

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, 2012

Report No. 12-51

**STATE OF UTAH
OFFICE OF THE STATE AUDITOR**



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STATE OF UTAH
OFFICE OF THE STATE AUDITOR

Independent State Auditor's Report

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

We have audited the accompanying financial statements of Bridgerland Applied Technology College (College) as of and for the year ended June 30, 2012, as listed in the table of contents. The College is a regional college within the Utah College of Applied Technology (UCAT) which is a component unit of the State of Utah. 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 on 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 of Bridgerland Applied Technology College are intended to present the financial position, the changes in financial position and cash flows of only that portion of UCAT that is attributable to the transactions of the College. They do not purport to, and do not, present fairly the financial position of UCAT, as of June 30, 2012, the changes in its financial position or 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, 2012, and the changes in its financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2013 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Office of the Utah State Auditor

Office of the Utah State Auditor
February 15, 2013

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012, 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. Effective July 1, 2009, UCAT and the College were moved out from under the jurisdiction of the Utah State Board of Regents and were placed under the governance of the UCAT Board of Trustees. The legislation making this change in governance left UCAT as an Institution under the Utah System of Higher Education but changed the direct governance from the Board of Regents to the UCAT Board of Trustees. Additional information on the College's relationship to UCAT can be found in Note 1 of the Notes to the Financial Statements or in the *Utah Code*, Title 53B, Chapter 2a.

Overview of the Financial Statements

This management's discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements 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.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

Statement of Cash Flows. The Statement of Cash Flows provides information about the cash receipts and cash payments of the College during the fiscal year. When used with related disclosures and information in other financial statements, a statement of cash flows should help financial statement report users assess the College's ability to generate future net cash flows; its ability to meet its obligations as they come due; the reasons for differences between operating income and the associated cash receipts and payments; and the effects on the College's financial position on both its cash and noncash investing, capital, and financing transactions during the fiscal year.

Notes to the Financial Statements. The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

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, 2012 and 2011:

<u>Net Assets</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Year Ended June 30, 2011 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Current Assets	\$ 3,602,486	\$ 3,522,686	\$ 79,800	2.27%
Capital Assets	16,062,594	16,457,926	(395,332)	(2.40%)
Total Assets	<u>19,665,080</u>	<u>19,980,612</u>	<u>(315,532)</u>	<u>(1.58%)</u>
Current Liabilities	1,452,830	1,124,798	328,032	29.16%
Noncurrent Liabilities	686,704	755,744	(69,040)	(9.14%)
Total Liabilities	<u>2,139,534</u>	<u>1,880,542</u>	<u>258,992</u>	<u>13.77%</u>
Net Assets:				
Invested in Capital Assets	16,062,594	16,457,926	(395,332)	(2.40%)
Restricted Expendable	151,325	167,564	(16,239)	(9.69%)
Unrestricted	1,311,627	1,474,580	(162,953)	(11.05%)
Total Net Assets	<u>\$ 17,525,546</u>	<u>\$ 18,100,070</u>	<u>\$ (574,524)</u>	<u>(3.17%)</u>

Assets of the College decreased by \$315,532, or 1.58%, during the fiscal year. Current assets increased by \$79,800, which consisted of a decrease in cash of \$84,771, which is explained in more detail in the Cash Flows section of the MD&A, a decrease in trade accounts receivable of \$106,676, an increase in due from state agencies in the amount of \$253,034, and a small increase in inventory in the amount of \$18,213. Of the \$106,676 decrease in trade accounts receivable, \$103,559 was a reduction in the receivable from the U.S. Department of Education for Pell grants. The \$253,034 increase in due from state agencies is primarily the result of a receivable from the State Division of Facilities Construction and Management (DFCM) for an agency managed account in the amount of \$86,928, an increase in the receivable from the Utah State Office of Education by \$53,361 and an increase in receivables from Salt Lake Community College and Utah State University for grants in the amount of \$87,504. There were no other individually significant changes in current assets during fiscal year 2012.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

