



OFFICE OF THE
UTAH STATE AUDITOR



◦ STATE OF UTAH ◦

Southwest Technical College

Annual Financial Report

For the year ended June 30, 2024



Report No. 24-37



Office of the Utah State Auditor

Audit Leadership:

Tina Cannon, State Auditor

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TINA M. CANNON
UTAH 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, 2024, 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 financial position of the College, as of June 30, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 24, 2025 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 24, 2025

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, 2024 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, 2024 and 2023:

Condensed Statement of Net Position

	June 30, 2024 Amount	June 30, 2023 Amount	Amount of Change	Percent Change
Assets				
Current Assets	\$ 9,126,791	\$ 8,539,580	\$ 587,211	6.9%
Noncurrent Assets				
Capital Assets, Net	23,925,618	23,893,869	31,749	.1%
Total Assets	33,052,409	32,433,449	618,960	1.9%
Deferred Outflows of Resources	1,212,430	1,118,868	93,562	8.4%
Liabilities				
Current Liabilities	712,883	707,294 *	5,589	.8%
Noncurrent Liabilities	1,741,511	1,636,778 *	104,733	6.4%
Total Liabilities	2,454,394	2,344,072	110,322	4.7%
Deferred Inflows of Resources	7,330	8,835	(1,505)	(17.0%)
Net Position				
Net Investment in Capital Assets	23,925,618	23,893,869	31,749	.1%
Restricted	1,310,839	1,277,477	33,362	2.6%
Unrestricted	6,566,658	6,028,065	538,593	8.9%
Total Net Position	\$ 31,803,115	\$ 31,199,411	\$ 603,704	1.9%

*Restated due to reclassifying Compensated Absences as a Noncurrent rather than Current Liability

Current Assets: Current Assets increased 6.9 percent at June 30, 2024 when compared to the prior year. The increase is primarily attributable to a \$739,089 or 9.1 percent increase in cash balances at year end compared to balances at June 30, 2023. During fiscal year 2024, cash received from interest in funds held in the PTIF was \$520,810, an increase of \$203,001 over the prior year. State appropriations increased by \$1,166,200 and receipts of Grants and Contracts increased by \$167,374 over the amounts

received in fiscal year 2023, which was partially offset by an increase in Salary and benefit payments of \$872,718 and an increase to Students and suppliers of \$214,920. Additionally, cash paid for capital assets increased by \$306,589. Accounts receivable due from Primary government decreased by \$154,858 primarily from an Educational Re-Engagement grant receivable of \$199,540 that we had outstanding at June 30, 2023, but not in 2024.

Noncurrent Assets: Significant Capital Asset additions in fiscal year 2024 include a \$294,632 Sidewalk and Waterway Improvement Project funded by the Division of Facilities and Construction Management (DFCM), a \$223,143 Health Professions and Trades Mechanical upgrades project, also funded by the DFCM, \$138,268 for a generator at the Kane Campus funded by the DFCM, \$256,840 for three new Trucks and two new trailers to be used in the CDL Program. Four new fleet vehicles were purchased as well as a vehicle for the President's use, total of \$176,064. Total additions of \$1,452,300 were offset by depreciation expense of \$1,412,874.

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, 2024 increased 0.8 percent when compared to June 30, 2023. This increase is attributable to offsetting increases and decreases discussed below:

- Accounts Payable decreased by \$18,918 compared to June 30, 2023. This decrease was primarily driven by a \$5,700 rise in operating payables and a \$24,700 decrease in student related payables. The increase in operating payables was primarily related to a training provider for Short Term Training and for Custom Fit training reimbursements that increased the payables by \$32,700. However, this growth was partially offset by a \$15,600 decrease in payables to Smithfield, as the contract with Smithfield was discontinued mid-year in fiscal year 2024. Additionally, there was a \$7,000 decrease in payables related to the purchasing card program.
- Accounts Payable to students and sponsors includes unused funds held for students with Pell funding and those sponsored by organizations such as the Department of Workforce Services, Vocational Rehabilitation Services, and Deseret Industries. This balance decreased by \$29,608, or 16.1 percent, primarily because a portion of the Educational Reengagement grant was awarded to students at the end of fiscal year 2023, whereas no similar grant distribution occurred at the end of fiscal year 2024.
- Accrued Payroll Expenses increased by \$35,752 or 13.3 percent compared to June 30, 2023. The increase is mostly due to the increase in personnel and salary amounts accrued in the final pay period of the fiscal year. Additionally, the retirement distribution and health insurance premiums that were accrued were larger than the prior year accrual.
- Unearned Revenue decreased by \$11,244 or 16.9 percent at the end of fiscal year 2024. This is mostly from a decrease in the number of students who registered and prepaid for future classes

before June 30, 2024. The number of students decreased from 354 students at the end of fiscal year 2023 to 157 students at the end of fiscal year 2024.

