

# DIXIE TECHNICAL COLLEGE

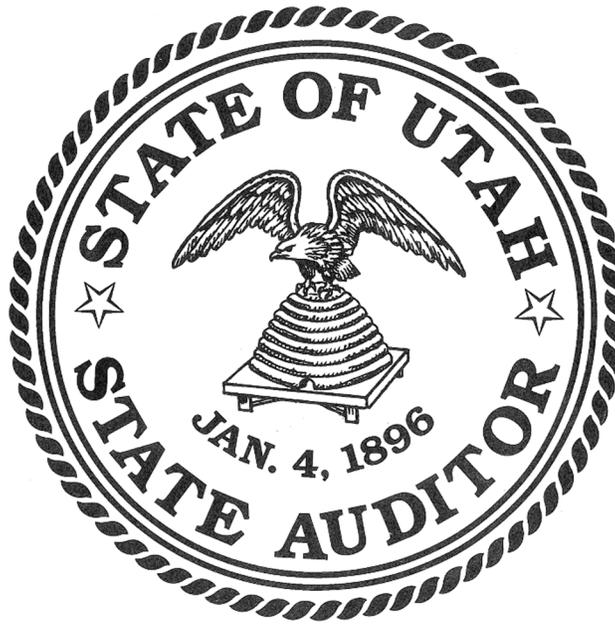
A Component Unit of the State of Utah

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Annual Financial Report  
and  
Government Auditing Standards Report  
For the Year Ended June 30, 2020

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Report No. 20-20



## OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor  
Hollie Andrus, CPA, Deputy Auditor  
Chase Brown, CPA, Audit Senior

# **DIXIE TECHNICAL COLLEGE**

## ANNUAL FINANCIAL REPORT and GOVERNMENT AUDITING STANDARDS REPORT FOR THE YEAR ENDED JUNE 30, 2020

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OFFICE OF THE  
**STATE AUDITOR**

**INDEPENDENT STATE AUDITOR'S REPORT**

To the Board of Trustees, 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, 2020, 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, 2020, 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 January 15, 2021 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  
January 15, 2021

# **DIXIE TECHNICAL COLLEGE**

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (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, 2020 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. The College operates in accordance with Section 53B-2-101 of the *Utah Code Annotated* 1953, as amended, as a member of the Utah System of Higher Education and is governed by the Utah Board of Higher Education with appropriate responsibilities and authority delegated to the College Board of Trustees.

### **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 position on both its cash and noncash investing, capital and financing transactions during the fiscal year.

## DIXIE TECHNICAL COLLEGE

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

**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, 2020 and 2019:

#### **Condensed Statement of Net Position**

|                                       | <b>Year Ended<br/>June 30, 2020<br/>Amount</b> | <b>Year Ended<br/>June 30, 2019<br/>Amount</b> | <b>Amount of<br/>Change</b> | <b>Percent<br/>Change</b> |
|---------------------------------------|--|--|-----------------------------|---------------------------|
| <b>Assets</b>                         |  |  |                             |                           |
| Current Assets                        | \$ 2,796,343                                   | \$ 2,722,864                                   | \$ 73,479                   | 2.70%                     |
| Capital Assets, Net                   | 45,571,634                                     | 45,855,051                                     | (283,417)                   | (.62%)                    |
| <b>Total Assets</b>                   | <b>48,367,977</b>                              | <b>48,577,915</b>                              | <b>(209,938)</b>            | <b>(.43%)</b>             |
| <b>Deferred Outflows of Resources</b> | <b>693,422</b>                                 | <b>645,476</b>                                 | <b>47,946</b>               | <b>7.43%</b>              |
| <b>Liabilities</b>                    |  |  |                             |                           |
| Current Liabilities                   | 1,602,037                                      | 1,477,974                                      | 124,063                     | 8.39%                     |
| Noncurrent Liabilities                | 8,937,753                                      | 9,693,887                                      | (756,134)                   | (7.80%)                   |
| <b>Total Liabilities</b>              | <b>10,539,790</b>                              | <b>11,171,861</b>                              | <b>(632,071)</b>            | <b>(5.66%)</b>            |
| <b>Deferred Inflows of Resources</b>  | <b>253,898</b>                                 | <b>164,566</b>                                 | <b>89,332</b>               | <b>54.28%</b>             |
| <b>Net Position</b>                   |  |  |                             |                           |
| Net Investment in Capital Assets      | 36,730,949                                     | 36,669,390                                     | 61,559                      | .17%                      |
| Restricted                            | 180,761  | 83,050   | 97,711                      | 117.65%                   |
| Unrestricted                          | 1,356,001                                      | 1,134,524                                      | 221,477                     | 19.52%                    |
| <b>Total Net Position</b>             | <b>\$ 38,267,711</b>                           | <b>\$ 37,886,964</b>                           | <b>\$ 380,747</b>           | <b>1.00%</b>              |

