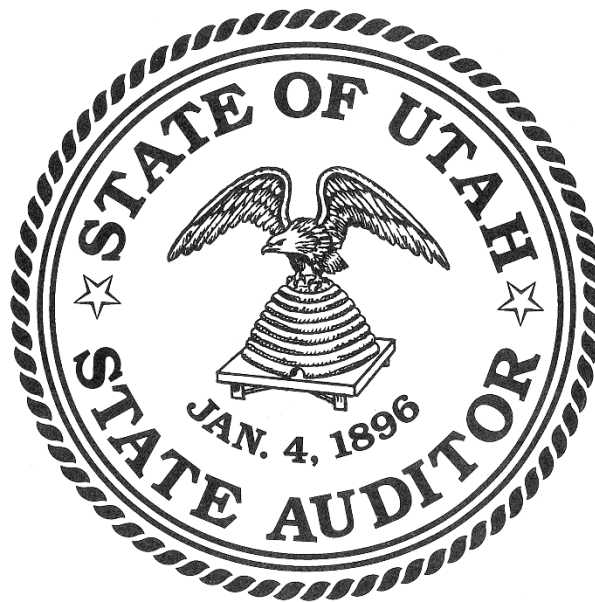


SOUTHWEST TECHNICAL COLLEGE

A Component Unit of the State of Utah

Annual Financial Report
and
Government Auditing Standards Report
For the Year Ended June 30, 2021

Report No. 21-29



OFFICE OF THE STATE AUDITOR

AUDIT LEADERSHIP:

John Dougall, State Auditor
Doug Seager, CPA, Audit Director
Kim McVey, CPA, Audit Senior

SOUTHWEST TECHNICAL COLLEGE

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED JUNE 30, 2021

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OFFICE OF THE
STATE AUDITOR

Independent Auditor's Report

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

We have audited the accompanying financial statements of Southwest Technical College (College) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

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 respective financial position of the College, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Proportionate Share of the Net Pension Liability, and the Schedule of Defined 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 March 3, 2022 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Office of the State Auditor

Office of the State Auditor

March 3, 2022

SOUTHWEST TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 to the readers of the College's financial statements.

As of July 1, 2020, the College is one of eight independent technical colleges within the Utah System of Higher Education (USHE). 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 USHE 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.

SOUTHWEST TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

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 2021. 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, 2021 and 2020:

Condensed Statement of Net Position

	June 30, 2021	June 30, 2020	Amount of	Percent
	Amount	Amount	Change	Change
Assets				
Current Assets	\$ 7,114,136	\$ 6,151,906	\$ 962,230	15.64%
Noncurrent Assets				
Capital Assets, Net, as adjusted (Note 2)	24,990,940	24,817,381	173,559	.70%
Total Assets	<u>32,105,076</u>	<u>30,969,287</u>	<u>1,135,789</u>	<u>3.67%</u>
Deferred Outflows of Resources	<u>539,864</u>	<u>374,430</u>	<u>165,434</u>	<u>44.18%</u>
Liabilities				
Current Liabilities	1,074,642	866,654	207,988	24.00%
Noncurrent Liabilities	763,147	1,197,126	(433,979)	(36.25%)
Total Liabilities	<u>1,837,789</u>	<u>2,063,780</u>	<u>(225,991)</u>	<u>(10.95%)</u>
Deferred Inflows of Resources	<u>812,490</u>	<u>420,870</u>	<u>391,620</u>	<u>93.05%</u>
Net Position				
Net Investment in Capital Assets, as adjusted (Note 2)	24,990,940	24,791,914	199,026	.80%
Restricted	835,558	714,747	120,811	16.90%
Unrestricted	4,168,163	3,352,401	815,762	24.33%
Total Net Position	<u>\$ 29,994,661</u>	<u>\$ 28,859,062</u>	<u>\$ 1,135,599</u>	<u>3.93%</u>

The 3.67 percent increase in Total Assets at June 30, 2021 when compared to the prior year is primarily attributable to a 13.6 percent increase in cash balances at year end compared to balances at June 30, 2020. During fiscal year 2021, Southwest Tech Foundation (Foundation) received \$139,275 in donations of which \$1,000 is earmarked for equipment. The balance of the donations will be awarded as scholarships to Southwest Tech students. During fiscal year 2021, student tuition and fees exceeded the budgeted projection by 55 percent and cash payments for Salaries and benefits were 12 percent less than budgeted. Prepaid expenses also increased due to a new

SOUTHWEST TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

contract with Cengage Learning for online textbooks as well as a new multi-year contract with Compunet, Inc. for firewall support.

