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, 2022

Report No. 22-33

Office of the
State Auditor

AUDIT LEADERSHIP:
John Dougall, State Auditor
Doug Seager, CPA, Audit Director
Sam Steffensen, Audit Senior

Southwest Technical College

For The Year Ended June 30, 2022

Table of Contents

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Southwest Technical College (the College) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the College, as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the College and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 College's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the College's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 March 15, 2023 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor
Salt Lake City, Utah
March 15, 2023

Southwest Technical College

Management's Discussion and Analysis
For the Year Ended June 30, 2022

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, 2022 to the readers of the College's financial statements.

Since its founding, Southwest Technical College has been an important part of the community in our four-county service region. The college bridges the gaps between employers of the community and the types of skilled employees they are looking for. We offer technical, competency-based, employer-driven education. Supported by the State of Utah and the Utah System of Higher Education, we are able to offer affordable, flexible, year-round courses and programs to our students.

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 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.

The College's financial statements include, as a blended component unit, the activity of the SWATC Foundation. The Foundation was established to support, promote, sponsor, and carryout educational and related activities and objectives of the College.

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 non-operating 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 continued to have a substantial impact on the College and its students as well as its community stakeholders in fiscal year 2022. 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, 2022 and 2021:

Condensed Statement of Net Position

	Year Ended June 30, 2022 Amount	Year Ended June 30, 2021 Amount	Amount of Change	Percent Change
Assets				
Current Assets	$ 7,720,679	$ 7,114,136	$ 606,543	8.5%
Noncurrent Assets				
Capital Assets, Net	25,133,792	24,990,940	142,852	.6%
Net Pension Asset	445,602		445,602	100.0%
Total Assets	33,300,073	32,105,076	1,194,997	3.7%
Deferred Outflows of Resources	866,818	539,864	326,954	60.6%
Liabilities				
Current Liabilities	974,097	1,074,642	(100,545)	(9.4%)
Noncurrent Liabilities	-	763,147	(763,147)	(100.0%)
Total Liabilities	974,097	1,837,789	(863,692)	(47.0%)
Deferred Inflows of Resources	1,747,787	812,490	935,297	115.1%
Net Position				
Net Investment in Capital Assets	25,133,792	24,990,940	142,852	.6%
Restricted	876,523	835,558	40,965	4.9%
Unrestricted	5,434,693	4,168,163	1,266,530	30.4%
Total Net Position	$ 31,445,008	$ 29,994,661	$ 1,450,347	4.8%

Current Assets increased 8.5 percent at June 30, 2022 when compared to the prior year. The increase is primarily attributable to a $647,938 or 9.5 percent increase in cash balances at year end compared to balances at June 30, 2021. During fiscal year 2022, Southwest Tech Foundation (Foundation) received $229,550 cash donations, an increase of $92,410 over the prior year. State appropriations increased by $665,100 over state appropriations received in fiscal year 2021, and Salaries and benefit payments increased $609,231. Accounts receivable increased by $23,262 primarily from an Educational Re-Engagement grant receivable of $26,164. Prepaid Expense decreased by $63,742 because less items were purchased at the end of fiscal year 2022 that were expensed in fiscal year 2023 than the previous fiscal year.

Significant Capital Asset additions in fiscal year 2022 include a $1,029,780 Renovation of the Automotive and Technology building, a $154,790 Renovation in the Health Professions and Trades building, $201,860 of computer placements, $27,430 for a Hyundai Kona to be used in the Automotive Technician program, and $57,690 for a Class B Truck to be used by a new Class B Truck Driving program. Total additions of $1,892,203 were offset by depreciation expense of $1,383,684.

Other noncurrent asset increases include the Net Pension Asset which increased $445,603 during fiscal year 2022. As of June 30, 2021, the College’s portion of the Utah Retirement System (URS) pension plan was a Net Pension Liability of $763,147. During fiscal year 2022, the net pension liability changed to a net pension asset of $445,603. Please see additional information in Note 6 in the Notes to the Financial Statements.

Changes in the Deferred Outflows of Resources as well as the changes in the Deferred Inflows of Resources can be attributed to changes in the URS Pension plan. Please see additional information in Note 6 in the Notes to the Financial Statements.

Current Liabilities at June 30, 2022 decreased 9.4 percent when compared to June 30, 2021. This decrease is attributable to offsetting increases and decreases discussed below:

- Accounts Payable decreased $162,622 or 48.7 percent compared to June 30, 2021. This decrease is a result of a decrease of payables to the Utah Division of Facilities Construction and Management of $115,493 at June 30, 2022. Also, there was a decrease in the use of Purchasing cards of $29,029 which is the decrease in the amount owed on all of the Purchasing cards between June 30, 2022 and June 30, 2021.

