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
and
Government Auditing Standards Report
For the Year Ended June 30, 2013

Report No. 13-48

OFFICE OF THE
UTAH STATE AUDITOR

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AUDIT LEADERSHIP:
Hollie Andrus, CPA, Audit Director
Ariane Gibson, CPA, Audit Senior

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

ANNUAL FINANCIAL REPORT
and
GOVERNMENT AUDITING STANDARDS REPORT
FOR THE YEAR ENDED JUNE 30, 2013

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OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Bridgerland Applied Technology College (College) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's financial statements, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2013, 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.

Emphasis of Matter

As discussed in Note 1, the financial statements of the College are intended to present the financial position, the changes in financial position, and the 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, 2013, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3–10 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.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the Utah State Auditor

Office of the Utah State Auditor
January 31, 2014

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, 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. Effective July 1, 2009, UCAT was moved out from under the jurisdiction of the Utah State Board of Regents and was 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, Section 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. Four components comprise the College’s financial statements: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

Statement of Net Position. The Statement of Net Position provides information on the College's assets and liabilities at the end of the fiscal year, with the difference between the two reported as net position. The information provided in the Statement of Net Position along with disclosures and other information contained in the Statement of Revenues, Expenses, and Changes in Net Position; the Statement of Cash Flows; and accompanying notes helps users assess, among other things, the College's liquidity, and its ability to meet its obligations.

Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Revenues, Expenses, and Changes in Net Position provides information to users both about the operating performance of the College and the effects of nonoperating transactions and events that change the amount of net position of the College. The information in this statement, together with information in the Statement of Net Position, the Statement of Cash Flows, and accompanying notes, should assist users of the College's financial statements in evaluating the College's performance during the fiscal year and how well management has discharged their stewardship responsibilities and other aspects of their duties.

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

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

Financial Analysis

Assets, Liabilities, and Net Position. The following schedule presents a summary of the College's assets, liabilities, and net position as of June 30, 2013 and 2012:

Net Position	Year Ended June 30, 2013 Amount	Year Ended June 30, 2012 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Current Assets	$ 2,965,449	$ 3,602,486	$ (637,037)	(17.68%)
Capital Assets	16,328,884	16,062,594	266,290	1.66%
Total Assets	19,294,333	19,665,080	(370,747)	(1.89%)
Current Liabilities	1,050,178	1,452,830	(402,652)	(27.72%)
Noncurrent Liabilities	638,869	686,704	(47,835)	(6.97%)
Total Liabilities	1,689,047	2,139,534	(450,487)	(21.06%)
Net Position				
Net Investment in Capital Assets	16,328,884	16,062,594	266,290	1.66%
Restricted Expendable	134,656	151,325	(16,669)	(11.02%)
Unrestricted	1,141,746	1,311,627	(169,881)	(12.95%)
Total Net Position	$ 17,605,286	$ 17,525,546	$ 79,740	0.45%

Net Position of the College increased by $79,740 or 0.45% during the fiscal year ended June 30, 2013. Total assets of the College decreased by $370,747, or 1.89%, during the fiscal year. Current Assets decreased by $637,037, which consisted of a decrease in cash of $514,310, which is explained in more detail in the Cash Flow section of this Management’s Discussion and Analysis, an immaterial decrease in trade accounts receivable of $20,684, a decrease in due from state agencies (related parties) in the amount of $124,642, and a small increase in inventory in the amount of $22,599. The $20,684 decrease in trade accounts receivable is the result of a $13,935 decrease in receivables from students and student financial aid, a $492 decrease in receivables from Custom Fit clients, a $2,767 decrease in receivables from class projects, and a $3,489 decrease in auxiliary receivables. Of the $124,642 decrease in due from state agencies (related parties), the only individually significant decrease is the $86,928 receivable from the

State Division of Facilities Construction and Management (DFCM) for an agency-managed account at June 30, 2012, which the College received early in fiscal year 2013. The remaining $37,714 decrease from State Agencies is the result of minor fluctuations in receivables from a variety of federal and state grants. There were no other individually significant changes in Current Assets during fiscal year 2013.

