



OFFICE OF THE  
STATE AUDITOR



◦ STATE OF UTAH ◦

# Southwest Technical College

## Annual Financial Report and Government Auditing Standards Report

For the year ended June 30, 2023

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Report No. 23-29

March 5, 2024

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### Office of the State Auditor

Audit Leadership:

John Dougall, State Auditor

Doug Seager, CPA, Audit Director

Sam Steffensen, Audit Senior

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OFFICE OF THE  
STATE AUDITOR

# 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 (College) as of and for the year ended June 30, 2023, 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, 2023, 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 management's discussion and analysis and the College's Schedule of Proportionate Share of the Net Pension Liability and Schedule of Defined Benefit Pension Contributions, as listed in the table of contents, 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 5, 2024 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

Salt Lake City, Utah

March 5, 2024

# Management's Discussion and Analysis

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, 2023 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 annual report includes 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.

## 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, 2023 and 2022:

### Condensed Statement of Net Position

	June 30, 2023 Amount	June 30, 2022 Amount	Amount of Change	Percent Change
<b>Assets</b>				
Current Assets	\$ 8,539,580	\$ 7,720,679	\$ 818,901	10.6%
Noncurrent Assets				
Capital Assets, Net	23,893,869	25,133,792	(1,239,923)	(4.9%)
Net Pension Asset	-	445,602	(445,602)	(100.0%)
<b>Total Assets</b>	<u>32,433,449</u>	<u>33,300,073</u>	<u>(866,624)</u>	<u>(2.6%)</u>
<b>Deferred Outflows of Resources</b>	<u>1,118,868</u>	<u>866,818</u>	<u>252,050</u>	<u>29.1%</u>
<b>Liabilities</b>				
Current Liabilities	870,099	974,097	(103,998)	(10.7%)
Noncurrent Liabilities	1,473,973	-	1,473,973	0.0%
<b>Total Liabilities</b>	<u>2,344,072</u>	<u>974,097</u>	<u>1,369,975</u>	<u>140.6%</u>
<b>Deferred Inflows of Resources</b>	<u>8,835</u>	<u>1,747,787</u>	<u>(1,738,952)</u>	<u>(99.5%)</u>
<b>Net Position</b>				
Net Investment in Capital Assets	23,893,869	25,133,792	(1,239,923)	(4.9%)
Restricted	1,277,477	876,523	400,954	45.7%
Unrestricted	6,028,065	5,434,693	593,372	10.9%
<b>Total Net Position</b>	<u>\$ 31,199,411</u>	<u>\$ 31,445,008</u>	<u>\$ (245,597)</u>	<u>(.8%)</u>

*Current Assets:* Current Assets increased 10.6 percent at June 30, 2023 when compared to the prior year. The increase is primarily attributable to a \$649,577 or 8.7 percent increase in cash balances at year end compared to balances at June 30, 2022. During fiscal year 2023, cash received from interest in funds held in the PTIF was \$317,809, an increase of \$278,669 over the prior year. State appropriations increased by \$1,187,700 over state appropriations received in fiscal year 2022, which was partially offset by an increase in salary and benefit payments of \$811,458. Additionally, cash paid for capital assets decreased by \$762,000, which was partially offset by an increase in cash payment to

students and suppliers of \$549,113. Accounts receivable due from primary government increased by \$178,287 primarily from an Educational Re-Engagement grant receivable of \$199,540.

*Noncurrent Assets:* Significant Capital Asset additions in fiscal year 2023 include a \$490,617 Lighting and Parking Lot Improvement Project funded by the Division of Facilities and Construction Management (DFCM), a \$156,513 renovation in the Automotive and Technology building for an Automation System, also funded by the DFCM, \$91,028 for a Fire Academy Training Tower, and \$90,865 for a new truck to be used in the CDL Program. Total additions of \$1,133,786 were offset by depreciation expense of \$1,221,164. Additionally, net assets of \$1,134,458 were written off during fiscal year 2023 to bring the college into compliance with adjustments to the Utah Board of Higher Education policy R561.

Other noncurrent asset decreases include the Net Pension Asset which was created during fiscal year 2022 of \$445,603. The Net Pension Asset was written off in fiscal year 2023 to accommodate the Net Pension Liability of \$1,473,973. Please see additional information in Note 6 in the Notes to the Financial Statements.

*Deferred Outflows of Resources:* 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:* Current Liabilities at June 30, 2023 decreased 10.7 percent when compared to June 30, 2022. This decrease is attributable to offsetting increases and decreases discussed below:

- Accounts Payable decreased \$42,270 compared to June 30, 2022. This decrease is mostly a result of a decrease of payables to Zions Bank for the purchasing card program of \$47,870. During fiscal year 2023, the college changed to Divvy to manage the purchasing card program, and the outstanding balance of the purchasing card program with Divvy was \$31,445. Divvy has the college make payments twice a month for outstanding credit card transactions rather than once a month with Zions Bank. This accounts for the net \$16,426 decrease in the purchasing card program. Additionally, the payables outstanding for Smithfield decreased by \$20,079 due to a decrease in the contract with Smithfield which was negotiated because of a large decrease in Smithfield's production and workforce.
- 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 \$121,916 or 36.7 percent.
- Accrued Payroll Expenses decreased by \$34,432 or 11.4 percent compared to June 30, 2022. The decrease is mostly attributable to a change in our pay periods. Instead of accruing the entire pay period June 11-25 plus a partial pay period of June 26-30, we only accrued one full pay period of June 15-30. This accounted for a decrease of \$19,727. Additionally, we had a decrease

in health insurance rates from Motivhealth between FY22 and FY23, this decrease is compounded by an increase in full time benefit eligible positions in fiscal year 2023.

