SOUTHWEST TECHNICAL COLLEGE
A Component Unit of the State of Utah

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

Report No. 20-32

OFFICE OF THE
STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Ryan Roberts, CPA, Audit Supervisor
Haniel Barajas, Audit Senior

SOUTHWEST TECHNICAL COLLEGE

FOR THE YEAR ENDED JUNE 30, 2020

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OFFICE OF THE
STATE AUDITOR

INDEPENDENT STATE AUDITOR'S REPORT

To the Board of Directors, Audit Committee
and
Brennan M. Wood, President
Southwest Technical College

Report on the Financial Statements

We have audited the accompanying financial statements of the Southwest Technical College (the College), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, as listed in the table of contents. The College is a component unit of the State of Utah.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the College as of June 30, 2020, and the changes in 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 Management's Discussion and Analysis and the College's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Pension Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2021 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
February 19, 2021

SOUTHWEST TECHNICAL COLLEGE

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

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

As of July 1, 2017, the College is one of eight independent technical colleges within the Utah System of Technical Colleges (USTC). The College is a legally separate entity and is considered a component unit of the State of Utah. Additional information on the College's relationship to USTC can be found in Note 1 of the Notes to the Financial Statements.

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

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

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

COVID 19 Pandemic. The COVID 19 pandemic was the most significant event in fiscal year 2020 (FY 2020). It had a substantial impact on the college and its students as well as its community stakeholders, state and country. The impact specific to Southwest Tech will be discussed throughout the following report.

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

	June 30, 2020 Amount	June 30, 2019 Amount (Restated)	Amount of Change	Percent Change
Assets				
Current Assets	$ 6,151,906	$ 4,928,389	$ 1,223,517	24.83%
Noncurrent Assets				
Capital Assets, Net	24,941,062	24,577,864	363,198	1.48%
Total Assets	31,092,968	29,506,253	1,586,715	5.38%
Deferred Outflows of Resources	374,430	1,187,001	(812,571)	(68.46%)
Liabilities				
Current Liabilities	866,654	981,011	(114,357)	(11.66%)
Noncurrent Liabilities	1,197,126	1,906,881	(709,755)	(37.22%)
Total Liabilities	2,063,780	2,887,892	(824,112)	(28.54%)
Deferred Inflows of Resources	420,870	427,785	(6,915)	(1.62%)
Net Position				
Net Investment in Capital Assets	24,915,570	24,478,938	436,632	1.78%
Restricted	714,747	827,967	(113,220)	(13.67%)
Unrestricted	3,352,431	2,070,672	1,281,759	61.90%
Total Net Position	$ 28,982,748	$ 27,377,577	$ 1,605,171	5.86%

SOUTHWEST TECHNICAL COLLEGE

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

The 5.38% increase in Total Assets at June 30, 2020 when compared to the prior year is attributable primarily to a 29% increase in cash balances at year end compared to balances at June 30, 2019. During FY 2020, Southwest Tech Foundation (Foundation) received $434,000 in donations of which $200,000 is earmarked for automotive equipment. The balance of the donations will be awarded as scholarships to Southwest Tech students. During FY 2020, student tuition and fees exceeded the budgeted projection by 24% and cash payments for Salaries and benefits were 6% less than budgeted. There were also FY 2020 facilities projects that were put on hold when the COVID pandemic started and there was uncertainty surrounding future cash flow from student tuition and fees as well as the budgeted state appropriation. This additional cash flow will be used for future operating costs and a remodel project at the Automotive and Technology building (A&T). The significant increase in cash was partially offset by a $150,934 (78%) decrease in receivables. At June 30, 2019 current assets included a $114,925 receivable for 4th quarter State funding that flows through the USTC office. In FY 2020, this same payment was received prior to June 30th. Also included in current assets at June 30, 2019 was a pledge receivable of $20,000 from a local donor. There are no such foundation receivables at June 30, 2020.

Significant Capital Asset additions in FY 2020 include a $942,000 phase two and three remodel of the Automotive and Technology building, computer placements, a $163,000 Amatrol trainer for the Industrial Maintenance program, a $30,000 shop tool set and a $31,000 trouble shooting trainer for the Automotive program and the construction of a $95,000 parking pad for the Professional Truck Driving equipment. Total additions of $1,461,887 were partially offset by depreciation expense of $1,069,678.

Deferred Inflows (Outflows) of Resources represents an acquisition or consumption of net position that applies to a future period(s). These amounts are related to pensions and are actuarially calculated. The Utah Retirement Systems (URS), made a change to the presentation of the net differences between projected and actual earnings on the pension plan investment of the deferred outflows and deferred inflows. Previously these had been shown separately. These accounts have been changed to show this as a net amount in the GASB 68 disclosure. As a result, the beginning balance needed to be adjusted in order to reflect this change in presentation.

Current Liabilities at June 30, 2020 decreased 11.66% when compared to June 30, 2019. This decrease is attributable to offsetting increases and decreases discussed below:

- Accounts Payable decreased $172,850 or 29% compared to June 30, 2019. This decrease is a result of multiple large purchases made at year end in FY 2019 which include equipment for an access control security system, the addition of evaporative pre-cooler pads to the existing mechanical equipment and a floor scrubber for facilities. During the 4th quarter of FY 2020, purchases of a significant nature were deferred to FY 2021 in response to the uncertainty of budgeted cash flows surrounding the COVID 19 Pandemic.

