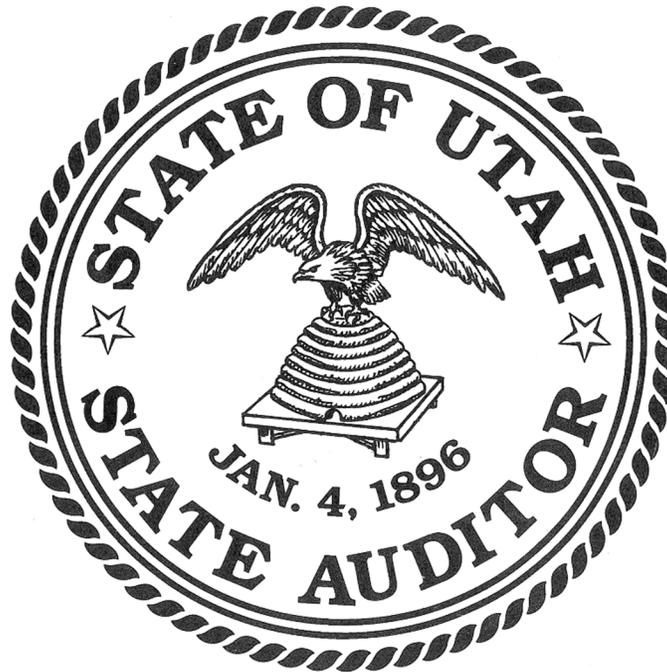


OGDEN-WEBER TECHNICAL COLLEGE

A Component Unit of the State of Utah

Annual Financial Report
For the Year Ended June 30, 2020

Report No. 20-02



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Jason Allen, CPA, CFE, Audit Director
Abby Potter, CPA, Audit Senior

OGDEN-WEBER TECHNICAL COLLEGE

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2020

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OGDEN-WEBER TECHNICAL COLLEGE

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

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Directors, Audit Committee
and
Jim Taggart, President
Ogden-Weber Technical College

Report on the Financial Statements

We have audited the accompanying financial statements of Ogden-Weber Technical College (College) and its discretely presented component unit foundation, 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 opinions on these financial statements based on our audit. We did not audit the financial statements of Ogden-Weber Technical College Foundation (Foundation), a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. 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. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its discretely presented Foundation, as of June 30, 2020, and the respective changes in financial position and, where applicable, 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 management's discussion and analysis and the schedules of proportionate share of net pension liability and contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the 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 August 26, 2020 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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

August 26, 2020

OGDEN-WEBER TECHNICAL COLLEGE

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

As management of Ogden-Weber Technical College (College), we offer readers of the College's financial statements this narrative overview and analysis of the financial activities of the College for the fiscal year ended June 30, 2020.

During FY20, the College was a member of the Utah System of Technical Colleges (USTC), with system governance provided by the USTC Board of Trustees, and local governance provided by the College's Board of Directors. On July 1, 2020, as a result of changes in state statute, all public post-secondary institutions were placed under the governance of the Utah Board of Higher Education. All public colleges and universities are members of the Utah System of Higher Education. The college maintains a local Board of Trustees and remains an independent technical college and component unit of the State of Utah.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to the College's financial statements. The College's financial statements comprise four components: 1) the Statement of Net Position, 2) the Statement of Revenues, Expenses, and Changes in Net Position, 3) the Statement of Cash Flows, and 4) the Notes to the Financial Statements.

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

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

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

OGDEN-WEBER 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 of resources, liabilities, deferred inflows of resources, and net position as of June 30, 2020 and 2019:

Condensed Statement of Net Position

	Year Ended June 30, 2020 Amount	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Assets				
Current Assets	\$ 7,321,391	\$ 5,909,883	\$ 1,411,508	23.88%
Noncurrent Assets				
Capital Assets, Net	39,429,220	38,343,044	1,086,176	2.83%
Total Assets	46,750,611	44,252,927	2,497,684	5.64%
Deferred Outflows of Resources	544,033	1,423,704	(879,671)	(61.79%)
Liabilities				
Current Liabilities	1,834,377	1,368,704	465,673	34.02%
Noncurrent Liabilities	2,751,586	4,267,622	(1,516,036)	(35.52%)
Total Liabilities	4,585,963	5,636,326	(1,050,363)	(18.64%)
Deferred Inflows of Resources	1,012,102	373,007	639,095	171.34%
Net Position				
Net Investment in Capital Assets	39,429,220	38,343,044	1,086,176	2.83%
Unrestricted	2,267,359	1,324,254	943,105	71.22%
Total Net Position	\$ 41,696,579	\$ 39,667,298	\$ 2,029,281	5.12%

Total assets of the College increased by \$2,497,684, or 5.64%, during the fiscal year. The increase in current assets of \$1,411,508 consists of an increase in cash and cash equivalents of \$1,374,145 due to the shut-down of college during April and May and the receipt of Cares Federal funding; an increase in receivables of \$74,720; a decrease in prepaid expenses of \$5,563; and decreases in inventory balances totaling \$31,794 at the College Store, and Cosmetology and Culinary Arts programs.

The College's capital assets (net of accumulated depreciation) as of June 30, 2020 amount to \$39,429,220. This investment in capital assets includes land, buildings, and equipment. After taking into consideration a change in accumulated depreciation of \$1,501,033, new equipment purchases of

OGDEN-WEBER TECHNICAL COLLEGE

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

\$1,596,356, a new building of \$366,867, site improvements of \$1,233,695, and deletions of \$609,709, there was a net increase in capital assets of \$1,086,176. Additional information on the changes in the College's capital assets can be found in Note 4 of the Notes to the Financial Statements.

