



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, 2008

Report Number 08-25

*Keeping Utah
Financially Strong*

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

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BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

ANNUAL FINANCIAL REPORT
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Auston G. Johnson, CPA
UTAH STATE AUDITOR

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Independent State Auditor's Report

To the Board of Directors
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, 2008, 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.

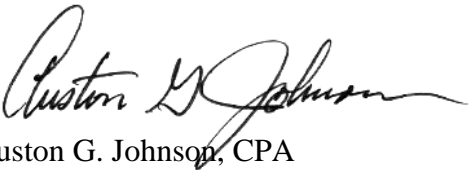
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 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, 2008, 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, 2008, 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 February 26, 2009 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 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying supplementary information has not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on it.

A handwritten signature in black ink, appearing to read "Auston G. Johnson". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Auston G. Johnson, CPA
Utah State Auditor
February 26, 2009

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008 (Unaudited)

As management of the Bridgerland Applied Technology College (College), we offer this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2008 to the readers of the College's financial statements.

Effective September 1, 2001, the Utah State Legislature created the Utah College of Applied Technology (UCAT) which is composed of eight regional applied technology colleges. The former Bridgerland Applied Technology Center became one of these regional applied technology colleges and was named Bridgerland Applied Technology College. With this change, the College became an institution within and subject to the authority of the Utah System of Higher Education. It is anticipated that there will be a great deal of coordination with the other regional colleges in the development of career and technical education 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'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 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 financial statement report users assess the College's ability to generate future net cash flows; its

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008 (Unaudited)

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.

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, 2008 and 2007:

<u>Net Assets</u>	<u>Year Ended June 30, 2008 Amount</u>	<u>Year Ended June 30, 2007 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Current Assets	\$ 2,753,789	\$ 3,051,420	\$ (297,631)	(9.75%)
Capital Assets	18,179,702	18,043,948	135,754	.75%
Total Assets	<u>20,933,491</u>	<u>21,095,368</u>	<u>(161,877)</u>	<u>(.77%)</u>
Current Liabilities	948,192	969,363	(21,171)	(2.18%)
Noncurrent Liabilities	1,032,153	924,881	107,272	11.60%
Total Liabilities	<u>1,980,345</u>	<u>1,894,244</u>	<u>86,101</u>	<u>4.55%</u>
Net Assets:				
Invested in Capital Assets	18,147,123	17,971,343	175,780	.98%
Restricted Expendable	127,405	161,359	(33,954)	(21.04%)
Unrestricted	678,618	1,068,422	(389,804)	(36.48%)
Total Net Assets	<u>\$ 18,953,146</u>	<u>\$ 19,201,124</u>	<u>\$ (247,978)</u>	<u>(1.29%)</u>

Assets of the College decreased by \$161,877, or .77%, during the fiscal year. The decrease in current assets consists of a decrease in cash and cash equivalents of \$215,181, an immaterial decrease in receivables of \$745, a decrease in "due from other state agencies" of \$106,715, and an increase in inventories of \$25,010. The decrease in cash and cash equivalents is due to a decision by the College's Board of Directors in response to encouragement from the Utah Legislators to reduce the amount of fund balance held by the institution. Accordingly, the College operated during fiscal year 2008 making a conscious effort to reduce the fund balance by accelerating remodel projects and other institutional repairs and improvements. In addition, the Board recommended and approved a one-time bonus to faculty and staff similar in amount to what Utah School Teachers were provided. The decrease in due from other state agencies is the result of

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008 (Unaudited)

requesting the reimbursement for federal grant expenditures from the Utah State Office of Education throughout the year as opposed to near year end.

The College's investment in capital assets as of June 30, 2008 increased from \$18,043,948 to \$18,179,702 (net of accumulated depreciation). This investment in capital assets includes land, buildings and equipment. New equipment purchases were made in the amount of \$569,666; building remodel and renovation projects that included remodeling the new Veterinarian Assistant classroom and lab, the Brigham City Campus Cosmetology/Esthetician expansion and the West Campus Business Resource Center remodel, increased by \$650,574, and the increase to accumulated depreciation for the year was \$1,084,486. This resulted in a net increase in capital assets of \$135,754 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 \$86,101, or 4.55%, during the fiscal year. This is due primarily to increases in the liability for compensated absences during fiscal year 2008. Additional information on the change in liabilities can be found in Notes 5, 6, 7, 8, and 9.