Total Assets of the College decreased slightly during fiscal year 2020 as depreciation of fixed assets outpaced new capital acquisitions during the year. The liabilities went down 6.87% mainly due to paying down of the capital lease for the industrial building.

The College's change in net position was primarily driven by three components. Depreciation of capital assets always reduces net position. In FY20 the increase in fixed assets acquired was able to offset most of the effect of depreciation, and that combined with the annual pay down in the capital lease liability explain most of the 1.00% increase in net position year-over-year.

# DIXIE TECHNICAL COLLEGE

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

**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, 2020 and 2019:

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

|                                     | <b>Year Ended<br/>June 30, 2020<br/>Amount</b> | <b>Year Ended<br/>June 30, 2019<br/>Amount</b> | <b>Amount of<br/>Change</b> | <b>Percent<br/>Change</b> |
|-------------------------------------|--|--|-----------------------------|---------------------------|
| Operating Revenues                  | \$ 1,349,063                                   | \$ 1,390,583                                   | \$ (41,520)                 | (2.99%)                   |
| Operating Expenses                  | 12,702,864                                     | 11,948,982                                     | 753,882                     | 6.31%                     |
| Operating Income (Loss)             | (11,353,801)                                   | (10,558,399)                                   | (795,402)                   | (7.53%)                   |
| Nonoperating Revenues               | 10,643,276                                     | 9,315,740                                      | 1,327,536                   | 14.25%                    |
| Income (Loss) Before Other Items    | (710,525)                                      | (1,242,659)                                    | 532,134                     | 42.82%                    |
| Other Revenues and Expenses         | 1,091,276                                      | 857,299  | 233,977                     | 27.29%                    |
| Increase (Decrease) in Net Position | 380,751  | (385,360)                                      | 766,111                     | 198.80%                   |
| Net Position – Beginning of Year    | 37,886,960                                     | 38,272,324                                     | (385,364)                   | (1.01%)                   |
| Net Position – End of Year          | \$ 38,267,711                                  | \$ 37,886,964                                  | \$ 380,747                  | 1.00%                     |

Operating revenues decreased because of the COVID-19 pandemic that closed the College for 10 weeks and moved many classes to online, distance learning. The suspension of on-campus classes also impacted revenues in the campus store and cafe and in the events and building rentals revenue. Operating expenses increased overall. Again, the COVID-19 pandemic had an impact with a need to purchase personal protective equipment for staff and students, purchases of additional IT equipment to allow instructors and students to participate online, and a change in cleaning and sanitation regimens for the campus.

Nonoperating revenues increased overall by \$1.3 million. The increase is primarily explained by increases in state funding. It also was increased by CARES Act grants from the federal government to help the College and the students cope with the COVID-19 pandemic. This was partially offset by a reduction in gifts received that was likely caused by the uncertainty surrounding the pandemic.

Other revenues increased by 27% year-over-year. The increase was from new DFCM projects during FY20. The major project was the new perimeter fence that now completely encloses the College property on Tech Ridge. The college also received three diesel truck tractors for use in the diesel mechanics program from a generous community partner.

