

**AUDIT REPORT
OF
SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
FENNIMORE, WISCONSIN**

JUNE 30, 2008

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JUNE 30, 2008**

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Southwest Wisconsin Technical College (SWTC) Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of financial activity, identifies changes in financial positions, and assists the reader of these financial statements in focusing on noteworthy financial issues.

Southwest Wisconsin Technical College provides lifelong learning opportunities with an individualized focus for students and communities.

The financial resources of the College are applied to activities that support meeting the goals of the College's mission. The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

This annual report consists of a series of financial statements, prepared in accordance with generally accepted accounting principles, as stated in the Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and Statement 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public College and Universities.

Financial Highlights for the Fiscal Year Ending June 30, 2008

- Received 30 federal, state, or local grants totaling \$1.47 million.
- Updated official statement for borrowing and maintained Moody's "A-1" rating.
- Borrowed \$1,800,000 at a 4.0 percent interest rate
- Continued participation in the Districts Mutual Insurance (DMI), the insurance company formed by the colleges in the Wisconsin Technical College System.
- Increased purchase card activity level to 9 percent of non-wage disbursements which represents a 43 percent reduction in Accounts Payable checks.
- Increased the use of payroll direct deposit bringing total usage to 100 percent.
- Disbursed student financial aid totaling over \$2,009,000 in grants, \$2,492,000 in loans, and \$63,000 in college work study earnings.

Statement of Revenues, Expenses, and Changes in Net Assets

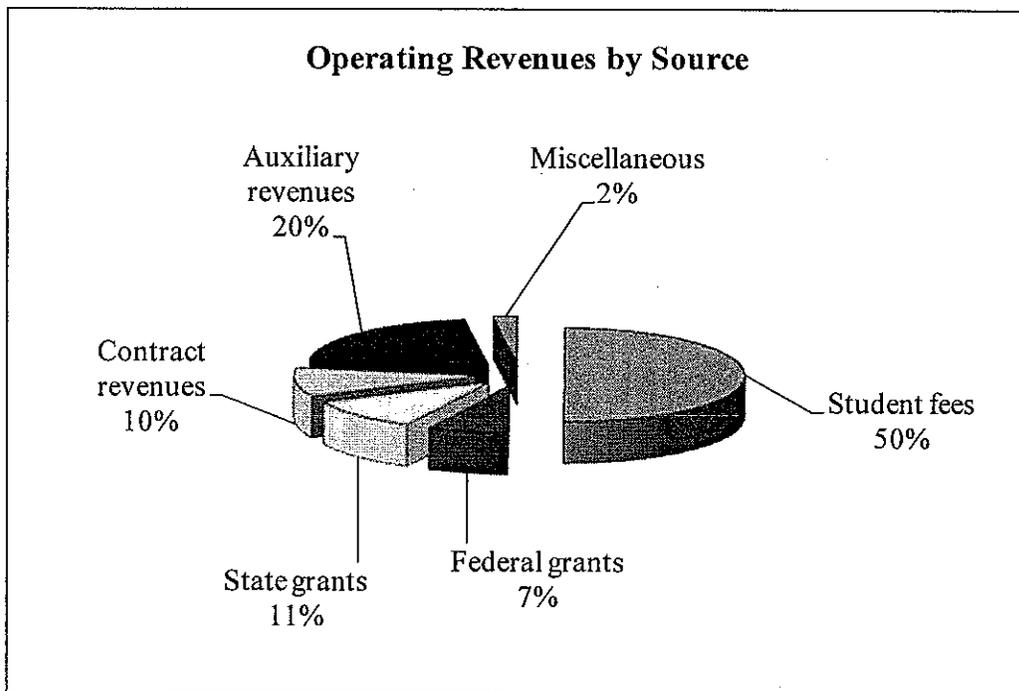
The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. In general, a public college such as SWTC will report an operating deficit or loss, as the financial reporting model classifies state appropriations and property taxes as non-operating revenues. The utilization of capital assets is reflected in the financial statements as depreciation which amortizes the cost of an asset over its expected useful life.

The following is a condensed version of the Statement of Revenues, Expenses, and Changes in Net Assets:

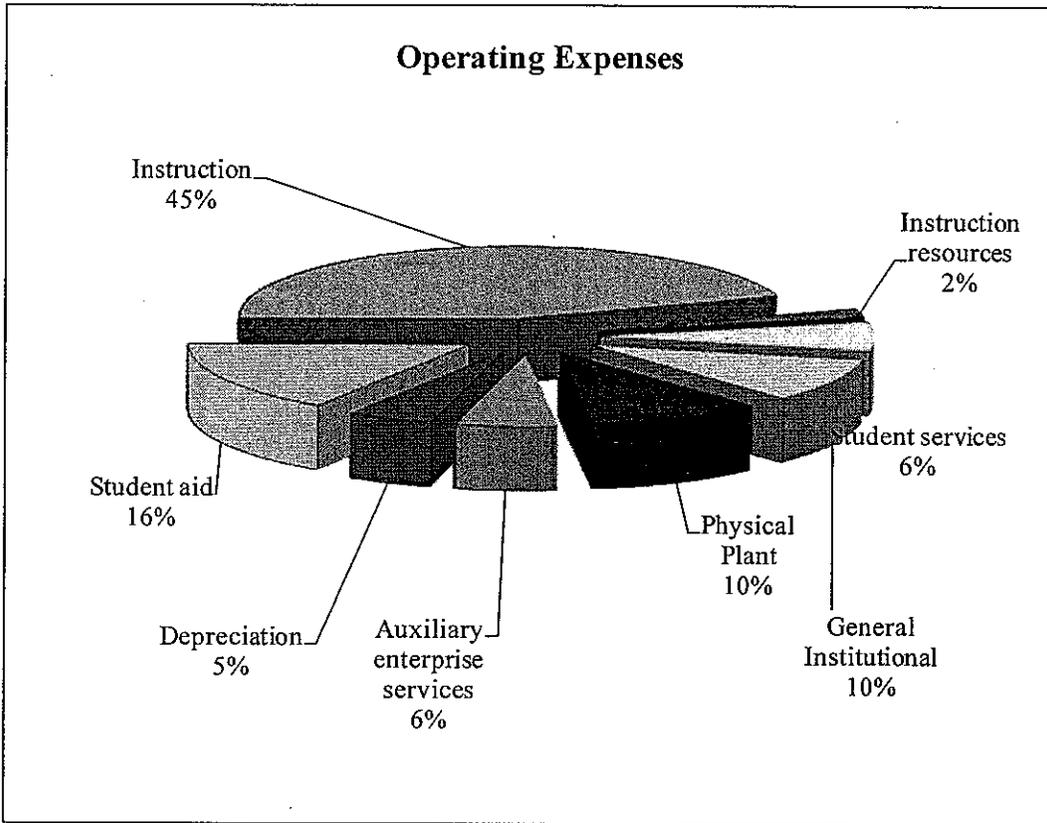
	2008	2007	Increase or (Decrease)	
			\$	%
Operating Revenue				
Student fees	\$ 4,188,094	\$ 3,698,935	\$ 489,159	13.2
Federal grants	596,851	854,906	(258,055)	(30.2)
State grants	886,037	892,010	(5,973)	(0.7)
Contract revenues	813,004	591,173	221,831	37.5
Auxiliary revenues	1,695,450	1,455,900	239,550	16.5
Miscellaneous	174,990	188,229	(13,239)	(7.0)
Total Operating Revenues	<u>8,354,426</u>	<u>7,681,153</u>	<u>673,273</u>	<u>8.8</u>
Operating Expenses				
Instruction	12,536,143	13,254,392	(718,249)	(5.4)
Instructional resources	552,096	544,757	7,339	1.3
Student services	1,824,317	1,716,654	107,663	6.3
General Institutional	2,751,860	2,595,765	156,095	6.0
Physical Plant	2,902,382	2,805,883	96,499	3.4
Auxiliary enterprise services	1,662,205	1,452,354	209,851	14.4
Depreciation	1,419,041	1,532,795	(113,754)	(7.4)
Student aid	4,501,925	3,506,252	995,673	28.4
Total operating expenses	<u>28,149,969</u>	<u>27,408,852</u>	<u>741,117</u>	<u>2.7</u>
	2008	2007	Increase or (Decrease)	
			\$	%
Non-operating revenues (expenses)				
Property taxes	12,173,294	11,590,959	582,335	5.0
State Appropriations and Other Grants	8,287,866	6,747,029	1,540,837	22.8
Investment income	280,967	432,623	(151,656)	(35.1)
Interest expense	(249,950)	(241,660)	(8,290)	3.4
Total non-operating revenues	<u>20,492,177</u>	<u>18,528,951</u>	<u>1,963,226</u>	<u>10.6</u>
Increase/(decrease) in Net Assets	696,634	(1,198,748)	\$ <u>1,895,382</u>	
Net assets - beginning of year	10,975,975	12,174,723		
Net assets - end of year	<u>11,672,609</u>	<u>10,975,975</u>		

Some of the most noteworthy results of operations for the current year are reflected below:

- Operating revenues are the charges for services offered by the College. During 2008, the College generated approximately \$8.4 million of operating revenue for the offering of services. Significant items and revenue sources are as follows:
 - ✓ Tuition and fee income was strong in fiscal 2007-08 due to an increase in tuition rates of approximately 5.4%. Total revenue from program, material, and other student fees exceeded \$4.1 million.
 - ✓ Nearly \$1.5 million in operating revenue from state and federal grants was earned by the College during the year. This figure is indicative of the continued efforts of the College to seek out new sources of revenue.
 - ✓ Contract revenues were approximately \$813 thousand for the year and represent revenue from instructional and technical assistance contracts with business and industry, local school districts, and the Department of Corrections.
 - ✓ Auxiliary enterprise revenues include revenues generated by the bookstore, parts store, child care center, salon services, and other similar activities of the College. Revenues of over \$1.6 million were generated by these activities this year.
 - ✓ The graph below depicts the College's operating revenues by source.



