

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
Fennimore, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of Southwest Wisconsin Technical College, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise Southwest Wisconsin Technical College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Southwest Wisconsin Technical College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Southwest Wisconsin Technical College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of Southwest Wisconsin Technical College, as of June 30, 2015 and 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of funding progress and employer contributions on pages 4-11 and 39-41 required to be presented to supplement the basic financial statements and related notes. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southwest Wisconsin Technical College's basic financial statements. The combining and individual fund financial statements and schedules 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 and state 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*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015 on our consideration of Southwest Wisconsin Technical College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Wisconsin Technical College's internal control over financial reporting and compliance.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 2, 2015

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

The discussion and analysis of the financial performance of Southwest Wisconsin Technical College (Southwest Tech) provides an overview of its financial activities, identifies changes in its financial position, and assists the reader of these financial statements in focusing on noteworthy financial issues for the fiscal year ended June 30, 2015.

Southwest Tech provides lifelong learning opportunities with an individualized focus for students and communities.

The analysis focuses on Southwest Tech's financial performance as a whole. It should be read in conjunction with Southwest Tech's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Southwest Tech's government-wide financial statements reflect the following:

- Received 64 federal, state, or local grants totaling \$2.85 million.
- Updated official statement for borrowing and maintained Southwest Tech's rating of Aa2 through Moody's.
- Borrowed \$2,500,000 at 1.10 percent interest rate.
- Refinanced \$5,215,000 at 2.37 percent interest rate
- Continued participation in Districts Mutual Insurance (DMI), the insurance company formed by the colleges in the Wisconsin Technical College System.
- Increase purchase card activity to over 7,500 annual transactions. As a result, the number of accounts payable checks being issued continues to decrease, saving time and money for Southwest Tech and increasing vendor satisfaction with payment timing.
- Disbursed student financial aid totaling over \$3,136,674 in grants, \$3,584,784 in loans, and \$63,221 in college work study earnings.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities performed by Southwest Tech are classified as either operating or non-operating activities. Because Southwest Tech receives the majority of its revenue from the taxpayers and other state and local governments, Southwest Tech will always report an operating deficit or loss.

The utilization of capital assets is reflected in the financial statements as depreciation, which expenses the cost of an asset over its expected useful life.

Beginning net position has been restated \$3,851,302 for the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

The following summary shows a condensed version of the Statement of Revenues, Expenses, and Changes in Net Position:

Table 1
Condensed Statement of Revenues, Expenses, and Changes in Net Assets

	2015	2014	Change	% Change
OPERATING REVENUE				
Student fees	\$ 5,169,864	\$ 5,050,948	\$ 118,916	2.35
Federal grants	4,271,924	4,388,900	(116,976)	(2.67)
State grants	2,221,074	1,579,115	641,959	40.65
Contract revenues	2,393,146	2,682,670	(289,524)	(10.79)
Auxiliary revenues	1,813,337	1,636,041	177,296	10.84
Total operating revenues	15,869,345	15,337,674	531,671	3.47
OPERATING EXPENSES				
Instruction	14,958,528	16,154,063	(1,195,535)	(7.40)
Instructional resources	359,823	360,711	(888)	(0.25)
Student services	2,585,141	2,492,747	92,394	3.71
General institutional	3,447,868	3,430,105	17,763	0.52
Physical plant	1,933,290	1,911,448	21,842	1.14
Auxiliary enterprise services	1,870,994	1,326,957	544,037	41.00
Depreciation	2,583,745	2,569,388	14,357	0.56
Student aid	2,742,620	2,994,455	(251,835)	(8.41)
Total operating expenses	30,482,009	31,239,874	(757,865)	(2.43)
NON-OPERATING REVENUES (EXPENSES)				
Property taxes	9,353,372	15,823,152	(6,469,780)	(40.89)
State appropriations	8,818,033	2,457,009	6,361,024	258.89
Investment income	24,848	25,021	(173)	(0.69)
Loss on disposal of capital assets	(5,116)	(21,291)	16,175	-
Interest expense	(1,990,859)	(1,528,445)	(462,414)	30.25
Total non-operating revenues	16,200,278	16,755,446	(555,168)	(3.31)
Increase in net assets	1,587,614	853,246	<u>\$ 734,368</u>	
Net assets - beginning of year, as restated	26,061,190	21,356,642		
Net assets - end of year	<u>\$ 27,648,804</u>	<u>\$ 22,209,888</u>		

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

Operating revenues are the charges for services offered by Southwest Tech. Total operating revenues increased \$531,671 or 3.47% for fiscal year 2015. These increases are primarily due to the following:

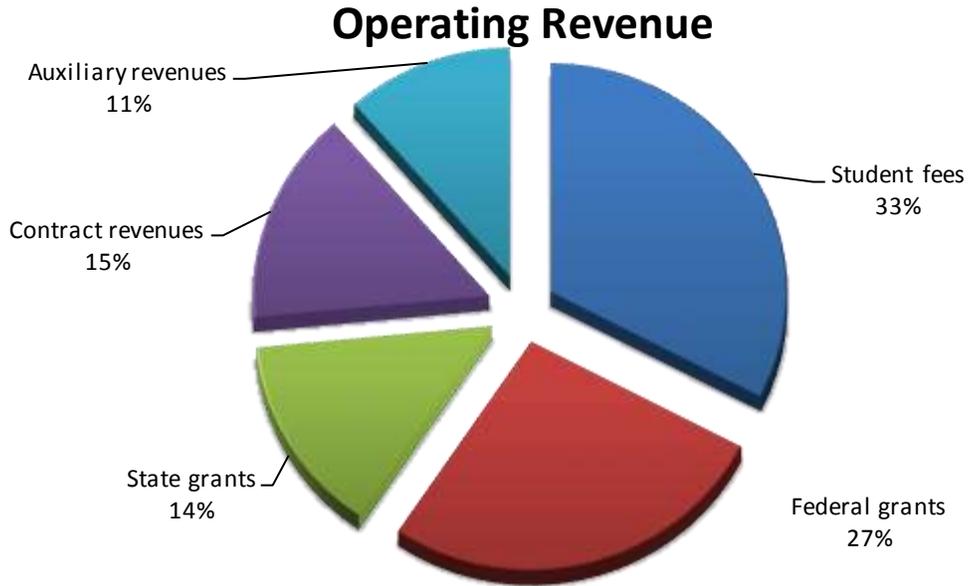
- During 2015 Southwest Tech generated \$5,169,864 for tuition and fees charged to students compared to \$5,050,948 in 2014. This was an increase of \$118,916 or 2.35%.
- The state increased tuition rates 2.0% and 3.0% in 2015 and 2014.
- Southwest Tech receives funding from the federal and state governments for specific purposes, including financial aid payments to students. Southwest Tech received \$6,492,998 for the federal and state governments for 2015 compared to \$5,968,015 for 2014. This figure is indicative of the continued efforts of Southwest Tech to seek out new sources of revenue.
 - ✓ State revenue increased \$641,959 or 40.65% in 2015 compared to 2014. State funding levels fluctuate between years based on the specific grants available each year as well as the amount of funding the state provides for financial aid.
 - ✓ Federal funding decreased \$116,976 or 11.25% in 2015 compared to 2014. The level of enrollment impacts the amount of federal financial aid that is awarded each year. Federal funding levels fluctuate between years based on the specific grants available each year as well as the amount of funding the state provides for financial aid.
- Revenue from industrial and technical assistance contracts with business and industry, local school districts, UW Platteville and the Department of Corrections was \$2,393,146 in 2015 and \$2,682,670 in 2014.
- Southwest Tech operates auxiliary enterprise operation such as the book store, parts store, and childcare center. Southwest Tech had sales of \$1,813,337 for 2015 compared to \$1,636,041 for these activities.

Operating expenses are costs incurred for providing education, training and services. Total expenses decreased \$757,865 or 2.43% compared to 2014. The majority of the Southwest Tech's expenses, 50%, are for instructional related costs. Student financial aid and general institutional accounts for an additional 20%, while auxiliary services and other expenses account for the remaining 30% of total operating expenses.

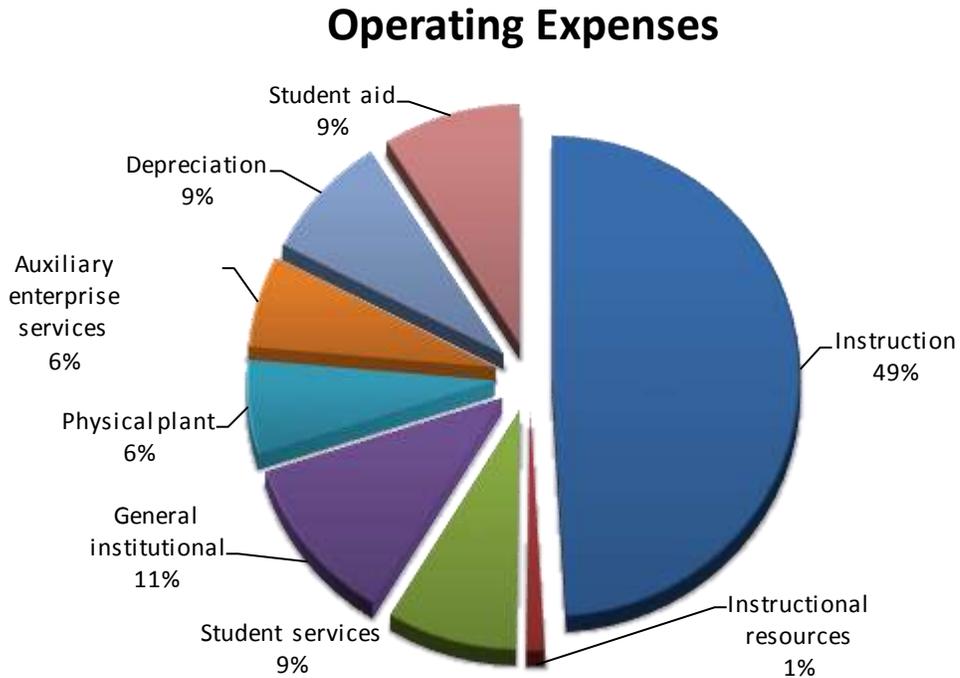
SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

The graph below depicts Southwest Tech's operating revenues by source:



The graph below categorizes operating expenses by function.



SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)

Non-operating revenues (expenses) are revenue and expense items not related directly to providing instruction. Net non-operating revenues decreased \$555,168 or 3.31% compared to 2014.

- State operating appropriations increased \$6,361,024 or 258.89% in 2015. Final state aid payments are not received until November following the fiscal year end. State aid is determined by a formula that takes into consideration actual expenditures, student FTE's, and equalized property valuations of each of the sixteen technical colleges in Wisconsin.
- Property tax revenue decreased \$6,469,780 or 40.89% in 2015 compared to 2014. Property taxes are the biggest source of funding for Southwest Tech.

STATEMENT OF NET POSITION

The Statement of Net Position includes all assets, (items that Southwest Tech owns and amounts that are owed to Southwest Tech by others) and liabilities (amounts Southwest Tech owes to others and what has been collected from others prior to providing the services). This statement is prepared using 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 Southwest Tech, regardless of when cash is exchanged.

Net position increased \$1,587,614 or 24.49% in 2015 compared to an increase of \$853,246 or 4.00% in 2014. Southwest Tech ended its fiscal year with net position of \$27,648,804 in 2015 of which \$14,668,216 was net investment in capital assets, \$250,662 was restricted for student financial aid, \$371,793 was restricted for capital projects, \$1,257,721 was restricted for debt service assistance, and \$11,100,413 was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general Southwest Tech operations.

Total assets increased \$2,553,302 or 4.14% in 2015 and \$1,117,459 or 1.85% in 2014. Other assets increased \$2,145,227 or 12.57%. Net capital assets increased \$408,075 or 0.9% in 2015 compared to a decrease of \$515,687 or 1.14% in 2014.

Southwest tech's current liabilities increased \$37,117 or 0.51% in 2015 compared to \$219,840 or 3.10% in 2014.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

STATEMENT OF NET POSITION (continued)

The components of the statement of net position are summarized in Table 2:

Table 2
Condensed Statements of Net Assets

	2015	2014	Change	% Change
ASSETS				
Cash and cash equivalents	\$ 11,266,084	\$ 9,123,735	\$ 2,142,349	23.48
Net pension asset	2,128,893	-	2,128,893	-
Net capital assets	44,953,216	44,545,141	408,075	0.92
Other assets	5,815,879	7,941,894	(2,126,015)	(26.77)
Total assets	\$ 64,164,072	\$ 61,610,770	\$ 2,553,302	4.14
DEFERRED OUTFLOWS OF RESOURCES				
Pension expected vs. actual experience	\$ 308,623	\$ -	\$ 308,623	-
Pension expected vs. actual investment income	1,030,913	-	1,030,913	-
Pension contributions after measurement date	415,377	-	415,377	-
Total deferred outflows of resources	\$ 1,754,913	\$ -	\$ 1,754,913	-
LIABILITIES				
Current liabilities	\$ 7,349,170	\$ 7,312,053	\$ 37,117	0.51
Long-term liabilities	30,921,011	32,088,829	(1,167,818)	(3.64)
Total liabilities	\$ 38,270,181	\$ 39,400,882	\$ (1,130,701)	(2.87)
NET POSITION				
Net invested in capital assets	\$ 14,668,216	\$ 13,485,141	\$ 1,183,075	8.77
Restricted for student financial aid	250,662	243,155	7,507	3.09
Restricted for capital projects	371,793	795,529	(423,736)	(53.26)
Restricted for debt service	1,257,720	1,244,645	13,075	1.05
Unrestricted	11,100,413	6,441,418	4,658,995	72.33
Total Net Position	\$ 27,648,804	\$ 22,209,888	\$ 5,438,916	24.49

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2015, Southwest Tech had \$72,562,095 in capital assets, including land, land improvements, buildings and improvements, and moveable equipment. Total accumulated depreciation on these assets was \$27,608,879. Asset acquisitions totaled \$3,653,398. Southwest Tech recognized depreciation expense of \$2,583,745. Detailed information about capital assets can be found in Note 3 to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt

As of June 30, 2015, Southwest Tech had \$30,285,000 in general obligation debt outstanding compared to \$31,060,000 in 2014. Southwest Tech maintained its Aa2 rating from Moody's Investor service on its current and outstanding long-term debt. Debt service requirements of Southwest Tech are current and are secured by a tax levy adopted by the District Board. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. All general obligation debt for equipment is repaid in five years, while debt related to building and major remodeling is repaid in 10-20 years. The current debt adequately replaces and expands the equipment and facility needs of the College. Detailed information about Southwest Tech's long-term debt is presented in Note 4 to the financial statements.

FINANCIAL POSITION

Southwest Tech continues to maintain a strong financial position. Its major revenue sources are property taxes, state aids, student tuition and fees, federal and state grants and contracts with business and industry.

Moody's "Aa2" rating reflects Southwest Tech's:

- Solid financial operations resulting in improved reserves,
- Manageable debt burden and low unfunded pension liabilities,
- Southwest Tech's sizeable \$7.7 billion tax base will likely remain stable given improved residential valuation trends, as well as modest commercial growth throughout Southwest Tech's boundaries.

"...we expect the district's financial operations will remain sound due to a history of conservative budgeting practices resulting in improved reserves."

ECONOMIC FACTORS

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

- Southwest Tech has had moderate growth in FTE's of approximately 2.5% percent since 2004-05 (10 years ago).
- Southwest Tech has articulation agreements with other institutions of higher learning that provide options for students to fulfill program requirements locally and finish with minimal time elsewhere.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2015

ECONOMIC FACTORS (continued)

- Unique programs such as Golf Course Management, Midwifery and online programs/courses draw students from outside of the district and state.
- Southwest Tech is 1 of 2 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 operations continues to increase (wages, benefits, insurance, utilities, etc.)

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

CONTACTING SOUTHWEST WISCONSIN TECHNICAL COLLEGE'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of Southwest Tech's finances for all those with an interest in Southwest Tech's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Caleb White, Vice President for Administrative Services, 1800 Bronson Boulevard, Fennimore, WI 53809.

Additional information about Southwest Wisconsin Technical College and its services can also be found at <http://www.swtc.edu>.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 11,266,084	\$ 9,123,735
Taxes receivable	3,130,320	5,512,898
Accounts receivable, net	1,394,930	1,116,636
Student accounts receivable	542,479	474,788
Due from other governments	53,225	65,750
Inventories	539,308	648,355
Prepaid expenses	155,617	123,467
Total current assets	17,081,963	17,065,629
NONCURRENT ASSETS		
Net pension asset	2,128,893	-
Capital assets not being depreciated	813,962	813,445
Capital assets being depreciated, net	44,139,254	43,731,696
Total noncurrent assets	47,082,109	44,545,141
Total assets	64,164,072	61,610,770
DEFERRED OUTFLOWS OF RESOURCES		
Pension expected vs. actual experience	308,623	-
Pension expected vs. actual investment income	1,030,913	-
Pension contributions after measurement date	415,377	-
Total deferred outflows of resources	1,754,913	-
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and other current liabilities	1,177,729	1,187,509
Accrued salaries and benefits	1,043,108	1,162,512
Accrued interest	81,001	89,214
Accrued self-insurance	431,000	431,000
Compensated absences	791,762	838,122
Unearned revenue	444,570	443,696
Current portion of long-term debt	3,380,000	3,160,000
Total current liabilities	7,349,170	7,312,053
NONCURRENT LIABILITIES		
Long-term debt, net of current portion	26,905,000	27,900,000
Post-employment benefits	4,016,011	4,188,829
Total noncurrent liabilities	30,921,011	32,088,829
Total liabilities	38,270,181	39,400,882
NET POSITION		
Net investment in capital assets	14,668,216	13,485,141
Restricted		
Student financial assistance	250,662	243,155
Capital projects	371,793	795,529
Debt service	1,257,720	1,244,645
Unrestricted	11,100,413	6,441,418
Total net position	\$ 27,648,804	\$ 22,209,888

See accompanying notes to financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2015 and 2014