Deferred outflows are derived from information provided by the Utah Retirement System (URS) as outlined by GASB 68. The decrease of \$879,671 represents contributions made by the College to URS subsequent to their measurement date on December 31, 2019 and the net difference between projected and actual earnings on pension plan investments. See Note 8 for additional information.

Total liabilities of the College decreased by \$1,050,363, or 18.64%, during the fiscal year. Current liabilities increased by \$465,673 due to increases in the payables, accrued payroll, vacation liability, and unearned revenue. Noncurrent liabilities decreased by \$1,516,036 due to a decrease in the net pension liability. The net pension liability is provided by URS and is based on estimates derived from their actuarial calculation.

Deferred inflows are derived from information provided by URS as outlined by GASB 68. The increase of \$639,095 represents the differences between expected and actual returns on investments and changes in assumptions used by the actuaries. See Note 8 for additional information.

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

	Year Ended June 30, 2020 Amount	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Operating Revenues	\$ 5,328,363	\$ 5,019,469	\$ 308,894	6.15%
Operating Expenses	24,777,486	24,106,268	671,218	2.78%
Operating Income (Loss)	(19,449,123)	(19,086,799)	(362,324)	(1.90%)
Nonoperating Revenues	19,932,403	18,372,834	1,559,569	8.49%
Income (Loss) Before Other Items	483,280	(713,965)	1,197,245	167.69%
Other Revenues and Expenses	1,373,774	712,767	661,007	92.74%
Increase (Decrease) in Net Position	1,857,054	(1,198)	1,858,252	155112.85%
Net Position – Beginning of Year	39,667,298	39,668,496	(1,198)	(.00%)
Prior Period Adjustment (Note 1)	172,227	-	172,227	100.00%
Net Position – Beginning of Year (Restated)	39,839,525	39,668,496	171,029	.43%
Net Position – End of Year	\$ 41,696,579	\$ 39,667,298	\$ 2,029,281	5.12%

OGDEN-WEBER TECHNICAL COLLEGE

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

The College experienced a net operating loss of \$19,449,123 during the fiscal year. The College is a State institution and receives a majority of its funding from State appropriations. These appropriations are classified in the financial statements as nonoperating revenues. The State appropriation is anticipated as a means of covering a majority of the costs of operating the College. During fiscal year 2020, the State appropriation of \$17,917,447 was sufficient to offset all but \$1,531,676 of the amount shown on the financial statements as an operating loss. The remaining nonoperating revenues and other revenues of the College consisted mostly of federal grants of \$1,217,462, gifts of \$325,120 transferred to the College from the Foundation, other revenue of \$275,325 and investment income of \$161,235.

After considering nonoperating revenues and expenses and other items, the College had an increase in net position of \$1,857,054.

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2020 and 2019:

	Year Ended June 30, 2020 Amount	Percent of Total Revenue	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Operating Revenues					
Student Tuition and Fees	\$ 1,986,786	7.46%	\$ 2,036,644	\$ (49,858)	(2.45%)
Federal Grants and Contracts	900,234	3.38%	749,558	150,676	20.10%
State Grants and Contracts	935,764	3.51%	797,732	138,032	17.30%
Sales and Services of Educational Activities	694,737	2.61%	631,402	63,335	10.03%
Auxiliary Enterprises	810,842	3.33%	804,133	6,709	.83%
Total Operating Revenues	5,328,363	20.01%	5,019,469	308,894	6.15%
Nonoperating Revenues					
State Appropriations	17,917,447	67.27%	16,600,196	1,317,251	7.94%
Federal Grants and Contracts	1,217,462	4.57%	1,183,941	33,521	2.83%
State Grants and Contracts	35,814	.13%	40,800	(4,986)	(12.22%)
Gifts	325,120	1.22%	340,628	(15,508)	(4.55%)
Other	275,325	1.03%	-	275,325	100.00%
Investment Income	161,235	.61%	207,463	(46,228)	(22.28%)
Loss on Sale of Capital Assets	-	.00%	(194)	194	(100.00%)
Total Nonoperating Revenues	19,932,403	74.84%	18,372,834	1,559,569	8.49%
Other Revenues					
Capital Appropriations	1,373,774	5.16%	712,767	661,007	92.74%
Total Other Revenues	1,373,774	5.16%	712,767	661,007	92.74%
Total Revenues	\$ 26,634,540	100.00%	\$ 24,105,070	\$ 2,529,470	10.49%

The revenue comparison between fiscal year 2020 and fiscal year 2019 shows an increase in total revenue of \$2,529,470, the vast majority of which is attributable to an increase in State

OGDEN-WEBER TECHNICAL COLLEGE

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

Appropriations and an increase in capital projects on the campus completed by the State of Utah's Division of Facilities Construction and Management (DFCM) from the previous year.

Operating revenues increased by \$308,894 from last year. Tuition and Fee revenue decreased by \$49,858 due to the closing of the campus due to the pandemic. Federal Grants and Contracts increased by \$150,676 due to an increase in Youthbuild and Americorp grant funding. State Grants and Contracts increased by \$138,032 due to an increase in Custom Fit funding. Sales and Services of Educational Activities increased by \$63,335 due to Custom Fit administrative changes mentioned above. Finally, the Auxiliary Enterprises revenue increased by \$6,709.

