

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
Fennimore, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2019 and 2018

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Southwest Wisconsin Technical College, as of June 30, 2019 and 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of net pension liability (asset), the schedule of employer contributions, and the schedule of changes in net OPEB liability and related ratios, as listed in the table of contents, 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 November 15, 2019 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
November 15, 2019

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 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, 2019.

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 37 federal, state or local grants totaling \$2.44 million.
- Updated official statement for borrowing and maintained Southwest Tech's rating of Aa2 through Moody's.
- Issued \$4 million, 5-year promissory note at 5% interest rate.
- Refinanced \$7.775 million, 6-year bond at a 4% average 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 \$3,118,845 in grants, \$2,621,395 in loans, \$63,221 in college work study earnings, and \$17,592 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
As of and for the Years Ended June 30, 2019 and 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

	2019	2018	Change	% Change
OPERATING REVENUE				
Student fees	\$ 5,570,432	\$ 5,663,164	\$ (92,732)	(1.64)
Federal grants	3,605,134	4,096,916	(491,782)	(12.00)
State grants	2,360,193	2,430,317	(70,124)	(2.89)
Contract revenues	1,959,274	2,121,807	(162,533)	(7.66)
Auxiliary revenues	1,534,927	1,544,884	(9,957)	(0.64)
Total operating revenues	15,029,960	15,857,088	(827,128)	(5.22)
OPERATING EXPENSES				
Instruction	12,135,789	14,888,945	(2,753,156)	(18.49)
Instructional resources	149,622	148,419	1,203	0.81
Student services	2,555,685	2,539,934	15,751	0.62
General institutional	4,868,969	4,274,973	593,996	13.89
Physical plant	2,023,329	1,989,195	34,134	1.72
Auxiliary enterprise services	1,073,586	1,223,795	(150,209)	(12.27)
Depreciation	2,846,212	2,699,998	146,214	5.42
Student aid	3,117,436	3,383,850	(266,414)	(7.87)
Total operating expenses	28,770,628	31,149,109	(2,378,481)	(7.64)
NON-OPERATING REVENUES (EXPENSES)				
Property taxes	10,761,844	10,342,513	419,331	4.05
State appropriations	8,223,892	8,431,463	(207,571)	(2.46)
Investment income	432,529	149,904	282,625	188.54
Loss on disposal of capital assets	(85,265)	(22,973)	(62,292)	-
Interest expense	(1,213,741)	(1,440,093)	226,352	(15.72)
Total non-operating revenues	18,119,259	17,460,814	658,445	3.77
Increase in net position	4,378,591	2,168,793	\$ 2,209,798	
Net position - beginning of year	28,586,491	31,848,468		
Prior period adjustment	-	(5,430,770)		
Net position - end of year	\$ 32,965,082	\$ 28,586,491		

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 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 decreased \$827,128 or 5.22% for fiscal year 2019. The decrease is primarily due to the following:

- During 2019 Southwest Tech generated \$5,570,432 for tuition and fees charged to students compared to \$5,663,164 in 2018. This was a decrease of \$92,732 or 1.64%.
- The state increased tuition rates 1.5% in 2019 and 1.4% in 2018.
- Southwest Tech receives funding from the federal and state governments for specific purposes, including financial aid payments to students. Southwest Tech received \$5,965,327 from the federal and state governments for 2019 compared to \$6,527,233 for 2018. This figure is indicative of the continued efforts of Southwest Tech to seek out new sources of revenue.
 - ✓ State revenue decreased \$70,124 or 2.89% in 2019 compared to 2018. 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 \$491,782 or 12% in 2019 compared to 2018. 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, and the Department of Corrections was \$1,959,274 in 2019 and \$2,121,807 in 2018.
- Southwest Tech operates auxiliary enterprise operation such as the book store, food service, and childcare center. Southwest Tech had sales of \$1,534,927 for 2019 compared to \$1,544,844 in 2018 for these activities.