- 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 $114,492 or 52.7 percent.

- Accrued Payroll Expenses increased by $33,775 or 12.5 percent compared to June 30, 2021. The increase is attributable to an increase in the average number of employees in fiscal year 2022 as well as an increase in wages as compared to fiscal year 2021.

- Unearned Revenue decreased by $63,055 or 73.0 percent during fiscal year 2022. This is mostly from a decrease in unearned revenue from grants between June 30, 2021 and June 30, 2022. The college had no unearned revenues from grants as of June 30, 2022 compared to $53,879 at the end of fiscal year 2021. Additionally, unearned revenue from instruction decreased by $9,175.

- Accrued Compensated Absences decreased $30,112 or 18.0 percent, when comparing June 30, 2022 to June 30, 2021. The number of vacation hours carried at the end of fiscal year 2022 decreased by 596 hours, or 12.1 percent when compared to the prior year. Decreases are attributable to four people with large vacation balances leaving the college during fiscal year 2022. This was partially offset by other employees accumulating larger vacation balances during fiscal year 2022.

Noncurrent Liabilities decreased by $763,147 when comparing June 30, 2022 to June 30, 2021. This is attributed to a decrease in the College portion of the Net Pension Liability for the URS pension plan.

The restrictions on net position at June 30, 2022 include $201,000 restricted for automotive and other equipment, $603,478 for scholarships and $72,045 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, 2022 and 2021:

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

	Year Ended June 30, 2022 Amount	Year Ended June 30, 2021 Amount	Amount of Change	Percent Change
Operating Revenues	$ 674,617	$ 1,034,486	$ (359,869)	(34.8%)
Operating Expenses	(9,066,037)	(8,786,796)	(279,241)	3.2%
Operating Loss	(8,391,420)	(7,752,310)	(639,110)	8.2%
Nonoperating Revenues	9,531,977	8,652,160	879,817	10.2%
Other Revenues	309,790	235,749	74,041	31.4%
Increase in Net Position	1,450,347	1,135,599	314,748	27.7%
Net Position – Beginning of Year	29,994,661	28,859,061	1,135,600	3.9%
Net Position – End of Year	$ 31,445,008	$ 29,994,661	$ 1,450,347	4.8%

The College experienced a net operating loss of $8,391,420 during fiscal year 2022. 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.

Revenues. The following schedule presents a summary of College revenues for the fiscal years ended June 30, 2022 and 2021:

	Year Ended June 30, 2022 Amount	Percent of Total Revenue	Year Ended June 30, 2021 Amount	Amount of Change	Percent Change
Operating Revenues					
Student Tuition and Fees	$ 325,710	3.1%	$ 661,287	$ (335,577)	(50.7%)
Custom Fit Training Revenue	141,865	1.3%	208,407	(66,542)	(31.9%)
Other Operating Revenues	207,042	2.0%	164,792	42,250	25.6%
Total Operating Revenues	674,617	6.4%	1,034,486	(359,869)	(34.8%)
Nonoperating Revenues					
State Appropriations	6,860,400	65.2%	6,195,300	665,100	10.7%
Federal Grants and Contracts	1,263,342	12.0%	1,178,123	85,219	7.2%
Donations	231,685	2.2%	138,275	93,410	67.6%
State and Local Grants and Contracts	1,137,410	10.8%	1,105,642	31,768	2.9%
Investment Income	39,140	.4%	34,820	4,320	12.4%
Total Nonoperating Revenues	9,531,977	90.6%	8,652,160	879,817	10.2%
Other Revenues					
Capital Appropriations	275,549	2.6%	251,511	24,038	9.6%
Capital Gifts	38,000	.4%	14,500	23,500	162.1%
Sale of Capital Assets	(22,331)	(.2%)	(44,010)	21,679	(49.3%)
Facilities Rent	18,572	.2%	13,748	4,824	35.1%
Total Other Revenues	309,790	2.9%	235,749	74,041	31.4%
Total Revenues	$10,516,384	100.0%	$ 9,922,395	$ 593,989	6.0%

Operating Revenues. Operating Revenues include fees, tuition, bookstore sales and culinary sales. Student Tuition and Fees revenue decreased by $335,577 or 50.7 percent. This is mostly due to an increase in the Scholarship Allowance of $345,989. The increase in allowance is a result of a large increase in scholarships, including Learn and Work, Educational Re-Engagement, and Iron County Intergenerational Poverty scholarships. There was an offsetting decrease in donor scholarships and the Career and Technical Education scholarships. Total headcount and membership hours were 2,415 and 329,721, respectively, in fiscal year 2022 compared to 2,101 and 332,386, respectively, in fiscal year 2021. This is an increase of 15.0 percent in headcount and a decrease of 0.8 percent in membership hours. The largest impact came from Smithfield farms reducing their workforce. That alone accounted for a decrease in membership hours of 24,666, and a decrease in headcount of 58.