- Unearned Revenue increased by \$43,062 or 184.1 percent during fiscal year 2023. This is mostly from an increase in the number of students who registered and prepaid for future classes before June 30, 2023. The number of students increased from 148 at the end of fiscal year 2022 to 354 students at the end of fiscal year 2023.
- Accrued Compensated Absences increased \$25,427 or 18.5 percent, when comparing June 30, 2023 to June 30, 2022. The number of vacation hours carried at the end of fiscal year 2023 increased by 528 hours, or 12.2 percent when compared to the prior year. Increases were attributed to Director level and above employees increasing their vacation balances throughout fiscal year 2023 plus additional full time benefit eligible position

*Noncurrent Liabilities:* Noncurrent Liabilities increased by \$1,473,973 when comparing June 30, 2023 to June 30, 2022. Please see additional information in Note 6 in the Notes to the Financial Statements.

*Deferred Inflows of Resources:* Changes in the Deferred Inflows of Resources as well as the changes in the Deferred Outflows 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.

*Restricted Net Position:* The restrictions on net position at June 30, 2023 include \$111,487 restricted for automotive and other equipment, \$903,967 for scholarships and \$262,023 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, 2023 and 2022:

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

	<b>Year Ended June 30, 2023 Amount</b>	<b>Year Ended June 30, 2022 Amount</b>	<b>Amount of Change</b>	<b>Percent Change</b>
Operating Revenues	\$ 1,160,590	\$ 674,617	\$ 485,973	72.0%
Operating Expenses	(11,107,916)	(9,066,037)	(2,041,879)	22.5%
Operating Loss	(9,947,326)	(8,391,420)	(1,555,906)	18.5%
Nonoperating Revenues	10,099,829	9,531,977	567,852	6.0%
Other Revenues/(Expenses)	(398,101)	309,790	(707,891)	(228.5%)
Increase in Net Position	(245,598)	1,450,347	(1,695,945)	(116.9%)
Net Position – Beginning of Year	31,445,008	29,994,661	1,450,347	4.8%
Net Position – End of Year	<u>\$ 31,199,410</u>	<u>\$ 31,445,008</u>	<u>\$ (245,598)</u>	(.8%)

The College experienced a net operating loss of \$9,947,326 during fiscal year 2023. 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, 2023 and 2022:

	Year Ended June 30, 2023 Amount	Percent of Total Revenue	Year Ended June 30, 2022 Amount	Amount of Change	Percent Change
<b>Operating Revenues</b>					
Student Tuition and Fees	\$ 591,761	5.4%	\$ 325,710	\$ 266,051	81.7%
Custom Fit Training Revenue	276,421	2.5%	141,865	134,556	94.8%
Other Operating Revenues	292,408	2.7%	207,042	85,366	41.2%
<b>Total Operating Revenues</b>	<b>1,160,590</b>	<b>10.7%</b>	<b>674,617</b>	<b>485,973</b>	<b>72.0%</b>
<b>Nonoperating Revenues</b>					
State Appropriations	8,048,100	74.1%	6,860,400	1,187,700	17.3%
Federal Grants and Contracts	516,790	4.8%	1,263,342	(746,552)	(59.1%)
Donations	286,523	2.6%	231,685	54,838	23.7%
State and Local Grants and Contracts	930,607	8.6%	1,137,410	(206,803)	(18.2%)
Investment Income	317,809	2.9%	39,140	278,669	712.0%
<b>Total Nonoperating Revenues</b>	<b>10,099,829</b>	<b>93.0%</b>	<b>9,531,977</b>	<b>567,852</b>	<b>6.0%</b>
<b>Other Revenues/(Expenses)</b>					
Capital Appropriations	723,800	6.7%	275,549	448,251	162.7%
Capital Gifts	-	.0%	38,000	(38,000)	(100.0%)
Sale of Capital Assets	(1,556)	(.0%)	(22,331)	20,775	(93.0%)
Expenses Related to Policy Change	(1,131,345)	(10.4%)	-	(1,131,345)	0.0%
Facilities Rent	11,000	.1%	18,572	(7,572)	(40.8%)
<b>Total Other Revenues</b>	<b>(398,101)</b>	<b>(3.7%)</b>	<b>309,790</b>	<b>(707,891)</b>	<b>(228.5%)</b>
<b>Total Revenues</b>	<b>\$10,862,318</b>	<b>100.0%</b>	<b>\$10,516,384</b>	<b>\$ 345,934</b>	<b>3.3%</b>

*Operating Revenues.* Operating Revenues include fees, tuition, bookstore sales and culinary sales. Student Tuition and Fees revenue increased by \$266,051 or 81.7 percent. This is mostly due to enrollment growth from the college adding three new programs in fiscal year 2023 in addition to adding new cohorts to two other programs. Total headcount and membership hours were 2,415 and 329,721, respectively, in fiscal year 2022 compared to 2,722 and 395,713, respectively, in fiscal year 2023. This is an increase of 4.2 percent in headcount and 19.9 percent in membership hours.