## **DIXIE TECHNICAL COLLEGE**

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2020 (Unaudited)

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

#### **Condensed Statement of Cash Flows**

|                                 | <b>Year Ended<br/>June 30, 2020<br/>Amount</b> | <b>Year Ended<br/>June 30, 2019<br/>Amount</b> | <b>Amount of<br/>Change</b> | <b>Percent<br/>Change</b> |
|---------------------------------|--|--|-----------------------------|---------------------------|
| <b>Cash provided (used) by:</b> |  |  |                             |                           |
| Operating activities            | \$ (10,318,747)                                | \$ (8,492,400)                                 | \$ (1,826,347)              | 21.51%                    |
| Noncapital financing activities | 10,926,219                                     | 9,782,196                                      | 1,144,023                   | 11.69%                    |
| Capital financing activities    | (809,606)                                      | (1,358,275)                                    | 548,669                     | (40.39%)                  |
| Investing activities            | 68,353   | 87,397   | (19,044)                    | (21.79%)                  |
| <b>Net change in cash</b>       | <b>(133,781)</b>                               | <b>18,918</b>                                  | <b>(152,699)</b>            | <b>(807.16%)</b>          |
| Cash - Beginning of year        | 2,459,441                                      | 2,440,523                                      | 18,918                      | .78%                      |
| <b>Cash - End of year</b>       | <b>\$ 2,325,660</b>                            | <b>\$ 2,459,441</b>                            | <b>\$ (133,781)</b>         | <b>(5.44%)</b>            |

The decrease in cash flow was caused by the interruption of instructional operations caused by the COVID-19 pandemic. The reduction in operational cash flow was partially offset by reductions in spending where possible and by the CARES Act grants from the federal government.

#### **Outlook for the Coming Fiscal Year**

During the 2020 Utah legislative session, the College's recurring legislative appropriation for fiscal year 2021 was increased. When the economic impact of the global pandemic became apparent, the Utah legislature was called into a special session. All of the increases originally approved were pulled back and the College's appropriation was also cut an additional 2.5% below the FY20 baseline amount. In spite of the economic setbacks from the pandemic, the population and economic growth are expected to continue in the Washington County area, and in Utah as a whole as part of an expected recovery from the pandemic. FY21 will be challenging and we have had to make adjustments to programs to meet the budget reductions. We are optimistic that the 2021 Utah legislative session will be able to restore the funding that was cut and possibly provide additional increases in funding that will keep the College moving forward in its mission.

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

# DIXIE TECHNICAL COLLEGE

## STATEMENT OF NET POSITION JUNE 30, 2020

### ASSETS

#### Current Assets:

|   |                  |
|---|------------------|
| Cash and Cash Equivalents (Notes 1 and 2) | \$ 2,325,660     |
| Accounts Receivable (Note 3)              | 282,997          |
| Due From State Agencies (Note 3)          | 163,147          |
| Inventories (Note 1)                      | 23,412           |
| Prepaid Expenses                          | 1,127            |
| <b>Total Current Assets</b>               | <b>2,796,343</b> |

#### Noncurrent Assets:

|  |                   |
|--|-------------------|
| Restricted Cash and Cash Equivalents (Notes 1 and 2) | -                 |
| Land (Notes 1 and 4)                                 | 4,922,510         |
| Buildings and Improvements (Notes 1 and 4)           | 42,349,324        |
| Equipment and Software (Notes 1 and 4)               | 2,609,678         |
| Less Accumulated Depreciation (Notes 1 and 4)        | (4,539,200)       |
| Work in Progress                                     | 229,322           |
| <b>Total Noncurrent Assets</b>                       | <b>45,571,634</b> |
| <b>Total Assets</b>                                  | <b>48,367,977</b> |

### DEFERRED OUTFLOWS OF RESOURCES

|  |                |
|--|----------------|
| Deferred Outflows Relating to Pensions (Notes 1 and 8) | \$ 693,422     |
| <b>Total Deferred Outflows of Resources</b>            | <b>693,422</b> |

### LIABILITIES

#### Current Liabilities

|  |                  |
|--|------------------|
| Accounts Payable                                       | 99,389           |
| Due to State Agencies                                  | 3,270            |
| Accrued Salaries and Wages Payable                     | 167,855          |
| Unearned Revenue                                       | 641,122          |
| Capital Leases and Notes Payable                       | 355,271          |
| Accrued Liabilities                                    | 3,427            |
| Compensated Absences (Current Portion) (Notes 6 and 9) | 331,703          |
| <b>Total Current Liabilities</b>                       | <b>1,602,037</b> |

#### Noncurrent Liabilities

|  |                  |
|--|------------------|
| Net Pension Liability (Notes 1, 6, and 8)  | 418,310          |
| Long Term Capital Leases and Notes Payable | 8,485,414        |
| Compensated Absences (Notes 6 and 9)       | 34,029           |
| <b>Total Noncurrent Liabilities</b>        | <b>8,937,753</b> |