- Accounts Payable to students and sponsors included unused funds on account for students who have Pell funding and students sponsored by others such as the Department of Workforce Services, Vocational Rehabilitation Services, and Deseret Industries. This balance increased $65,652 or 37%. This increase is attributable to enrollment growth related to first time summer offerings in Industrial Maintenance, Automotive, Culinary, Computer Science and Medical Assistant programs. The availability of summer offerings resulted in more financial aid students retaining Pell Grant funds and scholarships on account at year end.

- Accrued Compensated Absences increased $53,655 or 73%, when comparing June 30, 2020 to June 30, 2019. The number of vacation hours carried at the end of FY 2020 increased by 1,926 hours, or 90% when compared to the prior year. Increases are attributable to a new IT Specialist and a Facilities Maintenance Manager both of which were new benefit eligible positions. In addition to the two new positions, there were four employees that transitioned to 12-month schedules which made them eligible for 12 days of vacation leave per year. Previously they received 3 days of faculty leave per year and that was not eligible for carryover. The Covid-19 pandemic also impacted travel and many employees cancelled their planned vacations.

Noncurrent Liabilities decreased by 37% when comparing June 30, 2020 to June 30, 2019. This is primarily attributed to a 36% decrease in the College portion of the Net Pension Liability for the Utah Retirement System (URS) underfunded pension plan. There was also a $25,492 decrease in the long-term balance of a Capital Lease payable to the Kane County School District which will be paid in full in January 2021.

The restrictions on net position at June 30, 2020 include $200,000 restricted for automotive equipment, $440,899 for scholarships and $73,848 from Contracts and Grants.

Changes in Net Position. The following schedule presents a summary of the College's changes in net position for the fiscal years ended June 30, 2020 and 2019:

Condensed Statement of Revenues, 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	$ 935,959	$ 1,003,128	$ (67,169)	(6.70%)
Operating Expenses	(7,856,936)	(7,586,175)	(270,761)	3.57%
Operating Loss	(6,920,977)	(6,583,047)	(337,930)	5.13%
Nonoperating Revenues	7,735,886	6,946,282	789,604	11.37%
Other Revenues	790,262	1,386,420	(596,158)	(43.00%)
Increase in Net Position	1,605,171	1,749,655	(144,484)	(8.26%)
Net Position – Beginning of Year	27,377,577	25,627,922	1,749,655	6.83%
Net Position – End of Year	$ 28,982,748	$ 27,377,577	$ 1,605,171	5.86%

The College experienced a net operating loss of $6,920,977 FY 2020. The College is a State institution and receives a large portion of its revenues from State appropriations and grants. These appropriations and grants are classified in the financial statements as Nonoperating Revenues. The State appropriation is anticipated as a means of covering a majority of the operating costs of the College.

SOUTHWEST TECHNICAL COLLEGE

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

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	$ 564,629	5.97%	$ 592,405	$ (27,776)	(4.69%)
Custom Fit Training Revenue	189,361	2.00%	209,716	(20,355)	(9.71%)
Other Operating Revenues	181,969	1.92%	201,007	(19,038)	(9.47%)
Total Operating Revenues	935,959	9.89%	1,003,128	(67,169)	(6.70%)
Nonoperating Revenues					
State Appropriations	6,247,000	66.02%	5,483,300	763,700	13.93%
Federal Grants and Contracts	543,491	5.74%	398,905	144,586	36.25%
Donations	234,000	2.47%	83,196	150,804	181.26%
State and Local Grants and Contracts	592,261	6.26%	862,779	(270,518)	(31.35%)
Investment Income	119,134	1.26%	118,102	1,032	.87%
Total Nonoperating Revenues	7,735,886	81.76%	6,946,282	789,604	11.37%
Other Revenues					
Capital Appropriations	562,474	5.94%	909,062	(346,588)	(38.13%)
Capital Gifts	200,000	2.11%	431,305	(231,305)	(53.63%)
Gain on Sale of Capital Assets	7,514	.08%	32,323	(24,809)	(76.75%)
Facilities Rent	20,274	.21%	13,730	6,544	47.66%
Total Other Revenues	790,262	8.35%	1,386,420	(602,702)	(43.47%)
Total Revenues	$ 9,462,107	100.00%	$ 9,335,830	$ 126,277	1.35%

Operating Revenues. Operating Revenues include fees, tuition, bookstore sales and culinary sales. Student Tuition and Fees decreased 4.69% as a result of a decrease in student headcount and membership hours. Total headcount and membership hours were 2,103 and 267,962, respectively, in FY 2020 compared to 2,348 and 291,391, respectively, in FY 2019. Adult headcount decreased by 302 students (19.9%) and the corresponding number of membership hours decreased by 26,371 (12.4%). This decrease is a result of the impacts of the COVID-19 pandemic. Mid-March 2020, the college moved to online instruction and discontinued all in-person classes. This continued until June 1st when students were invited back for limited in-person instruction. Technical education by its very nature, requires hands on instruction as part of its unique curriculum. Without the ability to meet in person, many students lost interest and dropped their classes. Additionally, many students found themselves in difficult financial and emotional situations that resulted in withdrawal from classes. From July 2019 through March 2020, the college experienced significant growth in student fees and tuition which helped soften the financial impact of the pandemic. From July 2019 through February 2020, tuition and fees revenue was up 16% over the same period in FY 2019. From March 2020 through June 2020, tuition and few was down 37%. Culinary sales revenue was down 36% compared to FY 2019 as a result of the closure of the Southwest Café and cancellation of catered events due to the COVID-19 pandemic.