The tuition and fees allowance of \$737,760 and \$674,736 for fiscal years 2022 and 2023, 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 2023 and 2022, however, was mostly due to a decrease in Learn and Work Scholarships of \$186,242, an offsetting increase to Donor scholarships of \$101,104, a decrease in General Scholarships of \$45,809, and an increase to net Pell grants of \$41,586.

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. Thanks to the hard work of the Custom Fit staff, the offering of Custom Fit opportunities nearly doubled in fiscal year 2023, with an increase of \$134,556 in the portion of the training that is covered by the employer.

Other Operating Revenues include bookstore sales of \$222,034 and Culinary Sales of \$59,670 in fiscal year 2023 compared to \$173,167 and \$27,355, respectively, in the prior year. The Southwest Café which prepares and serves upscale restaurant cuisine increased from being open three days per week, to being open five days per week for most of the year. Additionally, a standard menu was created so more customers would know what food would be available continually. Weekly specials of upscale restaurant cuisine were still provided. Bookstore Revenue also saw increases of \$48,867 or 28.2 percent due to increased enrollment and more students interested in purchasing their books and tools from the college.

*Nonoperating revenues.* Nonoperating Revenues increased by \$567,852 or 6.0 percent, in fiscal year 2023 as a result of several factors, the most significant of which was a \$1,187,700 increase in State Appropriations allocated to the college.

Other notable changes in Nonoperating Revenues include the following:

- HEERF funding went away during fiscal year 2023. Which means the \$757,799 that was received in HEERF in fiscal year 2022 was decreased down to \$0 in fiscal year 2023.
- In fiscal year 2023, the SWATC Foundation received \$283,523 in donations. The amount of donations increased by \$54,838 during fiscal year 2023.
- State and Local grant revenue decreased by \$206,803 or 18.2 percent in fiscal year 2023. This is primarily because the college did not receive any Learn and Work funds, which accounted for a decrease of \$400,912. This was offset by a Utah Works grant which we received \$154,567 during fiscal year 2023. Additional offsets were provided by the Foundation which received two grants, one from Cedar City Corporation for scholarships and another from Deseret Industries to benefit the college's Hope Pantry, totaling \$51,800 in grants.
- 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 2023, interest rates climbed steeply, and resulted in interest earned from PTIF increasing by \$278,669 compared to interest earned in fiscal year 2022.

*Other Revenues/(Expenses)*. Other Revenues in fiscal year 2023 included capital appropriations of \$723,800 for building improvements at the Automotive and Technology building, which is an increase in appropriation from fiscal year 2022 of \$448,251. We had a decrease of \$38,000 in capital donations because we did not receive any in fiscal year 2023. The Expense Related to Policy Change occurred because the college wrote off all assets that were less than \$5,000 per unit for equipment, and less than \$100,000 for buildings and improvements according to the updated Utah Board of Higher Education Policy R561 that brought the technical colleges into the policy and specified capitalization thresholds. The result of this policy change is an expense of \$1,131,345. Finally, the college had \$11,000 of other revenue for use of the College facilities.

**Expenses.** The following schedule presents a summary of College expenses for the fiscal years ended June 30, 2023 and 2022:

	Year Ended June 30, 2023 Amount	Percent of Total Expense	Year Ended June 30, 2022 Amount	Amount of Change	Percent Change
<b>Operating Expenses</b>					
Salaries and Wages	\$ 4,521,201	40.7%	\$ 3,783,176	\$ 738,025	19.5%
Employee Benefits	1,136,003	10.2%	1,062,570	73,433	6.9%
Actuarial Calculated Pension Expense	656,062	5.9%	(10,078)	666,140	(6609.8%)
Depreciation	1,221,164	11.0%	1,383,684	(162,520)	(11.7%)
Other Operating Expenses	3,573,486	32.2%	2,846,685	726,801	25.5%
<b>Total Operating Expenses</b>	<b>\$ 11,107,916</b>	<b>100.0%</b>	<b>\$ 9,066,037</b>	<b>\$ 2,041,879</b>	<b>22.5%</b>

Salaries and Wages were 40.7 percent of total operating costs in 2023 and increased \$738,025, or 19.5 percent, over the prior year, with Employee Benefits increasing \$73,433, or 6.9 percent. Fiscal year 2023 personnel changes that contributed to the increase in Salaries and Wages and Employee Benefits was the increase from an average of 56 full time benefit eligible employees during fiscal year 2022 to an average of 64 full time benefit eligible employees during fiscal year 2023. Additionally, there was an 11.3 percent increase in part-time staff and faculty headcount. Also included in the increase was a 5.75 percent labor market compensation increase for faculty and staff. Health Insurance premiums decreased slightly during fiscal year 2023. Additionally, the increase in number of employees and salary and wage amounts contributed to the increase in Employee Benefits.