Custom Fit training revenue is generated as the State Custom Fit appropriation is spent on training for local employers. The College generally covers 40 percent of the cost of Custom

Fit training and the employer covers the remaining 60 percent. The offering of Custom Fit opportunities decreased in fiscal year 2022. This is due to the fact that it was harder to recruit employers for training while they were short staffed. Additionally, the college lost the Custom Fit Specialist part way through the year, which crucially impacted the College's ability to promote Custom Fit during fiscal year 2022.

Other Operating Revenues include bookstore sales of $173,167 and Culinary Sales of $27,355 in fiscal year 2022 compared to $152,708 and $6,235, respectively, in the prior year. The Southwest Café which prepares and serves upscale restaurant cuisine three days a week, 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 increased 338.7 percent compared to fiscal year 2021 as a result of the reopening of the Southwest Café and additional catered events following closures and cancellations due to the COVID-19 pandemic in fiscal year 2021. Bookstore Revenue also saw modest increases of $20,459 or 13.4 percent as the college continues to recover from the pandemic.

The tuition and fees allowance of $737,760 and $391,771 for fiscal years 2022 and 2021, respectively, represent tuition and fees paid by federal financial aid, federal and state grants, scholarships, fee waivers, and the employer services Custom Fit program. Generally, 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. The increase between fiscal years 2021 and 2022, however, was mostly due to the Educational Re-Engagement and Learn and Work grant funds through the Utah State Governor's Office of Economic Development.

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 fiscal year 2022 were $40,765 more than in fiscal year 2021. There are many factors that contribute to the amount disbursed to students including the amount of the award they qualify 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 and waivers applied to student tuition and fees which increased from $255,199 in fiscal year 2021 to $514,595 in fiscal year 2022. This significant increase is attributed primarily to Educational Re-Engagement and Learn and Work grant funds through the Utah State Governor's Office of Economic Development. There were $387,451 of scholarship funds awarded to Southwest Technical College to give to students for tuition and fees. Additionally, there were some smaller fluctuations in the scholarships given from the ongoing fundraising campaign to fund student scholarships as well as the Career and Technical Education state scholarship program for the technical colleges.

Nonoperating revenues. Nonoperating Revenues increased by $879,817, or 10.2 percent, in fiscal year 2022 as a result of several factors, the most significant of which was a $665,100 increase in State Appropriations allocated to the college.

Other notable changes in Nonoperating Revenues include the following:

- In fiscal year 2021, the SWATC Foundation received $139,275 in donations. The amount of donations increased by $92,410 during fiscal year 2022.
- HEERF funding increased during the fiscal year 2022 by $49,587 from $739,435 in fiscal year 2021 to $789,021 in fiscal year 2022.
- Local grants from Iron County increased by $70,000 during fiscal year 2022. This was from two $50,000 grants, one for the Business and Innovation Center ($30,000 in the prior year), and the other for Intergenerational Poverty Initiative, earmarked for scholarships for Iron County residents in need.
- Investment Income consists of interest earnings from the Utah Public Treasurers' Investment Fund. The College's State appropriation remains in this account until transferred to the general checking account to cover operating expenses. During fiscal year 2022, interest earned from PTIF increased by $4,320 compared to interest earned in fiscal year 2021.

Other Revenues. Other Revenues in fiscal year 2022 included capital appropriations of $275,549 for building improvements at the Automotive and Technology building $38,000 in capital donations for two fire trucks, a net loss of $22,331 from the disposal of assets no longer used by the College and $18,572 for use of the College facilities. Capital appropriations increased from the prior fiscal year by $24,038, Capital donations increased by $23,500, the loss from the disposal of assets increased by $21,680 due to retiring all equipment less than $3,000 in fiscal year 2021 and offset by retiring one of the donated fire trucks, and the revenue for facility rentals increased by $4,823.75 from additional building rentals in fiscal year 2022.