Custom Fit training revenue is generated as the State Custom Fit appropriation is spent on training for local employers. The College generally covers 40% of the cost of Custom Fit training and the employer covers the remaining 60%. The State Custom Fit appropriation was $345,000 for both fiscal years.

Other Operating Revenues includes bookstore sales of $149,354 and Culinary Sales of $28,623 in fiscal year 2020 compared to $156,462 and $44,545, respectively, in the prior year. The Southwest Café which prepares and serves upscale restaurant cuisine three days a week. It also caters luncheons for the Rotary and Lions Club meetings as well as other occasional events held at the College when course schedules permit. Culinary sales revenue was down 36% compared to FY 2019 as a result of the closure of the Southwest Café and cancellation of catered events due to the COVID 19 pandemic.

The tuition and fees allowance of $276,897 and $243,735 for fiscal years 2020 and 2019, respectively, represent tuition and fees paid by federal financial aid, federal and state grants, scholarships, fee waivers, and the employer services Custom Fit program. The allowance varies from year to year due to the number of students receiving Pell Grants and scholarships, their program costs, disbursements for living expenses and the amount of sponsorship funds available to sponsors such as the Department of Workforce Services and the Utah Department of Vocational Rehabilitation.

Pell grants applied to fees and tuition is included in the allowance; however, Pell grant funds disbursed to students is included in scholarship expenses. The amount of Pell grants awarded in FY 2020 was 12% higher than in FY 2019. There are many factors that contribute to the amount disbursed to students including the amount of the award they qualified for, the length of time the student stays at the college, the amount of the award earned through attendance, the cost of their program and other sources of funding. When a student has a sponsor or scholarship, the Pell grant generally becomes secondary funding and more of it is available for the student's living expenses.

Another component of the tuition and fees allowance is scholarships applied to student tuition and fees which increased from $72,244 in FY 2019 to $133,249 in FY 2020. This significant increase is attributed primarily to an ongoing fundraising campaign to fund student scholarships and a state scholarship program for the eight technical colleges. In FY 2019, scholarship donations totaled $83,196 with an additional $234,000 of scholarship donations in FY 2020. The increase in the scholarship component of the tuition and fees allowance was offset partially by a $21,085 decrease in Custom Fit sponsorship of Southwest Tech students.

Nonoperating revenues. Nonoperating Revenues increased by $789,604, or 11.37%, in FY 2020 as a result of several offsetting factors, the most significant of which was a $763,700 increase in the College's State appropriation. This increase included funds to hire a full time IT security specialist, payroll costs for converting programs to a year-round schedule and equipment purchases of $84,900. Also included in the appropriation increase was a 2.5% compensation increase and funds for increased insurance costs.

Other notable changes in Nonoperating Revenues include the following:

- In FY 2015 the SWATC Foundation (Foundation) contracted with an independent fundraiser to solicit funds for the purpose of purchasing furniture and equipment for the College's Health Professions and Trades building that was completed in December 2015. Since the completion of the new building, the Foundation has changed its focus to raising funds for scholarships and specific department needs. In fiscal year 2020, $434,000 in donations was received including $375,000 from an anonymous donor to fund $200,000 in equipment purchases and $175,000 in scholarship awards for Southwest Tech transportation programs. The $200,000 donation is included in Other Revenues as a Capital Gift. In addition to the $375,000 from an anonymous donor, there were $59,000 in donations for scholarships from various sources.
- Federal Grants and Contracts increased $144,586 or 36.25% compared to the prior year. The college received $137,095 in Cares Act funds related the COVID 19 pandemic from the US Department of Education. The college was required to use $68,548 for emergency financial aid grants for students that had been affected financially by the pandemic. Of the 240 students eligible to receive the grants, 125 applied and received funds. The remaining $68,547 was awarded for increased institutional costs related to the pandemic including $19,100 for campus safety and operations, $12,447 for additional instructional equipment and supplies to reduce the number of students sharing equipment and supplies and $37,000 for software to enable distance learning. As of June 30, 2020 $49,448 of the Care Act Institutional Funds, which included the $12,447 for instructional equipment and $37,000 for software had not been expended and is included in unearned revenue. Also included in the 36.25% increase was a $40,291 (11%) increase in Pell Grant financial student aid. Overall increases in Pell grants vary from year to year as a result of the number of students applying and qualifying and their estimated family contribution (EFC) which is used to determine the amount awarded.
- State and Local Grants and Contracts decreased approximately 31.35%, when comparing FY 2020 to FY 2019. This decrease is attributed primarily to a reclassification of funds. In FY 2019, the college received $316,900 in funds flowing through USTC that were included in the state appropriation in FY 2020.
- Investment Income consists of interest earnings from the Utah Public Treasurers' Investment Fund. The College's State appropriation remains in this fund until transferred to the general checking account to cover operating expenses.

Other Revenues. Other Revenues in FY 2020 included capital appropriations of $562,474 for building improvements at the Automotive and Technology building a $200,000 capital donation for transportation equipment as discussed previously, a net gain of $7,514 from the disposal of assets no longer used by the College and $20,274 for use of the College facilities.