Actuarial Calculated Pension Expense increased by \$666,140. 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 decreased \$162,520, or 11.7 percent in fiscal year 2023 attributable to the decrease in capitalized assets due to implementing the UBHE policy R561. Additionally, we had a decrease in asset

additions in fiscal year 2023 which also compounded the decrease in depreciation. 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 \$726,801 or 25.5 percent, in fiscal year 2023 and was 32.2 percent of operating expenses. The net increase is attributable to various offsetting fluctuations. Notable changes in Other Operating Expenses in fiscal year 2023 included the following:

- During fiscal year 2023, one of the largest changes to operating expenses occurred due to the change in capitalization limit for equipment from \$3,000 to \$5,000. This caused about an extra \$259,200 to be recorded in other operating expenses rather than capitalized to fixed assets.
- Purchased services increased by \$238,553 or 47.4 percent during fiscal year 2023 mostly due to the increase in Custom Fit training offered by the college during the year.
- Scholarship expenses decreased by \$345,228 in fiscal year 2023 primarily due to a decrease in HEERF awards to students of \$335,000.
- Building Maintenance and Safety increased during fiscal year 2023 due to several key projects that occurred during the fiscal year. First, a large portion of the carpet upstairs in the HP&T building was replaced during the fiscal year for \$74,200. The Server and IDF Rooms' fire suppression was upgraded for \$59,700. Epoxy flooring was installed in the EMT classroom for \$21,300. The intercom system was remodeled and expanded for \$19,200. The HP&T building was rekeyed for \$17,500. New fencing and a gate were installed at the A&T building for \$15,400. And sidewalk was replaced around the HP&T building for \$14,200.
- During fiscal year 2023, the college decided to change security systems from Yamas to Tytan Security. The project caused a large increase in our security expenses of \$26,600 compared to the prior fiscal year.
- Additional purchases in the facilities department that were purchased during fiscal year 2023 that added cost to Other Operating Expenses were cordless vacuums for \$11,800 and new rugs for the lobby for \$15,200.
- Two new programs started in January 2023 at the college. The Paramedic program added an additional \$20,700 of instructional supplies cost, and the Fire Academy added an additional \$16,500 in the same expense category.
- The college ran an extra Practical Nursing cohort that began in January 2023, which caused an increase of \$10,900. The Professional Truck Driving course also doubled the number of cohorts starting in March 2023, which caused an increase of \$7,200. The Welding department saw a significant growth in enrollment which caused an increase in instructional supplies of \$6,600.
- The increase in number of days per week serving food from the Culinary Café increased from three days per week to five days per week. This increased the amount of Instructional Supplies by about \$43,200 in the Culinary department.
- There was a significant increase in the cost of utilities for the college during fiscal year 2023. This was due to not only increases in rates for natural gas, water, and garbage, but also because our building utilization went up with the addition of Saturday classes with our Fire Academy.

The effect of the utility increases was an additional \$53,200 in utilities expenses compared to fiscal year 2022.

- Bookstore expenses increased during fiscal year 2023 at net of \$38,400 because of two new program offerings at the college as well as growth in many programs. Additionally, the cost of Cengage, an online tool to access textbooks went up from additional licenses purchased.
- There was an increase in travel expenses of \$35,400 between fiscal years 2022 and 2023 because traveling continued to return to normal after the COVID-19 pandemic.

## Economic Overview and Outlook

As an institution of higher education in the state of Utah, Southwest Technical College has seen abundant support from the Utah State Legislature for continuing the mission of providing education and job skill training through individualized competency-based programs in response to the needs of students, employers and the communities we serve. The growth the college has seen in the last fiscal year is evidence of the growing need of this type of education in our service region. Another year of incredible enrollment growth has contributed to the increase in operating revenues. Nonoperating revenues were able to stay relatively constant, even while HEERF money was no longer available. This was from the support of the legislature in receiving additional state appropriations, new grant opportunities, and higher interest earnings.

While revenues seem to be stabilizing, the college still faces challenges relating to increased costs relating to growth and continued inflation. The recent inflation has continued to cause 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 2023 legislative session that will help the college overcome some of the inflationary pressures during fiscal year 2024.

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.