	2015	2014
OPERATING REVENUES		
Tuition and fees		
Program fees (net of \$169,056 and \$181,251 scholarship allowances, respectively)	\$ 4,137,230	\$ 4,127,479
Material fees (net of \$13,575 and \$13,287 scholarship allowances, respectively)	332,211	325,729
Other student fees (net of \$28,621 and \$26,573 scholarship allowances, respectively)	700,423	597,740
Federal grants and contracts	4,271,924	4,388,900
State grants and contracts	2,221,074	1,579,115
Non-governmental grants and contracts	2,393,146	2,682,670
Auxiliary enterprise services	1,813,337	1,636,041
Total operating revenues	15,869,345	15,337,674
OPERATING EXPENSES		
Instruction	14,958,528	16,154,063
Instructional resources	359,823	360,711
Student services	2,585,141	2,492,747
General institution	3,447,868	3,430,105
Physical plant	1,933,290	1,911,448
Auxiliary enterprise services	1,870,994	1,326,957
Depreciation	2,583,745	2,569,388
Student aid	2,742,620	2,994,455
Total operating expenses	30,482,009	31,239,874
Operating loss	(14,612,664)	(15,902,200)
NONOPERATING REVENUES (EXPENSES)		
State appropriations	8,818,033	2,457,009
Local property taxes	9,353,372	15,823,152
Loss on disposal of capital assets	(5,116)	(21,291)
Investment income	24,848	25,021
Interest on capital asset-related debt	(1,990,859)	(1,528,445)
Total non-operating revenues (expenses)	16,200,278	16,755,446
Change in net position	1,587,614	853,246
Net position - beginning of year - as restated	26,061,190	21,356,642
Net position - end of year	<u>\$ 27,648,804</u>	<u>\$ 22,209,888</u>

See accompanying notes to financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Tuition and fees received	\$ 5,103,047	\$ 5,138,383
Federal and state grants received	6,505,523	6,019,042
Business, industry and school district contract revenues received	2,114,852	2,532,867
Payments to employees, including related benefits	(22,442,673)	(20,650,558)
Payments to suppliers	(5,759,560)	(6,997,221)
Auxiliary enterprise revenues received	1,813,337	1,636,041
Net Cash Flows from Operating Activities	<u>(12,665,474)</u>	<u>(12,321,446)</u>
Cash flows from non-capital financing activities		
Local property taxes received	11,735,950	15,786,719
State appropriations received	8,818,033	2,457,009
Net Cash Flows from Non-Capital Financing Activities	<u>20,553,983</u>	<u>18,243,728</u>
Cash flows from capital and related financing activities		
Purchases of capital assets	(2,996,935)	(2,074,991)
Proceeds from issuance of capital debt	7,715,000	2,500,000
Principal paid on capital debt	(8,490,000)	(3,500,000)
Interest paid on capital debt	(1,999,073)	(1,530,589)
Net Cash Flows from Capital and Related Financing Activities	<u>(5,771,008)</u>	<u>(4,605,580)</u>
Cash flows from capital and related financing activities		
Investment income received	24,848	25,021
Net Increase in Cash and Cash Equivalents	2,142,349	1,341,723
Cash and Cash Equivalents - Beginning of Year	<u>9,123,735</u>	<u>7,782,012</u>
Cash and Cash Equivalents - End of Year	<u><u>\$ 11,266,084</u></u>	<u><u>\$ 9,123,735</u></u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (14,612,664)	\$ (15,902,200)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,583,745	2,569,388
Changes in assets and liabilities		
Accounts receivable, net	(278,294)	(149,803)
Student accounts receivable	(67,691)	(37,203)
Due from other governments	12,525	51,027
Inventories	109,047	(76,538)
Prepaid expenses	(32,150)	(42,473)
Net pension asset	(32,504)	-
Accounts payable and other current liabilities	(9,780)	258,558
Accrued salaries and benefits	(119,404)	(231,156)
Accrued self-insurance	-	56,000
Compensated absences	(46,360)	(146,056)
Unearned revenue	874	124,638
Post-employment benefits	(172,818)	1,204,372
Net cash used in operating activities	<u><u>\$ (12,665,474.00)</u></u>	<u><u>\$ (12,321,446.00)</u></u>

See accompanying notes to financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southwest Wisconsin Technical College (Southwest Tech), is comprised of five full Southwest Wisconsin counties and portions of four others, became operational on July 1, 1967, pursuant to Chapter 292, Laws of Wisconsin of 1965. The geographic area of the Southwest Tech is comprised of most of Crawford, Grant, Iowa, Lafayette, and Richland counties and part of Dane, Green, Sauk, and Vernon counties covering 3,800 square miles. There are 30 public K-12 school districts within Southwest Tech boundaries.

Southwest Tech is governed by a nine-member District Board elected by the 30 school districts boards comprising Southwest Tech. Pursuant to Wisconsin Statute, the District Board consists of two employer members, two employee members, three additional members, one elected official member who holds a state or local office, and one school district administrator. Board members serve staggered three-year terms. 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 Southwest Tech, 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 policies and directives.

The financial statements of Southwest Tech have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing accounting and financial reporting principles.

Effective July 1, 2014, the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. GASB Statement No. 68 defines the pension liability as the difference between the total pension liability and the value of assets set aside to pay benefits. A description of the pension plan and the impact on the financial statements of the District is provided on page 29.

Reporting Entity

The reporting entity of Southwest Tech is based upon criteria set forth by GASB Statement No. 61 *The Financial Reporting Entity: Omnibus an Amendment* to GASB Statements No. 14 and No. 34. The reporting entity for Southwest Tech consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. If a primary government appoints a voting majority of an organization's officials or if the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, the primary government is financially accountable for those organizations. An organization has a financial benefit or burden relationship with the primary government if, for example, any one of these conditions exists. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The report does not contain any component units.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Southwest Tech 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 Southwest Tech. The Foundation is managed by an independent board of directors. Southwest Tech 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 Southwest Tech as a whole and accordingly, financial information related to the Foundation is not included in these financial statements.

Basis of Accounting and Financial Statement Presentation

For financial reporting purposes, Southwest Tech is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of Southwest Tech 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-governmental transactions have been eliminated.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires Southwest Tech to make estimates and assumptions that affect the reported amounts of assets, deferred inflows and outflows of revenues and liabilities, and disclosures 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.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Cash and Cash Equivalents

Southwest Tech's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the Local Government Investment Pool, and short-term investments with original maturities less than ninety days from date of acquisition.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (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. The SIF is not rated. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2015 and 2014, the fair value of Southwest Tech's share of the LGIP's assets was substantially equal to the amount reported in these statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories of books and supplies 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.

Capital Assets

Capital assets are reported at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value at the time of receipt. Interest costs incurred during construction are not capitalized and are not considered material.

The costs of maintenance and repairs are charged to operations as incurred. Equipment assets having a cost of \$500 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 useful life of the asset, which range from four to ten years for equipment and fifty years for buildings and remodeling.

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 Southwest Tech for the purposes of 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 Southwest Tech that is used for capital improvements and equipment additions.

Southwest Tech's operational mill rate was .61744 and 1.52915 mills for fiscal years ending 2015 and 2014. The debt service mill rate for the fiscal years ending 2015 and 2014 was .63559 and .63447 respectively.

Southwest Tech 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 Southwest Tech's tax calendar:

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Historically, Southwest Tech 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 Southwest Tech's year-end.

Compensated Absences

Southwest Tech employees are granted vacation, and sick leave benefits in varying amounts in accordance with Southwest Tech policies. In the event of retirement, death or resignation of an employee, Southwest Tech is obligated to pay for all unused vacation days. All vacation is accrued when incurred as accrued compensated absences in the statement of net position.

Pensions

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

Post-Employment Benefits

For employees hired prior to July 1, 2006, Southwest Tech's employee fringe benefit program includes a provision which allows academic, administrative, 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, any academic staff, administrative staff, or support staff with less than thirteen years of service to Southwest Tech 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 layoff.

At time of separation, support staff with thirteen or more years of service to Southwest Tech will have one years' worth of health insurance premiums banked to pay future post separation premiums. Those with fifteen or more years of service to Southwest Tech 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.

Academic and administrative staff with thirteen or more years of service to Southwest Tech 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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Post-Employment Benefits (continued)

These benefits are financed on a pay-as-you-go basis. In the current year, Southwest Tech paid \$420,032 of health insurance for 71 former employees.

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Southwest Tech has three items that meet this criterion, expected vs. actual experience of the pension plan, expected vs. actual investment income of the pension plan, and contributions after measurement date. All deferred inflows relate to the allocated of the pension activity that resulted from the implementation of GASB Statement 68.

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. Southwest Tech's student fee receivable is stated at amounts due from students, net of an allowance for doubtful accounts. Amounts outstanding longer than the agreed upon payment terms are considered past due. Southwest Tech determines its allowance for doubtful accounts by considering a number of factors including length of time amounts are past due, Southwest Tech's previous loss history and the student's ability to pay his or her obligation. Southwest Tech writes off receivables when they become uncollectible, and payments subsequently collected on such receivables are credited to the allowance for doubtful accounts.

State and Federal Revenues

Southwest Tech receives funding from various federal and state contracts and grants. These revenues are earned as expenses are incurred. Such expenses may be incurred during the grantor's fiscal period, which may be different than that of Southwest Tech.

Southwest Tech participates in federally funded Pell Grants, SEOG Grants, Federal Work Study and Federal Direct Student Loan Programs. Federal and State programs are audited in accordance with *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*.

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. Southwest Tech 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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Revenue and Expense

Southwest Tech has classified its revenue and expenses as either operating or non-operating 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 Southwest Tech's principal ongoing operations. Operating revenues include (1) student tuition and fees, net of scholarship allowances, (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 Southwest Tech. Operating expenses include the cost of providing educational services, student aid, administrative expenses and depreciation on capital assets.

Non-operating revenues/expenses – Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions. Non-operating revenues as defined 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, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These revenues include gifts and contributions, and other revenue sources.

