

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
Fennimore, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2018 and 2017

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southwest Wisconsin Technical College, as of and for the years ended June 30, 2018 and 2017, 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. The financial statements of the Southwest Wisconsin Technical College Foundation, Inc. and the SWTC Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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 the 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 the Southwest Wisconsin Technical College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities and the discretely presented component unit of the Southwest Wisconsin Technical College, as of June 30, 2018 and 2017, 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.

Emphasis-of-Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, as of July 1, 2017, the Southwest Wisconsin Technical College, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the statement of net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of net pension liability (asset), the schedule of employer contributions, the schedule of funding progress-other post-employment benefits, and the schedule of changes in net OPEB liability and related ratios, as listed in the table of contents, 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 the 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*, 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 14, 2018 on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Southwest Wisconsin Technical College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Southwest Wisconsin Technical College's internal control over financial reporting and compliance.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
December 14, 2018

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018.

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 49 federal, state or local grants totaling \$2.57 million
- Updated official statement for borrowing and maintained Southwest Tech's rating of Aa2 through Moody's.
- Issued \$2.5 million 5 year promissory note at 1.49 percent interest rate.
- Refinanced \$6.5 million 10 year bond at 2.6% 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.
- Continued participation in the formation of Wisconsin Technical Colleges Employee Benefits Consortium (WTCEBC) with seven other Wisconsin technical colleges to provide employee benefits.
- 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 \$3,397,775 in grants, \$2,752,997 in loans, \$63,221 in college work study earnings, and \$15,856 in college work study match.

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, 2018

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

| | 2018 | 2017 | Change | % Change |
|--|----------------------|----------------------|------------------|----------|
| OPERATING REVENUE | | | | |
| Student fees | \$ 5,663,164 | \$ 5,354,979 | \$ 308,185 | 5.76 |
| Federal grants | 4,096,916 | 4,269,671 | (172,755) | (4.05) |
| State grants | 2,430,317 | 2,573,769 | (143,452) | (5.57) |
| Contract revenues | 2,121,807 | 1,805,577 | 316,230 | 17.51 |
| Auxiliary revenues | 1,544,884 | 1,601,305 | (56,421) | (3.52) |
| Total operating revenues | 15,857,088 | 15,605,301 | 251,787 | 1.61 |
| OPERATING EXPENSES | | | | |
| Instruction | 14,888,945 | 14,584,086 | 304,859 | 2.09 |
| Instructional resources | 148,419 | 251,308 | (102,889) | (40.94) |
| Student services | 2,539,934 | 2,453,273 | 86,661 | 3.53 |
| General institutional | 4,274,973 | 4,576,235 | (301,262) | (6.58) |
| Physical plant | 1,989,195 | 1,968,777 | 20,418 | 1.04 |
| Auxiliary enterprise services | 1,223,795 | 593,067 | 630,728 | 106.35 |
| Depreciation | 2,699,998 | 2,568,360 | 131,638 | 5.13 |
| Student aid | 3,383,850 | 3,327,558 | 56,292 | 1.69 |
| Total operating expenses | 31,149,109 | 30,322,664 | 826,445 | 2.73 |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Property taxes | 10,342,513 | 9,963,198 | 379,315 | 3.81 |
| State appropriations | 8,431,463 | 8,117,012 | 314,451 | 3.87 |
| Investment income | 149,904 | 29,834 | 120,070 | 402.46 |
| Loss on disposal of capital assets | (22,973) | (8,433) | (14,540) | - |
| Interest expense | (1,440,093) | (1,245,649) | (194,444) | 15.61 |
| Total non-operating revenues | 17,460,814 | 16,855,962 | 604,852 | 3.59 |
| Increase in net position | 2,168,793 | 2,138,599 | <u>\$ 30,194</u> | |
| Net position - beginning of year | 31,848,468 | 29,709,869 | | |
| Prior period adjustment | (5,430,770) | - | | |
| Net position - end of year | <u>\$ 28,586,491</u> | <u>\$ 31,848,468</u> | | |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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 \$251,787 or 1.616% for fiscal year 2018. These increases are primarily due to the following:

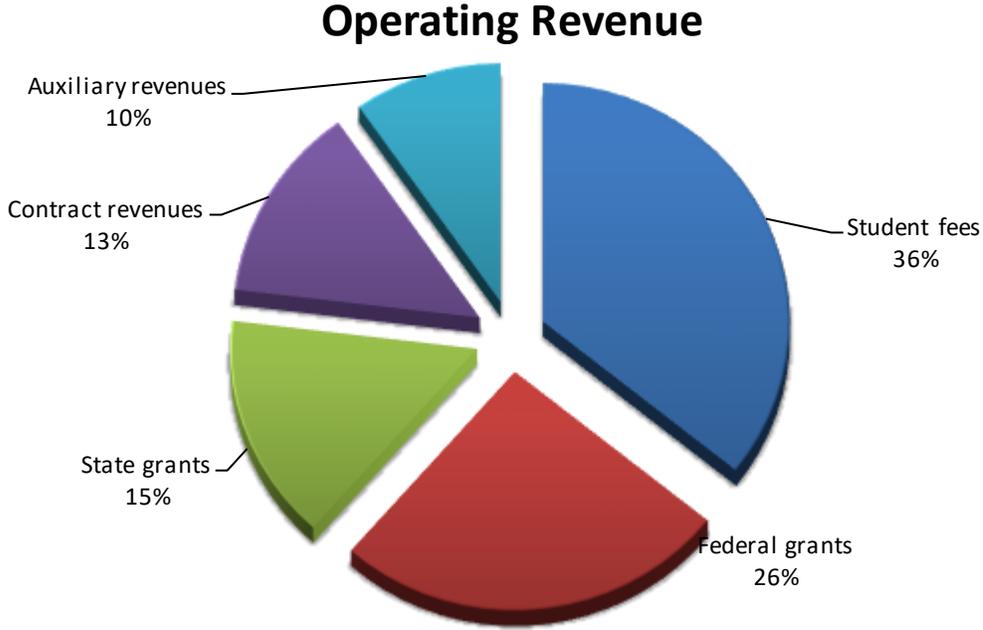
- During 2018 Southwest Tech generated \$5,663,164 for tuition and fees charged to students compared to \$5,354,979 in 2017. This was an increase of \$308,185 or 5.76%.
- The state increased tuition rates 2.0% and 1.5% in 2018 and 2017.
- Southwest Tech receives funding from the federal and state governments for specific purposes, including financial aid payments to students. Southwest Tech received \$6,527,233 for the federal and state governments for 2018 compared to \$6,843,440 for 2017. This figure is indicative of the continued efforts of Southwest Tech to seek out new sources of revenue.
 - ✓ State revenue decreased \$143,452 or 5.57% in 2018 compared to 2017. State funding levels fluctuate between years based on the specific grants available each year as well as the amount of funding the state provides for financial aid.
 - ✓ Federal funding decreased \$172,755 or 4.05% in 2018 compared to 2017. 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 \$2,121,807 in 2018 and \$1,805,577 in 2017.
- Southwest Tech operates auxiliary enterprise operation such as the book store, food service, and childcare center. Southwest Tech had sales of \$1,544,884 for 2018 compared to \$1,601,305 in 2017 for these activities.

Operating expenses are costs incurred for providing education, training and services. Total operating expenses increased \$826,445 or 2.73% compared to 2017. The majority of the Southwest Tech's expenses, 48%, are for instructional related costs. Student financial aid and general institutional accounts for an additional 25%, while auxiliary services and other expenses account for the remaining 27% of total operating expenses.

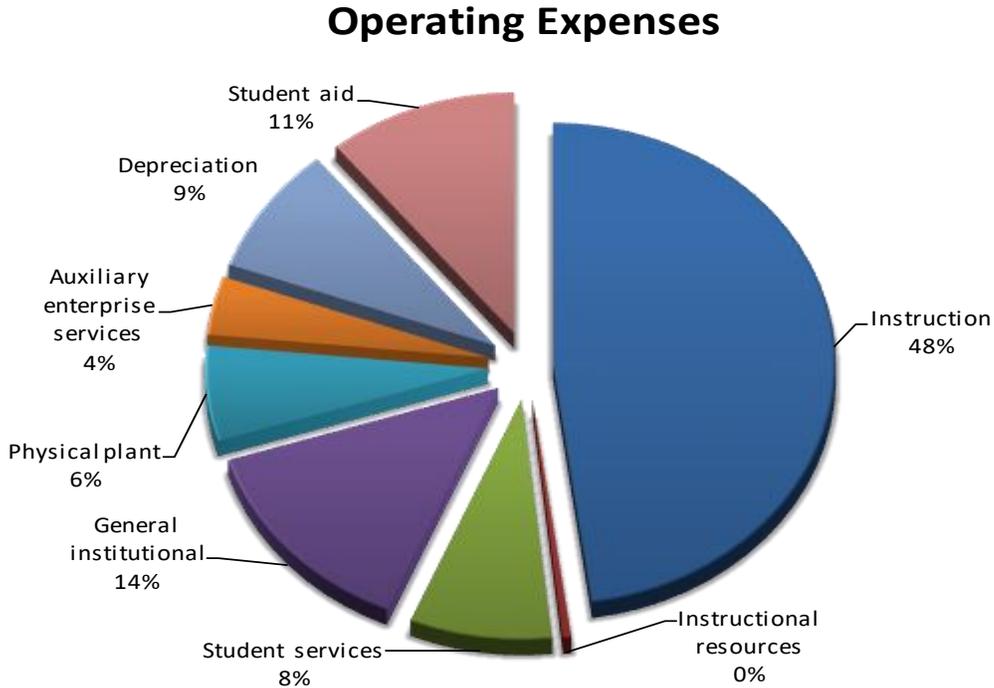
SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018

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 increased \$604,852 or 3.59% in 2018.

- State operating appropriations increased \$314,451 or 3.87% in 2018. 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 \$379,315 or 3.81% in 2018 compared to 2017. 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 decreased \$3,261,977 or 10.24% in 2018 compared to an increase of \$2,138,599 or 7.20% in 2017. Southwest Tech ended its fiscal year with net position of \$28,586,491 in 2018 of which \$18,797,545 was net investment in capital assets, \$402,017 was restricted for student financial aid, \$898,264 was restricted for capital projects, \$1,372,901 was restricted for debt service assistance, \$1,637,365 was restricted for net pension asset, and \$5,478,399 was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general Southwest Tech operations.

Total assets increased \$4,112,936 or 6.49% in 2018 and decreased \$748,290 or 1.19% in 2017. Net capital assets increased \$463,059 or 1.04% in 2018 compared to a decrease of \$194,158 or 0.44% in 2017.

Southwest tech's current liabilities increased \$345,535 or 5.52% in 2018 compared to a decrease of \$534,907 or 7.87% in 2017.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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

| | 2018 | 2017 | Change | % Change |
|---|----------------------|----------------------|-----------------------|----------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 14,667,607 | \$ 13,492,226 | \$ 1,175,381 | 8.71 |
| Net pension asset | 2,479,236 | - | 2,479,236 | - |
| Net capital assets | 44,896,674 | 44,433,615 | 463,059 | 1.04 |
| Other assets | 5,481,578 | 5,486,318 | (4,740) | (0.09) |
| Total assets | 67,525,095 | 63,412,159 | 4,112,936 | 6.49 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pension | 6,703,996 | 5,677,298 | 1,026,698 | 18.08 |
| | 261,530 | - | 261,530 | - |
| Total deferred outflows of resources | 6,965,526 | 5,677,298 | 1,288,228 | 18.08 |
| LIABILITIES | | | | |
| Current liabilities | 6,604,681 | 6,259,146 | 345,535 | 5.52 |
| Net pension liability | - | 711,859 | (711,859) | (100.00) |
| Long-term liabilities | 31,753,582 | 27,313,749 | 4,439,833 | 16.25 |
| Total liabilities | 38,358,263 | 34,284,754 | 4,073,509 | 11.88 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to pension | 7,545,867 | 2,956,235 | 4,589,632 | 155.25 |
| NET POSITION | | | | |
| Net invested in capital assets | 18,797,545 | 16,978,615 | 1,818,930 | 10.71 |
| Restricted for student financial aid | 402,017 | 307,930 | 94,087 | 30.55 |
| Restricted for capital projects | 898,264 | 1,123,734 | (225,470) | (20.06) |
| Restricted for debt service | 1,372,901 | 1,360,433 | 12,468 | 0.92 |
| Restricted for net pension asset | 1,637,365 | - | 1,637,365 | 0.00 |
| Unrestricted | 5,478,399 | 12,077,756 | (6,599,357) | (54.64) |
| Total net position | \$ 28,586,491 | \$ 31,848,468 | \$ (3,261,977) | (10.24) |

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, Southwest Tech had \$80,121,669 in capital assets, including land, construction in progress, land improvements, buildings and improvements, and moveable equipment. Total accumulated depreciation on these assets was \$35,224,995. Asset acquisitions totaled \$3,186,030. Southwest Tech recognized depreciation expense of \$2,699,998. 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, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt

As of June 30, 2018, Southwest Tech had \$25,820,000 in general obligation debt outstanding compared to \$27,455,000 in 2017. 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 median 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, 2018

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.