Noncurrent Liabilities: Noncurrent Liabilities increased by \$104,733 when comparing June 30, 2024 to June 30, 2023. The changes were due to a \$50,412 increase to the Net Pension Liability as well as a \$54,321 increase to Compensated Absences. Please see additional information in Note 6 in the Notes to the Financial Statements for the change to Net Pension Liability.

- Accrued Compensated Absences increased by \$54,321, or 33.4 percent, as of June 30, 2024, compared to June 30, 2023. This increase reflects a rise of 1,226 vacation hours, or 25.3 percent, carried over at the end of fiscal year 2024. The growth was driven by several factors: higher vacation balances among Director-level and above employees throughout the year, the addition of more full-time, benefit-eligible positions, and an overall increase in the average vacation hours carried over.

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, 2024 include \$111,487 restricted for automotive and other equipment, \$895,664 for scholarships and \$303,687 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, 2024 and 2023:

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

	Year Ended June 30, 2024 Amount	Year Ended June 30, 2023 Amount	Amount of Change	Percent Change
Operating Revenues	\$ 1,159,925	\$ 1,160,590	\$ (665)	(.1%)
Operating Expenses	(12,397,901)	(11,107,916)	(1,289,985)	11.6%
Operating Loss	(11,237,976)	(9,947,326)	(1,290,650)	13.0%
Nonoperating Revenues	11,144,563	10,099,829	1,044,734	10.3%
Other Revenues/(Expenses)	697,117	(398,101)	1,095,218	(275.1%)
Increase in Net Position	603,704	(245,598)	849,302	(345.8%)
Net Position – Beginning of Year	31,199,411	31,445,008	(245,597)	(.8%)
Net Position – End of Year	<u>\$ 31,803,115</u>	<u>\$ 31,199,411</u>	<u>\$ 603,704</u>	1.9%

The College experienced a net operating loss of \$11,237,976 during fiscal year 2024. 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, 2024 and 2023:

	Year Ended June 30, 2024 Amount	Percent of Total Revenue	Year Ended June 30, 2023 Amount	Amount of Change	Percent Change
Operating Revenues					
Student Tuition and Fees	\$ 673,238	5.2%	\$ 591,761	\$ 81,477	13.8%
Custom Fit Training Revenue	191,144	1.5%	276,421	(85,277)	-30.9%
Other Operating Revenues	295,543	2.3%	292,408	3,135	1.1%
Total Operating Revenues	1,159,925	8.9%	1,160,590	(665)	-0.1%
Nonoperating Revenues					
State Appropriations	9,214,300	70.9%	8,048,100	1,166,200	14.5%
Federal Grants and Contracts	617,182	4.7%	516,790	100,392	19.4%
Donations	142,991	1.1%	286,523	(143,532)	-50.1%
State and Local Grants and Contracts	649,280	5.0%	930,607	(281,327)	(30.2%)
Investment Income	520,810	4.0%	317,809	203,001	63.9%
Total Nonoperating Revenues	11,144,563	85.7%	10,099,829	1,044,734	10.3%
Other Revenues/(Expenses)					
Capital Appropriations	657,142	5.1%	723,800	(66,658)	-9.2%
Sale of Capital Assets	28,150	.2%	(1,556)	29,706	(1909.1%)
Expenses Related to Policy Change	-	.0%	(1,131,345)	1,131,345	0.0%
Facilities Rent	11,825	.1%	11,000	825	7.5%
Total Other Revenues	697,117	5.4%	(398,101)	1,095,218	(275.1%)
Total Revenues	\$13,001,605	100.0%	\$10,862,318	\$ 2,139,287	19.7%

Operating Revenues. Operating Revenues include tuition and fees, bookstore and culinary sales, and Custom Fit training revenue. Student Tuition and Fees revenue increased by \$81,477 or 13.8 percent. The tuition and fee structure was completely changed between fiscal years 2023 and 2024. Because of the change from membership hours to credit hours, Southwest Technical College used a new credit-based tuition rate (rather than the membership hour tuition rate that was used in 2023). Because of the new tuition rate, the college also restructured its fee schedule to decrease fees, hoping to remain revenue neutral. Total headcount and FTE were 2,356 and 425.9, respectively, in fiscal year 2024 compared to 2,488 and 468.2, respectively, in fiscal year 2023. This is a decrease of 5.3 percent in headcount and 9.0 percent in FTE. Although the college saw a slight decrease in enrollment in fiscal

year 2024, the restructure of fees combined with the reduction in tuition allowance allowed tuition and fees revenues to increase during the fiscal year.