#### Total Liabilities

10,539,790

### DEFERRED INFLOWS OF RESOURCES

|   |                |
|---|----------------|
| Deferred Inflows Relating to Pensions (Notes 1 and 8) | \$ 253,898     |
| <b>Total Deferred Inflows of Resources</b>            | <b>253,898</b> |

### NET POSITION

|                                     |                      |
|-------------------------------------|----------------------|
| Net Investment in Capital Assets    | 36,730,949           |
| Restricted for                      |                      |
| Nonexpendable – Scholarships        | -                    |
| Expendable – Scholarships and Other | 180,761              |
| Expendable – Capital Gifts          | -                    |
| Unrestricted                        | 1,356,001            |
| <b>Total Net Position</b>           | <b>\$ 38,267,711</b> |

## DIXIE TECHNICAL COLLEGE

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2020

#### REVENUES

##### Operating Revenues (Note 1)

|   |                  |
|---|------------------|
| Student Tuition and Fees (Net Allowance of \$555,390) | \$ 965,613       |
| Federal Grants and Contracts                          | -                |
| State Grants and Contracts                            | -                |
| Local Grants and Contracts                            | -                |
| Sales and Services of Educational Activities          | -                |
| Auxiliary Enterprises                                 | 188,818          |
| Other Operating Revenues                              | 194,632          |
| <b>Total Operating Revenues</b>                       | <u>1,349,063</u> |

#### EXPENSES

##### Operating Expenses (Note 1)

|   |                     |
|---|---------------------|
| Salaries and Wages                              | 5,456,427           |
| Benefits  | 2,188,174           |
| Actuarial Calculated Pension Expense (Note 8)   | (110,041)           |
| Professional and Technical Educational Services | 359,518             |
| Building Rent, Maintenance, and Utilities       | 737,685             |
| General & Administrative                        | 1,827,341           |
| Scholarships and Grants in Aid                  | 366,650             |
| Depreciation                                    | 1,673,611           |
| Cost of Goods Sold                              | 203,499             |
| <b>Total Operating Expenses</b>                 | <u>12,702,864</u>   |
| <b>Operating Loss</b>                           | <u>(11,353,801)</u> |

#### NONOPERATING REVENUES (EXPENSES)

|   |                   |
|---|-------------------|
| State Appropriations                                  | 8,875,700         |
| Local Grants and Contracts                            | -                 |
| Federal Grants and Contracts (Pell Grant)             | 1,055,883         |
| State Grants and Contracts                            | 905,425           |
| Gifts   | 59,897            |
| Investment Income                                     | 68,353            |
| Interest Expense                                      | (351,297)         |
| Gain (Loss) on Disposal of Capital Assets             | -                 |
| Other Nonoperating Revenues (Expenses)                | 29,315            |
| <b>Net Nonoperating Revenues</b>                      | <u>10,643,276</u> |
| <b>Income (Loss) Before Other Revenues (Expenses)</b> | <u>(710,525)</u>  |

#### OTHER REVENUES

|  |                  |
|--|------------------|
| Capital Appropriations                     | 971,143          |
| Capital Grants & Gifts                     | 120,133          |
| <b>Total Other Revenues</b>                | <u>1,091,276</u> |
| <b>Increase (Decrease) in Net Position</b> | 380,751          |

#### NET POSITION

|                                  |                      |
|----------------------------------|----------------------|
| Net Position – Beginning of Year | 37,886,960           |
| Net Position – End of Year       | <u>\$ 38,267,711</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, 2020

### **CASH FLOWS FROM OPERATING ACTIVITIES**

|   |                     |
|---|---------------------|
| Receipts from Tuition and Fees                  | \$ 922,551          |
| Receipts from Grants and Contracts              | -                   |
| Receipts from Auxiliary Enterprise Charges      | 188,818             |
| Receipts from Other Operating Revenues          | 16,576              |
| Payments to Employees for Salaries and Benefits | (7,873,588)         |
| Payments to Suppliers                           | (3,206,454)         |
| Payments for Scholarships                       | <u>(366,650)</u>    |
| Net Cash Used by Operating Activities           | <u>(10,318,747)</u> |