# Financial Statements

## Statement of Net Position

As of June 30, 2023

### ASSETS

#### Current Assets

Cash and Cash Equivalents (Notes 1 and 2)	\$ 8,103,608
Accounts Receivable	
Due from Primary Government	226,874
Other (Note 3)	78,689
Prepaid Expenses	56,926
Inventories (Note 1)	73,483
<b>Total Current Assets</b>	<u>8,539,580</u>

#### Noncurrent Assets (Notes 1 and 4)

Land	2,403,442
Buildings	25,176,395
Improvements	644,937
Equipment	3,642,802
Construction in Progress	-
Less Accumulated Depreciation	(7,973,707)
<b>Total Noncurrent Assets</b>	<u>23,893,869</u>

#### Total Assets

32,433,449

### DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Relating to Pensions (Notes 1 and 6)	1,118,868
<b>Total Deferred Outflows of Resources</b>	<u>1,118,868</u>

### LIABILITIES

#### Current Liabilities

Accounts Payable	
Due to Primary Government	4,186
Other (Note 3)	368,264
Accrued Payroll Expenses	268,396
Unearned Revenue	66,448
Accrued Compensated Absences	162,805
<b>Total Current Liabilities</b>	<u>870,099</u>

#### Noncurrent Liabilities

Net Pension Liability (Notes 5 and 6)	1,473,973
<b>Total Noncurrent Liabilities</b>	<u>1,473,973</u>

#### Total Liabilities

2,344,072

### DEFERRED INFLOWS OF RESOURCES

Deferred Inflows Relating to Pensions (Notes 1 and 6)	8,835
<b>Total Deferred Inflows of Resources</b>	<u>8,835</u>

### NET POSITION

Net Investment in Capital Assets	23,893,869
Restricted:	
Capital Projects or Equipment	111,487
Scholarships	903,967
Contracts and Grants	262,023
Unrestricted	6,028,064
<b>Total Net Position</b>	<u>\$ 31,199,411</u>

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

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

For the Year Ended June 30, 2023

### OPERATING REVENUES (Note 1)

Student Tuition and Fees (Net of Scholarship Allowance of \$674,736)	\$ 591,761
Custom Fit Training Revenue	276,421
Other Operating Revenues	<u>292,408</u>
<b>Total Operating Revenues</b>	<u>1,160,590</u>

### OPERATING EXPENSES (Note 1)

Salaries and Wages	\$ 4,521,201
Employee Benefits	1,136,003
Actuarial Calculated Pension Expense (Note 6)	656,062
Purchased Services	742,086
Other Operating Expenses	2,549,453
Scholarship Expense	281,947
Depreciation	<u>1,221,164</u>
<b>Total Operating Expenses</b>	<u>11,107,916</u>
<b>Operating Loss</b>	(9,947,326)

### NONOPERATING REVENUES

State Appropriations	8,048,100
Federal Grants and Contracts	516,790
Donations	286,523
State and Local Grants and Contracts	930,607
Investment Income	<u>317,809</u>
<b>Total Nonoperating Revenues</b>	<u>10,099,829</u>

### OTHER REVENUES/(EXPENSES)

Capital Appropriations	723,800
Capital Gifts/Grants	-
Gain/(Loss) on sale of Capital Assets (Note 4)	(1,556)
Expenses Related to Policy Change (Note 4)	(1,131,345)
Facilities Rent	<u>11,000</u>
<b>Total Other Revenues</b>	<u>(398,101)</u>

**Increase in Net Position** (245,598)

### NET POSITION

Net Position – Beginning of Year	<u>31,445,008</u>
Net Position – End of Year	<u>\$ 31,199,411</u>

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

## Statement of Cash Flows

For the Year Ended June 30, 2023

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Tuition and Fees	\$ 522,520
Receipts from Other Revenue Sources	276,515
Receipts from Custom Fit Training Revenue	276,422
Payments for Salaries and Benefits	(6,392,301)
Payments to Students and Suppliers	(3,488,114)
Net Cash Used by Operating Activities	<u>(8,804,958)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
State Appropriations	8,048,100
Nonoperating Grants and Contracts	1,257,665
Facilities Rent	11,450
Donations	286,523
Net Cash Provided by Noncapital Financing Activities	<u>9,603,738</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Purchase of Capital Assets	(488,569)
Capital Gifts	-
Cash receipts from sale of assets	21,557
Payments for Capital Leases	-
Net Cash Used by Capital and Related Financing Activities	<u>(467,012)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Receipt of Interest on Investments	317,809
Net Cash Provided by Investing Activities	<u>317,809</u>
Net Increase in Cash and Cash Equivalents	649,577
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u>7,454,031</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 8,103,608</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Loss	\$ (9,947,326)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense and Noncapital Improvements	1,297,833
Difference between Actuarial Calculated Pension Expense and Actual Contributions	(71,426)
Changes in Assets and Liabilities	
Accounts Receivable	19,131
Inventories	(16,376)
Prepaid Expenses	17,203
Accounts Payable	(138,055)
Accrued Payroll and Benefits	(9,004)
Unearned Revenue	43,062
Net Cash Used by Operating Activities	<u>\$ (8,804,958)</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>	
Donated Equipment and Materials	1,450
Completed construction project transferred from State of Utah	723,800
Total noncash investing, capital and financing activities	<u>\$ 725,250</u>

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

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## Notes to 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 are recorded at cost at the date of acquisition, or acquisition value at the date of donation in the case of gifts. All land is capitalized and not depreciated. New buildings with a cost of \$100,000 or more are capitalized. Renovations to buildings, infrastructure, and land improvements that increase the value or extend the useful life of the structure with a cost of \$100,000 or more are capitalized. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. For equipment and intangibles, the College capitalizes all items with a unit cost of \$5,000 or more, and an estimated useful life of greater than one year.