Significant Capital Asset additions in fiscal year 2021 include a \$504,161 Façade Renovation of the Automotive and Technology building, \$59,350 for the CDL Parking Lot, computer placements of \$160,600, \$144,600 for an AV Equipment upgrade in the Health Professions and Trades building, \$65,000 for a Freightliner, \$47,800 for a GM Engine Performance Trainer, \$41,700 for an Amatrol Trainer, Total additions of \$1,196,971 were offset by depreciation expense of \$1,303,635.

Current Liabilities at June 30, 2021 increased 24.0 percent when compared to June 30, 2020. This increase is attributable to offsetting increases and decreases discussed below:

- Accounts Payable increased \$123,893 or 28.9 percent compared to June 30, 2020. This increase is a result of an increase of payables to the Utah Division of Facilities Construction and Management of \$115,493 at June 30, 2021 instead of \$3,241 at June 30, 2020. Also, there was an increase in the use of purchasing cards of \$50,519 which is the increase in the amount owed on all of the purchasing cards between June 30, 2020 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 decreased \$24,824.57 or 10.3 percent.
- Accrued Compensated Absences increased \$40,259.70 or 31.6 percent, when comparing June 30, 2021 to the June 30, 2020. The number of vacation hours carried at the end of fiscal year 2021 increased by 828 hours, or 20 percent when compared to the prior year. Increases are attributable to several new full-time positions. The COVID-19 pandemic also continued to impact employee vacations and travel.

Noncurrent Liabilities decreased by 36.25 percent when comparing June 30, 2021 to June 30, 2020. This is attributed to a 36 percent decrease in the College portion of the Net Pension Liability for the Utah Retirement System (URS) underfunded pension plan.

The restrictions on net position at June 30, 2021 include \$201,000 restricted for automotive and other equipment, \$432,456 for scholarships and \$202,102 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, 2021 and 2020:

SOUTHWEST TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

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

	Year Ended June 30, 2021 Amount	Year Ended June 30, 2020 Amount	Amount of Change	Percent Change
Operating Revenues	\$ 1,034,486	\$ 935,959	\$ 98,527	10.53%
Operating Expenses, as adjusted (Note 2)	(8,786,796)	(7,980,623)	(806,173)	10.10%
Operating Loss	(7,752,310)	(7,044,664)	(707,646)	10.05%
Nonoperating Revenues	8,652,160	7,735,886	916,274	11.84%
Other Revenues	235,749	790,262	(554,513)	(70.17%)
Increase in Net Position	1,135,599	1,481,484	(345,885)	(23.35%)
Net Position – Beginning of Year, as adjusted (Note 2)	28,859,062	27,377,577	1,481,485	5.41%
Net Position – End of Year	<u>\$ 29,994,661</u>	<u>\$ 28,859,062</u>	<u>\$ 1,135,599</u>	3.93%

The College experienced a net operating loss of \$7,752,310 during fiscal year 2021. 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, 2021 and 2020:

	Year Ended June 30, 2021 Amount	Percent of Total Revenue	Year Ended June 30, 2020 Amount	Amount of Change	Percent Change
Operating Revenues					
Student Tuition and Fees	\$ 661,287	6.66%	\$ 564,629	\$ 96,658	17.12%
Custom Fit Training Revenue	208,407	2.10%	189,361	19,046	10.06%
Other Operating Revenues	164,792	1.66%	181,969	(17,177)	(9.44%)
Total Operating Revenues	<u>1,034,486</u>	<u>10.43%</u>	<u>935,959</u>	<u>98,527</u>	<u>10.53%</u>
Nonoperating Revenues					
State Appropriations	6,195,300	62.44%	6,247,000	(51,700)	(.83%)
Federal Grants and Contracts	1,178,123	11.87%	543,491	634,632	116.77%
Donations	138,275	1.39%	234,000	(95,725)	(40.91%)
State and Local Grants and Contracts	1,105,642	11.14%	592,261	513,381	86.68%
Investment Income	34,820	.35%	119,134	(84,314)	(70.77%)
Total Nonoperating Revenues	<u>8,652,160</u>	<u>87.20%</u>	<u>7,735,886</u>	<u>916,274</u>	<u>11.84%</u>
Other Revenues					
Capital Appropriations	251,511	2.53%	562,474	(310,963)	(55.28%)
Capital Gifts	14,500	.15%	200,000	(185,500)	(92.75%)
Sale of Capital Assets	(44,010)	(.44%)	7,514	(51,524)	(685.71%)
Facilities Rent	13,748	.14%	20,274	(6,526)	(32.19%)
Total Other Revenues	<u>235,749</u>	<u>2.38%</u>	<u>790,262</u>	<u>(547,987)</u>	<u>(69.34%)</u>
Total Revenues	<u>\$ 9,922,395</u>	<u>100.00%</u>	<u>\$ 9,462,107</u>	<u>\$ 460,288</u>	<u>4.86%</u>

SOUTHWEST TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

Operating Revenues. Operating Revenues include fees, tuition, bookstore sales and culinary sales. Student Tuition and Fees increased 17.1 percent as a result of an increase in student membership hours, even though headcount stayed constant overall. Total headcount and membership hours were 2,101 and 332,386, respectively, in fiscal year 2021 compared to 2,103 and 267,962, respectively, in fiscal year 2020. Adult membership hours increased by 60,884 (32.8 percent). This increase is a result of the college opening up classes and not only recovering from the impacts of the COVID 19 pandemic, but growing beyond the fiscal year 2019 membership hours. While the number of students served by the college (head count) stayed relatively the same, the students that are here increased their hours during the pandemic. This was partially due to the increase in the amount of financial aid that has been available to students from the CARES act, specifically HEERF funding as well as the Learn and Work Grant received through the State of Utah.

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 State Custom Fit appropriation was \$345,000 for both fiscal years.

Other Operating Revenues includes bookstore sales of \$152,708 and Culinary Sales of \$6,235 in fiscal year 2020 compared to \$149,354 and \$28,623, 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 was down 78.2 percent compared to FY 2020 as a result of the closure of the Southwest Café and cancellation of catered events for most of the fiscal year due to the COVID-19 pandemic.

The tuition and fees allowance of \$391,771 and \$276,897 for fiscal years 2021 and 2020, 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 2020 and 2021, however, was mostly due to 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 expense. The amount of Pell grants awarded in fiscal year 2021 were only \$507 lower than in fiscal year 2020. 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.

SOUTHWEST TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

Another component of the tuition and fees allowance is scholarships and waivers applied to student tuition and fees which increased from \$157,084 in fiscal year 2020 to \$255,199 in fiscal year 2021. This significant increase is attributed primarily to Learn and Work grant funds through the Utah State Governor's Office of Economic Development. There were \$105,800 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 state scholarship program for the eight technical colleges.

Nonoperating revenues. Nonoperating Revenues increased by \$916,274 or 11.8 percent, in fiscal year 2021 as a result of several factors, the most significant of which was a \$634,632 increase in the College's Federal Grants from CARES Act Higher Education Emergency Relief Funding due to the COVID-19 pandemic. Additionally, the College received additional funding from the State of Utah in Grants resulting in an increase in State Grants of \$513,381 between fiscal years 2020 and 2021.

Other notable changes in Nonoperating Revenues include the following:

- In fiscal year 2020, the SWATC Foundation received \$434,000 in donations 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. This large anonymous donation was not repeated in fiscal year 2021; however, the Foundation did receive many other generous donations that partly offset the decrease in gifts and donations. Overall, Gifts and donations decreased by \$95,725 in fiscal year 2021.
- The State Appropriations for the College decreased \$51,700 between fiscal years 2020 and 2021. Additionally, performance funding decreased by about \$100,000 in fiscal year 2021.
- 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 2021, interest earned from PTIF decreased by \$84,300 compared to interest earned in fiscal year 2020.