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, 2018 and 2017

| | Primary Government | | Component Unit | |
|--|---------------------------|----------------------|-----------------------|---------------------|
| | <u>2018</u> | <u>2017</u> | <u>2018</u> | <u>2017</u> |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and investments | \$ 14,667,607 | \$ 13,492,226 | \$ 715,182 | \$ 523,020 |
| Taxes receivable | 3,218,327 | 3,249,760 | - | - |
| Accounts receivable, net | 284,833 | 581,733 | 198,543 | 228,572 |
| Student accounts receivable | 567,611 | 544,876 | - | - |
| Due from other governments | 46,668 | 35,357 | - | - |
| Accrued self-insurance | 893,685 | 486,459 | - | - |
| Inventories | 309,434 | 432,257 | - | - |
| Prepaid expenses | 161,020 | 155,876 | - | - |
| Total current assets | <u>20,149,185</u> | <u>18,978,544</u> | <u>913,725</u> | <u>751,592</u> |
| NONCURRENT ASSETS | | | | |
| Net pension asset | 2,479,236 | - | - | - |
| Investments | - | - | 3,346,393 | 3,356,268 |
| Capital assets not being depreciated | 842,579 | 813,445 | 208,000 | 236,539 |
| Capital assets being depreciated, net | <u>44,054,095</u> | <u>43,620,170</u> | <u>2,054,992</u> | <u>1,984,567</u> |
| Total noncurrent assets | <u>47,375,910</u> | <u>44,433,615</u> | <u>5,609,385</u> | <u>5,577,374</u> |
| Total assets | 67,525,095 | 63,412,159 | 6,523,110 | 6,328,966 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pension | 6,703,996 | 5,677,298 | - | - |
| Related to OPEB | <u>261,530</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred outflows of resources | 6,965,526 | 5,677,298 | - | - |
| LIABILITIES | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts payable and other current liabilities | 1,144,102 | 941,258 | 108,409 | 186,984 |
| Accrued salaries and benefits | 447,579 | 555,426 | - | - |
| Accrued interest | 34,508 | 37,098 | - | - |
| Compensated absences | 781,996 | 647,533 | - | - |
| Deferred revenue | 562,943 | 552,831 | - | - |
| Current portion of long-term debt | <u>3,633,553</u> | <u>3,525,000</u> | <u>68,904</u> | <u>66,306</u> |
| Total current liabilities | 6,604,681 | 6,259,146 | 177,313 | 253,290 |
| NONCURRENT LIABILITIES | | | | |
| Net pension liability | - | 711,859 | - | - |
| Long-term debt, net of current portion | 22,465,576 | 23,930,000 | 1,714,963 | 1,783,867 |
| Other postemployment benefits | <u>9,288,006</u> | <u>3,383,749</u> | <u>-</u> | <u>-</u> |
| Total noncurrent liabilities | <u>31,753,582</u> | <u>28,025,608</u> | <u>1,714,963</u> | <u>1,783,867</u> |
| Total liabilities | 38,358,263 | 34,284,754 | 1,892,276 | 2,037,157 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to pension | 7,545,867 | 2,956,235 | - | - |
| NET POSITION | | | | |
| Net investment in capital assets | 18,797,545 | 16,978,615 | - | - |
| Permanently restricted | - | - | 2,716,238 | 2,469,345 |
| Temporarily restricted | - | - | 1,136,117 | 837,841 |
| Restricted | | | | |
| Student financial assistance | 402,017 | 307,930 | - | - |
| Capital projects | 898,264 | 1,123,734 | - | - |
| Debt service | 1,372,901 | 1,360,433 | - | - |
| Net pension asset | 1,637,365 | - | - | - |
| Unrestricted | <u>5,478,399</u> | <u>12,077,756</u> | <u>778,479</u> | <u>984,623</u> |
| Total net position | <u>\$ 28,586,491</u> | <u>\$ 31,848,468</u> | <u>\$ 4,630,834</u> | <u>\$ 4,291,809</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, 2018 and 2017

| | Primary Government | | Component Unit | |
|--|---------------------------|----------------------|-----------------------|---------------------|
| | 2018 | 2017 | 2018 | 2017 |
| OPERATING REVENUES | | | | |
| Tuition and fees | | | | |
| Program fees (net of \$138,123 and \$124,827 scholarship allowances, respectively) | \$ 4,523,250 | \$ 4,317,812 | \$ - | \$ - |
| Material fees (net of \$10,359 and \$9,246 scholarship allowances, respectively) | 314,906 | 326,224 | - | - |
| Other student fees (net of \$25,898 and \$20,034 scholarship allowances, respectively) | 825,008 | 710,943 | - | - |
| Federal grants and contracts | 4,096,916 | 4,269,671 | - | - |
| State grants and contracts | 2,430,317 | 2,573,769 | - | - |
| Non-governmental grants and contracts | 2,121,807 | 1,805,577 | - | - |
| Auxiliary enterprise services | 1,544,884 | 1,601,305 | - | - |
| Contributions and other support | - | - | 1,078,018 | 1,291,895 |
| Rental income | - | - | 486,962 | 439,489 |
| Total operating revenues | 15,857,088 | 15,605,301 | 1,564,980 | 1,731,384 |
| OPERATING EXPENSES | | | | |
| Instruction | 14,888,945 | 14,584,086 | - | - |
| Instructional resources | 148,419 | 251,308 | - | - |
| Student services | 2,539,934 | 2,453,273 | - | - |
| General institution | 4,274,973 | 4,576,235 | - | - |
| Physical plant | 1,989,195 | 1,968,777 | - | - |
| Auxiliary enterprise services | 1,223,795 | 593,067 | - | - |
| Depreciation | 2,699,998 | 2,568,360 | - | - |
| Student aid | 3,383,850 | 3,327,558 | - | - |
| Program activities and other | - | - | 1,437,566 | 1,366,133 |
| Total operating expenses | 31,149,109 | 30,322,664 | 1,437,566 | 1,366,133 |
| Operating loss | (15,292,021) | (14,717,363) | 127,414 | 365,251 |
| NONOPERATING REVENUES (EXPENSES) | | | | |
| State appropriations | 8,431,463 | 8,117,012 | - | - |
| Local property taxes | 10,342,513 | 9,963,198 | - | - |
| Loss on disposal of capital assets | (22,973) | (8,433) | (54,264) | - |
| Investment income | 149,904 | 29,834 | 265,875 | 326,166 |
| Interest expense | (1,440,093) | (1,245,649) | - | - |
| Total non-operating revenues (expenses) | 17,460,814 | 16,855,962 | 211,611 | 326,166 |
| Change in net position | 2,168,793 | 2,138,599 | 339,025 | 691,417 |
| Net position - beginning of year | 31,848,468 | 29,709,869 | 4,291,809 | 3,600,392 |
| Prior period adjustment | (5,430,770) | - | - | - |
| Net position - end of year | \$ 28,586,491 | \$ 31,848,468 | \$ 4,630,834 | \$ 4,291,809 |

See accompanying notes to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|------------------------|------------------------|
| Cash flows from operating activities | | |
| Tuition and fees received | \$ 5,650,541 | \$ 5,437,953 |
| Federal and state grants received | 6,515,922 | 6,888,300 |
| Business, industry and school district contract revenues received | 2,418,707 | 2,669,925 |
| Payments to employees, including related benefits | (20,793,963) | (20,322,421) |
| Payments to suppliers | (6,869,909) | (7,894,150) |
| Auxiliary enterprise revenues received | 1,544,884 | 1,601,305 |
| Net Cash Flows from Operating Activities | (11,533,818) | (11,619,088) |
| Cash flows from non-capital financing activities | | |
| Local property taxes received | 10,373,946 | 9,932,316 |
| State appropriations received | 8,431,463 | 8,117,012 |
| Net Cash Flows from Non-Capital Financing Activities | 18,805,409 | 18,049,328 |
| Cash flows from capital and related financing activities | | |
| Purchases of capital assets | (3,168,431) | (2,382,635) |
| Proceeds from issuance of debt | 8,985,000 | 2,500,000 |
| Principal paid on debt | (10,620,000) | (3,950,000) |
| Interest paid on debt | (1,442,683) | (1,286,473) |
| Net Cash Flows from Capital and Related Financing Activities | (6,246,114) | (5,119,108) |
| Cash flows from capital and related financing activities | | |
| Investment income received | 149,904 | 29,834 |
| Net Increase in Cash and Cash Equivalents | 1,175,381 | 1,340,966 |
| Cash and Cash Equivalents - Beginning of Year | 13,492,226 | 12,151,260 |
| Cash and Cash Equivalents - End of Year | \$ 14,667,607 | \$ 13,492,226 |
| Reconciliation of operating loss to net cash used in operating activities: | | |
| Operating loss | \$ (15,292,021) | \$ (14,717,363) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | |
| Depreciation | 2,699,998 | 2,568,360 |
| Changes in assets and liabilities | | |
| Accounts receivable, net | 296,900 | 864,348 |
| Student accounts receivable | (22,735) | 9,493 |
| Due from other governments | (11,311) | 44,860 |
| Inventories | 122,823 | 51,076 |
| Prepaid expenses | (5,144) | (53,918) |
| Net pension asset | 371,839 | 1,010,083 |
| Accounts payable and other current liabilities | 202,844 | 75,146 |
| Accrued salaries and benefits | (107,847) | (266,150) |
| Accrued self-insurance | (407,226) | (769,238) |
| Compensated absences | 134,463 | (168,781) |
| Unearned revenue | 10,112 | 73,481 |
| Post-employment benefits | 473,487 | (340,485) |
| Net cash used in operating activities | \$ (11,533,818) | \$ (11,619,088) |

See accompanying notes to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Southwest Tech is governed by a nine-member District Board elected by the 30 school districts boards comprising Southwest Tech. Pursuant to Wisconsin Statute, the District Board consists of two employer members, two employee members, three additional members, one elected official member who holds a state or local office, and one school district administrator. Board members serve staggered three-year terms. The District Board powers are established under the provisions of Chapter 38 of the Wisconsin Statutes and include:

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

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

Effective July 1, 2017, Southwest Tech implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 defines the net other postemployment benefit (OPEB) liability as the difference between the total OPEB liability and the value of the assets set aside to pay benefits. A description of the postemployment benefit plan and the impact on the financial statements of Southwest Tech is provided in Note 6.

Reporting Entity

The reporting entity of Southwest Tech consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable, or 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. The primary government is financially accountable if (1) it appoints a voting majority of an organization's governing body and it is able to its will on that organization, (2) it appoints a voting majority of an organization's governing body and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

by the separate organization are entirely or almost entirely for the direct benefit of the primary government or its constituents; (2) the primary government is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government is entitled to, or has the ability to otherwise access, are significant to the primary government.

