

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
Fennimore, Wisconsin

**AUDITED FINANCIAL STATEMENTS**

June 30, 2016 and 2015

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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 Southwest Wisconsin Technical College, as of and for the years ended June 30, 2016 and 2015, 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.

**Janesville Office:**

101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

**Baraboo Office:**

123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

**Milwaukee Office:**

W229 N1433 Westwood Drive  
Suite 105  
Waukesha, WI 53186  
P: (262) 522-7555  
F: (262) 522-7550

**Madison Office:**

2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southwest Wisconsin Technical College, as of June 30, 2016 and 2015, 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 December 19, 2016 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  
December 19, 2016

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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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, 2016.

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 and managed 52 federal, state or local grants totaling \$2.81 million
- Updated official statement for borrowing and maintained Southwest Tech's rating of Aa2 through Moody's.
- Borrowed \$2.5 million at 1.35 percent interest rate.
- Continued participation in Districts Mutual Insurance (DMI), the insurance company formed by the colleges in the Wisconsin Technical College System to provide property and casualty coverage.
- Participated in the formation of Wisconsin Technical Colleges Employee Benefits Consortium (WTCEBC) with five other Wisconsin technical colleges to provide employee benefits. Initial service includes employee health coverage.
- Increase purchase card activity to over 7,200 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 \$3,180,572 in grants, \$3,175,634 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.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2016

**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 Position**

	2016	2015	Change	% Change
<b>OPERATING REVENUE</b>				
Student fees	\$ 5,240,160	\$ 5,169,864	\$ 70,296	1.36
Federal grants	4,497,752	4,271,924	225,828	5.29
State grants	2,703,022	2,221,074	481,948	21.70
Contract revenues	2,137,306	2,393,146	(255,840)	(10.69)
Auxiliary revenues	2,213,087	1,813,337	399,750	22.04
Total operating revenues	16,791,327	15,869,345	921,982	5.81
<b>OPERATING EXPENSES</b>				
Instruction	15,483,174	14,958,528	524,646	3.51
Instructional resources	349,695	359,823	(10,128)	(2.81)
Student services	2,156,682	2,585,141	(428,459)	(16.57)
General institutional	3,673,642	3,447,868	225,774	6.55
Physical plant	1,928,771	1,933,290	(4,519)	(0.23)
Auxiliary enterprise services	2,258,952	1,870,994	387,958	20.74
Depreciation	2,504,915	2,583,745	(78,830)	(3.05)
Student aid	3,198,708	2,742,620	456,088	16.63
Total operating expenses	31,554,539	30,482,009	1,072,530	3.52
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Property taxes	9,585,952	9,353,372	232,580	2.49
State appropriations	8,550,495	8,818,033	(267,538)	(3.03)
Investment income	26,168	24,848	1,320	5.31
Loss on disposal of capital assets	(10,576)	(5,116)	(5,460)	-
Interest expense	(1,327,762)	(1,990,859)	663,097	(33.31)
Total non-operating revenues	16,824,277	16,200,278	623,999	3.85
Increase in net assets	2,061,065	1,587,614	<u>\$ 473,451</u>	
Net assets - beginning of year	<u>27,648,804</u>	<u>26,061,190</u>		
Net assets - end of year	<u>\$ 29,709,869</u>	<u>\$ 27,648,804</u>		



**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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**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 \$921,982 or 5.81% for fiscal year 2016. These increases are primarily due to the following:

- During 2016 Southwest Tech generated \$5,240,160 for tuition and fees charged to students compared to \$5,169,864 in 2015. This was an increase of \$70,296 or 1.36%.
- The state increased tuition rates 2.0% and 3.0% in 2016 and 2015.
- Southwest Tech receives funding from the federal and state governments for specific purposes, including financial aid payments to students. Southwest Tech received \$7,200,775 for the federal and state governments for 2016 compared to \$6,492,998 for 2015. This figure is indicative of the continued efforts of Southwest Tech to seek out new sources of revenue.
  - ✓ For a second year in a row State revenue increased \$481,949 or 21.70% in 2016 compared to 2015. 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 increased \$225,828 or 5.29% in 2016 compared to 2015. 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 \$2,137,306 in 2016 and \$2,682,670 in 2015.
- Southwest Tech operates auxiliary enterprise operation such as the book store, food service, and childcare center. Southwest Tech had sales of \$2,213,087 for 2016 compared to \$1,813,337 for these activities.

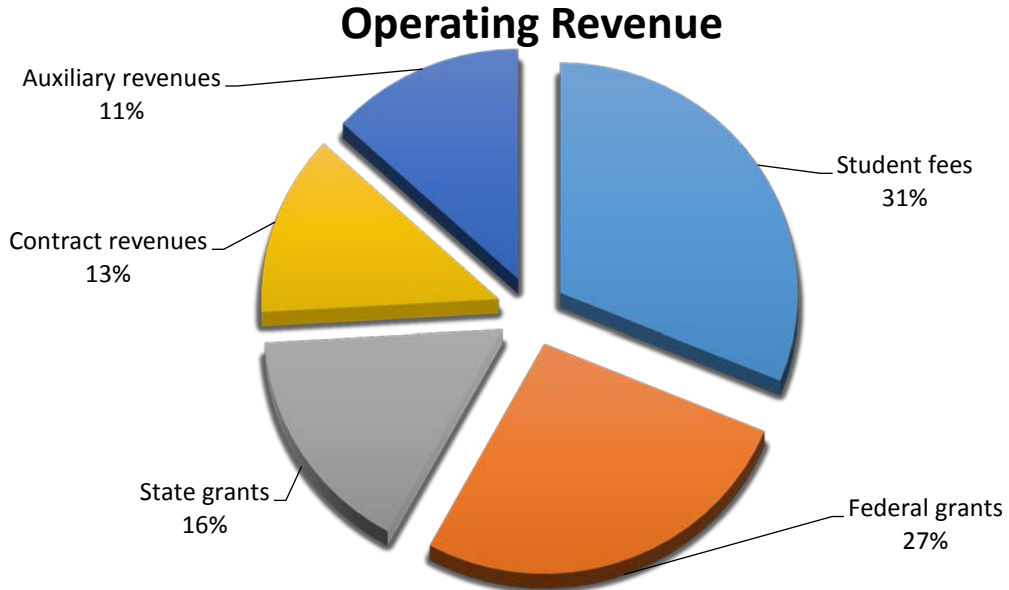
Operating expenses are costs incurred for providing education, training and services. Total operating expenses increased \$1,072,530 or 2.43% compared to 2015. The majority of the Southwest Tech's expenses, 49%, are for instructional related costs. Student financial aid and general institutional accounts for an additional 22%, while auxiliary services and other expenses account for the remaining 29% of total operating expenses.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