The tuition and fees allowance of \$613,095 and \$674,736 for fiscal years 2024 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 decrease between fiscal years 2023 and 2024, however, was mostly due to a decrease in Educational Reengagement Scholarships of \$139,498, and a decrease in Custom Fit training provided by employers of \$42,712. There was an offsetting increase to Donor scholarships of \$71,861, an increase in awards through Learn & Work of \$14,089, an increase in Utah Works awards of \$12,185, and an increase to net PELL grants of \$12,903.

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. Because of some medical leave and turnover of the Custom Fit staff, the offering of Custom Fit training that is covered by the employer decreased during fiscal year 2024 by \$85,277.

Other Operating Revenues include bookstore sales of \$211,998 and Culinary Sales of \$78,381 in fiscal year 2024 compared to \$222,034 and \$59,670, respectively, in the prior year. The Southwest Café which prepares and serves upscale restaurant cuisine increased number of days the Café was open during fiscal year 2024 which resulted in an increase in revenue of \$18,711. The increase in revenue from the Café was offset by a decrease in Bookstore Revenue of \$10,036 or 4.5 percent and a decrease in Miscellaneous Income of \$5,540.

Nonoperating revenues. Nonoperating Revenues increased by \$1,044,734 or 10.3 percent, in fiscal year 2024 as a result of several factors, the most significant of which was a \$1,166,200 increase in State Appropriations allocated to the college.

Other notable changes in Nonoperating Revenues include the following:

- In fiscal year 2024, the College received \$142,991 in donations. The amount of donations decreased by \$143,532 during fiscal year 2024.
- Federal Grants and Contracts increased by \$100,392 or 19.4 percent. Most of the increase was from an increase in PELL grants for Southwest Tech students. As the college converted from clock hour to credit hour, our students were eligible for more funding under the credit hour model which helped increase the federal grants and contracts revenue. Additionally, the Department of Education increased the maximum amount that students are eligible for. Overall, students qualified for more PELL funding per student than in the prior year.

- State and Local grant revenue decreased by \$281,327 or 30.2 percent in fiscal year 2024. This is primarily because the college reclassified Custom Fit funds into State Appropriations. Additionally, the college received two new grants during the fiscal year. Healthcare Targeted Workforce Development Grant of \$304K as well as a Healthcare Equipment grant of \$60K. The new grant funding was offset by a decrease in Utah Works funding of \$98K as well as a \$189K decrease in Educational Reengagement.
- 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 2024, interest rates climbed, and resulted in interest earned from PTIF increasing by \$203,001 compared to interest earned in fiscal year 2023.

Other Revenues/(Expenses). Other Revenues in fiscal year 2024 included capital appropriations of \$657,142 for Sidewalk Paving and Waterway Improvements at the Automotive and Technology building as well as replacing the swamp coolers in our Welding, Automation Technology, EMT and Paramedic labs and classrooms with Central Air-conditioning. Additionally, a generator was installed at our Kane County Campus. This is a slight decrease of \$66,658 in appropriation from fiscal year 2023. The Expense Related to Policy Change occurred in fiscal year 2023 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 was an expense of \$1,131,345 in fiscal year 2023. The college did not have an Expenses related to Policy Change during fiscal year 2024. There was an increase in sale of assets in fiscal year 2024 because we had more assets that were sold during the fiscal year. Finally, the college had \$11,825 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, 2024 and 2023:

	Year Ended June 30, 2024 Amount	Percent of Total Expense	Year Ended June 30, 2023 Amount	Amount of Change	Percent Change
Operating Expenses					
Salaries and Wages	\$ 5,259,263	42.4%	\$ 4,521,201	\$ 738,062	16.3%
Employee Benefits	1,293,918	10.4%	1,136,003	157,915	13.9%
Actuarial Calculated Pension Expense	757,256	6.1%	656,062	101,194	15.4%
Depreciation	1,412,874	11.4%	1,221,164	191,710	15.7%
Other Operating Expenses	3,674,590	29.6%	3,573,486	101,104	2.8%
Total Operating Expenses	\$ 12,397,901	100.0%	\$ 11,107,916	\$ 1,289,985	11.6%