The College's investment in capital assets (net of accumulated depreciation) as of June 30, 2012, decreased \$395,332 from last year. This investment in capital assets includes land, buildings, and equipment. New equipment acquisitions (including donated assets) were \$253,824. The individually significant equipment purchases were (1) the installation of a replacement boiler in the meat lab in the amount of \$51,960 following a failure and flood when the old boiler ruptured, and (2) the addition of new student work stations in the Cosmetology lab in the amount of 47,371. The College also had an increase in buildings with the completion of the second phase of the HVAC remodel project at the West campus in the amount of 64,783. Phase III of the West Campus project was in progress during all of fiscal year 2012, but DFCM was not ready for that project to be transferred to the College at year end. In addition to the equipment and building additions described above, a new student and fiscal information system was purchased and implementation was in progress as of June 30, 2012. Outlays for the new system in fiscal year 2012 totaled \$261,193. The total addition to capital assets for the fiscal year was \$579,800. Depreciation expense for the College reduced the investment in capital assets by \$972,434 and an immaterial loss on the disposition of capital assets during fiscal year 2012 in the amount of \$2,698 accounts for the remainder of the decrease. 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 \$258,992, or 13.77%, during the fiscal year. This is due primarily to an increase in funds held in trust in the amount of \$341,468 accompanied by a decrease in compensated absences of \$19,437 and a decrease in termination benefits of \$50,804. The other changes include a decrease in trade accounts payable of \$1,184, an increase in due to state agencies of \$5,078, a decrease in deferred revenue of \$10,517, and finally, a decrease in accrued salaries and wages of \$5,612. The increase in the funds held in trust is the result of the UCAT Social Security 218 referendum vote which resulted in overpaid Social Security contributions being refunded to the College on behalf of the covered employees (see Note 8). A total of \$360,419 of the Social Security 218 election refund proceeds were received prior to June 30, 2012. The \$19,437 decrease in compensated absences is the result of the College's Board of Directors temporarily requiring employees to use or lose the current year's accrual of compensated absence days as another method of addressing the substantial budget reductions occurring during the current and previous fiscal years. The \$50,804 decrease in early termination benefits is because no additional employees were approved for an early termination benefit during fiscal year 2012. Additional information on the change in liabilities can be found in Notes 6, 7, 8, and 9.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 and 2011:

<u>Net Assets</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Year Ended June 30, 2011 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent Increase (Decrease)</u>
Operating Revenues	\$ 4,148,761	\$ 4,023,121	\$ 125,640	3.12%
Operating Expenses	(15,420,329)	(15,135,915)	(284,414)	1.88%
Operating Income (Loss)	(11,271,568)	(11,112,794)	(158,774)	(1.43%)
Nonoperating Revenues	10,530,351	10,549,081	(18,730)	(.18%)
Other Revenues	166,693	387,151	(220,458)	(56.94%)
Net Increase (Decrease) in Net Assets	(574,524)	(176,562)	(397,962)	(225.40%)
Total Net Assets – Beginning of Year	18,100,070	18,276,632	(176,562)	(.97%)
Total Net Assets – End of Year	<u>\$ 17,525,546</u>	<u>\$ 18,100,070</u>	<u>\$ (574,524)</u>	<u>(3.17%)</u>

The College experienced a net operating loss of \$11,271,568 during the fiscal year. The College is a State institution and receives a large portion of its revenues from State appropriations. These appropriations are classified in the financial statements of the College as nonoperating revenues. State appropriations are anticipated as a means of covering a majority of the operating costs at the College. During fiscal year 2012, State appropriations and other nonoperating revenue were insufficient to offset the operating expenses. The operating loss in fiscal year 2012 is \$158,774 more than the operating loss in fiscal year 2011. The decrease in net assets of \$574,524 is primarily due to the \$395,332 reduction in capital assets (net of depreciation). For more detailed information on the decrease in capital assets, see Note 4. Because of the unfunded depreciation expense, 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.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2012 and 2011:

<u>Revenues</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Percent of Total Revenue</u>	<u>Year Ended June 30, 2011 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Revenues:					
Student Tuition and Fees	\$ 1,880,590	12.67%	\$ 1,902,379	\$ (21,789)	(1.15%)
Federal Grants and Contracts	477,628	3.22%	333,470	144,158	43.23%
State Grants and Contracts	119,244	.80%	50,485	68,759	136.20%
Local Grants and Contracts	281,695	1.90%	267,271	14,424	5.40%
Sales and Services of Educational Activities	736,059	4.96%	729,032	7,027	.96%
Auxiliary Enterprises	653,545	4.40%	740,484	(86,939)	(11.74%)
Total Operating Revenues	<u>4,148,761</u>	<u>27.95%</u>	<u>4,023,121</u>	<u>125,640</u>	<u>3.12%</u>
Nonoperating Revenues:					
State Appropriations	8,725,000	58.77%	8,593,400	131,600	1.53%
Federal Grants and Contracts	1,167,794	7.87%	1,343,450	(175,656)	(13.07%)
State Grants and Contracts	547,300	3.69%	540,400	6,900	1.28%
Gifts	65,106	.44%	52,723	12,383	23.49%
Investment Income	25,151	.17%	19,108	6,043	31.63%
Total Nonoperating Revenues	<u>10,530,351</u>	<u>70.93%</u>	<u>10,549,081</u>	<u>(18,730)</u>	<u>(.18%)</u>
Other Revenues:					
Capital Appropriations – State Sources	116,743	.79%	317,601	(200,858)	(63.24%)
Capital Gifts	49,950	.34%	69,550	(19,600)	(28.18%)
Total Other Revenues	<u>166,693</u>	<u>1.12%</u>	<u>387,151</u>	<u>(220,458)</u>	<u>(56.94%)</u>
Total Revenues	<u>\$ 14,845,805</u>	<u>100.00%</u>	<u>\$ 14,959,353</u>	<u>\$ (113,548)</u>	<u>(.76%)</u>

The revenue comparison between fiscal year 2012 and fiscal year 2011 shows a decrease in the overall amount of \$113,548. Operating revenue from tuition and fees decreased by \$21,789 as a result of the approximately 4% decrease in student enrollment hours. Even though tuition and fee rate increases occurred, the reduction in student enrollment caused by the overall reduction in legislative appropriations resulted in this small decrease in tuition and fee revenue. Federal grants and contracts operating revenue increased by \$144,158, which is primarily the result of an increase in revenue from Pell grants of \$133,158. State grants and contracts operating revenue increased by \$68,759, which is due to a \$20,000 State Grant to help expand the Cache Business Resource Center capacity, a \$36,634 increase in a DFCM Energy Efficiency improvement project, a DFCM HVAC repair project at the West Campus in the amount of \$14,180, and two other miscellaneous state grants that together decreased by \$2,055. Local grants and contracts increased by \$14,424, of which \$12,041 is an increase in the local portion of Custom Fit contracts. The local portion of Custom Fit contracts is the various companies' contributions to Custom Fit training. Sales and services of educational activities, which is typically referred to at the College as "class projects" revenue remained relatively constant when compared to the prior year with an immaterial increase of \$7,027. Auxiliary enterprise revenue, which is comprised of the College's bookstore and cafeteria operations, decreased by \$86,939. The only individually significant explanation is due to a \$47,900 decrease in textbook sales.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

Nonoperating revenues decreased by \$18,730 in total. The College did not receive federal fiscal stabilization funds this year as it did last year, resulting in a decrease of \$221,100 in federal grants and contracts revenue. However, State appropriations to the College were increased by \$131,600 this year to help offset this decrease. The remainder of the decrease in federal grants and contracts revenue is due to a \$68,744 increase in Pell grants and a \$23,300 decrease in LEAP scholarship funds from Utah Higher Education Assistance Authority.

The other individually significant change in revenue was a \$200,858 decrease in capital appropriations from state sources. These are capital improvement projects managed by DFCM and transferred to the College upon substantial completion. Fiscal year 2012 did include a substantial HVAC remodel project at the West Campus; however, the project did not get completed and ready for transfer to the College by year end. The overall HVAC project at the West Campus will take approximately 10 phases to complete.

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2012 and 2011:

<u>Expenses</u>	<u>Year Ended June 30, 2012 Amount</u>	<u>Percent of Total Expenses</u>	<u>Year Ended June 30, 2011 Amount</u>	<u>Amount of Increase (Decrease)</u>	<u>Percent of Increase (Decrease)</u>
Operating Expenses:					
Salaries and Wages	\$ 6,464,489	41.92%	\$ 6,339,399	\$ 125,090	1.97%
Benefits	2,717,001	17.62%	2,726,508	(9,507)	(.35%)
Professional and Technical Educational Services	376,277	2.44%	400,283	(24,006)	(6.00%)
Utilities	638,246	4.14%	556,412	81,834	14.71%
Scholarships and Grants in Aid	1,187,853	7.70%	1,133,312	54,541	4.81%
Depreciation	972,434	6.31%	980,645	(8,211)	(.84%)
Other Operating Expenses	<u>3,064,029</u>	<u>19.87%</u>	<u>2,999,356</u>	<u>64,673</u>	<u>2.16%</u>
Total Operating Expenses	<u>\$ 15,420,329</u>	<u>100.00%</u>	<u>\$ 15,135,915</u>	<u>\$ 284,414</u>	<u>1.88%</u>