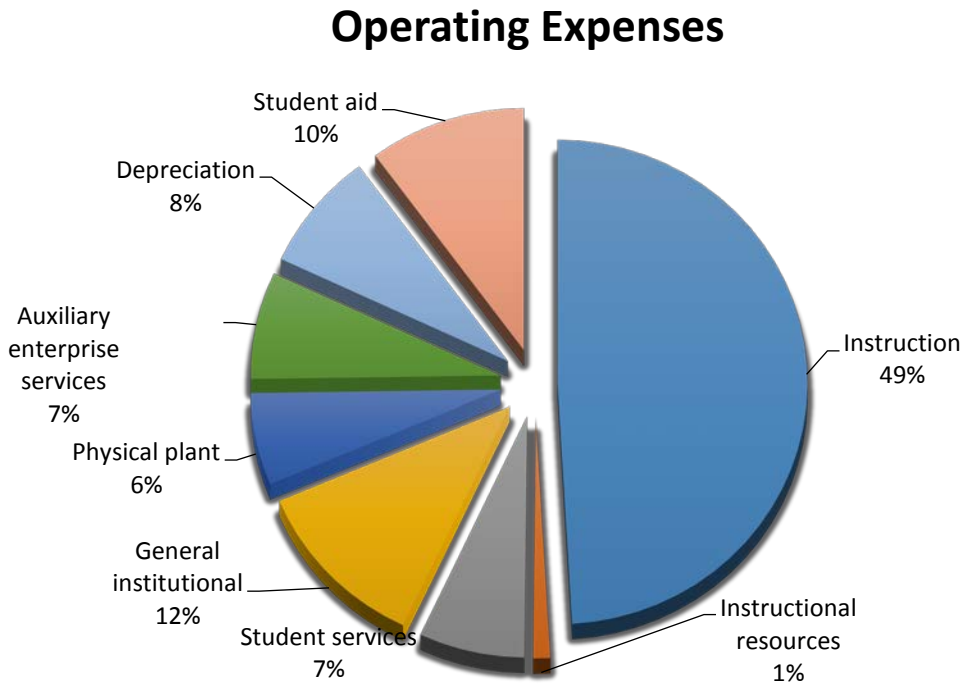
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**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (continued)**

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, 2016

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**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 \$623,999 or 3.85% in 2016.

- State operating appropriations decreased \$268,458 or 3.03% in 2016. 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 increased \$232,580 or 2.49% in 2016 compared to 2015. 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 \$2,061,065 or 7.45% in 2016 compared to an increase of \$1,587,614 or 6.09% in 2015. Southwest Tech ended its fiscal year with net position of \$29,709,869 in 2016 of which \$15,722,773 was net investment in capital assets, \$299,472 was restricted for student financial aid, \$608,030 was restricted for capital projects, \$1,255,978 was restricted for debt service assistance, and \$11,823,616 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 decreased \$1,500,203 or 2.34% in 2016 and \$2,553,302 or 4.14% in 2015. Other assets decreased \$2,059,936 or 25.93%. Net capital assets decreased \$325,443 or 0.72% in 2016 compared to an increase of \$408,075 or 0.9% in 2015.

Southwest tech's current liabilities decreased \$555,117 or 7.55% in 2016 compared to an increase of 37,117 or .51% in 2015.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2016

**STATEMENT OF NET POSITION (continued)**

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

**Table 2**  
**Condensed Statements of Net Position**

	2016	2015	Change	% Change
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,151,260	\$ 11,266,084	\$ 885,176	7.86
Net pension asset	-	2,128,893	(2,128,893)	(100.00)
Net capital assets	44,627,773	44,953,216	(325,443)	(0.72)
Other assets	5,884,836	5,815,879	68,957	1.19
<b>Total assets</b>	<b>62,663,869</b>	<b>64,164,072</b>	<b>(1,500,203)</b>	<b>(2.34)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Related to pension	7,422,364	1,754,913	5,667,451	322.95
<b>LIABILITIES</b>				
Current liabilities	6,794,053	7,349,170	(555,117)	(7.55)
Net pension liability	1,414,636	-	1,414,636	100.00
Long-term liabilities	29,179,234	30,921,011	(1,741,777)	(5.63)
<b>Total liabilities</b>	<b>37,387,923</b>	<b>38,270,181</b>	<b>(882,258)</b>	<b>(2.31)</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Related to pension	2,988,441	-	2,988,441	100.00
<b>NET POSITION</b>				
Net invested in capital assets	15,722,773	14,668,216	1,054,557	7.19
Restricted for student financial aid	299,472	250,662	48,810	19.47
Restricted for capital projects	608,030	371,793	236,237	63.54
Restricted for debt service	1,255,978	1,257,720	(1,742)	(0.14)
Unrestricted	11,823,616	11,100,413	723,203	6.52
<b>Total net position</b>	<b>\$ 29,709,869</b>	<b>\$ 27,648,804</b>	<b>\$ 2,061,065</b>	<b>7.45</b>

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2016, Southwest Tech had \$74,707,264 in capital assets, including land, land improvements, buildings and improvements, and moveable equipment. Total accumulated depreciation on these assets was \$30,078,491. Asset acquisitions totaled \$2,190,048. Southwest Tech recognized depreciation expense of \$2,504,915. 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, 2016

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-term Debt**

As of June 30, 2016, Southwest Tech had \$28,905,000 in general obligation debt outstanding compared to \$30,285,000 in 2015. 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 Southwest Tech. 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:

- Very diverse and large property tax base
- Good economic indicators as measured by medial household effective buying income (EBI)
- Very strong reserves supported by additional liquidity in enterprise funds
- Low overall net debt burden

"...stable outlook reflects our anticipation that management will continue to make budget and program adjustments that will minimize enrollment losses and further state changes to technical college district funding. We believe that the district's maintenance of very strong reserves and conservative budgeting provide wit with flexibility..."

**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 articulation agreements with other institutions of higher learning that provide options for students to fulfill program requirements locally and finish with minimal time elsewhere.
- Unique programs such as Golf Course Management, Midwifery and online programs/courses draw students from outside of the district and state.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2016

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**ECONOMIC FACTORS (continued)**

- 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, 2016 and 2015

	2016	2015
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 12,151,260	\$ 11,266,084
Taxes receivable	3,218,878	3,130,320
Accounts receivable, net	1,446,081	1,394,930
Student accounts receivable	554,369	542,479
Due from other governments	80,217	53,225
Inventories	483,333	539,308
Prepaid expenses	101,958	155,617
Total current assets	<u>18,036,096</u>	<u>17,081,963</u>
<b>NONCURRENT ASSETS</b>		
Net pension asset	-	2,128,893
Capital assets not being depreciated	813,962	813,962
Capital assets being depreciated, net	43,813,811	44,139,254
Total noncurrent assets	<u>44,627,773</u>	<u>47,082,109</u>
Total assets	<u>62,663,869</u>	<u>64,164,072</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to pension	7,422,364	1,754,913
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and other current liabilities	866,112	1,177,729
Accrued salaries and benefits	821,576	1,043,108
Accrued interest	77,922	81,001
Accrued self-insurance	282,779	431,000
Compensated absences	816,314	791,762
Unearned revenue	479,350	444,570
Current portion of long-term debt	3,450,000	3,380,000
Total current liabilities	<u>6,794,053</u>	<u>7,349,170</u>
<b>NONCURRENT LIABILITIES</b>		
Net pension liability	1,414,636	-
Long-term debt, net of current portion	25,455,000	26,905,000
Post-employment benefits	3,724,234	4,016,011
Total noncurrent liabilities	<u>30,593,870</u>	<u>30,921,011</u>
Total liabilities	<u>37,387,923</u>	<u>38,270,181</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to pension	2,988,441	-
<b>NET POSITION</b>		
Net investment in capital assets	15,722,773	14,668,216
Restricted		
Student financial assistance	299,472	250,662
Capital projects	608,030	371,793
Debt service	1,255,978	1,257,720
Unrestricted	11,823,616	11,100,413
<b>Total net position</b>	<u>\$ 29,709,869</u>	<u>\$ 27,648,804</u>