- Operating expenses are costs related to the program offerings of the College. During 2008, operating expenses totaled more than \$28.1 million. The majority of the College's expenses, about 60%, are for personnel related costs. Current expense accounts for an additional 23%, while auxiliary services and other expenses account for the remaining 17% of total operating expenses. The graph below categorizes operating expenses by function.



- Non-operating revenues and expenses are items not directly related to providing instruction. Net non-operating revenues for the year ended June 30, 2008 were approximately \$20.5 million. The most significant components of net non-operating revenues include the following:
 - ✓ Property taxes levied by the College for the year were approximately \$12.2 million.
 - ✓ The increase in property tax revenue combined with an increase in state and federal appropriations resulted in the majority of the net increase in non-operating revenue.
- Net assets for 2008 increased by \$696,634 as a result of the above activity.

Statement of Net Assets

The Statement of Net Assets includes all assets (items that the College owns and amounts owed to the College by others) and liabilities (what the College owes to others and what has been collected from others before we have provided the services). This statement is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service to us – regardless of when cash is exchanged.

Below are highlights of the components of the Statement of Net Assets:

	2008	2007	Increase or (Decrease)	
			\$	%
ASSETS				
Cash and Cash equivalents	\$ 4,201,582	\$ 5,536,896	\$ (1,335,314)	(24.1)
Net capital assets	13,148,116	11,945,595	1,202,521	10.1
Other assets	6,684,118	6,441,885	242,233	3.8
Total Assets	<u>24,033,816</u>	<u>23,924,376</u>	<u>109,440</u>	<u>0.5</u>
LIABILITIES				
Current Liabilities	5,105,783	5,534,197	(428,414)	(7.7)
Long-term Liabilities	7,255,424	7,414,204	(158,780)	(2.1)
Total Liabilities	<u>12,361,207</u>	<u>12,948,401</u>	<u>(587,194)</u>	<u>(4.5)</u>
NET ASSETS				
Invested in capital assets, net of related debt	9,121,062	7,813,890	1,307,172	16.7
Restricted for debt service	124,825	112,979	11,846	10.5
Restricted for student financial aid	14,998	14,998	0	
Unrestricted	2,411,724	3,034,108	(622,384)	(20.5)
Total Net Assets	<u>11,672,609</u>	<u>10,975,975</u>	<u>696,634</u>	<u>6.3</u>

A more detailed analysis would reveal the following facts:

- As shown above, the largest component of the College's assets is capital assets. Total cost of capital assets less accumulated depreciation at June 30, 2008 resulted in a net capital asset of \$13.1 million.
- The other assets category is primarily made up of various receivable balances, the largest being property taxes receivable of over \$4.3 million.
- Current liabilities include accounts payable, various types of accruals, and the portion of long-term debt due within the next fiscal year. At year end, the current portion of the College's long-term debt was \$2.2 million.
- Long-term liabilities of \$7.3 million represent the portion of long-term debt and post retirement benefits due after fiscal year 2008-09.

Capital Asset and Debt Administration

The College's investment in capital assets as of June 30, 2008 amounts to \$13,148,116 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, and moveable equipment. Additional information on the College's capital assets can be found in Note 3 on pages 23 & 24.

At the end of the current fiscal year, the College had total general obligation debt outstanding of \$5,240,000. The College continues to maintain a Moody's Investors Service "A1" rating on its current and outstanding long-term debt. Debt service requirements are current and secured by the taxing authority to levy for principal and interest expense. All general obligation debt for equipment is repaid in five years, while debt related to building and major remodeling is repaid in 10 years. The current debt adequately replaces and expands the equipment and facility needs of the College. Additional information on the College's long-term debt can be found in Note 4 on pages 24-27.

Financial Position

Moody's Investors Service "A1" rating reflects the district's solid financial operations, supported by healthy reserves; limited, yet growing tax base; and average debt burden, which is mostly attributable to underlying entities.

"...believes the district's financial operations will remain sound due to conservative financial management that has resulted in healthy reserve levels."

"The district's operating mill rate is well below the statutory operating maximum of 1.5 mills which allows additional revenue raising flexibility."

"Moody's believes the district's relatively modest tax base (compared to other technical college districts), at \$7.3 billion, will continue to experience the positive trends it has seen in the recent past."

"...believes the district's average debt burden, 2.3%, to remain elevated but manageable due to expected tax base growth and expected additional borrowing needs."

"Payout of principal over 10 years is average at 67%."

Economic Factors

The current state's economy coupled with the state's continuing budget challenges causes considerable concern for future funding levels. Southwest Wisconsin Technical College's strengths in countering an economic downturn are summarized in the following statements:

- The College has had exceptional growth in FTE's of approximately 18.0% percent since 2002-03 (5 years ago).
- The College has four collaborative programs, Clinical Laboratory Technician, Pharmacy Technician, Radiography, and Respiratory Care Practitioner, with other technical colleges that provide options for students to fulfill program requirements locally and finish with minimal time elsewhere.
- Unique programs such as Golf Course Management, Midwifery—and online programs/courses draw students from outside of the district and state.
- SWTC is one of two colleges in the state technical college system that provide student housing on campus. This benefits students that decide not to commute or reside further than reasonable daily travel distances.
- The level of our fund balances affords us time and flexibility to adjust to changing conditions.
- Capital financing through debt service allows us to keep pace with current technology.
- A higher than average percentage of revenue is gained through grant opportunities.

Southwest Wisconsin Technical College faces challenges among which are:

- Historically below the state average in equalized valuation growth.
- Declining K-12 population equating to a smaller future customer base from high school graduates.
- Cost of budget growth must be covered by tax revenue.
- Cost of operations continues to increase (wages, benefits, insurance, utilities, etc.).
- Percentage of revenue from state aid expected to decrease.

These challenges make the execution of the budget a continuous work in progress as adjustments need to occur when revenue sources change. The College has effectively survived previous difficult times and is a stronger institution as a result of it. The current financial position of the College allows us the flexibility to adjust to change and maintain this positive status in the future.



Engel & Associates, Ltd.

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwest Wisconsin Technical College District
Fennimore, Wisconsin

We have audited the financial statements of Southwest Wisconsin Technical College District as of and for the years ended June 30, 2008 and 2007 as identified in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Wisconsin Technical College District as of June 30, 2008 and 2007, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2008 on our consideration of Southwest Wisconsin Technical College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 1 to 7 preceding this report and the budgetary comparison information on pages 31 through 36 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 37 to 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, State Single Audit Guidelines for Programs from the Wisconsin Technical College System Board and Higher Education Aids Board, and is also not a required part of the basic financial statements of Southwest Wisconsin Technical College District. The supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Engelson and Associates, Ltd

La Crosse, Wisconsin
December 15, 2008

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2008 and 2007

Assets	<u>2008</u>	<u>2007</u>
Current assets		
Cash and cash equivalents	\$ 2,452,074	\$ 3,229,159
Taxes receivable	4,340,982	4,131,629
Accounts receivable	567,503	689,080
Student accounts receivable	898,771	864,645
Due from other governments	188,706	240,428
Inventory and prepaid expenses	688,156	516,103
Total current assets	<u>9,136,192</u>	<u>9,671,044</u>
Capital assets		
Cost of capital assets	27,227,299	24,881,909
Less: Accumulated depreciation	<u>(14,079,183)</u>	<u>(12,936,314)</u>
	13,148,116	11,945,595
Other Non-current assets		
Restricted cash and cash equivalents	<u>1,749,508</u>	<u>2,307,737</u>
Total Assets	<u>\$ 24,033,816</u>	<u>\$ 23,924,376</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 824,550	\$ 1,366,468
Accrued salaries and related items	541,451	632,607
Accrued vacation	448,543	423,727
Deferred revenue	780,180	821,982
Accrued self-insurance	340,000	210,000
Accrued interest	15,474	15,829
Current portion of long-term obligations	<u>2,155,585</u>	<u>2,063,584</u>
Total current liabilities	<u>5,105,783</u>	<u>5,534,197</u>
Long-Term Obligations		
Accrued retiree health insurance premiums	3,945,424	3,674,204
General obligation notes payable and capital lease	<u>3,310,000</u>	<u>3,740,000</u>
Total long-term obligations	<u>7,255,424</u>	<u>7,414,204</u>
Total Liabilities	<u>12,361,207</u>	<u>12,948,401</u>
Net Assets		
Invested in capital assets, net of related debt	9,121,062	7,813,890
Restricted for:		
Debt service	124,825	112,979
Student financial assistance	14,998	14,998
Unrestricted	<u>2,411,724</u>	<u>3,034,108</u>
Total Net Assets	<u>\$ 11,672,609</u>	<u>\$ 10,975,975</u>