The Southwest Wisconsin Technical College Foundation, Inc. (Foundation), is a not-for-profit corporation whose purpose is to solicit, hold, manage, invest, and expend endowment funds and other gifts, grants, and bequests exclusively for the maintenance and benefit of Southwest Tech. The Foundation is managed by an independent board of directors. Southwest Tech provides office space, certain equipment and furnishings, most related utility services and some insurance coverage to the Foundation without charge. The Foundation's resources are almost entirely for the benefit of Southwest Tech and the "entitlement/ability to access" criterion is met because the Foundation has a history of supporting Southwest Tech with its economic resources, the financial resources of the Foundation are significant to Southwest Tech as a whole and accordingly, the Foundation is presented as a discretely presented component unit of the District.

Separately issued financial statements of the Foundation may be obtained from the Foundation administration office.

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2018 and 2017, 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.

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 .61391 and .62698 mills for fiscal years ending 2018 and 2017, respectively. The debt service mill rate was .60434 and .62522 for the fiscal years ending 2018 and 2017, respectively.

Southwest Tech communicates its property tax levy to city, village and town treasurers or clerks in October of the fiscal year for which the taxes are levied.

The following dates are pertinent to Southwest Tech's tax calendar:

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Compensated Absences

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

Pensions

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

Post-Employment Benefits

For employees hired prior to July 1, 2006, Southwest Tech's employee fringe benefit program includes a provision which allows academic, administrative, and support staff to be carried with the group insurance plan or plans at their own expense after retirement or layoff. However, the Board will continue to pay health insurance premiums based on type of employee and years of service or number of accumulated hours of sick leave.

For employees, any academic staff, administrative staff, or support staff with less than thirteen years of service to Southwest Tech that retire under the Wisconsin Retirement System or are laid off, one-half of their unused accumulated sick leave at full pay will be used to continue the payment of health insurance premiums at the time of retirement or layoff.

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

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position 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 deferred outflows as of June 30, 2018 and 2017 related to pension and OPEB activity.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. Southwest Tech has deferred inflows as of June 30, 2018 and 2017 related to 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, 2018

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, 2018

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:

| | 2018 | 2017 | Risk |
|----------------------------------|---------------|---------------|---------------------|
| Cash and cash equivalents: | | | |
| Cash on hand | \$ 2,940 | \$ 2,940 | |
| Deposit accounts | 13,478,272 | 12,318,551 | Custodial |
| Local Government Investment Pool | 1,186,395 | 1,170,735 | Credit and interest |
| Total cash and cash equivalents | \$ 14,667,607 | \$ 13,492,226 | |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018

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 \$13,806,969 and \$12,374,752 at June 30, 2018 and 2017. 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, 2018, all of the \$13,806,969 bank balance 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, 2018, 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, 2018

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

| | Balance 7/1/2017 | Additions | (Deletions) | Balance 6/30/2018 |
|--|----------------------|-------------------|--------------------|----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 813,445 | \$ - | \$ - | \$ 813,445 |
| Construction in progress | - | 29,134 | - | 29,134 |
| Total capital assets not being depreciated | 813,445 | 29,134 | - | 842,579 |
| Capital assets being depreciated | | | | |
| Land improvements | 1,167,624 | 36,615 | - | 1,204,239 |
| Buildings & improvements | 47,524,757 | 617,999 | - | 48,142,756 |
| Equipment | 27,547,986 | 2,502,282 | (118,173) | 29,932,095 |
| Total capital assets being depreciated | 76,240,367 | 3,156,896 | (118,173) | 79,279,090 |
| Less accumulated depreciation for | | | | |
| Land improvements | 621,599 | 50,225 | - | 671,824 |
| Buildings & improvements | 11,721,669 | 1,202,717 | - | 12,924,386 |
| Equipment | 20,276,929 | 1,447,056 | (95,200) | 21,628,785 |
| Total accumulated depreciation | 32,620,197 | 2,699,998 | (95,200) | 35,224,995 |
| Total capital assets being depreciated-net | 43,620,170 | 456,898 | (22,973) | 44,054,095 |
| Net capital assets | 44,433,615 | <u>\$ 486,032</u> | <u>\$ (22,973)</u> | 44,896,674 |
| Less general obligation debt | <u>(27,455,000)</u> | | | <u>(26,099,129)</u> |
| Total net investment in capital assets | <u>\$ 16,978,615</u> | | | <u>\$ 18,797,545</u> |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 3—CAPITAL ASSETS (continued)

The following is a summary of changes in capital assets for the year ended June 30, 2017:

| | Balance 7/1/2016 | Additions | (Deletions) | Balance 6/30/2017 |
|--|----------------------|---------------------|-------------------|----------------------|
| Capital assets not being depreciated | | | | |
| Land | \$ 813,445 | \$ - | \$ - | \$ 813,445 |
| Constructions in progress | 517 | - | (517) | - |
| Total capital assets not being depreciated | 813,962 | - | (517) | 813,445 |
| Capital assets being depreciated | | | | |
| Land improvements | 1,067,977 | 99,647 | - | 1,167,624 |
| Buildings & improvements | 47,015,078 | 509,679 | - | 47,524,757 |
| Equipment | 25,810,247 | 1,773,826 | (36,087) | 27,547,986 |
| Total capital assets being depreciated | 73,893,302 | 2,383,152 | (36,087) | 76,240,367 |
| Less accumulated depreciation for | | | | |
| Land improvements | 574,516 | 47,083 | - | 621,599 |
| Buildings & improvements | 10,545,975 | 1,175,694 | - | 11,721,669 |
| Equipment | 18,959,000 | 1,345,583 | (27,654) | 20,276,929 |
| Total accumulated depreciation | 30,079,491 | 2,568,360 | (27,654) | 32,620,197 |
| Total capital assets being depreciated-net | 43,813,811 | (185,208) | (8,433) | 43,620,170 |
| Net capital assets | 44,627,773 | <u>\$ (185,208)</u> | <u>\$ (8,950)</u> | 44,433,615 |
| Less general obligation debt | <u>(28,905,000)</u> | | | <u>(27,455,000)</u> |
| Total net investment in capital assets | <u>\$ 15,722,773</u> | | | <u>\$ 16,978,615</u> |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018 and 2017 was as follows:

| | Balance 7/1/2017 | Additions | Reductions | Balance 6/30/2018 | Due Within One Year |
|--------------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|
| Notes and bonds payable | | | | | |
| General obligation bonds | \$ 22,455,000 | \$ 6,485,000 | \$ 8,120,000 | \$ 20,820,000 | \$ 1,600,000 |
| General obligation notes | 5,000,000 | 2,500,000 | 2,500,000 | 5,000,000 | 2,000,000 |
| Unamortized premiums | - | 298,737 | 19,608 | 279,129 | 33,553 |
| Total bonds and notes payable | 27,455,000 | 9,283,737 | 10,639,608 | 26,099,129 | 3,633,553 |
| Other Liabilities: | | | | | |
| Other postemployment benefits | 3,383,749 | 5,904,257 | - | 9,288,006 | - |
| Accrued compensated absences | 647,533 | 756,179 | 621,716 | 781,996 | 781,996 |
| Total long-term liabilities | \$ 31,486,282 | \$ 15,944,173 | \$ 11,261,324 | \$ 36,169,131 | \$ 4,415,549 |

| | Balance 7/1/2016 | Additions | Reductions | Balance 6/30/2017 | Due Within One Year |
|------------------------------------|----------------------|---------------------|---------------------|----------------------|------------------------|
| Notes and bonds payable | \$ 28,905,000 | \$ 2,500,000 | \$ 3,950,000 | \$ 27,455,000 | \$ 3,525,000 |
| Accrued compensated absences | 816,314 | 427,502 | 596,283 | 647,533 | 647,533 |
| Total long-term liabilities | \$ 29,721,314 | \$ 2,927,502 | \$ 4,546,283 | \$ 28,102,533 | \$ 4,172,533 |

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, 2018 is as follows:

| | Bonds | Aggregate |
|---|-----------------------|-----------------------|
| Debt limit (2% for bonds, 5% for aggregate) | \$ 163,813,850 | \$ 409,534,625 |
| Debt outstanding at June 30, 2018 net of resources available to pay principal | 20,820,000 | 25,820,000 |
| Margin of indebtedness: | \$ 142,993,850 | \$ 383,714,625 |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4—LONG-TERM OBLIGATIONS (continued)

General obligation debt at June 30, 2018 and 2017 are as follows:

| | <u>Buyer</u> | <u>2018</u> | <u>2017</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. | \$ - | \$ 370,000 |
| 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 | 9,315,000 | 17,010,000 |
| 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. | BOSC, Inc. | - | 500,000 |
| 2014 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2019, interest at 0.5-2.0%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases. | Piper Jaffray | 500,000 | 1,000,000 |
| 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 | 5,020,000 | 5,075,000 |
| 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. | Piper Jaffray | 1,000,000 | 1,500,000 |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4—LONG-TERM OBLIGATIONS (continued)

| | Buyer | 2018 | 2017 |
|---|-----------------|----------------------|----------------------|
| 2016 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2021, interest at 2.0%, payable semi-annually on June 1 and December 1. | UMB Bank, NA | 1,500,000 | 2,000,000 |
| 2017 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2022, interest at 2.0%, payable semi-annually on June 1 and December 1. | Robert W. Baird | 2,000,000 | - |
| 2017 \$6,485,000 general obligation refunding bonds payable with annual 3% interest only payments until June 2026. Then 1,555,000 to 1,690,000 of principal payments annually through 2029. | Robert W. Baird | 6,485,000 | - |
| Total General Obligation Debt | | <u>\$ 25,820,000</u> | <u>\$ 27,455,000</u> |

Future debt service requirements as of June 30, 2018 are as follows:

| Year Ended June 30 | Principal | Interest | Total |
|-------------------------------|----------------------|---------------------|----------------------|
| 2019 | \$ 3,600,000 | \$ 1,341,092 | \$ 4,941,092 |
| 2020 | 3,170,000 | 831,292 | 4,001,292 |
| 2021 | 2,750,000 | 728,852 | 3,478,852 |
| 2022 | 2,310,000 | 631,446 | 2,941,446 |
| 2023 | 1,875,000 | 535,106 | 2,410,106 |
| 2024-2028 | 10,425,000 | 1,361,114 | 11,786,114 |
| 2029 | 1,690,000 | 25,350 | 1,715,350 |
| | <u>\$ 25,820,000</u> | <u>\$ 5,454,252</u> | <u>\$ 31,274,252</u> |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit. The WRS also provides death and disability benefits for employees.