Self-Insurance

Southwest Tech is self-insured for health and dental coverage. Southwest Tech accounts for its medical self-insurance program in an internal service fund. The purpose of this fund is to pay medical insurance claims of Southwest Tech employees and their covered dependents and to minimize the total costs of annual insurance to Southwest Tech. The accrued liability for estimated claims represents an estimate of the eventual loss on claims arising prior to year-end, including claims incurred, but not yet reported. The amounts not reported to Southwest Tech were determined by the Plan administrator. As part of the health care coverage of the Plan, Southwest Tech purchases stop-loss coverage, which pays claims in excess of \$100,000 per individual and/or 125% of the annual estimated claims. Southwest Tech has no stop-loss coverage for dental care coverage of the Plan.

Change in the claims liability for the years ended June 30 is as follows:

		Estimated claims outstanding			
		Beginning Balance	Claims IBNR	Claim Payments	Ending Balance
	2015	\$ 431,000	\$ 4,258,096	\$ 4,258,096	\$ 431,000
	2014	375,000	3,149,879	3,205,879	431,000

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Position

Net position is classified according to restrictions on availability of assets for satisfaction of Southwest Tech's obligations.

Net investment in capital assets: The 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.

Restricted net position: Restricted net position includes resources in which Southwest Tech is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

- Restricted net position 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 position for student financial assistance can only be used for student financial assistance activities.
- Restricted net position for capital projects results from unspent from general obligation debt issued specifically for capital projects.

Unrestricted net position: Unrestricted net position represents 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 Southwest Tech and may be used at the discretion of the governing board to meet current expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

When an expense is incurred that can be paid using either restricted or unrestricted resources, Southwest Tech's policy is to first apply the expense towards restricted resources and then towards unrestricted resources.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2—CASH AND CASH EQUIVALENTS

Southwest Tech cash and cash equivalents consist of the following at June 30:

	2015	2014	Risk
Cash and cash equivalents:			
Cash on hand	\$ 1,600	\$ 1,750	
Deposit accounts	10,103,151	7,961,827	Custodial
Wisconsin Local Government Investment Pool	1,161,333	1,160,158	Credit and interest rate
Total cash and cash equivalents	\$ 11,266,084	\$ 9,123,735	

Southwest Tech voluntarily invests excess funds in the Wisconsin Local Government Investment Pool (LGIP), an external investment pool. The LGIP is part of the State Investment Fund (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. The SIF is not rated. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, the fair value of the Southwest Tech's share of the LGIP's assets was substantially equal to the amounts reported above.

Southwest Tech is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 2—CASH AND CASH EQUIVALENTS (continued)

5. Securities of an open-end management investment company or investment trust, with certain limitations:
 - a. Bonds or securities issued under the authority of the municipality;
 - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
 - c. Agreements in which a public depository agrees to repay funds advanced to it by Southwest Tech, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
 - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
 - e. Repurchase agreements with public depositories, with certain conditions.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Southwest Tech would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. .

The bank balances were \$10,085,849 and \$8,176,599. Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2015, \$250,000 of Southwest Tech's deposits was covered by the FDIC, and \$9,836,400 was secured by pledged securities.

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to the transaction, Southwest Tech will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Southwest Tech's investment policy minimizes credit risk by limiting investments to the safest type of securities and diversifying the investment portfolio. 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-ended investment companies, the LGIP, or the Wisconsin Investment Series Cooperative (WISC). The LGIP and WISC do not carry a credit quality rating.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, Southwest Tech'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, whichever is less. The policy indicates that the investment portfolio should be structured so that securities mature to meet the 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. As of June 30, 2015, Wisconsin Local Government Investment Pool (LGIP) investments have a maturity of 12 months or less.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2015:

	Balance 7/1/2014	Additions	(Deletions)	Balance 6/30/2015
Capital assets not being depreciated				
Land	\$ 813,445	\$ -	\$ -	\$ 813,445
Construction in progress	656,980	-	(656,463)	517
Total capital assets not being depreciated	1,470,425	-	(656,463)	813,962
Capital assets being depreciated				
Land improvements	1,046,567	21,410	-	1,067,977
Buildings & improvements	44,116,275	2,257,788	-	46,374,063
Equipment	23,032,312	1,374,200	(100,419)	24,306,093
Total capital assets being depreciated	68,195,154	3,653,398	(100,419)	71,748,133
Less accumulated depreciation for				
Land improvements	485,703	44,139	-	529,842
Buildings & improvements	8,233,898	1,147,499	-	9,381,397
Equipment	16,400,837	1,392,107	(95,304)	17,697,640
Total accumulated depreciation	25,120,438	2,583,745	(95,304)	27,608,879
Total capital assets being depreciated-net	43,074,716	1,069,653	(5,115)	44,139,254
Net capital assets	44,545,141	<u>\$ 1,069,653</u>	<u>\$ (661,578)</u>	44,953,216
Less general obligation debt	<u>(31,060,000)</u>			<u>(30,285,000)</u>
Total net investment in capital assets	<u>\$ 13,485,141</u>			<u>\$ 14,668,216</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3—CAPITAL ASSETS (continued)

The following is a summary of changes in capital assets for the year ended June 30, 2014:

	Balance 7/1/2013	Additions	(Deletions)	Balance 6/30/2014
Capital assets not being depreciated				
Land	\$ 813,445	\$ -	\$ -	\$ 813,445
Constructions in progress	-	656,980	-	656,980
Total capital assets not being depreciated	813,445	656,980	-	1,470,425
Capital assets being depreciated				
Land improvements	1,053,467	-	(6,900)	1,046,567
Buildings & improvements	43,702,935	413,340	-	44,116,275
Equipment	22,187,195	1,004,671	(159,554)	23,032,312
Total capital assets being depreciated	66,943,597	1,418,011	(166,454)	68,195,154
Less accumulated depreciation for				
Land improvements	441,088	44,960	(345)	485,703
Buildings & improvements	7,186,011	1,047,887	-	8,233,898
Equipment	15,069,114	1,476,541	(144,818)	16,400,837
Total accumulated depreciation	22,696,213	2,569,388	(145,163)	25,120,438
Total capital assets being depreciated-net	44,247,384	(1,151,377)	(21,291)	43,074,716
Net capital assets	45,060,829	<u>\$ (494,397)</u>	<u>\$ (21,291)</u>	44,545,141
Less general obligation debt	(32,060,000)			(31,060,000)
Total net investment in capital assets	<u>\$ 13,000,829</u>			<u>\$ 13,485,141</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4—LONG-TERM OBLIGATIONS

Long-term obligations of Southwest Tech consist of general obligation bonds, general obligation promissory notes and compensated absences for vacation and sick pay benefits.

Changes in long-term obligations for the years ended June 30, 2015 and 2014 was as follows:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Due Within One Year
Notes and bonds payable	\$ 31,060,000	\$ 7,715,000	\$ 8,490,000	\$ 30,285,000	\$ 3,380,000
Accrued compensated absences	838,122	373,672	420,032	791,762	791,762
Total long-term liabilities	<u>\$ 31,898,122</u>	<u>\$ 8,088,672</u>	<u>\$ 8,910,032</u>	<u>\$ 31,076,762</u>	<u>\$ 4,171,762</u>

	Balance 7/1/2013	Additions	Reductions	Balance 6/30/2014	Due Within One Year
Notes and bonds payable	\$ 32,060,000	\$ 2,500,000	\$ 3,500,000	\$ 31,060,000	\$ 3,160,000
Accrued compensated absences	984,178	528,765	674,821	838,122	838,122
Total long-term liabilities	<u>\$ 33,044,178</u>	<u>\$ 3,028,765</u>	<u>\$ 4,174,821</u>	<u>\$ 31,898,122</u>	<u>\$ 3,998,122</u>

All general obligation debt is secured by the full faith and credit and taxing powers of Southwest Tech. Long-term debt will be retired by future property tax levies and resources accumulated in the debt service fund.

Wisconsin State Statute 67.03 (1) limits total general obligation debt of Southwest Tech to 5% of the equalized value of taxable property located within the district. Wisconsin State Statute 67.03 (9) limits bonded indebtedness of Southwest Tech to 2% of the equalized value of taxable property, including tax incremental districts. The legal debt limit and the margin of indebtedness, as of June 30, 2015 is as follows:

	Bonds	Aggregate
Debt limit (2% for bonds, 5% for aggregate)	\$ 149,153,626	\$ 372,884,064
Debt outstanding at June 30, 2014 net of resources available to pay principle	<u>18,842,280</u>	<u>29,027,280</u>
Margin of indebtedness:	<u>\$ 130,311,346</u>	<u>\$ 343,856,784</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4—LONG-TERM OBLIGATIONS (continued)

General obligation debt at June 30, 2015 and 2014 are as follows:

	<u>Buyer</u>	<u>2015</u>	<u>2014</u>
2008 \$8,000,000 general obligation school improvement bonds payable with annual principle payments of \$150,000 - \$585,000 through June 1, 2028, interest at 4.00%-4.75%, payable semi-annually in June 1 and December 1. Proceeds used to finance construction and remodeling.	Sterne, Agee & Leach, Inc.	\$ 1,065,000	\$ 6,190,000
2009 \$23,900,000 taxable general obligation Build America Bonds payable, authorized by the American Recovery and Reinvestment Act, with annual principle payments of \$600,000 - \$1,745,000 through June 1, 2029, interest at 1.65%-6.125%, payable semi-annually in June 1 and December 1. Interest payments are reduced by a 35% federal subsidy. Proceeds used to finance new construction and remodeling.	Robert W. Baird	19,035,000	19,970,000
2010 \$2,000,000 promissory notes payable with annual principle payments of \$400,000 through June 1, 2015, interest at 1.50%-2.00%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	M&I Marshall & lislely Bank	-	400,000
2011 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2016, interest at 1.0%-2.0%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	Robert W. Baird	500,000	1,000,000
2012 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2017, interest at 0.40%-1.0%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	UMB Bank, N.A	1,000,000	1,500,000