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007

	2008	2007
Operating revenues		
Student program fees, net of scholarship allowances of \$29,031	\$ 3,462,910	\$ 3,073,222
Student material fees, net of scholarship allowances of \$2,185	260,657	238,411
Other student fees, net of scholarship allowances of \$3,894	464,527	387,302
Federal grants	596,851	854,906
State grants	886,037	892,010
Business and industry contract revenue	620,318	508,914
School District contract revenue	192,686	82,259
Auxiliary enterprise revenues	1,695,450	1,455,900
Miscellaneous	174,990	188,229
Total operating revenues	8,354,426	7,681,153
Operating expenses		
Instructional	12,536,143	13,254,392
Instructional resources	552,096	544,757
Student services	1,824,317	1,716,654
General institutional	2,751,860	2,595,765
Physical Plant	2,902,382	2,805,883
Auxiliary enterprise services	1,662,205	1,452,354
Depreciation	1,419,041	1,532,795
Student aid	4,501,925	3,506,252
Total operating expenses	28,149,969	27,408,852
Operating loss	(19,795,543)	(19,727,699)
Non-operating revenues (expenses)		
Property taxes	12,173,294	11,590,959
Other grants	4,099,772	3,163,591
State appropriations	4,188,094	3,583,438
Investment income earned	280,967	432,623
Interest expense	(249,950)	(241,660)
Total non-operating revenues	20,492,177	18,528,951
Increase (decrease) in net assets	696,634	(1,198,748)
Net assets - beginning of the year	10,975,975	12,174,723
Net assets - end of year	\$ 11,672,609	\$ 10,975,975

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2008 and 2007

	2008	2007
Cash flows from operating activities		
Tuition and fees received	\$ 4,153,968	\$ 3,323,982
Federal and state grants received	1,534,610	1,753,665
Business, industry and school contract revenues received	813,004	494,591
Payments to employees	(12,218,214)	(11,889,827)
Payments to suppliers	(14,745,384)	(12,162,650)
Auxiliary enterprise revenues received	1,695,450	1,455,900
Other receipts	174,990	188,229
Net cash used in operating activities	(18,591,576)	(16,836,110)
Cash flows from noncapital financing activities—		
Local property taxes received	11,963,941	11,253,874
Federal and state appropriations received	8,287,866	6,747,029
Net cash provided by noncapital financing activities	20,251,807	18,000,903
Cash flows from capital and related financing activities		
Net purchases of capital assets	(2,621,562)	(1,430,265)
Proceeds from issuance of capital debt	1,800,000	1,800,000
Principal paid on capital debt	(2,205,000)	(2,235,000)
Interest paid on capital debt	(249,950)	(240,508)
Net cash used in capital and related financing activities	(3,276,512)	(2,105,773)
Cash flows from investing activities		
Investment income received	280,967	458,130
Net increase in cash and cash equivalents	(1,335,314)	(482,850)
Cash and cash equivalents at beginning of year	5,536,896	6,019,746
Cash and cash equivalents at end of year	\$ 4,201,582	\$ 5,536,896
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet.		
Current cash and cash equivalents	\$ 2,452,074	\$ 3,229,159
Restricted cash	1,749,508	2,307,737
	\$ 4,201,582	\$ 5,536,896

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

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
STATEMENT OF CASH FLOWS-CONTINUED
FOR THE YEARS ENDED JUNE 30, 2008 and 2007**

	2008	2007
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (19,795,543)	\$ (19,727,699)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,419,041	1,532,795
Changes in assets and liabilities:		
Accounts receivable	121,577	(96,582)
Student accounts receivable	(34,126)	(374,953)
Accrued interest	(355)	-
Federal and state aid receivable	51,722	6,749
Inventories	5,804	82,349
Prepaid items	(177,857)	(26,517)
Accounts payable	(541,918)	831,807
Accrued payroll	(91,156)	(2,337)
Accrued vacation	24,816	68,452
Deferred program and material fees	(41,802)	292,258
Accrued self insurance	130,000	15,749
Accrued retiree health insurance	338,221	561,819
	\$ (18,591,576)	\$ (16,836,110)
Net cash used in operating activities	\$ (18,591,576)	\$ (16,836,110)

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the District's significant accounting policies consistently applied in the presentation of the accompanying financial statements follows.

A. Reporting Entity

Southwest Wisconsin Technical College District ("District") operates a post secondary education school.

The reporting entity for the District is based upon criteria set forth by the Governmental Accounting Standards Board. All functions of the District for which it exercises oversight responsibility are included. The oversight responsibility includes but is not limited to, financial interdependency between the District and the governmental entity; control by the District over selection of the entity's governing authority or designation of management; the ability of the District to significantly influence operations of the entity; and whether the District is responsible for the accountability for fiscal matters.

The District is affiliated with SWTC Foundation, Inc. (Foundation), a not-for-profit corporation whose purpose is to solicit, hold, manage, invest and expend endowment funds and other gifts, grants, and bequests exclusively for the maintenance and benefit of the District. The Foundation is managed by an independent board of directors. SWTC provides office space, certain equipment and furnishings, most related utility services and some insurance coverage to the Foundation without charge. The financial resources of the Foundation are not significant to the District as a whole and accordingly, financial information related to the Foundation is not included in these financial statements.

The governing body of the District is the District Board. The District Board powers are established under the provisions of Chapter 38 of the Wisconsin Statutes and include:

- Authority to borrow money and levy taxes;
- Budgetary authority; and
- Authority over other fiscal and general management of the District which includes, but is not limited to, the authority to execute contracts, to exercise control over facilities and properties, to determine the outcome or disposition of matters affecting the recipients of the services being provided, and to approve the hiring or retention of key management personnel who implement Board policy and directives.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to public colleges and universities as well as those prescribed by the Wisconsin Technical College System Board (WTCSB). The District reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Financial Statement Presentation

For financial reporting purposes, the District is considered a special --purpose government engaged only in business-type activities. Accordingly, the financial statements of the District have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the years for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant inter-district transactions have been eliminated.

C. Budgetary Data

The District's reporting structure used in the preparation of the basic financial statements is different than the fund structure used for budgetary accounting. Annual budgets are adopted for all funds in accordance with the requirements of the Wisconsin Technical College System Board. The process includes an administrative compilation and review of campus and departmental requests, public hearings, and approval by the District Board prior to June 30 of each year. Capital outlays for multi-year projects are budgeted annually in the Capital Projects Fund upon planned inception of the project.

Local property taxes are levied on a calendar year basis by various taxing municipalities located in Southwestern Wisconsin. The District records as revenue its share of the local tax when levied.

Annual budgets are prepared on a different basis from the basic financial statements by recognizing encumbrances as expenditures and by recognizing revenues related to encumbrances. Also, the budget does not incorporate changes related to GASB Statements Nos. 34, 35, 37 and 38 as listed previously in Note 1.

The legal level of control for each budget is by function and within each fund. Budget amendments during the year are legally authorized. Budget transfers (between funds and functional areas within funds) and changes in expenditures (appropriations) require approval by the Board and require publishing a Class I public notice in the District's official newspaper within 10 days according to Wisconsin Statutes. The budget was modified during the year and also subsequent to the fiscal year end. These budget modifications reflect (1) actual property tax revenues in excess of estimates; (2) changes in expected state aid payments, both for the current year and prior year adjustments; (3) various other minor adjustments. Expenditures may not exceed appropriations. Unencumbered appropriations lapse at the end of each fiscal year. Management is authorized to transfer appropriations within functions without the approval of the Board.

D. Use of Estimates

In preparing basic financial statements in conformity with US GAAP, the District is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Cash and Cash Equivalents

Cash includes amounts in petty cash, demand deposits and other short-term interest bearing deposits.

For purposes of the statements of cash flows, cash on hand, demand deposits with financial institutions, investments in the Local Government Investment Pool, and other short-term investments with maturity dates of less than ninety days from when purchased are considered cash equivalents.

F. Investments

Investments are stated at cost or amortized cost which approximates fair value.

G. Inventories

Inventories of books, supplies and food reflected in the proprietary fund types are stated at the lower of cost or market; cost is determined using the first-in, first-out method. Instructional and administrative inventories are expensed as incurred.

H. Capital Assets

Capital fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value at the time of receipt.