Expenses for the year ended June 30, 2012 increased by \$284,414 compared to fiscal year ended June 30, 2011 which represents a 1.88% increase. Salaries and wages increased by \$125,090 or 1.97%; however, the associated benefits decreased by \$9,507 or .35%. The increase in salaries and wages is the result of an increase in hourly wages paid to adjunct faculty members by almost \$112,000. Utilities increased by \$81,834 due to an increase in the telephone expense in the amount of \$45,198; an increase in electricity, water, and sewer from Logan City in the amount of \$52,184; and a decrease in natural gas of \$15,548.

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, 2012

Condensed Statement of Cash Flows

Net Assets	Year Ended June 30, 2012 Amount	Year Ended June 30, 2011 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Cash Provided (Used) By:				
Operating Activities	\$ (10,584,634)	\$ (9,971,633)	\$ (613,001)	(6.15%)
Noncapital Financing Activities	10,885,121	10,496,269	388,852	3.70%
Capital Financing Activities	(410,409)	(183,553)	(226,856)	(123.59%)
Investing Activities	25,151	19,108	6,043	31.63%
Change in Cash	(84,771)	360,191	(444,962)	(123.54%)
Cash and Cash Equivalents – Beginning of Year	2,432,600	2,072,409	360,191	17.38%
Cash and Cash Equivalents – End of Year	<u>\$ 2,347,829</u>	<u>\$ 2,432,600</u>	<u>\$ (84,771)</u>	<u>(3.48%)</u>

The \$613,001 decrease in cash from operating activities is composed primarily of a decrease in cash received and an increase in cash paid for expenses. Receipts decreased by \$42,818 for tuition and fees, \$221,234 for grants and contracts, and \$33,476 for auxiliaries. Payments increased \$113,072 for suppliers, \$81,834 for utilities, and \$88,687 for salaries and benefits.

The \$388,852 increase in cash from noncapital financing activities is the result of an increase in cash from state appropriations in the amount of \$131,600 and an increase in contracts and grants for other than capital purposes of \$257,252.

The \$226,856 decrease in cash from capital financing activities is the result of a \$34,337 decrease in the amount of equipment purchased and the implementation of a new student information and fiscal system of \$261,193.

Debt Administration

The College's only debt is the liabilities for compensated absences and termination benefits which collectively decreased by \$70,241 during fiscal year 2012.

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 upgrades during the upcoming fiscal year; however, the College anticipates capital improvement projects to replace the parking lot at the West Campus and the South and West Parking Lots at the Main campus along with the completion and transfer in from DFCM of Phase III of the West Campus HVAC project. The unfunded depreciation expenses are likely to have a significant negative impact on the changes in net assets.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2012

Other than the issue of unfunded depreciation, the College's overall financial position is strong. The College anticipates the current fiscal year will be similar to the last and will maintain a close watch over resources to maintain the College's ability to react to unknown internal and external issues.

Requests for Information

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF NET ASSETS JUNE 30, 2012

ASSETS

Current Assets

Cash and Cash Equivalents (Notes 1 and 2)	\$ 2,347,829
Accounts Receivable (Note 3)	214,932
Due From State Agencies (Note 3)	647,316
Inventories (Note 1)	392,409
Total Current Assets	3,602,486

Noncurrent Assets (Notes 1 and 4)

Construction/Implementation in Progress	261,193
Land	1,580,000
Buildings	25,875,758
Equipment	5,701,482
Less Accumulated Depreciation	(17,355,839)
Total Noncurrent Assets	16,062,594

Total Assets

19,665,080

LIABILITIES

Current Liabilities

Accounts Payable (Note 3)	427,794
Due to State Agencies	10,156
Deferred Revenue	183,369
Funds Held in Trust	413,341
Accrued Salaries and Wages Payable	108,359
Termination Benefits (Notes 6 and 7)	61,349
Compensated Absences (Note 9)	248,462
Total Current Liabilities	1,452,830

Noncurrent Liabilities (Note 5)

Termination Benefits (Notes 6 and 7)	49,923
Compensated Absences (Note 9)	636,781
Total Noncurrent Liabilities	686,704

Total Liabilities

2,139,534

NET ASSETS

Invested in Capital Assets (Net of Related Debt)	16,062,594
Restricted Expendable	151,325
Unrestricted	1,311,627
Total Net Assets	\$ 17,525,546