Other Revenues. Other Revenues in fiscal year 2021 included capital appropriations of \$251,511 for building improvements at the Automotive and Technology building, \$13,500 in capital donations for an ambulance and a \$1,000 donation for equipment, a net loss of \$44,010 from the disposal of assets no longer used by the College and \$13,748 for use of the College facilities.

SOUTHWEST TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

Expenses. The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2021 and 2020:

	Year Ended June 30, 2021 Amount	Percent of Total Expense	Year Ended June 30, 2020 Amount	Amount of Change	Percent Change
Operating Expenses					
Salaries and Wages	\$ 3,430,269	39.04%	\$ 3,038,592	\$ 391,677	12.89%
Employee Benefits	806,246	9.18%	819,139	(12,893)	(1.57%)
Actuarial Calculated Pension Expense	325,834	3.71%	608,070	(282,236)	(46.42%)
Depreciation, as adjusted (Note 2)	1,303,635	14.84%	1,193,365	110,270	9.24%
Other Operating Expenses	2,920,812	33.24%	2,321,457	599,355	25.82%
Total Operating Expenses	\$ 8,786,796	100.00%	\$ 7,980,623	\$ 806,173	10.10%

Salaries and Wages were 39.0 percent of total operating costs in 2021 and increased \$391,677, or 12.89 percent, over the prior year, with Employee Benefits decreasing \$12,893, or (1.57) percent. Fiscal year 2021 personnel changes that contributed to the increase in Salaries and Wages and Employee Benefits was the increase from 47 full time benefit eligible employees at July 1, 2020 to 52 benefit eligible employees at June 30, 2021. Insurance premiums decreased slightly during fiscal year 2021. The lower insurance premiums plus a rebate in insurance premiums from MotivHealth of \$94,147 contributed to the decrease in Employee Benefits. 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 increased \$110,270, or 9.24 percent in fiscal year 2021 attributable to a increases in depreciation expense for fiscal year 2020 capital additions depreciated for a full year in fiscal year 2021 as well as an increase in asset additions in fiscal year 2021 that were partially depreciated in fiscal year 2021. 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 increased \$599,355 or 25.8 percent, in fiscal year 2021 and was 33.24 percent of operating expenses compared to 29.55 percent in fiscal year 2020. The net increase is attributable to various offsetting fluctuations. Notable changes in Other Operating Expenses in fiscal year 2021 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 of \$186,800 was purchased that was not purchased in fiscal year 2020. Additionally, repair and maintenance costs during fiscal year 2021 that were not incurred in fiscal year 2020 include \$105,400.
- Additional grant money from state and federal grants allowed the College to purchase more student equipment needed to reduce the sharing of equipment, increase scholarships directly to students through Higher Education Emergency Relief Funding, additional software to support online learning and remote work, as well as other institutional

SOUTHWEST TECHNICAL COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2021

priorities. The increase to Operating expenditures from additional grant money was approximately \$190,700.

- During fiscal year 2021, the College started incurring costs associated with setting up a new Innovation Center that will help local businesses with resources and services needed to build a business. Costs incurred in setting up the Innovation Center, apart from furniture, repair and maintenance costs, and grant costs above included \$27,800.
- In order to improve the safety of the high school students who frequently cross 800 S from Cedar High School to Southwest Technical College Health Professions and Trades building, the College incurred costs to put in a Crosswalk across 800 S. Costs totaled \$33,700 for the project.