### **CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

|  |                   |
|--|-------------------|
| Receipts from State Appropriations                   | 8,875,700         |
| Receipts from Noncapital Contracts and Grants        | 1,961,309         |
| Gifts Received                                       | 59,897            |
| Additions to Quasi Endowments                        | -                 |
| Fiscal Agent Funds Receipts                          | -                 |
| Fiscal Agent Funds Payments                          | -                 |
| Other Nonoperating receipts                          | <u>29,314</u>     |
| Net Cash Provided by Noncapital Financing Activities | <u>10,926,219</u> |

### **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

|   |                  |
|---|------------------|
| Cash Paid for Capital Assets                              | (929,739)        |
| Proceeds from Sale of Capital Assets                      | -                |
| Gifts Received  | <u>120,133</u>   |
| Net Cash Used by Capital and Related Financing Activities | <u>(809,606)</u> |

### **CASH FLOWS FROM INVESTING ACTIVITIES**

|   |               |
|---|---------------|
| Receipt of Interest on Investments        | <u>68,353</u> |
| Net Cash Provided by Investing Activities | <u>68,353</u> |

**Net Increase (Decrease) in Cash and Cash Equivalents** (133,781)

|  |                            |
|--|----------------------------|
| <b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b> | <u>2,459,441</u>           |
| <b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>       | <u><u>\$ 2,325,660</u></u> |

(continued next page)

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2020  
(continued)

**RECONCILIATION OF OPERATING LOSS TO  
NET CASH USED BY OPERATING ACTIVITIES**

|  |                               |
|--|-------------------------------|
| Operating Loss   | \$ (11,353,801)               |
| Adjustments to Reconcile Operating Loss to<br>Net Cash Used by Operating Activities: |                               |
| Depreciation Expense   | 1,673,611                     |
| In-kind Gifts Received and Expensed  | -                             |
| Difference between Actuarial Calculated Pension Expense and Actual Contributions     | (303,368)                     |
| Changes in Assets and Liabilities:   | -                             |
| Accounts Receivable/Due From State Agencies  | (260,281)                     |
| Inventories  | 22,242                        |
| Prepaid Expenses   | 30,352                        |
| Accounts Payable/Due to State Agencies/Accrued Expenses                              | (131,005)                     |
| Unearned Revenue   | 39,164                        |
| Compensated Absences and Termination Benefits  | (35,660)                      |
| Net Cash Used by Operating Activities  | <u><u>\$ (10,318,747)</u></u> |

**NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES**

|   |              |
|---|--------------|
| Capital Asset Additions through the State                 | \$ 971,143   |
| Capital Gifts in-kind                                     | 120,133      |
| Total Noncash Investing, Capital and Financing Activities | \$ 1,091,276 |

*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, 2020

### 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. The College operates in accordance with Section 53B-2-101 of the Utah Code Annotate 1953, as amended, as a member of the Utah System of Higher Education and is governed by the Utah Board of Higher Education with appropriate responsibilities and authority delegated to the College Board of Trustees.

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

#### 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, 2020

#### 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 had only two prepaid items with a total of only \$1,127. There was a deposit for a sound system and D.J. for the Hoodfest community fundraiser event, and there is a credit with Nicholas Foods that supplies Culinary, Catering, and the Cafe. Each of these was approximately half of the total prepaid amount.

#### 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.

## **DIXIE TECHNICAL COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

#### 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 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.

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

#### 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, 2020, \$132,480 of the College's bank balances of \$382,480 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

## **DIXIE TECHNICAL COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

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

## **DIXIE TECHNICAL COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

The College's \$2,230,165 held in the PTIF is valued using Level 2 inputs by applying the June 30, 2020 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, 2020, the College had investments of \$2,230,165 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, 2020, 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.