Salaries and Wages were 42.4 percent of total operating costs in 2024 and increased \$738,062, or 16.3 percent, over the prior year, with Employee Benefits increasing \$157,915, or 13.9 percent. Fiscal year 2024 personnel changes that contributed to the increase in Salaries and Wages and Employee Benefits was the increase from an average of 64 full time benefit eligible employees during fiscal year 2023 to an average of 69 full time benefit eligible employees during fiscal year 2024. Additionally, there was a 25.5 percent increase in part-time staff and faculty headcount. Also included in the increase was an 8.75 percent labor market compensation increase for faculty and staff. Health Insurance premiums increased 2.8 percent during fiscal year 2024. 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 \$101,194. This was a non-cash transaction created from the changes in the Deferred Inflows relating to Pensions, Deferred Outflows relating to Pensions, Net Pension Asset, and Net Pension Liability relating to the URS Pension plan. The entry is required by GASB 68 and GASB 71. Please see Note 6 for more information.

Depreciation increased \$191,710, or 15.7 percent in fiscal year 2024 attributable to the increase in capitalized assets. 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 \$101,104 or 2.8 percent, in fiscal year 2024 and was 29.6 percent of operating expenses. The net increase is attributable to various offsetting fluctuations. Notable changes in Other Operating Expenses in fiscal year 2024 included the following:

- Purchased services decreased by \$122,655 or 16.5 percent during fiscal year 2024. This was due to partly to the discontinuation of our contract with Smithfield which accounted for \$79K of the decrease. Additionally, there was a \$99K decrease in Custom Fit Training. These items were offset by an increase in Purchased services of \$56K. This was from an increase in services through Blueprint Creation as well as a landscape job and a feasibility study that the college had done by Method Studio.
- Scholarship expenses increased by \$80,218 in fiscal year 2024 primarily due to the increase in PELL disbursements to students.
- Instructional supplies increased by \$23K during fiscal year 2024 mostly from a new program that was started, Surgical Technician.
- Advertising and Marketing expense increased by \$149K. We increased our marketing efforts by increasing mailings, SWAG, and paying for a billboard. Additionally, we wrapped two new semi-trucks for our CDL program.
- Seed funding in the Innovation Center increased by over \$30K during fiscal year 2024. Seed funding is given to business start-ups to help get a new business up and going. The funding is provided from grants, mostly from Iron County, but also gifts given by donors in the community. Additionally, the Innovation Center gave out prizes for the annual Make-a-thon contest, which accounted for a \$5K increase.

- There was a \$42,400 increase in computer equipment purchased in fiscal year 2024. This was mostly due to the replacement of many of the Chromebooks available for student use.
- There was an increase in travel and professional development expenses of \$29,500 between fiscal years 2023 and 2024. There was an increase in out of state traveling.
- A decrease in spending between 2023 and 2024 for Building Repairs and Supplies of about \$160K offset many of the increases in expense. The decrease was primarily due to the decrease in corrective maintenance projects that were done in fiscal year 2023. These projects in 2023 included updating the concrete for our crosswalk, fencing and gate at the A&T building, epoxy flooring in the EMT bay, new carpet throughout the health professions and trades building, an intercom expansion, and a rekey of the health professions and trades building.
- Vehicle repairs and maintenance expenses increased by \$25,300 in fiscal year 2024. This was due to a larger than usual frequency of repairs of the CDL trucks. The college invested in two new trucks by the end of the fiscal year hoping to save maintenance costs, but more importantly save student and instructor time dealing with truck repairs.
- Insurance costs from the Utah Department of Risk Management went up by \$11,400 in fiscal year 2024.
- The college moved to Zoom for Telephone service which increased Telephone cost in fiscal year 2024 by almost \$15,000.
- Spending for Meetings, luncheons and receptions increased between fiscal year 2023 and 2024 by \$15,500. These expenditures were mostly because of the increased cost of the venue for the College's opening retreat as well as more spending to increase employee satisfaction. In addition, Marketing increased the events for students at the college.

Economic Overview and Outlook

Southwest Technical College serves as a critical driver of workforce development and technical education in Iron, Beaver, Kane, and Garfield counties. The economic landscape of the region significantly influences the institution's operations, enrollment trends, and funding sources. The College's financial stability is closely tied to state appropriations which are impacted by the broader economic conditions of Southern Utah and the state at large.

Iron County as well as the surrounding counties have experienced steady economic growth, supported by a diverse mix of industries, including tourism, healthcare, construction, manufacturing, and education. The region benefits from its proximity to major interstate highways and a growing population base, contributing to increased demand for skilled workers. The unemployment rate in Iron County has remained relatively low, reflecting strong job creation and a stable labor market.

