.0%</u>	<u>\$ 15,958,395</u>	<u>\$ (3,215,238)</u>	<u>(20.1%)</u>

The revenue comparison between fiscal year 2006 and fiscal year 2005 shows a substantial decrease in total revenues of \$3,215,238. The individually significant decrease is in the area of Capital Appropriations – State Sources. In fiscal year 2005, the Utah State Legislature appropriated funds for the purchase of the West Campus building and land for \$3,550,000. The decrease in operating revenue is due primarily to eliminating \$620,518 of federal and state contract revenue in fiscal year 2006 where the College was only acting as the fiscal agent in relationship to those funds and this elimination was not reflected in fiscal year 2005.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006 (Unaudited)

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2006 and 2005:

<u>Expenses</u>	<u>Year Ended June 30, 2006 Amount</u>	<u>Percent of Total Expenses</u>	<u>Year Ended June 30, 2005 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Expenses:					
Salaries and Wages	\$ 5,510,183	42.5%	\$ 5,747,169	\$ (236,986)	(4.1%)
Benefits	2,412,837	18.6%	2,269,479	143,358	6.3%
Professional and Technical Educational Services	727,574	5.6%	675,062	52,512	7.8%
Utilities	682,727	5.3%	505,804	176,923	35.0%
Scholarships and Grants in Aid	337,731	2.6%	406,786	(69,055)	(17.0%)
Depreciation Expense	1,142,950	8.8%	1,114,823	28,127	2.5%
Other Operating Expenses	<u>2,165,935</u>	<u>16.7%</u>	<u>2,952,658</u>	<u>(786,723)</u>	<u>(26.6%)</u>
Total Expenses	<u>\$ 12,979,937</u>	<u>100.0%</u>	<u>\$ 13,671,781</u>	<u>\$ (691,844)</u>	<u>(5.1%)</u>

Expenses for the year were \$691,844 less than the prior year. Salaries and Wages decreased by \$236,986 or (4.1%) percent. This decrease was accomplished by reducing part-time, hourly, adjunct faculty. Benefits increased by \$143,358 or 6.3%. The benefit increase was due primarily to increases in the cost of health insurance and the incremental cost of salary driven benefits associated with a standard cost of living increase. The decrease in Other Operating Expenses is primarily the result of eliminating \$620,518 of expenses in fiscal year 2006 where the College was only acting as the fiscal agent on behalf of those expenses and this elimination was not reflected in fiscal year 2005. There was also a \$176,923 increase in utilities that was the result of a combination of utility rate increases and the College adding the 87,731 square foot West Campus building.

Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the College during the year. The statement is divided into five sections. The first section deals with operating cash flows and shows the net cash used by the operating activities of the College. The second section reflects cash flows from noncapital financing activities. The third section deals with the cash used for the acquisition and construction of capital related items. The fourth section details the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating income or loss reflected on the Statement of Revenues, Expenses, and Changes in Net Assets.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006 (Unaudited)

Condensed Statement of Cash Flows

	<u>Year Ended June 30, 2006</u>	<u>Year Ended June 30, 2005</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Cash provided (used) by:				
Operating Activities	\$ (7,500,800)	\$ (8,112,315)	\$ 611,515	(7.5%)
Noncapital Financing Activities	8,524,306	7,705,340	818,966	10.6%
Capital Financing Activities	(140,000)	(192,925)	52,925	(27.4%)
Investing Activities	<u>111,846</u>	<u>62,381</u>	<u>49,465</u>	<u>79.3%</u>
Change in Cash	995,352	(537,519)	1,532,871	(285.2%)
Cash – Beginning of Year	<u>1,109,554</u>	<u>1,647,073</u>	<u>(537,519)</u>	<u>(32.6%)</u>
Cash – End of Year	<u>\$ 2,104,906</u>	<u>\$ 1,109,554</u>	<u>\$ 995,352</u>	<u>89.7%</u>

Cash Flow increased dramatically in fiscal year 2006 because the College made a very concerted effort to restore cash after it was used in the prior fiscal year to operate the West Campus facility and keep it available for the Legislature to purchase. After the Legislature purchased the facility near the end of fiscal year 2005, they also funded an amount for maintenance and operation of the facility for fiscal year 2006. In addition, the College implemented a very tight budget for fiscal year 2006 that was designed to replace the cash used in fiscal year 2005 to prepare for our initial accreditation visit.