The College's Capital Assets (net of accumulated depreciation) as of June 30, 2013, increased by $266,290 from $16,062,594 to $16,328,884. This investment in capital assets includes land, buildings, and equipment. New equipment acquisitions (including donated assets) were $85,283 and consisted of a $14,538 blast chiller for the CBRC kitchen incubator, an $18,597 backup system for all the servers on the College's network, a $25,320 air compressor in the Fire and Rescue Academy, a $7,450 system of simulation software and controls for CLD training, a $6,143 green energy grant training shed, a $6,570 installation of new cabinets in the dental assisting lab, and a $6,665 postage machine. Construction/implementation in progress increased by $241,363 and consists entirely of implementation consulting costs for the new Jenzabar student and fiscal information system. Buildings increased by $970,279, which consists of $580,974 in parking lot replacement costs, $111,173 for the parking lot north garage, $205,384 for another phase of the West Campus HVAC replacement project and $72,748 for the Police Academy remodel at the West Campus. Depreciation expense reduced the College's Capital Assets by $990,098, and a loss on the disposition of capital assets during fiscal year 2013 in the amount of $40,537 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 decreased by $450,487 or 21.06%, during the fiscal year. Current Liabilities decreased by $402,652 and Noncurrent Liabilities decreased by $47,835.

The decrease in Current Liabilities consists of a $93,866 decrease in trade accounts payable, a $2,680 decrease in due to state agencies (related parties), a $59,818 decrease in unearned revenue, a $388,439 decrease in funds held in trust, a $193,801 increase in accrued salaries and wages payable (including employer fringe benefits), a $36,351 decrease in the current portion of termination benefits, and a $15,299 decrease in the current portion of the liability for compensated absences. The individually significant decrease in Current Liabilities is primarily due to a $388,439 decrease in funds held in trust. Fiscal year 2012 had a $360,419 increase in funds held in trust because that portion of the Social Security 218 election refund was received by June 30, 2012. The remaining Social Security 218 refund was received during fiscal year 2013 and all of it was remitted to employees by June 30, 2013. The remaining decrease in funds held in trust is because the State Career and Technical Student Organizations (CTSOs) had expenditures in excess of revenue in the amount of $28,020. The $93,866 decrease in trade accounts payable is unremarkable and is not the result of any individually significant payable transaction. The $59,818 decrease in unearned revenue is the result of a $71,589 decrease in unearned revenue from student enrollment transactions offset by a $12,171 increase in other unearned revenue and an immaterial $400 decrease in machine shop tool deposits. The $193,801 increase in accrued salaries and wages is due primarily to the $106,866 increase in employer fringe benefits payable and $66,570 in employee payroll withholdings payable at June 30, 2013. The remaining $20,365 increase is unremarkable. The $15,299 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. Early termination benefits decreased $36,351 because no additional employees were approved for early termination benefits during fiscal year 2013. Additional information on the change in Liabilities can be found in Notes 6, 7, 8, and 9.

The $47,835 decrease in Noncurrent Liabilities is due to a $28,646 decrease in termination benefits and a $19,189 decrease in the liability for compensated absences. The explanation for these decreases is explained in the current liabilities paragraph above. Additional information on the change in liabilities can be found in Notes 6, 7, 8, and 9.

The increase in Net Position of $79,740 is due to the $266,290 increase in Net Investment in Capital Assets, a decrease in the Restricted Fund Net Position of $16,669, and a decrease in Unrestricted Net Position of $169,881. For more detailed information on the decrease in Capital Assets, see Note 4 of the Financial Statements. The $16,669 decrease in restricted net position occurred because the need for Custom Fit training by clients exceeded the available State Custom Fit revenue and the College's rainy day funds were utilized as a means of addressing the training needs. The reduction in unrestricted net position in the amount of $169,881 is primarily caused by the purchase and implementation of a new student/fiscal information system. The unfunded depreciation expense in the amount of $990,098 along with a $40,537 loss on the disposition of assets was offset by a $1,296,925 increase in current year asset additions resulting in the $266,290 increase in Net Investment in Capital Assets. The College will generally experience an increase in net position only in years where the Legislature appropriates funds for capital equipment purchases, capital improvement projects, or capital development and construction projects in an amount that exceeds the unfunded depreciation expense.