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, 2012

REVENUES

Operating Revenues (Note 1)

Student Tuition and Fees (net of Scholarship Allowance of \$99,695)	\$ 1,880,590
Federal Grants and Contracts	477,628
State Grants and Contracts	119,244
Local Grants and Contracts	281,695
Sales and Services of Educational Activities	736,059
Auxiliary Enterprises	653,545
Total Operating Revenues	4,148,761

EXPENSES

Operating Expenses (Note 1)

Salaries and Wages	6,464,489
Benefits	2,717,001
Professional and Technical Educational Services	376,277
Utilities	638,246
Scholarships and Grants in Aid	1,187,853
Depreciation	972,434
Other Operating Expenses	3,064,029
Total Operating Expenses	15,420,329
Operating Loss	(11,271,568)

NONOPERATING REVENUES

State Appropriations	8,725,000
Federal Grants and Contracts	1,167,794
State Grants and Contracts	547,300
Gifts	65,106
Investment Income	25,151
Total Nonoperating Revenues	10,530,351

OTHER REVENUES

Capital Appropriations – State Sources	116,743
Capital Gifts	49,950
Total Other Revenues	166,693
Decrease in Net Assets	(574,524)

NET ASSETS

Net Assets – Beginning of Year	18,100,070
Net Assets – End of Year	\$ 17,525,546

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, 2012

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Tuition and Fees	\$ 1,885,153
Receipts from Grants and Contracts	586,801
Receipts from Auxiliary Enterprise Charges	677,879
Receipts from Sales and Services of Educational Activities	738,494
Payments to Employees for Salaries and Benefits	(9,257,343)
Payments to Suppliers	(4,027,765)
Payments for Scholarships	(1,187,853)
Net Cash Used by Operating Activities	<u>(10,584,634)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from State Appropriations	8,725,000
Receipts from Noncapital Contracts and Grants	1,746,780
Fiscal Agent Funds Receipts	1,538,646
Fiscal Agent Funds Payments	(1,125,305)
Net Cash Provided by Noncapital Financing Activities	<u>10,885,121</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Cash Paid for Capital Assets	<u>(410,409)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(410,409)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of Interest on Investments	<u>25,151</u>
Net Cash Provided by Investing Activities	<u>25,151</u>

Net Increase (Decrease) in Cash and Cash Equivalents (84,771)

CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR 2,432,600

CASH AND CASH EQUIVALENTS – END OF YEAR \$ 2,347,829

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES

Operating Loss	\$ (11,271,568)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation Expense	972,434
In-kind Gifts Received and Expensed	65,106
Changes in Assets and Liabilities:	
Accounts Receivable	(249,917)
Inventories	(18,213)
Accounts Payable and Accrued Expenses	(1,718)
Deferred Revenue	(10,517)
Compensated Absences and Termination Benefits	(70,241)
Net Cash Used by Operating Activities	<u><u>\$ (10,584,634)</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital Asset Additions through the State	\$ 116,743
Capital Gifts	\$ 49,950

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, 2012

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 and the Utah State Board of Regents. Effective July 1, 2009, the Utah State Legislature removed the Board of Regents from the governance structure over UCAT and placed the College directly under the control of the UCAT Board of Trustees and the College's Board of Directors. UCAT and the College remain under the Utah System of Higher Education.

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.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 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*, Title 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 \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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

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

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

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

Future Changes in Accounting Standards

The Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The requirements of these Statements are effective for fiscal years 2013 and 2014, respectively. In addition, GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, and GASB Statement No. 68, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 27*, effective for fiscal years 2014 and 2015 respectively.

These new Statements may impact the College's recognition and timing of assets and liabilities and may require restating beginning net assets and fund balances. The College is not planning to early implement these Statements and has made no estimation of the effect these Statements will have on the financial statements.

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.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

The College follows the requirements of the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) 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, 2012, of the College's bank balances of \$520,987, \$238,269 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 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; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the 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.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 Utah 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, 2012, the College had \$2,247,760 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. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 13 months 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, 2012, 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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 consist primarily of tuition and fee charges to students of \$49,075; charges for class project services of \$24,238; Custom Fit trade account receivables of \$33,174; and auxiliary enterprise services provided to students, faculty, and staff of \$7,248, the majority of each residing in the State of Utah; \$90,197 for Pell Grants; and miscellaneous other receivables in the amount of \$11,000. 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. Accounts payable at June 30, 2012 consist of vendor payments totaling \$412,767 and student financial aid payments totaling \$15,027.

