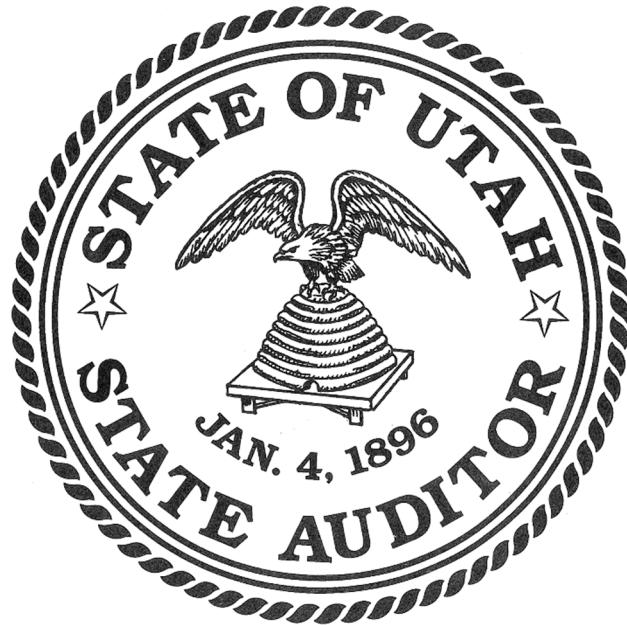


DIXIE TECHNICAL COLLEGE
A Component Unit of the State of Utah

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2019

Report No. 19-42



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Bertha Lui, CPA, Senior Audit Manager
Andrew Driggs, Audit Senior

DIXIE TECHNICAL COLLEGE

ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2019

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**OFFICE OF THE
STATE AUDITOR**

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Directors, Audit Committee
and

Kelle Stephens, President
Dixie Technical College

Report on the Financial Statements

We have audited the accompanying financial statements of Dixie Technical College (College) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents. The College 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.

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, 2019, 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.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor

February 25, 2020

DIXIE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

As Management of the Dixie Technical College (College), we offer this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2019 to the readers of the College's financial statements.

The College was established effective September 1, 2001, by the Utah State Legislature to offer vocational and related instruction to secondary and adult students. Effective September 1, 2001, the legislature created the Utah College of Applied Technology which was composed of eight regional colleges. The Dixie Applied Technology College (DXATC) became one of these colleges. Effective July 1, 2017, the Utah Legislature passed legislation, which created the Utah System of Technical Colleges (UTech) and renamed the College, the Dixie Technical College (DixieTech). The College is now a body politic and corporate and governed directly by the College Board of Directors.

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 include four components: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

Statement of Net Position. The Statement of Net Position (similar to a Balance Sheet) provides information on the College's assets, deferred outflows, liabilities, and deferred inflows at the end of the fiscal year, with the difference being 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 evaluate, 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 (similar to a Statement of Income) 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 its stewardship responsibilities and other aspects of its 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

DIXIE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

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

Statement of Net Position. The following schedule presents a summary of the College's assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2019 and 2018:

Condensed Statement of Net Position

	Year Ended June 30, 2019 Amount	Year Ended June 30, 2018 Amount	Amount of Change	Percent Change
Assets				
Current Assets	\$ 2,722,864	\$ 2,884,002	\$ (161,138)	(5.59%)
Capital Assets, Net	45,855,051	45,899,896	(44,845)	(.10%)
Total Assets	48,577,915	48,783,898	(205,983)	(.42%)
Deferred Outflows of Resources	491,871	264,127	227,744	86.23%
Liabilities				
Current Liabilities	1,477,974	1,077,843	400,131	37.12%
Noncurrent Liabilities	9,693,887	9,548,440	145,447	1.52%
Total Liabilities	11,171,861	10,626,283	545,578	5.13%
Deferred Inflows of Resources	10,961	149,418	(138,457)	(92.66%)
Net Position				
Net Investment in Capital Assets	36,669,390	36,435,995	233,395	.64%
Restricted	83,050	81,673	1,377	1.69%
Unrestricted	1,134,524	1,754,656	(620,132)	(35.34%)
Total Net Position	\$ 37,886,964	\$ 38,272,324	\$ (385,360)	(1.01%)

Total Assets of the College decreased during fiscal year 2019. The main reason for the decrease in assets was attributable to the reduction of receivables related to the construction of the College's permanent campus buildings. The liabilities went up and the main reason for this was attributable to the increase in employee salaries, wages, and benefits, as well as their associated liabilities.