See accompanying notes to the financial statements.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>OPERATING REVENUES</b>		
Tuition and fees		
Program fees (net of \$115,396 and \$169,056 scholarship allowances, respectively)	\$ 4,185,348	\$ 4,137,230
Material fees (net of \$6,924 and \$13,575 scholarship allowances, respectively)	339,803	332,211
Other student fees (net of \$16,155 and \$28,621 scholarship allowances, respectively)	715,009	700,423
Federal grants and contracts	4,497,752	4,271,924
State grants and contracts	2,703,022	2,221,074
Non-governmental grants and contracts	2,137,306	2,393,146
Auxiliary enterprise services	2,213,087	1,813,337
Total operating revenues	16,791,327	15,869,345
<b>OPERATING EXPENSES</b>		
Instruction	15,483,174	14,958,528
Instructional resources	349,695	359,823
Student services	2,156,682	2,585,141
General institution	3,673,642	3,447,868
Physical plant	1,928,771	1,933,290
Auxiliary enterprise services	2,258,952	1,870,994
Depreciation	2,504,915	2,583,745
Student aid	3,198,708	2,742,620
Total operating expenses	31,554,539	30,482,009
Operating loss	(14,763,212)	(14,612,664)
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriations	8,550,495	8,818,033
Local property taxes	9,585,952	9,353,372
Loss on disposal of capital assets	(10,576)	(5,116)
Investment income	26,168	24,848
Interest on capital asset-related debt	(1,327,762)	(1,990,859)
Total non-operating revenues (expenses)	16,824,277	16,200,278
<b>Change in net position</b>	2,061,065	1,587,614
Net position - beginning of year	27,648,804	26,061,190
<b>Net position - end of year</b>	<u>\$ 29,709,869</u>	<u>\$ 27,648,804</u>

See accompanying notes to the financial statements.



**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**STATEMENTS OF CASH FLOWS**  
Years Ended June 30, 2016 and 2015

	2016	2015
<b>Cash flows from operating activities</b>		
Tuition and fees received	\$ 5,263,050	\$ 5,103,047
Federal and state grants received	7,173,782	6,505,523
Business, industry and school district contract revenues received	2,086,155	2,114,852
Payments to employees, including related benefits	(22,918,756)	(22,442,673)
Payments to suppliers	(6,105,310)	(5,759,560)
Auxiliary enterprise revenues received	2,213,087	1,813,337
Net Cash Flows from Operating Activities	<u>(12,287,992)</u>	<u>(12,665,474)</u>
<b>Cash flows from non-capital financing activities</b>		
Local property taxes received	9,497,394	11,735,950
State appropriations received	8,550,495	8,818,033
Net Cash Flows from Non-Capital Financing Activities	<u>18,047,889</u>	<u>20,553,983</u>
<b>Cash flows from capital and related financing activities</b>		
Purchases of capital assets	(2,190,048)	(2,996,935)
Proceeds from issuance of capital debt	2,500,000	7,715,000
Principal paid on capital debt	(3,880,000)	(8,490,000)
Interest paid on capital debt	(1,330,841)	(1,999,073)
Net Cash Flows from Capital and Related Financing Activities	<u>(4,900,889)</u>	<u>(5,771,008)</u>
<b>Cash flows from capital and related financing activities</b>		
Investment income received	26,168	24,848
Net Increase in Cash and Cash Equivalents	885,176	2,142,349
Cash and Cash Equivalents - Beginning of Year	11,266,084	9,123,735
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 12,151,260</u>	<u>\$ 11,266,084</u>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
Operating loss	\$(14,763,212)	\$(14,612,664)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,504,915	2,583,745
Changes in assets and liabilities		
Accounts receivable, net	(51,151)	(278,294)
Student accounts receivable	(11,890)	(67,691)
Due from other governments	(26,992)	12,525
Inventories	55,975	109,047
Prepaid expenses	53,659	(32,150)
Net pension asset	864,519	(32,504)
Accounts payable and other current liabilities	(311,617)	(9,780)
Accrued salaries and benefits	(221,532)	(119,404)
Accrued self-insurance	(148,221)	-
Compensated absences	24,552	(46,360)
Unearned revenue	34,780	874
Post-employment benefits	(291,777)	(172,818)
Net cash used in operating activities	<u>\$ (12,287,992)</u>	<u>\$ (12,665,474)</u>

See accompanying notes to the financial statements.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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**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.

**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 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

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2016 and 2015, the fair value of Southwest Tech's share of the LGIP's assets was substantially equal to the amount reported in these statements.

**Inventories**

Inventories of books and supplies 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.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 .61542 and .61744 mills for fiscal years ending 2016 and 2015. The debt service mill rate for the fiscal years ending 2016 and 2015 was .63559 and .63003 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

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.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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, 2016

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NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**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 outflows relate to the pension activity.

**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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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, 2016

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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.

**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.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*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.

NOTE 2—CASH AND CASH EQUIVALENTS

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

	2016	2015	Risk
Cash and cash equivalents:			
Cash on hand	\$ 3,000	\$ 1,600	
Deposit accounts	10,983,763	10,103,151	Custodial
Local Government Investment Pool	1,164,497	1,161,333	Credit and interest
Total cash and cash equivalents	\$ 12,151,260	\$ 11,266,084	



**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 2—CASH AND CASH EQUIVALENTS (continued)

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.
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.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 2—CASH AND CASH EQUIVALENTS (continued)

*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 \$11,354,897 and \$10,085,849 at June 30, 2016 and 2015. 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, 2016, \$250,000 of Southwest Tech's deposits was covered by the FDIC, and \$11,104,897 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, 2016, 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, 2016

**NOTE 3—CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended June 30, 2016:

	Balance <u>7/1/2015</u>	Additions	(Deletions)	Balance <u>6/30/2016</u>
Capital assets not being depreciated				
Land	\$ 813,445	\$ -	\$ -	\$ 813,445
Construction in progress	<u>517</u>	<u>-</u>	<u>-</u>	<u>517</u>
Total capital assets not being depreciated	813,962	-	-	813,962
Capital assets being depreciated				
Land improvements	1,067,977	641,015	-	1,708,992
Buildings & improvements	46,374,063	-	-	46,374,063
Equipment	<u>24,306,093</u>	<u>1,549,033</u>	<u>(44,879)</u>	<u>25,810,247</u>
Total capital assets being depreciated	71,748,133	2,190,048	(44,879)	73,893,302
Less accumulated depreciation for				
Land improvements	529,842	44,674	-	574,516
Buildings & improvements	9,381,397	1,164,578	-	10,545,975
Equipment	<u>17,697,640</u>	<u>1,295,663</u>	<u>(34,303)</u>	<u>18,959,000</u>
Total accumulated depreciation	27,608,879	2,504,915	(34,303)	30,079,491
Total capital assets being depreciated-net	<u>44,139,254</u>	<u>(314,867)</u>	<u>(10,576)</u>	<u>43,813,811</u>
Net capital assets	44,953,216	<u>\$ (314,867)</u>	<u>\$ (10,576)</u>	44,627,773
Less general obligation debt	<u>(30,285,000)</u>			<u>(28,905,000)</u>
Total net investment in capital assets	<u>\$ 14,668,216</u>			<u>\$ 15,722,773</u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 3—CAPITAL ASSETS (continued)

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
Constructions 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	(31,060,000)			(30,285,000)
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, 2016

**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, 2016 and 2015 was as follows:

	Balance 7/1/2015	Additions	Reductions	Balance 6/30/2016	Due Within One Year
Notes and bonds payable	\$ 30,285,000	\$ 2,500,000	\$ 3,880,000	\$ 28,905,000	\$ 3,450,000
Accrued compensated absences	791,762	586,373	564,495	813,640	813,460
<b>Total long-term liabilities</b>	<b>\$ 31,076,762</b>	<b>\$ 3,086,373</b>	<b>\$ 4,444,495</b>	<b>\$ 29,718,640</b>	<b>\$ 4,263,460</b>

	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
<b>Total long-term liabilities</b>	<b>\$ 31,898,122</b>	<b>\$ 8,088,672</b>	<b>\$ 8,910,032</b>	<b>\$ 31,076,762</b>	<b>\$ 4,171,762</b>

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, 2016 is as follows:

	Bonds	Aggregate
Debt limit (2% for bonds, 5% for aggregate)	\$ 153,642,612	\$ 384,106,531
Debt outstanding at June 30, 2016 net of resources available to pay principle	23,905,000	28,905,000
<b>Margin of indebtedness:</b>	<b>\$ 129,737,612</b>	<b>\$ 355,201,531</b>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 4—LONG-TERM OBLIGATIONS (continued)

General obligation debt at June 30, 2016 and 2015 are as follows:

	<u>Buyer</u>	<u>2016</u>	<u>2015</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.	\$ 725,000	\$ 1,065,000
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	18,050,000	19,035,000
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
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	500,000	1,000,000
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	1,000,000	1,500,000

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 4—LONG-TERM OBLIGATIONS (continued)

	<b>Buyer</b>	<b>2016</b>	<b>2015</b>
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	1,500,000	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	5,130,000	5,185,000
2015 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2020, interest at 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	-
<b>Total General Obligation Debt</b>		<b>\$ 28,905,000</b>	<b>\$ 30,285,000</b>

Future debt service requirements as of June 30, 2016 are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 3,450,000	\$ 926,807	\$ 4,376,807
2018	3,025,000	846,129	3,871,129
2019	2,600,000	758,203	3,358,203
2020	2,170,000	691,765	2,861,765
2021	1,750,000	631,529	2,381,529
2022-2026	9,745,000	2,194,339	11,939,339
2027-2031	6,165,000	457,223	6,622,223
	<b>\$ 28,905,000</b>	<b>\$ 6,505,995</b>	<b>\$ 35,410,995</b>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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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.

*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 current and prior reporting periods, the WRS recognized \$837,279 and \$850,618 in contributions from the employer.



**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

At June 30, 2016 and 2015, Southwest Tech reported a liability (asset) of \$1,414,636 and (\$2,128,894) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. Southwest Tech reported \$ 989,741 of deferred outflows for changes in assumptions between the actuarial valuation date and the measurement date. Southwest Tech’s proportion of the net pension liability (asset) was based on Southwest Tech’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015 and 2014, Southwest Tech’s proportion was 0.08705556% and 0.08667168% %.

For the years ended June 30, 2016 and 2015, Southwest Tech recognized pension expense of \$1,692,285 and \$834,129.

At June 30, 2016, Southwest Tech reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 238,261	\$ (2,977,077)
Changes in assumptions	989,741	-
Net differences between projected and actual earnings on pension plan investments	5,788,498	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(11,364)
Employer contributions subsequent to the measurement date	<u>405,864</u>	<u>-</u>
Total	<u>\$ 7,422,364</u>	<u>\$ (2,988,441)</u>

At June 30, 2016, Southwest Tech reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
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	<u>415,377</u>	<u>-</u>
Total	<u>\$ 1,754,913</u>	<u>\$ -</u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

At June 30, 2016 and 2015, \$405,864 and \$415,377 were reported as deferred outflows related to pension resulting from Southwest Tech’s contributions subsequent to the measurement date. Deferred outflows will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2017. 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:	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
2016	\$ 1,821,467	\$ (723,442)
2017	1,821,467	(723,442)
2018	1,821,467	(723,442)
2019	1,520,434	(722,648)
2020	<u>31,665</u>	<u>(95,467)</u>
	<u>\$ 7,016,500</u>	<u>\$ (2,988,441)</u>

**Actuarial assumptions.** The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
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% - 5.6%
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, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 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.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Core Fund Asset Class</u>	Current Asset Allocation	Target Asset Allocation	Long-Term Expected Nominal Rate of Return	Long-Term Expected Real Rate of Return
U.S. equities	27%	23%	7.6%	4.7%
International equities	24.5	22	8.5	5.6
Fixed income	27.5	37	4.4	1.6
Inflation sensitive assets	10	20	4.2	1.4
Real estate	7	7	6.5	3.6
Private equity/debt	7	7	9.4	6.5
Multi-asset	4	4	6.7	3.8
<b>Total core fund</b>	<b>107%</b>	<b>120%</b>	<b>7.4%</b>	<b>4.5%</b>
<u>Variable Fund Asset Class</u>				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30	30	8.5	5.6
<b>Total variable fund</b>	<b>100%</b>	<b>100%</b>	<b>7.9%</b>	<b>5.0%</b>

*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 3.57%. 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 Tech’s proportionate share of the net pension liability (asset) to changes in the discount rate.* The following presents Southwest Tech’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what Southwest Tech’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 Tech’s proportionate share of net pension liability (asset) - 2015	\$ 9,922,284	\$ 1,414,636	\$ (5,229,989)
Southwest Tech’s proportionate share of net pension liability (asset) - 2014	\$ 6,005,975	\$ (2,128,894)	\$ (8,553,484)

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

*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/>.

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, 2016. 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 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	55,237
Adjustment to annual required contribution	<u>(60,145)</u>
Annual OPEB cost (expense)	363,697
OPEB payments made	<u>(655,474)</u>
Increase in net OPEB obligation	(291,777)
Net OPEB obligation - beginning of year	<u>1,380,935</u>
Net OPEB obligation - end of year	<u><u>\$ 1,089,158</u></u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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, 2016 and the preceding two years was as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2016	\$ 363,697	180.23%	\$ 1,089,158
6/30/2015	\$ 363,496	172.64%	\$ 1,380,935
6/30/2014	\$ 362,554	173.09%	\$ 1,437,471

*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.

*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.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 7—COMMITMENTS AND CONTINGENCIES (continued)

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, 2017, 2018, and 2019 are \$128,185, \$72,584, and \$30,122. Rent expenses under all operating leases for the years ended June 30, 2016 and 2015 \$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.

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 2016 and 2015.

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.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2016

NOTE 8 – RISK MANAGEMENT (continued)

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.

**Health Insurance**

As of July 1, 2015, Southwest Tech joined together with other colleges in the State to form the Wisconsin Technical College Employee Benefits Consortium (WTCEBC). WTCEBC is a public entity risk pool that Southwest Tech participates in to provide health insurance coverage to its employees. The main purpose of WTCEBC is to jointly self-insure certain risks up to an agreed upon retention limit and to obtain excess catastrophic coverage and aggregate stop-loss reinsurance over the selected retention limit. Southwest Tech pays WTCEBC a monthly premium based on the number of participants and the type of coverage that has been elected. Individual claims below \$100,000 are self-funded by Southwest Tech. Any individual claim exceeding \$100,000 but less than \$250,000 is shared in a pooled layer among all of the colleges participating in the consortium. Individual claims exceeding \$250,000 and aggregate claims exceeding \$1,000,000 are subject to reinsurance.

The claims liability of \$282,779 and \$431,000 reported at June 30, 2016 and 2015 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount were:

		Estimated claims outstanding			
		Beginning Balance	Claims IBNR	Claim Payments	Ending Balance
2016	\$	431,000	\$ 3,825,173	\$ 3,676,952	\$ 282,779
2015		431,000	4,258,096	4,258,096	431,000

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 9—SUBSEQUENT EVENT

On July 11, 2016, 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 is 1.01%.