Nonoperating revenues increased by \$1,559,569. State appropriations increased by \$1,317,251 as a result of new funding granted by the Utah State Legislature. Federal Grants and Contracts increased by \$33,521, which was a combination of a decrease in Pell grant funding and new Cares grant funding causing a net increase in Federal Grants and Contracts revenue. Gift revenue decreased by \$15,508 as a result of decreased Foundation pledges. We had other revenue of \$275,325 due to reimbursement of Flooding expenses from Risk Management. Investment income decreased by \$46,228 due to lower interest rates.

The increases in other revenue are attributable to DFCM capital improvement projects. Capital appropriations funding increased by \$661,007 due to DFCM transferring more projects to the College than in the previous year.

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2020 and 2019:

	Year Ended June 30, 2020 Amount	Percent of Total Expense	Year Ended June 30, 2019 Amount	Amount of Change	Percent Change
Operating Expenses					
Cost of Goods Sold	\$ 867,410	3.50%	\$ 902,194	\$ (34,784)	(3.86%)
Salaries and Wages	10,791,554	43.55%	10,021,645	769,909	7.68%
Employee Benefits	3,746,622	15.12%	3,399,582	347,040	10.21%
Actuarial Calculated Pension Expense	710,227	2.87%	589,042	121,185	20.57%
General	4,888,269	19.73%	5,547,654	(659,385)	(11.89%)
Financial Aid	975,069	3.94%	799,508	175,561	21.96%
Non-capitalized Equipment Purchases	629,751	2.54%	932,099	(302,348)	(32.44%)
Travel	57,842	.23%	93,210	(35,368)	(37.94%)
Depreciation	2,110,742	8.52%	1,821,334	289,408	15.89%
Total Operating Expenses	\$ 24,777,486	100.00%	\$ 24,106,268	\$ 671,218	2.78%

Total operating expenses for the year were \$671,218 more than the prior year. Salaries and wages increased by \$769,909 due in large part to cost of living increases approved by the Legislature and a number of early retirements. Employee benefits expense increased by \$347,040 due to an

OGDEN-WEBER TECHNICAL COLLEGE

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

increase in health insurance costs and the associated increase in benefits due to the increase in the education programs. As derived from information provided by the Utah Retirement System the actuarial calculated pension expense increased by \$121,185. General expense decreased by \$659,385 due to a number of factors, including campus closure due to the COVID-19 pandemic, less Pell Grant funding, and less College-funded projects compared to the previous year. Depreciation expense increased by \$289,408 due to a large number of capital assets being added.

Economic Outlook

Prior to a global pandemic in the form of Covid-19 in March 2020, Utah's economy had been one of the strongest in the country and stood out among a handful of states that were leading the nation in job growth. Whether this job growth will continue depends heavily on the outcome of this pandemic and the timing of a vaccine.

Traditionally, companies looking to expand often are unable to find enough employees with the appropriate skills needed for employment. To meet this demand the College is focusing on increasing access for secondary students and working to provide training to underemployed adults. Stackable credentials and pathways streamline the time to completion for both secondary and adult students. Evening programs and apprenticeship opportunities help meet the needs of working adults. When individuals complete certificates, they find it much easier to obtain related employment and in the long term will better withstand changes in the labor market.

Requests for Information

This financial report is designed to provide a general overview of the College's finances and to show the College's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Fiscal Services Office, Ogden-Weber Technical College, 200 North Washington Blvd., Ogden, Utah 84404.

The College's Foundation is reported discretely in the financial statements under the heading "Foundation." A copy of the Foundation's independent audit report may be obtained from the same location listed above.

OGDEN-WEBER TECHNICAL COLLEGE

STATEMENT OF NET POSITION JUNE 30, 2020

	<u>College</u>	<u>Foundation</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents (Notes 1 and 2)	\$ 6,326,296	\$ 330,929
Investments (Notes 1 and 2)	-	2,051,316
Pledges Receivable, net	-	29,412
Accounts Receivable, net (Note 3)		30,000
Related Party	389,341	-
Other	250,906	-
Prepaid Expenses	10,925	-
Inventories (Note 1)	343,923	-
Total Current Assets	<u>7,321,391</u>	<u>2,441,657</u>
Noncurrent Assets		
Land (Notes 1 and 4)	203,128	-
Buildings (Notes 1 and 4)	43,999,279	-
Improvements (Notes 1 and 4)	14,814,963	-
Equipment (Notes 1 and 4)	12,131,756	-
Less Accumulated Depreciation (Notes 1 and 4)	(31,719,906)	-
Total Noncurrent Assets	<u>39,429,220</u>	<u>-</u>
Total Assets	<u>46,750,611</u>	<u>2,441,657</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Relating to Pensions (Note 8)	544,033	-
Total Deferred Outflows of Resources	<u>544,033</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts Payable (Note 3)		
Related Party	170,741	37,348
Other	246,639	-
Accrued Payroll	590,549	-
Unearned Revenue	629,236	-
Accrued Sick Leave (Notes 6 and 11)	29,301	-
Accrued Compensated Absences (Notes 6 and 10)	167,911	-
Total Current Liabilities	<u>1,834,377</u>	<u>37,348</u>
Noncurrent Liabilities		
Net Pension Liability (Note 8)	2,351,186	-
Accrued Sick Leave (Notes 6 and 11)	59,489	-
Accrued Compensated Absences (Notes 6 and 10)	340,911	-
Total Noncurrent Liabilities	<u>2,751,586</u>	<u>-</u>
Total Liabilities	<u>4,585,963</u>	<u>37,348</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Relating to Pensions (Note 8)	1,012,102	-
Total Deferred Inflows of Resources	<u>1,012,102</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	39,429,220	-
Restricted	-	1,237,914
Unrestricted	2,267,359	1,166,395
Total Net Position	<u>\$ 41,696,579</u>	<u>\$ 2,404,309</u>