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2022 and 2021:

	Year Ended June 30, 2022 Amount	Percent of Total Expense	Year Ended June 30, 2021 Amount	Amount of Change	Percent Change
Operating Expenses					
Salaries and Wages	$ 3,783,176	41.7%	$ 3,430,269	$ 352,907	10.3%
Employee Benefits	1,062,570	11.7%	806,246	256,324	31.8%
Actuarial Calculated Pension Expense	(10,078)	(.1%)	325,834	(335,912)	(103.1%)
Depreciation	1,383,684	15.3%	1,303,635	80,049	6.1%
Other Operating Expenses	2,846,685	31.4%	2,920,812	(74,127)	(2.5%)
Total Operating Expenses	$ 9,066,037	100.0%	$ 8,786,796	$ 279,241	3.2%

Salaries and Wages were 41.7 percent of total operating costs in 2022 and increased $352,907, or 10.3 percent, over the prior year, with Employee Benefits increasing $256,324, or 31.8 percent. Fiscal year 2022 personnel changes that contributed to the increase in Salaries and Wages and Employee Benefits was the increase from 52 full time benefit eligible employees at July 1, 2021 to 56 benefit eligible employees at June 30, 2022. Also included in the increase was a 3.0 percent labor market compensation increase for faculty and staff. Insurance premiums decreased slightly during fiscal year 2022. The lower insurance premiums were offset by a rebate in insurance premiums from MotivHealth of $94,147 that was received in fiscal year 2021, but not in 2022, which contributed to the increase in Employee Benefits. Additionally, the increase in number of employees and salary and wage amounts contributed to the increase in Employee Benefits.

Actuarial Calculated Pension Expense decreased by $335,912. This was a non-cash transaction created from the changes in the Deferred Inflows relating to Pensions, Deferred Outflows relating to Pensions, Net Pension Asset, and Net Pension Liability relating to the URS Pension plan. The entry is required by GASB 68 and GASB 71. Please see Note 6 for more information.

Depreciation increased $80,049, or 6.1 percent in fiscal year 2022 attributable to an increase in asset additions in fiscal year 2022. 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 $74,127 or 2.5 percent, in fiscal year 2022 and was 31.4 percent of operating expenses. The net decrease is attributable to various offsetting fluctuations. Notable changes in Other Operating Expenses in fiscal year 2022 included the following:

- During fiscal year 2021, the College was able to continue renovations on the Automotive and Technology building. Because of the remodeling, furniture and equipment of about $100,000 was purchased in fiscal year 2021 that was not purchased in fiscal year 2022. Additionally, repair and maintenance costs during fiscal year 2021 that were not incurred in fiscal year 2022 include about $131,000.

- Purchased services decreased by $152,179 or 23.21 percent during fiscal year 2022 mostly due to the decrease in Custom Fit training offered by the college during the year. This decrease in custom fit training was offset by an IT Audit that was commissioned during fiscal year 2022 for $20,000.
- Scholarship expenses increased by $184,079 in fiscal year 2022 due to an increase in HEERF awards to students of $240,113 and offset by a decrease in other scholarship expenses of $56,034.
- Additional software was needed in fiscal year 2022. The increase in software expense in fiscal year 2022 was about $73,000, which includes firewall support of $23,000, Laerdal for $13,000, KnowBe4 (cybersecurity training software) for $11,000, Simple Syllabus for $9,000, and an increase to Cengage Learning of $5,500.
- There was an increase in travel expenses of $39,825 between fiscal years 2021 and 2022 because traveling increased after the introduction of the COVID vaccine.
- An increase in the cost of fuel during fiscal year 2022 as well as significant growth of our Professional Truck Driving program caused an increase of $16,000 paid for vehicle fuel for the CDL program. In addition, an increase in the cost of steel as well as growth in the Welding program caused an increase in Welding instructional supplies of $13,000.

Economic Overview and Outlook

As the world is starting to recover from the COVID 19 pandemic, Southwest Tech was also able to see some stabilization of operating revenues. During fiscal year 2022, the college was able to utilize the resources available from the federal government via the HEERF program as well as additional funding opportunities from state and local sources. Enrollment also seems to be stabilizing in fiscal year 2022 compared to the large growth the college experienced during fiscal year 2021.

While revenues seem to be stabilizing, the college still faces challenges relating to high ongoing inflation. The recent inflation has caused issues with recruiting and retaining employees as well as increased instructional and bookstore related expenses before the college is able to adjust course fees and the cost of books and tools offered in the bookstore. However, the State of Utah was able to fund a budget increase during the 2022 legislative session that will help the college overcome some of the inflationary pressures during fiscal year 2023.