Changes in Net Position. The following schedule presents a summary of changes in net position for the College for the fiscal years ended June 30, 2013 and 2012:

Net Position	Year Ended June 30, 2013 Amount	Year Ended June 30, 2012 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Operating Revenues	$ 3,547,313	$ 4,148,761	$ (601,448)	(14.50%)
Operating Expenses	15,222,724	15,420,329	(197,605)	(1.28%)
Operating Income (Loss)	(11,675,411)	(11,271,568)	(403,843)	(3.58%)
Nonoperating Revenues	10,813,045	10,530,351	282,694	2.68%
Other Revenues	942,106	166,693	775,413	465.17%
Increase (Decrease) in Net Position	79,740	(574,524)	654,264	113.88%
Total Net Position – Beginning of Year	17,525,546	18,100,070	(574,524)	(3.17%)
Total Net Position – End of Year	$ 17,605,286	$ 17,525,546	$ 79,740	0.45%

The College experienced a net operating loss of $11,675,411 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 2013, State appropriations and other nonoperating revenue were insufficient to offset the operating expenses. The operating loss in fiscal year 2013 is $403,843 more than the operating loss in fiscal year 2012.

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2013 and 2012:

Revenues	Year Ended June 30, 2013 Amount	Percent of Total Revenue	Year Ended June 30, 2012 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Revenues:					
Student Tuition and Fees	$ 1,710,298	11.18%	$ 1,880,590	$ (170,292)	(9.06%)
Federal Grants and Contracts	438,766	2.87%	477,628	(38,862)	(8.14%)
State Grants and Contracts	61,055	.40%	119,244	(58,189)	(48.80%)
Local Grants and Contracts	304,850	1.99%	281,695	23,155	8.22%
Sales and Services of Educational Activities	481,454	3.15%	736,059	(254,605)	(34.59%)
Auxiliary Enterprises	550,890	3.60%	653,545	(102,655)	(15.71%)
Total Operating Revenues	3,547,313	23.18%	4,148,761	(601,448)	(14.50%)
Nonoperating Revenues:					
State Appropriations	9,310,000	60.84%	8,725,000	585,000	6.70%
Federal Grants and Contracts	1,029,602	6.73%	1,167,794	(138,192)	(11.83%)
State Grants and Contracts	380,800	2.49%	547,300	(166,500)	(30.42%)
Gifts	69,927	.46%	65,106	4,821	7.40%
Investment Income	22,716	.15%	25,151	(2,435)	(9.68%)
Total Nonoperating Revenues	10,813,045	70.66%	10,530,351	282,694	2.68%
Other Revenues:					
Capital Appropriations – State Sources	942,106	6.16%	116,743	825,363	706.99%
Capital Gifts	-	.00%	49,950	(49,950)	(100.00%)
Total Other Revenues	942,106	6.16%	166,693	775,413	465.17%
Total Revenues	$ 15,302,464	100.00%	$ 14,845,805	$ 456,659	3.08%

The revenue comparison between fiscal year 2013 and fiscal year 2012 shows a total revenue increase in the amount of $456,659. Operating Revenue decreased by $601,448 while Nonoperating Revenue increased by $282,694 and Other Revenue increased by $775,413. Under Operating Revenue, Student Tuition and Fee Revenue decreased by $170,292 in spite of a $.15/membership hour increase in the tuition rate. The Tuition and Fee revenue decrease is the result of a $143,415 decrease caused by the scholarship allowance and a $26,877 decrease caused by a 9.81% decline in student enrollment hours.

Federal Grants and Contracts Operating Revenue decreased by $38,862 as the result of a $26,908 decrease in various Federal Perkins Grants, net of fiscal agent eliminations, an $80,572 decrease in revenue from the College’s partnership with Salt Lake Community College (SLCC) and the Department of Workforce Services on a State Energy Sector Partnership (SESP) federal grant, a $46,898 increase in a new partnership with SLCC and UCAT on a federal Trade Adjustment Assistance (TAA) grant, an increase in federal direct grants for the business resource center and the Commercial Driver’s License (CDL) program in the amount of $26,565, an immaterial increase in Federal Perkins Secondary grant funds passed through the area school districts in the amount of $1,365, and a decrease of $6,210 in a Young Farmers partnership grant with Utah State University. State Grants and Contracts Operating Revenue decreased by $58,189 primarily due to a $53,183 decrease in the DFCM Efficiency Improvement project. The remaining decrease is the net effect of several other miscellaneous state grants that together decreased by $5,006. Local Grants and Contracts increased by $23,155, of which $22,879 is an increase in the local portion of Custom Fit contracts. The local portion of Custom Fit contracts is the company contribution to Custom Fit training.