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

OGDEN-WEBER TECHNICAL COLLEGE

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

	College	Foundation
REVENUES		
Operating Revenues (Note 1)		
Student Tuition and Fees (Net of Scholarship Allowance of \$581,247)	\$ 1,986,786	\$ -
Federal Grants and Contracts	900,234	-
State Grants and Contracts	935,764	-
Sales and Services of Educational Activities	694,737	-
Auxiliary Enterprises:		
Bookstore (Net of Scholarship Allowance of \$77,857)	460,639	-
Other	350,203	-
Gifts	-	341,185
Other Revenue	-	209,995
Investment Income	-	38,191
Net Realized Gain on Investments	-	83,085
Net Unrealized (Loss) on Investments	-	251,032
Total Operating Revenues	5,328,363	923,488
EXPENSES		
Operating Expenses (Note 1)		
Cost of Goods Sold	867,410	-
Salaries and Wages	10,791,554	-
Employee Benefits	3,746,622	-
Actuarial Calculated Pension Expense (Note 8)	710,227	-
General	4,888,269	-
Financial Aid	975,069	-
Non-capitalized Equipment Purchases	629,751	-
Travel	57,842	-
Depreciation (Note 4)	2,110,742	-
Scholarships and Awards	-	239,094
Donations to the College	-	94,745
Support Services	-	53,052
Total Operating Expenses	24,777,486	386,891
Operating (Loss) Income	(19,449,123)	536,597
NONOPERATING REVENUES		
State Appropriations	17,917,447	-
Federal Grants and Contracts	1,217,462	-
State Grants and Contracts	35,814	-
Gifts	325,120	-
Other	275,325	-
Investment Income	161,235	-
Loss on Sale of Capital Assets	-	-
Total Nonoperating Revenues	19,932,403	-
OTHER REVENUES		
Capital Appropriations	1,373,774	-
Total Other Revenues	1,373,774	-
Increase (Decrease) in Net Position	1,857,054	536,597
NET POSITION		
Net Position – Beginning of Year	39,667,298	1,867,712
Prior Period Adjustment (Note 1)	172,227	
Net Position – Beginning of Year (Restated)	39,839,525	
Net Position – End of Year	\$ 41,696,579	\$ 2,404,309

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

OGDEN-WEBER TECHNICAL COLLEGE

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

	<u>College</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	\$ 2,325,679
Receipts from Grants and Contracts	1,835,998
Receipts from Auxiliary Enterprise Charges	810,842
Receipts from Sales and Services of Educational Activities	694,737
Payments to Employees for Salaries and Benefits	(14,972,213)
Payments to Students and Suppliers	(7,527,665)
Net Cash Used by Operating Activities	<u>(16,832,622)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	17,917,447
Nonoperating Grants and Contracts	1,512,962
Gifts for Other than Capital Purposes	325,120
Net Cash Provided by Noncapital Financing Activities	<u>19,755,529</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(1,650,917)
Capital Grants and Gifts	(59,080)
Capital Appropriations	-
Gain on Sale of Capital Assets	-
Repayments of Capital Leases	-
Net Cash Used by Capital and Related Financing Activities	<u>(1,709,997)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	161,235
Net Cash Provided by Investing Activities	<u>161,235</u>
Net Increase in Cash and Cash Equivalents	1,374,145
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>4,952,151</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 6,326,296</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (19,449,123)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	2,110,742
Difference between Actuarial Calculated Pension Expense and Actual Contributions	(11,839)
Changes in Assets and Liabilities	-
DFCM projects received and capitalized	-
Prepaid Expenses	5,563
Inventories	31,794
Accounts Payable	119,604
Pension Liability	-
Sick Leave	9,364
Compensated Absences	12,380
Unearned Revenue	338,893
Net Cash Used by Operating Activities	<u>\$ (16,832,622)</u>
NONCASH INVESTING, NONCAPITAL FINANCING, AND CAPITAL AND RELATED FINANCING TRANSACTIONS	
Disposal of Fixed Assets	\$ (609,709)
Capital Appropriations	1,373,774
Total Noncash Investing, Capital, and Financing Activities	<u>\$ 764,065</u>

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

OGDEN-WEBER 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 Ogden-Weber Technical College (College) have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB).

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Reporting Entity

The College is an independent college within the Utah System of Higher Education. It is included as a component unit of the State of Utah and is included in the State's *Comprehensive Annual Financial Report*. The College is considered a component unit because it was established under Utah statute, receives appropriations from the State, and is financially accountable to the State.

During FY20, the College was a member of the Utah System of Technical Colleges (USTC), with system governance provided by the USTC Board of Trustees, and local governance provided by the College's Board of Directors. On July 1, 2020, as a result of changes in state statute, all public post-secondary institutions were placed under the governance of the Utah Board of Higher Education. All public colleges and universities are members of the Utah System of Higher Education. The college maintains a local Board of Trustees and remains an independent technical college and component unit of the State of Utah.

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.

The College's financial statements encompass all of its operations, including auxiliary enterprises, restricted and unrestricted funds, and Ogden-Weber Technical College Foundation (Foundation). The Foundation is a discrete component unit reported in a separate column labeled "Foundation" to emphasize that it is legally separate from the College. The Foundation's economic resources are used for the direct benefit of the College and the close financial relationship between the College and Foundation is such that excluding the Foundation would cause the College's financial statements to be misleading or incomplete.