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					
Salaries and Wages	$ 3,038,592	38.67%	$ 2,664,652	$ 373,940	14.03%
Employee Benefits	819,139	10.43%	705,100	114,039	16.17%
Actuarial Calculated Pension Expense	608,070	7.74%	553,780	54,290	9.80%
Depreciation	1,069,678	13.61%	1,110,791	(41,113)	(3.70%)
Other Operating Expenses	2,321,457	29.55%	2,551,852	(230,395)	(9.03%)
Total Operating Expenses	$ 7,856,936	100.00%	$ 7,586,175	$ 270,761	3.57%

Salaries and Wages were 38.67% of total operating costs in 2020 and increased $373,940, or 14.03%, over the prior year, with Employee Benefits increasing $114,039, or 16.17%. FY 2020 personnel changes that contributed to the increase in Salaries and Wages and Employee Benefits were the hiring of a full time benefit eligible IT Security Specialist, Welding Instructor, Facilities Maintenance Manager, Nursing Assistant Faculty/Coordinator and EMT Faculty/Coordinator. Also included in the increase was a 2.5% cost of living compensation increase for faculty and staff. Actuarial calculated pension expense was a non-cash transaction that was recorded as required by GASB 68 and GASB 71. See Note 8 for more information.

Depreciation decreased $41,113, or 3.7% in FY 2020 attributable to a $120,601 decrease in depreciation expense for equipment retired in FY 2019 offset by increases in depreciation expense for FY 2019 capital additions depreciated for a full year in FY 2020. Capital assets are depreciated using the straight-line method over the estimated useful lives of the asset as detailed in Note 1 to the Financial Statements.

Other Operating Expenses decreased $230,395 or 9.03%, in FY 2020 and was 29.55% of operating expenses compared to 33.64% in FY 2019. The net decrease is attributable to various offsetting fluctuations. Notable changes in Other Operating Expenses in FY 2020 included the following:

- In FY 2019, the college was in its last year of a lease for a building housing the automotive and professional truck driving programs. That lease terminated May 31, 2019 and the programs moved to the newly renovated Automotive and Technology building owned by Southwest Tech. As a result of this move, lease expenses decreased approximately $26,000 per month.

- Culinary costs for catering and café sales decreased $13,118.46 (81.7%). As discussed previously, the Southwest Café was closed for the last quarter of FY 2020 and the college was closed for public meetings/events that were previously catered by the culinary program students.
- Equipment maintenance includes non-capitalized routine maintenance and repairs of college equipment. In FY 2020 significant maintenance and repairs included inspection and certification of automotive hoists and repair of the professional truck driving simulator. Building maintenance expenses for FY 2020 includes corrective maintenance, preventative maintenance and supplies and materials.
- Building utilities and custodial supplies increased $25,459.35 or 15.1% in FY 2020 compared to FY 2019. Approximately 81% of this increase is attributable to custodial supplies. In response to the COVID-19 pandemic, the college implemented protocol and procedures for the safety and wellbeing of the faculty, staff and students on campus. This required products and services not previously used such as hand sanitizer stands, gloves, masks, plexiglass dividers and signage. In addition, there were price increases for many of the products routinely used by the college such as sanitizers, masks and gloves.
- Telephone and Computer equipment expense includes computer equipment, supplies and materials relating to computers and infrastructure that does not meet the $2,000 capitalization threshold. Fiscal year 2020 expense decreased $30,352 or 34.1%. In FY 2019, telephone and computer expenses were higher than in FY 2020 for multiple reasons including an upgrade to the Health Professions and Trades building which was necessary to double the wireless capacity to accommodate the use of online textbooks and online course curriculum. Also, in 2019 the College's virtual array had reached end of life and needed to be replaced and it was necessary to invest in a redundant firewall as a backup to the primary device. The facilities department generally budgets for projects that are completed towards the end of the fiscal year to ensure that the necessary budget is available to complete the projects. When the college closed down during the 4th quarter of FY 2020, any projects not already in process were deferred due to the uncertainty of the financial impact that the COVID-19 pandemic might have on the college.
- Teaching supplies decreased $12,139.24 or 10.6% as a result of fewer students and the transition to online learning in the 4th quarter of FY 2020. While the college was closed, online learning was conducted whenever possible; however due to the hands-on skills that cannot be done virtually, fewer costly supplies such as welding materials and gases were purchased.
- Expenses related to events such as meetings, luncheons and receptions decreased by 25.8% attributable to the impact of the COVID-19 pandemic. All events such as marketing open houses, student graduation, sponsor meetings, the annual year-end

employee barbeque, quarterly state of the college meeting and the annual foundation dinner were cancelled. All other meetings held were virtual.

- Professional development and travel expenses increased $24,060 in spite of the COVID 19 related moratorium on travel during the 4th quarter of 2020. This increase is attributable to significant expenses incurred during the 1st and 2nd quarters of FY 2020. In October 2019, the college had its COE (Council on Occupational Education) 6-year accreditation reaffirmation visit. The costs for this reaffirmation visit include all related travel expenses for 5 team members that come from locations throughout the United States. Also contributing to this increase are travel expenses and registration fees for 5 college employees to attend the annual COE conference, travel and registration fees for the annual ACEN (Accreditation Commission for Education in Nursing) conference, Medical Clinical Association conference and multiple instate professional development events.
- Scholarship Expense increased $121,455 or 49.2%, when compared to FY 2019. As discussed previously, the disbursement of Pell funds to students was 48% of the total amount awarded in FY 2020 compared to 44% in the prior year and Pell Grants awarded increased by 11%. When more donor scholarships are available to students, the college disburses more of the Pell Grant awards to the students for living expenses. Another factor contributing to the increase in scholarship expense is the Pell funding held on student accounts for summer courses that were not available in the prior year. Also included in scholarship expense in FY 2020 is the $68,548 emergency relief Cares Act funding disbursed to students.