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following:

|   | June 30, 2020            |
|---|--------------------------|
| Student tuition and fees                    | \$ 93,638                |
| Due from primary government/related parties | 163,147                  |
| Misc. customers and partners                | 209,359                  |
|   | <u>466,144</u>           |
| Less allowance for doubtful accounts        | (20,000)                 |
| <b>Total Accounts Receivable</b>            | <b><u>\$ 446,144</u></b> |

NOTE 4. RESTRICTED EXPENDABLE NET POSITION

Restricted expendable net position consisted of the following:

|                                    | June 30, 2020            |
|------------------------------------|--------------------------|
| Scholarships & Grants              | \$ 66,967                |
| Custom Fit                         | 83,731                   |
| CARES for Students                 | 30,063                   |
| <b>Total Restricted Expendable</b> | <b><u>\$ 180,761</u></b> |

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

#### NOTE 5. CAPITAL ASSETS

The following are the changes in capital assets of the College for the year ended June 30, 2020:

|                                | <b>Beginning<br/>Balance</b> | <b>Additions</b>    | <b>Reductions</b> | <b>Ending<br/>Balance</b> |
|--------------------------------|------------------------------|---------------------|-------------------|---------------------------|
| Buildings                      | \$ 41,882,308                | \$ 467,016          | \$ -              | \$ 42,349,324             |
| Land                           | 2,500,430                    | -                   | -                 | 2,500,430                 |
| Land Improvements              | 1,900,926                    | 521,154             | -                 | 2,422,080                 |
| Projects in Progress           | 122,995                      | 106,327             | -                 | 229,322                   |
| Equipment                      | 2,313,981                    | 295,698             | -                 | 2,609,679                 |
| Total Capital Assets           | 48,720,640                   | 1,390,195           | -                 | 50,110,835                |
| Less Accumulated Depreciation: |                              |                     |                   |                           |
| Buildings                      | 1,605,033                    | 1,057,633           | -                 | 2,662,666                 |
| Land Improvements              | 197,527                      | 152,212             | -                 | 349,739                   |
| Equipment                      | 1,063,029                    | 463,766             | -                 | 1,526,795                 |
| Total Accumulated Depreciation | 2,865,589                    | 1,673,611           | -                 | 4,539,200                 |
| Net Capital Assets             | <u>\$ 45,855,051</u>         | <u>\$ (283,416)</u> | <u>\$ -</u>       | <u>\$ 45,571,635</u>      |

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

#### 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, 2020:

|                       | <u>Beginning<br/>Balance</u> | <u>Additions</u>  | <u>Reductions</u>   | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|-----------------------|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Notes Payable         | \$ 100,998                   | \$ -              | \$ 16,428           | \$ 84,570                 | \$ 17,240                      |
| Capital Leases        | 9,085,229                    | -                 | 329,114             | 8,756,115                 | 338,031                        |
| Compensated Absences  | 341,861                      | 386,400           | 362,529             | 365,732                   | 331,703                        |
| Net Pension Liability | 763,064                      | -                 | 344,754             | 418,310                   | -                              |
|                       | <u>\$ 10,291,152</u>         | <u>\$ 386,400</u> | <u>\$ 1,052,825</u> | <u>\$ 9,624,727</u>       | <u>\$ 686,974</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 \$6,793, 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 \$1,030,242.

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, 2020, was \$25,687.

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

The future payments are as follows:

| Fiscal Year Ending<br>June 30, | Notes Payable -<br>Principal | Notes Payable -<br>Interest | Capital Leases-<br>Principal | Capital Leases-<br>Interest | Operating<br>Leases |
|--------------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|---------------------|
| 2021                           | \$ 17,240                    | \$ 3,710                    | \$ 338,031                   | \$ 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                           | 10,329                       | 146                         | 390,824                      | 282,051                     | -                   |
| 2026-2030                      | -                            | -                           | 2,224,120                    | 1,127,505                   | -                   |
| 2031-2035                      | -                            | -                           | 2,774,120                    | 561,755                     | -                   |
| 2036-2037                      | -                            | -                           | 1,945,547                    | 40,828                      | -                   |
| <b>Total future payments</b>   | <b>\$ 84,570</b>             | <b>\$ 9,702</b>             | <b>\$ 8,756,114</b>          | <b>\$ 3,279,018</b>         | <b>\$ 70,037</b>    |

#### 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.

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

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](http://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<br>25 years any age*<br>20 years age 60*<br>10 years age 62*<br>4 years age 65 | 2% per year all years               | Up to 4%   |
| Tier 2 Public Employees System | Highest 5 years      | 35 years any age<br>20 years age 60*<br>10 years age 62*<br>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

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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:

|                                | <u>Employee Contribution</u> | <u>College Contribution Rates</u> |
|--------------------------------|------------------------------|-----------------------------------|
| Noncontributory System         | N/A                          | 22.19%                            |
| Tier 2 Public Employees System | N/A                          | 18.99%                            |