**REQUIRED SUPPLEMENTARY INFORMATION**

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)**  
**WISCONSIN RETIREMENT SYSTEM**  
**LAST 10 FISCAL YEARS**

	2015	2014
The District's proportion of the net pension liability	0.087056%	0.086672%
The District's proportionate share of the net pension liability	\$ 1,414,636	\$ (2,128,893)
The District's covered-employee payroll	\$ 12,311,841	\$ 12,149,964
The District's proportionate share as a percentage of covered payroll	11.49%	17.52%
Plan fiduciary net position as a percentage of the total pension liability	98.20%	102.74%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM**  
**Last 10 Fiscal Years\***

	2015	2014
Contractually required contributions	\$ 837,279	\$ 850,618
Contributions in relation to the contractually required contributions	\$ 837,279	\$ 850,618
The District's covered-employee payroll	\$ 12,311,841	\$ 12,149,964
Contributions as a percentage of covered-employee payroll	6.80%	7.00%

\*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See accompanying notes to the required supplementary information.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS**  
 June 30, 2016

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%

See accompanying notes to the required supplementary information.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2016

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**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.* Southwest Tech reported a deferred outflow of \$989,741 for change in assumption for the year ended June 30, 2016.

## **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, 2016 with Comparative Totals for Year Ended June 30, 2015

	2016				2015 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
<b>REVENUES</b>					
Local government - tax levy	\$ 4,700,000	\$ 4,700,000	\$ 4,745,952	\$ 45,952	\$ 4,613,372
Intergovernmental revenue					
State	10,940,000	10,940,000	10,750,750	(189,250)	10,556,155
Federal	928,000	928,000	1,404,653	476,653	1,199,187
Tuition and fees					
Statutory program fees	4,080,000	4,080,000	4,185,348	105,348	4,137,230
Materials fees	320,000	320,000	339,803	19,803	332,211
Other student fees	400,000	400,000	467,328	67,328	455,842
Institutional	2,200,000	2,200,000	1,931,787	(268,213)	2,061,555
<b>Total revenues</b>	<b>23,568,000</b>	<b>23,568,000</b>	<b>23,825,621</b>	<b>257,621</b>	<b>23,355,552</b>
<b>EXPENDITURES</b>					
Current:					
Instruction	15,960,000	15,910,000	15,438,114	471,886	15,068,728
Instructional resources	370,000	370,000	349,695	20,305	359,823
Student services	1,817,000	1,817,000	1,751,756	65,244	1,790,302
General institutional	3,630,000	3,680,000	3,673,642	6,358	3,447,868
Physical plant	2,191,000	2,191,000	1,928,771	262,229	1,933,290
<b>Total expenditures</b>	<b>23,968,000</b>	<b>23,968,000</b>	<b>23,141,978</b>	<b>826,022</b>	<b>22,600,011</b>
Excess (deficiency) of revenues over (under) expenditures	(400,000)	(400,000)	683,643	1,083,643	755,541
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	400,000	400,000	410,135	10,135	136,342
Transfers out	-	-	(23,625)	(23,625)	-
<b>Total other financing sources (uses)</b>	<b>400,000</b>	<b>400,000</b>	<b>386,510</b>	<b>(13,490)</b>	<b>136,342</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>-</b>	<b>1,070,153</b>	<b>1,070,153</b>	<b>891,883</b>
Fund balance—beginning of year	6,968,268	6,968,268	7,280,152	311,884	6,388,269
<b>Fund balance—end of year</b>	<b>\$ 6,968,268</b>	<b>\$ 6,968,268</b>	<b>\$ 8,350,305</b>	<b>\$ 1,382,037</b>	<b>\$ 7,280,152</b>
<b>FUND BALANCE</b>					
Nonspendable - prepaid expenses			101,958		
Assigned for state aid fluctuations			200,000		
Assigned for post employment benefits			3,167,807		
Unassigned			4,880,540		
<b>Total fund balance</b>			<b>\$ 8,350,305</b>		

**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, 2016 with Comparative Totals for Year Ended June 30, 2015

	2016			Variance with Final Budget	2015 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
<b>REVENUES</b>					
Intergovernmental revenue					
State	\$ 500,000	\$ 500,000	\$ 485,607	\$ (14,393)	\$ 464,933
Federal	7,500,000	7,500,000	5,923,885	(1,576,115)	6,203,852
Tuition and fees					
Statutory program fees	-	-	-	-	-
Materials fees	-	-	-	-	-
Student fees	250,000	250,000	247,681	(2,319)	244,581
Institutional	250,000	250,000	264,770	14,770	245,384
<b>Total revenues</b>	<u>8,500,000</u>	<u>8,500,000</u>	<u>6,921,943</u>	<u>(1,578,057)</u>	<u>7,158,750</u>
<b>EXPENDITURES</b>					
Student services	8,450,000	8,450,000	6,846,758	1,603,242	7,101,243
Excess (deficiency) of revenues over (under) expenditures	<u>50,000</u>	<u>50,000</u>	<u>75,185</u>	<u>25,185</u>	<u>57,507</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	23,625	23,625	-
Transfers out	(50,000)	(50,000)	(50,000)	-	(50,000)
<b>Total other financing sources (uses)</b>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(26,375)</u>	<u>23,625</u>	<u>(50,000)</u>
<b>Net change in fund balance</b>	-	-	48,810	48,810	7,507
Fund balance—beginning of year	243,155	243,155	250,662	7,507	243,155
<b>Fund balance—end of year</b>	<u>\$ 243,155</u>	<u>\$ 243,155</u>	<u>\$ 299,472</u>	<u>\$ 56,317</u>	<u>\$ 250,662</u>

**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, 2016 with Comparative Totals for Year Ended June 30, 2015

	2016			Variance with Final Budget	2015 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
<b>REVENUES</b>					
Institutional	\$ 30,000	\$ 30,000	\$ 30,395	\$ 395	\$ 22,809
<b>EXPENDITURES</b>					
Current:					
Instruction	545,000	795,000	763,897	31,103	592,133
Instructional resources	121,000	121,000	44,487	76,513	62,017
Student services	-	50,000	1,599	48,401	-
General institutional	477,000	577,000	540,105	36,895	414,948
Physical plant	1,214,000	814,000	583,935	230,065	1,791,105
Total expenditures	2,357,000	2,357,000	1,934,023	422,977	2,860,203
Excess (deficiency) of revenues over (under) expenditures	(2,327,000)	(2,327,000)	(1,903,628)	423,372	(2,837,394)
<b>OTHER FINANCING SOURCES (USES)</b>					
Promissory notes issued	2,500,000	2,500,000	2,500,000	-	2,500,000
Transfers in	-	-	50,000	50,000	50,000
Transfers out	(50,000)	-	(410,135)	(410,135)	(136,342)
Total other financing sources (uses)	2,450,000	2,500,000	2,139,865	(360,135)	2,413,658
<b>Net change in fund balance</b>	123,000	173,000	236,237	63,237	(423,736)
Fund balance—beginning of year	37,529	37,529	371,793	334,264	795,529
<b>Fund balance—end of year</b>	<b>\$ 160,529</b>	<b>\$ 210,529</b>	<b>\$ 608,030</b>	<b>\$ 397,501</b>	<b>\$ 371,793</b>



**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, 2016 with Comparative Totals for Year Ended June 30, 2015

	2016			Variance with Final Budget	2015 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
<b>REVENUES</b>					
Local government - tax levy	\$ 4,840,000	\$ 4,840,000	\$ 4,840,000	\$ -	\$ 4,740,000
Intergovernmental revenue					
Federal	345,000	345,000	344,848	(152)	354,829
State	8,000	8,000	17,160	9,160	18,019
Institutional	1,000	1,000	4,012	3,012	166,086
Total revenues	<u>5,194,000</u>	<u>5,194,000</u>	<u>5,206,020</u>	<u>12,020</u>	<u>5,278,934</u>
<b>EXPENDITURES</b>					
Debt service	<u>5,261,000</u>	<u>5,261,000</u>	<u>5,255,416</u>	<u>5,584</u>	<u>5,194,518</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(67,000)</u>	<u>(67,000)</u>	<u>(49,396)</u>	<u>17,604</u>	<u>84,416</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunding debt issued	-	-	-	-	5,215,000
Premium on issuance of debt	-	-	44,575	44,575	-
Payment to refunded bond escrow	-	-	-	-	(5,294,554)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>44,575</u>	<u>44,575</u>	<u>(79,554)</u>
<b>Net change in fund balance</b>	(67,000)	(67,000)	(4,821)	62,179	4,862
Fund balance—beginning of year	<u>1,273,859</u>	<u>1,273,859</u>	<u>1,338,721</u>	<u>64,862</u>	<u>1,333,859</u>
<b>Fund balance—end of year</b>	<u>\$ 1,206,859</u>	<u>\$ 1,206,859</u>	<u>\$ 1,333,900</u>	<u>\$ 127,041</u>	<u>\$ 1,338,721</u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**PROPRIETARY FUNDS - ENTERPRISE FUNDS**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
Year Ended June 30, 2016 with Comparative Totals for Year Ended June 30, 2015