The College's change in net position was primarily driven by three components. Depreciation of capital assets always reduces net position. In FY19 a year-over-year reduction in state grants also reduced the net position. This reduction was the result of state funds from DFCM in FY18 for non-capital items purchased for the furnishings and equipment for the new campus. These reductions

DIXIE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

in net position were partially offset by an improvement year-over-year in General and Administrative expense also attributable to spending on the new campus in FY18 that did not recur in FY19.

Statement of Revenues, Expenses, and Changes in Net Position. The following schedule presents a summary of changes in net position for the College for the fiscal years ended June 30, 2019 and 2018:

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	Year Ended June 30, 2019 Amount	Year Ended June 30, 2018 Amount	Amount of Change	Percent Change
Operating Revenues	\$ 1,390,583	\$ 1,062,469	\$ 328,114	30.88%
Operating Expenses	11,948,982	11,369,073	579,909	5.10%
Operating Income (Loss)	(10,558,399)	(10,306,604)	(251,795)	(2.44%)
Nonoperating Revenues	9,315,740	9,750,391	(434,651)	(4.46%)
Income (Loss) Before Other Items	(1,242,659)	(556,213)	(686,446)	(123.41%)
Other Revenues and Expenses	857,299	31,327,231	(30,469,932)	(97.26%)
Increase (Decrease) in Net Position	(385,360)	30,771,018	(31,156,378)	101.25%
Net Position – Beginning of Year	38,272,324	7,501,306	30,771,018	410.21%
Net Position – End of Year	\$ 37,886,964	\$ 38,272,324	\$ (385,360)	(1.01%)

Operating revenues increased due to an increase in enrollment and an increase in sales at the College Café and Store. Operating expenses increased overall, and this is due in large part to the increase in payroll and benefit expenses. The College hired additional full-time employees to start new programs and assist existing programs with growth. In addition, the amount of depreciation substantially increased in FY2019 as the College was only able to take a partial year of depreciation for the new campus in FY2018.

Nonoperating revenues decreased overall. The largest contributor to the decrease was a decrease in state grants. In FY 2018 the College received state funds from DFCM to reimburse the College for equipment and furnishings for the new campus. The College also received more gifts in FY 2018 than FY 2019, and these gifts were to help build the new Dixie Tech campus.

Other revenues decreased significantly overall mainly because the new campus buildings were transferred by DFCM to the College in FY2018. No new building transfer was made in FY 2019.

DIXIE TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019 (Unaudited)

Statement of Cash Flows. The final statement presented is the Statement of Cash Flows.

Condensed Statement of Cash Flows

	Year Ended June 30, 2019 Amount	Year Ended June 30, 2018 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Cash provided (used) by:				
Operating activities	\$ (8,492,400)	\$ (9,472,595)	\$ 980,195	-10%
Noncapital financing activities	9,782,196	10,130,906	(348,710)	-3%
Capital financing activites	(1,358,275)	(11,654,994)	10,296,719	-88%
Investing activities	87,397	151,936	(64,539)	-42%
Net change in cash	<u>18,918</u>	<u>(10,844,747)</u>	<u>10,863,665</u>	<u>-100%</u>
Cash – Beginning of year	2,440,523	13,285,270	(10,844,747)	-82%
Cash – End of year	<u>\$ 2,459,441</u>	<u>\$ 2,440,523</u>	<u>\$ 18,918</u>	<u>1%</u>

The small increase in cash was mainly attributable to the decrease in spending in the Capital Financing Activities section due to having larger capital projects in FY 2018 compared to FY 2019. Also it was affected by the additional money we received in appropriations from the Utah State Legislature.