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, 2020, the employer and employee contributions to the Systems were as follows:

|                                | <u>College Contributions</u> | <u>Employee Contributions</u> |
|--------------------------------|------------------------------|-------------------------------|
| Noncontributory System         | \$ 181,719                   | N/A                           |
| Tier 2 Public Employees System | 11,607                       | -                             |
| Total Contributions            | \$ 193,326                   | \$ -                          |

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, 2020, the College reported a net pension asset of \$0 and a net pension liability of \$418,310.

|                                     | <u>Net Pension Asset</u> | <u>Net Pension Liability</u> | <u>Proportionate Share Dec. 31, 2019</u> | <u>Proportionate Share Dec. 31, 2018</u> | <u>% Change</u> |
|-------------------------------------|--------------------------|------------------------------|--|--|-----------------|
| Noncontributory System              | \$ -                     | \$ -                         | 0.0204772%                               | 0.0204772%                               | 0.0000000%      |
| Tier 2 Public Employees System      | -                        | -                            | 0.0028150%                               | 0.0028150%                               | 0.0000000%      |
| Total Net Pension Asset / Liability | \$ -                     | \$ -                         |  |  |                 |

The net pension asset and liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2019 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.

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

For the year ended June, 30, 2020 the College recognized pension expense of (\$110,041).

At June, 30, 2020 the College reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 345,108                                    | \$ 4,331                                     |
| Changes in assumptions  | 38,235  | 27   |
| Net difference between projected and actual earnings<br>on pension plan investments                     | -   | 249,540                                      |
| Changes in proportion and differences between contributions<br>and proportionate share of contributions | 214,742                                       | -  |
| Contributions subsequent to the measurement date  | 95,336  | -  |
| <b>Total</b>  | <b>\$ 693,421</b>                             | <b>\$ 253,898</b>                            |

Contributions of \$95,336 made prior to the College's fiscal year end, but subsequent to the measurement date of December 31, 2019, 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> | <u>Deferred Outflows<br/>(Inflows) of Resources</u> |
|---------------------------------|---|
| 2020                            | \$ 323,407  |
| 2021                            | \$ 118,428  |
| 2022                            | \$ (9,382)  |
| 2023                            | \$ (89,156)   |
| 2024                            | \$ 116  |
| Thereafter                      | \$ 775  |

The total pension liability in the December 31, 2019, 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 |

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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.

The actuarial assumptions used in the January 1, 2019, 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:

|                         | <b>Expected Return Arithmetic Basis</b> |                                     |   |
|-------------------------|---|-------------------------------------|---|
| <b>Asset Class</b>      | <b>Target Asset Allocation</b>          | <b>Real Return Arithmetic Basis</b> | <b>Long-Term Expected Portfolio Real Rate of Return</b> |
| 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%   |
| <b>Totals</b>           | 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

## DIXIE TECHNICAL COLLEGE

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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 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**

|                                | <b>1% Decrease<br/>(5.95%)</b> | <b>Discount Rate<br/>(6.95%)</b> | <b>1% Increase<br/>(7.95%)</b> |
|--------------------------------|--------------------------------|----------------------------------|--------------------------------|
| Noncontributory System         | \$ 1,373,778                   | \$ 417,354                       | \$ (378,480)                   |
| Tier 2 Public Employees System | <u>8,242</u>                   | <u>956</u>                       | <u>(4,675)</u>                 |
| Total                          | <u>\$ 1,382,020</u>            | <u>\$ 418,310</u>                | <u>\$ (383,155)</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, 2020, College contributions for the Tier 2 DC plan were as follows:

| <b>401(k) Plan</b>     | <b>2020</b> |
|------------------------|-------------|
| Employer Contributions | \$ 56,839   |
| Employee Contributions | \$ 33,580   |

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.

## **DIXIE TECHNICAL COLLEGE**

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

For the year ended June 30, 2020, the College's contribution to this 403b defined contribution plan was \$500,488, 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 \$105,217 to their individual accounts in fiscal year 2020.

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 \$228,734 for the year ended June 30, 2020.

