

DIXIE TECHNICAL COLLEGE (DIXIETECH)

A Component Unit of the State of Utah

Annual Financial Report
For the Year Ended June 30, 2018

DIXIE TECHNICAL COLLEGE (DIXIETECH)

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2018

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT STATE AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
FINANCIAL STATEMENTS:	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8
Statement of Cash Flows	9
Notes to the Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of the Proportionate Share of the Net Pension Liability	25
Schedule of Contributions	26
Notes to Required Supplementary Information	27
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS	29



HINTONBURDICK
CPAs & ADVISORS

Independent Auditors' Report

Board of Directors
Dixie Technical College
St. George, Utah

Report on the Financial Statements

We have audited the accompanying financial statements of Dixie Technical College (the College) as of and for the year ended June 30, 2018, 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 opinions 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dixie Technical College, as of June 30, 2018, and the changes in financial position and cash flows thereof for the year then ended in accordance 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 the management's discussion and analysis and the schedules related to pensions 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 December 10, 2018, on our consideration of Dixie Technical College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Dixie Technical College's internal control over financial reporting and compliance.

Hinton Burdick, PLLC

HintonBurdick, PLLC
St. George, Utah
December 10, 2018

DIXIE TECHNICAL COLLEGE (DIXIETECH)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 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 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.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 and 2017:

Statement of Net Position, Condensed

	Year Ended June 30, 2018 Amount	Year Ended June 30, 2017 Amount	Amount of Increase (Decrease)	Percent Increase (Decrease)
Assets				
Current assets	\$ 2,884,002	\$ 13,737,427	\$ (10,853,425)	-79%
Capital assets, net	45,899,896	4,145,727	41,754,169	1007%
Total assets	\$ 48,783,898	\$ 17,883,154	\$ 30,900,744	173%
Deferred outflows of resources	\$ 264,127	\$ 212,669	\$ 51,458	24%
Liabilities				
Current liabilities	\$ 1,077,843	\$ 739,989	\$ 337,854	46%
Noncurrent liabilities	9,548,440	9,811,417	(262,977)	-3%
Total liabilities	\$ 10,626,283	\$ 10,551,406	\$ 74,877	1%
Deferred inflows of resources	\$ 149,418	\$ 43,111	\$ 106,307	247%
Net position				
Invested in capital assets	\$ 36,435,995	\$ 4,139,868	\$ 32,296,127	780%
Restricted expendable	81,673	176,784	(95,111)	-54%
Unrestricted	1,754,656	3,184,654	(1,429,998)	-45%
Total net position	\$ 38,272,324	\$ 7,501,306	\$ 30,771,018	410%

Total Assets of the College increased during fiscal year 2018. The main reason for the increase in assets was attributable to the construction of the College's permanent campus buildings. The liabilities went up and the main reason for this was attributable to a Washington County bond that was issued in behalf of the College for the construction of the new buildings. The College entered into a lease agreement with the County to pay the bond back.

The College is showing a capital lease liability for the repayment of the bond. Each year the College's net position is decreased by the depreciation of its capital assets.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Statement of Revenues, Expenses, and Changes in Net Position:

	Year Ended June 30, 2018	Year Ended June 30, 2017	Amount of Increase (Decrease)	Percent of Increase (Decrease)
	Amount	Amount		
Operating Revenues				
Student tuition and fees (net allowance of \$314,384)	\$ 802,147	\$ 683,783	\$ 118,364	17%
Auxiliary enterprises	99,150	-	99,150	
Other operating revenues	161,172	169,230	(8,058)	-5%
Total operating revenues	1,062,469	853,013	209,456	25%
Operating expenses				
Salaries and wages	3,931,205	2,826,560	1,104,645	39%
Fringe benefits	1,429,697	1,102,389	327,308	30%
Actuarial calculated pension expense	108,830	99,822	9,008	9%
Scholarships	159,890	252,065	(92,175)	-37%
Building rent, maintenance and utilities	411,824	473,779	(61,955)	-13%
General and administrative	3,933,393	1,117,587	2,815,806	252%
Professional and technical education services	441,607	170,941	270,666	158%
Cost of goods sold	77,233	-	77,233	
Depreciation	875,394	234,485	640,909	273%
Total operating expenses	11,369,073	6,277,628	5,091,445	81%
Operating income (loss)	(10,306,604)	(5,424,615)	(4,881,989)	90%
Nonoperating revenues and expenses				
State appropriations	6,771,493	4,984,278	1,787,215	36%
State grants and contracts	2,241,782	720,861	1,520,921	211%
Federal grants and contracts	471,558	563,261	(91,703)	-16%
Gifts	519,590	989,635	(470,045)	-47%
Investment income	151,936	57,170	94,766	166%
Interest expense	(360,587)	-	(360,587)	
Gain (loss) on disposal of capital assets	(58,860)	(34,680)	(24,180)	70%
Other nonoperating revenues (expenses)	13,479	(126,449)	139,928	-111%
Net nonoperating revenues (expenses)	9,750,391	7,154,076	2,596,315	36%
Income (loss) before other revenues (expenses)	(556,213)	1,729,461	(2,285,674)	-132%
OTHER REVENUES (EXPENSES)				
Capital appropriations	30,847,825	222,565	30,625,260	13760%
Capital grants and gifts	479,406	-	479,406	
Net other revenues (expenses)	31,327,231	222,565	31,104,666	13976%
Increase (decrease) in net position	30,771,018	1,952,026	28,818,992	1476%
Net position – Beginning of year	7,501,306	5,549,280	1,952,026	35%
Net position – End of year	\$ 38,272,324	\$ 7,501,306	\$ 30,771,018	410%