Economic Overview and Outlook

The coronavirus pandemic had a significant impact in FY 2020 and will continue to have an impact in fiscal year 2021 (FY 2021). Although the college suffered a budget decrease for FY 2021 it was able to avoid cutting jobs and early enrollment data indicates FY 2021 growth. The impact in Cedar City was much less severe than in other areas of the state and country and the college returned to face-to-face instruction with safety protocols in place. We look forward with optimism as the country prepares to commence vaccination for the COVID-19 virus which will help slow the spread and in turn lessen the devastating impact on the economy. As impacted businesses reopen, expand and new businesses move to Utah, it becomes increasingly more important to educate the employees that will be needed with the appropriate technical skills. With input from the College occupational advisory committees, the College continually channels efforts towards growth and diversification of program offerings to fit the needs of students and employers and looks forward to being an integral part of the future workforce development of its four-county service region.

Requests for Information

This financial report is designed to provide a general overview of the College's finances and 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 Southwest Technical College, 757 West 800 South, Cedar City, UT 84720.

SOUTHWEST TECHNICAL COLLEGE

STATEMENT OF NET POSITION
JUNE 30, 2020

ASSETS		
Current Assets		
Cash and Cash Equivalents (Notes 1 and 2)	$	5,989,404
Accounts Receivable		
Due from Primary Government		25,832
Other (Note 3)		17,085
Prepaid Expenses		66,871
Inventories (Note 1)		52,714
Total Current Assets		6,151,906
Noncurrent Assets (Notes 1 and 4)		
Land		2,403,442
Buildings		22,404,518
Improvements		1,417,192
Equipment		4,690,099
Less Accumulated Depreciation		(5,974,189)
Total Noncurrent Assets		24,941,062
Total Assets		31,092,968
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows Relating to Pensions		374,430
Total Deferred Outflows of Resources		374,430
LIABILITIES		
Current Liabilities		
Accounts Payable		
Due to Primary Government		93,587
Other (Note 3)		334,207
Accrued Payroll Expenses		231,091
Unearned Revenue		55,075
Accrued Compensated Absences		127,232
Capital Leases Payable (Notes 5 and 6)		25,492
Total Current Liabilities		866,684
Noncurrent Liabilities		
Capital Leases Payable (Notes 5 and 6)		-
Net Pension Liability (Note 8)		1,197,126
Total Noncurrent Liabilities		1,197,126
Total Liabilities		2,063,810
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows Relating to Pensions		420,870
Total Deferred Inflows of Resources		420,870
NET POSITION		
Net Investment in Capital Assets		24,915,570
Restricted:		
Capital Projects or Equipment		200,000
Scholarships		440,899
Contracts and Grants		73,848
Unrestricted		3,352,401
Total Net Position	$	28,982,718

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

SOUTHWEST TECHNICAL COLLEGE

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

OPERATING REVENUES (Note 1)		
Student Tuition and Fees (Net of Scholarship		
Allowance of $276,897)	$	564,629
Custom Fit Training Revenue		189,361
Other Operating Revenues		181,969
Total Operating Revenues		935,959
OPERATING EXPENSES (Note 1)		
Salaries and Wages	$	3,038,592
Employee Benefits		819,139
Actuarial Calculated Pension Expense (Note 8)		608,070
Purchased Services		615,212
Other Operating Expenses		1,337,985
Scholarship Expense		368,260
Depreciation		1,069,678
Total Operating Expenses		7,856,936
Operating Loss		(6,920,977)
NONOPERATING REVENUES		
State Appropriations		6,247,000
Federal Grants and Contracts		543,491
Donations		234,000
State and Local Grants and Contracts		592,261
Investment Income		119,134
Total Nonoperating Revenues		7,735,886
OTHER REVENUES		
Capital Appropriations		562,474
Capital Gifts/Grants		200,000
Gain on sale of Capital Assets		7,514
Facilities Rent		20,274
Total Other Revenues		790,262
Increase in Net Position		1,605,171
NET POSITION		
Net Position – Beginning of Year		27,377,577
Net Position – End of Year	$	28,982,748

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

SOUTHWEST TECHNICAL COLLEGE

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

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tuition and Fees	$	580,417
Receipts from Other Revenue Sources		181,969
Receipts from Custom Fit Training Revenue		189,361
Payments for Salaries and Benefits		(4,270,946)
Payments to Students and Suppliers		(2,509,446)
Net Cash Used by Operating Activities		(5,828,645)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		6,247,000
Nonoperating Grants and Contracts		1,287,473
Facilities Rent		16,674
Donations		254,000
Net Cash Provided by Noncapital Financing Activities		7,805,147
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets		(899,413)
Capital Gifts		200,000
Cash receipts from sale of assets		36,524
Payments for Capital Leases		(73,434)
Net Cash Used by Capital and Related Financing Activities		(736,323)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest on Investments		119,134
Net Cash Provided by Investing Activities		119,134
Net Increase in Cash and Cash Equivalents		1,359,313
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		4,630,091
CASH AND CASH EQUIVALENTS – END OF YEAR	$	5,989,404
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(6,920,977)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense		1,069,678
Difference between Actuarial Calculated Pension Expense and Actual Contributions		121,393
Changes in Assets and Liabilities		
Accounts Receivable		32,261
Inventories		4,932
Prepaid Expenses		(20,070)
Accounts Payable		(172,851)
Accrued Payroll and Benefits		65,381
Unearned Revenue		(8,392)
Net Cash Used by Operating Activities	$	(5,828,645)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Completed construction project transferred from State of Utah		562,474
Total noncash investing, capital and financing activities	$	562,474

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

SOUTHWEST 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 Southwest 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 Technical Colleges. The College is considered 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.