Outlook for the Coming Fiscal Year

During the 2019 Utah legislative session, the College's recurring legislative appropriation for fiscal year 2020 was increased by 15.3% compared to fiscal year 2019, which included funding for program expansion, funding to increase salaries, and one-time equipment funding. The population and economic growth are expected to continue in the Washington County area, and in Utah as a whole. We are optimistic that the 2020 Utah legislative session will continue to provide additional increases in funding.

The College is growing and is continually in need of additional funding. As the economy continues to grow, we anticipate being able to help support the economic growth in the community by providing additional certificates to Washington County residents.

DIXIE TECHNICAL COLLEGE

STATEMENT OF NET POSITION AS OF JUNE 30, 2019

ASSETS

<i>Current assets</i>	
Cash and cash equivalents	\$ 2,458,876
Restricted cash and cash equivalents	565
Accounts receivable	32,311
Due from primary government/related parties	153,980
Inventory	45,653
Prepaid expenses	31,479
Total current assets	<u>2,722,864</u>
<i>Noncurrent assets</i>	
Capital assets, net of depreciation	45,855,051
Total noncurrent assets	<u>45,855,051</u>
Total assets	<u>48,577,915</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows relating to pensions	<u>491,871</u>
Total deferred outflows of resources	<u>491,871</u>

LIABILITIES

<i>Current liabilities</i>	
Accounts payable	215,781
Due to primary government/related parties	24,398
Accrued liabilities	485,760
Unearned revenue	406,286
Capital leases and notes payable	345,749
Total current liabilities	<u>1,477,974</u>
<i>Noncurrent liabilities:</i>	
Accrued liabilities	90,345
Capital leases and notes payable	8,840,478
Net pension liability	763,064
Total noncurrent liabilities	<u>9,693,887</u>
Total liabilities	<u>11,171,861</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows relating to pensions	<u>10,961</u>
Total deferred inflows of resources	<u>10,961</u>

NET POSITION

Net investment in capital assets	36,669,390
Restricted expendable	83,050
Unrestricted	1,134,524
Total net position	<u>\$ 37,886,964</u>

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

DIXIE TECHNICAL COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2019

OPERATING REVENUES

Student tuition and fees (net allowance of \$470,364)	\$ 926,846
Auxiliary enterprises	240,931
Other operating revenues	<u>222,806</u>
Total operating revenues	<u>1,390,583</u>

OPERATING EXPENSES

Salaries and wages	4,973,121
Fringe benefits	1,862,245
Actuarial calculated pension expense	262,350
Scholarships	261,132
Maintenance and utilities	350,079
General and administrative	1,949,879
Professional and technical education services	487,441
Cost of goods sold	207,510
Depreciation	<u>1,595,225</u>
Total operating expenses	<u>11,948,982</u>
Operating income (loss)	<u>(10,558,399)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	7,696,200
Local grants and contracts	122,995
State grants and contracts	905,908
Federal grants and contracts	639,739
Gifts	180,926
Investment income	87,397
Interest expense	(362,014)
Gain (loss) on disposal of capital assets	32,617
Other nonoperating revenues (expenses)	<u>11,972</u>
Net nonoperating revenues (expenses)	<u>9,315,740</u>
Income (loss) before other revenues (expenses)	<u>(1,242,659)</u>

OTHER REVENUES (EXPENSES)

Capital appropriations	783,697
Capital grants and gifts	73,602
Net other revenues (expenses)	<u>857,299</u>

Increase (decrease) in net position	<u>(385,360)</u>
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NET POSITION

Net position – Beginning of year	38,272,324
Net position – End of year	<u>\$ 37,886,964</u>