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 4—LONG-TERM OBLIGATIONS (continued)

	Buyer	2015	2014
2013 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2018, interest at 1.75%-2%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	Robert W. Baird	1,500,000	2,000,000
2014 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2019, interest at 0.5-2.0%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	Robert W. Baird	2,000,000	-
2014 \$5,215,000 general obligation refunding bonds payable with annual principle payments of \$30,000-\$575,000 through June 1, 2028, interest at 2.0-3.0%, payable semi-annually June 1 and December 1.	Robert W. Baird	5,185,000	-
Total General Obligation Debt		<u>\$ 30,285,000</u>	<u>\$ 31,060,000</u>

Future debt service requirements as of June 30, 2015 are as follows:

Year Ended June 30	Principal	Interest	Total
2016	\$ 3,380,000	\$ 964,118	\$ 4,344,118
2017	2,950,000	886,807	3,836,807
2018	2,525,000	816,129	3,341,129
2019	2,100,000	738,203	2,838,203
2020	1,670,000	681,765	2,351,765
2021-2025	9,400,000	2,563,820	11,963,820
2026-2030	8,260,000	719,272	8,979,272
	<u>\$ 30,285,000</u>	<u>\$ 7,370,114</u>	<u>\$ 37,655,114</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5—EMPLOYEE'S RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting. For employees beginning participation on or after January 1, 1990, 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, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$850,618 in contributions from the employer.

Contribution rates as of June 30, 2015 are:

	Employee	Employer
General (including teachers)	6.65%	6.65%
Executives and elected officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, Southwest Wisconsin Technical College reported an asset of \$2,128,894 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Southwest Wisconsin Technical College’s proportion of the net pension asset was based on Southwest Wisconsin Technical College’s share of contributions to the pension plan relative to the contributions of all participating employers.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

At December 31, 2014, Southwest Wisconsin Technical College’s proportion was 0.087%, which was an increase of 0.0003% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, Southwest Wisconsin Technical College recognized pension expense of \$834,129.

At June 30, 2015, Southwest Wisconsin Technical College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 308,623
Net differences between projected and actual earnings on pension plan investments	1,030,913
Employer contributions subsequent to the measurement date	415,377
Total	\$ 1,754,913

\$415,377 reported as deferred outflows related to pension resulting from Southwest Wisconsin Technical College’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources
2015	\$ 263,482
2016	263,482
2017	263,482
2018	263,482
2019	263,482
Thereafter	22,129

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 5 – EMPLOYEE'S RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:		December 31, 2013
Measurement Date of Net Pension Liability (Asset)		December 31, 2014
Actuarial Cost Method:		Entry age
Asset Valuation Method:		Fair Market Value
Long-Term Expected Rate of Return:		7.2%
Discount Rate:		7.2%
Salary Increases:		
	Inflation	3.2%
	Seniority/Merit	0.2% - 5.8%
Mortality:		Wisconsin 2012 Mortality Table
Post-retirement Adjustments*		2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7	23
Fixed Income	1.7	36
Inflation Sensitive Assets	2.3	20
Real Estate	4.2	7
Private Equity/Debt	6.9	7
Multi-Asset	3.9	6
Cash	0.9	(20)

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015 and 2014

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Southwest Wisconsin Technical College's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents Southwest Wisconsin Technical College's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what Southwest Wisconsin Technical College's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
Southwest Wisconsin Technical College's proportionate share of the net pension liability (asset)	\$ 6,005,975	\$ (2,128,894)	\$ (8,553,484)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS

Southwest Tech provides other post-employment benefits (OPEB) for its employees through a single-employer retiree benefit plan that provides postemployment health and dental insurance benefits to eligible employees and their spouses in accordance with employee contracts. There are approximately 181 active and 68 retired members in the plan as of June 30, 2015. Benefits and eligibility are established and amended by the governing body.

Funding Policy. Southwest Tech has no invested plan assets accumulated for payment of future benefits. The employer makes all contributions. Southwest Tech's funding policy is to provide annual contributions on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. Southwest Tech's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (continued)

each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of Southwest Tech’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Southwest Tech’s net OPEB obligation:

Annual required contribution	\$	368,605
Interest on net OPEB obligation		57,499
Adjustment to annual required contribution		<u>(62,608)</u>
Annual OPEB cost (expense)		363,496
OPEB payments made		<u>(420,032)</u>
Increase in net OPEB obligation		(56,536)
Net OPEB obligation - beginning of year		<u>1,437,471</u>
Net OPEB obligation - end of year	\$	<u><u>1,380,935</u></u>

Southwest Tech’s annual OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015 and the preceding two years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed
6/30/2015	\$ 363,496	172.64%
6/30/2014	\$ 362,554	173.09%
6/30/2013	471,230	76.59%

Funded Status and Funding Progress. As of July 1, 2013, the most recent actuarial valuation date, Southwest Tech’s actuarial accrued liability (AAL) for benefits was \$5,919,556 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,919,556. The annual payroll for active employees covered by the plan in the actuarial valuation for the fiscal year was \$5,795,408 for a ratio of the UAAL to covered payroll of 102.14%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013, actuarial valuation, the unit credit actuarial cost method was used. The actuarial assumptions included a 4.00% investment rate of return and an initial annual healthcare cost trend rate of 7.50%, reduced by decrements to an ultimate rate of 5%. Both rates include a 3% inflation assumption. The UAAL is being amortized on a level dollar basis. The remaining amortization period on July 1, 2013 was 27 years.

NOTE 7—COMMITMENTS AND CONTINGENCIES

Southwest Tech 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. Management believes such disallowances, if any, would be immaterial.

From time to time Southwest Tech is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and Southwest Tech's legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Southwest Tech's financial position.

Operating Leases

Southwest Tech leases various facilities as outreach center to off Adult Basic Education, GED/HSED and other course options. Current facilities are located in Richland Center, Fennimore, Platteville and Darlington. Future minimum lease payments for the years ending June 30, 2016, 2017, 2018, and 2019 are \$52,961, \$41,601, \$42,462, \$29,262, and \$30,122. Rent expenses under all operating leases for the years ended June 30, 2015 and 2014 were \$52,601 and \$48,281.

NOTE 8—RISK MANAGEMENT

Districts Mutual Insurance Company (DMI)

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 \$350,000,000 per occurrence; general liability, auto, and educators' legal liability at \$5,000,000 per occurrence; and workers' compensation at the statutorily required limits.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 8 – RISK MANAGEMENT (continued)

At this time, settled claims have not approached the coverage limits as identified above. Southwest Tech's exposure to its layer of insurance is limited to its deductible amounts, which vary by coverage from \$2,500 to \$100,000 per occurrence. DMI purchases reinsurance for losses in excess of its retained layer of coverage.

DMI operations are governed by a five-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.

Each member college is assessed an annual premium. 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. Since DMI is fully capitalized, member districts have not been assessed a capitalization amount for fiscal years 2015 and 2014.

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

Supplemental Insurance

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 for its participating members:

- *Foreign travel 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.
- *Business Travel Accident:* Coverage for Local Board of Trustee Members \$1,000,000 aggregate general; \$100,000 for scheduled losses, assistance services medical evacuation and repatriation.

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 9—SUBSEQUENT EVENT

On August 5, 2015, Southwest Tech issued \$2,500,000 of General Obligation Promissory Notes, the proceeds of which are to be used for the public purpose of paying building remodeling and improvement costs and acquiring movable equipment. The interest rate on these bonds range from 0.05% to 2.00%.

NOTE 10—PRIOR PERIOD ADJUSTMENT

The Government Accounting Standards Board (GASB) issued Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Under GASB 68, Southwest Tech is required to disclose the net pension asset on the statement of net position. As a result, an adjustment of \$3,851,302 was made to increase the June 30, 2014 net position of the Government Activities on the statement of activities based on the net pension asset balance and the related deferred outflows of resources balances as of June 30, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
 SCHEDULE OF NET PENSION ASSET - Wisconsin Retirement System
 Last 10 Fiscal Years

	2015
Southwest Wisconsin Technical College's proportion of the net pension liability (asset)	0.086672%
Southwest Wisconsin Technical College's proportionate share of the net pension liability	(2,128,894)
Southwest Wisconsin Technical College's covered-employee payroll	12,149,964
Proportionate share as a percentage of covered payroll	-17.52%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

SCHEDULE OF CONTRIBUTIONS - Wisconsin Retirement System
 Last 10 Fiscal Years

Contractually required contributions	850,618
Contributions in relation to the contractually required contributions	850,618
Contribution deficiency (excess)	-
Southwest Wisconsin Technical College's covered-employee payroll	12,149,964
Contributions as a percentage of covered-employee payroll	7.00%

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
 June 30, 2015 and 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
7/1/2013	\$ -	\$ 5,919,556	\$ 5,919,556	0.00%	\$ 5,795,408	102.14%
7/1/2012	\$ -	\$ 6,699,033	\$ 6,699,033	0.00%	\$ 6,456,777	103.75%
7/1/2010	\$ -	\$ 11,936,782	\$ 11,936,782	0.00%	\$ 12,396,947	96.29%

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1—BUDGETS AND BUDGETARY ACCOUNTING

Southwest Tech'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. Southwest Tech 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.

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.