Operating revenues increased due to an increase in enrollment and to the opening of 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. The other large increase was in the General and Administrative category, which was an increase in furnishings and equipment purchases. The equipment was purchased to help support the College with its growth in programs and to furnish new building space.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Nonoperating revenues increased overall. The largest contributor to the increase was an increase in general state appropriations. The College is heavily dependent on these state appropriations and thanks the legislature for the increase in general state appropriations. The College received additional state grant dollars, which contributed to this increase as well.

Other revenues increased significantly overall mainly because we received an appropriation to construct new buildings.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows.

	Statement of Cash Flows, Condensed			
	Year Ended June 30, 2018	Year Ended June 30, 2017	Amount of Increase (Decrease)	Percent Increase (Decrease)
	Amount	Amount		
Cash provided (used) by:				
Operating activities	\$ (9,472,595)	\$ (4,849,907)	\$ (4,622,688)	95%
Noncapital financing activities	10,130,906	6,878,816	3,252,090	47%
Capital financing activities	(11,654,994)	9,159,285	(20,814,279)	-227%
Investing activities	151,936	57,170	94,766	166%
Net change in cash	(10,844,747)	11,245,364	(22,090,111)	-196%
Cash – Beginning of year	13,285,270	2,039,906	11,245,364	551%
Cash – End of year	\$ 2,440,523	\$ 13,285,270	\$ (10,844,747)	-82%

The decrease in cash was mainly attributable to the Washington County bond proceeds that were used for the construction of the new buildings. The other large contributor to the decrease in cash was the purchase of furnishings and equipment for the new buildings.

Outlook For The Coming Fiscal Year

During the 2018 Utah legislative session, the College's recurring legislative appropriation for fiscal year 2019 was increased by 8.2% compared to fiscal year 2018, which included funding to increase salaries, program expansion funding, and ongoing funds for performance. 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 2019 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, 2018

ASSETS

<i>Current assets</i>	
Cash and cash equivalents	\$ 2,382,400
Restricted cash and cash equivalents	58,123
Accounts receivable	95,998
Due from primary government/related parties	272,825
Inventory	44,743
Prepaid expenses	29,913
Total current assets	<u>2,884,002</u>
<i>Noncurrent assets</i>	
Capital assets, net of depreciation	45,899,896
Total noncurrent assets	<u>45,899,896</u>
Total assets	<u>48,783,898</u>

DEFERRED OUTFLOWS

<i>Deferred outflows of resources</i>	
Deferred outflows relating to pensions	264,127
Total deferred outflows of resources	<u>264,127</u>

LIABILITIES

<i>Current liabilities</i>	
Accounts payable	167,679
Due to primary government/related parties	23,787
Accrued liabilities	273,204
Unearned revenue	277,375
Capital leases payable	335,798
Total current liabilities	<u>1,077,843</u>
<i>Noncurrent liabilities:</i>	
Accrued liabilities	50,767
Capital leases payable	9,186,226
Net pension liability	311,447
Total noncurrent liabilities	<u>9,548,440</u>
Total liabilities	<u>10,626,283</u>

DEFERRED INFLOWS

<i>Deferred inflows of resources</i>	
Deferred inflows relating to pensions	149,418
Total deferred inflows of resources	<u>149,418</u>