Debt Administration

The College entered into two capital leases for the acquisition of a large volume copier and a small color copier during fiscal year 2006 in the amount of \$117,511. Additional information on the College's capital leases can be found in Note 5 of the Notes to the Financial Statements. The College's only other debt is the liabilities for compensated absences and other post-employment benefits which increased by \$90,111 during fiscal year 2006.

Economic Outlook

The College is not aware of any currently known facts, decisions, or conditions, other than the effect of unfunded depreciation described below, that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations having a global effect on virtually all types of business operations. The College is not anticipating any major capital development, capital improvement, or major capital equipment upgrades during the upcoming fiscal year. Therefore, our facilities are deteriorating faster than they are being replaced. Accordingly, the unfunded depreciation expenses are likely to have a

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2006 (Unaudited)

significant negative impact on the Changes in Net Assets. The College's overall financial position is strong. The College anticipates the current fiscal year will be similar to the last and will maintain a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

Requests for Information

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF NET ASSETS JUNE 30, 2006

	<u>June 30, 2006</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Notes 1 and 2)	\$ 2,104,906
Accounts Receivable (Note 3)	117,282
Due From Other Agencies (Note 3)	415,399
Inventories (Note 1)	312,883
Total Current Assets	<u>2,950,470</u>
Noncurrent Assets (Notes 1 and 4):	
Land	1,580,000
Buildings	24,107,061
Equipment	5,691,395
Less Accumulated Depreciation	(13,011,803)
Total Noncurrent Assets	<u>18,366,653</u>
Total Assets	<u>21,317,123</u>
LIABILITIES	
Current Liabilities	
Accounts Payable (Note 3)	462,248
Due to Other Agencies (Note 3)	124,701
Deferred Revenue	135,787
Funds Held in Trust	37,971
Accrued Salaries and Wages Payable	87,496
Obligations under Capital Lease (Current Portion) (Notes 5 and 6)	45,236
Other Post-Employment Benefits (Current Portion) (Note 6)	40,180
Accrued Liability for Compensated Absences (Current Portion) (Note 6)	144,175
Total Current Liabilities	<u>1,077,794</u>
Noncurrent Liabilities	
Obligations under Capital Lease (Notes 5 and 6)	63,718
Other Post Employment Benefits (Note 6)	132,661
Accrued Liability for Compensated Absences (Note 6)	748,151
Total Noncurrent Liabilities	<u>944,530</u>
Total Liabilities	<u>2,022,324</u>
NET ASSETS	
Investment in Capital Assets (Net of Related Debt)	18,257,699
Restricted Expendable	177,339
Unrestricted	859,761
Total Net Assets	<u>\$ 19,294,799</u>

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2006

	<u>June 30, 2006</u>
REVENUES	
Operating Revenues (Note 1)	
Student Tuition and Fees (net of Scholarship Allowance of \$124,350)	\$ 1,002,482
Federal Grants and Contracts	690,328
State Grants and Contracts	493,520
Local Grants and Contracts	505,760
Sales and Services of Educational Activities	604,629
Auxiliary Enterprises	604,171
Total Operating Revenues	<u>3,900,890</u>
EXPENSES	
Operating Expenses (Note 1)	
Salaries and Wages	5,510,183
Benefits	2,412,837
Professional and Technical Educational Services	727,574
Utilities	682,727
Scholarships and Grants in Aid	337,731
Depreciation	1,142,950
Other Operating Expenses	2,165,935
Total Operating Expenses	<u>12,979,937</u>
Operating Loss	<u>(9,079,047)</u>
NONOPERATING REVENUES	
State Appropriations	8,599,219
Investment Income	111,846
Net Nonoperating Revenues	<u>8,711,065</u>
OTHER REVENUES	
Capital Appropriations - State Sources	131,202
Total Other Revenues	<u>131,202</u>
Decrease in Net Assets	(236,780)
NET ASSETS	
Net Assets - Beginning of Year	<u>19,531,579</u>
Net Assets - End of Year	<u>\$ 19,294,799</u>