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 and the State of Utah Standard Useful Life Table (FIACCT 09-17.01) according to the Utah System of Higher Education Board Policy R561.

The recording of right to use leased assets in accordance with GASB 87 was deemed by administration to be immaterial to the financial statements during fiscal years 2022 and 2023.

GASB 96 (Subscription-Based Information Technology Arrangements) was effective for fiscal year 2023. Based on the College's evaluation of the standard, it was determined to have no material impact on the financial statements.

### *Pensions*

For purposes of measuring the net pension asset/liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (Systems) Pension Plans and additions to/deductions from the Systems' fiduciary net position are now determined on the same basis as they are reported by the Systems. For this purpose, benefit payments (including refunds of employee contributions) are now recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### *Deferred Outflows/Inflows of Resources*

In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net positions that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

## **NOTE 2. DEPOSITS AND INVESTMENTS**

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the

banking and credit structure of the State, and review the rules adopted under the authority of the Money Management Act (the Act) that relate to the deposit and investment of public funds.

The College follows the requirements of the Act in handling its depository and investment transactions. The Act requires the depositing of the College's funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Money Management Council.

### *Deposits*

#### *Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a bank failure, the College's deposits may not be returned to it. The College and SWATC Foundation do not have a formal deposit policy for custodial credit risk. The bank balances of the College and Foundation are insured by the Federal Deposit Insurance Corporation standard amount of \$250,000. As of June 30, 2023, the College's bank balance of \$174,116 was insured by the FDIC. Additionally, as of June 30, 2023, the Foundation's bank balance was \$566,529. Of this balance, \$250,000 was insured by the FDIC. The uninsured amount was \$316,529.

### *Investments*

The Act defines the types of securities authorized as appropriate investments for the College's funds and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

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

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

#### *Fair Value Investments*

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

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

The value of the College's investment in the PTIF is calculated by applying the June 30, 2023 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2023 balance in the PTIF. On June 30, 2023, the College had investments of \$6,960,997 and SWATC Foundation had investments of \$527,260 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, 2023 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, 2023 consist of unpaid student tuition and fee charges of \$59,426 which is net of an allowance for doubtful accounts of \$22,423; receivables from primary government of \$226,874 and \$19,263 of miscellaneous receivables.

Accounts payable at June 30, 2023 consist of \$209,937 for funds applied to student accounts, \$4,186 to primary government, and other miscellaneous payments to vendors for supplies and services totaling \$157,759. Additionally, unclaimed property totaled \$568.

### **NOTE 4. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2023 was as follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deductions</b>	<b>Ending Balance</b>
Land	\$ 2,403,442	\$ -	\$ -	\$ 2,403,442
Buildings	24,115,698	1,113,219	(52,522)	25,176,395
Improvements	1,476,542	490,617	(1,322,222)	644,937
Equipment	5,644,325	506,655	(2,508,178)	3,642,802
Construction in Progress	18,087	-	(18,087)	-
Total	33,658,094	2,110,491	(3,901,009)	31,867,576
Less Accumulated Depreciation: Buildings, Improvements, and Equipment	(8,524,302)	(1,221,164)	1,771,759	(7,973,707)
Net Capital Assets	<u>\$ 25,133,792</u>	<u>\$ 889,327</u>	<u>\$(2,129,250)</u>	<u>\$ 23,893,869</u>

During the fiscal year ending June 30, 2023, the college wrote off capitalized equipment assets with a unit cost of less than \$5,000 as well as buildings and improvements of less than \$100,000 to comply with changes to the Utah System of Higher Education Board Policy R561. The value of the assets that were written off, less depreciation, resulted in \$1,131,345 in expenses related to policy change.

#### NOTE 5. NONCURRENT LIABILITIES

The following is a summary of the changes to the College's noncurrent liabilities during the fiscal year ended June 30, 2023.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Net Pension Liability	-	1,473,973	-	1,473,973
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$1,473,973</u>	<u>\$ -</u>	<u>\$ 1,473,973</u>

#### 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](http://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, 2023 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	19.84%

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, 2023 the employer and employee contributions to the Systems were as follows:

	<b>College Contributions</b>	<b>Employee Contributions</b>
Noncontributory System	\$ 182,840	N/A
Tier 2 Public Employees System	470,700	-
<b>Total Contributions</b>	<b>\$ 653,540</b>	<b>\$ -</b>

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, 2023, the College reported a net pension asset of \$0 and a net pension liability of \$1,473,973.

	<b>Net Pension Asset</b>	<b>Net Pension Liability</b>	<b>Proportionate Share Dec. 31, 2022</b>	<b>Proportionate Share Dec. 31, 2021</b>	<b>Change</b>
Noncontributory System	\$ -	\$ 1,371,172	0.0635015%	0.0597740%	0.0037275%
Tier 2 Public Employees System	-	102,801	0.0944085%	0.0878950%	0.0065135%
<b>Total Net Pension Asset/Liability</b>	<b>\$ -</b>	<b>\$ 1,473,973</b>			

The net pension asset and liability were measured as of December 31, 2022. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2022 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, 2023, the College recognized pension expense of \$656,062.