Sales and Services of Educational Activities, which is typically referred to at the College as “class projects” revenue, decreased by $254,605. Of that amount, $190,462 is a decrease in class project revenue in the Building Construction and Cabinet Making programs because the College did not build a project house for sale during fiscal year 2013. Class project revenue also decreased by $56,343 in the Professional Retail Meat cutting program. The remaining $7,800 decrease in class project revenue was spread across all College programs with class project accounts. Auxiliary Enterprises revenue, comprised of the College bookstore and cafeteria operations, decreased by $102,655. Textbook sales decreased by $48,590, cafeteria sales decreased by $39,569, and there was a $16,946 decrease caused by the scholarship allowance. These two decreases were offset by a net increase in other auxiliary sales in the amount of $2,450.

Nonoperating revenue increased by a total of $282,694, which is comprised of a $585,000 increase in State Appropriations, a $138,192 decrease in Pell Grant revenue, a $166,500 decrease in State Grants and Contracts, a $4,821 increase in Gifts, and a $2,435 decrease in Investment Income. The $585,000 increase in State Appropriations is comprised of a $71,500 increase for compensation, a $349,500 increase to reduce wait times and expand capacity, and a change in classification from State Grants and Contracts to State Appropriations in the amount of $164,000 that is appropriation funds flowing through UCAT to the College. $164,000 of the $166,500 decrease in State Grants and Contracts is the offsetting change in classification described above. The $138,192 decrease in Pell Grant revenue is the result of changes to federal financial aid eligibility rules.

Other Revenue increased by a total of $775,413 which is comprised of an $825,363 increase in Capital Appropriations-State Sources and offset by a decrease in Capital Gifts in the amount of $49,950. Capital Appropriations–State Sources are capital improvement projects managed by DFCM and transferred to the College upon substantial completion. The College did not receive any Capital Gifts in fiscal year 2013 but received three different Capital Gifts in fiscal year 2012 with a total value of $49,950.

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2013 and 2012:

Expenses	Year Ended June 30, 2013 Amount	Percent of Total Expense	Year Ended June 30, 2012 Amount	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Operating Expenses:					
Salaries and Wages	6,602,786	43.37%	6,464,489	138,297	2.14%
Employee Benefits	2,973,824	19.54%	2,717,001	256,823	9.45%
Professional & Tech Ed Svcs	400,859	2.63%	376,277	24,582	6.53%
Utilities	671,603	4.41%	638,246	33,357	5.23%
Scholarships	903,582	5.94%	1,187,853	(284,271)	(23.93%)
Depreciation	990,098	6.50%	972,434	17,664	1.82%
Other Operating Expenses	2,679,972	17.61%	3,064,029	(384,057)	(12.53%)
Total Operating Expenses	$ 15,222,724	100.00%	$ 15,420,329	$ (197,605)	(1.28%)

Expenses for the year ended June 30, 2013, decreased by $197,605 compared to fiscal year ended June 30, 2012, which represents a 1.28% decrease. Salaries and Wages increased by $138,297 or 2.14% as a result of a 1% cost of living adjustment along with some increased faculty and staff to help reduce wait times. Benefits increased by $256,823 which is primarily the result of a 1.9% increase in the retirement rate and a 16% increase in the cost of health insurance. Professional and Technical Educational services increased by $24,582, Utilities increased by $33,357, Scholarships decreased $284,271 which is primarily caused by changes in Federal Financial Aid (Pell Grant) and scholarship allowance, Depreciation expense increased by $17,664, and Other Operating Expenses decreased by $384,057. The $384,057 decrease in Other Operating Expenses consists primarily in a $192,399 decrease in supplies for class projects and instructional programs in direct relationship to the decrease in class project revenue discussed in the revenue section above. There was also a $90,538 decrease in cost of goods sold in the bookstore and cafeteria which is also in direct relationship to the decreased auxiliary enterprise sales described in the revenue section above. The other individually significant decrease in other operating expenses is a $64,786 decrease in supplies used to maintain and improve the College facilities. The remaining $36,334 decrease is unremarkable.

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 Position.

Condensed Statement of Cash Flows

Net Assets	Year Ended June 30, 2013 Amount	Year Ended June 30, 2012 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Cash Provided (Used) By:				
Operating Activities	$ (10,643,839)	$ (10,584,634)	$ (59,205)	(.56%)
Noncapital Financing Activities	10,421,095	10,885,121	(464,026)	(4.26%)
Capital Financing Activities	(314,282)	(410,409)	96,127	23.42%
Investing Activities	22,716	25,151	(2,435)	(9.68%)
Change in Cash	(514,310)	(84,771)	(429,539)	(506.71%)
Cash and Cash Equivalents – Beginning of Year	2,347,829	2,432,600	(84,771)	(3.48%)
Cash and Cash Equivalents– End of Year	$ 1,833,519	$ 2,347,829	$ (514,310)	(21.91%)

The $59,205 decrease in cash from Operating Activities is composed of a decrease in cash received from tuition and fees in the amount of $260,408, an increase in receipts from grants and contracts of $341,765, a decrease in receipts from auxiliary enterprise charges of $117,623, a decrease in receipts from sales of educational activities of $244,998, an increase in payments to employees for salaries and benefits of $224,951, a decrease in payments to suppliers of $162,739, and a decrease in payments for scholarships of $284,271.