NOTE 2—SCHEDULE OF CONTRIBUTIONS

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

OTHER SUPPLEMENTARY INFORMATION

The following supplementary information is provided to document Southwest Tech'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 Southwest Tech. At the end of this section is a reconciliation between the two methods.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2015 with Comparative Totals for Year Ended June 30, 2014

	2015			Variance with Final Budget	2014 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
REVENUES					
Local government - tax levy	\$ 4,580,000	\$ 4,580,000	\$ 4,613,372	\$ 33,372	\$ 11,183,152
Intergovernmental revenue					
State	10,850,000	10,850,000	10,556,155	(293,845)	3,531,440
Federal	1,378,000	1,378,000	1,199,187	(178,813)	1,422,004
Tuition and fees					
Statutory program fees	4,623,000	4,623,000	4,137,230	(485,770)	4,127,479
Materials fees	350,000	350,000	332,211	(17,789)	325,729
Other student fees	375,000	375,000	455,842	80,842	386,638
Institutional	2,300,000	2,300,000	2,061,555	(238,445)	2,024,019
Total revenues	24,456,000	24,456,000	23,355,552	(1,100,448)	23,000,461
EXPENDITURES					
Current:					
Instruction	16,872,700	16,872,700	15,068,728	1,803,972	15,084,643
Instructional resources	371,100	371,100	359,823	11,277	360,711
Student services	1,632,000	1,632,000	1,790,302	(158,302)	1,657,388
General institutional	3,483,900	3,483,900	3,447,868	36,032	3,430,105
Physical plant	2,396,300	2,396,300	1,933,290	463,010	1,911,448
Total expenditures	24,756,000	24,756,000	22,600,011	2,155,989	22,444,295
Excess (deficiency) of revenues over (under) expenditures	(300,000)	(300,000)	755,541	1,055,541	556,166
OTHER FINANCING SOURCES (USES)					
Transfers in	300,000	300,000	136,342	(163,658)	267,268
Net change in fund balance	-	-	891,883	891,883	823,434
Fund balance—beginning of year	5,614,833	5,614,833	6,388,269	773,436	5,564,834
Fund balance—end of year	\$ 5,614,833	\$ 5,614,833	\$ 7,280,152	\$ 1,665,319	\$ 6,388,268
FUND BALANCE					
Nonspendable - prepaid expenses			\$ 155,617		
Assigned for post-employment benefits			2,086,938		
Assigned for state aid fluctuations			200,000		
Unassigned			4,837,597		
Total fund balance			\$ 7,280,152		

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SPECIAL REVENUE NON-AIDABLE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2015 with Comparative Totals for Year Ended June 30, 2014

	2015			Variance with Final Budget	2014
	Original Budget	Final Budget	Actual on a Budgetary Basis		Actual (Budgetary Basis)
REVENUES					
Intergovernmental revenue					
State	\$ 500,000	\$ 500,000	\$ 464,933	\$ (35,067)	\$ 493,026
Federal	7,500,000	7,500,000	6,203,852	(1,296,148)	6,697,185
Student fees	250,000	250,000	244,581	(5,419)	211,102
Institutional	250,000	250,000	245,384	(4,616)	304,898
Total revenues	8,500,000	8,500,000	7,158,750	(1,341,250)	7,706,211
EXPENDITURES					
Student services	8,450,000	8,450,000	7,101,243	1,348,757	7,643,030
Excess (deficiency) of revenues over (under) expenditures	50,000	50,000	57,507	(2,690,007)	63,181
OTHER FINANCING SOURCES (USES)					
Transfers out	(50,000)	(50,000)	(50,000)	-	(50,000)
Net change in fund balance	-	-	7,507	(2,690,007)	13,181
Fund balance—beginning of year	229,976	229,976	243,155	13,179	229,974
Fund balance—end of year	\$ 229,976	\$ 229,976	\$ 250,662	\$ (2,676,828)	\$ 243,155

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2015 with Comparative Totals for Year Ended June 30, 2014

	2015			Variance with Final Budget	2014 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
REVENUES					
Institutional	\$ 50,000	\$ 50,000	\$ 22,809	\$ (27,191)	\$ 45,162
EXPENDITURES					
Current:					
Instruction	669,000	669,000	592,133	76,867	412,556
Instructional resources	75,000	75,000	62,017	12,983	96,421
General institutional	600,000	600,000	414,948	185,052	154,892
Physical plant	1,980,000	1,980,000	1,791,105	188,895	1,422,425
Total expenditures	3,324,000	3,324,000	2,860,203	463,797	2,086,294
Excess (deficiency) of revenues over (under) expenditures	(3,274,000)	(3,274,000)	(2,837,394)	436,606	(2,041,132)
OTHER FINANCING SOURCES (USES)					
Promissory notes issued	2,500,000	2,500,000	2,500,000	-	2,500,000
Transfers in	50,000	50,000	50,000	-	50,000
Transfers out	-	-	(136,342)	(136,342)	(267,268)
Total other financing sources (uses)	2,550,000	2,550,000	2,413,658	(136,342)	2,282,732
Net change in fund balance	(724,000)	(724,000)	(423,736)	300,264	241,600
Fund balance—beginning of year	786,929	786,929	795,529	8,600	553,929
Fund balance—end of year	<u>\$ 62,929</u>	<u>\$ 62,929</u>	<u>\$ 371,793</u>	<u>\$ 308,864</u>	<u>\$ 795,529</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2015 with Comparative Totals for Year Ended June 30, 2014

	2015				2014
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	Actual (Budgetary Basis)
REVENUES					
Local government - tax levy	\$ 4,740,000	\$ 4,740,000	\$ 4,740,000	\$ -	\$ 4,640,000
Intergovernmental revenue					
Federal	1,000	1,000	354,829	353,829	-
State	8,000	8,000	18,019	10,019	11,658
Institutional	383,000	383,000	166,086	(216,914)	416,539
Total revenues	5,132,000	5,132,000	5,278,934	146,934	5,068,197
EXPENDITURES					
Debt service	5,180,000	5,180,000	5,194,518	(14,518)	5,030,588
Total expenditures	5,180,000	5,180,000	5,194,518	(14,518)	5,030,588
Excess (deficiency) of revenues over (under) expenditures	(48,000)	(48,000)	84,416	132,416	37,609
OTHER FINANCING SOURCES (USES)					
Refunding debt issued	-	-	5,215,000	5,215,000	-
Payment to refunded bond escrow	-	-	(5,294,554)	(5,294,554)	-
Total other financing sources (uses)	-	-	(79,554)	(79,554)	-
Net change in fund balance	(48,000)	(48,000)	4,862	52,862	37,609
Fund balance—beginning of year	1,259,250	1,259,250	1,333,859	74,609	1,296,250
Fund balance—end of year	\$ 1,211,250	\$ 1,211,250	\$ 1,338,721	\$ 127,471	\$ 1,333,859

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
PROPRIETARY FUNDS - ENTERPRISE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2015 with Comparative Totals for Year Ended June 30, 2014

	2015			Variance with Final Budget	2014 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
OPERATING REVENUES					
Institutional	\$ 1,850,000	\$ 1,850,000	\$ 1,813,337	\$ (36,663)	\$ 1,636,041
OPERATING EXPENSES					
Auxiliary services	1,600,000	1,600,000	1,576,960	23,040	1,464,867
Excess (deficiency) of revenues over (under) expenses	250,000	250,000	236,377	(13,623)	171,174
NON-OPERATING EXPENSES					
Transfers out	(300,000)	(300,000)	-	300,000	-
Net change in net position	(50,000)	(50,000)	236,377	286,377	171,174
Net Position—beginning of year	3,015,253	3,015,253	2,986,427	(28,826)	2,815,253
Net Position—end of year	<u>\$ 2,965,253</u>	<u>\$ 2,965,253</u>	<u>\$ 3,222,804</u>	<u>\$ 257,551</u>	<u>\$ 2,986,427</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2015 with Comparative Totals for Year Ended June 30, 2014

	2015				2014 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
OPERATING REVENUES					
Institutional	\$ 4,100,000	\$ 4,100,000	\$ 3,959,020	\$ (140,980)	\$ 4,011,339
OPERATING EXPENDITURES					
Auxiliary services	4,050,000	4,050,000	4,258,095	(208,095)	3,917,942
Net change in net position	50,000	50,000	(299,075)	(349,075)	93,397
Net Position—beginning of year	485,767	485,767	679,163	193,396	585,767
Net Position—end of year	<u>\$ 535,767</u>	<u>\$ 535,767</u>	<u>\$ 380,088</u>	<u>\$ (155,679)</u>	<u>\$ 679,164</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE TO RECONCILE BUDGET (NON-GAAP BUDGETARY) BASIS FINANCIAL STATEMENTS
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