Economic Overview and Outlook

The COVID 19 pandemic continued to have a significant impact in fiscal year 2021. Although the college suffered a budget decrease for fiscal year 2021, it was able to avoid cutting jobs and saw large growth in student membership hours during fiscal year 2021. The impact of the pandemic in Cedar City is 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. 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 FOR THE YEAR ENDED JUNE 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents (Notes 1 and 3)	\$ 6,806,093
Accounts Receivable	
Due from Primary Government	6,002
Other (Note 4)	106,148
Prepaid Expenses	137,871
Inventories (Note 1)	58,022
Total Current Assets	7,114,136

Noncurrent Assets (Notes 1 and 5)

Land	2,403,442
Buildings	22,931,125
Improvements	1,476,542
Equipment	5,046,887
Construction in Progress	346,173
Less Accumulated Depreciation, as adjusted (Note 2)	(7,213,229)
Total Noncurrent Assets	24,990,940
Total Assets	32,105,076

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Relating to Pensions	539,864
Total Deferred Outflows of Resources	539,864

LIABILITIES

Current Liabilities

Accounts Payable	
Due to Primary Government	119,310
Other (Note 4)	432,348
Accrued Payroll Expenses	269,053
Unearned Revenue	86,441
Accrued Compensated Absences	167,490
Capital Leases Payable (Notes 6 and 7)	-
Total Current Liabilities	1,074,642

Noncurrent Liabilities

Capital Leases Payable (Notes 6 and 7)	-
Net Pension Liability (Note 7 and 8)	763,147
Total Noncurrent Liabilities	763,147
Total Liabilities	1,837,789

DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Relating to Pensions	812,490
Total Deferred Inflows of Resources	812,490

NET POSITION

Net Investment in Capital Assets	24,990,940
Restricted:	
Capital Projects or Equipment	201,000
Scholarships	432,456
Contracts and Grants	202,102
Unrestricted	4,168,163
Total Net Position	\$ 29,994,661

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, 2021

OPERATING REVENUES (Note 1)

Student Tuition and Fees (Net of Scholarship Allowance of \$391,771)	\$ 661,287
Custom Fit Training Revenue	208,407
Other Operating Revenues	<u>164,792</u>
Total Operating Revenues	<u>1,034,486</u>

OPERATING EXPENSES (Note 1)

Salaries and Wages	\$ 3,430,269
Employee Benefits	806,246
Actuarial Calculated Pension Expense (Note 8)	325,834
Purchased Services	655,713
Other Operating Expenses	1,822,003
Scholarship Expense	443,096
Depreciation	<u>1,303,635</u>
Total Operating Expenses	<u>8,786,796</u>
Operating Loss	(7,752,310)

NONOPERATING REVENUES

State Appropriations	6,195,300
Federal Grants and Contracts	1,178,123
Donations	138,275
State and Local Grants and Contracts	1,105,642
Investment Income	<u>34,820</u>
Total Nonoperating Revenues	<u>8,652,160</u>

OTHER REVENUES

Capital Appropriations	251,511
Capital Gifts/Grants	14,500
Loss on sale of Capital Assets	(44,010)
Facilities Rent	<u>13,748</u>
Total Other Revenues	<u>235,749</u>

Increase in Net Position	1,135,599
Prior Period Adjustment	

NET POSITION

Net Position – Beginning of Year, as adjusted (Note 2)	<u>28,859,062</u>
Net Position – End of Year	<u>\$ 29,994,661</u>

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

SOUTHWEST TECHNICAL COLLEGE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	\$ 615,037
Receipts from Other Revenue Sources	165,047
Receipts from Custom Fit Training Revenue	208,407
Payments for Salaries and Benefits	(4,691,921)
Payments to Students and Suppliers	(2,848,141)
Net Cash Used by Operating Activities	<u>(6,551,571)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	6,195,300
Nonoperating Grants and Contracts	2,265,539
Facilities Rent	15,015
Donations	138,275
Net Cash Provided by Noncapital Financing Activities	<u>8,614,129</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(1,278,132)
Capital Gifts	1,000
Cash receipts from sale of assets	21,935
Payments for Capital Leases	(25,492)
Net Cash Used by Capital and Related Financing Activities	<u>(1,280,689)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest on Investments	34,820
Net Cash Provided by Investing Activities	<u>34,820</u>
Net Increase in Cash and Cash Equivalents	816,689
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>5,989,404</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 6,806,093</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (7,752,310)
Adjustments to Reconcile Operating Loss to Net Cash	
Used by Operating Activities	
Depreciation Expense	1,303,635
Difference between Actuarial Calculated Pension Expense and Actual Contributions	(207,793)
Changes in Assets and Liabilities	
Accounts Receivable	(47,843)
Inventories	(5,308)
Prepaid Expenses	(71,000)
Accounts Payable	123,893
Accrued Payroll and Benefits	78,221
Unearned Revenue	26,934
Net Cash Used by Operating Activities	<u>\$ (6,551,571)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Donated Equipment and Materials	13,500
Completed construction project transferred from State of Utah	251,511
Total noncash investing, capital and financing activities	<u>\$ 265,011</u>

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, 2021

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.