The costs of maintenance and repairs are charged to operations as incurred. Equipment assets having a cost of \$1,000 or more per unit and building or remodeling projects of \$15,000 or more are capitalized. Depreciation on buildings and equipment is provided in amounts sufficient to relate the cost of depreciable assets to operations on the straight-line basis over the estimated service lives, which range from four to ten years for equipment and are fifty years for buildings and remodeling.

I. Property Tax and Taxes Receivable

The District Board, under Section 38.16 of the Wisconsin Statutes, may levy a tax not to exceed 1.5 mills on the full value of taxable property within the area served by the District for the purposes of making capital improvements, acquiring equipment and operating and maintaining schools. The mill rate limitation is not applicable to taxes levied for the purposes of paying principal and interest on general obligation debt issued by the District.

The District levied the operational tax levy at 1.3746 mills for 2007-2008 and a debt service mill rate of .3491.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Property Tax and Taxes Receivable, continued

The District communicates its property tax levy to city, village and town treasurers or clerks in October of the fiscal year for which the taxes are levied. The following dates are pertinent to the District's tax calendar:

Levy date	Month of October
Tax bills are mailed	Month of December
Payments	
Taxes paid in one installment	January 31
Taxes paid in two installments:	
First installment due	January 31
Second installment due	July 31

Historically, the District has received the majority of its property tax levy from municipalities in the fiscal year for which the taxes were levied. However, in most fiscal years, a portion of such revenues has been receivable at year-end because the second installment of real estate taxes and delinquent taxes is not required to be collected by the county treasurer until the month of August following the District's year-end.

The District recognizes its property taxes as revenue in the fiscal year for which taxes are levied.

J. Compensated Absences

The District accounts for compensated absences in accordance with the provisions of Statements of the Governmental Accounting Standards Board. The following is a summary of the District's accounting for significant compensated absences:

Vacation – Liabilities for vacation pay are recorded when incurred.

Sick leave - See Note 7.

K. Fees and Tuition

Fees and tuition are recorded as revenue in the period in which the related activity or instruction takes place. Revenues for the summer semester are prorated on the basis of student class days occurring before and after June 30. The District's student fee arrangements receivable and program and material fees receivable are stated at amounts due from student's, net of an allowance for doubtful accounts. Amounts outstanding longer than the agreed upon payment terms are considered past due. The District determines its allowance for doubtful accounts by considering a number of factors including length of time amounts are past due, the District's previous loss history and the student's ability to pay his or her obligation. The District writes off receivables when they become uncollectible, and payments subsequently collected on such receivables are credited to the allowance for doubtful accounts.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

M. Medical/Health/Self-Insurance Fund

The District has established an internal service fund to account for its medical self-insurance program. The purpose of this fund is to pay medical insurance claims of District employees and their covered dependents and to minimize the total costs of annual insurance to the District. The private insurance carrier determines the premium payments to be made by the District. Annual claims are paid from reserves and individual claims in excess of \$75,000 are paid under a reinsurance policy. Estimated claims incurred but not reported of \$340,000 have been recorded as of June 30, 2008.

N. State and Federal Revenues

The District receives funding from various federal and state contracts and grants. Some of these revenues are earned over fiscal periods different than that of the District and are subject to the Federal Single Audit Act and state single audit guidelines.

O. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the following method: All aid is reflected in the basic financial statements as operating expenses or scholarship allowances, which reduce revenues. The District receives and disburses cash and, as a result, must record all federal and state loan funds as federal and state grants, and the crediting of the funds to the student's account as student aid expense. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

P. Net Assets

Net assets are classified according to restrictions or availability of assets for satisfaction of District obligations.

Invested in capital assets, net of related debt: This represents the net value of capital assets (land, buildings and equipment) less the debt incurred to acquire or construct the assets plus the borrowed resources not yet expended, but restricted for capital purchases.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

P. Net Assets, Continued

Restricted net assets: Restricted net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

- Restricted net assets for debt service can only be used to repay debt service costs (principal and interest) as they are levied for that specific purpose.
- Restricted net assets for student financial assistance can only be used for student financial assistance activities.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, state appropriations and sales and services provided by educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the District and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide for students, faculty and staff.

Q. Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study and Federal Family Educational Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A -133 Audit of States, Local Governments and Non-Profit Organizations and the Compliance Supplement.

R. Classification of Revenue and Expenses

The District has classified its revenue and expenses as either operating or nonoperating according to the following criteria:

Operating revenue/expenses: Operating revenues and expenses include activities that have the characteristics of exchange transactions to provide goods or services related to the college's principal ongoing operations. Operating revenues include (1) student tuition and fees, net of scholarship allowances and estimated uncollectible amounts, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants and contracts that are essentially the same as contracts for services that finance programs of the college. Operating expenses include the cost of providing educational services, administration expenses and depreciation on capital assets.

Nonoperating revenues/expenses: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions. Nonoperating revenues include (1) gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state appropriations, the local property tax levy and investment income, and (2) any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital programs. Nonoperating expenses include interest on long-term obligations.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

S. Sales Taxes

The District reports revenue net of tax amounts collected from customers. Sales tax is collected on retail sales and remitted to government authorities.

T. Financial Instruments

The carrying values of cash, receivables, payables and accrued liabilities approximate fair value due to the short maturities of those instruments. The carrying value of long term debt approximates fair value because the rates approximate the District's incremental borrowing rates.

U. Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS 157, *Fair Value Measurements*. SFAS 157 addresses how companies should measure fair value when they are required to use a fair value measure for recognition and disclosure purposes under generally accepted accounting principles. SFAS 157 will require the fair value of an asset or liability to be based on market based measures that reflect the District's credit risk. SFAS 157 will also expand disclosure requirements to include the methods and assumptions used to measure fair value and the effect of fair value measurements on earnings. The District will adopt SFAS 157 on July 1, 2008. This pronouncement is not expected to have a significant impact on our financial statements.

V. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2 - CASH AND INVESTMENTS

A. Deposits

The District's cash and cash equivalents consist of the following amounts at June 30:

	<u>2008</u>	<u>2007</u>
Cash and deposits:		
Cash on hand	\$ 675	\$ 675
Deposit accounts	273,423	757,375
Total cash deposits	<u>274,098</u>	<u>758,050</u>
Investments:		
Wisconsin Local Government		
Investment Pool	3,927,484	4,778,846
Total investments	<u>3,927,484</u>	<u>4,778,846</u>
 Total cash and cash equivalents	 <u>\$ 4,201,582</u>	 <u>\$ 5,536,896</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

The Local Government Investment Pool (LGIP) is part of the State Investment Board (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice.

Investments in the LGIP are covered by a surety bond issued by Financial Security Assurance, Inc. The bond insures against loss arising from principal defaults on substantially all types of securities acquired by the Pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

Custodial Risk – Custodial risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's carrying values for bank deposits were \$271,386 and \$757,375 at June 30, 2008 and 2007, respectively. The bank balances were \$640,638 and \$1,001,046, respectively. Of the bank balance, \$100,000 was covered by federal depository insurance, and the balance was uninsured and uncollateralized. Additional protection provided in case of losses caused by failure of public depositories is provided by the State Deposit Guarantee Fund. The Fund provides additional coverage in each financial institution and the State of Wisconsin Local Government Investment Pool of \$400,000 above any applicable insurance coverage provided by FDIC.

B. Investments

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to the transaction, the District will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The District's investment policy minimizes credit risk by limiting investments to the safest type of securities and diversifying the investment portfolio. In addition, individual securities may not exceed 5% of the market value of the portfolio at the time of purchase with the exception of U.S. Government issues fully guaranteed as to both principal and interest by the U.S. government or agencies thereof, shares of open-end investment companies, the Wisconsin Investment Pool, or the Wisconsin Investment Series Cooperative. The Wisconsin Investment Pool, Wisconsin Investment Cooperative, and Government Money Market Fund do not carry a credit quality rating.

The District is authorized by Wisconsin Statute 66.04(2) to invest in the following instruments:

- Obligations of the U.S. Treasury and U.S. Agencies.
- Obligations of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Time deposits in any bank, trust company or savings and loan association that is authorized to transact business in this state, if the time deposit maturity is not more than three years.
- That state's local government pooled investment fund.
- Any security maturing in seven years or less with either the highest or second rating category of a nationally recognized rating agency.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Securities of open-end management investment companies or investment trusts, if the portfolio is limited to obligations of the U.S. Treasury and U.S. Agencies.
- Bonds issued by a local exposition district.
- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than five years from the date of purchase or in accordance with state and local statutes and ordinances. In addition, the policy indicates that the investment portfolio should be structured so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The policy sets a maximum duration range of two years with a target duration of one year.