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, 2008 and 2007:

<u>Net Assets</u>	<u>Year Ended June 30, 2008 Amount</u>	<u>Year Ended June 30, 2007 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 3,811,842	\$ 4,110,449	\$ (298,607)	(7.26%)
Operating Expenses	15,437,815	13,905,490	1,532,325	11.02%
Operating Income (Loss)	<u>(11,625,973)</u>	<u>(9,795,041)</u>	<u>(1,830,932)</u>	<u>(18.69%)</u>
Nonoperating Revenues	10,874,625	9,117,423	1,757,202	19.27%
Other Revenue	503,370	583,943	(80,573)	(13.80%)
Net Increase (Decrease) in Net Assets	<u>(247,978)</u>	<u>(93,675)</u>	<u>(154,303)</u>	<u>(164.72%)</u>
Total Net Assets – Beginning of Year	<u>19,201,124</u>	<u>19,294,799</u>	<u>(93,675)</u>	<u>(.49%)</u>
Total Net Assets – End of Year	<u>\$ 18,953,146</u>	<u>\$ 19,201,124</u>	<u>\$ (247,978)</u>	<u>(1.29%)</u>

The College experienced a net operating loss of \$11,625,973 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 operating costs at the College. During fiscal year 2008, the State appropriation and other nonoperating revenue was insufficient by itself to offset the operating loss. The operating loss increased between 2007 and 2008 by \$1,830,932 for two primary reasons. First, there was an increase in the amount of direct

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008 (Unaudited)

appropriations from the Legislature to the College which provided funding for a corresponding increase in expenditures that are classified as operating expenses and second, because of an increase in other federal and state grants classified as nonoperating revenue that also provided additional funding for a corresponding increase in expenditures. Accordingly, nonoperating revenue increased by \$1,757,202. The decrease in net assets of \$247,978 is due primarily to the College making a conscious effort to reduce the amount of fund balance as described in the previous section. Because of the unfunded depreciation expense in the amount of \$1,079,804, the College will generally experience a decrease in net assets every year except in instances 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, 2008 and 2007:

<u>Revenues</u>	<u>Year Ended June 30, 2008 Amount</u>	<u>Percent of Total Revenue</u>	<u>Year Ended June 30, 2007 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Revenues					
Student Tuition and Fees	\$ 1,189,514	7.83%	\$ 1,156,179	\$ 33,335	2.88%
Federal Grants and Contracts	372,169	2.45%	676,630	(304,461)	(45.00%)
State Grants and Contracts	556,928	3.67%	510,214	46,714	9.16%
Local Grants and Contracts	313,038	2.06%	348,793	(35,755)	(10.25%)
Sales and Services of Educational Activities	678,581	4.47%	777,444	(98,863)	(12.72%)
Auxiliary Enterprises	701,612	4.62%	641,189	60,423	9.42%
Total Operating Revenues	<u>\$3,811,842</u>	<u>25.09%</u>	<u>4,110,449</u>	<u>(298,607)</u>	<u>(7.26%)</u>
Nonoperating Revenues					
State Appropriations	9,650,300	63.53%	8,947,120	703,180	7.86%
Federal Grants and Contracts	358,519	2.36%	-0-	358,519	100.00%
State Grants and Contracts	720,065	4.74%	-0-	720,065	100.00%
Investment Income	145,741	.96%	170,303	(24,562)	(14.42%)
Total Nonoperating Revenues	<u>10,874,625</u>	<u>71.59%</u>	<u>9,117,423</u>	<u>1,757,202</u>	<u>19.27%</u>
Other Revenues					
Capital Appropriations – State Sources	503,370	3.31%	583,943	(80,573)	(13.80%)
Total Other Revenues	<u>503,370</u>	<u>3.31%</u>	<u>583,943</u>	<u>(80,573)</u>	<u>(13.80%)</u>
Total Revenues	<u>\$ 15,189,837</u>	<u>100.0%</u>	<u>\$ 13,811,815</u>	<u>\$ 1,378,022</u>	<u>9.98%</u>

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008 (Unaudited)

The revenue comparison between fiscal year 2008 and fiscal year 2007 shows a substantial increase in total revenues in the amount of \$1,378,022. The only individually significant increase is due to legislative appropriations, which includes both State Appropriations and Nonoperating State Grants and Contracts, which together increased by \$1,423,245. The Legislative Appropriations were increased by the Utah State Legislature for cost of living and benefit increases for the College's employees, for utility increases, and for the addition of new training programs. The "Capital Appropriations – State Sources" was primarily for the remodel of a Veterinarian Assistant classroom and lab area in the existing West Campus Building; and, for a remodel of the Brigham City Campus for the Cosmetology/Esthetician training program.