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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:

<u>Assets</u>	<u>Years</u>
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.

GASB 84

GASB 84 was implemented and tested for FY21, and was determined to have no material impact on the financial statements.

NOTE 2. PRIOR PERIOD ADJUSTMENT

A prior period adjustment was made to record an increase to accumulated depreciation and decrease beginning net position by \$123,686 because of an error in the calculation of depreciation expense during the fiscal year ending June 30, 2020.

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 3. 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, 2021, the College's bank balance was \$1,018,299 of which \$301,995 was insured by the FDIC. The uninsured amount was \$716,304. Additionally, as of June 30, 2021, the Foundation's bank balance of \$113,455 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

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2021 balance in the PTIF. On June 30, 2021, the College had investments of \$5,484,575 and SWATC Foundation had investments of \$555,233 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.

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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, 2021 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 4. ACCOUNTS RECEIVABLE AND PAYABLE

Accounts receivable at June 30, 2021 consist of unpaid student tuition and fee charges of \$77,041 which is net of an allowance for doubtful accounts of \$25,695; receivables from primary government of \$6,002 and \$29,107 of miscellaneous receivables.

Accounts payable at June 30, 2021 consist of \$217,361 for funds applied to student accounts, \$119,310 to primary government, and other miscellaneous payments to vendors for supplies and services totaling \$214,987.

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 2,403,442	\$ -	\$ -	\$ 2,403,442
Buildings	22,404,518	526,607	-	22,931,125
Improvements	1,417,192	59,351	-	1,476,543
Equipment	4,690,099	611,014	(254,226)	5,046,887
Construction in Progress	-	723,046	(376,873)	346,173
Total	30,915,251	1,920,018	(631,099)	32,204,170
Less Accumulated Depreciation: Buildings, Improvements, and Equipment, as adjusted (Note 2)	(6,097,875)	(1,303,635)	188,280	(7,213,230)
Net Capital Assets	\$ 24,817,376	\$ 616,383	\$ (442,819)	\$ 24,990,940

NOTE 6. CAPITAL LEASE OBLIGATIONS

The College completed the final payment on the capital lease obligations for rental of an instructional facility in Kanab, Utah during fiscal year 2021. As a result, the transfer of property ownership from Kane County School District to the College was completed. The cost of the Kanab Campus Building held under capital lease and related depreciation totaled \$838,257 and \$293,388, respectively, as of June 30, 2021.

NOTE 7. 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, 2021.

	Beginning Balance	Additions	Reductions	Ending Balance
Capital Leases	\$ 25,492	\$ -	\$ (25,492)	\$ -
Net Pension Liability	1,197,126	136,598	(570,577)	763,147
Total Long-term Liabilities	\$ 1,222,618	\$ 136,598	\$ (596,069)	\$ 763,147

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 8. 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.

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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 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, 2021 are as follows:

	<u>Paid by College for Employee</u>	<u>College Contribution Rates</u>
Noncontributory System	N/A	22.19%
Public Employees System Tier 2	N/A	19.13%

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

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

For fiscal year ended June 30, 2021 the employer and employee contributions to the Systems were as follows:

	College Contributions	Employee Contributions
Noncontributory System	\$ 220,865	N/A
Tier 2 Public Employees System	280,865	-
Total Contributions	\$ 501,730	\$ -

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, 2021, the College reported a net pension asset of \$0 and a net pension liability of 763,148.