The $464,026 decrease in cash provided by Noncapital Financing Activities is comprised of a $585,000 increase in receipts from appropriations, a $310,620 decrease in receipts from noncapital contracts and grants, a $63,374 increase in cash received from Gifts, a $990,181 increase in fiscal agent funds received, and a $1,791,961 increase in fiscal agent fund payments. The other items affecting cash are a $96,127 decrease in cash paid for capital assets and a $2,435 decrease in cash provided by investing activities.

Debt Administration

The College's only debt is the liabilities for compensated absences and termination benefits which collectively decreased by $99,485 during fiscal year 2013.

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. The unfunded depreciation expenses are likely to have a significant negative impact on the Changes in Net Position. Other than the issue of unfunded depreciation, the College’s overall financial position is strong. The College 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 POSITION
JUNE 30, 2013

ASSETS	
Current Assets	
Cash and Cash Equivalents (Notes 1 and 2)	$ 1,833,519
Accounts Receivable (Note 3)	194,248
Due From State Agencies (Note 3)	522,674
Inventories (Note 1)	415,008
Total Current Assets	2,965,449
Noncurrent Assets (Notes 1 and 4)	
Construction/Implementation in Progress	502,556
Land	1,580,000
Buildings	26,763,238
Equipment	5,547,707
Less Accumulated Depreciation	(18,064,617)
Total Noncurrent Assets	16,328,884
Total Assets	19,294,333
LIABILITIES	
Current Liabilities	
Accounts Payable (Note 3)	333,928
Due to State Agencies (Note 3)	7,476
Unearned Revenue	123,551
Funds Held in Trust	24,902
Accrued Salaries and Wages Payable	302,160
Termination Benefits (Notes 6 and 7)	24,998
Compensated Absences (Notes 6 and 9)	233,163
Total Current Liabilities	1,050,178
Noncurrent Liabilities (Note 5)	
Termination Benefits (Notes 6 and 7)	21,277
Compensated Absences (Notes 6 and 9)	617,592
Total Noncurrent Liabilities	638,869
Total Liabilities	1,689,047
NET POSITION	
Net Investment in Capital Assets	16,328,884
Restricted Expendable	134,656
Unrestricted	1,141,746
Total Net Position	$ 17,605,286

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

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2013

REVENUES	
Operating Revenues (Note 1)	
Student Tuition and Fees (Net of Scholarship Allowance of $242,948)	$ 1,710,298
Federal Grants and Contracts	438,766
State Grants and Contracts	61,055
Local Grants and Contracts	304,850
Sales and Services of Educational Activities	481,454
Auxilary Enterprises (Net of Scholarship Allowance of $16,946)	550,890
Total Operating Revenues	3,547,313
EXPENSES	
Operating Expenses (Note 1)	
Salaries and Wages	6,602,786
Benefits	2,973,824
Professional and Technical Educational Services	400,859
Utilities	671,603
Scholarships and Grants in Aid	903,582
Depreciation	990,098
Other Operating Expenses	2,679,972
Total Operating Expenses	15,222,724
Operating Income (Loss)	(11,675,411)
NONOPERATING REVENUES	
State Appropriations	9,310,000
Federal Grants and Contracts (Pell Grant)	1,029,602
State Grants and Contracts	380,800
Gifts	69,927
Investment Income	22,716
Total Nonoperating Revenues	10,813,045
OTHER REVENUES	
Capital Appropriations – State Sources	942,106
Total Other Revenues	942,106
Increase in Net Position	79,740
NET POSITION	
Net Position – Beginning of Year	17,525,546
Net Position – End of Year	$ 17,605,286