	2016				2015 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
<b>OPERATING REVENUES</b>					
Institutional	\$ 2,132,000	\$ 2,182,000	\$ 2,213,087	\$ 31,087	\$ 1,813,337
<b>OPERATING EXPENSES</b>					
Auxiliary services	1,966,000	2,016,000	2,009,018	6,982	1,576,960
Excess of operating revenues over operating expenses	166,000	166,000	204,069	38,069	236,377
<b>NON-OPERATING EXPENSES</b>					
Transfers out	(300,000)	(300,000)	-	300,000	-
<b>Net change in net position</b>	(134,000)	(134,000)	204,069	338,069	236,377
Net Position—beginning of year	3,186,427	3,186,427	3,222,804	36,377	2,986,427
<b>Net Position—end of year</b>	<u>\$ 3,052,427</u>	<u>\$ 3,052,427</u>	<u>\$ 3,426,873</u>	<u>\$ 374,446</u>	<u>\$ 3,222,804</u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**  
Year Ended June 30, 2016 with Comparative Totals for Year Ended June 30, 2015

	2016				2015 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
<b>OPERATING REVENUES</b>					
Institutional	\$ 4,100,000	\$ 4,400,000	\$ 4,103,321	\$ (296,679)	\$ 3,959,020
<b>OPERATING EXPENSES</b>					
Auxiliary services	4,100,000	4,400,000	4,358,860	41,140	4,258,095
<b>Net change in net position</b>	-	-	(255,539)	(255,539)	(299,075)
Net Position—beginning of year	379,164	379,164	380,088	924	679,163
<b>Net Position—end of year</b>	<u>\$ 379,164</u>	<u>\$ 379,164</u>	<u>\$ 124,549</u>	<u>\$ (254,615)</u>	<u>\$ 380,088</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, 2016

	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			
<b>REVENUES</b>									
Local government - tax levy	\$ 4,745,952	\$ -	\$ -	\$ 4,840,000	\$ -	-	\$ 9,585,952	\$ -	\$ 9,585,952
Intergovernmental revenue									
State	10,750,750	485,607	-	17,160	-	-	11,253,517	-	11,253,517
Federal	1,404,653	5,923,885	-	344,848	-	-	7,673,386	(3,175,634)	4,497,752
Tuition and fees									
Statutory program fees	4,185,348	-	-	-	-	-	4,185,348	-	4,185,348
Materials fees	339,803	-	-	-	-	-	339,803	-	339,803
Other student fees	467,328	247,681	-	-	-	-	715,009	-	715,009
Institutional	1,931,787	264,770	30,395	4,012	2,213,087	4,103,321	8,547,372	(4,170,811)	4,376,561
Total revenues	23,825,621	6,921,943	30,395	5,206,020	2,213,087	4,103,321	42,300,387	(7,346,445)	34,953,942
<b>EXPENDITURES</b>									
Current:									
Instruction	14,618,238	-	-	-	-	-	14,618,238	864,936	15,483,174
Instructional resources	349,695	-	-	-	-	-	349,695	-	349,695
Student services	1,751,756	6,846,758	-	-	-	-	8,598,514	(6,441,832)	2,156,682
General institutional	3,673,642	-	-	-	-	-	3,673,642	-	3,673,642
Physical plant	1,928,771	-	568,679	-	-	-	2,497,450	(568,679)	1,928,771
Auxiliary services	-	-	-	-	2,009,018	4,358,860	6,367,878	(4,108,926)	2,258,952
Capital outlay	819,876	-	1,365,344	-	-	-	2,185,220	(2,185,220)	-
Depreciation	-	-	-	-	-	-	-	2,504,915	2,504,915
Student aid	-	-	-	-	-	-	-	3,198,708	3,198,708
Debt service:									
Principal	-	-	-	3,880,000	-	-	3,880,000	(3,880,000)	-
Interest	-	-	-	1,375,416	-	-	1,375,416	(47,654)	1,327,762
Total expenditures	23,141,978	6,846,758	1,934,023	5,255,416	2,009,018	4,358,860	43,546,053	(10,663,752)	32,882,301
Excess (deficiency) of revenues over (under) expenditures	683,643	75,185	(1,903,628)	(49,396)	204,069	(255,539)	(1,245,666)	3,317,307	2,071,641
<b>OTHER FINANCING SOURCES (USES)</b>									
Long-term debt issued	-	-	2,500,000	-	-	-	2,500,000	(2,500,000)	-
Premium on issuance of debt	-	-	-	44,575	-	-	44,575	(44,575)	-
Transfers in	410,135	23,625	50,000	-	-	-	483,760	(483,760)	-
Transfer out	(23,625)	(50,000)	(410,135)	-	-	-	(483,760)	483,760	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	(10,576)	(10,576)
Total other financing sources (uses)	386,510	(26,375)	2,139,865	44,575	-	-	2,544,575	(2,555,151)	(10,576)
Net change in fund balance/net position	1,070,153	48,810	236,237	(4,821)	204,069	(255,539)	1,298,909	762,156	2,061,065
Fund balance/Net Position - beginning 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
Fund balance/Net Position - end of year	\$ 8,350,305	\$ 299,472	\$ 608,030	\$ 1,333,900	\$ 3,426,873	\$ 124,549	\$ 14,143,129	\$ 15,566,740	\$ 29,709,869

**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, 2016

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

Operating	\$ 2,703,022
Non-operating	8,550,495
	\$ 11,253,517

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

Non-governmental grants and contracts	\$ 2,137,306
Auxiliary enterprises	2,213,087
Investment income	26,168
	\$ 4,376,561

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

Budgetary basis fund balance	\$ 14,143,129
Capital assets capitalized - at cost	74,438,998
Accumulated depreciation on capital assets	(29,840,299)
Net pension asset and deferred items	3,019,287
General obligation notes payable	(28,905,000)
Other post employment benefits and long-term portion of retiree health insurance	(3,724,234)
Accrued interest on notes payable	(77,922)
Encumbrances outstanding at year end	655,910
	\$ 29,709,869