Fundraising efforts continue to be successful at the college with the efforts of the SWATC Foundation board. The Foundation has been building important relationships with members of the community and the increases seen in donations shows that the relationship building is paying off. The increase in donations aids Southwest Tech students as well as the strategic plan of the college.

The College is becoming more and more of an important part of the community. 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

For the Year Ended June 30, 2022

ASSETS	
Current Assets	
Cash and Cash Equivalents (Notes 1 and 2)	$ 7,454,031
Accounts Receivable	
Due from Primary Government	48,587
Other (Note 3)	86,825
Prepaid Expenses	74,129
Inventories (Note 1)	57,107
Total Current Assets	7,720,679
Noncurrent Assets (Notes 1, 4, and 6)	
Land	2,403,442
Buildings	24,115,698
Improvements	1,476,542
Equipment	5,644,325
Construction in Progress	18,087
Less Accumulated Depreciation	(8,524,302)
Net Pension Asset (Note 6)	445,602
Total Noncurrent Assets	25,579,394
Total Assets	33,300,073
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Relating to Pensions	866,818
Total Deferred Outflows of Resources	866,818
LIABILITIES	
Current Liabilities	
Accounts Payable	
Due to Primary Government	5,438
Other (Note 3)	505,067
Accrued Payroll Expenses	302,828
Unearned Revenue	23,386
Accrued Compensated Absences	137,378
Total Current Liabilities	974,097
Noncurrent Liabilities	
Net Pension Liability (Notes 5 and 6)	-
Total Noncurrent Liabilities	-
Total Liabilities	974,097
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Relating to Pensions	1,747,787
Total Deferred Inflows of Resources	1,747,787
NET POSITION	
Net Investment in Capital Assets	25,133,792
Restricted:	
Capital Projects or Equipment	201,000
Scholarships	603,478
Contracts and Grants	72,045
Unrestricted	5,434,693
Total Net Position	$31,445,008

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, 2022

OPERATING REVENUES (Note 1)		
Student Tuition and Fees (Net of Scholarship		
Allowance of $737,759)	$	325,710
Custom Fit Training Revenue		141,865
Other Operating Revenues		207,042
Total Operating Revenues		674,617
OPERATING EXPENSES (Note 1)		
Salaries and Wages	$	3,783,176
Employee Benefits		1,062,570
Actuarial Calculated Pension Expense (Note 6)		(10,078)
Purchased Services		503,534
Other Operating Expenses		1,715,976
Scholarship Expense		627,175
Depreciation		1,383,684
Total Operating Expenses		9,066,037
Operating Loss		(8,391,420)
NONOPERATING REVENUES		
State Appropriations		6,860,400
Federal Grants and Contracts		1,263,342
Donations		231,685
State and Local Grants and Contracts		1,137,410
Investment Income		39,140
Total Nonoperating Revenues		9,531,977
OTHER REVENUES		
Capital Appropriations		275,549
Capital Gifts/Grants		38,000
Gains (Losses) on sale of Capital Assets		(22,331)
Facilities Rent		18,572
Total Other Revenues		309,790
Increase in Net Position		1,450,347
NET POSITION		
Net Position – Beginning of Year		29,994,661
Net Position – End of Year	$	31,445,008

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

Southwest Technical College

Statement of Cash Flows

For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Tuition and Fees	$	423,054
Receipts from Other Revenue Sources		206,934
Receipts from Custom Fit Training Revenue		141,865
Payments for Salaries and Benefits		(5,433,807)
Payments to Students and Suppliers		(2,939,001)
Net Cash Used by Operating Activities		(7,600,955)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations		6,860,400
Nonoperating Grants and Contracts		2,334,864
Facilities Rent		18,122
Donations		231,685
Net Cash Provided by Noncapital Financing Activities		9,445,071
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets		(1,250,568)
Cash receipts from sale of assets		15,250
Net Cash Used by Capital and Related Financing Activities		(1,235,318)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt of Interest on Investments		39,140
Net Cash Provided by Investing Activities		39,140
Net Increase in Cash and Cash Equivalents		647,938
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR		6,806,093
CASH AND CASH EQUIVALENTS – END OF YEAR	$	7,454,031
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Loss	$	(8,391,420)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense		1,383,684
Difference between Actuarial Calculated Pension Expense and Actual Contributions		(600,407)
Changes in Assets and Liabilities		
Accounts Receivable		(10,805)
Inventories		916
Prepaid Expenses		63,742
Accounts Payable		(41,153)
Accrued Payroll and Benefits		3,663
Unearned Revenue		(9,175)
Net Cash Used by Operating Activities	$	(7,600,955)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Donated Equipment and Materials		38,000
Completed construction project transferred from State of Utah		275,549
Total noncash investing, capital and financing activities	$	313,549