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006

	<u>June 30, 2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	\$ 1,056,774
Receipts from Grants and Contracts	1,692,621
Receipts from Auxiliary Enterprise Charges	612,649
Receipts from Sales and Services of Educational Activities	604,629
Payments to Employees for Salaries and Benefits	(7,840,675)
Payments to Suppliers	(3,289,067)
Payments for Scholarships	<u>(337,731)</u>
Net Cash Used by Operating Activities	<u>(7,500,800)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from State Appropriations	8,486,334
Fiscal Agent Funds Receipts	620,519
Fiscal Agent Funds Payments	<u>(582,547)</u>
Net Cash Provided by Noncapital Financing Activities	<u>8,524,306</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash Paid for Capital Assets	(131,443)
Repayments of Capital Debt and Leases	<u>(8,557)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(140,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest on Investments	<u>111,846</u>
Net Cash Provided by Investing Activities	<u>111,846</u>
Net Increase in Cash and Cash Equivalents	995,352
CASH BALANCE - BEGINNING OF YEAR	<u>1,109,554</u>
CASH BALANCE - END OF YEAR	<u><u>\$ 2,104,906</u></u>

(continued next page)

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2006 (continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (9,079,047)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,142,950
DFCM Projects Received and Expensed	112,885
Changes in Assets and Liabilities:	
Accounts Receivables	44,475
Inventories	(15,057)
Accounts Payable and Accrued Expenses	181,575
Deferred Revenue	21,308
Compensated Absences and Post-Employment Benefits	90,111
Net Cash Used by Operating Activities	<u>\$ (7,500,800)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital Lease Transactions	\$ 117,511
Capital Appropriations	\$ 131,202

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governmental entities also have

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The College has elected not to follow subsequent private-sector guidance.

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 on 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.

Deposits and Investments

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

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

Investments for the College are reported at fair value.

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 equipment. Capital assets are defined by the College as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

Capital assets are being depreciated over their estimated useful lives using the straight-line method of depreciation. The estimated useful life of an asset is determined at acquisition based on guidelines of the Utah System of Higher Education, GASB Statement Nos. 34 and 35 implementation task force, and the professional judgment of the applicable department head.

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

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Equipment and Vehicles	3-10

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 that relate to the deposit and investment of public funds.

The College follows the requirements of the Money Management 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, 2006, all of the College's bank balances of \$118,496 were insured.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

Investments

The Money Management 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.

These statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; 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 Money Management Act; and the Utah State Public Treasurers' Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participants' average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2006, the College had \$2,024,221 invested in the PTIF. The entire balance had a maturity of less than one year.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

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 State's Money Management Act. Section 51-7-11 of the Money Management 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 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Money Management Act, as previously discussed. At June 30, 2006, all College investments were unrated.

Concentration of Credit Risk

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

NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable at June 30, 2006 consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty, and staff, the majority of each residing in the State of Utah. Due from Other Agencies also includes amounts due from the Federal Government, state and local governments, or private sources, in connection with reimbursement of allowable expenses made pursuant to the College's grants and contracts. Accounts Payable at June 30, 2006 are primarily made up of payments to vendors. Due to Other Agencies includes amounts due to state and local governments.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

NOTE 4. CAPITAL ASSETS

Additions to Capital Assets include amounts paid for by the College as well as additions paid for by the Utah State Division of Facilities Construction and Management. Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 1,580,000			\$ 1,580,000
Buildings	24,107,061			24,107,061
Equipment	<u>5,346,924</u>	<u>\$ 380,155</u>	<u>\$ 35,684</u>	<u>5,691,395</u>
Total	<u>31,033,985</u>	<u>380,155</u>	<u>35,684</u>	<u>31,378,456</u>
Less Accumulated Depreciation:				
Buildings and Equipment	<u>11,904,537</u>	<u>1,142,950</u>	<u>35,684</u>	<u>13,011,803</u>
Net Capital Assets	<u>\$19,129,448</u>	<u>\$ (762,795)</u>	<u>\$ 0</u>	<u>\$18,366,653</u>