Utah's economy continues to outperform national averages in employment growth, GDP expansion, and business development. The state maintains a strong fiscal position, with conservative budgeting practices and a diversified economic base that mitigates the risks of economic downturns. Continued

investment in infrastructure, education, and workforce training programs signals strong support for institutions like Southwest Tech. However, inflationary pressures, rising costs of goods and services, and housing affordability issues remain concerns for students and their families.

Although enrollments dipped slightly in fiscal year 2024, Southwest Tech is well-positioned to adapt to evolving economic conditions and workforce demands. Continued population growth in Southern Utah, coupled with the state's investment in technical education, presents opportunities for enrollment expansion and program development. The College remains focused on enhancing student access, affordability, and completion rates to ensure a skilled workforce that meets the region's economic needs. While potential risks such as economic downturns or shifts in state funding policies remain, the College's proactive approach to financial planning and workforce alignment provides a strong foundation for sustained success.

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, 2024

ASSETS	
Current Assets	
Cash and Cash Equivalents (Notes 1 and 2)	\$ 8,842,708
Accounts Receivable	
Due from Primary Government	69,946
Other (Note 3)	44,726
Prepaid Expenses	91,731
Inventories (Note 1)	77,680
Total Current Assets	<u>9,126,791</u>
Noncurrent Assets (Notes 1 and 4)	
Land	2,403,442
Buildings	25,537,805
Improvements	939,568
Equipment	4,393,335
Construction in Progress	-
Less Accumulated Depreciation	(9,348,532)
Total Noncurrent Assets	<u>23,925,618</u>
Total Assets	<u>33,052,409</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows Relating to Pensions (Notes 1 and 6)	<u>1,212,430</u>
Total Deferred Outflows of Resources	<u>1,212,430</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	
Due to Primary Government	5,030
Other (Note 3)	348,501
Accrued Payroll Expenses	304,148
Unearned Revenue	55,204
Total Current Liabilities	<u>712,883</u>
Noncurrent Liabilities	
Accrued Compensated Absences	217,126
Net Pension Liability (Notes 5 and 6)	1,524,385
Total Noncurrent Liabilities	<u>1,741,511</u>
Total Liabilities	<u>2,454,394</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows Relating to Pensions (Notes 1 and 6)	<u>7,330</u>
Total Deferred Inflows of Resources	<u>7,330</u>
NET POSITION	
Net Investment in Capital Assets	23,925,618
Restricted:	
Capital Projects or Equipment	111,487
Scholarships	895,664
Contracts and Grants	303,688
Unrestricted	6,566,658
Total Net Position	<u>\$ 31,803,115</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, 2024

OPERATING REVENUES (Note 1)	
Student Tuition and Fees (Net of Scholarship Allowance of \$613,095)	\$ 673,238
Custom Fit Training Revenue	191,144
Other Operating Revenues	<u>295,543</u>
Total Operating Revenues	<u>1,159,925</u>
OPERATING EXPENSES (Note 1)	
Salaries and Wages	\$ 5,259,263
Employee Benefits	1,293,918
Actuarial Calculated Pension Expense (Note 6)	757,256
Purchased Services	619,431
Other Operating Expenses	2,692,994
Scholarship Expense	362,165
Depreciation	<u>1,412,874</u>
Total Operating Expenses	<u>12,397,901</u>
Operating Loss	(11,237,976)
NONOPERATING REVENUES	
State Appropriations	9,214,300
Federal Grants and Contracts	617,182
Donations	142,991
State and Local Grants and Contracts	649,280
Investment Income	<u>520,810</u>
Total Nonoperating Revenues	<u>11,144,563</u>
OTHER REVENUES/(EXPENSES)	
Capital Appropriations	657,142
Capital Gifts/Grants	-
Gain/(Loss) on sale of Capital Assets (Note 4)	28,150
Facilities Rent	<u>11,825</u>
Total Other Revenues	<u>697,117</u>
Increase in Net Position	603,704
NET POSITION	
Net Position – Beginning of Year	<u>31,199,411</u>
Net Position – End of Year	<u>\$ 31,803,115</u>