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2008 and 2007:

<u>Expenses</u>	<u>Year Ended June 30, 2008 Amount</u>	<u>Percent of Total Expenses</u>	<u>Year Ended June 30, 2007 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Expenses:					
Salaries and Wages	\$ 6,906,476	44.74%	\$ 5,990,104	\$ 916,372	15.30%
Benefits	3,120,226	20.21%	2,777,130	343,096	12.35%
Professional and Technical Educational Services	824,639	5.34%	623,984	200,655	32.16%
Utilities	691,940	4.48%	583,269	108,671	18.63%
Scholarships and Grants in Aid	385,944	2.50%	422,850	(36,906)	(8.73%)
Depreciation	1,079,804	6.99%	1,076,213	3,591	.33%
Other Operating Expenses	<u>2,428,786</u>	<u>15.73%</u>	<u>2,431,940</u>	<u>(3,154)</u>	<u>(.13%)</u>
Total Expenses	<u>\$ 15,437,815</u>	<u>100.0%</u>	<u>\$ 13,905,490</u>	<u>\$ 1,532,325</u>	<u>11.02%</u>

Expenses for the year ended June 30, 2008 increased by \$1,532,325 compared to fiscal year ended June, 2007. Salaries and Wages increased by \$916,372 or 15.30% percent. This increase was the result of providing a cost-of-living increase to College employees and by adding additional faculty as needed. As a result of Legislative Appropriations, the College started a new Veterinarian Assistant Training Program, expanded the Cosmetology Program to include Esthetician Training, Expanded the existing Apprenticeship program, started an American Sign Language program, and started the Heavy Equipment Operator program. Other program offerings were also expanded with this new legislative funding. Benefits increased by \$343,096, which is due to an increase in the cost of both health and dental insurance, the incremental cost of salary-driven benefits associated with the standard cost of living adjustment, the hiring of new benefits-eligible instructors, and the promotion of adjunct faculty to full-time benefits-eligible employees. Professional and Technical

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008 (Unaudited)

Services also increased by \$200,655 which can be attributed primarily to an increase in the cost of translators to assist hearing impaired students in the amount of \$87,973 and an increase in custom fit professional services in the amount of \$54,491.

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.

Condensed Statement of Cash Flows

	<u>Year Ended June 30, 2008 Amount</u>	<u>Year Ended June 30, 2007 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Cash provided (used) by:				
Operating Activities	\$ (10,280,735)	\$ (9,008,068)	\$(1,272,667)	(14.13%)
Noncapital Financing Activities	10,702,868	8,960,537	1,742,331	19.44%
Capital Financing Activities	(783,055)	(205,915)	(577,140)	(280.28%)
Investing Activities	<u>145,741</u>	<u>170,303</u>	<u>(24,562)</u>	<u>(14.42)%</u>
Change in Cash	(215,181)	(83,143)	(132,038)	(158.81%)
Cash and Cash Equivalents – Beginning of Year	<u>2,021,763</u>	<u>2,104,906</u>	<u>(83,143)</u>	<u>(3.95)%</u>
Cash and Cash Equivalents – End of Year	<u>\$ 1,806,582</u>	<u>\$ 2,021,763</u>	<u>\$ (215,181)</u>	<u>(10.64)%</u>

The \$215,181 decrease in cash and cash equivalents is due to a decision by the College's Board of Directors in response to encouragement from the Utah Legislators to reduce the amount of fund balance held by the institution. Accordingly, the College operated during fiscal year 2008 making a conscious effort to reduce the fund balance by accelerating remodel projects and other institutional repairs and improvements. In addition, the Board recommended and approved a one-time bonus to faculty and staff similar in amount to what Utah School Teachers were provided.

The \$83,143 decrease in cash for fiscal year 2007 is due to normal fluctuations in accounts receivable and accounts payable balances. The only real change in processing was that at June 30, 2006, the College processed the accounts payable checks but they did not actually get mailed until the start of fiscal year 2007. Accordingly, the accounts payable balance at June 30, 2006 included checks that had been prepared but not yet mailed. At June 30, 2007, the checks were cut and mailed. Accordingly, cash and accounts payable balances decreased at year end.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2008 (Unaudited)

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 termination benefits which collectively increased by \$134,754 during fiscal year 2008.