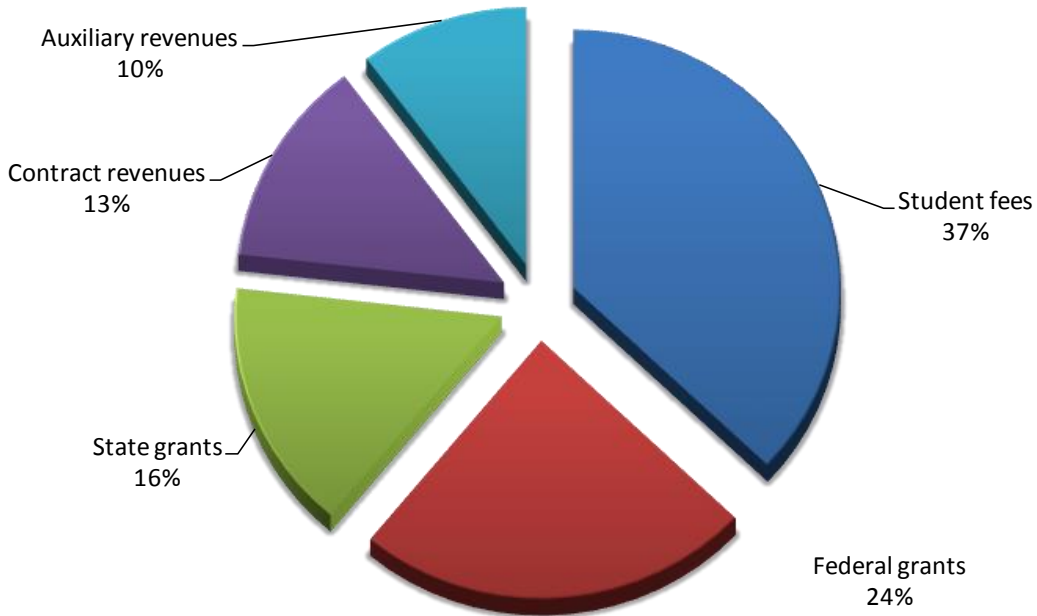
Operating expenses are costs incurred for providing education, training and services. Total operating expenses decreased \$2,378,481 or 7.64% compared to 2018. The majority of Southwest Tech's expenses, 42%, are for instructional related costs. Student financial aid and general institutional accounts for an additional 28%, while auxiliary services and other expenses account for the remaining 30% of total operating expenses.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 2018

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

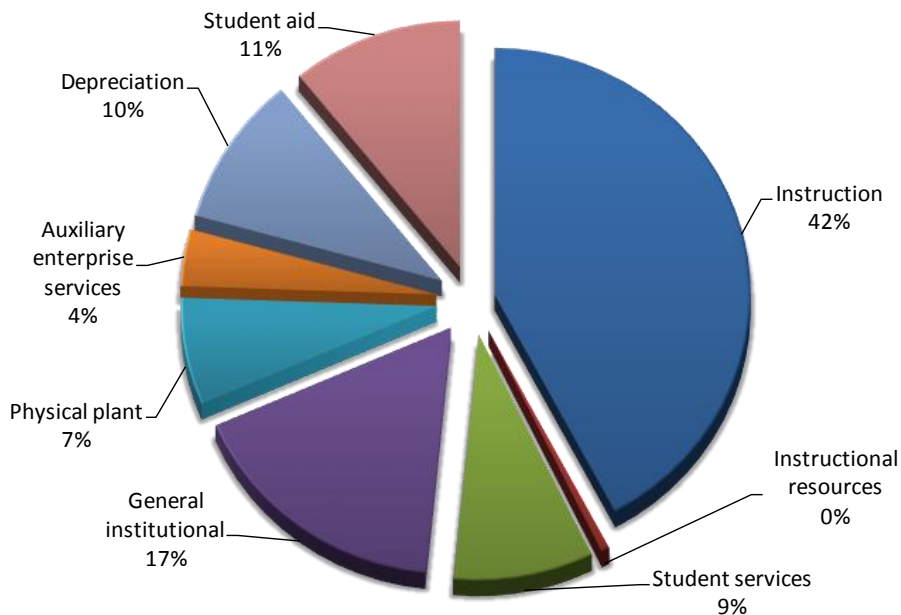
The graph below depicts Southwest Tech's operating revenues by source:

Operating Revenue



The graph below categorizes operating expenses by function:

Operating Expenses



SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 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 \$658,445 or 3.77% in 2019.

- State operating appropriations decreased \$207,571 or 2.46% in 2019. 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 \$419,331 or 4.05% in 2019 compared to 2018. Property taxes are the biggest source of funding for Southwest Tech.