NOTE 3 – CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2008:

2008	Balance 7/1/2007	Additions	Deletions	Balance 6/30/2008
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Land improvements	593,930	-	-	593,930
Buildings & improvements	10,533,221	1,374,332	-	11,907,553
Equipment	13,734,758	1,254,436	283,378	14,705,816
	<hr/>			<hr/>
Total cost of capital assets	24,881,909	2,628,768	283,378	27,227,299
Less accumulated depreciation for:				
Land improvements	264,657	24,910	-	289,567
Buildings & improvements	3,397,391	253,791	-	3,651,182
Equipment	9,274,266	1,140,340	276,172	10,138,434
	<hr/>			<hr/>
Total accumulated depreciation	12,936,314	1,419,041	276,172	14,079,183
Net capital assets	11,945,595			13,148,116
Less:				
General obligation debt	(5,645,000)			(5,240,000)
Plus:				
Capital project funds borrowed but not spent	1,513,295			1,212,946
Total invested in capital assets, net of related debt	<u>\$ 7,813,890</u>			<u>\$ 9,121,062</u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3 – CAPITAL ASSETS, CONTINUED

Capital asset activity was as follows for the year ended June 30, 2007:

2007	Balance 7/1/2006	Additions	Deletions	Balance 6/30/2007
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Land improvements	593,930	-	-	593,930
Buildings & improvements	10,072,172	461,049	-	10,533,221
Equipment	13,042,499	980,880	288,621	13,734,758
	<hr/>			
Total cost of capital assets	23,728,601	1,441,929	288,621	24,881,909
Less accumulated depreciation for:				
Land improvements	239,703	24,954	-	264,657
Buildings & improvements	3,161,954	235,437	-	3,397,391
Equipment	8,278,819	1,272,404	276,957	9,274,266
	<hr/>			
Total accumulated depreciation	11,680,476	1,532,795	276,957	12,936,314
Net capital assets	<u>\$ 12,048,125</u>			<u>\$ 11,945,595</u>

NOTE 4 - GENERAL OBLIGATION DEBT

Long-term liabilities of the District consist of general obligation notes payable and retiree health insurance premiums.

The changes in long-term liabilities at June 30, 2008 and 2007 are as follows:

2008	Balance 7/1/2007	Additions	Payments	Balance 6/30/2008	Due Within One Year
Notes payable	\$ 5,645,000	\$ 1,800,000	\$ 2,205,000	\$ 5,240,000	\$ 1,930,000
Retiree health insurance	3,832,788	496,805	158,584	4,171,009	225,585
	<hr/>				
Totals	<u>\$ 9,477,788</u>	<u>\$ 2,296,805</u>	<u>\$ 2,363,584</u>	<u>\$ 9,411,009</u>	<u>\$ 2,155,585</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - GENERAL OBLIGATION DEBT, CONTINUED

2007	Balance 7/1/2006	Additions	Payments	Balance 6/30/2007	Due Within One Year
Notes payable	\$ 6,080,000	\$ 1,800,000	\$ 2,235,000	\$ 5,645,000	\$ 1,905,000
Retiree health insurance	3,270,969	706,133	144,314	3,832,788	158,584
Totals	<u>\$ 9,350,969</u>	<u>\$ 2,506,133</u>	<u>\$ 2,379,314</u>	<u>\$ 9,477,788</u>	<u>\$ 2,063,584</u>

The District pledges full faith, credit and resources of the District to pay all outstanding general obligation bonds. The District levies taxes annually to pay the amount of principal and interest due for the debt.

General obligation debt at June 30, 2008 consists of the following:

	Year	Principal	Interest	Total
\$3,750,000 general obligation promissory note issued to UBS Painewebber, Inc. October 15, 2002 to finance remodeling, annual principal payments of \$200,000 through June 1, 2012, plus semi-annual interest at 2.5 - 3.5%, due on 6/1 and 12/1.				
	2008-09	200,000	26,250	226,250
	2009-10	200,000	20,250	220,250
	2010-11	200,000	14,000	214,000
	2011-12	200,000	7,000	207,000
		<u>800,000</u>	<u>67,500</u>	<u>867,500</u>
\$2,750,000 general obligation promissory note issued to Harris Trust & Savings Bank, August 1, 2003 to finance equipment purchases and major remodeling. Annual principal payments of \$450,000 through August 1, 2008, annual principal payments of \$100,000 through August 1, 2013, plus semi-annual interest at 2.0 - 3.0% due 6/1 and 12/1.				
	2008-09	100,000	14,750	114,750
	2009-10	100,000	12,000	112,000
	2010-11	100,000	9,000	109,000
	2011-12	100,000	6,000	106,000
	2012-13	100,000	3,000	103,000
		<u>500,000</u>	<u>44,750</u>	<u>544,750</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 4 - GENERAL OBLIGATION DEBT, CONTINUED

\$2,250,000 general obligation promissory note issued to UMB Bank, N.A., August 1, 2004 to finance equipment purchases and major remodeling. Annual principal payments of \$450,000 through June 1, 2009, plus semi-annual interest at 2.45 - 2.90% due 6/1 and 12/1.

	2008-09	450,000	13,050	463,050
		450,000	13,050	463,050

\$2,000,000 general obligation promissory note issued to Robert W. Baird of Milwaukee, WI, August 1, 2005 to finance equipment purchases and major remodeling. Annual principal payments of \$425,000 through June 1, 2010, plus semi-annual interest at 3.25% - 3.50% due 6/1 and 12/1.

	2008-09	425,000	28,688	453,688
	2009-10	425,000	14,875	439,875
		850,000	43,563	893,563

\$1,800,000 general obligation promissory note issued to Robert W. Baird of Milwaukee, WI, August 3, 2006 to finance facility improvements, remodeling, and equipment purchases. Annual principal payments of \$380,000 through June 1, 2011, plus semi-annual interest at 4.25% due 6/1 and 12/1.

	2008-09	380,000	48,450	428,450
	2009-10	380,000	32,300	412,300
	2010-11	380,000	16,150	396,150
		1,140,000	96,900	1,236,900

\$1,800,000 general obligation promissory note issued to Bankers Bank of Madison, WI, August 1, 2007 to finance facility improvements, remodeling, and equipment purchases. Annual principal payments of \$375,000 through June 1, 2012, plus semi-annual interest at 4.0% due 6/1 and 12/1.

	2008-09	375,000	60,000	435,000
	2009-10	375,000	45,000	420,000
	2010-11	375,000	30,000	405,000
	2011-12	375,000	15,000	390,000
		1,500,000	150,000	1,650,000

TOTALS		\$ 5,240,000	\$ 415,763	\$ 5,655,763
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**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 4 - GENERAL OBLIGATION DEBT, CONTINUED

Future debt service requirements as of June 30, 2008 are as follows:

Year Ending June 30, 2008	Principal	Interest	Total
2009	1,930,000	191,188	2,121,188
2010	1,480,000	124,425	1,604,425
2011	1,055,000	69,150	1,124,150
2012	675,000	28,000	703,000
2013	100,000	3,000	103,000
TOTALS	<u>\$ 5,240,000</u>	<u>\$ 415,763</u>	<u>\$ 5,655,763</u>

All general obligation debt is backed by the full faith and taxing power of the District.

Changes in general obligation debt outstanding for the year ended June 30, 2008 were as follows:

	Balance 7/1/2007	Additions	Payments	Balance 6/30/2008
Promissory notes and capital lease	<u>\$ 5,645,000</u>	<u>\$ 1,800,000</u>	<u>\$ 2,205,000</u>	<u>\$ 5,240,000</u>

The Wisconsin State Statutes Chapter 67.03(1) provides that the aggregate amount of indebtedness of a District shall not exceed 5% of the value as determined by the Wisconsin Department of Revenue as of October 1, 2007 (most recent valuation) was \$7,043,493,978.

	<u>Bonds</u>	<u>Aggregate</u>
Debt limit (2% for bonds; 5% for aggregate)	\$ 140,869,880	\$ 352,174,699
Debt outstanding at June 30, 2008, net of resources available to fund principal and interest payments	-	5,115,175
Legal debt margin	<u>\$ 140,869,880</u>	<u>\$ 347,059,524</u>
Debt outstanding as a percent of legal debt limitation		1.47%
Debt outstanding as a percent of equalized value		0.07%

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 5 - EMPLOYEE RETIREMENT PLAN

All eligible employees of the District participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (non-teachers) and 440 hours a year (teachers) are eligible to participate in the System. Covered employees in the general/teacher category are required by statute to contribute 5.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.4% for Protective Occupations without Social Security), to the Plan. Employers may make these contributions to the Plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended June 30, 2008 and 2007 respectively was \$10,425,211 and \$10,663,311; the employer's total payroll was \$12,518,214 and \$11,389,023. The total required contributions for the year ended June 30, 2008 and 2007 respectively were \$1,084,222 and \$1,120,615, which was 10.4% and 10.5% of payroll, all from the employer. Total contributions for the years ending June 30, 2006 and 2005 were \$1,015,989 and \$949,345, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees), are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees), and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations without Social Security) of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation after 1/1/90 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the State Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. The amount, if any, of liability arising from these audits is not reasonably estimable and, accordingly, no provision is included in the accompanying basic financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 6 - COMMITMENTS AND CONTINGENCIES, CONTINUED

The District leases several copy machines. The minimum lease payments for the five years subsequent to June 30, 2008 are as follows:

2009	\$ 85,113
2010	85,113
2011	70,928
2012	-

The District entered into a five year lease beginning July 1, 2005, to rent a building for instructional purposes. Minimum future lease payments for the four years subsequent to June 30, 2008 are as follows:

2009 and 2010	An amount equal to the prior year's rent plus an amount equal to the prior's year's rent times the CPI, not to exceed \$1,300 per year.
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The District, with Madison Area Technical College and Western Technical College, has formed an operational consortium for the sharing of the cost of implementation, live running and maintenance of administrative software developed by Peoplesoft. The District's share of the cost of the software has been recorded as a capital lease, which is detailed in Note 4. The consortium has a 10 year agreement with Peoplesoft whereby each member of the consortium will share the cost of the procurement, enhancement and maintenance of the system.