At June 30, 2023 the College reported deferred outflows of resources and deferred inflows of resources relating to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 273,407	\$ 4,079
Changes in assumptions	111,833	262
Net difference between projected and actual earnings on pension plan investments	277,082	-
Changes in proportion and differences between contributions and proportionate share of contributions	97,574	4,494
Contributions subsequent to the measurement date	358,972	-
<b>Total</b>	<b>\$ 1,118,868</b>	<b>\$ 8,835</b>

Of the amount reported as deferred outflows of resources related to pensions, \$358,972 resulted from contributions made by the College prior to its fiscal year end but subsequent to the measurement date of December 31, 2022.

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>
2023	\$ 78,464
2024	\$ 81,475
2025	\$ 118,544
2026	\$ 427,146
2027	\$ 9,177
Thereafter	\$ 36,255

The total pension liability in the December 31, 2022 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, 2022, valuation were based on an experience study of the demographic assumptions as of January 1, 2020, and a review of economic assumptions as of January 1, 2021.

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:

<b>Expected Return Arithmetic Basis</b>			
<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Real Return Arithmetic Basis</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
Equity Securities	35%	6.58%	2.30%
Debt Securities	20%	1.08%	0.22%
Real Assets	18%	5.72%	1.03%
Private Equity	12%	9.80%	1.18%
Absolute Return	15%	2.91%	0.44%
Cash and Cash Equivalents	0%	-0.11%	0.00%
<b>Totals</b>	<b>100%</b>		<b>5.17%</b>
		<u>Inflation</u>	<u>2.50%</u>
		<u>Expected Arithmetic Nominal Return</u>	<u>7.67%</u>

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 URS Board. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current, active, and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments, to determine the total pension liability. The discount rate does not use the Municipal Bond Index Rate.

The 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**

	<b>1% Decrease (5.85%)</b>	<b>Discount Rate (6.85%)</b>	<b>1% Increase (7.85%)</b>
Noncontributory System	\$ 3,427,105	\$ 1,371,172	\$ (349,182)
Tier 2 Public Employees System	449,183	102,801	(164,043)
Total	<u>\$ 3,876,288</u>	<u>\$ 1,473,973</u>	<u>\$ (513,225)</u>

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 0.18 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, 2023 were as follows:

**401(k) Plan**

Employer Contributions	\$ 337,809
Employee Contributions	107,153

**Roth IRA Plan**

Employer Contributions	N/A
Employee Contributions	30,133

**457 Plan**

Employer Contributions	-
Employee Contributions	18,565

**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

Maximum carryover is reviewed and adjusted each year at September 30<sup>th</sup>. 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 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, 2023, SWATC Foundation received \$283,780 in cash donations. The College will use \$94,300 for the Business and Innovation Center, \$14,779 for Automotive Equipment, and \$174,701 to provide educational scholarships for students. Additionally, the Foundation received \$26,800 for a Grant to benefit the HOPE Pantry at the College, and a \$25,000 grant to provide need based educational scholarships.

The following schedules present condensed financial statements of SWATC Foundation for the fiscal year ended June 30, 2023:

**SWATC Foundation**

**Condensed Statement of Net Position**  
As of June 30, 2023

	SWATC Foundation	Primary Government Eliminations	Total Net of Eliminations
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	\$ 1,093,789	\$ -	\$ 1,093,789
Accounts Receivable	-	-	-
<b>Total Assets</b>	<u>1,093,789</u>	<u>-</u>	<u>1,093,789</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payable to College	142,823	(142,823)	-
<b>Total Liabilities</b>	<u>142,823</u>	<u>(142,823)</u>	<u>-</u>
<b>NET POSITION</b>			
Unrestricted	950,966	142,823	1,093,789
<b>Total Net Position</b>	<u>\$ 950,966</u>	<u>\$ 142,823</u>	<u>\$ 1,093,789</u>

**SWATC Foundation****Condensed Statement of  
Revenues, Expenses, and Changes in Net Position  
For the Year Ended June 30, 2023**

	SWATC Foundation	Primary Government Eliminations	Total Net of Eliminations
<b>OPERATING REVENUES</b>			
Donations	\$ 391,425	\$ (54,846)	\$ 336,579
<b>Total Operating Revenues</b>	<u>391,425</u>	<u>(54,846)</u>	<u>336,579</u>
<b>OPERATING EXPENSES</b>			
Scholarships and Grants to STech	126,044	(126,044)	-
Other Operating Expenses	<u>72,765</u>	<u>(71,625)</u>	<u>1,140</u>
<b>Total Operating Expenses</b>	<u>198,809</u>	<u>(197,669)</u>	<u>1,140</u>
<b>Operating Income</b>	<u>192,616</u>	<u>142,823</u>	<u>335,439</u>
<b>NONOPERATING REVENUES</b>			
Interest Income	<u>19,495</u>	<u>-</u>	<u>19,495</u>
<b>Total Nonoperating Revenues</b>	<u>19,495</u>	<u>-</u>	<u>19,495</u>
<b>Increase in Net Position</b>	212,111	142,823	354,934
<b>NET POSITION</b>			
Net Position – Beginning of Year	738,855	-	738,855
Net Position – End of Year	<u>\$ 950,966</u>	<u>\$ 142,823</u>	<u>\$ 1,093,789</u>