The Foundation has a year ending December 31 and issues separate financial statements which are audited by independent auditors. These statements follow the Financial Accounting Standards Board (FASB) guidelines. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and

OGDEN-WEBER TECHNICAL COLLEGE

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

presentation features. No modifications have been made to the component unit's financial information included in the College's financial report. A copy of the Foundation's independent audit report may be obtained from the College. See Note 12 for further information about the Foundation.

Measurement Focus and Basis of Accounting

The financial statements of the College are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The College distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the College's principal mission of instruction. Operating expenses include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments

The College's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition, and amounts invested with the Utah Public Treasurers' Investment Fund.

Cash and investment management at the College is administered in accordance with the State of Utah Money Management Act (*Utah Code*, Title 51, Chapter 7).

Investments for the College are reported at fair value in accordance with GASB No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. The College distributes earnings from pooled investments based on the average daily investment of each participating account; or for endowments, distributes according to the College's spending policy.

Inventories

Inventories are carried at the lower of cost or market on either the first-in, first-out ("FIFO") basis or on the average cost basis.

OGDEN-WEBER TECHNICAL COLLEGE

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

Capital Assets

Capital assets include property, buildings, and equipment. Capital assets are defined by the College as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

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

Capital assets are being depreciated over their estimated useful lives using the straight-line method of depreciation. The estimated useful life of an asset is determined at acquisition based on guidelines of the Utah System of Higher Education, GASB Statement No. 34, and the professional judgment of the applicable department head.

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

<u>Assets</u>	<u>Years</u>
Buildings	25-40
Improvements	5-40
Equipment and Vehicles	3-15

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) Pension Plan and additions to/deductions from the Systems' fiduciary net position are now determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are now recognized when due and payable in accordance with the benefits 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

OGDEN-WEBER TECHNICAL COLLEGE

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

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.

Adjustment to Beginning Net Position

The Beginning Net Position was adjusted to reflect a Capital Asset that should have been added last year.

NOTE 2. DEPOSITS AND INVESTMENTS

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

The College follows the requirements of the 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 Money Management Council.

The Foundation is required by its bylaws to deposit funds in depositories approved by the Foundation's Board of Trustees. The Foundation can invest in any investment type deemed prudent and approved by the Board.

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 and Foundation do not have a formal deposit policy for custodial credit risk. As of June 30, 2020, \$366,871 of the College's bank balance of \$616,871 was uninsured and uncollateralized. As of December 31, 2019, the Foundation's bank balance of \$229,746 was insured by the FDIC.

Investments

The Act defines the types of securities authorized as appropriate investments for the College's funds and the conditions for making investment transactions. Investment

OGDEN-WEBER TECHNICAL COLLEGE

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

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), 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 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 Utah 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 College measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

At June 30, 2020, the College had \$6,025,732 held in the PTIF. The College’s investment in the PTIF was valued using Level 2 measurements by applying the June 30, 2020 fair value factor, as calculated by the Utah State Treasurer, to its June 30 balance in the fund.

OGDEN-WEBER TECHNICAL COLLEGE

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

At December 31, 2019, the Foundation had the following investments, all of which were valued using Level 1 measurements:

<u>Investment Type</u>	<u>Fair Value</u>
Money Market	\$ 104,077
Mutual Funds	541,729
Fixed Income	303,790
Equities	<u>1,202,905</u>
<i>Total Investments</i>	<u>\$ 2,152,501</u>

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. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. Government-sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 10 years for institutions of higher education. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years. The Foundation does not have a formal policy for interest rate risk. At June 30, 2020, the College's investment's average maturity was:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u> <u>Less than 1 year</u>
<i>Debt Securities – PTIF</i>	\$ 6,025,732	\$ 6,025,732

At December 31, 2019, the Foundation's investments had the following average maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u> <u>Less than 1 year</u>
<i>Debt Securities – Money Market</i>	\$ 104,077	\$ 104,077

OGDEN-WEBER TECHNICAL COLLEGE

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

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. The Foundation does not have a formal policy for credit risk. The College and Foundation's related debt investments at June 30, 2020 and December 31, 2019, respectively, were all unrated.

NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable at June 30, 2020 consisted of tuition, fees, grants and other receivables. Tuition and fee receivables consist mainly of unpaid student tuition/fee charges. Grant and contract receivables consist of monies owed from federal, state, and other grants. Accounts receivable are reported net of estimated uncollectible amounts of \$21,547. See chart below for a breakout of receivables:

Accounts Receivable Breakout:

Outside vendor uninvoiced balance	\$	9
Grant Receivables		174,490
Other Receivables - Tuition, Auxiliary, Misc		<u>465,748</u>
Total Accounts Receivable	\$	<u>640,247</u>

Accounts payable at June 30, 2020 were primarily made up of payments to vendors with the exception of four payments owed to the URS and the Utah State Tax Commission.