The College was established by the Utah State Legislature to offer career and technical education to secondary and adult students. Effective September 1, 2001, the Legislature created the Utah College of Applied Technology (UCAT) which was composed of eight regional applied technology colleges. The College was one of these regional technology colleges and was subject to the authority of the Utah System of Higher Education under the control of the UCAT Board of Trustees. The College's local Board of Directors was charged with direct governance.

Effective July 1, 2017, the Legislature restructured UCAT to become the Utah System of Technical Colleges and granted legal separation of all eight established colleges. The College's name was changed to Southwest Technical College with authority and direct governance under the College's Board of Directors. The College is now considered an independent technical college and a 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 from federal, state and local agencies.

The College's financial statements encompass all of its operations, including restricted and unrestricted funds and SWATC Foundation.

In October 2012, SWATC Foundation, a legally separate, non-profit corporation, was incorporated under Utah law to support the growth and development of the College by generating financial and political resources that will facilitate the growth and development of the College and its programs and students. SWATC Foundation was organized exclusively for charitable and educational purposes under Section 501(c)(3) of the Internal Revenue Code. SWATC Foundation is a blended component unit of the College. A blended component unit is an entity which is legally separate from the College but which is so intertwined with the College that it is, in substance, the same as the College. The College appoints three positions on the SWATC Foundation Board of Directors and has the ability to significantly influence the programs, projects, and activities of the entity.

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 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 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.

Inventory

Inventory consists of textbooks and materials sold to students and is valued at the lower of cost or market using the first-in, first-out ("FIFO") method.

Capital Assets

Capital assets include land, property, buildings, and equipment. Capital assets are defined by the College as assets with an initial, individual cost of more than $2,000 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 and are classified as Capital Gifts in Other Revenues.

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 generally accepted accounting principles (GAAP) and the professional judgment of the applicable department head and/or administration.

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

Assets	Years
Buildings	40
Improvements	10
Equipment and Vehicles	3-10

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 Plans 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 benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net positions 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.

NOTE 2. DEPOSITS AND INVESTMENTS

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted under the authority of the Money Management Act (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.

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 SWATC Foundation do not have a formal deposit policy for custodial credit risk. The bank balances of the College and Foundation are insured by the Federal Deposit Insurance Corporation standard amount of $250,000. As of June 30, 2020, $94,388 of the SWTC's bank balance was uninsured and uncollateralized. All other bank account balances are all fully insured.

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 transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the College to invest in negotiable or nonnegotiable deposits of qualified or permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. Government-sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage

Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; reciprocal deposits and negotiable brokered certificates of deposit in accordance with the Act; and the Utah State Public Treasurers' Investment Fund (PTIF).

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

Fair Value 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.

The value of the College's investment in the PTIF is calculated by applying the June 30, 2020 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2020 balance in the PTIF. On June 30, 2020, the College had investments of $5,232,176 and SWATC Foundation had investments of $552,514 with the PTIF. The investments were valued using Level 2 measurements. 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 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. 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.

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 College's investments in PTIF at June 30, 2020 were all unrated. The Foundation does not have a formal policy for credit risk.

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 Entity'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. The Foundation does not have a formal policy for concentration of credit risk.

NOTE 3. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable at June 30, 2020 consist of unpaid student tuition and fee charges of $7,565 which is net of an allowance for doubtful accounts of $23,323; receivables from primary government of $25,832 and $9,520 of miscellaneous receivables. Accounts payable at June 30, 2020 consist of $103,473 for Pell Grant funds applied to student accounts (disbursed to students or returned to the Department of Education), $93,557 to primary government, and other miscellaneous payments to student sponsors, vendors for supplies and services totaling $230,735.

SOUTHWEST TECHNICAL COLLEGE

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

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 2,403,442	$ -	$ -	$ 2,403,442
Buildings	21,462,296	942,222	-	22,404,518
Improvements	1,283,177	145,969	(11,954)	1,417,192
Equipment	4,517,299	373,696	(200,896)	4,690,099
Total	29,666,214	1,461,887	(212,850)	30,915,251
Less Accumulated Depreciation: Buildings, Improvements, and Equipment	(5,088,349)	(1,069,678)	183,838	(5,974,189)
Net Capital Assets	$ 24,577,865	$ 392,209	$ (29,012)	$ 24,941,062

NOTE 5. CAPITAL LEASE OBLIGATIONS

The College has incurred capital lease obligations for rental of an instructional facility in Kanab, Utah. The cost of the Kanab Campus Building held under capital lease and related depreciation totaled $838,257 and $273,432, respectively, as of June 30, 2020. The future minimum lease payments for the capital lease as of June 30, 2020, are as follows:

Fiscal Year	Principal	Interest	Total
2021	25,492	177	25,669
Total Capital Leases	$ 25,492	$ 177	$ 25,669

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.