	Governmental Funds				Proprietary Funds		Total	Reconciling Items	Statement of Revenues, Expenses and Changes in Net Position
	General	Special Revenue	Capital Projects	Debt Service	Enterprise Funds	Internal Service			
REVENUES									
Local government - tax levy	\$ 4,613,372	\$ -	\$ -	\$ 4,740,000	\$ -	\$ -	\$ 9,353,372	\$ -	\$ 9,353,372
Intergovernmental revenue									
State	10,556,155	464,933	-	18,019	-	-	11,039,107	-	11,039,107
Federal	1,199,187	6,203,852	-	354,829	-	-	7,757,868	(3,485,944)	4,271,924
Tuition and fees									
Statutory program fees	4,137,230	-	-	-	-	-	4,137,230	-	4,137,230
Materials fees	332,211	-	-	-	-	-	332,211	-	332,211
Other student fees	455,842	244,581	-	-	-	-	700,423	-	700,423
Institutional	2,061,555	245,384	22,809	166,086	1,813,337	3,959,020	8,268,191	(4,036,860)	4,231,331
Total revenues	23,355,552	7,158,750	22,809	5,278,934	1,813,337	3,959,020	41,588,402	(7,522,804)	34,065,598
EXPENDITURES									
Current:									
Instruction	14,563,202	-	-	-	-	-	14,563,202	395,326	14,958,528
Instructional resources	359,823	-	-	-	-	-	359,823	-	359,823
Student services	1,790,302	7,101,243	-	-	-	-	8,891,545	(6,306,404)	2,585,141
General institutional	3,447,868	-	-	-	-	-	3,447,868	-	3,447,868
Physical plant	1,933,290	-	371,614	-	-	-	2,304,904	(371,614)	1,933,290
Auxiliary services	-	-	-	-	1,576,960	4,258,095	5,835,055	(3,964,061)	1,870,994
Capital outlay	505,526	-	2,488,589	-	-	-	2,994,115	(2,994,115)	-
Depreciation	-	-	-	-	-	-	-	2,583,745	2,583,745
Student aid	-	-	-	-	-	-	-	2,742,620	2,742,620
Debt service:									
Principal	-	-	-	3,690,000	-	-	3,690,000	(3,690,000)	-
Interest	-	-	-	1,504,518	-	-	1,504,518	486,341	1,990,859
Total expenditures	22,600,011	7,101,243	2,860,203	5,194,518	1,576,960	4,258,095	43,591,030	(11,118,162)	32,472,868
Excess (deficiency) of revenues over (under) expenditures	755,541	57,507	(2,837,394)	84,416	236,377	(299,075)	(2,002,628)	3,595,358	1,592,730
OTHER FINANCING SOURCES (USES)									
Long-term debt issued	-	-	2,500,000	5,215,000	-	-	7,715,000	(7,715,000)	-
Payment to refunded bond escrow	-	-	-	(5,294,554)	-	-	(5,294,554)	5,294,554	-
Transfers in	136,342	-	50,000	-	-	-	186,342	(186,342)	-
Transfer out	-	(50,000)	(136,342)	-	-	-	(186,342)	186,342	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	(5,116)	(5,116)
Total other financing sources (uses)	136,342	(50,000)	2,413,658	(79,554)	-	-	2,420,446	(2,425,562)	(5,116)
Net change in fund balance/net position	891,883	7,507	(423,736)	4,862	236,377	(299,075)	417,818	1,169,796	1,587,614
Fund balance/Net Position - beginning of year	6,388,269	243,155	795,529	1,333,859	2,986,427	679,163	12,426,402	13,634,788	26,061,190
Fund balance/Net Position - end of year	\$ 7,280,152	\$ 250,662	\$ 371,793	\$ 1,338,721	\$ 3,222,804	\$ 380,088	\$ 12,844,220	\$ 14,804,584	\$ 27,648,804

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE TO RECONCILE BUDGET (NON-GAAP BUDGETARY) BASIS FINANCIAL STATEMENTS
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2015

(a) State grant revenue is presented on the basic financial statement as follows:

Operating	\$ 2,221,074
Non-operating	8,818,033
	<u>\$ 11,039,107</u>

(b) Institutional revenue is reported on the basic financial statement as follows:

Non-governmental grants and contracts	\$ 2,393,146
Auxiliary enterprises	1,813,337
Investment income	24,848

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

Budgetary basis fund balance	\$ 12,844,220
Capital assets capitalized - at cost	72,298,657
Accumulated depreciation on capital assets	(27,375,291)
Net pension asset and deferred items	3,883,806
General obligation notes payable	(30,285,000)
Other post employment benefits and long-term portion of retiree health insurance	(4,016,011)
Accrued interest on notes payable	(81,001)
Encumbrances outstanding at year end	379,424
	<u>\$ 27,648,804</u>

**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
AND OTHER AUDITORS' REPORTS**

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Project Identification Number	Grant Period	Federal Grant Amount	Expenditures		Total Expenditures
					Federal	Match	
Department of Agriculture							
Commodity Partnerships Small Sessions Program	10.459	03-119-000-004	7/1/14-6/30/15	\$ 14,231	\$ 5,007	\$ -	\$ 5,007
Commodity Partnerships Small Sessions Program	10.459	03-119-000-004	7/1/14-6/30/15	14,750	10,196	-	10,196
Pass-through Program from North Dakota							
Farm Business Management and Benchmarking Competitive Grants Program	10.319	03-120-000-013	9/1/12-8/31/14	5,452	5,452	-	5,452
Farm Business Management and Benchmarking Competitive Grants Program	10.319	03-149-000-004	7/1/13-8/31/13	41,486	28,046	-	28,046
Total Farm Business Management and Benchmarking Competitive Grants Program				46,938	33,498	-	33,498
Pass-through Program from University of Wisconsin - Platteville							
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326	03-173-000-013	7/1/14-6/30/15	45,364	16,453	-	16,453
Federal-State Marketing Improvement Program	10.156	03-108-000-015	7/1/14-6/30/15		6,630	-	6,630
Total Department of Agriculture				121,283	71,784	-	71,784
Department of the Interior							
Indian Education - Higher Education Grant Program	15.114		7/1/14-6/30/15	-	12,498	-	12,498
Department of Labor							
Pass-through Program from Northeast Iowa Community College							
H-1B Job Training Grants	17.268	03-156-000-012	7/1/14-9/30/14	58,602	58,602	-	58,602
H-1B Job Training Grants	17.268	03-156-000-012	4/2/12-4/1/16	378,765	33,188	-	33,188
Total H-1B Job Training Grants				437,367	91,790	-	91,790
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-109-000-015	10/1/14-6/30/15	268,870	63,714	-	63,714
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-174-000-013	7/1/14-9/30/14	39,639	39,639	-	39,639
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-174-000-013	10/1/14-6/30/15	318,036	185,526	-	185,526

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Project Identification Number	Grant Period	Federal Grant Amount	Expenditures		Total Expenditures
					Federal	Match	
Department of Labor (continued)							
Pass-through Program from Northeast Wisconsin Technical College							
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-180-000-013	7/1/14-9/30/15	54,490	54,490	-	54,490
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-180-000-013	10/1/14-6/30/15	126,390	67,955	-	67,955
Pass-through Program from Northeast Iowa Community College							
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-152-000-012	7/1/14-9/30/14	11,740	11,740	-	11,740
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-152-000-012	10/4/14-6/30/15	148,882	148,882	-	148,882
Total Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants				968,047	571,946	-	571,946
Total Department of Labor				1,405,414	663,736	-	663,736
Department of Education							
Department of Education Direct Programs							
Student Financial Assistance Cluster							
Federal Supplemental Education Opportunity Grant	84.007		7/1/14-6/30/15	-	39,950	-	39,950
Federal College Work Study	84.033		7/1/14-6/30/15	-	63,221	-	63,221
Federal Pell Grant	84.063		7/1/14-6/30/15	-	2,602,239	-	2,602,239
Direct Student Loans							
Federal Student Stafford Loans	84.268		7/1/14-6/30/15	-	3,464,405	-	3,464,405
Federal Student Plus Loans	84.268		7/1/14-6/30/15	-	21,539	-	21,539
Total Direct Student Loans				-	3,485,944	-	3,485,944
Total Student Financial Assistance Cluster				-	6,191,354	-	6,191,354

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Project Identification Number	Grant Period	Federal Grant Amount	Expenditures		Total Expenditures
					Federal	Match	
Department of Education (continued)							
Pass-through program from Wisconsin Technical College Systems Board							
Adult Education Act							
Adult Basic Education - Basic Grants to States	84.002	03-111-146-165	7/1/14-6/30/15	13,753	13,753	-	13,753
Adult Basic Education - Basic Grants to States	84.002	03-110-146-125	7/1/14-6/30/15	79,381	79,381	110,600	189,981
Total Adult Education Act				93,134	93,134	110,600	203,734
Career and Technical Education Basic Grants to States							
Strengthening Career & Technical Program	84.048	03-193-150-254	7/1/14-6/30/15	28,105	28,105	-	28,105
NTO Connections to NTO Recruit	84.048	03-194-150-265	7/1/14-6/30/15	7,026	7,026	-	7,026
Student Success	84.048	03-198-150-234	7/1/14-6/30/15	70,263	70,263	165,400	235,663
Career Prep	84.048	03-106-150-215	7/1/14-6/30/15	39,127	39,127	-	39,127
High School to College Transition	84.048	03-137-150-244	7/1/14-6/30/15	35,131	35,131	-	35,131
Total Career and Technical Education Basic Grants to States				179,652	179,652	165,400	345,052
Total Department of Education				272,786	6,464,140	276,000	6,740,140
Department of Health & Human Services							
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	03-172-000-013	9/15/13-8/31/15	448,722	189,431	-	189,431
Department of Homeland Security							
Pass-through program from Wisconsin Department of Justice Homeland Security Grant Program	97.067	03-151-000-005	7/1/14-6/30/15	1,450	1,450	-	1,450
Total Federal Awards				<u>\$ 2,249,655</u>	<u>\$ 7,403,039</u>	<u>\$ 276,000</u>	<u>\$ 7,679,039</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