	Net Pension Asset	Net Pension Liability	Proportionate Share Dec. 31, 2020	Proportionate Share Dec. 31, 2019	Change
Noncontributory System	\$ -	\$ 750,760	0.0563159%	0.0530515%	0.0032644%
Tier 2 Public Employees System	-	12,388	0.0861278%	0.0821669%	0.0039609%
Total Contributions	\$ -	\$ 763,148			

The net pension asset and liability were measured as of December 31, 2020. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2020 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, 2021, the College recognized pension expense of \$325,834. At June 30, 2021 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	\$ 93,740	\$ 5,672
Changes in assumptions	86,486	451
Net difference between projected and actual earnings on pension plan investments	-	791,902
Changes in proportion and differences between contributions and proportionate share of contributions	82,873	14,465
Contributions subsequent to the measurement date	276,765	-
Total	\$ 539,864	\$ 812,490

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Of the amount reported as deferred outflows of resources related to pensions, \$276,765 resulted from contributions made by the College prior to its fiscal year end but subsequent to the measurement date of December 31, 2020. These contributions will be recognized as a reduction of the net pension liability in the upcoming fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Deferred Outflows (Inflows) of Resources</u>
2021	\$ (156,465)
2022	\$ (36,888)
2023	\$ (254,640)
2024	\$ (127,707)
2025	\$ 4,324
Thereafter	\$ 21,984

The total pension liability in the December 31, 2020 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, 2020 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:

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Expected Return Arithmetic Basis			
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	37%	6.30%	2.33%
Debt Securities	20%	0.00%	0.00%
Real Assets	15%	6.19%	0.93%
Private Equity	12%	9.50%	1.14%
Absolute Return	16%	2.75%	0.44%
Cash and Cash Equivalents	0%	0.00%	0.00%
Totals	100%		4.84%
	Inflation		2.50%
	Expected Arithmetic Nominal Return		7.34%

The 6.95 percent assumed investment rate of return comprises an inflation rate of 2.50 percent and a real return of 4.45 percent that is net of investment expense.

The discount rate used to measure the total pension liability was 6.95 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from all participating employers will be made at contractually required rates that are actuarially determined and certified by the Systems' Board. Based on those assumptions, the pension 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 remained unchanged at 6.95 percent.

The following presents the proportionate share of the net pension (asset)/liability calculated using the discount rate of 6.95 percent as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (5.95 percent) or one-percentage-point higher (7.95 percent) than the current rate:

Proportionate Share of Net Pension (Asset) / Liability			
	1% Decrease (5.95%)	Discount Rate (6.95%)	1% Increase (7.95%)
Noncontributory System	\$ 2,406,765	\$ 750,760	\$ (633,887)
Tier 2 Public Employees System	208,446	12,388	(137,592)
Total	\$ 2,615,211	\$ 763,148	\$ (771,479)

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

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 9. 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 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 0.89 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.

Employees of all colleges in the Utah System of Technical Colleges UTECH who are eligible for retirement benefits voted in a referendum on September 6, 2011 to opt out of participating in the Federal Social Security system, as permitted under Internal Revenue Service regulations. As a result, Southwest Technical College will 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, 2021 were as follows:

401(k) Plan	
Employer Contributions	\$ 224,355
Employee Contributions	79,229
Roth IRA Plan	
Employer Contributions	N/A
Employee Contributions	18,694
457 Plan	
Employer Contributions	-
Employee Contributions	1,825

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

NOTE 10. 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 at 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 11. 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 12. 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, 2021, SWATC Foundation received \$139,275 in cash donations. The College will use \$1,000 equipment and \$138,275 to provide educational scholarships for students.

SOUTHWEST TECHNICAL COLLEGE

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

- The following schedules present condensed financial statements of SWATC Foundation for the fiscal year ended June 30, 2021:

SWATC Foundation

Condensed Statement of Net Position As of June 30, 2021

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 668,688
Accounts Receivable	<u>-</u>

Total Assets 668,688

LIABILITIES

Current Liabilities

Payable to College	<u>147,825</u>
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Total Liabilities 147,825

NET POSITION

Unrestricted	<u>520,863</u>
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Total Net Position \$ 520,863

SWATC Foundation

Condensed Statement of Revenues, Expenses, and Changes in Net Position For the Year Ended June 30, 2021