STATEMENT OF NET POSITION

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

Net position increased \$4,378,591 or 15.32% in 2019 compared to an increase of \$2,168,793 or 10.24% in 2018. Southwest Tech ended its fiscal year with net position of \$32,965,082 in 2019 of which \$19,444,195 was net investment in capital assets, \$460,232 was restricted for student financial aid, \$1,362,684 was restricted for capital projects, \$1,585,231 was restricted for debt service assistance, and \$10,112,740 was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general Southwest Tech operations.

Total assets decreased \$1,064,241 or 1.58% in 2019 and increased \$4,112,936 or 6.49% in 2018. Net capital assets increased \$364,784 or .81% in 2019 compared to an increase of \$463,059 or 1.04% in 2018.

Southwest tech's current liabilities increased \$340,865 or 5.16% in 2019 compared to a decrease of \$534,907 or 7.87% in 2018.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 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

	2019	2018	Change	% Change
ASSETS				
Cash and cash equivalents	\$ 14,711,032	\$ 14,667,607	\$ 43,425	0.30
Net capital assets	45,261,458	44,896,674	364,784	0.81
Other assets	6,488,364	5,481,578	1,006,786	18.37
Total assets	66,460,854	67,525,095	(1,064,241)	(1.58)
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	7,296,841	6,703,996	592,845	8.84
Related to other postemployment benefits - health insurance	2,840,076	261,530	2,578,546	-
Total deferred outflows of resources	10,136,917	6,965,526	3,171,391	8.84
LIABILITIES				
Current liabilities	6,872,950	6,571,128	301,822	4.59
Long-term liabilities	32,167,143	31,787,135	380,008	1.20
Total liabilities	39,040,093	38,358,263	681,830	1.78
DEFERRED INFLOWS OF RESOURCES				
Related to pension	3,941,138	7,545,867	(3,604,729)	(47.77)
Related to other postemployment benefits - health insurance	651,458	-	651,458	-
Total deferred outflows of resources	4,592,596	7,545,867	(2,953,271)	(47.77)
NET POSITION				
Net invested in capital assets	19,444,195	18,797,545	646,650	3.44
Restricted for student financial aid	460,232	402,017	58,215	14.48
Restricted for capital projects	1,362,684	898,264	464,420	51.70
Restricted for debt service	1,585,231	1,372,901	212,330	15.47
Restricted for net pension asset	-	1,637,365	(1,637,365)	0.00
Unrestricted	10,112,740	5,478,399	4,634,341	84.59
Total net position	<u>\$ 32,965,082</u>	<u>\$ 28,586,491</u>	<u>\$ 4,378,591</u>	<u>15.32</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, Southwest Tech had \$81,062,511 in capital assets, including land, construction in progress, land improvements, buildings and improvements, and moveable equipment. Total accumulated depreciation on these assets was \$37,787,301. Asset acquisitions totaled \$3,325,395. Southwest Tech recognized depreciation expense of \$2,846,212. Detailed information about capital assets can be found in Note 3 to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 2018

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt

As of June 30, 2019, Southwest Tech had \$25,035,000 in general obligation debt outstanding compared to \$25,820,000 in 2018. 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:

- Large tax base with growing valuations
- 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

"We expect the district's financial position will remain strong given the presence of healthy reserves and conservative budgeting practices. In fiscal 2018, the district posted surplus of \$820,000, the fifth consecutive surplus, resulting in an available General Fund balance of \$13 million, or a healthy 27.8% of revenues. The surplus was driven by a combination of factors including utility costs coming in less than budgeted, along with vacant positions during the year, and the successful closure of a TID. Available fund balance across all operating funds (General and Debt Service Funds), totaled \$14.4 million, or a healthy 49% of operating revenues for fiscal 2018".

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 downturn 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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2019 and 2018

ECONOMIC FACTORS (continued)

- Unique programs such as Golf Course Management, Midwifery and online programs/courses draw students from outside of the district and state.
- Southwest Tech is 1 of 2 colleges in the state technical college system that provide student housing on campus. This benefits students that decide not to commute or reside further than reasonable daily travel distances.
- The level of our fund balances affords us time and flexibility to adjust to changing conditions.
- Capital financing through debt service allows us to keep pace with current technology.