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

Statement of Cash Flows

For the Year Ended June 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Tuition and Fees	\$ 670,667
Receipts from Other Revenue Sources	289,696
Receipts from Custom Fit Training Revenue	191,144
Payments for Salaries and Benefits	(7,265,019)
Payments to Students and Suppliers	(3,703,022)
Net Cash Used by Operating Activities	<u>(9,816,534)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State Appropriations	9,214,300
Nonoperating Grants and Contracts	1,425,039
Facilities Rent	11,825
Donations	142,991
Net Cash Provided by Noncapital Financing Activities	<u>10,794,155</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(795,158)
Capital Gifts	-
Cash receipts from sale of assets	35,827
Payments for Capital Leases	-
Net Cash Used by Capital and Related Financing Activities	<u>(759,331)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipt of Interest on Investments	520,810
Net Cash Provided by Investing Activities	<u>520,810</u>
Net Increase in Cash and Cash Equivalents	739,100
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>8,103,608</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 8,842,708</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Loss	\$ (11,237,976)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense and Noncapital Improvements	1,412,874
Difference between Actuarial Calculated Pension Expense and Actual Contributions	(44,655)
Changes in Assets and Liabilities	
Accounts Receivable	32,314
Inventories	(4,197)
Prepaid Expenses	(34,805)
Accounts Payable	(18,919)
Accrued Payroll and Benefits	90,073
Unearned Revenue	(11,243)
Net Cash Used by Operating Activities	<u>\$ (9,816,534)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:	
Donated Equipment and Materials	3,000
Completed construction project transferred from State of Utah	657,142
Total noncash investing, capital and financing activities	<u>\$ 660,142</u>

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

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 year 2024.

The recording of Subscription-Based Information Technology Arrangements in accordance with GASB 96 was deemed by administration to be immaterial to the financial statements during fiscal year 2024.

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, 2024, the College's bank balance of \$183,177 was insured by the FDIC. Additionally, as of June 30, 2024, the Foundation's bank balance of \$89,003 was insured by the FDIC.

Investments

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

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

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

Fair Value Investments

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

- *Level 1:* Quoted prices for 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, 2024 fair value factor, as calculated by the Utah State Treasurer, to the College's June 30, 2024 balance in the PTIF. On June 30, 2024, the College had investments of \$7,578,743 and SWATC Foundation had investments of \$1,069,623 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, 2024 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, 2024 consist of unpaid student tuition and fee charges of \$42,034 which is net of an allowance for doubtful accounts of \$27,526; receivables from primary government of \$69,946 and \$5,773 of miscellaneous receivables.

Accounts payable at June 30, 2024 consist of \$180,329 for funds applied to student accounts, \$5,030 to primary government, and other miscellaneous payments to vendors for supplies and services totaling \$162,931. Additionally, unclaimed property totaled \$5,241.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2024 was as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	\$ 2,403,442	\$ -	\$ -	\$ 2,403,442
Buildings	25,176,395	361,410	-	25,537,805
Improvements	644,937	294,631	-	939,568
Equipment	3,642,802	796,258	(45,725)	4,393,335
Construction in Progress	-	-	-	-
Total	31,867,576	1,452,299	(45,725)	33,274,150
Less Accumulated Depreciation:				
Buildings, Improvements, and Equipment	(7,973,707)	(1,412,874)	38,049	(9,348,532)
Net Capital Assets	<u>\$ 23,893,869</u>	<u>\$ 39,425</u>	<u>\$ (7,676)</u>	<u>\$ 23,925,618</u>

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, 2024.

	Beginning			Ending	Current
	Balance	Additions	Reductions	Balance	Portion Due
					Within One
					Year
Compensated Absences	162,805	70,003	(15,682)	217,126	-
Net Pension Liability	1,473,973	53,454	(3,042)	1,524,385	-
Total Noncurrent Liabilities	<u>\$ 1,636,778</u>	<u>\$ 123,457</u>	<u>\$ (18,724)</u>	<u>\$ 1,741,511</u>	<u>\$ -</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.

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, 2024 are as follows:

	Paid by College for Employee	College Contribution Rates
Noncontributory System	N/A	22.19%
Public Employees System Tier 2	N/A	19.84%

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, 2024 the employer and employee contributions to the Systems were as follows:

	College Contributions	Employee Contributions
Noncontributory System	\$ 170,585	N/A
Tier 2 Public Employees System	526,366	-
Total Contributions	\$ 696,951	\$ -

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, 2024, the College reported a net pension asset of \$0 and a net pension liability of \$1,524,385.

	Net Pension Asset	Net Pension Liability	Proportionate Share Dec. 31, 2023	Proportionate Share Dec. 31, 2022	Change
Noncontributory System	\$ -	\$ 1,334,899	0.0651492%	0.0635015%	0.0016477%
Tier 2 Public Employees System	-	189,487	0.0973534%	0.0944085%	0.0029449%
Total Net Pension Asset/Liability	\$ -	\$ 1,524,386			

The net pension asset and liability were measured as of December 31, 2023. The total pension liability used to calculate the net pension asset and liability was determined by an actuarial valuation as of January 1, 2023 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, 2024, the College recognized pension expense of \$757,256.