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

DIXIE TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tuition and fees	\$ 1,013,833
Receipts from auxiliary enterprises	240,931
Payments to suppliers	(2,948,672)
Payments for employee services and benefits	(6,760,166)
Payments for student aid: scholarships and fellowships	(261,132)
Other operating receipts	222,806
Net Cash Provided (Used) by Operating Activities	(8,492,400)

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Receipts from state appropriations	7,696,200
Receipts from nonoperating grants and contracts	1,893,098
Receipts from gifts for other than capital purposes	180,926
Other nonoperating receipts	11,972
Net Cash Provided (Used) by Noncapital Financing Activities	9,782,196

CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES

Purchases of capital assets	(704,921)
Proceeds from sale of capital assets	44,457
Interest paid on capital debt	(362,014)
Principal paid on capital debt	(335,797)
Net Cash Provided (Used) by Capital Financing Activities	(1,358,275)

CASH FLOWS FROM INVESTING ACTIVITIES

Investment income received	87,397
Net Cash Provided by Investing Activities	87,397
Net Change in Cash	18,918
Cash – Beginning of Year	2,440,523
Cash – End of Year	\$ 2,459,441

**RECONCILIATION OF NET OPERATING INCOME (LOSS) TO
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (10,558,399)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	1,595,225
Difference between actuarial calculated pension expense and actual contributions	85,416
Changes in assets and liabilities	
(increase) decrease in receivables	43,687
increase (decrease) accounts payable	48,713
increase (decrease) accrued liabilities	252,134
increase (decrease) unearned revenue liability	43,300
(Increase) decrease in inventory	(910)
(Increase) decrease in prepaid expenses	(1,566)
Net Cash Used by Operating Activities	\$ (8,492,400)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Capital Gifts-In-Kind	\$ 73,602
Completed Construction Projects Transferred From State of Utah	783,697
Total Noncash Investing, Capital, and Financing Activities	\$ 857,299

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

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

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 component unit of the State of Utah and is included in the State's *Comprehensive Annual Financial Report*.

The College was established effective September 1, 2001, by the Utah State Legislature to offer vocational and related instruction to secondary and adult students. Effective September 1, 2001, the legislature created the Utah College of Applied Technology which was composed of eight regional colleges. The Dixie Applied Technology College (DXATC) became one of these colleges. Effective July 1, 2017, the Utah Legislature passed legislation, which created the Utah System of Technical Colleges (UTech) and renamed the College, the Dixie Technical College (DixieTech). The College is now a body politic and corporate and governed directly by the College Board of Directors.

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

Basis of Accounting

For financial reporting purposes, the College is considered a special purpose government entity engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Cash Equivalents

For the purposes of the Statement of Cash Flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the Public Treasurers' Investment Fund (PTIF) are considered cash equivalents.

Accounts Receivable

Accounts receivable consist of tuition and fees charged to students, companies/sponsors of students, as well as other trade accounts. Accounts receivable also include amounts due from the Federal Government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the College's grants and contracts. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories

All inventories are stated at the lower of cost or market using the first-in, first-out method or, on a basis which approximates cost determined on the first-in, first-out method.

Prepaid Expenses

Prepaid expenses consist of prepaid items. The College prepaid items were largely expected software costs, as well as an accreditation expense, which were FY2020 expenses paid in FY2019.

Capital Assets

Capital assets are recorded at cost on the date of acquisition or acquisition value at the date of donation in the case of gifts. For equipment, the College's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than two years. Routine repairs and maintenance are charged to operating expenses in the year in which the expenses are incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets based on the State of Utah Standard Useful Life Table. Equipment has a useful life ranging from 3-15 years and buildings have a useful life of 40 years.