NET POSITION

Net investment in capital assets	36,435,995
Restricted expendable	81,673
Unrestricted	1,754,656
Total net position	<u>\$ 38,272,324</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, 2018

OPERATING REVENUES

Student tuition and fees (net allowance of \$314,384)	\$ 802,147
Auxiliary enterprises	99,150
Other operating revenues	161,172
Total operating revenues	<u>1,062,469</u>

OPERATING EXPENSES

Salaries and wages	3,931,205
Fringe benefits	1,429,697
Actuarial calculated pension expense	108,830
Scholarships	159,890
Building rent, maintenance and utilities	411,824
General and administrative	3,933,393
Professional and technical education services	441,607
Cost of goods sold	77,233
Depreciation	875,394
Total operating expenses	<u>11,369,073</u>
Operating income (loss)	<u>(10,306,604)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	6,771,493
State grants and contracts	2,241,782
Federal grants and contracts	471,558
Gifts	519,590
Investment income	151,936
Interest expense	(360,587)
Gain (loss) on disposal of capital assets	(58,860)
Other nonoperating revenues (expenses)	13,479
Net nonoperating revenues (expenses)	<u>9,750,391</u>
Income (loss) before other revenues (expenses)	(556,213)

OTHER REVENUES (EXPENSES)

Capital appropriations	30,847,825
Capital grants and gifts	479,406
Net other revenues (expenses)	<u>31,327,231</u>

Increase (decrease) in net position **30,771,018**

NET POSITION

Net position – Beginning of year	7,501,306
Net position – End of year	<u>\$ 38,272,324</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tuition and fees	\$ 762,485
Receipts from auxiliary enterprises	99,150
Payments to suppliers	(4,970,062)
Payments for employee services and benefits	(5,365,450)
Payments for student aid: scholarships and fellowships	(159,890)
Other operating receipts (payments)	161,172
Net Cash Provided (Used) by Operating Activities	<u>(9,472,595)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Receipts from state appropriations	6,738,200
Receipts from nonoperating grants and contracts	2,859,637
Receipts from gifts for other than capital purposes	519,590
Other nonoperating receipts	13,479
Net Cash Provided (Used) by Noncapital Financing Activities	<u>10,130,906</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Purchases of capital assets	(11,241,512)
Proceeds from sale of capital assets	4,520
Interest paid on capital debt	(360,587)
Principal paid on capital debt	(57,415)
Net Cash Provided (Used) by Capital Financing Activities	<u>(11,654,994)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income received	151,936
Net Cash Provided by Investing Activities	<u>151,936</u>
Net Change in Cash	(10,844,747)
Cash – Beginning of Year	<u>13,285,270</u>
Cash – End of Year	<u>\$ 2,440,523</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (10,306,604)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	875,394
Difference between actuarial calculated pension expense and actual contributions	7,322
Noncash transactions -projects transferred from State	33,293
Changes in assets and liabilities	
(increase) decrease in receivables	(62,975)
increase (decrease) accounts payable	(118,188)
increase (decrease) accrued liabilities	96,960
increase (decrease) unearned revenue liability	23,313
(Increase) decrease in inventory	(44,743)
(Increase) decrease in prepaid expenses	23,633
Net Cash Used by Operating Activities	<u>\$ (9,472,595)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES	
Capital Gifts-In-Kind	\$ 479,406
Completed Construction Projects Transferred From State of Utah	30,881,118
Assets purchased through capital lease	124,200
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 31,484,724</u>

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

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

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.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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.

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, buildings have a useful life of 40 years, and leasehold improvements have a useful life equal to the lease period.

Compensated Absences

Employee vacation 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.

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 Pension Plan (URS) and additions to/deductions from URS's fiduciary net position have been determined on the same basis as they are reported by URS. 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.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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 Custom Fit 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.

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.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 2. Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the 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 Money Management Act in handling its depository and investment transactions. The Act requires the depositing of the College's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College does not have a formal deposit policy for custodial credit risk. As of June 30, 2018, \$186,018 of the College's bank balances of \$436,018 were uninsured and uncollateralized.

Investments

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

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

As of June 30, 2018, the College had investments of \$2,063,589 with the PTIF. The entire balance had a maturity of less than one year.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The College's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Money Management 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. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The College's policy for reducing its exposure to credit risk is to comply with the Money Management Act, as previously discussed. The College's investments in the PTIF at June 30, 2018 were all unrated.