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases	$ 98,926	$ -	$ (73,434)	$ 25,492
Net Pension Liability	1,881,389	166,953	(851,216)	1,197,126
Total Long-term Liabilities	$ 1,980,315	$ 166,953	$ (924,650)	$ 1,222,618

NOTE 7. PENSION PLANS

Plan Description

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

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

The Tier 2 Public Employees System became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011 who have no previous service credit with any of the Systems are members of the Tier 2 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 Utah State Retirement Board (Board), whose members are appointed by the Governor. The Systems are fiduciary funds defined as pension (and other employee benefit) trust funds and 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 financial report that can be obtained by writing Utah Retirement Systems, 560 East 200 South, Salt Lake City, UT 84102, or by 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	2.0% per year all years	Up to 4%
Tier 2 Public Employees System	Highest 5 years	35 years any age 20 years age 60* 10 years age 62* 4 years age 65	1.5% per year all years	Up to 2.5%

* *with actuarial reductions*

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

As a condition of participation in the Systems, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the 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 as of June 30, 2020 are as follows:

	Paid by College for Employee	College Contribution Rates
Noncontributory System	N/A	22.19%
Tier 2 Public Employees System	N/A	18.99%

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

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

	College Contributions	Employee Contributions
Noncontributory System	$ 216,472	N/A
Tier 2 Public Employees System	253,397	-
Total Contributions	$ 469,869	$ -

Contributions reported are the Systems' 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 $1,197,126.

	Net Pension Asset	Net Pension Liability	Proportionate Share Dec. 31, 2019	Proportionate Share Dec. 31, 2018	Change
Noncontributory System	$ -	$ 1,178,646	0.0530515%	0.0498148%	0.0032367%
Tier 2 Public Employees System	-	18,480	0.0821669%	0.0654277%	0.0167392%
Total Net Pension Liability	$ -	$ 1,197,126			

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 ratio of the employer's actual contributions to the Systems during the plan year over the total of all employer contributions to the Systems during the plan year.

For the year ended June 30, 2020, the College recognized pension expense of $608,070. At June 30, 2020 the College 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	$ 23,494	$ 13,573
Changes in assumptions	76,213	531
Net difference between projected and actual earnings on pension plan investments		379,107
Changes in proportion and differences between contributions and proportionate share of contributions	26,793	27,659
Contributions subsequent to the measurement date	247,930	-
Total	**$ 374,430**	**$ 420,870**

Of the amount reported as deferred outflows of resources related to pensions, $247,930 resulted from contributions made by the College prior to its 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 in pension expense as follows:

Year Ending December 31,	Deferred Outflows (Inflows) of Resources
2020	$ (59,831)
2021	$ (109,260)
2022	$ 3,839
2023	$ (143,294)
2024	$ 1,980
Thereafter	$ 12,198

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

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

The actuarial assumptions used in the January 1, 2019 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2016.

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

	Expected Return Arithmetic Basis		
Asset Class	**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%	0.90%
Absolute Return	16%	2.85%	0.46%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		4.76%
	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% and 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%. 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 plans' 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 following presents the proportionate share of the net pension (asset)/liability calculated using the discount rate of 6.95% as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.95%) or one-percentage-point higher (7.95%) 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	$ 2,658,889	$ 1,178,646	$ (62,171)
Tier 2 Public Employees System	159,361	18,480	(90,395)
Total	$ 2,818,250	$ 1,197,126	$ (152,566)

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

NOTE 8. DEFINED CONTRIBUTION SAVINGS PLANS

The Defined Contribution Savings Plans are administered by the 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 Systems' separately issued financial report.

The College participates in the following Defined Contribution Savings Plans within the Systems:

- 401(k) Plan
- Roth IRA Plan
- 457 Plan

The College contributes 1.5% (Noncontributory System) and 1.03% (Tier 2 Public Employees System) of participating employees' annual salaries to a 401(k) Plan.

For employees participating in the Tier 2 Public Employees defined contribution plan (Tier 2 DC), the College is required to contribute 20.02% of the employee's salary, of which 10% is paid into a 401(k)/457 plan, while the remainder is contributed into the Tier 1 Contributory Public Employee System, as required by law.

Employee and employer contributions to the Systems' Defined Contribution Savings Plans for fiscal year ended June 30, 2020 were as follows:

401(k) Plan	
Employer Contributions	$ 185,926
Employee Contributions	55,671
Roth IRA Plan	
Employer Contributions	N/A
Employee Contributions	7,750
457 Plan	
Employer Contributions	1,200
Employee Contributions	-

NOTE 9. COMPENSATED ABSENCES

The College accrues and reports annual vacation leave in the year earned. Eligible salaried employees earn vacation leave as follows:

Years of Continuous Employment	Days Accrued Per Year	Maximum Carryover Days
0-5	12	10
6-10	15	15
11-15	18	20
16+	21	25
Management Team Directors	15-21	15-25
Executive Staff	25	30

Maximum carryover is reviewed and adjusted each year on September 30th. All accumulated days above the maximum carryover 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, is paid directly to the employee subject to the IRS rules and regulations as taxable compensation.

NOTE 10. 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 through Employers Preferred Insurance Company.

NOTE 11. FOUNDATION

SWATC Foundation was incorporated on October 31, 2012 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. During the fiscal year ended June 30, 2020, SWATC Foundation received $434,000 in cash donations. The College will use $200,000 for automotive equipment and $234,000 to provide educational scholarships for students.