OPERATING REVENUES

Donations	\$ <u>228,259</u>
Total Operating Revenues	<u>228,259</u>

OPERATING EXPENSES

Scholarships and Grants to STech	140,861
Other Operating Expenses	<u>48,548</u>
Total Operating Expenses	<u>189,409</u>

Operating Income 38,850

NONOPERATING REVENUES

Interest Income	\$ <u>2,719</u>
Total Nonoperating Revenues	<u>2,719</u>

Increase in Net Position 41,569

NET POSITION

Net Position – Beginning of Year	<u>479,294</u>
Net Position – End of Year	<u>\$ 520,863</u>

SWATC Foundation

Condensed Statement of Cash Flows For the Year Ended June 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Payments for supplies and services	\$ (43,497)
Receipts from Donations	<u>139,275</u>

Net Cash Provided by Operating Activities 95,778

Increase in Cash and Cash Equivalents 95,778

CASH FLOWS FROM INVESTING ACTIVITIES

Receipt of Interest in on Investments	<u>2,719</u>
Net Cash Provided by Investing Activities	2,719

Net Increase in Cash and Cash Equivalents 98,497

CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR 570,191

CASH AND CASH EQUIVALENTS – END OF YEAR \$ 668,688

SOUTHWEST TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

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

<i>Noncontributory System</i>	2020	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability (Asset)	0.0563159%	0.0530515%	0.0498148%	0.0506362%	0.0497084%	0.0437018%	0.0387199%
Proportionate Share of Net Pension Liability (Asset)	\$ 750,760	\$ 1,178,646	\$ 1,853,368	\$ 1,238,238	\$ 1,611,008	\$ 1,372,799	\$ 972,849
Covered Payroll	\$ 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	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	94.30%	90.100%	84.100%	89.200%	84.90%	84.50%	87.20%

<i>Tier 2 Public Employees System</i>	2019	2019	2018	2017	2016	2015	2014
Proportion of Net Pension Liability (Asset)	0.0861278%	0.0821669%	0.0654277%	0.0557836%	0.0571463%	0.0561137%	0.0739018%
Proportionate Share of Net Pension Liability (Asset)	\$ 12,388	\$ 18,480	\$ 28,021	\$ 4,918	\$ 6,375	\$ (122)	\$ (2,240)
Covered Payroll	\$ 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	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	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, 2021

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarial Determined Contributions	\$ 220,865	\$ 216,472	\$ 229,892	\$ 263,135	\$ 280,240	\$ 261,814	\$ 215,025	\$ 198,583	\$ 209,884	\$ 177,919
Contributions in relation to the contractually required contribution	(220,865)	(216,472)	(229,892)	(263,135)	(280,240)	(261,814)	(215,025)	(198,583)	(209,884)	(177,919)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 995,338	\$ 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
Contributions as a percentage of covered payroll	22.19%	22.18%	21.25%	21.36%	21.90%	22.00%	21.56%	19.74%	18.98%	16.25%

*Tier 2 Public Employees System **

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarial Determined Contributions	\$ 280,865	\$ 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	(280,865)	(253,397)	(176,839)	(106,880)	(96,867)	(70,459)	(67,846)	(55,148)	(12,401)	(3,184)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,468,188	\$ 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	19.13%	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.

SOUTHWEST TECHNICAL COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

Notes to Southwest Technical College's Schedule of Contributions:

Changes in Assumptions

There were a number of demographic assumptions (e.g. rates of termination, disability, retirement, as well as an updated mortality and salary increase assumption) updated for use in the January 1, 2020 actuarial valuation. These assumption updates were adopted by the Utah State Retirement Board as a result of an Actuarial Experience Study performed for the Utah Retirement Systems. In aggregate, those assumption changes resulted in a \$201 million increase in the Total Pension Liability, which is about 0.50 percent of the Total Pension Liability as of December 31, 2019 for all systems combined. The Actuarial Experience Study report as of December 31, 2019 provides detailed information regarding those assumption changes, which may be accessed online at newsroom.urs.org under the "Retirement Office" column using the "Reports and Stats" tab.



OFFICE OF THE
STATE AUDITOR

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 M. 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 (College), as of and for the year ended June 30, 2021, 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 3, 2022.

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

March 3, 2022