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 in active markets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The PTIF is valued using significant other observable inputs (Level 2 inputs).

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.

Note 3. Accounts Receivable

Accounts receivable consisted of the following:

	<u>June 30, 2018</u>
Student tuition and fees	\$ 49,664
Due from primary government/related parties	272,825
Misc. customers and partners	66,334
	<u>388,823</u>
Less allowance for doubtful accounts	(20,000)
Total Accounts Receivable	<u><u>\$ 368,823</u></u>

Note 4. Noncurrent Liabilities

Noncurrent liabilities consisted of the following:

	<u>June 30, 2018</u>				
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Noncurrent Liabilities					
Capital leases	\$ 9,455,238	\$ 124,200	\$ 57,414	\$ 9,522,024	\$ 335,798
Compensated absences	160,469	158,258	133,980	184,747	133,980
Net pension liability	358,974	-	47,527	311,447	-
Noncurrent Liabilities	<u><u>\$ 9,974,681</u></u>	<u><u>\$ 282,458</u></u>	<u><u>\$ 238,921</u></u>	<u><u>\$ 10,018,218</u></u>	<u><u>\$ 469,778</u></u>

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

Note 5. Capital Assets

The following are the changes in capital assets of the College for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Buildings	\$ 1,133,092	\$ 39,971,268	\$ 82,592	\$ 41,021,768
Land	2,500,430	-	-	2,500,430
Land Improvements	112,685	1,779,517	-	1,892,202
Leasehold Improvements	406,611	-	406,611	-
Equipment	954,179	942,158	34,154	1,862,183
	<u>\$ 5,106,997</u>	<u>\$ 42,692,943</u>	<u>\$ 523,357</u>	<u>\$ 47,276,583</u>
Less Accumulated Depreciation				
Buildings	\$ 59,794	\$ 526,935	\$ 21,432	\$ 565,297
Land Improvements	5,062	66,429	-	71,491
Leasehold Improvements	395,678	10,932	406,610	-
Equipment	500,736	271,098	31,935	739,899
	<u>\$ 961,270</u>	<u>\$ 875,394</u>	<u>\$ 459,977</u>	<u>\$ 1,376,687</u>
Net Capital Assets	<u>\$ 4,145,727</u>	<u>\$ 41,817,549</u>	<u>\$ 63,380</u>	<u>\$ 45,899,896</u>

For State of Utah funded capital projects, the State keeps the construction in progress (CIP) on the State of Utah's books until the project is complete. Once the project is completed it is removed off of the State of Utah's books and added to the College's books in the year of substantial completion.

Note 6. Restricted Expendable Net Position

Restricted expendable net position consisted of the following:

	<u>June 30, 2018</u>
Custom Fit Funds	<u>\$ 81,673</u>
Total Restricted Expendable	<u>\$ 81,673</u>

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 7. Lease Obligations

The College has entered into a capital lease for the purchase of a copier and a diesel tractor truck. Equipment assets currently financed under capital lease and their accumulated depreciation amounts are \$134,037 and \$16,724 respectively. The College has also entered into a capital lease with Washington County, Utah who issued a bond in behalf of the College for the construction of the College's permanent campus. Washington County issued a bond in the amount of \$8,510,000 which gave the College the needed additional funds towards their permanent campus building project. This bond was issued through the Municipal Building Authority of Washington County, State of Utah. According to the lease, the College will make all of the bond payments which spans 20 years and the interest rate for the bond ranges between 3% - 5%. The bond was purchased at a premium, which will be amortized over the life of the bond. The College also has entered into two operating leases for building space for offices and training facilities. The College entered into three operating leases for equipment. Operating lease expense for the year ended June 30, 2018, was \$127,381. The Diesel Shop lease ended October 31, 2017.

The future lease payments are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Capital Leases - Principal</u>	<u>Capital Leases - Interest</u>	<u>Total Leases</u>
2019	\$ 8,853	\$ 335,798	\$ 362,030	\$ 706,680
2020	5,365	345,749	351,313	702,426
2021	603	355,064	339,036	694,702
2022		365,916	326,384	692,299
2023		381,810	313,189	694,999
2024-2028		2,071,373	1,316,801	3,388,174
2029-2033		2,544,120	804,755	3,348,875
2034-2038		3,122,195	188,555	3,310,750
Total Future Lease Payments	<u>\$ 14,821</u>	<u>\$ 9,522,024</u>	<u>\$ 4,002,062</u>	<u>\$ 13,538,907</u>

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.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 9. Pension Plans and Retirement Benefits

403b Defined Contribution

The College's current 403b defined contribution plan is with Nationwide Mutual Insurance Company (Nationwide). Each participating employee is setup 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, 2018, the College's contribution to this 403b defined contribution plan was \$338,855, 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 \$53,656 to their individual accounts in fiscal year 2018.