Outstanding purchase orders at June 30, 2008 totaled \$174,014. The District was committed to building projects at June 30, 2008 in the amounts of \$50,982, \$125,003, and \$1,124,000.

NOTE 7 - POST RETIREMENT BENEFITS

The District's employee fringe benefit program includes a provision which allows both academic staff and support staff to be carried with the group insurance plan or plans at their own expense after retirement or layoff. However, the Board will continue to pay health insurance premiums based on type of employee and years of service or number of accumulated hours of sick leave.

For employees, either academic staff or support staff with less than thirteen years of service to the District that retire under the Wisconsin Retirement System or are laid off, one-half of their unused accumulated sick leave at full pay will be used to continue the payment of health insurance premiums at the time of retirement or lay off. An employee can accumulate a maximum of 140 days.

At time of separation, support staff with thirteen or more years of service to the District will have one year worth of health insurance premiums banked to pay future post separation premiums. Those with fifteen or more years of service to the District will have two years worth of health insurance premiums banked to pay future post separation premiums. Those with seventeen or more years of service will have three years worth of health insurance premiums banked to pay future separation premiums.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 7 - POST RETIREMENT BENEFITS, CONTINUED

Academic staff with thirteen or more years of service to the District will have three years worth of health insurance premiums banked to pay future separation premiums. Those with fifteen or more years of service will have four years worth of health insurance premiums banked to pay future post separation premiums. Those with seventeen or more years of service will have five years worth of health insurance premiums banked to pay future post separation premiums.

These benefits are financed on a pay-as-you-go basis. In the current year, the District paid \$158,584 of health insurance for 27 former employees.

NOTE 8 - SUBSEQUENT EVENTS

In June, 2008, the Board of Directors adopted a resolution authorizing borrowing of \$2,000,000; \$600,000 for building remodeling and improvement, and \$1,400,000 for moveable equipment. The board awarded the sale of the bonds in September, 2008.

In January, 2008, the Board of Directors adopted a resolution authorizing borrowing of \$31,900,000; for acquiring and improving sites, constructing new buildings, remodeling and improving existing buildings, and acquiring furnishings, fixtures and equipment. The board awarded the sale of \$8,000,000 of the bonds in September, 2008.

NOTE 9 - RELATED PARTY TRANSACTIONS

The District periodically rents rooms at a hotel owned by the District's Vice President of Administrative Services. The total amount paid for the years ended June 30, 2008 and 2007 was \$1,711 and \$1,251, respectively. In addition, amounts for building costs were paid to a company owned by a member of the Board of Directors for Southwest Wisconsin Technical College. The total amount paid to this company for the years ended June 30, 2008 and 2007 was \$8,992 and \$13,119, respectively.

NOTE 10 - RISK MANAGEMENT

In July 2004 all sixteen WTCS technical colleges created Districts Mutual Insurance Company (DMI). Districts Mutual Insurance Company is a fully-assessable mutual company authorized under Wisconsin Statute 611 to provide property, casualty, and liability insurance and risk management services to its members. The scope of insurance protection provided by DMI is broad, covering property at \$200,000,000 per occurrence; general liability, auto, and educators' legal liability at \$5,000,000 per occurrence; and workers' compensation at the statutorily required limits.

At this time settled claims have not approached the coverage limits as identified above. The District's exposure to its layer of insurance is limited to \$5,000 to \$100,000 per occurrence depending on the type of coverage. DMI purchases reinsurance for losses in excess of its retained layer of coverage.

DMI operations are governed by a six-member board of directors. Member colleges do not exercise any control over the activities of DMI beyond election of the board of directors at the annual meeting. The board has the authority to adopt its own budget, set policy matters, and control the financial affairs of the company. Stanley Hollmann, Vice President of Administrative Services of the District, is a related party in his role as Treasurer of DMI.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE 10 - RISK MANAGEMENT, CONTINUED

Each member college was assessed an annual premium that included a capitalization component to establish reserves for the company. The total capitalization amount for all members in fiscal year 2008 totaled \$1,418,248 of which the District's portion was \$25,163. For the year ended June 30, 2008, the District paid a premium of \$126,056. Future premiums will be based on relevant rating exposure bases as well as the historical loss experience by members. DMI's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company.

The audited DMI financial statements can be obtained through Districts Mutual Insurance Co., 212 W. Pinehurst Trail, Dakota Dunes, SD 57049.

In July 1997, WTCS technical colleges formed the WTCS Insurance Trust to jointly purchase commercial insurance to provide coverage for losses from theft of, damages to, or destruction of assets. The trust is organized under Wisconsin Statutes 66.0301 and is governed by a board of trustees consisting of one trustee from each member college. Member entities include all sixteen Wisconsin Technical College System Districts.

The WTCS Insurance Trust has purchased the following levels of coverage from DMI for its participating members:

Foreign liability. \$2,000,000 aggregate general; \$1,000,000 auto per accident; \$1,000,000 employee benefits; includes benefit for accidental death and dismemberment, repatriation, and medical expenses; \$1,000 deductible for employee benefits.

Crime: \$750,000 coverage for employee dishonesty, forgery, computer fraud and funds transfer fraud; \$500,000 coverage for theft, robbery, burglary, disappearance and destruction of money and securities; \$25,000 coverage for investigation expenses; \$2,500 deductible for investigation, \$15,000 deductible for employee dishonesty, forgery, and fraud.

The Trust financial statements can be obtained through Lakeshore Technical College District, 1290 North Avenue, Cleveland, WI 53015.

NOTE 11 – LIMITATION ON DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues the District may derive from property taxes to 1.5 mills. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt).

NOTE 12 – RECENTLY ISSUED ACCOUNTING STANDARDS

GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, issued in June 2004, establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. GASBS No. 45 is effective *prospectively* in three annual phases with the first phase beginning after December 15, 2006. The District will be required to implement GASB #45 for the year beginning July 1, 2008. The effect on the accompanying financial statements has not been determined.

SUPPLEMENTAL FINANCIAL INFORMATION

The following supplementary information is provided to document SWTC's compliance with budgetary requirements. This accountability is an essential requirement to maintain the public trust. The method of accounting used for budgetary compliance monitoring is substantially different from the method of preparing the basic financial statements of the district. At the end of this section is a reconciliation between the two methods.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Local government	\$ 9,682,000	\$ 9,732,000	\$ 9,714,294	\$ -	\$ 9,714,294	\$ (17,706)
Intergovernmental revenue						
State	4,245,000	4,645,000	4,602,237	-	4,602,237	(42,763)
Federal	797,000	597,000	596,851	-	596,851	(149)
Tuition and fees						
Statutory program fees	3,395,000	3,495,000	3,462,910	-	3,462,910	(32,090)
Materials fees	301,000	301,000	260,657	-	260,657	(40,343)
Other student fees	212,000	362,000	324,878	-	324,878	(37,122)
Institutional	920,000	1,020,000	999,551	-	999,551	(20,449)
Total revenues	19,552,000	20,152,000	19,961,378	-	19,961,378	(190,622)
Expenditures						
Instruction	13,547,000	14,197,000	14,245,149	(81,164)	14,163,985	33,015
Instructional resources	526,000	526,000	508,642	(5,691)	502,951	23,049
Student services	1,596,000	1,596,000	1,580,218	(125)	1,580,093	15,907
General institutional	2,559,000	2,709,000	2,670,119	5,577	2,675,696	33,304
Physical plant	1,544,000	1,494,000	1,466,096	6,070	1,472,166	21,834
Total expenditures	19,772,000	20,522,000	20,470,224	(75,333)	20,394,891	127,109
Excess of revenues over expenditures	(220,000)	(370,000)	(508,846)	75,333	(433,513)	(63,513)
Other financing sources (uses)						
Operating transfers in	220,000	370,000	230,300	-	230,300	(139,700)
Operating transfers out	-	-	-	-	-	-
	220,000	370,000	230,300	-	230,300	(139,700)
Excess of revenues and other financing sources over expenditures and other uses	-	-	(278,546)	75,333	(203,213)	(203,213)
Fund balance at July 1, 2007	3,806,526	3,806,526	3,797,900	(92,767)	3,705,133	(101,393)
Fund balance at June 30, 2008	\$ 3,806,526	\$ 3,806,526	\$ 3,519,354	\$ (17,434)	\$ 3,501,920	\$ (304,606)