Compensated Absences

Employee vacation, sick, and compensation pay is accrued at year end for financial statement purposes. The liability and expense incurred are recorded at year end as accrued liabilities in the Statement of Net Position. Non-Exempt employees accumulate four

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

vacation hours per semi-monthly pay period, Exempt employees accumulate five hours, and Executives accumulate 8.33 hours. At the conclusion of every fiscal year, each employee's hours are reduced to the maximum amount of vacation hours they can accumulate in a year. Employees also accumulate four hours of sick leave per pay period. Upon termination of employment, employees are paid out all of their accrued vacation and up to 80 hours of accumulated sick leave.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (Systems) and additions to/deductions from the Systems' fiduciary net position have been determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Classification of Revenues and Expenses

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 revenues include activities that have the characteristics of exchange transactions such as tuition and fees and Auxiliary revenues. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When expenses are incurred for purposes for which both restricted and unrestricted resources are available, it is the College's general policy to use restricted resources first.

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Net Position

The College's net position is classified as follows:

Net Investment in Capital Assets

This amount represents the College's total investment in capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.

Restricted Net Position – Expendable

Restricted expendable net position includes resources in which the College is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

Unrestricted Net Position

Unrestricted net position represents resources derived from student tuition and fees, state appropriations, sales and services of educational departments, and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty, and staff.

NOTE 2. DEPOSITS AND INVESTMENTS

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, 2019, \$199,001 of the College's bank balances of \$449,001 were uninsured and uncollateralized.

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 State of Utah Money Management Act (*Utah Code, Title 51, Chapter 7*) that relate to the deposit and investment of public funds.

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The College follows the requirements of the State of Utah Money Management Act (Act) in handling its depository and investment transactions. The Act requires the depositing of the College's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Act defines the types of securities authorized as appropriate investments for the College's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified or permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. Government-sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; reciprocal deposits and negotiable brokered certificates of deposit in accordance with the Act; and the Utah State Public Treasurers' Investment Fund (PTIF).

The Utah State Treasurer's Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission (SEC) as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

Fair Value Measurements

As noted above, the College holds investments that are measured at fair value on a recurring basis. The College categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices for identical investments in active markets; Level 2 inputs are observable inputs other than quoted market prices; and Level 3 inputs are significant unobservable inputs.

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The College's \$2,087,390 held in the PTIF is valued using Level 2 inputs by applying the June 30, 2019 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30 balance in the fund.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less.

As of June 30, 2019, the College had investments of \$2,087,390 with the PTIF. The entire balance had a maturity of less than one year.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Act, as previously discussed. At June 30, 2019, the College's PTIF investment was 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. 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 at the time of purchase.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

	June 30, 2019
Student tuition and fees	\$ 24,292
Due from primary government/related parties	153,980
Misc. customers and partners	28,019
	<hr/>
Less allowance for doubtful accounts	206,291
	<hr/>
Total Accounts Receivable	\$ 186,291
	<hr/>

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 4. RESTRICTED EXPENDABLE NET POSITION

Restricted expendable net position consisted of the following:

	June 30, 2019
Scholarships & Grants	\$ 68,285
Industry Training	<u>14,765</u>
Total Restricted Expendable	<u>\$ 83,050</u>

NOTE 5. CAPITAL ASSETS

The following are the changes in capital assets of the College for the year ended June 30, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance
Buildings	\$ 41,021,768	\$ 860,540	\$ -	\$ 41,882,308
Land	2,500,430	-	-	2,500,430
Land Improvements	1,892,202	8,724	-	1,900,926
Projects in Progress	-	122,995	-	122,995
Equipment	1,862,183	569,960	118,162	2,313,981
Total Capital Assets	47,276,583	1,562,219	118,162	48,720,640
Less Accumulated Depreciation:				
Buildings	565,297	1,039,736	-	1,605,033
Land Improvements	71,491	126,036	-	197,527
Equipment	739,899	429,453	106,323	1,063,029
Total Accumulated Depreciation	1,376,687	1,595,225	106,323	2,865,589
Net Capital Assets	<u>\$ 45,899,896</u>	<u>\$ (33,006)</u>	<u>\$ 11,839</u>	<u>\$ 45,855,051</u>