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – EMPLOYEE'S RETIREMENT SYSTEM (continued)

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

| Year | Core Fund Adjustment | Variable Fund Adjustment |
|------|----------------------|--------------------------|
| 2007 | 3% | 10% |
| 2008 | 6.6 | 0 |
| 2009 | (2.1) | (42) |
| 2010 | (1.3) | 22 |
| 2011 | (1.2) | 11 |
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |
| 2015 | 2.9 | 2 |
| 2016 | 0.5 | (5) |
| 2017 | 2.0 | 4 |

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. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. 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 \$792,663 and \$816,621 in contributions from the employer. Contribution rates as of June 30, 2018 are as follows:

| Employee Category | Employee | Employer |
|---|----------|----------|
| General (including teachers, executives, and elected officials) | 6.8% | 6.8% |
| Protective with Social Security | 6.8% | 10.6% |
| Protective without Social Security | 6.8% | 14.9% |

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

At June 30, 2018 and 2017, Southwest Tech reported an asset of \$2,479,236 and a liability of \$711,859 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred 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, 2017 and 2017, Southwest Tech's proportion was 0.08230074% and 0.08636563%. For the years ended June 30, 2018 and 2017, Southwest Tech recognized pension expense of \$1,072,466 and \$1,826,408.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

At June 30, 2018, 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 | \$ 3,149,930 | \$ (1,473,433) |
| Changes in assumptions | 489,848 | - |
| Net differences between projected and actual earnings on pension plan investments | 2,653,501 | (6,060,981) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 8,084 | (11,453) |
| Employer contributions subsequent to the measurement date | <u>402,633</u> | <u>-</u> |
| Total | <u>\$ 6,703,996</u> | <u>\$ (7,545,867)</u> |

At June 30, 2017, 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 | \$ 271,432 | \$ (2,238,735) |
| Changes in assumptions | 744,276 | - |
| Net differences between projected and actual earnings on pension plan investments | 4,245,283 | (701,875) |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 10,737 | (15,625) |
| Employer contributions subsequent to the measurement date | <u>405,570</u> | <u>-</u> |
| Total | <u>\$ 5,677,298</u> | <u>\$ (2,956,235)</u> |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

At June 30, 2018 and 2017, \$402,633 and \$405,570 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended June 30: | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---------------------|-----------------------------------|----------------------------------|
| 2018 | \$ 2,519,558 | \$ (2,254,273) |
| 2019 | 2,229,538 | (2,253,480) |
| 2020 | 801,445 | (1,649,823) |
| 2021 | 744,876 | (1,388,289) |
| 2022 | 5,946 | (2) |
| | <u>\$ 6,301,363</u> | <u>\$ (7,545,867)</u> |

Actuarial assumptions. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|-----------------------------------|
| Actuarial Valuation Date: | December 31, 2016 |
| Measurement Date of Net Pension Liability (Asset) | December 31, 2017 |
| 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 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 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, 2018

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 | Long-Term Expected Nominal Rate of Return | Long-Term Expected Real Rate of Return |
|----------------------------------|-----------------------------|---|--|
| Global equities | 50% | 8.3% | 5.3% |
| Fixed income | 24.5 | 4.2 | 1.4 |
| Inflation sensitive assets | 15.5 | 3.8 | 1.0 |
| Real estate | 8 | 6.5 | 3.6 |
| Private equity/debt | 8 | 9.4 | 6.5 |
| Multi-asset | 4 | 6.5 | 3.6 |
| Total core fund | 110% | 7.3% | 4.4% |
| <u>Variable Fund Asset Class</u> | | | |
| U.S. equities | 70% | 7.5% | 4.6% |
| International equities | 30 | 7.8 | 4.9 |
| Total variable fund | 100% | 7.9% | 5.0% |

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 3.31%. 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 7.2 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 (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

| | 1% Decrease to Discount Rate (6.2%) | Current Discount Rate (7.2%) | 1% Increase to Discount Rate (8.2%) |
|--|---|------------------------------------|---|
| The District’s proportionate share of net pension liability (asset) - 2018 | \$ 6,414,630 | \$ (2,479,236) | \$ (9,238,849) |
| The District’s proportionate share of net pension liability (asset) - 2017 | \$ 9,364,961 | \$ 711,859 | \$ (5,951,422) |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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://etf.wi.gov/publications/cafr.htm>.

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Plan Administration. 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. Benefits and eligibility are established and amended by the governing body.

Plan Membership. At July 1, 2016, the date of the latest actuarial valuation, there were 44 active and 77 retired members in the plan.

Contributions. 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.

Net OPEB Liability

Southwest Tech's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|------------------------------|---|
| Inflation: | 2.50% |
| Investment rate of return: | 3.50% based upon all years of projected payments discounted at a municipal bond rate of 3.50% |
| Healthcare cost trend rates: | 1.1% in Year 1, 0.0% in Year 2 followed by 6.50%, decreasing by 0.10% per year down to 5.0%, and level thereafter |

The actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rates. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

The long-term expected rate of return on OPEB plan investments. Since Southwest Tech currently holds assets in fixed income funds or as cash equivalents, the long-term expected rate of return on OPEB plan investments was based upon the 20-year AA municipal bond rate and applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount rate. The discount rate of 3.5% was used in calculating Southwest Tech's OPEB liabilities (based upon all projected payments discounted at a long-term expected rate of return of 3.5%).

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS (continued)

This rate is equivalent to the Bond Buyer G.O. 20-year AA Bond Index published by the Federal Reserve as of the week of the measurement date. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

| | Total OPEB Liability (a) |
|------------------------------|--------------------------------|
| Balances at 6/30/2017 | \$ 6,998,827 |
| Changes for the year: | |
| Service Cost | 93,739 |
| Interest | 232,922 |
| Benefit payments | (781,544) |
| Net changes | (454,883) |
| Balances at 6/30/2018 | \$ 6,543,944 |

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of Southwest Tech, as well as what Southwest Tech's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

| | 1% Decrease to Discount Rate (2.5%) | Current Discount Rate (3.5%) | 1% Increase to Discount Rate (4.5%) |
|----------------------|---|------------------------------------|---|
| Total OPEB Liability | \$ 6,836,554 | \$ 6,543,944 | \$ 6,274,518 |

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as, what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

| | 1% Decrease (0.1% in Year 1, -1.0% in Year 2, then 5.5% decreasing to 4.0%) | Healthcare Cost Trend Rates (1.1% in Year 1, 0.0% in Year 2, then 6.5% decreasing to 5.0%) | 1% Increase (2.1% in Year 1, 1.0% in Year 2, then 7.5% decreasing to 6.0%) |
|----------------------|---|---|--|
| Total OPEB Liability | \$ 6,515,228 | \$ 6,543,944 | \$ 6,570,148 |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, Southwest Tech recognized OPEB expense of \$326,661. At June 30, 2018, Southwest Tech reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources |
|---|-----------------------------------|
| Employer contributions subsequent to the measurement date | 261,530 |
| Total | \$ 261,530 |

\$261,530 reported as deferred outflows related to OPEB resulting from Southwest Tech's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Southwest Tech's annual OPEB cost (expense) was calculated for June 30, 2017 based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost 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 ended June 30, 2017, the amount actually contributed to the plan, and changes in Southwest Tech's net OPEB obligation:

| | 2017 |
|--|------------|
| Annual required contribution | \$ 411,908 |
| Interest on net OPEB obligation | 32,675 |
| Adjustment to annual required contribution | (46,745) |
| Annual OPEB cost (expense) | 397,838 |
| OPEB payments made | (700,483) |
| Increase in net OPEB obligation | (302,645) |
| Net OPEB obligation - beginning of year | 1,089,158 |
| Net OPEB obligation - end of year | \$ 786,513 |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2017 and the preceding two years was as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|---------------------|---|---------------------------|
| 6/30/2017 | \$ 397,838 | 176.07% | \$ 786,513 |
| 6/30/2016 | \$ 363,697 | 180.23% | \$ 1,089,158 |
| 6/30/2015 | \$ 363,496 | 172.64% | \$ 1,380,935 |

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, Southwest Tech's actuarial accrued liability (AAL) for benefits was \$7,162,500 and the actuarial value of assets was \$0 resulting in an unfunded actuarial accrued liability (UAAL) of \$7,162,500. The annual payroll for active employees covered by the plan in the actuarial valuation for the fiscal year was \$4,239,079 for a ratio of the UAAL to covered payroll of 168.96%.

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, 2016, actuarial valuation, the entry age normal level % of salary actuarial cost method was used. The actuarial assumptions included a 3.00% 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 2.5% inflation assumption. The UAAL is being amortized on a level dollar basis. The remaining amortization period on July 1, 2016 was 24 years.

In addition to Southwest Tech's OPEB plan, the employee fringe benefit program included a provision for employees hired prior to July 1, 2006, which allowed academic, administrative, and support staff to be carried with the group insurance plan or plans at their own expense after retirement or layoff. However, Southwest Tech would continue to pay health insurance premiums based on the type of employee and years of service or number of accumulated hours of sick leave. These benefits are financed on a pay-as-you-go basis. Southwest Tech's accrual for retiree sick leave was \$2,744,062 and \$2,597,237 at June 30, 2018 and 2017.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 7—COMMITMENTS AND CONTINGENCIES

Southwest Tech has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to request for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

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

Operating Leases

Southwest Tech leases various facilities as outreach center to offer 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 year ending June 30, 2019 are \$55,922. Rent expenses under all operating leases for the years ended June 30, 2018 and 2017 \$54,882 and \$56,021.

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 2018 and 2017.

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 8 – RISK MANAGEMENT (continued)

assets. The trust is organized under Wisconsin Statutes 66.0301 and is governed by a board of trustees consisting of one trustee from each member college. Member entities include all sixteen Wisconsin Technical College System districts.

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

- *Foreign travel liability:* \$2,000,000 aggregate general; \$1,000,000 auto per accident; \$1,000,000 employee benefits; includes benefit for accidental death and dismemberment, repatriation, and medical expenses \$1,000 deductible for employee benefits.
- *Crime:* \$750,000 coverage for employee dishonesty, forgery, computer fraud and funds transfer fraud; \$500,000 coverage for theft, robbery, burglary, disappearance and destruction of money and securities; \$25,000 coverage for investigation expenses; \$2,500 deductible for investigation, \$15,000 deductible for employee dishonesty, forgery, and fraud.
- *Business Travel Accident:* Coverage for Local Board of Trustee Members \$1,000,000 aggregate general; \$100,000 for scheduled losses, assistance services medical evacuation and repatriation.

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

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 asset (liability) of \$893,685 and \$486,459 reported at June 30, 2018 and 2017 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that an asset (liability) for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that an asset (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 asset (liability) amount were:

| | Estimated claims outstanding | | | |
|------|------------------------------|--------------|-------------------|-------------------|
| | Beginning Balance | Premiums | Claim Payments | Ending Balance |
| 2018 | \$ 486,459 | \$ 3,685,230 | \$ (3,278,004) | \$ 893,685 |
| 2017 | (282,779) | 3,413,763 | (2,644,525) | 486,459 |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT

Southwest Wisconsin Technical College Foundation, Inc. (the Foundation) promotes learning through funding and activities that enable Southwest Wisconsin Technical College (located in Fennimore, Wisconsin) to provide opportunities for success. The Foundation identifies, solicits, and manages alternative sources of funding to:

- Provide leadership and direction through the involvement of the Foundation's board of directors and staff in the continuing development of Southwest Wisconsin Technical College (the College);
- Develop and manage endowment funds to provide scholarships, special awards, and other financial assistance to students of the College;
- Provide and develop alternative financial support to the College for facilities improvement, equipment acquisitions, program development, student financial aid, and staff development; and
- Support and encourage developments in vocational/technical education through various activities.

Southwest Wisconsin Technical College Real Estate Foundation, Inc. (REF) was formed for the purpose of acquiring, developing, and holding real estate for the benefit of the College. The REF supports the College by holding and managing real estate that is integral to the College's mission.

Each of Southwest Wisconsin Technical College (College), the Foundation and the REF are governed by a separate Board of Directors, however, the REF is operated, supervised, and controlled by the Foundation. Each Foundation maintains an arms-length transaction with the College. While each entity is independently governed, it is recognized that close collaboration and cooperation are essential to attain their separate missions.

The College sets the strategic priorities and objectives consistent with its role as an educational institution. The activities of Foundation and the REF should be consistent with and aligned with the College's objectives. The Foundation is intended to be the primary means through which private donors may assist the college.

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidating

The consolidated financial statements include the financial statements of the Foundation and the REF. The REF is consolidated since the Foundation has both an economic interest in the REF and control of the REF. All material intra-entity transactions have been eliminated.

The consolidated financial statements are included as a component unit in the College's financial statements since the College has an economic interest in the Foundation and REF.

Basis of Presentation

The Foundation and the REF report information regarding their financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions. Unless restricted by the donor, income earned on assets that are subject to donor-imposed temporary restrictions is considered unrestricted.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by the Foundation in perpetuity.

Promises to Give

Unconditional promises to give are recognized as revenues in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Investments

The Foundation reports investments in marketable equity securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying consolidated statements of activities.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all costs for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using primarily the straight-line method.