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SPECIAL REVENUE NON-AIDABLE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
State aids	\$ 500,000	\$ 450,000	\$ 465,374	\$ -	\$ 465,374	\$ 15,374
Other student fees	120,000	170,000	139,649	-	139,649	(30,351)
Institutional	113,000	63,000	70,175	-	70,175	7,175
Federal	3,753,000	4,103,000	4,099,772	-	4,099,772	(3,228)
Total revenues	4,486,000	4,786,000	4,774,970	-	4,774,970	(11,030)
Expenditures						
Student services	4,486,000	4,786,000	4,746,024	-	4,746,024	39,976
Total expenditures	4,486,000	4,786,000	4,746,024	-	4,746,024	39,976
Excess of revenues over expenditures	-	-	28,946	-	28,946	28,946
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures and other uses	-	-	28,946	-	28,946	28,946
Fund balance at July 1, 2007	123,502	123,502	170,391	-	170,391	46,889
Fund balance at June 30, 2008	\$ 123,502	\$ 123,502	\$ 199,337	\$ -	\$ 199,337	\$ 75,835

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Intergovernmental revenue						
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Institutional	50,000	150,000	113,126	-	113,126	(36,874)
Total revenues	50,000	150,000	113,126	-	113,126	(36,874)
Expenditures						
Instruction	750,000	750,000	641,339	62,607	703,946	46,054
Instructional resources	75,000	75,000	43,454	6,756	50,210	24,790
General institutional	340,000	90,000	81,741	(1,962)	79,779	10,221
Physical plant	685,000	1,235,000	1,436,641	(216,976)	1,219,665	15,335
Total expenditures	1,850,000	2,150,000	2,203,175	(149,575)	2,053,600	96,400
Excess of revenues over expenditures	(1,800,000)	(2,000,000)	(2,090,049)	149,575	(1,940,474)	59,526
Other financing sources (uses)						
Operating transfers in	-	-		-	-	-
Operating transfers out	-	-	(10,300)	-	(10,300)	(10,300)
Proceeds from general obligations	1,800,000	1,800,000	1,800,000	-	1,800,000	-
	1,800,000	1,800,000	1,789,700	-	1,789,700	(10,300)
Excess of revenues and other financing sources over expenditures and other uses	-	(200,000)	(300,349)	149,575	(150,774)	49,226
Fund balance at July 1, 2007	1,115,505	1,115,505	1,513,295	(495,753)	1,017,542	(97,963)
Fund balance at June 30, 2008	\$ 1,115,505	\$ 915,505	\$ 1,212,946	\$ (346,178)	\$ 866,768	\$ (48,737)

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

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Local government	\$2,459,000	\$2,459,000	\$2,459,000	\$ -	\$2,459,000	\$ -
Intergovernmental revenue						
State	7,000	7,000	6,520	-	6,520	(480)
Federal	-	-	-	-	-	-
Institutional	1,000	1,000	1,276	-	1,276	276
Total revenues	2,467,000	2,467,000	2,466,796	-	2,466,796	(204)
Expenditures						
Physical plant	2,467,000	2,467,000	2,454,950	-	2,454,950	12,050
Total expenditures	2,467,000	2,467,000	2,454,950	-	2,454,950	12,050
Excess of revenues over expenditures	-	-	11,846	-	11,846	11,846
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures and other uses	-	-	11,846	-	11,846	11,846
Fund balance at July 1, 2007	109,235	109,235	112,979	-	112,979	3,744
Fund balance at June 30, 2008	\$ 109,235	\$ 109,235	\$ 124,825	\$ -	\$ 124,825	\$ 15,590

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
ENTERPRISE FUNDS SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Institutional	\$ 1,674,000	\$ 1,674,000	\$ 1,780,283	\$ -	\$ 1,780,283	\$ 106,283
Total revenues	1,674,000	1,674,000	1,780,283	-	1,780,283	106,283
Expenditures						
Auxiliary services	1,524,000	1,524,000	1,473,246	(3,658)	1,469,588	54,412
Total expenditures	1,524,000	1,524,000	1,473,246	(3,658)	1,469,588	54,412
Excess of revenues over expenditures	150,000	150,000	307,037	3,658	310,695	160,695
Other financing sources (uses)						
Operating transfers out	(220,000)	(220,000)	(220,000)	-	(220,000)	-
	(220,000)	(220,000)	(220,000)	-	(220,000)	-
Excess of revenues and other financing sources over expenditures and other uses	(70,000)	(70,000)	87,037	3,658	90,695	160,695
Fund balance at July 1, 2007	2,102,613	2,102,613	2,109,831	(3,658)	2,106,173	3,560
Fund balance at June 30, 2008	\$ 2,032,613	\$ 2,032,613	\$ 2,196,868	\$ -	\$ 2,196,868	\$ 164,255

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

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
INTERNAL SERVICE FUNDS SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2008**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Institutional	\$ 3,440,000	\$ 3,440,000	\$ 3,040,302	\$ -	\$ 3,040,302	\$ (399,698)
Total revenues	3,440,000	3,440,000	3,040,302	-	3,040,302	(399,698)
Expenditures						
Auxiliary services	3,440,000	3,440,000	3,229,261	-	3,229,261	210,739
Total expenditures	3,440,000	3,440,000	3,229,261	-	3,229,261	210,739
Excess of revenues over expenditures	-	-	(188,959)	-	(188,959)	(188,959)
Fund balance at July 1, 2007	695,975	695,975	702,640	-	702,640	6,665
Fund balance at June 30, 2008	<u>\$ 695,975</u>	<u>\$ 695,975</u>	<u>\$ 513,681</u>	<u>\$ -</u>	<u>\$ 513,681</u>	<u>\$ (182,294)</u>

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

Internal Service Funds	Fiduciary Funds	Total	Reconciling items	Statement of revenues expenses and changes in net assets	
\$ -	\$ -	\$ 12,173,294	\$ -	\$ 12,173,294	
-	465,374	5,074,131	-	5,074,131	(1)
-	4,099,772	4,696,623	-	4,696,623	(2)
-	-	3,462,910	-	3,462,910	
-	-	260,657	-	260,657	
-	139,649	464,527	-	464,527	
3,040,302	70,175	6,004,713	(3,040,302)	2,964,411	(3)
3,040,302	4,774,970	32,136,855	(3,040,302)	29,096,553	
-	-	14,867,931	(2,331,788)	12,536,143	
-	-	553,161	(1,065)	552,096	
-	4,746,024	6,326,117	(4,501,800)	1,824,317	
-	-	2,755,475	(3,615)	2,751,860	
-	-	5,146,781	(1,994,449)	3,152,332	(4)
3,229,261	-	4,698,849	(3,036,644)	1,662,205	
-	-	-	1,419,041	1,419,041	
-	-	-	4,501,925	4,501,925	
3,229,261	4,746,024	34,348,314	(5,948,395)	28,399,919	
(188,959)	28,946	(2,211,459)	2,908,093	696,634	
-	-	230,300	-	230,300	
-	-	(230,300)	-	(230,300)	
-	-	1,800,000	(1,800,000)	-	
-	-	1,800,000	(1,800,000)	-	
(188,959)	28,946	(411,459)	1,108,093	696,634	
702,640	170,391	7,814,858	3,161,117	10,975,975	
\$ 513,681	\$ 199,337	\$ 7,403,399	\$ 4,269,210	\$ 11,672,609	(5)

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE TO RECONCILE BUDGET BASIS FINANCIAL STATEMENTS
TO BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2008**

(1) State grants revenue is presented on the basic financial statements as follows:

Operating	\$ 886,037
Non-operating	4,188,094
	<u>\$ 5,074,131</u>

(2) Federal grants revenue is presented on the basic financial statements as follows:

Operating	\$ 596,851
Non-operating	4,099,772
	<u>\$ 4,696,623</u>

(3) Institutional revenue is reported as five separate line items on the basic financial statements

Business and industry contract revenue	\$ 620,318
School district contract revenue	192,686
Miscellaneous revenue	174,990
Enterprise fund revenue	1,695,450
Special revenue fund revenue	-
Investment income earned	280,967
	<u>\$ 2,964,411</u>

(4) Interest expense is reported as a component of physical plant on the budgetary statements:

Physical Plant	\$ 2,902,382
Interest expense	249,950
	<u>\$ 3,152,332</u>

(5) Reconciliation of budgetary basis fund balance and net assets as presented in the basic financial statements:

Budgetary basis fund balance	\$ 7,403,399
General fixed assets capitalized - cost	27,021,620
Accumulated depreciation on general fixed assets	(13,915,125)
General obligation bonds payable	(5,240,000)
Long-term portion of retiree health insurance	(3,945,424)
Accrued interest on Long-term Debt	(15,474)
Encumbrances outstanding at year-end	363,613
	<u>4,269,210</u>
Net assets per basic financial statements	<u>\$ 11,672,609</u>