NOTE 4. CAPITAL ASSETS

Additions to capital assets include amounts paid for by the College as well as additions paid for by the Utah State Division of Facilities Construction and Management. Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 203,128	\$ -	\$ -	\$ 203,128
Buildings and Improvements	43,855,860	366,867	223,448	43,999,279
Lease Improvements	77,137	43,827	-	120,964
Site Improvements	13,648,218	1,189,868	144,087	14,693,999
Equipment	10,777,574	1,596,356	242,174	12,131,756
Total	68,561,917	3,196,918	609,709	71,149,126
Less Accumulated Depreciation:				
Buildings and Improvements and Equipment	<u>(30,218,873)</u>	<u>(2,110,742)</u>	<u>(609,709)</u>	<u>(31,719,906)</u>
Net Capital Assets	<u>\$ 38,343,044</u>	<u>\$ 1,086,176</u>	<u>\$ -</u>	<u>\$ 39,429,220</u>

OGDEN-WEBER TECHNICAL COLLEGE

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

NOTE 5. CAPITAL LEASE OBLIGATIONS

The College did not have any capital leases as of 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 Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Accrued Compensated Absences	\$ 496,442	\$ 98,046	\$ 85,666	\$ 508,822	\$ 167,911
Accrued Sick Leave	79,426	41,695	32,331	88,790	29,301
Net Pension Liability	<u>3,881,791</u>	<u>142,378</u>	<u>1,672,983</u>	<u>2,351,186</u>	<u>-</u>
Total Long-term Liabilities	<u>\$ 4,457,659</u>	<u>\$ 282,119</u>	<u>\$1,790,980</u>	<u>\$ 2,948,798</u>	<u>\$ 197,212</u>

NOTE 7. OPERATING LEASES

The College entered into a lease agreement with the State of Utah, Division of Facilities Construction and Management on July 1, 2018 and expiring June 30, 2020 and month to month thereafter commencing on July 1, 2020 for a building at 145 North Monroe Blvd, Ogden, Utah. The lease has a renewal option of 5 years and is a no cost or \$1 per year building lease.

NOTE 8. RETIREMENT PLANS

As required by State law, eligible nonexempt employees (as defined by the U.S. Fair Labor Standards Act) of the College are covered by either the Utah State and School Contributory or Noncontributory Retirement Systems (Systems) and eligible exempt employees (as defined by the U.S. Fair Labor Standards Act) are covered by the Teachers Insurance and Annuity Association–College Retirement Equities Fund (TIAA).

Defined Benefit Plans

The Systems are comprised of the following pension trust funds, which are multiple-employer, cost-sharing public employee retirement systems:

- Public Employees Noncontributory Retirement System (Noncontributory System);
- Public Employees Contributory Retirement System (Contributory System);
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Public Employees System).

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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 Public Employees 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 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 to the Utah Retirement Systems, 560 E. 200 S, Salt Lake City, Utah 84102 or visiting the website: www.urs.org.

The Systems provide retirement, disability, and death benefits. Retirement benefits are as follows:

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

* Actuarial reductions are applied

**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.

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

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 Systems' 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:

	Paid by College for Employee	College Contribution Rates
Noncontributory System		
State and School Division Tier 1	N/A	22.19
Contributory System		
State and School Division Tier 1	6.00	17.70
State and School Division Tier 2	N/A	18.99
Tier 2 DC Only		
State and School	N/A	10.02

For fiscal year ended June 30, 2020, the employer and employee contributions to the Systems were as follows:

	College Contributions	Employee Contributions
Noncontributory System	\$ 644,681	N/A
Tier 2 Public Employees System	68,585	-
Tier 2 DC Only System	8,489	N/A
Total Contributions	\$ 721,756	\$ -

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.

At June 30, 2020, the College reported a net pension asset of \$0 and a net pension liability of \$2,351,186.

	Net Pension Asset	Net Pension Liability	Proportionate Share Dec. 31, 2019	Proportionate Share Dec. 31, 2018	% Change
Noncontributory System	\$ -	\$ 2,346,419	0.1056136%	0.1040858%	0.0015278%
Contributory System	-	-	0.0000000%	0.0000000%	0.0000000%
Tier 2 Public Employees System	-	4,767	0.0211963%	0.0216246%	-0.0004283%
Total Net Pension Asset / Liability	\$ -	\$ 2,351,186			

The net pension asset and liability were measured as of December 31, 2019. 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

OGDEN-WEBER TECHNICAL COLLEGE

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

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, 2020, the College recognized a pension expense of \$710,227. At June 30, 2020, the College's portion of the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,812	\$ 16,031
Changes in assumptions	138,049	137
Net difference between projected and actual earnings on pension plan investments	-	730,104
Changes in proportion and differences between contributions and proportionate share of contributions	3,593	265,830
Contributions subsequent to the measurement date	364,578	-
Total	\$ 544,033	\$ 1,012,102

Of the amount reported as deferred outflows of resources related to pensions, \$364,578 resulted from contributions made by the College prior to their fiscal year end, but subsequent to the measurement date of December 31, 2019.

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 as pension expense as follows:

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2020	\$ (276,844)
2021	\$ (266,556)
2022	\$ (13,641)
2023	\$ (278,882)
2024	\$ 478
Thereafter	\$ 2,798

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

OGDEN-WEBER 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. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

OGDEN-WEBER TECHNICAL COLLEGE

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

The following presents the proportionate share of the net pension (asset)/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:

Proportionate Share of Net Pension (Asset) / Liability

	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 5,293,249	\$ 2,346,419	\$ (123,769)
Contributory System	-	-	-
Tier 2 Public Employees System	<u>41,110</u>	<u>4,767</u>	<u>(23,319)</u>
Total	<u>\$ 5,334,359</u>	<u>\$ 2,351,186</u>	<u>\$ (147,088)</u>

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

Defined Contribution Plans

The College offers employees the choice between the Systems and Teachers Insurance and Annuity Association (TIAA) for individual retirement funds.