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, 2019 and 2018

	<u>Primary Government</u>		<u>Component Unit</u>	
	2019	2018	2019	2018
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 14,711,032	\$ 14,667,607	\$ 450,856	\$ 715,182
Taxes receivable	3,528,560	3,218,327	-	-
Accounts receivable, net	400,692	284,833	183,735	198,543
Student accounts receivable	585,969	567,611	-	-
Due from other governments	25,579	46,668	-	-
Accrued self-insurance	1,280,229	893,685	-	-
Inventories	349,317	309,434	-	-
Prepaid expenses	318,018	161,020	611	-
Total current assets	<u>21,199,396</u>	<u>20,149,185</u>	<u>635,202</u>	<u>913,725</u>
NONCURRENT ASSETS				
Net pension asset	-	2,479,236	-	-
Investments	-	-	4,215,548	3,346,393
Capital assets not being depreciated	1,986,248	842,579	208,000	236,539
Capital assets being depreciated, net	43,275,210	44,054,095	2,804,645	2,026,453
Deferred debt issuance costs	-	-	-	-
Total noncurrent assets	<u>45,261,458</u>	<u>47,375,910</u>	<u>7,228,193</u>	<u>5,609,385</u>
Total assets	<u>66,460,854</u>	<u>67,525,095</u>	<u>7,863,395</u>	<u>6,523,110</u>
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	7,296,841	6,703,996	-	-
Related to other postemployment benefits - health insurance	2,840,076	261,530	-	-
Total deferred outflows of resources	<u>10,136,917</u>	<u>6,965,526</u>	<u>-</u>	<u>-</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and other current liabilities	1,051,364	1,144,102	114,000	108,409
Accrued salaries and benefits	400,293	447,579	-	-
Accrued interest	12,504	34,508	-	-
Compensated absences	931,746	781,996	-	-
Deferred revenue	557,043	562,943	-	-
Current portion of long-term debt	3,920,000	3,600,000	68,904	66,306
Total current liabilities	<u>6,872,950</u>	<u>6,571,128</u>	<u>182,904</u>	<u>174,715</u>
NONCURRENT LIABILITIES				
Net pension liability	2,858,425	-	-	-
Long-term debt	21,115,000	22,220,000	2,125,290	1,717,561
Unamortized debt premiums	782,263	279,129	-	-
Other postemployment benefits - health insurance	7,411,455	9,288,006	-	-
Total noncurrent liabilities	<u>32,167,143</u>	<u>31,787,135</u>	<u>2,125,290</u>	<u>1,717,561</u>
Total liabilities	<u>39,040,093</u>	<u>38,358,263</u>	<u>2,308,194</u>	<u>1,892,276</u>
DEFERRED INFLOWS OF RESOURCES				
Related to pension	3,941,138	7,545,867	-	-
Related to other postemployment benefits - health insurance	651,458	-	-	-
Total deferred inflows of resources	<u>4,592,596</u>	<u>7,545,867</u>	<u>-</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	19,444,195	18,797,545	-	-
Net assets with donor restrictions	-	-	4,536,530	3,852,355
Restricted				
Student financial assistance	460,232	402,017	-	-
Capital projects	1,362,684	898,264	-	-
Debt service	1,585,231	1,372,901	-	-
Net pension asset	-	1,637,365	-	-
Net assets without donor restrictions	-	-	1,018,671	778,479
Unrestricted	<u>10,112,740</u>	<u>5,478,399</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 32,965,082</u>	<u>\$ 28,586,491</u>	<u>\$ 5,555,201</u>	<u>\$ 4,630,834</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, 2019 and 2018