State Grantor/Program	State Identifying Number	Project Identification Number	Grant Period	Grant Amount	Expenditures		Total Expenditures
					State	Match	
Wisconsin Higher Education Board							
Wisconsin Higher Education Grant	235.102		7/1/14-6/30/15	\$ 382,216	\$ 382,216	\$ -	\$ 382,216
Remissions of Fees for Veterans and Dependents	235.105		7/1/14-6/30/15	7,662	7,662	-	7,662
Minority Undergraduate Retention Grant	235.107		7/1/14-6/30/15	2,350	2,350	-	2,350
Minority Undergraduate Retention Grant	235.107		7/1/14-6/30/15	1,450	1,450	-	1,450
Talent Incentive Program Grant	235.114		7/1/14-6/30/15	29,267	29,267	-	29,267
Indian student Assistance	235.132		7/1/14-6/30/15	1,100	1,100	-	1,100
Nursing	235.131		7/1/14-6/30/15	21,000	21,000	-	21,000
Wisconsin Covenant Scholars Grant Revenue	235.131		7/1/14-6/30/15	19,250	19,250	-	19,250
Wisconsin Covenant Foundation Grant Revenue	235.131		7/1/14-6/30/15	9,750	9,750	-	9,750
Total Wisconsin Higher Education Board				474,045	474,045	-	474,045
Wisconsin Department of Transportation							
Motorcycle Safety	266.7348	03-123-000-003	1/1/14-12/31/14	9,899	6,499	-	6,499
3 Wheel Safety	266.7348	03-127-000-004	11/4/13-12/31/14	9,133	1,248	-	1,248
Total Wisconsin Department of Transportation				19,032	7,747	-	7,747
Wisconsin Technical College Systems Board							
State Aids for Vocational Technical and Adult Education	292.105		7/1/14-6/30/15	8,736,292	8,736,292	-	8,736,292
State Aids Prior Years	292.105			-	46,200	-	46,200
Performance Based Aid	292.105			358,860	358,860	-	358,860
Workforce Advancement Training Grants:							
Bemis	292.124	03-184-124-175	7/1/14-6/30/15	3,993	3,590	-	3,590
Cabela's	292.124	03-164-124-175	7/1/14-6/30/15	15,252	11,564	-	11,564
Community Health Services	292.124	03-126-116-114	7/1/14-8/31/14	2,950	2,950	-	2,950
Community Health Services	292.124	03-129-124-175	7/8/14-6/30/15	7,040	6,959	-	6,959
ContinuUS	292.124	03-196-124-175	6/26/15-6/30/15	2,453	2,250	-	2,250
Dillman Equipment	292.124	03-144-116-114	7/1/14-8/31/14	3,186	3,008	-	3,008
Dillman Equipment	292.124	03-170-124-175	9/23/14-6/30/15	2,145	2,006	-	2,006
Dillman Equipment	292.124	03-182-124-175	12/15/14-6/30/15	16,558	15,968	-	15,968
Foremost Farms	292.124	03-181-124-175	12/15/14-6/30/15	6,552	6,552	-	6,552
Grant Regional Health Center	292.124	03-130-124-175	7/8/14-6/30/15	23,700	2,775	-	2,775
3M	292.124	03-169-116-114	7/1/13-8/31/14	123,200	28,750	-	28,750
3M	292.124	03-165-124--175	7/1/14-6/30/15	56,806	2,107	-	2,107
Muscoda Multi-Company	292.124	03-197-116-114	7/1/14-8/31/14	27,659	27,659	-	27,659
Schreiber Foods	292.124	03-143-124-175	7/1/14-6/30/15	74,449	2,171	-	2,171

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2015

State Grantor/Program	State Identifying Number	Project Identification Number	Grant Period	Grant Amount	Expenditures		Total Expenditures
					State	Match	
Wisconsin Technical College Systems Board (continued)							
Faculty Development	292.124	03-161-124-155	7/1/14-6/30/15	47,808	47,808	-	47,808
Advanced Manufacturing	292.124	03-118-124-185	7/1/14-6/30/15	69,500	21,853	-	21,853
TSA Dairy Herd Management	292.124	03-192-124-185	7/1/14-6/30/15	14,449	13,787	-	13,787
Apprentice-Related Instruction	292.124	03-128-124-115	7/1/14-6/30/15	8,000	8,000	-	8,000
New Markets	292.124	03-145-124-145	7/1/14-6/30/15	119,950	119,950	-	119,950
Core Industry	292.124	03-1115-124-135	7/1/14-6/30/15	350,120	350,120	-	350,120
Breaking Down the Silos	292.124	03-101-124-125	7/1/14-6/30/15	143,827	85,064	47,942	133,006
Electromechanical Instrumentation	292.124	03-102-124-125	7/1/14-6/30/15	70,825	70,711	23,605	94,316
Total Workforce Advancement Training Grants:				1,190,422	835,602	71,547	907,149
Hazmat	292.372				5,998	-	5,998
Fire Schools	292.437				47,718	-	47,718
Total Wisconsin Technical College Systems Board				10,285,574	10,030,670	71,547	10,102,217
Wisconsin Department of Workforce Development							
Blueprint for Prosperity - Welding	445.109	03-114-000-015	7/1/14-6/30/15	200,112	131,880	-	131,880
Blueprint for Prosperity - LPN	445.109	03-117-000-015	7/1/14-6/30/15	231,054	146,817	-	146,817
Blueprint for Prosperity - PTA	445.109	03-155-000-015	7/1/14-6/30/15	161,202	174,180	-	174,180
Total Wisconsin Department of Workforce Development				592,368	452,877	-	452,877
Wisconsin Department of Justice							
Law Enforcement Training Fund - Local Assistance Program	455.231	03-103-000-015	6/1/15-6/5/15	8,308	8,240	-	8,240
Wisconsin Department of Natural Resources							
DNR payment in lieu of taxes			7/1/14-6/30/15	29,987	29,987	-	29,987
Wisconsin Department of Revenue							
State Aid Computers	835.109		7/1/14-6/30/15	35,541	35,541	-	35,541
Total State Awards				\$ 11,444,855	\$ 11,039,107	\$ 71,547	\$ 11,110,654

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2015 and 2014

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of Southwest Tech under programs of the federal government and state agencies for the year ended June 30, 2015. The information in this schedule is presented in accordance with requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of the Southwest Tech, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southwest Tech.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Costs Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3—RECONCILIATION OF FEDERAL AND STATE AWARDS TO THE BASIC FINANCIAL STATEMENTS

Federal Revenue reported in the basic financial statements is reconciled to the Schedule of Expenditures of Federal and State Awards as follows:

Federal revenues reported on the Schedule of Expenditures of Federal and State Awards	<u>\$ 7,403,039</u>
Federal Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position	\$ 4,271,924
Direct Student Loans included on the Schedule of Expenditures of Federal and State Awards	3,485,944
Federal Subsidy payment for Build America Bonds	<u>(354,829)</u>
Total Federal Revenues	<u>\$ 7,403,039</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2015 and 2014

NOTE 3—RECONCILIATION OF FEDERAL AND STATE AWARDS TO THE BASIC FINANCIAL STATEMENTS (continued)

State Revenue reported in the basic financial statements is reconciled to the Schedule of Expenditures of Federal and State Awards as follows:

State revenues reported on the Schedule of Expenditures of Federal and State Awards	<u>\$ 11,039,107</u>
State Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position	
Operating	\$ 2,221,074
Non-operating	<u>8,818,033</u>
Total State Revenues	<u>\$ 11,039,107</u>

NOTE 4—SUBRECIPIENT PAYMENTS

Southwest Tech did not pay federal and state awards to subrecipients.



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
Fennimore, Wisconsin

We have audited 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, the financial statements of the business type activities and the aggregate remaining fund information of Southwest Wisconsin Technical College (Southwest Tech) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Southwest Tech's basic financial statements, and have issued our report thereon dated November 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southwest Tech's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Tech's internal control. Accordingly, we do not express an opinion on the effectiveness of Southwest Wisconsin Technical College's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant* deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Tech's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 2, 2015



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES*

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

Report on Compliance for Each Major Federal and Major State Program

We have audited Southwest Wisconsin Technical College's (Southwest Tech's) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of Southwest Tech's major federal and major state programs for the year ended June 30, 2015. Southwest Tech's major federal and major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southwest Tech's major federal and major state programs based on our audit of the types of compliance requirements referred to above. 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*. Those standards, OMB Circular A-133, and the *Guidelines* 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 a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about Southwest Tech'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 on compliance for each major federal and major state program. However, our audit does not provide a legal determination of Southwest Tech's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, Southwest Tech complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and major state programs for the year ended June 30, 2015.

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Report on Internal Control Over Compliance

Management of Southwest Tech is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southwest Tech's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, 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 Southwest Tech's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
November 2, 2015

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Student Financial Assistance Cluster	
84.007	Federal Supplemental Education Opportunity Grant
84.033	Federal College Work Study
84.063	Federal Pell Grant
84.268	Federal Student Stafford Loans
84.268	Federal Student Plus Loans

Dollar threshold used to distinguish between type A and type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	Yes

State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported?	No

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2015

Identification of state major programs:

State Identifying Number	Name of State Program
235.102	Wisconsin Higher Education Grant
292.105	State Aids for Vocational Technical and Adult Education
292.124	Workforce Advancement Training
445.109	Blueprint for Prosperity

Dollar threshold used to distinguish between type A and type B programs: \$ 100,000

Section II—Financial Statement Findings

None

Section III—Federal and State Award Findings and Questioned Costs

None

Section IV—Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue, or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines* :

Technical College System Board	No
Higher Education Board	No
Department of Public Instruction	No
Department of Workforce Development	No
Department of Justice	No

Was a management letter or other document conveying audit comments issued as a result of this audit? No

Name and signature of partner



Scott R. Haumersen, CPA

Date of report

November 2, 2015