Income Tax Status

The Foundation is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

The REF is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the REF qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as a supporting organization under Section 509(a)(3).

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities as net assets released from restrictions.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statements of activities and in the consolidated statements of functional expenses. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

The following program services and supporting activities are included in the accompanying consolidated financial statements:

Scholarships and awards—Scholarships, special awards, and other financial assistance provided to students and support provided to faculty to continue their education in their respective fields.

Student housing—On-campus apartment style units that provide students with a place to reside while attending Southwest Wisconsin Technical College.

Management and general—Management and general expenses include the costs necessary to ensure proper administrative functioning of the board of directors, manage the financial and budgetary responsibilities of the Foundation, inform the public about the Foundation's stewardship, and perform other activities related to the overall direction of the Foundation.

Fundraising—Fundraising expenses include the costs related to activities that involve inducing potential donors to contribute assets, services, or time to the Foundation.

Estimates

Management uses estimates and assumptions in preparing consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through October 29, 2018, the date which the consolidated financial statements were available to be issued.

NOTE B—CONCENTRATIONS OF CREDIT RISK

The Foundation maintains cash balances at one financial institution located in Dubuque, Iowa. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2018 and 2017, the Foundation's uninsured cash balances total approximately \$350,000 and \$210,000.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE C—PROMISES TO GIVE

Unconditional promises to give at June 30, 2018 and 2017 are as follows:

| | 2018 | 2017 |
|----------------------------------|------------|------------|
| Receivable in less than one year | \$ 43,769 | \$ 12,328 |
| Receivable in one to five years | 93,600 | 138,600 |
| | \$ 137,369 | \$ 150,928 |

NOTE D—INVESTMENTS

Investments are comprised of the following:

| | 2018 | 2017 |
|--|--------------|--------------|
| Money market fund | \$ 10,775 | \$ 9,762 |
| U.S. government and agency obligations | 1,015,431 | 1,368,764 |
| Mutual funds | 2,320,187 | 1,977,742 |
| Investments | \$ 3,346,393 | \$ 3,356,268 |

Investments at June 30, 2018 and 2017 include \$2,694,538 and \$2,433,145 of investments held for endowment purposes.

Investment return is summarized as follows:

| | 2018 | 2017 |
|-----------------------------------|------------|------------|
| Investment income | \$ 180,176 | \$ 65,955 |
| Net realized and unrealized gains | 101,651 | 271,343 |
| Investment expenses | (15,952) | (11,132) |
| Investment return | \$ 265,875 | \$ 326,166 |

NOTE E—FAIR VALUE MEASUREMENTS

Fair values of assets measured on a recurring basis are as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
|--|--------------|---|---|
| Money market fund | \$ 10,775 | \$ 10,775 | \$ - |
| U.S. government and agency obligations | 1,015,431 | - | 1,015,431 |
| Mutual funds | 2,320,187 | 2,320,187 | - |
| June 30, 2018 | \$ 3,346,393 | \$ 2,330,962 | \$ 1,015,431 |
| Money market fund | \$ 9,762 | \$ 9,762 | \$ - |
| U.S. government and agency obligations | 1,368,764 | - | 1,368,764 |
| Mutual funds | 1,977,742 | 1,977,742 | - |
| June 30, 2017 | \$ 3,356,268 | \$ 1,987,504 | \$ 1,368,764 |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE E—FAIR VALUE MEASUREMENTS (continued)

The valuation methodologies used for assets measured at fair value are as follows. The money market fund held by the Foundation is invested primarily in U.S. Treasury securities and government agency obligations.

The fund generally values its holdings using the amortized cost valuation method or, in unusual circumstances, market prices. Conventional U.S. Treasury notes and bonds are valued at quoted prices from independent, third-party pricing agents. Other U.S. Treasury notes and bonds, such as inflation index bonds, are valued using data aggregated from various independent pricing sources. These independent pricing sources are regularly consulted and some judgment is exercised. U.S. government agency bonds, corporate bonds, and state and municipal bonds are valued at quoted prices from independent, third-party pricing agents, which may rely on significant unobservable inputs. Publicly-traded common stocks and foreign equities are valued at the closing price reported on the active market on which the individual securities are traded. Mutual funds are valued at the quoted net asset value of shares held by the Foundation at year end.

NOTE F—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | 2018 | 2017 |
|------------------------------|--------------|--------------|
| Land | \$ 80,000 | \$ 80,000 |
| Construction in progress | 128,009 | 156,539 |
| Buildings and improvements | 2,758,719 | 2,676,240 |
| Equipment | 46,980 | 43,171 |
| Property and equipment | 3,013,708 | 2,955,950 |
| Accumulated depreciation | (750,716) | (734,844) |
| Property and equipment - net | \$ 2,262,992 | \$ 2,221,106 |

NOTE G—MORTGAGE PAYABLE

The REF has a 3.63% mortgage payable to a local financial institution in monthly installments of \$9,950, including interest, through September 27, 2032. The mortgage is secured by the REF's student housing units and assignments of its leases and rents.

The future scheduled maturities of this mortgage are as follows for the years ending June 30:

| | |
|------------|--------------|
| 2019 | \$ 68,904 |
| 2020 | 71,427 |
| 2021 | 74,404 |
| 2022 | 77,319 |
| 2023 | 80,349 |
| Thereafter | 1,411,464 |
| | \$ 1,783,867 |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE H—LEASING ARRANGEMENTS

The REF leases housing units to students of the College. Lease terms are typically for one college academic year and may be extended through the summer months if requested by the student and units are available. The REF collects a security deposit from each tenant that may be retained due to damages to the leased premises that exceed ordinary wear and tear, waste and neglect of the premises, and nonpayment of rent and amounts owed for utilities.

NOTE I—NET ASSETS

The Foundation and the REF's boards of directors have chosen to place the following limitations on unrestricted net assets:

| | 2018 | 2017 |
|--|------------|------------|
| Property and equipment held for leasing (net of accumulated depreciation and related debt) | \$ 437,797 | \$ 370,933 |
| Undesignated | 340,682 | 613,690 |
| Unrestricted net assets | \$ 778,479 | \$ 984,623 |

Temporarily restricted net assets are available for the following purposes:

| | 2018 | 2017 |
|-----------------------------------|--------------|------------|
| Professional staff development | \$ 26,452 | \$ 23,607 |
| Special projects and events | 343,348 | 335,452 |
| Scholarships | 766,317 | 478,782 |
| Temporarily restricted net assets | \$ 1,136,117 | \$ 837,841 |

Permanently restricted net assets are restricted to investment in perpetuity, the income from which is expendable to support:

| | 2018 | 2017 |
|-----------------------------------|--------------|--------------|
| Professional staff development | \$ 44,090 | \$ 42,050 |
| Special projects and events | 95,807 | 78,270 |
| Scholarships | 2,576,341 | 2,349,025 |
| Permanently restricted net assets | \$ 2,716,238 | \$ 2,469,345 |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE I—NET ASSETS (continued)

The Foundation has endowment agreements with various donors. Under certain agreements, the donor contributes to an endowment fund periodically. Once the balance of the individual's endowment fund reaches \$12,500, the donor's contributions become permanently restricted and the Foundation may not expend the corpus of the fund below the specified amount. Endowment funds whose cumulative contributions attained this level during the year are shown as reclassifications from temporarily restricted net assets to permanently restricted net assets in the statement of activities.

NOTE J—ENDOWMENT FUNDS

The Foundation's endowment consists of approximately fifty-five individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted Wisconsin's enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by Wisconsin's enacted version of UPMIFA. In accordance with Wisconsin's enacted version of UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

To achieve its objectives, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the fund if possible. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Asset classes may include common and preferred stocks, closed-end and open-end mutual funds, real estate investment trusts, American Depositary Receipts (ADRs) of foreign companies, U.S. Treasury securities and government agency obligations, mortgage-backed securities, and domestic corporate bonds typically of investment grade. All investment assets have sufficient liquidity for reasonable price

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE J—ENDOWMENT FUNDS (continued)

stability and ease of trading. No individual equity-based investment may exceed 5% of the total fair value of all equity-based investments at the time of purchase or 5% of the total fair value of all investment assets at any given time. With the exception of U.S. Treasury securities and government agency obligations, no fixed income investment of any single issuer may in the aggregate exceed 5% of the total fair value of all investment assets at any given time.

The Foundation has a spending policy of appropriating for distribution annually a minimum of 3.0% of its endowment fund's average fair value on the last day of each of the three calendar years immediately preceding the fiscal year in which the appropriation is to be made. In establishing this policy, the Foundation considered the long-term expected investment return on its endowment. Accordingly, over the long term, the Foundation expects the current spending policy to allow its endowment fund to grow at a rate consistent with its objectives of maintaining the purchasing power of the endowment assets as well as providing additional real growth through investment return.

The composition of and changes in donor-restricted endowment net assets as of and for the years ended June 30, 2018 and 2017 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|--------------|---------------------------|---------------------------|---------------------|
| Endowment net assets 7/1/2016 | \$ (740) | \$ 1,395,029 | \$ 1,345,773 | \$ 2,740,062 |
| Investment return | | | | |
| Investment income | 740 | 37,733 | - | 38,473 |
| Net appreciation (realized and unrealized) | - | 244,229 | - | 244,229 |
| Total investment return | 740 | 281,962 | - | 282,702 |
| Contributions | - | - | 76,472 | 76,472 |
| Appropriation of endowment assets for expenditure | - | (124,292) | - | (124,292) |
| Transfers to create donor-restricted endowment funds | - | (1,047,100) | 1,047,100 | - |
| Endowment net assets 6/30/2017 | - | 505,599 | 2,469,345 | 2,974,944 |
| Investment return | | | | |
| Investment income | - | 2,221 | - | 2,221 |
| Net appreciation (realized and unrealized) | - | 263,318 | - | 263,318 |
| Total investment return | - | 265,539 | - | 265,539 |
| Contributions | - | 119,574 | 141,820 | 261,394 |
| Appropriation of endowment assets for expenditure | - | (488,643) | - | (488,643) |
| Transfers to create donor-restricted endowment funds | - | (105,073) | 105,073 | - |
| Endowment net assets 6/30/2018 | <u>\$ -</u> | <u>\$ 296,996</u> | <u>\$ 2,716,238</u> | <u>\$ 3,013,234</u> |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE K—RELATED PARTY TRANSACTIONS

The Foundation and the REF have an agreement with the College for services and facilities. The College employed all of the Foundation and REF's employees. During the years ended June 30, 2018 and 2017, the Foundation and the REF recorded donated services of \$246,823 and \$367,205, respectively, for the personnel-related costs. The College also provided payroll, human resources, and maintenance services, internet and mailing services, office space, and office equipment without charge. Services received from the College are measured at the College's estimate of the costs it incurred in providing those services. Facilities and office equipment are measured at the fair value rental for similar facilities. During the years ended June 30, 2018 and 2017, the Foundation paid \$436,141 and \$149,261 and the REF paid \$46,191 and \$11,532 for expenses incurred by the College.

The Foundation disburses scholarships, professional development awards, project grants and emergency grants to and on behalf of the College. During the years ended June 30, 2018 and 2017, the Foundation disbursed \$990,073 and \$459,176.