At June 30, 2024 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	\$ 320,562	\$ 3,103
Changes in assumptions	236,444	150
Net difference between projected and actual earnings on pension plan investments	191,104	-
Changes in proportion and differences between contributions and proportionate share of contributions	63,735	4,076
Contributions subsequent to the measurement date	400,585	-
Total	\$ 1,212,431	\$ 7,329

Of the amount reported as deferred outflows of resources related to pensions, \$400,585 resulted from contributions made by the College prior to its fiscal year end but subsequent to the measurement date of December 31, 2023.

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>
2024	\$ 190,376
2025	\$ 191,799
2026	\$ 371,610
2027	\$ (57,349)
2028	\$ 19,710
Thereafter	\$ 88,371

The total pension liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Salary Increases	3.5 – 9.5 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, 2023. The retired mortality tables are developed using URS retiree experience and are based upon gender, occupation, and age as appropriate with projected improvement using the ultimate rates from the MP-2020 improvement scale 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, 2023, valuation were based on the results of an actuarial experience study for the period ending December 31, 2022. Changes include updates to the mortality improvement assumption, salary increase assumption, disability incidence assumption, assumed retirement rates, and assumed termination rates.

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

Expected Return Arithmetic Basis			
Asset Class	Target Asset Allocation	Real Return Arithmetic Basis	Long-Term Expected Portfolio Real Rate of Return
Equity Securities	35%	6.87%	2.40%
Debt Securities	20%	1.54%	0.31%
Real Assets	18%	5.43%	0.98%
Private Equity	12%	9.80%	1.18%
Absolute Return	15%	3.86%	0.58%
Cash and Cash Equivalents	0%	0.24%	0.00%
Totals	100%		5.45%
	Inflation		2.50%
	Expected Arithmetic Nominal Return		7.95%

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 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 1.00 percentage point lower (5.85 percent) or 1.00 percentage point higher (7.85 percent) than the current rate:

	Proportionate Share of Net Pension (Asset) / Liability		
	1% Decrease ▼ (5.85%)	Discount Rate ▼ (6.85%)	1% Increase ▼ (7.85%)
Noncontributory System	\$ 3,538,021	\$ 1,334,899	\$ (511,830)
Tier 2 Public Employees System	651,049	189,487	(168,455)
Total	<u>\$ 4,189,071</u>	<u>\$ 1,524,385</u>	<u>\$ (680,285)</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 Systems Board and are generally supplemental plans to the basic retirement benefits of the Retirement Systems, but may also be used as a primary retirement plan. These plans are voluntary tax-advantaged retirement savings programs authorized under sections 401(k), 457(b) and 408 of the Internal Revenue Code. Detailed information regarding plan provisions is available in the separately issued URS 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. For the fiscal year ended June 30, 2024, the College and its employees contributed \$106,225 and \$0 to the Tier 2 DC plan, respectively.

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
- 457 Plan
- Roth IRA Plan
- Traditional IRA Plan

Employee and employer contributions to the Systems' Defined Contribution Savings Plans for fiscal year ended June 30, 2024 were as follows:

401(k) Plan

Employer Contributions \$ 400,799

Employee Contributions 109,604

457 Plan

Employer Contributions -

Employee Contributions 14,644

Roth IRA Plan

Employer Contributions N/A

Employee Contributions 38,406

Traditional IRA

Employer Contributions N/A

Employee Contributions 825

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 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 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, 2024, SWATC Foundation received \$135,325 in cash donations. The College will use \$18,700 for the Business and Innovation Center and \$116,625 to provide educational scholarships for students. Additionally, the Foundation received \$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, 2024:

SWATC Foundation

Condensed Statement of Net Position As of June 30, 2024

	SWATC Foundation	Primary Government Eliminations	Total Net of Eliminations
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,158,626	\$ -	\$ 1,158,626
Accounts Receivable	-	-	-
Total Assets	<u>1,158,626</u>	<u>-</u>	<u>1,158,626</u>
LIABILITIES			
Current Liabilities			
Payable to College	189,576	(189,576)	-
Total Liabilities	<u>189,576</u>	<u>(189,576)</u>	<u>-</u>
NET POSITION			
Restricted			
Unrestricted	969,050	189,576	1,158,626
Total Net Position	<u>\$ 969,050</u>	<u>\$ 189,576</u>	<u>\$ 1,158,626</u>

SWATC Foundation**Condensed Statement of
Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2024**