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

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
June 30, 2016

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	
<b>Department of Agriculture</b>							
Pass-through Program from University of North Dakota Farm Business Management and Benchmarking Competitive Grants Program	10.319	03-149-000-004	7/1/13-8/31/15	16,461	16,461	-	16,461
Pass-through Program from Western Technical College Farm Business Management and Benchmarking Competitive Grants Program	10.319	03-166-000-016	9/1/15-8/31/16	16,036	16,036	-	16,036
Total Farm Business Management and Benchmarking Competitive Grants Program				32,497	32,497	-	32,497
Pass-through Program from University of Wisconsin - Platteville Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326	03-173-000-013	7/1/15-8/31/15	27,657	26,152	-	26,152
Pass-through Program from Wisconsin Department of Agriculture, Trade, and Consumer Protection Federal-State Marketing Improvement Program	10.156	03-108-000-015	7/1/15-6/30/16	43,370	14,425	-	14,425
<b>Total Department of Agriculture</b>				103,524	73,074	-	73,074
<b>Department of Labor</b>							
Pass-through Program from Northeast Iowa Community College H-1B Job Training Grants	17.268	03-156-000-012	7/1/15-4/1/16	49,542	16,417	-	16,417
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-174-000-013	7/1/15-9/30/15	71,828	71,828	-	71,828
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-174-000-013	10/1/15-6/30/16	328,147	233,823	-	233,823
Pass-through Program from Chippewa Valley Technical College Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-109-000-015	7/1/15-9/30/15	135,005	135,005	-	135,005
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-109-000-015	10/1/15-6/30/16	288,239	194,255	-	194,255
Pass-through Program from Northeast Wisconsin Technical College Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-180-000-013	7/1/15-3/31/16	78,434	78,400	-	78,400

See accompanying notes to schedule of expenditures of federal and state awards.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
June 30, 2016

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	
<b>Department of Labor (continued)</b>							
Pass-through Program from Northeast Iowa Community College Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-152-000-012	7/1/15-9/30/15	5,851	5,851	-	5,851
-							
Total Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants				907,504	719,162	-	719,162
<b>Total Department of Labor</b>				957,046	735,579	-	735,579
<b>Department of Education</b>							
<b>Department of Education Direct Programs</b>							
Student Financial Assistance Cluster							
Federal Supplemental Education Opportunity Grant	84.007		7/1/15-6/30/16	-	39,246	-	39,246
Federal College Work Study	84.033		7/1/15-6/30/16	-	63,221	-	63,221
Federal Pell Grant	84.063		7/1/15-6/30/16	-	2,645,784	-	2,645,784
Direct Student Loans							
Federal Student Stafford Loans	84.268		7/1/15-6/30/16	-	3,160,313	-	3,160,313
Federal Student Plus Loans	84.268		7/1/15-6/30/16	-	15,321	-	15,321
Total Direct Student Loans				-	3,175,634	-	3,175,634
Total Student Financial Assistance Cluster				-	5,923,885	-	5,923,885
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	7/1/15-6/30/16	13,753	13,726	-	13,726
Adult Basic Education - Basic Grants to States	84.002	03-110-146-125	7/1/15-6/30/16	79,756	79,756	110,600	190,356
Total Adult Education Act				93,509	93,482	110,600	204,082

See accompanying notes to schedule of expenditures of federal and state awards.



**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
June 30, 2016

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	
<b>Department of Education (continued)</b>							
Career and Technical Education Basic Grants to States Strengthening Career & Technical Program	84.048	03-193-150-256	7/1/15-6/30/16	27,935	27,935	-	27,935
NTO Connections to NTO Recruit	84.048	03-194-150-266	7/1/15-6/30/16	6,984	6,984	-	6,984
Student Success	84.048	03-198-150-236	7/1/15-6/30/16	69,837	69,837	165,400	235,237
Career Prep	84.048	03-106-150-216	7/1/15-6/30/16	39,045	39,045	-	39,045
High School to College Transition	84.048	03-137-150-246	7/1/15-6/30/16	34,918	34,918	-	34,918
Total Career and Technical Education Basic Grants to States				178,719	178,719	165,400	344,119
<b>Total Department of Education</b>				272,228	6,196,086	276,000	6,472,086
<b>Department of Health &amp; Human Services</b>							
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	03-172-000-013	7/1/15-8/31/15	54,403	54,403	-	54,403
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	03-172-000-013	9/1/15-6/30/2015	463,312	242,005	-	242,005
<b>Total Department of Health &amp; Human Services</b>				517,715	296,408	-	296,408
<b>Department of Homeland Security</b>							
Pass-through program from Wisconsin Technical College Systems Board Assistance to Firefighters Grant	97.044	03-113-153-116	7/1/15-6/30/16	27,391	27,391	-	27,391
<b>Total Federal Awards</b>				<b>\$ 1,877,904</b>	<b>\$ 7,328,538</b>	<b>\$ 276,000</b>	<b>\$ 7,604,538</b>

See accompanying notes to schedule of expenditures of federal and state awards.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
June 30, 2016

State Grantor/Program	State Identifying Number	Project Identification Number	Grant Period	Grant Amount	Expenditures		Total Expenditures
					State	Match	
<b>Wisconsin Higher Education Board</b>							
Wisconsin Higher Education Grant	235.102		7/1/15-6/30/16	\$ 385,905	\$ 385,905	\$ -	\$ 385,905
Remissions of Fees for Veterans and Dependents	235.105		7/1/15-6/30/16	16,461	9,932	-	9,932
Minority Undergraduate Retention Grant	235.107		7/1/15-6/30/16	1,450	1,450	-	1,450
Academic Excellence Scholarship	235.109		7/1/15-6/30/16	16,036	23,630	-	23,630
Talent Incentive Program Grant	235.114		7/1/15-6/30/16	20,650	20,650	-	20,650
Indian Student Assistance	235.132		7/1/15-6/30/16	1,100	1,100	-	1,100
Nursing	235.131		7/1/15-6/30/16	15,000	15,000	-	15,000
Wisconsin Covenant Scholars Grant Revenue	235.131		7/1/15-6/30/16	24,375	24,375	-	24,375
Wisconsin Covenant Foundation Grant Revenue	235.131		7/1/15-6/30/16	13,500	13,500	-	13,500
<b>Total Wisconsin Higher Education Board</b>				<b>494,477</b>	<b>495,542</b>	<b>-</b>	<b>495,542</b>
<b>Wisconsin Department of Transportation</b>							
Motorcycle Safety	266.7348	03-123-000-003	1/1/15-12/31/15	7,985	7,985	-	7,985
3 Wheel Safety	266.7348	03-127-000-004	1/1/15-12/31/15	652	652	-	652
<b>Total Wisconsin Department of Transportation</b>				<b>8,637</b>	<b>8,637</b>	<b>-</b>	<b>8,637</b>
<b>Wisconsin Technical College Systems Board</b>							
State Aids for Vocational Technical and Adult Education	292.105		7/1/15-6/30/16	1,955,000	1,955,000	-	1,955,000
State Aids Prior Years	292.105			8,800	8,800	-	8,800
Performance Based Aid	292.105			743,720	743,720	-	743,720
Workforce Advancement Training Grants:							
Bemis	292.124	03-134-124-176	7/1/15-6/30/16	5,144	3,848	-	3,848
Community First Bank	292.124	03-138-124-176	7/1/15-6/30/16	2,863	2,852	-	2,852
Dillman Equipment	292.124	03-142-124-176	7/1/15-6/30/16	13,936	12,198	-	12,198
Emmi Roth	292.124	03-144-124-176	7/1/15-6/30/16	18,236	7,125	-	7,125
Foremost Farms	292.124	03-133-124-176	7/1/15-6/30/16	15,985	5,220	-	5,220
Grant Regional Health Center	292.124	03-130-124-175	7/8/14-8/31/15	23,894	29,195	-	29,195
Grant County Lean	292.124	03-138-124-175	8/27/14-8/31/15	16,064	14,009	-	14,009
Grant Regional Lean	292.124	03-147-124-176	7/1/15-6/30/16	13,275	13,238	-	13,238

See accompanying notes to schedule of expenditures of federal and state awards.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
June 30, 2016