REQUIRED SUPPLEMENTARY INFORMATION

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

| | <u>12/31/2017</u> | <u>12/31/2016</u> | <u>12/31/2015</u> | <u>12/31/2014</u> |
|--|-------------------|-------------------|-------------------|-------------------|
| Southwest Tech's proportion of the net pension liability (asset) | 0.083501% | 0.086366% | 0.087056% | 0.086672% |
| Southwest Tech's proportionate share of the net pension liability (asset) | \$ (2,479,236) | \$ 711,859 | \$ 1,414,636 | \$ (2,128,893) |
| Southwest Tech's covered-employee payroll | \$ 11,758,708 | \$ 12,373,045 | \$ 12,311,841 | \$ 12,149,964 |
| Southwest Tech's proportionate share as a percentage of covered payroll | -21.08% | 5.75% | 11.49% | 17.52% |
| Plan fiduciary net position as a percentage of the total pension liability (asset) | 102.93% | 99.12% | 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*

| | <u>6/30/2018</u> | <u>6/30/2017</u> | <u>6/30/2016</u> | <u>6/30/2015</u> |
|---|------------------|------------------|------------------|------------------|
| Contractually required contributions | \$ 792,663 | \$ 816,621 | \$ 837,279 | \$ 850,618 |
| Contributions in relation to the contractually required contributions | \$ 792,663 | \$ 816,621 | \$ 837,279 | \$ 850,618 |
| Southwest Tech's covered-employee payroll | \$ 11,915,580 | \$ 11,955,189 | \$ 12,352,788 | \$ 12,010,404 |
| Contributions as a percentage of covered-employee payroll | 6.74% | 6.60% | 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, 2018

| 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) |
|--------------------------------|--|---|--|--------------------------|-----------------------------|---|
| 7/1/2016 | \$ - | \$ 7,162,500 | \$ 7,162,500 | 0.00% | \$ 4,239,079 | 168.96% |
| 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% |

See accompanying notes to the required supplementary information.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
 Last 10 Fiscal Years

| | 2018 |
|---|----------------------------|
| Total OPEB Liability: | |
| Service cost | \$ 93,739 |
| Interest | 232,922 |
| Benefit payments | <u>(781,544)</u> |
| Net Change in OPEB Liability | (454,883) |
| Total OPEB liability - beginning | <u>6,998,827</u> |
| Total OPEB liability - ending (a) | <u><u>\$ 6,543,944</u></u> |
| Covered payroll | 2,561,028 |
| OPEB liability as a percentage of covered payroll | 255.52% |

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, governments should present information for those years for which information is available.

See accompanying notes to the required supplementary information.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

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—FUNDING PROGRESS DATA

The data presented in the Schedule of Funding Progress was taken from the reports issued by the actuary.

The District is required to present information for the pension and other postemployment benefit plans for the three most recent actuarial studies. Duplicate information for intervening years is not repeated.

NOTE 3—WISCONSIN RETIREMENT SYSTEM

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

Changes of assumptions. There were no changes in assumptions.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 4—NET OPEB LIABILITY AND RELATED RATINGS ASSUMPTIONS

Methods and assumptions used to determine OPEB contribution rates are as follows:

| | |
|---------------------------|-------------------|
| Actuarial Valuation Date: | July 1, 2016 |
| Measurement Date: | June 30, 2017 |
| Reporting Date: | June 30, 2018 |
| Actuarial Cost Method: | Entry age normal |
| Asset Valuation Method: | Fair market value |
| Amortization Method: | 12 year Level \$ |
| Amortization Growth Rate | 3.00% |
| Discount Rate: | 3.50% |
| Inflation: | 2.50% |

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, 2018 with Comparative Totals for Year Ended June 30, 2017

| | 2018 | | | | 2017 Actual (Budgetary Basis) |
|--|---------------------|---------------------|-----------------------------------|----------------------------------|--|
| | Original Budget | Final Budget | Actual on a Budgetary Basis | Variance with Final Budget | |
| REVENUES | | | | | |
| Local government - tax levy | \$ 5,050,000 | \$ 5,050,000 | \$ 5,392,513 | \$ 342,513 | \$ 5,013,198 |
| Intergovernmental revenue | | | | | |
| State | 10,643,000 | 10,643,000 | 10,306,219 | (336,781) | 10,118,962 |
| Federal | 774,000 | 774,000 | 916,392 | 142,392 | 1,144,050 |
| Tuition and fees | | | | | |
| Statutory program fees | 4,391,000 | 4,391,000 | 4,523,250 | 132,250 | 4,317,812 |
| Materials fees | 345,000 | 345,000 | 314,906 | (30,094) | 326,224 |
| Other student fees | 440,000 | 440,000 | 556,614 | 116,614 | 452,169 |
| Institutional | 1,500,000 | 1,500,000 | 1,913,756 | 413,756 | 1,631,332 |
| Total revenues | 23,143,000 | 23,143,000 | 23,923,650 | 780,650 | 23,003,747 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instruction | 14,781,400 | 14,781,400 | 14,691,817 | 89,583 | 14,118,582 |
| Instructional resources | 211,400 | 211,400 | 148,419 | 62,981 | 251,308 |
| Student services | 1,821,800 | 2,221,800 | 2,139,127 | 82,673 | 2,041,038 |
| General institutional | 4,763,000 | 4,363,000 | 4,274,973 | 88,027 | 4,576,235 |
| Physical plant | 2,035,400 | 2,035,400 | 1,989,195 | 46,205 | 1,968,777 |
| Total expenditures | 23,613,000 | 23,613,000 | 23,243,531 | 369,469 | 22,955,940 |
| Excess (deficiency) of revenues over (under) expenditures | (470,000) | (470,000) | 680,119 | 1,150,119 | 47,807 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | 470,000 | 470,000 | 180,181 | (289,819) | 249,243 |
| Transfers out | - | - | (39,937) | (39,937) | (38,814) |
| Total other financing sources (uses) | 470,000 | 470,000 | 140,244 | (329,756) | 210,429 |
| Net change in fund balance | - | - | 820,363 | 820,363 | 258,236 |
| Fund balance—beginning of year | 8,459,305 | 8,459,305 | 8,608,541 | 149,236 | 8,350,305 |
| Fund balance—end of year | \$ 8,459,305 | \$ 8,459,305 | \$ 9,428,904 | \$ 969,599 | \$ 8,608,541 |
| FUND BALANCE | | | | | |
| Nonspendable - prepaid expenses | | | 161,020 | | |
| Assigned for state aid fluctuations | | | 200,000 | | |
| Assigned for post employment benefits | | | 4,086,117 | | |
| Unassigned | | | 4,981,767 | | |
| Total fund balance | | | \$ 9,428,904 | | |

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, 2018 with Comparative Totals for Year Ended June 30, 2017

| | 2018 | | Actual on a Budgetary Basis | Variance with Final Budget | 2017 |
|--|--------------------|-------------------|-----------------------------------|----------------------------------|--------------------------------|
| | Original Budget | Final Budget | | | Actual (Budgetary Basis) |
| REVENUES | | | | | |
| Intergovernmental revenue | | | | | |
| State | \$ 500,000 | \$ 500,000 | \$ 535,999 | \$ 35,999 | \$ 552,774 |
| Federal | 7,000,000 | 7,000,000 | 5,537,433 | (1,462,567) | 5,899,800 |
| Student fees | 250,000 | 250,000 | 268,394 | 18,394 | 258,774 |
| Institutional | 250,000 | 250,000 | 234,978 | (15,022) | 260,328 |
| Total revenues | 8,000,000 | 8,000,000 | 6,576,804 | (1,423,196) | 6,971,676 |
| EXPENDITURES | | | | | |
| Student services | 8,030,000 | 8,030,000 | 6,522,654 | 1,507,346 | 6,952,032 |
| Excess (deficiency) of revenues over (under) expenditures | (30,000) | (30,000) | 54,150 | 84,150 | 19,644 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers in | - | - | 39,937 | 39,937 | 38,814 |
| Transfers out | 30,000 | (50,000) | - | 50,000 | (50,000) |
| Total other financing sources (uses) | 30,000 | (50,000) | 39,937 | 89,937 | (11,186) |
| Net change in fund balance | - | (80,000) | 94,087 | 174,087 | 8,458 |
| Fund balance—beginning of year | 299,472 | 250,662 | 307,930 | 57,268 | 299,472 |
| Fund balance—end of year | \$ 299,472 | \$ 170,662 | \$ 402,017 | \$ 231,355 | \$ 307,930 |

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, 2018 with Comparative Totals for Year Ended June 30, 2017

| | 2018 | | | Variance with Final Budget | 2017 Actual (Budgetary Basis) |
|--|--------------------|-------------------|-----------------------------------|----------------------------------|--|
| | Original Budget | Final Budget | Actual on a Budgetary Basis | | |
| REVENUES | | | | | |
| Institutional | \$ 30,000 | \$ 30,000 | \$ 165,195 | \$ 135,195 | \$ 50,751 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Instruction | 920,000 | 920,000 | 603,039 | 316,961 | 942,424 |
| Instructional resources | 80,000 | 80,000 | 28,718 | 51,282 | 41,232 |
| General institutional | 1,241,000 | 1,341,000 | 1,325,294 | 15,706 | 397,980 |
| Physical plant | 1,002,000 | 902,000 | 753,433 | 148,567 | 454,168 |
| Total expenditures | <u>3,243,000</u> | <u>3,243,000</u> | <u>2,710,484</u> | <u>532,516</u> | <u>1,835,804</u> |
| Excess (deficiency) of revenues over (under) expenditures | (3,213,000) | (3,213,000) | (2,545,289) | 667,711 | (1,785,053) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Proceeds from debt | 2,500,000 | 2,500,000 | 2,500,000 | - | 2,500,000 |
| Transfers in | - | - | - | - | 50,000 |
| Transfers out | (100,000) | (100,000) | (180,181) | (80,181) | (249,243) |
| Total other financing sources (uses) | <u>2,400,000</u> | <u>2,400,000</u> | <u>2,319,819</u> | <u>(80,181)</u> | <u>2,300,757</u> |
| Net change in fund balance | (813,000) | (813,000) | (225,470) | 587,530 | 515,704 |
| Fund balance—beginning of year | <u>982,030</u> | <u>982,030</u> | <u>1,123,734</u> | <u>141,704</u> | <u>608,030</u> |
| Fund balance—end of year | <u>\$ 169,030</u> | <u>\$ 169,030</u> | <u>\$ 898,264</u> | <u>\$ 729,234</u> | <u>\$ 1,123,734</u> |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2018 with Comparative Totals for Year Ended June 30, 2017

| | 2018 | | | | 2017 Actual (Budgetary Basis) |
|--|---------------------|---------------------|-----------------------------------|----------------------------------|--|
| | Original Budget | Final Budget | Actual on a Budgetary Basis | Variance with Final Budget | |
| REVENUES | | | | | |
| Local government - tax levy | \$ 4,950,000 | \$ 4,950,000 | \$ 4,950,000 | \$ - | \$ 4,950,000 |
| Intergovernmental revenue | | | | | |
| Federal | 329,000 | 313,000 | 314,949 | 1,949 | 326,427 |
| State | 8,000 | 8,000 | 19,562 | 11,562 | 19,045 |
| Institutional | 1,000 | 266,000 | 23,921 | (242,079) | 4,632 |
| Total revenues | 5,288,000 | 5,537,000 | 5,308,432 | (228,568) | 5,300,104 |
| EXPENDITURES | | | | | |
| Debt service | 5,356,000 | 12,109,600 | 12,082,291 | 27,309 | 5,304,473 |
| Excess (deficiency) of revenues over (under) expenditures | (68,000) | (6,572,600) | (6,773,859) | (201,259) | (4,369) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Refunding debt issued | - | 6,485,000 | 6,485,000 | - | - |
| Premium on issuance of debt | - | - | 298,737 | 298,737 | 68,000 |
| Total other financing sources (uses) | - | 6,485,000 | 6,783,737 | 298,737 | 68,000 |
| Net change in fund balance | (68,000) | (87,600) | 9,878 | 97,478 | 63,631 |
| Fund balance—beginning of year | 1,295,721 | 1,295,721 | 1,397,531 | 101,810 | 1,333,900 |
| Fund balance—end of year | \$ 1,227,721 | \$ 1,208,121 | \$ 1,407,409 | \$ 199,288 | \$ 1,397,531 |