**SWATC Foundation****Condensed Statement of Cash Flows  
For the Year Ended June 30, 2023**

	SWATC Foundation	Primary Government Eliminations	Total Net of Eliminations
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments for supplies and services	\$ (14,185)	\$ -	\$ (14,185)
Receipts from Donations	<u>335,580</u>	<u>-</u>	<u>335,580</u>
Net Cash Provided by Operating Activities	<u>321,395</u>	<u>-</u>	<u>321,395</u>
<b>Increase in Cash and Cash Equivalents</b>	321,395	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Receipt of Interest on Investments	<u>19,495</u>	<u>-</u>	<u>19,495</u>
Net Cash Provided by Investing Activities	19,495	-	19,495
<b>Net Increase in Cash and Cash Equivalents</b>	340,890	-	340,890
<b>CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR</b>	<u>752,899</u>	<u>-</u>	<u>752,899</u>
<b>CASH AND CASH EQUIVALENTS – END OF YEAR</b>	<u>\$ 1,093,789</u>	<u>\$ -</u>	<u>\$ 1,093,789</u>

# Required Supplementary Information

## 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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Noncontributory System</b>									
Proportion of Net Pension Liability (Asset)	0.0635015%	0.0597740%	0.0563159%	0.0530515%	0.0498148%	0.0506362%	0.0497084%	0.0437018%	0.0387199%
Proportionate Share of Net Pension Liability (Asset)	\$ 1,371,172	\$ (408,402)	\$ 750,760	\$ 1,178,646	\$ 1,853,368	\$ 1,238,238	\$ 1,611,008	\$ 1,372,799	\$ 972,849
Covered Payroll	\$ 889,947	\$ 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	154.07%	-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	91.60%	102.70%	94.30%	90.100%	84.100%	89.200%	84.90%	84.50%	87.20%
<b>Tier 2 Public Employees System</b>									
Proportion of Net Pension Liability (Asset)	0.0944085%	0.0878950%	0.0861278%	0.0821669%	0.0654277%	0.0557836%	0.0571463%	0.0561137%	0.0739018%
Proportionate Share of Net Pension Liability (Asset)	\$ 102,801	\$ (37,200)	\$ 12,388	\$ 18,480	\$ 28,021	\$ 4,918	\$ 6,375	\$ (122)	\$ (2,240)
Covered Payroll	\$ 2,057,988	\$ 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	5.00%	-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	92.30%	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.

## Schedule of Southwest Technical College's Defined Benefit Pension Contributions

### Noncontributory and Tier 2 Public Employees Systems of the Utah Retirement Systems

#### Last 10 Fiscal Years Ending June 30

##### *Noncontributory System*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial Determined Contributions	\$ 182,840	\$ 203,205	\$ 220,865	\$ 216,472	\$ 229,892	\$ 263,135	\$ 280,240	\$ 261,814	\$ 215,025	\$ 198,583
Contributions in relation to the contractually required contribution	(182,840)	(203,205)	(220,865)	(216,472)	(229,892)	(263,135)	(280,240)	(261,814)	(215,025)	(198,583)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 835,027	\$ 915,748	\$ 995,338	\$ 975,991	\$ 1,081,614	\$ 1,231,923	\$ 1,279,730	\$ 1,190,226	\$ 997,298	\$ 1,005,932
Contributions as a percentage of covered payroll	21.90%	22.19%	22.19%	22.18%	21.25%	21.36%	21.90%	22.00%	21.56%	19.74%

##### *Tier 2 Public Employees System \**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarial Determined Contributions	\$ 470,700	\$ 341,015	\$ 280,865	\$ 253,397	\$ 176,839	\$ 106,880	\$ 96,867	\$ 70,459	\$ 67,846	\$ 55,148
Contributions in relation to the contractually required contribution	(470,700)	(341,015)	(280,865)	(253,397)	(176,839)	(106,880)	(96,867)	(70,459)	(67,846)	(55,148)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,377,737	\$ 1,757,810	\$ 1,468,188	\$ 1,334,373	\$ 937,139	\$ 579,611	\$ 531,072	\$ 386,286	\$ 371,352	\$ 329,240
Contributions as a percentage of covered payroll	19.80%	19.40%	19.13%	18.99%	18.87%	18.44%	18.24%	18.24%	18.27%	16.75%

\* 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*

No changes were made in actuarial assumptions from the prior year's valuation.



# 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 (College), as of and for the year ended June 30, 2023, 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 5, 2024.

### 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

Salt Lake City, Utah

March 5, 2024