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

FEDERAL AND STATE SINGLE AUDIT REPORTS

<u>Revenues</u>			
<u>Grantor</u>	<u>Local</u>	<u>Total</u>	<u>Total</u>
<u>Reimbursement</u>	<u>Share</u>	<u>Revenues</u>	<u>Expenditures</u>
\$ 1,498,966	\$ -	\$ 1,498,966	\$ 1,498,966
2,447,995	-	2,447,995	2,447,995
15,229	-	15,229	15,229
35,111	-	35,111	35,111
10,450	-	10,450	10,450
63,221	-	63,221	63,221
<u>4,070,972</u>	<u>-</u>	<u>4,070,972</u>	<u>4,070,972</u>
124,645	-	58,390	58,390
<u>4,195,617</u>	<u>-</u>	<u>4,129,362</u>	<u>4,129,362</u>
31,020	11,071	43,871	43,871
16,281	1,821	21,321	21,321
125,257	133,900	243,200	243,200
<u>172,558</u>	<u>146,792</u>	<u>308,392</u>	<u>308,392</u>
26,454	1,341	32,741	32,741
50,162	2,632	53,685	53,685
12,558	693	10,640	10,640
232,909	180,100	337,200	337,200
<u>322,083</u>	<u>184,766</u>	<u>434,266</u>	<u>434,266</u>
116,929	2,156	118,825	118,825
37,350	185,472	196,164	196,164
648,920	519,186	1,057,647	1,057,647
<u>\$ 4,844,537</u>	<u>\$ 519,186</u>	<u>\$ 5,187,009</u>	<u>\$ 5,187,009</u>
\$ 4,844,537			
\$ 28,800			
<u>(176,714)</u>			
<u>\$ 4,696,623</u>			

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

<u>Revenues</u>					<u>Accrued</u>
<u>Grantor</u>	<u>Local</u>				<u>Receivable</u>
<u>Reimbursement</u>	<u>Share</u>	<u>Totals</u>	<u>Expenditures</u>		<u>July 1, 2008</u>
\$ -	\$ -	\$ 19,000	\$ 19,000	\$ 19,000	
1,221	284	568	568	284	
3,686,348	-	3,686,348	3,686,348	-	
43,650	4,445	44,445	44,445	7,138	
10,104	3,604	13,604	13,604	5,370	
1,900	(248)	1,652	1,652	-	
38,984	13,308	45,308	45,308	12,823	
36,640	9,931	39,724	39,724	17,795	
45,730	-	46,900	46,900	5,826	
118,078	46,858	183,199	183,199	46,001	
37,500	38,765	155,060	155,060	78,795	
6,973	1,884	7,534	-	5,651	
44,240	-	-	-	-	
<u>328,145</u>	<u>110,746</u>	<u>477,725</u>	<u>470,191</u>	<u>166,891</u>	
25,197	8,903	33,575	33,575	13,352	
-	2,081	8,324	8,324	6,243	
15,706	35,671	43,502	43,502	-	
19,552	11,190	41,390	41,390	10,648	
3,230	2,227	8,906	8,906	3,449	
12,309	4,832	19,326	19,326	2,185	
-	2,256	9,023	9,023	6,767	
-	6,186	19,842	19,842	13,656	
-	2,008	8,033	8,033	6,025	
<u>50,797</u>	<u>66,451</u>	<u>158,346</u>	<u>158,346</u>	<u>48,973</u>	
50,909	52,543	100,649	100,649	15,939	

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

<u>Revenues</u>					<u>Accrued</u>
<u>Grantor</u>	<u>Local</u>				<u>Receivable</u>
<u>Reimbursement</u>	<u>Share</u>	<u>Totals</u>	<u>Expenditures</u>		<u>July 1, 2008</u>
\$ 257,695	\$ 35,038	\$ 288,468	\$ 288,468	\$	117,707
21,813	-	-	-		-
<u>119,148</u>	<u>-</u>	<u>8,845</u>	<u>8,845</u>		<u>8,845</u>
398,656	35,038	297,313	297,313		126,552
<u>4,596,927</u>	<u>281,766</u>	<u>4,833,225</u>	<u>4,825,691</u>		<u>403,499</u>
937	31,415	34,928	34,928		2,576
-	-	15,558	15,558		15,558
-	-	1,723	1,723		1,723
<u>-</u>	<u>-</u>	<u>17,281</u>	<u>17,281</u>		<u>17,281</u>
2,250	-	2,250	2,250		-
417,482	-	417,482	417,482		-
900	-	900	900		-
650	-	650	650		-
13,235	-	13,235	13,235		-
<u>30,860</u>	<u>-</u>	<u>30,860</u>	<u>30,860</u>		<u>-</u>
<u>465,377</u>	<u>-</u>	<u>465,377</u>	<u>465,377</u>		<u>-</u>
<u>\$ 5,063,241</u>	<u>\$ 313,181</u>	<u>\$ 5,350,811</u>	<u>\$ 5,343,277</u>	<u>\$</u>	<u>423,356</u>
\$ 5,063,241					
4,311					
32,190					
<u>(25,611)</u>					
<u>\$ 5,074,131</u>					

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

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 AND SCHEDULE OF STATE FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2008**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Wisconsin Technical College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUBRECIPIENTS

The District's subrecipients included the following:

<u>Subrecipient</u>	<u>Program</u>	<u>Catalog Number</u>	<u>Amount</u>
Southwestern Wisconsin Childcare Resource & Referral, Inc.	Childcare & Development Grant	93.596	\$ 10,440
Family Resource Center of Iowa County	Adult Literacy-Grant County Family Centers	292.112	\$ 15,518
Grant County Family Connections	Adult Education and Family Resource Center	292.112	\$ 10,298



Engelson & Associates, Ltd.

Certified Public Accountants and Consultants

**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 Directors
Southwest Wisconsin Technical College District
Fennimore, Wisconsin

We have audited the financial statements of Southwest Wisconsin Technical College District ("District") as of and for the year ended June 30, 2008, and have issued our report thereon dated December 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Southwest Wisconsin Technical College's internal control over financial reporting as a basis for designing our audit procedures 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency 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 detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is a more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the audit committee, management, the board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Engelson and Associates, Ltd

La Crosse, Wisconsin
December 15, 2008



Engelson & Associates, Ltd.

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Southwest Wisconsin Technical College District
Fennimore, Wisconsin

Compliance

We have audited the compliance of Southwest Wisconsin Technical College District ("District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration (DOA) that are applicable to each of its major federal and state programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration (DOA). Those standards, OMB Circular A-133, and the State Single Audit Guidelines issued by the Wisconsin Department of Administration (DOA) require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal and state programs occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the Southwest Wisconsin Technical College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a

major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB

Circular A-133 and the State Single Audit Guidelines issued by the Wisconsin Department of Administration (DOA), but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees within a timely period, in the normal course of performing their assigned functions, to prevent or detect noncompliance with applicable requirements of laws, regulations, contracts and grants that would have a direct and material effect on major federal and state programs. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer major federal and state programs in accordance with applicable requirements of laws, regulations, contracts and grants such that there is more than a remote likelihood that noncompliance that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with applicable requirements of laws, regulations, contracts and grants in relation to a major federal or state program will not be prevented or detected by the District's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the audit committee, management, the board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Engelson and Associates, Ltd

La Crosse, Wisconsin
December 15, 2008

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Southwest Wisconsin Technical College.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Southwest Wisconsin Technical College were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Southwest Wisconsin Technical College expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs include:

	<u>CFDA#</u>	<u>Amount</u>
Federal:		
Pell Grant	84.063	\$ 1,498,966
Federal Direct Student Loans	84.032	2,447,995
Federal Direct Student Plus Loans	84.032	15,229
Supplemental Education Opportunity Grant	84.007	35,111
Academic Competitiveness Grant	84.375	10,450
College Work Study	84.033	63,221
Technical Preparation Grant	84.243	116,669
State:		
State Aid	292.105	3,686,348
Wisconsin Higher Education Board	39.435	465,377
Nursing Expanded Program	292.161	232,841

8. The federal threshold for distinguishing Types A and B program was \$300,000. The Wisconsin threshold was \$100,000 for Type A and \$25,000 for Type B.
9. Southwest Wisconsin Technical College was determined to be a low-risk auditee.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

B. Findings - Financial Statement Audit in accordance with Governmental Auditing Standards

NONE

C. Findings and Questioned Costs - Major Federal Award Programs Audit & Major State Award Programs Audit

NONE

D. Findings and Questioned Costs – Other Issues

1. There is no substantial doubt about Southwest Wisconsin Technical College's ability to continue as a going concern.
2. The audit report does not show audit issues (material noncompliance, non-material noncompliance, questioned costs, material weakness, significant deficiencies, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with *State Single Audit Guidelines*.

i. Department of Health and Family Services	No
ii. Department of the Workforce Development	No
iii. Department of Corrections	N/A
iv. Department of Public Instruction	No
v. Department of Agriculture	No
vi. Department of Education	No
vii. Wisconsin Technical College Systems Board	No

3. A management letter was issued conveying audit comments issued as a result of this audit.

4. Name of partner: Earl Engelson

Signature of partner:



5. Date of report: December 15, 2008

E. Status of Prior Audit Findings and Questioned Costs – State and Federal Awards

NONE