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, 2018 with Comparative Totals for Year Ended June 30, 2017

| | 2018 | | | | 2017 |
|---|---------------------|---------------------|-----------------------------------|----------------------------------|--------------------------------|
| | Original Budget | Final Budget | Actual on a Budgetary Basis | Variance with Final Budget | Actual (Budgetary Basis) |
| OPERATING REVENUES | | | | | |
| Institutional | \$ 2,100,000 | \$ 2,100,000 | \$ 1,544,884 | \$ (555,116) | \$ 1,601,305 |
| OPERATING EXPENSES | | | | | |
| Auxiliary services | 2,000,000 | 2,000,000 | 1,564,046 | 435,954 | 1,446,840 |
| Excess of operating revenues over operating expenses | 100,000 | 100,000 | (19,162) | (119,162) | 154,465 |
| NON-OPERATING EXPENSES | | | | | |
| Transfers out | (400,000) | (400,000) | - | 400,000 | - |
| Total other financing sources (uses) | (400,000) | (400,000) | - | 400,000 | - |
| Net change in net position | (300,000) | (300,000) | (19,162) | 280,838 | 154,465 |
| Net Position—beginning of year | 3,606,873 | 3,606,873 | 3,581,338 | (25,535) | 3,426,873 |
| Net Position—end of year | <u>\$ 3,306,873</u> | <u>\$ 3,306,873</u> | <u>\$ 3,562,176</u> | <u>\$ 255,303</u> | <u>\$ 3,581,338</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, 2018 with Comparative Totals for Year Ended June 30, 2017

| | 2018 | | | | 2017 |
|-----------------------------------|--------------------|------------------|-----------------------------------|----------------------------------|--------------------------------|
| | Original Budget | Final Budget | Actual on a Budgetary Basis | Variance with Final Budget | Actual (Budgetary Basis) |
| OPERATING REVENUES | | | | | |
| Institutional | \$ 4,350,000 | \$ 4,350,000 | \$ 4,057,063 | \$ (292,937) | \$ 3,972,292 |
| OPERATING EXPENSES | | | | | |
| Auxiliary services | 4,350,000 | 4,350,000 | 3,722,962 | 627,038 | 3,125,231 |
| Net change in net position | - | - | 334,101 | 334,101 | 847,061 |
| Net Position—beginning of year | 24,549 | 24,549 | 971,610 | 947,061 | 124,549 |
| Net Position—end of year | <u>\$ 24,549</u> | <u>\$ 24,549</u> | <u>\$ 1,305,711</u> | <u>\$ 1,281,162</u> | <u>\$ 971,610</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, 2018

| | Governmental Funds | | | | Proprietary Funds | | Total | Reconciling Items | Statement of Revenues, Expenses and Changes in Net Position |
|---|--------------------|-----------------|------------------|--------------|-------------------|------------------|---------------|-------------------|---|
| | General | Special Revenue | Capital Projects | Debt Service | Enterprise Funds | Internal Service | | | |
| REVENUES | | | | | | | | | |
| Local government - tax levy | \$ 5,392,513 | \$ - | \$ - | \$ 4,950,000 | \$ - | - | \$ 10,342,513 | \$ - | \$ 10,342,513 |
| Intergovernmental revenue | | | | | | | | | |
| State | 10,306,219 | 535,999 | - | 19,562 | - | - | 10,861,780 | - | 10,861,780 |
| Federal | 916,392 | 5,537,433 | - | 314,949 | - | - | 6,768,774 | (2,671,858) | 4,096,916 |
| Tuition and fees | | | | | | | | | |
| Statutory program fees | 4,523,250 | - | - | - | - | - | 4,523,250 | - | 4,523,250 |
| Materials fees | 314,906 | - | - | - | - | - | 314,906 | - | 314,906 |
| Other student fees | 556,614 | 268,394 | - | - | - | - | 825,008 | - | 825,008 |
| Institutional | 1,913,756 | 234,978 | 165,195 | 23,921 | 1,544,884 | 4,057,063 | 7,939,797 | (4,123,202) | 3,816,595 |
| Total revenues | 23,923,650 | 6,576,804 | 165,195 | 5,308,432 | 1,544,884 | 4,057,063 | 41,576,028 | (6,795,060) | 34,780,968 |
| EXPENDITURES | | | | | | | | | |
| Current: | | | | | | | | | |
| Instruction | 14,043,403 | - | - | - | - | - | 14,043,403 | 845,542 | 14,888,945 |
| Instructional resources | 148,419 | - | - | - | - | - | 148,419 | - | 148,419 |
| Student services | 2,139,127 | 6,522,654 | - | - | - | - | 8,661,781 | (6,121,847) | 2,539,934 |
| General institutional | 4,274,973 | - | - | - | - | - | 4,274,973 | - | 4,274,973 |
| Physical plant | 1,989,195 | - | 173,592 | - | - | - | 2,162,787 | (173,592) | 1,989,195 |
| Auxiliary services | - | - | - | - | 1,564,046 | 3,722,962 | 5,287,008 | (4,063,213) | 1,223,795 |
| Capital outlay | 648,414 | - | 2,536,892 | - | - | - | 3,185,306 | (3,185,306) | - |
| Depreciation | - | - | - | - | - | - | - | 2,699,998 | 2,699,998 |
| Student aid | - | - | - | - | - | - | - | 3,383,850 | 3,383,850 |
| Debt service: | | | | | | | | | |
| Principal | - | - | - | 10,620,000 | - | - | 10,620,000 | (10,620,000) | - |
| Interest | - | - | - | 1,462,291 | - | - | 1,462,291 | (22,198) | 1,440,093 |
| Total expenditures | 23,243,531 | 6,522,654 | 2,710,484 | 12,082,291 | 1,564,046 | 3,722,962 | 49,845,968 | (17,256,766) | 32,589,202 |
| Excess (deficiency) of revenues over (under) expenditures | 680,119 | 54,150 | (2,545,289) | (6,773,859) | (19,162) | 334,101 | (8,269,940) | 10,461,706 | 2,191,766 |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | |
| Long-term debt issued | - | - | 2,500,000 | 6,485,000 | - | - | 8,985,000 | (8,985,000) | - |
| Premium on issuance of debt | - | - | - | 298,737 | - | - | 298,737 | (298,737) | - |
| Transfers in | 180,181 | 39,937 | - | - | - | - | 220,118 | (220,118) | - |
| Transfer out | (39,937) | - | (180,181) | - | - | - | (220,118) | 220,118 | - |
| Loss on disposal of capital assets | - | - | - | - | - | - | - | (22,973) | (22,973) |
| Total other financing sources (uses) | 140,244 | 39,937 | 2,319,819 | 6,783,737 | - | - | 9,283,737 | (9,306,710) | (22,973) |
| Net change in fund balance/net position | 820,363 | 94,087 | (225,470) | 9,878 | (19,162) | 334,101 | 1,013,797 | 1,154,996 | 2,168,793 |
| Fund balance/Net Position - beginning of year | 8,608,541 | 307,930 | 1,123,734 | 1,397,531 | 3,581,338 | 971,610 | 15,990,684 | 15,857,784 | 31,848,468 |
| Prior period adjustment | - | - | - | - | - | - | - | (5,430,770) | (5,430,770) |
| Fund balance/Net Position - end of year | \$ 9,428,904 | \$ 402,017 | \$ 898,264 | \$ 1,407,409 | \$ 3,562,176 | \$ 1,305,711 | \$ 17,004,481 | \$ 11,582,010 | \$ 28,586,491 |

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, 2018

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

| | |
|---------------|---------------|
| Operating | \$ 2,430,317 |
| Non-operating | 8,431,463 |
| | \$ 10,861,780 |

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

| | |
|---------------------------------------|--------------|
| Non-governmental grants and contracts | \$ 2,121,807 |
| Auxiliary enterprises | 1,544,884 |
| Investment income | 149,904 |
| | \$ 3,816,595 |

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

| | |
|--|---------------|
| Budgetary basis fund balance | \$ 17,004,481 |
| Capital assets capitalized - at cost | 79,849,410 |
| Accumulated depreciation on capital assets | (34,972,942) |
| Net pension asset and deferred items | 1,898,895 |
| General obligation notes payable | (26,099,129) |
| Other post employment benefits and long-term portion of retiree health insurance | (9,288,006) |
| Accrued interest on notes payable | (34,508) |
| Encumbrances outstanding at year end | 228,290 |
| | \$ 28,586,491 |

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2018

| Federal Grantor/ Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Project Identification Number | Grant Period | Federal Grant Amount | Passed Through to Subrecipients | Expenditures | | Total Expenditures |
|--|---------------------------|-------------------------------------|-----------------|----------------------------|---------------------------------------|--------------|-------|-----------------------|
| | | | | | | Federal | Match | |
| Department of Agriculture | | | | | | | | |
| Pass-through program from Wisconsin Department of Agriculture, Trade and Consumer Protection Community Partnerships for Small Agricultural Risk Management Educational Sessions | 10.459 | 03-108-000-015 | 7/1/17-12/31/17 | 1,057 | - | 1,057 | - | 1,057 |
| Total Department of Agriculture | | | | 1,057 | - | 1,057 | - | 1,057 |
| Department of Labor | | | | | | | | |
| Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants | 17.282 | 03-109-000-015 | 7/1/17-6/30/18 | 201,767 | - | 194,415 | - | 194,415 |
| Pass-through program from Chippewa Valley Technical College H-1B Tech Hire IMPACT Job Training Grant | 17.268 | 03-184-000-016 | 7/1/17-6/30/18 | 386,866 | - | 337,781 | - | 337,781 |
| Total Department of Labor | | | | 588,633 | - | 532,196 | - | 532,196 |
| National Science Foundation | | | | | | | | |
| Pass-through program from University of Wisconsin-Platteville Education and Human Resources | 47.076 | 03-104-000-018 | 7/1/17-4/30/18 | 5,000 | - | 1,869 | - | 1,869 |
| Total Department of Labor | | | | 5,000 | - | 1,869 | - | 1,869 |
| Department of Education | | | | | | | | |
| Department of Education Direct Programs | | | | | | | | |
| Student Financial Assistance Cluster | | | | | | | | |
| Federal Supplemental Education Opportunity Grant | 84.007 | | 7/1/17-6/30/18 | - | - | 43,166 | - | 43,166 |
| Federal College Work Study | 84.033 | | 7/1/17-6/30/18 | - | - | 63,221 | - | 63,221 |
| Federal Pell Grant | 84.063 | | 7/1/17-6/30/18 | - | - | 2,759,188 | - | 2,759,188 |
| Direct Student Loans | | | | | | | | |
| Federal Student Stafford Loans | 84.268 | | 7/1/17-6/30/18 | - | - | 2,671,858 | - | 2,671,858 |
| Total Direct Student Loans | | | | - | - | 2,671,858 | - | 2,671,858 |
| Total Student Financial Assistance Cluster | | | | - | - | 5,537,433 | - | 5,537,433 |