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

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 Higher Education and was established by the State of Utah Legislature to offer career and technical education to secondary and adult students. The College is considered a component unit of the State of Utah and is included in the State's *Annual Comprehensive Financial Report*. On July 1, 2020, as a result of changes in statute, the College was placed under the governance of the Utah Board of Higher Education. The College maintains a local Board of Trustees.

Funding for the College is received primarily from direct appropriations from the Utah State Legislature, as well as tuition and fees, and grants and contracts 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 $3,000 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 asset or 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.

GASB 87

GASB 87 (Leases) was effective for FY22. Based on the College's evaluation of the standard, it was determined to have no material impact on the financial statements.

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, 2022, the College's bank balance was $353,354 of which $303,686 was insured by the FDIC. The uninsured amount was $49,668. Additionally, as of June 30, 2022, the Foundation's bank balance of $244,795 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 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 <u>identical</u> investments in <u>active</u> 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, 2022 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2022 balance in the PTIF. On June 30, 2022, the College had investments of $6,606,583 and SWATC Foundation had investments of $507,765 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, 2022 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 percent 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, 2022 consist of unpaid student tuition and fee charges of $63,040 which is net of an allowance for doubtful accounts of $25,695; receivables from primary government of $48,587 and $23,785 of miscellaneous receivables.

Accounts payable at June 30, 2022 consist of $331,853 for funds applied to student accounts, $5,438 to primary government, and other miscellaneous payments to vendors for supplies and services totaling $166,828. Additionally, unclaimed property totaled $6,385.

Note 4. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	$ 2,403,442	$ -	$ -	$ 2,403,442
Buildings	22,931,125	1,184,573	-	24,115,698
Improvements	1,476,542	-	-	1,476,542
Equipment	5,046,887	707,630	(110,192)	5,644,325
Construction in Progress	346,173	580,938	(909,024)	18,087
Total	32,204,169	2,473,141	(1,019,216)	33,658,094
Less Accumulated Depreciation:				
Buildings, Improvements, and Equipment	(7,213,229)	(1,383,684)	72,611	(8,524,302)
Net Capital Assets	$ 24,990,940	$ 1,089,457	$ (946,605)	$ 25,133,792

Note 5. 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, 2022.

	Beginning Balance	Additions	Reductions	Ending Balance
Net Pension Liability	763,147		(763,147)	-
Total Long-term Liabilities	$ 763,147	$ -	$ (763,147)	$ -

Note 6. 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%

* *Actuarial reductions are applied.*
** *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 Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability. Contribution rates as of June 30, 2022 are as follows:

	Paid by College for Employee	College Contribution Rates
Noncontributory System	N/A	22.19%
Public Employees System Tier 2	N/A	19.40%

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, 2022 the employer and employee contributions to the Systems were as follows:

	College Contributions	Employee Contributions
Noncontributory System	$ 203,205	N/A
Tier 2 Public Employees System	341,015	-
Total Contributions	$ 544,220	$ -

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, 2022, the College reported a net pension asset of $445,602 and a net pension liability of $0.

	Net Pension Asset	Net Pension Liability	Proportionate Share Dec. 31, 2021	Proportionate Share Dec. 31, 2020	Change
Noncontributory System	$408,402	$ -	0.0597740%	0.0563159%	0.0034581%
Tier 2 Public Employees System	37,200	-	0.0878950%	0.0861278%	0.0017672%
Total Net Pension Asset/Liability	$445,602	$ -			

The net pension asset and liability were measured as of December 31, 2021. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2021 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, 2022, the College recognized pension expense of ($10,078). At June 30, 2022 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	$ 263,050	$ 4,793
Changes in assumptions	193,936	352
Net difference between projected and actual earnings on pension plan investments	-	1,739,046
Changes in proportion and differences between contributions and proportionate share of contributions	114,677	3,596
Contributions subsequent to the measurement date	295,155	-
Total	**$ 866,818**	**$ 1,747,787**

Of the amount reported as deferred outflows of resources related to pensions, $295,155 resulted from contributions made by the College prior to its fiscal year end but subsequent to the measurement date of December 31, 2021. 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
2022	$ (159,397)
2023	$ (389,411)
2024	$ (387,525)
2025	$ (282,830)
2026	$ 7,470
Thereafter	$ 35,569

The total pension liability in the December 31, 2021 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 – 9.25 percent, average, including inflation
Investment Rate of Return	6.85 percent, net of pension plan investment expense, including inflation

Mortality rates were adopted from an actuarial experience study dated January 1, 2020. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using 80% of the ultimate rates from the MP-2019 improvement assumption using a base year of 2020. The mortality assumption for active members is the PUB-2010 Employees Mortality Table for public employees, teachers, and public safety members, respectively.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2019.