# DIXIE TECHNICAL COLLEGE

## REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

### 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 6 Years<sup>1</sup>

#### Schedule of Dixie Technical College's Proportionate Share of the Net Pension Liability Noncontributory, Contributory, and Tier 2 Public Employees Systems of the Utah Retirement Systems

|  | December 31,<br>2019 | December 31,<br>2018 | December 31,<br>2017 | December 31,<br>2016 | December 31,<br>2015 | December 31,<br>2014 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b><i>Noncontributory System</i></b>   |                      |                      |                      |                      |                      |                      |
| Proportion of Net Pension Liability (Asset)  | 0.3557913%           | 0.0204772%           | 0.0127362%           | 0.0110763%           | 0.0078734%           | 0.0075955%           |
| Proportionate Share of Net Pension Liability (Asset)                                       | \$ 417,354           | \$ 761,858           | \$ 311,446           | \$ 358,974           | \$ 247,326           | \$ 190,839           |
| Covered Payroll  | \$ 850,537           | \$ 667,088           | \$ 431,728           | \$ 363,890           | \$ 227,197           | \$ 217,549           |
| Proportionate Share of Net Pension Liability (Asset)<br>as a Percentage of Covered Payroll | 49.07%               | 114.21%              | 72.14%               | 98.65%               | 108.86%              | 87.72%               |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability                     | 94.20%               | 84.10%               | 89.20%               | 84.90%               | 84.50%               | 87.20%               |
| <b><i>Tier 2 Public Employees System<sup>2</sup></i></b>                                   |                      |                      |                      |                      |                      |                      |
| Proportion of Net Pension Liability (Asset)  | 0.4249500%           | 0.0028150%           |                      |                      |                      |                      |
| Proportionate Share of Net Pension Liability (Asset)                                       | \$ 956               | \$ 1,206             |                      |                      |                      |                      |
| Covered Payroll  | \$ -                 | \$ 32,337            |                      |                      |                      |                      |
| Proportionate Share of Net Pension Liability (Asset)<br>as a Percentage of Covered Payroll | 0.00%                | 3.73%                |                      |                      |                      |                      |
| Plan Fiduciary Net Position as a Percentage of Total Pension Liability                     | 96.50%               | 90.80%               |                      |                      |                      |                      |

<sup>1</sup> 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.

<sup>2</sup> 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, 2020

### Schedule of Dixie Technical College's Contributions Noncontributory, Contributory, and Tier 2 Public Employees Systems of the Utah Retirement Systems Last 10 Fiscal Years

*Noncontributory System*<sup>1</sup>

|  | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       | 2014       | 2013       | 2012       | 2011       |
|--|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Contractually Required Contribution                                  | \$ 181,719 | \$ 166,426 | \$ 100,665 | \$ 77,524  | \$ 64,492  | \$ 40,463  | \$ 56,016  | \$ 53,937  | \$ 56,384  | \$ 34,925  |
| Contributions in Relation to the Contractually Required Contribution | 181,719    | 166,426    | 100,665    | 77,524     | 64,492     | 40,463     | 56,016     | 53,937     | 56,384     | 34,925     |
| Contribution Deficiency (Excess)                                     | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       | \$ -       |
| Covered Payroll  | \$ 875,344 | \$ 799,069 | \$ 506,836 | \$ 391,964 | \$ 308,812 | \$ 182,348 | \$ 273,783 | \$ 287,511 | \$ 334,425 | \$ 214,001 |
| Contributions as a Percentage of Covered Payroll                     | 20.76%     | 20.83%     | 19.86%     | 19.78%     | 20.88%     | 22.19%     | 20.46%     | 18.76%     | 16.86%     | 16.32%     |

*Tier 2 Public Employees System*<sup>1,2,3</sup>

|  | 2020      | 2019      | 2018     |
|--|-----------|-----------|----------|
| Contractually Required Contribution                                  | \$ 11,607 | \$ 10,509 | \$ 845   |
| Contributions in Relation to the Contractually Required Contribution | 11,607    | 10,509    | 845      |
| Contribution Deficiency (Excess)                                     | \$ -      | \$ -      | \$ -     |
| Covered Payroll  | \$ 61,119 | \$ 55,690 | \$ 4,583 |
| Contributions as a Percentage of Covered Payroll                     | 18.99%    | 18.87%    | 18.44%   |

1 Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative issues.

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

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



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 Trustees, 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, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 15, 2021.

**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  
January 15, 2021