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2018

| Federal Grantor/ Pass-Through Grantor/Program or Cluster Title | Federal CFDA Number | Project Identification Number | Grant Period | Federal Grant Amount | Passed Through to Subrecipients | Expenditures | | Total Expenditures |
|---|---------------------------|-------------------------------------|----------------|----------------------------|---------------------------------------|---------------------|-------------------|-----------------------|
| | | | | | | Federal | Match | |
| Department of Education (continued) | | | | | | | | |
| Pass-through program from Wisconsin Technical College Systems Board | | | | | | | | |
| Adult Education - Basic Grants to States | | | | | | | | |
| Integrated English Literacy and Civics Education | 84.002 | 03-111-146-168 | 7/1/17-6/30/18 | 14,640 | - | 14,640 | - | 14,640 |
| Adult Basic Education - Disadvantaged | 84.002 | 03-110-146-128 | 7/1/17-6/30/18 | 220,823 | - | 111,423 | 109,400 | 220,823 |
| Total Adult Education Act | | | | 235,463 | - | 126,063 | 109,400 | 235,463 |
| Career and Technical Education Basic Grants to States | | | | | | | | |
| Career Prep | 84.048 | 03-106-150-216 | 7/1/16-6/30/17 | 39,086 | - | 38,236 | - | 38,236 |
| High School to College Transition | 84.048 | 03-137-150-246 | 7/1/16-6/30/17 | 42,158 | - | 41,699 | - | 41,699 |
| Strengthening Career & Technical Program | 84.048 | 03-193-150-257 | 7/1/16-6/30/17 | 33,726 | - | 33,726 | - | 33,726 |
| NTO Connections to NTO Recruit | 84.048 | 03-194-150-267 | 7/1/16-6/30/17 | 8,432 | - | 8,403 | - | 8,403 |
| Student Success | 84.048 | 03-198-150-237 | 7/1/16-6/30/17 | 249,715 | - | 84,303 | 165,376 | 249,679 |
| Total Career and Technical Education Basic Grants to States | | | | 373,117 | - | 206,367 | 165,376 | 371,743 |
| Total Department of Education | | | | 608,580 | - | 5,869,863 | 274,776 | 6,144,639 |
| Department of Health & Human Services | | | | | | | | |
| Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Plan | | | | | | | | |
| | 93.912 | 03-172-000-013 | 7/1/17-8/31/17 | 19,321 | - | 19,274 | - | 19,274 |
| Department of Homeland Security | | | | | | | | |
| Pass-through program from Wisconsin Technical College Systems Board | | | | | | | | |
| Assistance to Firefighters Grant - Extrication Equipment | 97.044 | 03-113-153-118 | 7/1/17-6/30/18 | 34,784 | - | 29,566 | 5,218 | 34,784 |
| Total Federal Awards | | | | <u>\$ 1,257,375</u> | <u>\$ -</u> | <u>\$ 6,453,825</u> | <u>\$ 279,994</u> | <u>\$ 6,733,819</u> |

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2018

| State Grantor/Program | State Identifying Number | Project Identification Number | Grant Period | Grant Amount | Expenditures | | Total Expenditures |
|---|--------------------------|-------------------------------|-----------------|----------------|----------------|---------------|--------------------|
| | | | | | State | Match | |
| Wisconsin Higher Education Board | | | | | | | |
| Wisconsin Higher Education Grant | 235.102 | | 7/1/17-6/30/18 | 444,096 | 444,096 | - | 444,096 |
| Remissions of Fees for Veterans and Dependents | 235.105 | | 7/1/17-6/30/18 | 43,927 | 43,927 | - | 43,927 |
| Minority Undergraduate Retention Grant | 235.107 | | 7/1/17-6/30/18 | 1,660 | 1,660 | - | 1,660 |
| State Grants - TES Scholarship | 235.109 | | 7/1/17-6/30/18 | 39,938 | 39,938 | - | 39,938 |
| Talent Incentive Program Grant | 235.114 | | 7/1/17-6/30/18 | 14,680 | 14,680 | - | 14,680 |
| Nursing | 235.117 | | 7/1/17-6/30/18 | 15,000 | 15,000 | - | 15,000 |
| Wisconsin Covenant Scholars Grant Revenue | 235.131 | | 7/1/17-6/30/18 | 10,125 | 10,125 | - | 10,125 |
| Wisconsin Covenant Foundation Grant Revenue | 235.131 | | 7/1/17-6/30/18 | 10,500 | 10,500 | - | 10,500 |
| Total Wisconsin Higher Education Board | | | | 579,926 | 579,926 | - | 579,926 |
| Wisconsin Department of Transportation | | | | | | | |
| Motorcycle Safety | 20.395(4)(aq) | 03-123-000-003 | 1/1/17-12/31/17 | 14,271 | 10,438 | 10,438 | 20,876 |
| Motorcycle Safety | 20.395(4)(aq) | 03-123-000-003 | 1/1/18-6/30/18 | 3,369 | 3,369 | 3,369 | |
| 3 Wheel Safety | 266.7348 | 03-127-000-004 | 1/1/17-12/31/17 | 458 | 458 | 458 | 916 |
| 3 Wheel Safety | 266.7348 | 03-127-000-004 | 1/1/18-6/30/18 | 445 | 445 | 445 | 890 |
| Total Wisconsin Department of Transportation | | | | 18,543 | 14,710 | 14,710 | 29,420 |
| Wisconsin Technical College Systems Board | | | | | | | |
| State Aids for Vocational Technical and Adult Education | 292.105 | | 7/1/17-6/30/18 | 1,721,158 | 1,721,158 | - | 1,721,158 |
| Emergency Assistance | 292.104 | 03-124-104-118 | 7/1/17-6/30/18 | 17,794 | 17,794 | - | 17,794 |
| Performance Based Aid | 292.105 | | 7/1/17-6/30/18 | 1,068,657 | 1,068,657 | - | 1,068,657 |
| State Aids Prior Years | 292.105 | | 7/1/17-6/30/18 | 111,600 | 111,600 | - | 111,600 |
| Workforce Advancement Training Grants: | | | | | | | |
| Community First Bank | 292.124 | 03-126-124-177 | 7/1/17-8/30/17 | 4,035 | 3,663 | - | 3,663 |
| 3M | 292.124 | 03-131-124-177 | 7/1/17-8/30/17 | 61,299 | 17,796 | - | 17,796 |
| Schreiber | 292.124 | 03-140-124-178 | 7/1/17-8/31/18 | 45,695 | 35,331 | - | 35,331 |
| Community First Bank | 292.124 | 03-141-124-178 | 7/1/17-8/31/18 | 7,562 | 2,235 | - | 2,235 |
| Rockwell | 292.124 | 03-144-124-178 | 7/1/17-8/31/18 | 5,718 | 5,269 | - | 5,269 |
| Bemis | 292.124 | 03-145-124-178 | 7/1/17-8/31/18 | 18,435 | 12,797 | - | 12,797 |
| Dillman | 292.124 | 03-149-124-177 | 7/1/17-8/30/17 | 7,868 | 4,682 | - | 4,682 |
| Schreiber | 292.124 | 03-163-124-177 | 7/1/17-8/30/17 | 158,196 | 20,562 | - | 20,562 |
| Total Workforce Advancement Training Grants | | | | 308,808 | 102,335 | - | 102,335 |

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2018

| State Grantor/Program | State Identifying Number | Project Identification Number | Grant Period | Grant Amount | Expenditures | | Total Expenditures |
|--|--------------------------|-------------------------------|----------------|----------------------|----------------------|------------------|----------------------|
| | | | | | State | Match | |
| Wisconsin Technical College Systems Board (continued) | | | | | | | |
| Incentive Grants: | | | | | | | |
| Captioning Leadership Grant | 292.124 | 03-101-124-198 | 3/1/18-6/30/18 | 20,000 | 3,259 | - | 3,259 |
| Southwest Tech Student Success Center | 292.124 | 03-102-124-128 | 5/1/18-6/30/18 | 20,000 | 631 | - | 631 |
| Alternative Welding for Adults | 292.124 | 03-108-124-137 | 7/1/17-6/30/18 | 182,545 | 182,545 | - | 182,545 |
| Agronomy/Animal Science Pathways | 292.124 | 03-115-124-147 | 7/1/17-6/30/18 | 98,655 | 98,655 | - | 98,655 |
| Paramedic Associate Degree | 292.124 | 03-116-124-148 | 7/1/17-6/30/18 | 101,346 | 39,597 | - | 39,597 |
| Advanced Manufacturing | 292.124 | 04-325-124-188 | 7/1/17-6/30/18 | 10,813 | 10,739 | - | 10,739 |
| Electrical Construction Apprentice Lab Support | 292.124 | 03-125-124-118 | 7/1/17-6/30/18 | 8,505 | 8,496 | - | 8,496 |
| Criminal Justice Studies | 292.124 | 03-107-124-137 | 7/1/17-6/30/18 | 35,763 | 35,763 | - | 35,763 |
| Professional Development | 292.124 | 03-161-124-158 | 7/1/17-6/30/18 | 71,993 | 47,995 | 23,998 | 71,993 |
| Ag Health IT Career Pathways | 292.124 | 03-189-124-128 | 7/1/17-6/30/18 | 100,403 | 50,779 | 16,927 | 67,706 |
| Tutoring 4 Success | 292.124 | 03-190-124-168 | 7/1/17-6/30/18 | 173,119 | 129,839 | 43,280 | 173,119 |
| Total Incentive Grants | | | | 823,142 | 608,298 | 84,205 | 692,503 |
| Fire Fighter Training 2% | 292.137 | | 7/1/16-6/30/17 | 35,042 | 35,042 | - | 35,042 |
| Property Tax Relief Aid | 292.162 | | 7/1/16-6/30/17 | 6,528,192 | 6,528,192 | - | 6,528,192 |
| Hazmat | 292.372 | | 7/1/16-6/30/17 | 3,556 | 3,556 | - | 3,556 |
| Total Wisconsin Technical College Systems Board | | | | 10,617,949 | 10,196,632 | 84,205 | 10,280,837 |
| Wisconsin Department of Natural Resources | | | | | | | |
| DNR payment in lieu of taxes | | | 7/1/17-6/30/18 | 31,073 | 31,073 | - | 31,073 |
| Wisconsin Department of Revenue | | | | | | | |
| State Aid Computers | 835.109 | | 7/1/17-6/30/18 | 39,439 | 39,439 | - | 39,439 |
| Total State Awards | | | | \$ 11,286,930 | \$ 10,861,780 | \$ 98,915 | \$ 10,960,695 |

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
Year Ended June 30, 2018

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Southwest Tech under programs of the federal government for the year ended June 30, 2018. 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 Southwest Tech, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Southwest Tech.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in 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.

NOTE 3—INDIRECT COST RATE

Southwest Tech has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4—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:

| | |
|---|----------------------------|
| Reconciliation | |
| Federal revenues reported on the Schedule of Expenditures of Federal and State Awards | <u>\$ 6,453,825</u> |
| Federal Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position | \$ 4,096,916 |
| Direct Student Loans included on the Schedule of Expenditures of Federal and State Awards | 2,671,858 |
| Federal Subsidy payment for Build America Bonds | <u>(314,949)</u> |
| Total Federal Revenues | <u><u>\$ 6,453,825</u></u> |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2018

NOTE 4—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>\$ 10,861,780</u> |
| State Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position | |
| Operating | \$ 2,430,317 |
| Non-operating | <u>8,431,463</u> |
| Total State Revenues | <u><u>\$ 10,861,780</u></u> |

NOTE 5—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, 2018

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 discretely presented component unit of Southwest Wisconsin Technical College as of and for the year ended June 30, 2018, 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 14, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
December 14, 2018



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL AND EACH 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 the Southwest Wisconsin Technical College's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on the Southwest Wisconsin Technical College's major federal program and each of its major state programs for the year ended June 30, 2018. The Southwest Wisconsin Technical College's major federal program is 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 the Southwest Wisconsin Technical College's major federal program and each of 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) and the *Guidelines*. 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 or major state program occurred. An audit includes examining, on a test basis, evidence about the Southwest Wisconsin Technical College'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 the major federal program and each major state program. However, our audit does not provide a legal determination of the Southwest Wisconsin Technical College's compliance.

Opinion on the Major Federal and Each Major State Program

In our opinion, the Southwest Wisconsin Technical College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and each of its major state programs for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

Management of the Southwest Wisconsin Technical College 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 the Southwest Wisconsin Technical College's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program and each of its major state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and each of its major state programs 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 the Southwest Wisconsin Technical College'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 14, 2018

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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 federal programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditor's report issued on compliance for major federal programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |

Identification of major federal 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 |

| | |
|--|------------|
| 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 state programs: | |
| Material weakness(es) identified? | No |
| Significant deficiency(ies) identified? | None reported |
| Type of auditor's report issued on compliance for major state programs: | Unmodified |

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2018

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

Identification of major state programs:

| State Identifying Number | Name of State Program |
|--------------------------------|---|
| 292.105 | State Aids for Vocational Technical and Adult Education |
| 292.124 | Workforce Advancement Training Grants |
| 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



Scott R. Haumersen, CPA

Date of report

December 14, 2018