Economic Outlook

The College is not aware of any current facts, decisions, or conditions, other than the effect of unfunded depreciation described below, that are expected to have a significant effect on the financial position or results of operations during this fiscal year beyond those unknown variations which have a global effect on virtually all types of business operations. The College 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 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, 2008

	<u>June 30, 2008</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents (Notes 1 and 2)	\$ 1,806,582
Accounts Receivable (Note 3)	130,510
Due From State Agencies (Note 3)	431,986
Inventories (Note 1)	384,711
Total Current Assets	<u>2,753,789</u>
Noncurrent Assets (Notes 1 and 4):	
Land	1,580,000
Buildings	24,646,617
Construction In Progress	111,018
Equipment	6,263,565
Less Accumulated Depreciation	(14,421,498)
Total Noncurrent Assets	<u>18,179,702</u>
Total Assets	<u>20,933,491</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	382,940
Due to State Agencies	61,881
Deferred Revenue	90,978
Funds Held in Trust	71,712
Accrued Salaries and Wages Payable	101,671
Obligations under Capital Lease (Current Portion) (Notes 5 and 6)	32,579
Termination Benefits (Current Portion) (Note 7)	41,090
Compensated Absences (Current Portion) (Note 9)	165,341
Total Current Liabilities	<u>948,192</u>
Noncurrent Liabilities	
Obligations under Capital Lease (Notes 5 and 6)	-
Termination Benefits (Note 7)	60,287
Compensated Absences (Note 9)	971,866
Total Noncurrent Liabilities	<u>1,032,153</u>
Total Liabilities	<u>1,980,345</u>
NET ASSETS	
Invested in Capital Assets (Net of Related Debt)	18,147,123
Restricted Expendable	127,405
Unrestricted	678,618
Total Net Assets	<u>\$ 18,953,146</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, 2008

	<u>June 30, 2008</u>
REVENUES	
Operating Revenues (Note 1)	
Student Tuition and Fees (net of Scholarship Allowance of \$78,745)	\$ 1,189,514
Federal Grants and Contracts	372,169
State Grants and Contracts	556,928
Local Grants and Contracts	313,038
Sales and Services of Educational Activities	678,581
Auxiliary Enterprises	701,612
Total Operating Revenues	<u>3,811,842</u>
EXPENSES	
Operating Expenses (Note 1)	
Salaries and Wages	6,906,476
Benefits	3,120,226
Professional and Technical Educational Services	824,639
Utilities	691,940
Scholarships and Grants in Aid	385,944
Depreciation	1,079,804
Other Operating Expenses	2,428,786
Total Operating Expenses	<u>15,437,815</u>
Operating Loss	<u>(11,625,973)</u>
NONOPERATING REVENUES	
Federal Grants and Contracts (Pell Grant)	358,519
State Appropriations	9,650,300
State Grants and Contracts	720,065
Investment Income	145,741
Net Nonoperating Revenues	<u>10,874,625</u>
OTHER REVENUES	
Capital Appropriations – State Sources	<u>503,370</u>
Total Other Revenues	<u>503,370</u>
Decrease in Net Assets	(247,978)
NET ASSETS	
Net Assets – Beginning of Year	<u>19,201,124</u>
Net Assets – End of Year	<u>\$ 18,953,146</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, 2008

	<u>June 30, 2008</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	\$ 1,141,259
Receipts from Grants and Contracts	1,358,750
Receipts from Auxiliary Enterprise Charges	686,799
Receipts from Sales and Services of Educational Activities	729,357
Payments to Employees for Salaries and Benefits	(9,951,952)
Payments to Suppliers	(3,859,004)
Payments for Scholarships	<u>(385,944)</u>
Net Cash Used by Operating Activities	<u>(10,280,735)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from State Appropriations	9,650,300
Noncapital Contracts and Grants	1,064,015
Fiscal Agent Funds Receipts	632,090
Fiscal Agent Funds Payments	<u>(643,537)</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,702,868</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital Grants	100,000
Cash Paid for Capital Assets	(843,029)
Payments of Capital Debt and Leases	<u>(40,026)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(783,055)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest on Investments	<u>145,741</u>
Net Cash Provided by Investing Activities	<u>145,741</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(215,181)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>2,021,763</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u><u>\$ 1,806,582</u></u>

(continued next page)

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2008

(continued)

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (11,625,973)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	1,079,804
Changes in Assets and Liabilities:	
Accounts Receivable	184,641
Inventories	(25,010)
Accounts Payable and Accrued Expenses	(17,490)
Deferred Revenue	(11,461)
Compensated Absences and Termination Benefits	134,754
Net Cash Used by Operating Activities	<u><u>\$ (10,280,735)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital Asset Additions through the State	\$ 403,370
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The accompanying notes are an integral part of these financial statements.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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 eight regional applied technology colleges. The Bridgerland Applied Technology College became one of these regional applied technology colleges and became an institution within and subject to the authority of the Utah System of Higher Education. The College is under the control of the UCAT Board of Trustees and is governed directly by the College's local Board of Directors.

Funding for the College is received primarily from direct appropriations from the Utah State Legislature, as well as tuition and fees, and grants and contracts with federal, state and local agencies.