State Grantor/Program	State Identifying Number	Project Identification Number	Grant Period	Grant Amount	Expenditures		Total Expenditures
					State	Match	
<b>Wisconsin Technical College Systems Board (continued)</b>							
Workforce Advancement Training Grants (continued):							
Gro Alliance	292.124	03-132-124-146	7/1/15-6/30/16	14,846	13,197	-	13,197
Lands End	292.124	03-135-124-176	7/1/15-6/30/16	5,851	8,889	-	8,889
NuPak	292.124	03-148-124-176	7/1/15-6/30/16	4,123	3,980	-	3,980
3M	292.124	03-139-124-176	7/1/15-6/30/16	53,746	20,352	-	20,352
3M	292.124	03-165-124-175	7/1/14-8/31/15	54,699	43,708	-	43,708
S&S Cycle	292.124	03-153-124-176	7/1/15-6/30/16	5,469	5,437	-	5,437
Schreiber Foods	292.124	03-143-124-175	7/1/15-6/30/16	72,278	70,043	-	70,043
Schreiber Foods	292.124	03-150-124-176	7/1/15-6/30/16	43,132	32,982	-	32,982
Wisconsin Whey Protein	292.124	03-136-124-176	7/1/15-6/30/16	3,523	2,246	-	2,246
Faculty Development	292.124	03-161-124-156	7/1/15-6/30/16	47,387	47,387	-	47,387
Advanced Manufacturing	292.124	03-118-124-186	7/1/15-6/30/16	13,770	13,770	-	13,770
Electrical Construction Apprentice Lab Support	292.124	03-125-124-116	7/1/15-6/30/16	6,400	6,400	-	6,400
Industrial Apprentice Lab Support	292.124	03-128-124-116	7/1/15-6/30/16	6,400	6,400	-	6,400
Cancer Information Management	292.124	03-145-124-146	7/1/15-6/30/16	68,194	68,194	-	68,194
Precision Manufacturing	292.124	03-132-124-146	7/1/15-6/30/16	72,657	25,141	-	25,141
Tutoring 4 Success	292.124	03-190-124-166	7/1/15-6/30/16	113,071	111,200	-	111,200
Breaking Down the Silos	292.124	03-101-124-125	7/1/15-6/30/16	58,763	54,460	-	54,460
Breaking Down the Silos	292.124	03-104-124-126	7/1/15-6/30/16	137,076	137,076	-	137,076
Electromechanical Instrumentation	292.124	03-102-124-126	7/1/15-6/30/16	127,895	127,895	-	127,895
Mobile Welding Lab	292.124	03-121-124-186	7/1/15-6/30/16	150,000	150,000	-	150,000
Total Workforce Advancement Training Grants:				1,168,677	1,036,442	-	1,036,442
Fire Fighter Training 2%	292.137			31,075	31,075	-	31,075
Property Tax Relief Aid	292.162		7/1/15-6/30/16	6,528,192	6,528,192	-	6,528,192
Hazmat	292.372			3,984	3,984	-	3,984
<b>Total Wisconsin Technical College Systems Board</b>				<b>10,439,448</b>	<b>10,307,213</b>	<b>-</b>	<b>10,307,213</b>

See accompanying notes to schedule of expenditures of federal and state awards.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
June 30, 2016

State Grantor/Program	State Identifying Number	Project Identification Number	Grant Period	Grant Amount	Expenditures		Total Expenditures
					State	Match	
<b>Wisconsin Department of Workforce Development</b>							
Blueprint for Prosperity - HS Pupil	445.109	03-112-000-015	7/1/15-6/30/16	13,660	7,142	-	7,142
Blueprint for Prosperity - Welding	445.109	03-114-000-015	7/1/15-9/30/15	68,232	68,232	-	68,232
Blueprint for Prosperity - Welding	445.109	03-114-000-015	10/1/15-6/30/16	105,929	69,658	-	69,658
Blueprint for Prosperity - LPN	445.109	03-117-000-015	7/1/15-6/30/16	84,237	84,161	-	84,161
Blueprint for Prosperity - PTA	445.109	03-155-000-015	7/1/15-6/30/16	152,414	152,155	-	152,155
<b>Total Wisconsin Department of Workforce Development</b>				424,472	381,348	-	381,348
<b>Wisconsin Department of Justice</b>							
Sovereign Citizens Presentation	455.231		7/1/15-6/30/16	2,640	2,280	-	2,280
<b>Wisconsin Department of Natural Resources</b>							
DNR payment in lieu of taxes			7/1/15-6/30/16	24,584	24,584	-	24,584
<b>Wisconsin Department of Revenue</b>							
State Aid Computers	835.109		7/1/15-6/30/16	33,913	33,913	-	33,913
<b>Total State Awards</b>				<u>\$ 11,428,171</u>	<u>\$ 11,253,517</u>	<u>\$ -</u>	<u>\$ 11,253,517</u>

See accompanying notes to schedule of expenditures of federal and state awards.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
June 30, 2016

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**NOTE 1—BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the District under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

**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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**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:

<b>Reconciliation</b>	
Federal revenues reported on the Schedule of Expenditures of Federal and State Awards	<u>\$ 7,328,538</u>
Federal Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position	\$ 4,497,752
Direct Student Loans included on the Schedule of Expenditures of Federal and State Awards	3,175,634
Federal Subsidy payment for Build America Bonds	<u>(344,848)</u>
<b>Total Federal Revenues</b>	<u><u>\$ 7,328,538</u></u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS  
June 30, 2016

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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:

**Reconciliation**

State revenues reported on the Schedule of Expenditures of Federal and State Awards	<u>\$11,253,517</u>
State Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position	
Operating	\$ 2,703,022
Non-operating	<u>8,550,495</u>
<b>Total State Revenues</b>	<u><u>\$11,253,517</u></u>

NOTE 4—SUBRECIPIENT PAYMENTS

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

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
Year Ended June 30, 2016

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There were no prior audit findings.



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, 2016, and the related notes to the financial statements, which collectively comprise Southwest Tech's basic financial statements, and have issued our report thereon dated December 19, 2016.

### 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 and 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*.

**Janesville Office:**  
101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

**Baraboo Office:**  
123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

**Milwaukee Office:**  
W229 N1433 Westwood Drive  
Suite 105  
Waukesha, WI 53186  
P: (262) 522-7555  
F: (262) 522-7550

**Madison Office:**  
2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665



## **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  
December 19, 2016



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE 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 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of Southwest Tech's major federal programs and its major state programs for the year ended June 30, 2016. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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 programs and its 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, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, the Uniform Guidance, 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 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 programs and its major state programs for the year ended June 30, 2016.

**Janesville Office:**  
101 E. Milwaukee Street  
Suite 425  
Janesville, WI 53545  
P: (608) 756-4020

**Baraboo Office:**  
123 Second Street  
P.O. Box 150  
Baraboo, WI 53913  
P: (608) 356-3966  
F: (608) 356-2966

**Milwaukee Office:**  
W229 N1433 Westwood Drive  
Suite 105  
Waukesha, WI 53186  
P: (262) 522-7555  
F: (262) 522-7550

**Madison Office:**  
2110 Luann Lane  
Madison, WI 53713  
P: (608) 274-4020  
F: (608) 274-0775

[www.wegnercpas.com](http://www.wegnercpas.com)  
[info@wegnercpas.com](mailto:info@wegnercpas.com)  
(888) 204-7665

## 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 program and its 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 program and its major state program and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and the *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 the *Uniform Guidance* and the *Guidelines*. Accordingly, this report is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP  
Madison, Wisconsin  
December 19, 2016

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2016

**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 2 CFR 200.516(a)?	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:	\$ 750,000
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

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
Year Ended June 30, 2016

Any audit findings disclosed that are required to be reported? No

Identification of state major programs:

State Identifying Number	Name of State Program
292.105	State Aids for Vocational Technical and Adult Education
292.162	Property Tax Relief Aid

Dollar threshold used to distinguish between type A and type B programs: \$ 250,000

**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




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Scott R. Haumersen, CPA

Date of report

December 19, 2016