SOUTHWEST TECHNICAL COLLEGE

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

The following schedules present condensed financial statements of SWATC Foundation for the fiscal year ended June 30, 2020:

SWATC Foundation

Condensed Statement of Net Position
June 30, 2020

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 570,191
Accounts Receivable	-
Total Assets	570,191
LIABILITIES	
Current Liabilities	
Payable to College	90,897
Total Liabilities	90,897
NET POSITION	
Unrestricted	479,294
Total Net Position	$ 479,294

SWATC Foundation

Condensed Statement of
Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2020

OPERATING REVENUES	
Donations	$ 434,000
Total Operating Revenues	434,000
OPERATING EXPENSES	
Scholarships and Grants to STech	42,822
Other Operating Expenses	48,111
Total Operating Expenses	90,933
Operating Income	343,067
NONOPERATING REVENUES	
Interest Income	$ 2,514
Total Nonoperating Revenues	2,514
Increase in Net Position	345,581
NET POSITION	
Net Position – Beginning of Year	133,713
Net Position – End of Year	$ 479,294

SOUTHWEST TECHNICAL COLLEGE

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

SWATC Foundation

Condensed Statement of Cash Flows
For the Year Ended June 30, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments for supplies and services	$ (568,088)
Receipts from Donations	454,000
Net Cash Provided by Operating Activities	(114,088)
Increase in Cash and Cash Equivalents	(114,088)
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest on Investments	2,514
Net Cash Provided by Investing Activities	2,514
Net Iincrease in Cash and Cash Equivalents	(111,574)
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	681,765
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 570,191

SOUTHWEST TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Schedule of Southwest Technical College's Proportionate Share of the Net Pension Liability
Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems
Last Six Fiscal Years ending December 31*

Noncontributory System	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability (Asset)	0.0530515%	0.0498148%	0.0506362%	0.0497084%	0.0437018%	0.0387199%
Proportionate Share of Net Pension Liability (Asset)	$ 1,178,646	$ 1,853,368	$ 1,238,238	$ 1,611,008	$ 1,372,799	$ 972,849
Covered Payroll	$ 996,217	$ 1,177,922	$ 1,257,810	$ 1,255,371	$ 1,088,821	$ 970,094
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	118.31%	157.34%	98.44%	128.33%	126.08%	100.30%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	90.100%	84.100%	89.200%	84.90%	84.50%	87.20%

Tier 2 Public Employees System	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability (Asset)	0.0821669%	0.0654277%	0.0557836%	0.0571463%	0.0561137%	0.0739018%
Proportionate Share of Net Pension Liability (Asset)	$ 18,480	$ 28,021	$ 4,918	$ 6,375	$ (122)	$ (2,240)
Covered Payroll	$ 1,141,100	$ 761,241	$ 546,335	$ 468,647	$ 362,474	$ 362,393
Proportionate Share of Net Pension Liability (Asset) as a Percentage of Covered Payroll	1.62%	3.68%	0.90%	1.36%	-0.03%	-0.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	96.50%	90.80%	97.40%	95.10%	100.20%	103.50%

* The College implemented GASB Statement No. 68 and 71 in fiscal year 2015. Information on the College's portion of the plans' net pension liabilities (assets) is not available for periods prior to fiscal year 2015.

SOUTHWEST TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Schedule of Southwest Technical College's Pension Contributions
Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems
Last 10 Fiscal Years Ending June 30.

Noncontributory System

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarial Determined Contributions	$ 216,472	$ 229,892	$ 263,135	$ 280,240	$ 261,814	$215,025	$ 198,583	$ 209,884	$ 177,919	$151,002
Contributions in relation to the contractually required contribution	(216,472)	(229,892)	(263,135)	(280,240)	(261,814)	(215,025)	(198,583)	(209,884)	(177,919)	(151,002)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 975,991	$1,081,614	$1,231,923	$1,279,730	$1,190,226	$997,298	$1,005,932	$1,105,673	$1,094,799	$848,752
Contributions as a percentage of covered payroll	22.18%	21.25%	21.36%	21.90%	22.00%	21.56%	19.74%	18.98%	16.25%	17.79%

*Tier 2 Public Employees System **

	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarial Determined Contributions	$ 253,397	$ 176,839	$ 106,880	$ 96,867	$ 70,459	$ 67,846	$ 55,148	$ 12,401	$ 3,184
Contributions in relation to the contractually required contribution	(253,397)	(176,839)	(106,880)	(96,867)	(70,459)	(67,846)	(55,148)	(12,401)	(3,184)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$1,334,373	$ 937,139	$ 579,611	$ 531,072	$ 386,286	$371,352	$ 329,240	$ 144,875	$ 41,951
Contributions as a percentage of covered payroll	18.99%	18.87%	18.44%	18.24%	18.24%	18.27%	16.75%	8.56%	7.59%

* 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
Paragraph 81.b of GASB 68 requires employers to disclose a 10-year history of contributions in the RSI.
Contributions as a percentage of covered payroll may be different than the board certified rate due to rounding and other administrative practices.

OFFICE OF THE
STATE AUDITOR

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

To the Board of Directors, Audit Committee
and
Brennan Wood, College President
Southwest Technical College

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Southwest Technical College (the College) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated February 19, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of This Report

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

Office of the State Auditor

Office of the State Auditor
February 19, 2021