In September of 2011, UTech 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 this totaled \$147,880 for the year ended June 30, 2018. For URS 401 (k) this totaled \$25,734.

Utah Retirement Systems (URS) Plan Description

General Information about the Pension Plan

Plan Description: Eligible plan participants are provided with pensions through the Utah Retirement Systems. Utah Retirement Systems are comprised of the following Pension Trust Funds:

Defined Benefit Plans

- Public Employees Noncontributory Retirement System (Noncontributory 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 Utah Retirement Systems, are members of the Tier 2 Retirement System.

The Utah Retirement Systems (Systems) are established and governed by the respective sections of Title 49 of the Utah Code Annotated 1953, as amended. 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, whose members are appointed by the Governor. The Systems are fiduciary

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

funds defined as pension (and other employee benefit) trust funds. URS is a component unit of the State of Utah. Title 49 of the Utah Code grants the authority to establish and amend the benefit terms.

URS issues 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.

Benefits provided: URS provides retirement, disability, and death benefits. Retirement benefits are as follows:

Summary of Benefits by System

System	Final Average Salary	Years of service required and/or age eligible for benefit	Benefit percentage 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	2.0% per year all years	Up to 4%

* with actuarial reductions

** All post-retirement cost-of-living adjustments are non-compounding and are based on the original benefit except for Judges, which is a compounding 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.

Contributions: 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 Utah State Retirement 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 (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Utah Retirement Systems

	Employee	Employer	Employer 401 (k)
Contributory System			
112 State School Div - Tier 2	N/A	18.44	1.58
Noncontributory System			
16 State School Div - Tier 1	N/A	22.19	1.50
Tier 2 DC Only			
212 State and School	N/A	10.02	10.00

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, 2018, the employer and employee contributions to the Systems were as follows:

<u>System</u>	<u>Employer Contributions</u>	<u>Employee Contributions</u>
Noncontributory System	\$ 100,665	N/A
Tier 2 Public Employees System	845	
Total Contributions	\$ 101,510	\$ -

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, 2018, we reported a net pension asset of \$0 and a net pension liability of \$311,446.

	<u>(Measurement Date): December 31, 2017</u>				
	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Proportionate Share</u>	<u>Proportionate Share December 31, 2016</u>	<u>Change (Decrease)</u>
Noncontributory System	\$ -	\$ 311,446	0.0127362%	0.0110763%	0.0016599%
	\$ -	\$ 311,446			

The net pension asset and liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2017 and rolled-forward using generally accepted actuarial procedures.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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, 2018 we recognized pension expense of \$108,830.

At June, 30, 2018 we reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 18,041
Changes in assumptions	78,638	2,367
Net difference between projected and actual earnings on pension plan investments	51,091	129,010
Changes in proportion and differences between contributions and proportional share of contributions	77,505	-
Contributions subsequent to the measurement date	56,892	-
Total	<u>\$ 264,126</u>	<u>\$ 149,418</u>

\$56,892 reported as deferred outflows of resources related to pensions results from contributions made by us prior to our fiscal year end, but subsequent to the measurement date of December 31, 2016.

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.

Year Ended December 31	Net Deferred Outflows (Inflows) of Resources
2018	\$ 41,590
2019	48,432
2020	(4,112)
2021	(28,093)
2022	-
Thereafter	-

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Actuarial assumptions: The total pension liability in the December 31, 2017, 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.

The actuarial assumptions used in the January 1, 2017, 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. 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 and 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.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Discount rate: 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 was reduced to 6.95 percent from 7.20 percent from the prior measurement period.

Sensitivity of the proportionate share of the net pension asset and liability to changes in the discount rate: 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 1-percentage-point lower (5.95 percent) or 1- percentage-point higher (7.95 percent) than the current rate:

System	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 680,019	\$ 311,446	\$ 3,394
Total	\$ 680,019	\$ 311,446	\$ 3,394

Pension plan fiduciary net position: Detailed information about the pension plans fiduciary net position is available in the separately issued URS financial report.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue code. Detailed information regarding plan provisions is available in the separately issued URS financial report.