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 are 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	37%	6.58%	2.43%
Debt Securities	20%	-0.28%	-0.06%
Real Assets	15%	5.77%	0.87%
Private Equity	12%	9.85%	1.18%
Absolute Return	16%	2.91%	0.47%
Cash and Cash Equivalents	0%	-1.01%	0.00%
Totals	100%		4.89%
	Inflation		2.50%
	Expected Arithmetic Nominal Return		7.39%

The 6.85 percent assumed investment rate of return comprises an inflation rate of 2.50 percent and a real return of 4.35 percent that is net of investment expense.

The discount rate used to measure the total pension liability was 6.85 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 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 discount rate does not use the Municipal Bond Index Rate. The discount rate was reduced from 6.95 percent to 6.85 percent from the prior measurement date.

The following presents the proportionate share of the net pension (asset)/liability calculated using the discount rate of 6.85 percent as well as what the proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower (5.85 percent) or one-percentage-point higher (7.85 percent) than the current rate:

Proportionate Share of Net Pension (Asset) / Liability

	1% Decrease (5.85%)	Discount Rate (6.85%)	1% Increase (7.85%)
Noncontributory System	$ 1,466,714	$ (408,402)	$ (1,976,013)
Tier 2 Public Employees System	221,648	(37,200)	(235,943)
Total	$ 1,688,362	$ (445,602)	$ (2,211,956)

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

Note 7. Defined Contribution Savings Plans

The Defined Contribution Savings Plans are administered by the Utah Retirement System's Board and are generally supplemental plans to the basic retirement benefits of the Utah 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 a 401(k) defined contribution plan as administered by the Systems. The College is required by statute to contribute 1.5 percent of eligible employees' salaries for employees in the Noncontributory System and 0.62 percent for employees in the Tier 2 Public Employees System. For employees participating in the Tier 2 Public Employees defined contributions (Tier 2 DC) plan, the College is required to contribute 20.02 percent of the employees' salaries of which 10 percent is paid into a 401(k)/457 plan while the remaining is contributed to the Tier 1 Contributory Public Employee System as required by law.

As of September 6, 2011, and as permitted under Internal Revenue Service regulations, Southwest Technical College does not participate in the Federal Social Security system retroactively effective January 1, 2008, with the exception of the 1.45 percent of wages paid toward Medicare benefits.

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

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

Employee and employer contributions to the Systems' Defined Contribution Savings Plans for fiscal year ended June 30, 2022 were as follows:

401(k) Plan	
Employer Contributions	$ 269,440
Employee Contributions	106,660
Roth IRA Plan	
Employer Contributions	N/A
Employee Contributions	28,864
457 Plan	
Employer Contributions	-
Employee Contributions	17,607

Note 8. 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

If eligible, an employee can elect to cash out up to 40 hours of their vacation balance each year. Maximum carryover is reviewed and adjusted annually as of September 30th. All accumulated days above the maximum carryover are lost if not used or cashed out 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 9. 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 10. 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, 2022, SWATC Foundation received $229,550 in cash donations. The College will use $11,870 for the Business and Innovation Center and $217,680 to provide educational scholarships for students.

The following schedules present condensed financial statements of SWATC Foundation for the fiscal year ended June 30, 2022:

SWATC Foundation

Condensed Statement of Net Position
As of June 30, 2022

ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 752,899
Accounts Receivable	-
Total Assets	752,899
LIABILITIES	
Current Liabilities	
Payable to College	14,044
Total Liabilities	14,044
NET POSITION	
Unrestricted	738,855
Total Net Position	$ 738,855

SWATC Foundation

Condensed Statement of
Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2022

OPERATING REVENUES	
Donations	$ 272,186
Total Operating Revenues	272,186
OPERATING EXPENSES	
Scholarships and Grants to STech	2,566
Other Operating Expenses	54,160
Total Operating Expenses	56,726
Operating Income	215,460
NONOPERATING REVENUES	
Interest Income	$ 2,532
Total Nonoperating Revenues	2,532
Increase in Net Position	217,992
NET POSITION	
Net Position – Beginning of Year	520,863
Net Position – End of Year	$ 738,855