Measurement Focus and Basis of Accounting

The financial statements of the College are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are generally 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, 2008

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, 2008

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

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

<u>Assets</u>	<u>Years</u>
Buildings	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, 2008, of the College's bank balances of \$266,451, \$134,477 was uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the College's non-endowment funds and the conditions for making

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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 (PTIF).

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the 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, 2008, the College had \$1,535,431 invested in the PTIF. The entire balance had a maturity of less than one year.

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 and that the remaining term to maturity on all investments in commercial paper,

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations be 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, 2008, 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 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

Accounts Receivable at June 30, 2008 consists primarily of tuition and fee charges to students of \$48,527, charges for class project services of \$22,382, Custom Fit trade account receivables of \$40,533, and auxiliary enterprise services provided to students, faculty, and staff of \$10,326, the majority of each residing in the State of Utah, and facility rental of \$8,742. Due from State Agencies includes amounts due from State agencies in connection with reimbursement of allowable expenses made pursuant to the College's grants and contracts.

NOTE 4. CAPITAL ASSETS

Additions to Capital Assets include amounts paid by the College as well as additions paid for by the Utah State Division of Facilities Construction and Management. Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,580,000			\$ 1,580,000
Buildings	24,107,061	\$ 539,556		24,646,617
Construction in Progress		111,018		111,018
Equipment	6,226,207	569,666	\$ 532,308	6,263,565
Total	31,913,268	1,220,240	532,308	32,601,200
Less Accumulated Depreciation:				
Buildings and Equipment	(13,869,320)	(1,084,486)	(532,308)	(14,421,498)
Net Capital Assets	\$ 18,043,948	\$ 135,754	\$ 0	\$ 18,179,702

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 \$59,306 respectively, as of June 30, 2008. The future minimum lease payments for these capital leases as of June 30, 2008, were as follows:

Fiscal Year	Principal	Interest	Total
2009	\$ 32,579	\$ 1,318	\$ 33,897

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, 2008:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital Leases	\$ 72,605		\$ 40,026	\$ 32,579	\$ 32,579
Termination Benefits	163,864	\$ 3,298	65,785	101,377	41,090
Compensated Absences	939,966	391,027	193,786	1,137,207	165,341
Total Long-Term Liabilities	\$ 1,176,435	\$ 394,325	\$ 299,597	\$ 1,271,163	\$ 239,010

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTE 7. TERMINATION BENEFITS

In accordance with the College's Early Retirement Incentive Policy, employees (1) whose accumulated age and years of service equal or exceed 75 and (2) who have at least ten years of service at the College, and (3) will retire prior to reaching the age of eligibility for unreduced social security benefits (typically 65), may apply for participation in the College's Voluntary Early Retirement Incentive Program.

Entrance or participation in the 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 both incentives depending on the facts and circumstances of the individual situation consistent with the overall theory behind the availability of the incentives.

The incentive stipend, when approved, results in a lump-sum payment directly to the employee's 401(k) and/or 457 up to approved IRS limitations. Because the lump-sum is paid out in the fiscal year in which the incentive is approved, no accrual amount is necessary.

The incentive health insurance coverage is provided for 60 months or when the employee reaches the age of eligibility for full Medicare coverage (presumably 65), whichever occurs first.

These benefits are funded by the College on a pay-as-you-go basis. At June 30, 2008, 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 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 net present value using a discount rate based on the estimated yield expected to be earned on the investments of the College plus projected increases expected based on historical data for health care inflationary trends. The cumulative accrued retirement incentive plan liability as of June 30, 2008 totaled \$101,377. The retirement incentive program expense for the year ended June 30, 2008 was \$62,487.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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 14.22% of the employees' annual covered salaries. The contribution rates are the actuarially determined rates. The contribution requirements of the Utah Retirement Systems are authorized by statute and specified by its board.

The College's contributions to the Noncontributory Retirement System for the years ended June 30, 2008, 2007, and 2006 were \$736,019, \$630,190, and \$550,570, 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 \$132,345, \$105,476, and \$89,981 for the years ended June 30, 2008, 2007, and 2006, respectively.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

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. 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.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2008

NOTE 12. RELATED PARTIES

The College entered into an operation, maintenance, and rental agreement with the State of Utah, acting through the State of Utah Division of Facilities Construction and Management (DFCM) for the rental of the Brigham City Campus building. This rental agreement is renewable on a yearly basis on June 30th. As of June 30, 2008, the contract had been renewed effective until June 30, 2009. During fiscal year 2008, the College paid a total of \$145,907 in rental payments to DFCM. Fiscal year 2009 payments will total \$145,907.