Dixie Technical College participates in the following Defined Contribution Savings Plans with Utah Retirement Systems:

* 401(k) Plan

Employee and employer contributions to the Utah Retirement Defined Contribution Savings Plans for fiscal year ended June 30, were as follows:

	<hr/> <hr/>		
401(k) Plan	2018	2017	2016
Employer Contributions	\$ 31,964	\$ 24,319	\$ 21,243
Employee Contributions	\$ 12,530	\$ 13,211	\$ 11,747

DIXIE TECHNICAL COLLEGE (DIXIETECH)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS

	Noncontributory Retirement System 2017	Noncontributory Retirement System 2016	Noncontributory Retirement System 2015	Noncontributory Retirement System 2014
Proportion of the net pension liability (asset)	0.0127362%	0.0110763%	0.0078734%	0.0075955%
Proportionate share of the net pension liability (asset)	\$311,446	\$358,974	\$247,326	\$190,839
Covered payroll	\$431,728	\$363,890	\$227,197	\$217,549
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	72.14%	98.65%	108.86%	87.70%
Plan fiduciary net position as a percentage percentage of the total pension liability (asset)	89.20%	84.90%	84.50%	87.20%

Note: The College implemented GASB 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
LAST 10 FISCAL YEARS

	As of fiscal year ended June 30,	Actuarial Determined Contributions	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered employee payroll	Contributions as a percentage of covered employee payroll
<i>Noncontributory System</i>	2014	\$56,016	\$56,016	\$ -	\$273,783	20.46%
	2015	40,463	40,463	-	182,348	22.19%
	2016	64,492	64,492	-	308,812	20.88%
	2017	77,524	77,524	-	391,964	19.78%
	2018	100,665	100,665	-	506,836	19.86%
<i>Tier 2 Public Employees System*</i>	2018	\$845	\$845	\$ -	\$4,583	18.44%

Note: The College implemented GASB 68 in fiscal year 2015. Information prior to fiscal year 2015 is not available.

* Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems. Tier 2 systems were created effective July 1, 2011.

DIXIE TECHNICAL COLLEGE (DIXIETECH)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR FISCAL YEAR ENDED JUNE 30, 2018

Changes in Assumptions:

As a result of an experience study conducted as of December, 31 2016, the Board adopted recommended changes to several economic and demographic assumptions that are used in the actuarial valuation. The assumption changes that had the largest impact on the Total Pension Liability (and actuarial accrued liability) include a decrease in the investment return assumption from 7.20% to 6.95%, a reduction in the price inflation assumption from 2.60% to 2.50% (which also resulted in a corresponding decrease in the cost-of-living-adjustment assumption for the funds with a 4.00% annual COLA max), and the adoption of an updated retiree mortality table that is developed using URS's actual retiree mortality experience. There were changes to several other demographic assumptions, but those changes had a minimal impact on the Total Pension Liability (and actuarial accrued liability).

This page intentionally left blank



HINTONBURDICK
CPAs & ADVISORS

**Independent Auditors' 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***

Board of Directors
Dixie Technical College
St. George, UT

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, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Dixie Technical College's basic financial statements, and have issued our report thereon dated December 10, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Dixie Technical 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dixie Technical College's internal control. Accordingly, we do not express an opinion on the effectiveness of Dixie Technical 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 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.

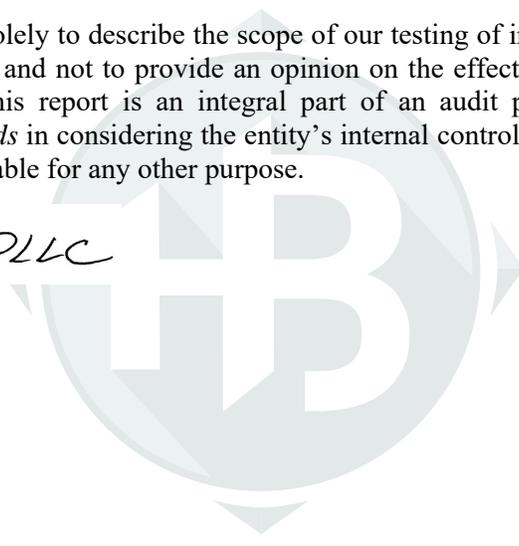
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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



HintonBurdick, PLLC
St. George, Utah
December 10, 2018