Employees who participate in the State and School Noncontributory and Tier 2 pension plans also participate in qualified contributory 401(k) and 457 savings plans administered by the Systems. The College contributes 1.5% and 1.15%, respectively, of participating employees' annual salaries to a 401(k) plan administered by the Systems. For employees participating in the Tier 2 Public Employees defined contribution plan, the College is required to contribute 20.02% of the employee's salary, of which 10% is paid into the 401(k) or 457 plan while the remainder is contributed to the Tier 1 Public Employees System, as required by law. In September 2011, the Utah System of Technical Colleges (USTC) voted to discontinue participation in Social Security Administration. As a result, beginning October 2011, the College began contributing an additional 6.2% of State Retirement-eligible employees' salaries into their respective 401(k) accounts. Employees may also elect to participate in an IRS 457 deferred compensation plan offered through the Systems.

During the year ended June 30, 2020, the College's contributions totaled \$722,843, which was included in the pension expense, and the participating employees' voluntary contributions totaled \$512,967 to their 401(k) plans and \$36,474 to their 457 plans and \$13,776 to their IRA/Roth, respectively. Detailed information regarding plan provisions is available in the separately issued Utah Retirement Systems financial report.

OGDEN-WEBER TECHNICAL COLLEGE

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

TIAA also provides individual retirement fund contracts with each participating employee. Benefits provided to retired employees are generally based on the value of the individual contracts and the estimated life expectancy of the employee at retirement, and are fully vested from the date of employment.

Employees are eligible to participate in TIAA from the date of employment and are not required to contribute to the fund. For the year ended June 30, 2020, the College was required to contribute 14.2% of the employees' annual covered salary to this defined contribution plan. The College's contributions for the years ended June 30, 2020 were \$608,972. The College has no further liability once annual contributions are made.

NOTE 9. ACCRUED TERMINATION BENEFITS

In addition to the pension benefits described in Note 8, the College may provide a one-time payment option, as approved by the College's Board of Directors and administration. This benefit would only be for qualified employees with at least 30 years of service who are 55 years of age and qualify to retire under the Systems or TIAA. The employee must retire prior to their eligibility for unreduced social security benefits. The benefit includes a stipend of 30% of the retiree's final salary. These benefits are funded by the College's general account. The College paid out termination benefits of \$296,319 for fiscal year 2020.

NOTE 10. COMPENSATED ABSENCES

The College accrues and reports annual vacation leave in the year earned. Full-time, benefits-eligible employees earn vacation leave for each month worked at a rate between 15 and 22 days per year. There is a maximum accumulation of 240 hours adjusted each year at January 1st. All accumulated hours above the 240 maximum are lost if not used prior to that time. Upon termination, the cash value of accumulated unused annual leave calculated by multiplying the employee's current hourly rate by the number of accrued hours of annual leave will be paid directly to the employee, subject to the IRS rules and regulations as taxable compensation.

NOTE 11. SICK LEAVE

Employees of the College earn sick leave at a rate of twelve days per year with a limit of 960 working hours (6 months) that can accrue. In the event of termination or retirement, no payment shall be made for unused sick leave, unless the employee meets specific retirement criteria. Sick leave is expended when used. If approved under the retirement criteria, the College will pay eligible employees up to a maximum of 75% of the

OGDEN-WEBER TECHNICAL COLLEGE

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

employee's accumulated sick leave based on years of full-time service with the College. Eligibility requirements for payout of sick leave include the following:

- Be at least 55 years of age or older and have 30 years of service with the College.
- Be at least 60 years of age or older and have 10 years of service with the College.
- An employee must retire as a salaried employee of the College.
- To be deemed to have retired, an employee at the time of termination of service must be eligible for benefits as a retiree under the Systems or TIAA.
- Unused sick leave shall be paid to qualifying retirees in a lump sum within 30 days following such qualifying employees' last day of work.

NOTE 12. FOUNDATION

The Foundation was granted a Certificate of Incorporation on March 24, 1983 under laws of the State of Utah and is recognized as a "Section 501(c)3" Corporation by the Internal Revenue Service. The Foundation exists to further the charitable and educational purposes of the College.

As required by GASB Statement No. 31, equity securities held by the Foundation are included in this report at fair value and approximate published market quotations as of December 31, 2019.

During the fiscal year ended June 30, 2020, the Foundation transferred \$229,040 to the College to enhance scholarships, awards, and other essential College programs and \$33,406 in in-kind gifts. In addition, the Foundation transferred \$62,674 in equipment and supplies for various College programs.

NOTE 13. FOUNDATION ENDOWMENT

The Foundation's endowment consists of individual funds established primarily for scholarships. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on existence of or absence of donor-imposed restrictions.

The State of Utah has adopted laws based on the Uniform Prudent Management of Institutional Funds Act (UPMIFA) requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. The Foundation classifies as permanently restricted net assets a) the original value of the gifts donated to the permanent endowment, b) the original

OGDEN-WEBER TECHNICAL COLLEGE

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

value of subsequent gifts to the permanent endowment, and c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. There were no donor-imposed restrictions requiring the preservation of the original market value of the original gifts.

In accordance with the State adoption of the UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund.
- 2) The purposes of the Foundation and the donor-restricted endowment fund.
- 3) General economic conditions.
- 4) The possible effect of inflation and deflation.
- 5) The expected total return from income and the appreciation or depreciation of investments.
- 6) Other resources of the Foundation.
- 7) The investment policies of the Foundation.

The Foundation has reflected the allocated decrease in the market value of the assets in the endowments accordingly.

NOTE 14. RISK MANAGEMENT

The College maintains insurance coverage for commercial general liability, automobile, errors and omissions, and property (buildings and equipment) through policies administered by the Utah State Risk Management Fund. Employees of the College and authorized volunteers are covered by workers' compensation and employees' liability through the Workers Compensation Fund of Utah.