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 116,652	\$ -	\$ 15,654	\$ 100,998	\$ 16,428
Capital Leases	9,405,372	-	320,143	9,085,229	329,321
Compensated Absences	184,747	408,630	251,516	341,861	251,516
Net Pension Liability	<u>311,447</u>	<u>451,617</u>	<u>-</u>	<u>763,064</u>	<u>-</u>
Total Noncurrent Liabilities	<u><u>\$ 10,018,218</u></u>	<u><u>\$ 860,247</u></u>	<u><u>\$ 587,313</u></u>	<u><u>\$ 10,291,152</u></u>	<u><u>\$ 597,265</u></u>

NOTE 7. LEASE OBLIGATIONS AND NOTES PAYABLE

The College has entered into a capital lease for the purchase of a copier. The current asset value and accumulated depreciation amounts are \$9,837 and \$5,533, respectively. The College has also entered into a capital lease with Washington County, Utah. The original term of the lease expired on December 31, 2017, and is subject to annual renewals through 2037. The asset value of the lease is \$16,483,872 and the total accumulated depreciation is \$618,145.

In November 2017, the College entered into a note payable agreement as direct borrowing to purchase a diesel tractor truck. The note terms extend seven years and the interest rate for the note approximates 0.4%. The note contains a provision that, in the event of a default, all sums payable under the note become immediately due or the asset may be repossessed.

The College has also entered into four operating leases for equipment. Operating lease expense for the year ended June 30, 2019, was \$31,605.

The future payments are as follows:

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Fiscal Year Ending June 30,	Notes Payable -		Notes Payable -		Capital Leases-		Capital Leases-		Operating	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Leases	
2020	\$ 16,428	\$ 4,522	\$ 329,321	\$ 346,791	\$ 25,687					
2021	17,240	3,710	337,824	335,326	\$ 20,925					
2022	18,092	2,858	347,824	323,526	\$ 20,322					
2023	18,986	1,963	362,824	311,226	\$ 20,322					
2024	19,924	1,025	372,824	296,801	\$ 8,468					
2025-2029	10,328	146	2,129,120	1,224,880						
2030-2034			2,659,120	686,130						
2035-2039			2,546,371	101,129						
Total future payments	\$ 100,998	\$ 14,224	\$ 9,085,228	\$ 3,625,809	\$ 95,724					

NOTE 8. RISK MANAGEMENT

Due to the diverse risk exposure of the College, the insurance portfolio contains a full variety of coverage. The College participates in basic general liability, tort claim coverage, directors and officers liability, and property and casualty programs provided by the State of Utah Department of Risk Management. The College's liabilities for this policy are limited to the cost of premiums.

All College employees are covered by workers' compensation insurance administered by the Workers Compensation Fund of Utah.

NOTE 9. PENSION PLANS AND RETIREMENT BENEFITS

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

Defined Benefit Plans

Eligible plan participants are provided with pensions through the Utah Retirement Systems (Systems). The Systems comprise several pension trust funds, the following in which employees of the College participate:

- Public Employees Noncontributory Retirement System (Noncontributory System) is a multiple-employer, cost-sharing, public employee retirement system.
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System) is a multiple-employer, cost-sharing, public employee retirement system.

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

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

The Systems issue a publicly available financial report that can be obtained by writing Utah Retirement Systems, 560 E 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

Summary of Benefits by System

The Systems provide retirement, disability, and death benefits to plan members and beneficiaries in accordance with the retirement statutes.

System	Final Average Salary	Years of Service Required and/or Age Eligible for Benefit	Benefit Percent per Year of Service	COLA**
Noncontributory System	Highest 3 years	30 years any age 25 years any age* 20 years age 60* 10 years age 62* 4 years age 65	2% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* with actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit. The cost-of-living adjustments are also limited to the actual Consumer Price Index (CPI) increase for the year, although unused CPI increases not met may be carried forward to subsequent years.