SWATC Foundation

Condensed Statement of Cash Flows
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Payments for supplies and services	$ (147,871)
Receipts from Donations	229,550
Net Cash Provided by Operating Activities	81,679
Increase in Cash and Cash Equivalents	81,679
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest in on Investments	2,532
Net Cash Provided by Investing Activities	2,532
Net Iincrease in Cash and Cash Equivalents	84,211
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	668,688
CASH AND CASH EQUIVALENTS – END OF YEAR	$ 752,899

Southwest Technical College

Required Supplementary Information

For the Year Ended June 30, 2022

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

Noncontributory System	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability (Asset)	0.0597740%	0.0563159%	0.0530515%	0.0498148%	0.0506362%	0.0497084%	0.0437018%	0.0387199%
Proportionate Share of Net Pension Liability (Asset)	$ (408,402)	$ 750,760	$ 1,178,646	$ 1,853,368	$ 1,238,238	$ 1,611,008	$ 1,372,799	$ 972,849
Covered Payroll	$ 976,860	$ 990,156	$ 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	-41.81%	75.82%	118.31%	157.34%	98.44%	128.33%	126.08%	100.30%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.70%	94.30%	90.100%	84.100%	89.200%	84.90%	84.50%	87.20%

Tier 2 Public Employees System	2021	2020	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability (Asset)	0.0878950%	0.0861278%	0.0821669%	0.0654277%	0.0557836%	0.0571463%	0.0561137%	0.0739018%
Proportionate Share of Net Pension Liability (Asset)	$ (37,200)	$ 12,388	$ 18,480	$ 28,021	$ 4,918	$ 6,375	$ (122)	$ (2,240)
Covered Payroll	$ 1,631,113	$ 1,377,057	$ 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	-2.28%	0.90%	1.62%	3.68%	0.90%	1.36%	-0.03%	-0.60%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.80%	98.30%	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, 2022

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarial Determined Contributions	$ 203,205	$ 220,865	$ 216,472	$ 229,892	$ 263,135	$ 280,240	$ 261,814	$ 215,025	$ 198,583	$ 209,884
Contributions in relation to the contractually required contribution	(203,205)	(220,865)	(216,472)	(229,892)	(263,135)	(280,240)	(261,814)	(215,025)	(198,583)	(209,884)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 915,748	$ 995,338	$ 975,991	$ 1,081,614	$ 1,231,923	$ 1,279,730	$ 1,190,226	$ 997,298	$ 1,005,932	$ 1,105,673
Contributions as a percentage of covered payroll	22.19%	22.19%	22.18%	21.25%	21.36%	21.90%	22.00%	21.56%	19.74%	18.98%

Tier 2 Public Employees System *

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Actuarial Determined Contributions	$ 341,015	$ 280,865	$ 253,397	$ 176,839	$ 106,880	$ 96,867	$ 70,459	$ 67,846	$ 55,148	$ 12,401
Contributions in relation to the contractually required contribution	(341,015)	(280,865)	(253,397)	(176,839)	(106,880)	(96,867)	(70,459)	(67,846)	(55,148)	(12,401)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,757,810	$ 1,468,188	$ 1,334,373	$ 937,139	$ 579,611	$ 531,072	$ 386,286	$ 371,352	$ 329,240	$ 144,875
Contributions as a percentage of covered payroll	19.40%	19.13%	18.99%	18.87%	18.44%	18.24%	18.24%	18.27%	16.75%	8.56%

* 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.

Notes to Southwest Technical College's Schedule of Contributions:

Changes in Assumptions

The investment return assumption was decreased by 0.10% to 6.85% for use in the January 1, 2021 actuarial valuation. This assumption change was based on analysis performed by the actuary and adopted by the Utah State Retirement Board. In aggregate, this assumption change resulted in a $509 million increase in the Total Pension Liability, which is about 1.3% of the Total Pension Liability of as December 31, 2020 for all systems combined. The demographic assumptions were reviewed and updated in the January 1, 2020 actuarial valuation and are currently scheduled to be reviewed in the year 2023.

Independent Auditor's Report

On Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees, Audit Committee
and
Brennan Wood, 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, 2022, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated March 15 2023.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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
Salt Lake City, Utah
March 15, 2023