NOTE 15. CONTINGENT LIABILITIES

The College participates in certain federal grant programs that are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to the grantor agency requesting reimbursement for any disallowed expenditures under the grant terms. Management believes such program review disallowances, if any, will not be material.

OGDEN-WEBER TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

Schedule of Ogden-Weber 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, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
<i>Noncontributory System</i>						
Proportion of Net Pension Liability (Asset)	0.1056136%	0.1040858%	0.1086631%	0.1184041%	0.1299879%	0.13074380%
Proportionate Share of Net Pension Liability (Asset)	\$ 2,346,419	\$ 3,872,530	\$ 2,657,206	\$ 3,837,378	\$ 4,083,292	\$ 3,284,975
Covered Payroll	\$ 3,051,059	\$ 3,165,782	\$ 3,237,321	\$ 3,522,896	\$ 3,792,433	\$ 3,762,689
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	76.91%	122.32%	82.08%	108.93%	107.67%	87.30%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.10%	84.10%	89.20%	84.90%	84.50%	87.20%
<i>Contributory System</i>						
Proportion of Net Pension Liability (Asset)	0.0000000%	0.0000000%	0.3861244%	0.6381009%	0.5181869%	0.44662970%
Proportionate Share of Net Pension Liability (Asset)	\$ -	\$ -	\$ 25,409	\$ 349,652	\$ 324,723	\$ 48,972
Covered Payroll	\$ -	\$ -	\$ 87,854	\$ 171,054	\$ 164,150	\$ 160,900
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	0.00%	0.00%	28.92%	204.41%	197.82%	30.44%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	0.00%	0.00%	99.20%	93.40%	84.50%	98.70%
<i>Tier 2 Public Employees System</i>						
Proportion of Net Pension Liability (Asset)	0.0211963%	0.0216246%	0.0202805%	0.0139258%	0.0165954%	0.0204380%
Proportionate Share of Net Pension Liability (Asset)	\$ 4,767	\$ 9,261	\$ 1,788	\$ 1,554	\$ (36)	\$ (619)
Covered Payroll	\$ 294,534	\$ 252,729	\$ 198,220	\$ 114,203	\$ 107,212	\$ 100,241
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	1.62%	3.66%	0.90%	1.36%	-0.03%	-0.62%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.50%	90.80%	97.40%	95.10%	100.20%	103.50%

Note: The College implemented GASB Statement No. 68 and 71 in fiscal year 2015. Information on the College's portion of the plan's net pension liability (asset) is not available for periods prior to fiscal year 2015.

OGDEN-WEBER TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

Schedule of Ogden-Weber Technical College's Contributions Noncontributory, Contributory, and Tier 2 Public Employees Systems of the Utah Retirement Systems Last 10 Fiscal Years ¹

Noncontributory System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually Required Contribution	\$ 644,681	\$ 661,736	\$ 676,631	\$ 706,558	\$ 811,582	\$ 805,576	\$ 771,953	\$ 668,212	\$ 683,188	\$ 692,265
Contributions in Relation to the Contractually Required Contribution	(644,681)	(661,736)	(676,631)	(706,558)	(811,582)	(805,576)	(771,953)	(668,212)	(683,188)	(692,265)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,011,510	\$ 3,117,959	\$ 3,188,614	\$ 3,317,236	\$ 3,765,657	\$ 3,730,301	\$ 3,910,121	\$ 3,661,071	\$ 4,178,380	\$ 4,241,822
Contributions as a Percentage of Covered Payroll ²	21.41%	21.22%	21.22%	21.30%	21.55%	21.60%	19.74%	18.25%	16.35%	16.32%

Contributory System

	2019	2019	2018	2017	2016	2015	2014 ³	2013 ³	2012 ³	2011 ³
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ 31,100	\$ 29,453	\$ 28,656	\$ 23,792	\$ 29,211	\$ 28,253	\$ 23,625
Contributions in Relation to the Contractually Required Contribution	-	-	-	(31,100)	(29,453)	(28,656)	(23,792)	(29,211)	(28,253)	(23,625)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ -	\$ -	\$ -	\$ 175,708	\$ 166,400	\$ 161,900	\$ 148,914	\$ 173,431	\$ 184,047	\$ 132,500
Contributions as a Percentage of Covered Payroll ²	0.00%	0.00%	0.00%	17.70%	17.70%	17.70%	15.98%	16.84%	15.35%	17.83%

Tier 2 Public Employees System ⁴

	2019	2019	2018	2017	2016	2015	2014 ⁵	2013 ⁵	2012 ⁵	2011 ⁵
Contractually Required Contribution	\$ 65,585	\$ 49,768	\$ 43,184	\$ 26,933	\$ 18,977	\$ 8,432				
Contributions in Relation to the Contractually Required Contribution	(65,585)	(49,768)	(43,184)	(26,933)	(18,977)	(8,432)				
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Covered Payroll	\$ 361,174	\$ 263,949	\$ 234,358	\$ 146,688	\$ 104,027	\$ 100,241				
Contributions as a Percentage of Covered Payroll ²	18.99%	18.86%	18.43%	18.36%	18.24%					

¹ Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in RSI.

² Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative issues.

³ Contractually Required Contributions, Contributions, and Covered Payroll include information for Tier 2 Employees.

⁴ Contributions in Tier 2 include an amortization rate to help fund the unfunded liabilities in the Tier 1 systems.

⁵ The Tier 2 Public Employees System was created in fiscal year 2011. Prior to the implementation of GASB Statement No. 68, Tier 2 information was not separately available.