NOTE 5. CAPITAL LEASE OBLIGATIONS

The College initiated two capital leases near the end of fiscal year 2006 for the purchase of certain equipment. The cost of such equipment held under capital leases and related depreciation totaled \$117,511 and \$5,876, respectively, as of June 30, 2006. The future minimum lease payments for these capital leases as of June 30, 2006, were as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 36,349	\$ 8,887	\$ 45,236
2008	39,996	5,240	45,236
2009	<u>32,609</u>	<u>1,318</u>	<u>33,927</u>
Total Capital Leases	<u>\$ 108,954</u>	<u>\$ 15,445</u>	<u>\$124,399</u>

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

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, 2006.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Capital Leases	\$	\$ 117,511	\$ 8,557	\$ 108,954	\$ 45,236
Other Post-Employment Benefits	172,841	21,173	21,173	172,841	40,181
Compensated Absences	<u>802,215</u>	<u>138,854</u>	<u>48,743</u>	<u>892,326</u>	<u>144,174</u>
Total Noncurrent Liabilities	<u>\$ 975,056</u>	<u>\$ 277,538</u>	<u>\$ 78,473</u>	<u>\$ 1,174,121</u>	<u>\$ 229,591</u>

NOTE 7. ACCRUED POST-EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the College provides a retirement incentive option, as approved by the Campus Board of Directors, for qualified employees with at least 10 years of service and whose combined total of age and years of service is 75 or greater. The benefit includes a stipend of 15% of the retiree's final salary for a maximum period of three years, or until the employee becomes eligible to receive unreduced social security benefits, whichever comes first. Health and dental benefits have also been extended, which is limited to converting one day of accumulated unused sick leave to one month of health insurance premium for a maximum conversion of 60 months. These benefits are funded by the College on a pay-as-you-go basis. At June 30, 2006, there were six retirees receiving 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 recorded as qualified employees apply for and are approved for this retirement option. The cumulative accrued retirement incentive plan liability as of June 30, 2006 totaled \$172,841. The retirement incentive program expense for the year ended June 30, 2006 was \$21,173.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

Note 8. DEFINED BENEFIT PENSION PLANS

Plan Description

The College contributes to the State and School Noncontributory Retirement System, cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. The Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with the retirement statutes.

The Utah Retirement Systems are established and governed by the respective sections of Chapter 49 of the *Utah Code*. The Utah Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board whose members are appointed by the Governor. The Utah Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information of the State and School Contributory Retirement System and State and School Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Plan

In the Noncontributory Retirement System, the College is required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Utah Retirement Systems are authorized by statute and specified by the Board.

The College's contributions to the Noncontributory Retirement System, for the years ended June 30, 2006, 2005, and 2004 were \$550,570, \$562,340, and \$470,809, respectively. The contributions were equal to the required contributions for each year.

Defined Contribution Plans

Noncontributory retirement plan employees are also eligible to participate in a deferred compensation 401(k) defined contribution plan. The College is required to contribute 1.5% of eligible employees' gross earnings to the plan. Such contributions totaled \$89,981, \$87,899 and \$81,782 for the years ended June 30, 2006, 2005, and 2004, respectively.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2006

NOTE 9. COMPENSATED ABSENCES

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

NOTE 10. CONTINGENT LIABILITIES

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

The College entered into an operation, maintenance, and rental agreement with the State of Utah, acting through the State of Utah Division of Facilities Construction and Management (DFCM) for the rental of the Brigham City Campus building. This rental agreement is renewable on a yearly basis on June 30th. As of June 30, 2006, the contract had been renewed effective until June 30, 2007. During fiscal year 2006, the College paid a total of \$132,222 in rental payments to DFCM. Fiscal year 2007 payments will total \$132,222.