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, 2013

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	$ 1,624,745
Receipts from Grants and Contracts	928,566
Receipts from Auxiliary Enterprise Charges	560,256
Receipts from Sales and Services of Educational Activities	493,496
Payments to Employees for Salaries and Benefits	(9,482,294)
Payments to Suppliers	(3,865,026)
Payments for Scholarships	(903,582)
Net Cash Provided (Used) by Operating Activities	(10,643,839)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from State Appropriations	9,310,000
Receipts from Noncapital Contracts and Grants	1,436,160
Gifts Received	63,374
Fiscal Agent Funds Receipts	2,528,827
Fiscal Agent Funds Payments	(2,917,266)
Net Cash Provided (Used) by Noncapital Financing Activities	10,421,095
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Cash Paid for Capital Assets	(314,282)
Net Cash Provided (Used) by Capital and Related Financing Activities	(314,282)
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest on Investments	22,716
Net Cash Provided (Used) by Investing Activities	22,716
Net Increase (Decrease) in Cash and Cash Equivalents	(514,310)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	2,347,829
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 1,833,519
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	$ (11,675,411)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation Expense	990,098
In-kind Gifts Received and Expensed	6,553
Changes in Assets and Liabilities:	
Accounts Receivable	119,568
Inventories	(22,599)
Accounts Payable and Accrued Expenses	97,255
Unearned Revenue	(59,818)
Compensated Absences and Termination Benefits	(99,485)
Net Cash Provided (Used) by Operating Activities	$ (10,643,839)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital Asset Additions through the State	$ 942,106

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, 2013

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 remains 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.

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.

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:

Assets	Years
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 Utah 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, 2013, of the College's bank balances of $369,123, $86,302 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.

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; 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.

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, 2013, the College had $1,605,481 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 terms to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 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, 2013, 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 AND PAYABLE

Accounts Receivable at June 30, 2013, consist primarily of tuition and fee charges to students of $64,086; charges for class project services of $21,471; Custom Fit trade account receivables of $33,722; and auxiliary enterprise services provided to students, faculty, and staff of $3,759 the majority of each residing in the State of Utah; $64,439 for Pell Grants; and miscellaneous other receivables in the amount of $6,771. Due from State Agencies in the amount of $522,674 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, 2013, consist of vendor payments totaling $333,928 and due to State agencies in the amount of $7,476.

BRIDGERLAND APPLIED TECHNOLOGY COLLEGE

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Construction/Implementation in Progress	$ 261,193	$ 241,363	$ -	$ 502,556
Land	1,580,000	-	-	1,580,000
Buildings	25,875,758	970,279	82,799.00	26,763,238
Equipment	5,701,482	85,283	239,058	5,547,707
Total	33,418,433	1,296,925	321,857	34,393,501
Less Accumulated Depreciation: Buildings and Equipment	(17,355,839)	(990,098)	(281,320)	(18,064,617)
Capital Assets, Net	$ 16,062,594	$ 306,827	$ 40,537	$ 16,328,884

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, 2013, was $44,990.

The future lease payments are as follows:

Fiscal Year	Amount
2014	44,990
Total Future Operating Lease Payments	$ 44,990

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, 2013:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Termination Benefits	$ 111,272	$ -	$ 64,997	$ 46,275	$ 24,998
Compensated Absences	885,243	249,149	283,637	850,755	233,163
Total Long-Term Liabilities	$ 996,515	$ 249,149	$ 348,634	$ 897,030	$ 258,161

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, 2013 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, 2013, totaled $46,275. The retirement incentive program expense for the year ended June 30, 2013, was $64,997.

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 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 18.76% of the employees' annual covered salary for Tier I and 8.41% of their annual covered salary for Tier II. The College does not currently have any employees covered by Tier II. 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, 2013, 2012, and 2011 were $819,522, $743,862, and $723,118, 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 of 2011, eligible employees of the Utah College of Applied Technology (UCAT) voted to discontinue their participation in Social Security Administration as allowed under the guidelines of Section 218 of the Social Security Act. As a result, beginning in October of 2011, the College began contributing an additional 6.2% of these eligible employees' salaries into their respective 401(k) accounts. Employer contributions totaled $1,213,502 for the year ended June 30, 2013. Under certain IRS and plan restrictions, employees can make additional contributions. Employee contributions for the same period totaled $481,511.

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 $78,020 for the year ended June 30, 2013.

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.

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 30^{th}. As of June 30, 2013, the contract had been renewed effective until June 30, 2014. During fiscal year 2013, the College paid a total of $176,159 in rental payments to DFCM.

OFFICE OF THE
UTAH STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bridgerland Applied Technology College (the College) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's financial statements, and have issued our report thereon dated January 31, 2014.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Office of the Utah State Auditor

Office of the Utah State Auditor
January 31, 2014