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, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Construction/Implementation in Progress	\$ -	\$ 261,193	\$ -	\$ 261,193
Land	1,580,000	-	-	1,580,000
Buildings	25,810,975	64,783	-	25,875,758
Equipment	<u>5,812,319</u>	<u>253,824</u>	<u>364,661</u>	<u>5,701,482</u>
Total	33,203,294	579,800	364,661	33,418,433
Less Accumulated Depreciation:				
Buildings and Equipment	<u>(16,745,368)</u>	<u>(972,434)</u>	<u>(361,963)</u>	<u>(17,355,839)</u>
Net Capital Assets	<u>\$ 16,457,926</u>	<u>\$ (392,634)</u>	<u>\$ 2,698</u>	<u>\$ 16,062,594</u>

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5. LEASE OBLIGATIONS

The College has no capital leases, but it has entered into two operating leases for copy center equipment. These two leases both contain a fiscal funding clause; however, since funding is considered to be reasonably assured, the leases are considered non-cancelable for financial reporting purposes. Operating lease expense for the year ended June 30, 2012, was \$44,990.

The future lease payments are as follows:

Fiscal Year Ending June 30	Operating Lease Expense
2013	\$ 44,990
2014	44,990
Total Future Lease Payments	\$ 89,980

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, 2012:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Termination Benefits	\$ 162,076	\$ -	\$ 50,804	\$ 111,272	\$ 61,349
Compensated Absences	904,680	266,380	285,817	885,243	248,462
Total Long-Term Liabilities	\$ 1,066,756	\$ 266,380	\$ 336,621	\$ 996,515	\$ 309,811

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.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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, 2012 there were five 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 which has been estimated at 10%. The cumulative accrued retirement incentive plan liability as of June 30, 2012 totaled \$111,272. The retirement incentive program expense for the year ended June 30, 2012 was \$50,804.

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,

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

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 Title 49 of the *Utah Code*. The Utah Retirement Office Act in Title 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, 560 East 200 South, Salt Lake City, UT 84102, or by calling 1-800-365-8772.

Funding Plan

In the Noncontributory Retirement System, the College was required to contribute 16.86% 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, 2012, 2011, and 2010 were \$743,862, \$723,118, and \$651,951, 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 administered by the Utah Retirement Systems. The College is required to contribute 1.5% of eligible employees' gross earnings to the plan. In September 2011, UCAT employees voted to discontinue participation in the Social Security Administration as allowed under the guidelines of Section 218 of the Social Security Act. As a result, effective October 1, 2011, the College began contributing an additional 6.2% of eligible employee salaries into employees' 401(k) plans. Employer contributions totaled \$537,307 for the year ended June 30, 2012. Under certain IRS and plan restrictions, employees can make additional contributions. Employee contributions for the same period totaled \$442,301.

Related to the discontinued Social Security participation discussed above, the Social Security Administration issued a refund of the Social Security taxes withheld and paid by the College for the eligible employees, plus interest, for the period January 2008 through June 2011 totaling \$2.1 million. \$1.7 million was received after the year end, and the

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

total amount was distributed as a contribution to the employees' 401(k) plans or as a direct payment to employees in July 2012.

Employees may also elect to participate in an IRS 457 deferred compensation plan offered through the Utah Retirement Systems. Employee contributions towards this plan totaled \$65,148 for the year ended June 30, 2012.

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.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

NOTE 11. RISK MANAGEMENT

The College maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty and malpractice liability through policies administered by the Utah State Risk Management Fund (the Fund). The College also has replacement cost insurance on its buildings and contents against all insurable risks of direct physical loss or damage with the Fund. This all-risk insurance coverage provides for repair or replacement of damaged or stolen College property on a replacement cost basis subject to a \$1,000 deductible per occurrence. All College employees are covered by workers compensation insurance administered by the Workers Compensation Fund of Utah.

NOTE 12. RELATED PARTIES

The College entered into an operation, maintenance, and rental agreement with the State of Utah, acting through the State 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, 2012, the contract had been renewed effective until June 30, 2013. During fiscal year 2012, the College paid a total of \$176,159 in rental payments to DFCM. DFCM refunded \$68,858 of the rental payments for a net total in fiscal year 2012 of \$107,301.