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the URS Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable) is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates are as follows:

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Employee Contribution</u>	<u>College Contribution Rates</u>
Noncontributory System	N/A	22.19%
Tier 2 Public Employees System	N/A	18.87%

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

For fiscal year ended June 30, 2019, the employer and employee contributions to the Systems were as follows:

	<u>College Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 166,426	N/A
Tier 2 Public Employees System	10,509	-
Total Contributions	\$ 176,935	\$ -

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

Pension Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Relating to Pensions

At June 30, 2019, the College reported a net pension asset of \$0 and a net pension liability of \$763,064.

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share Dec. 13, 2018</u>	<u>Proportionate Share Dec. 13, 2017</u>	<u>% Change</u>
Noncontributory System	\$ -	\$ 761,858	0.0204772%	0.0127362%	0.0077410%
Tier 2 Public Employees System	-	1,206	0.0028150%	0.0000000%	0.0028150%
Total Net Pension Asset / Liability	<u>\$ -</u>	<u>\$ 763,064</u>			

The net pension asset and liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The proportion of the net pension asset and liability is equal to the ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the System during the plan year.

For the year ended June, 30, 2019 the College recognized pension expense of \$262,350.

At June, 30, 2019 the College reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,067	\$ 10,939
Changes in assumptions	77,793	22
Net difference between projected and actual earnings on pension plan investments	127,145	-
Changes in proportion and differences between contributions and proportionate share of contributions	191,120	-
Contributions subsequent to the measurement date	91,746	-
Total	\$ 491,871	\$ 10,961

Contributions of \$91,746 made prior to the College's fiscal year end, but subsequent to the measurement date of December 31, 2018, are reported by the College as deferred outflows of resources related to pensions. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows.

<u>Year Ending December 31,</u>	Deferred Outflows (Inflows) of Resources
2019	\$ 175,835
2020	\$ 102,192
2021	\$ 50,524
2022	\$ 60,229
2023	\$ 43
Thereafter	\$ 340

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 Percent
Salary increases	3.25 - 9.75 percent, average, including inflation
Investment rate of return	6.95 percent, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The actuarial assumptions used in the January 1, 2018, valuation were based on the results of an actuarial experience study for the five year period ending December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined pension plan. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Expected Return Arithmetic Basis		
	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	40%	6.15%	2.46%
Debt Securities	20%	0.40%	0.08%
Real Assets	15%	5.75%	0.86%
Private Equity	9%	9.95%	0.89%
Absolute Return	16%	2.85%	0.46%
Cash & Cash Equivalents	0%	0.00%	0.00%
Totals	100%		4.75%
	Inflation		2.50%
	Expected Arithmetic Nominal Return		7.25%

The 6.95% assumed investment rate of return is comprised of an inflation rate of 2.50%, a real return of 4.45% that is net of investment expense.

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate. The discount rate remained at 6.95 percent from the prior measurement period.

The following presents the proportionate share of the net pension liability calculated using the discount rate of 6.95 percent, as well as what the proportionate share of the net pension

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

liability would be if it were calculated using a discount rate that is one percentage point lower (5.95 percent) or one percentage point higher (7.95 percent) than the current rate:

Proportionate Share of Net Pension (Asset) / Liability

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 1,369,410	\$ 761,858	\$ 253,565
Tier 2 Public Employees System	4,830	1,206	(1,591)
Total	<u>\$ 1,374,240</u>	<u>\$ 763,064</u>	<u>\$ 251,974</u>

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

Defined Contribution Plans

The College participates in a 401(k) defined contribution plan as administered by the Systems. The College is required by statute to contribute 1.5% of eligible employees' salaries for employees in the Noncontributory System and 1.15% for employees in the Tier 2 Public Employees System. For employees participating in the Tier 2 Public Employees defined contributions (Tier 2 DC) plan, the College is required to contribute 20.02% of the employees' salaries, of which 10% is paid into a 401(k) plan while the remaining is contributed to the Tier 1 Contributory Public Employee System as required by law.