	SWATC Foundation	Primary Government Eliminations	Total Net of Eliminations
OPERATING REVENUES			
Donations	\$ 233,886	\$ (67,561)	\$ 166,325
Total Operating Revenues	<u>233,886</u>	<u>(67,561)</u>	<u>166,325</u>
OPERATING EXPENSES			
Scholarships and Grants to STech	186,060	(186,060)	-
Other Operating Expenses	72,105	(71,077)	1,028
Total Operating Expenses	<u>258,165</u>	<u>(257,137)</u>	<u>1,028</u>
Operating Income	<u>(24,279)</u>	<u>189,576</u>	<u>165,297</u>
NONOPERATING REVENUES			
Interest Income	42,363	-	42,363
Total Nonoperating Revenues	<u>42,363</u>	<u>-</u>	<u>42,363</u>
Increase in Net Position	18,084	189,576	207,660
NET POSITION			
Net Position – Beginning of Year	950,966	-	950,966
Net Position – End of Year	<u>\$ 969,050</u>	<u>\$ 189,576</u>	<u>\$ 1,158,626</u>

SWATC Foundation**Condensed Statement of Cash Flows
For the Year Ended June 30, 2024**

	SWATC Foundation	Primary Government Eliminations	Total Net of Eliminations
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments for supplies and services	\$ (142,851)	\$ -	\$ (142,851)
Receipts from Donations	165,325	-	165,325
Net Cash Provided by Operating Activities	<u>22,474</u>	<u>-</u>	<u>22,474</u>
Increase in Cash and Cash Equivalents	22,474	-	
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt of Interest on Investments	42,363	-	42,363
Net Cash Provided by Investing Activities	<u>42,363</u>	<u>-</u>	<u>42,363</u>
Net Increase in Cash and Cash Equivalents	64,837	-	64,837
CASH AND CASH EQUIVALENTS – BEGINNING OF YEAR	<u>1,093,789</u>	<u>-</u>	<u>1,093,789</u>
CASH AND CASH EQUIVALENTS – END OF YEAR	<u>\$ 1,158,626</u>	<u>\$ -</u>	<u>\$ 1,158,626</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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Noncontributory System										
Proportion of Net Pension Liability (Asset)	0.0651492%	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)	\$ 1,334,899	\$ 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	\$ 801,756	\$ 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	166.50%	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	92.49%	91.60%	102.70%	94.30%	90.100%	84.100%	89.200%	84.90%	84.50%	87.20%
Tier 2 Public Employees System										
Proportion of Net Pension Liability (Asset)	0.0973534%	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)	\$ 189,487	\$ 102,801	\$ (37,200)	\$ 12,388	\$ 18,480	\$ 28,021	\$ 4,918	\$ 6,375	\$ (122)	\$ (2,240)
Covered Payroll	\$ 2,522,504	\$ 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	7.51%	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	89.58%	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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial Determined Contributions	\$ 170,585	\$ 182,840	\$ 203,205	\$ 220,865	\$ 216,472	\$ 229,892	\$ 263,135	\$ 280,240	\$ 261,814	\$ 215,025
Contributions in relation to the contractually required contribution	(170,585)	(182,840)	(203,205)	(220,865)	(216,472)	(229,892)	(263,135)	(280,240)	(261,814)	(215,025)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 784,985	\$ 835,027	\$ 915,748	\$ 995,338	\$ 975,991	\$ 1,081,614	\$ 1,231,923	\$ 1,279,730	\$ 1,190,226	\$ 997,298
Contributions as a percentage of covered payroll	21.73%	21.90%	22.19%	22.19%	22.18%	21.25%	21.36%	21.90%	22.00%	21.56%

*Tier 2 Public Employees System **

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarial Determined Contributions	\$ 526,366	\$ 470,700	\$ 341,015	\$ 280,865	\$ 253,397	\$ 176,839	\$ 106,880	\$ 96,867	\$ 70,459	\$ 67,846
Contributions in relation to the contractually required contribution	(526,366)	(470,700)	(341,015)	(280,865)	(253,397)	(176,839)	(106,880)	(96,867)	(70,459)	(67,846)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 2,655,204	\$ 2,377,737	\$ 1,757,810	\$ 1,468,188	\$ 1,334,373	\$ 937,139	\$ 579,611	\$ 531,072	\$ 386,286	\$ 371,352
Contributions as a percentage of covered payroll	19.82%	19.80%	19.40%	19.13%	18.99%	18.87%	18.44%	18.24%	18.24%	18.27%

* 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.



TINA M. CANNON
UTAH 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 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, 2024, 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 24, 2025.

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.

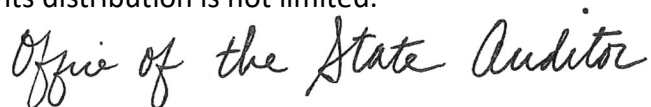
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 24, 2025