During the year ended June 30, 2019, College contributions for the Tier 2 DC plan were as follows:

401(k) Plan	2019
Employer Contributions	\$ 50,594
Employee Contributions	\$ 12,530

The College's current 403b defined contribution plan is with Nationwide Mutual Insurance Company (Nationwide). Each participating employee is set up with a retirement account at Nationwide. Benefits provided to retired employees are generally based on the value of the individual retirement accounts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment. Employees are eligible to participate from the date of employment and are not required to contribute to the fund.

For the year ended June 30, 2019, the College's contribution to this 403b defined contribution plan was \$415,496, which is 14.2 percent of the employees' eligible salaries. The College has no further liability once annual contributions are made. Additionally, College employees contributed \$84,177 to their individual accounts in fiscal year 2019.

DIXIE TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

In September 2011, the College voted to discontinue participation in Social Security Administration. As a result, beginning in October 2011, the College began contributing 6.2 percent of retirement eligible employee's salaries into their respective 403(b) in place of the Employer Social Security contribution. For Nationwide, the College's contributions totaled \$189,556 for the year ended June 30, 2019.

DIXIE TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

**Schedule of Dixie Technical College's Proportionate Share of the Net Pension Liability
Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems
Last 5 Years¹**

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<i>Noncontributory System</i>					
Proportion of Net Pension Liability (Asset)	0.0204772%	0.0127362%	0.0110763%	0.0078734%	0.0075955%
Proportionate Share of Net Pension Liability (Asset)	\$ 761,858	\$ 311,446	\$ 358,974	\$ 247,326	\$ 190,839
Covered Payroll	\$ 667,088	\$ 431,728	\$ 363,890	\$ 227,197	\$ 217,549
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	114.21%	72.14%	98.65%	108.86%	87.72%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.10%	89.20%	84.90%	84.50%	87.20%
<i>Tier 2 Public Employees System²</i>					
Proportion of Net Pension Liability (Asset)	0.0028150%				
Proportionate Share of Net Pension Liability (Asset)	\$ 1,206				
Covered Payroll	\$ 32,337				
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	3.73%				
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.80%				

¹ The College implemented GASB Statement No. 68 in fiscal year 2015. Information on the College's portion of the plans' net pension liability (asset) is not available for periods prior to fiscal year 2015.

² The College began participation in the Tier 2 Public Employees System in the year 2018.

DIXIE TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

Schedule of Dixie Technical College's Pension Contributions

Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems

Last 10 Fiscal Years for the Years Ended June 30¹

Noncontributory System

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 166,426	\$ 100,665	\$ 77,524	\$ 64,492	\$ 40,463	\$ 56,016	\$ 53,937	\$ 56,384	\$ 34,925	\$ 33,719
Contributions in Relation to the Contractually Required Contribution	166,426	100,665	77,524	64,492	40,463	56,016	53,937	56,384	34,925	33,719
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 799,069	\$ 506,836	\$ 391,964	\$ 308,812	\$ 182,348	\$ 273,783	\$ 287,511	\$ 334,425	\$ 214,001	\$ 237,124
Contributions as a Percentage of Covered Payroll	20.83%	19.86%	19.78%	20.88%	22.19%	20.46%	18.76%	16.86%	16.32%	14.22%

Tier 2 Public Employees System^{2, 3}

	2019	2018
Contractually Required Contribution	\$ 10,509	\$ 845
Contributions in Relation to the Contractually Required Contribution	10,509	845
Contribution Deficiency (Excess)	\$ -	\$ -
Covered Payroll	\$ 55,690	\$ 4,583
Contributions as a Percentage of Covered Payroll	18.87%	18.44%

¹ The College implemented GASB Statement No. 68 in fiscal year 2015. Information on the College's portion of the plans' net pension liability (asset) is not available for periods prior to fiscal year 2015.

² The College began participation in the Tier 2 Public Employees System in fiscal year 2018.

³ Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.



**OFFICE OF THE
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

Kelle Stephens, President
Dixie Technical College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Dixie Technical College (the College) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 25, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Office of the State Auditor

Office of the State Auditor

February 25, 2020