	Primary Government		Component Unit	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
OPERATING REVENUES				
Tuition and fees				
Program fees (net of \$150,996 and \$138,123 scholarship allowances, respectively)	\$ 4,441,995	\$ 4,523,250	\$ -	\$ -
Material fees (net of \$9,437 and \$10,359 scholarship allowances, respectively)	289,212	314,906	-	-
Other student fees (net of \$28,312 and \$25,898 scholarship allowances, respectively)	839,225	825,008	-	-
Federal grants and contracts	3,605,134	4,096,916	-	-
State grants and contracts	2,360,193	2,430,317	-	-
Non-governmental grants and contracts	1,959,274	2,121,807	-	-
Auxiliary enterprise services	1,534,927	1,544,884	-	-
Contributions and other support	-	-	1,508,141	1,078,018
Rental income	-	-	515,251	486,962
	<u>15,029,960</u>	<u>15,857,088</u>	<u>2,023,392</u>	<u>1,564,980</u>
Total operating revenues	15,029,960	15,857,088	2,023,392	1,564,980
OPERATING EXPENSES				
Instruction	12,135,789	14,888,945	-	-
Instructional resources	149,622	148,419	-	-
Student services	2,555,685	2,539,934	-	-
General institution	4,868,969	4,274,973	-	-
Physical plant	2,023,329	1,989,195	-	-
Auxiliary enterprise services	1,073,586	1,223,795	-	-
Depreciation	2,846,212	2,699,998	-	-
Student aid	3,117,436	3,383,850	-	-
Program activities and other	-	-	1,251,391	1,437,566
	<u>28,770,628</u>	<u>31,149,109</u>	<u>1,251,391</u>	<u>1,437,566</u>
Total operating expenses	28,770,628	31,149,109	1,251,391	1,437,566
Operating loss	(13,740,668)	(15,292,021)	772,001	127,414
NONOPERATING REVENUES (EXPENSES)				
State appropriations	8,223,892	8,431,463	-	-
Local property taxes	10,761,844	10,342,513	-	-
Loss on disposal of capital assets	(85,265)	(22,973)	(45,101)	(54,264)
Investment income	432,529	149,904	197,467	265,875
Interest expense	(1,213,741)	(1,440,093)	-	-
	<u>18,119,259</u>	<u>17,460,814</u>	<u>152,366</u>	<u>211,611</u>
Total non-operating revenues (expenses)	18,119,259	17,460,814	152,366	211,611
Change in net position	4,378,591	2,168,793	924,367	339,025
Net position at beginning of year	28,586,491	31,848,468	4,630,834	4,291,809
Prior period adjustment	-	(5,430,770)	-	-
	<u>28,586,491</u>	<u>26,417,698</u>	<u>4,630,834</u>	<u>4,291,809</u>
Net position at end of year	<u>\$ 32,965,082</u>	<u>\$ 28,586,491</u>	<u>\$ 5,555,201</u>	<u>\$ 4,630,834</u>

See accompanying notes to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities		
Tuition and fees received	\$ 5,546,174	\$ 5,650,541
Federal and state grants received	5,986,416	6,515,922
Business, industry and school district contract revenues received	1,843,415	2,418,707
Payments to employees for operating payroll	(23,548,969)	(20,793,963)
Payments to suppliers	(5,612,698)	(6,869,909)
Auxiliary enterprise revenues received	1,534,927	1,544,884
Net Cash Flows from Operating Activities	(14,250,735)	(11,533,818)
Cash flows from non-capital financing activities		
Local property taxes received	10,451,611	10,373,946
State appropriations received	8,223,892	8,431,463
Net Cash Flows from Non-Capital Financing Activities	18,675,503	18,805,409
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(3,296,261)	(3,168,431)
Proceeds from issuance of debt	11,775,000	8,985,000
Premium on debt issue	503,134	-
Debt retired	(12,560,000)	(10,620,000)
Interest paid	(1,235,745)	(1,442,683)
Net Cash Flows from Capital and Related Financing Activities	(4,813,872)	(6,246,114)
Cash flows from investing activities		
Investment income received	432,529	149,904
Net Increase in Cash and Cash Equivalents	43,425	1,175,381
Cash and Cash Equivalents - Beginning of Year	14,667,607	13,492,226
Cash and Cash Equivalents - End of Year	\$ 14,711,032	\$ 14,667,607
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (13,740,668)	\$ (15,292,021)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,846,212	2,699,998
Changes in assets and liabilities		
Accounts receivable, net	(115,859)	296,900
Student accounts receivable	(18,358)	(22,735)
Due from other governments	21,089	(11,311)
Inventories	(39,883)	122,823
Prepaid expenses	(156,998)	(5,144)
Net pension liability	1,140,087	371,839
Accounts payable and other current liabilities	(92,738)	202,844
Accrued salaries and benefits	(47,286)	(107,847)
Accrued self-insurance	(386,544)	(407,226)
Compensated absences	149,750	134,463
Unearned revenue	(5,900)	10,112
Post-employment benefits	(3,803,639)	473,487
Net cash used in operating activities	\$ (14,250,735)	\$ (11,533,818)

See accompanying notes to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 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 district boards comprising Southwest Tech. Pursuant to Wisconsin Statute, the District Board consists of two employer members, two employee members, three additional members, one elected official member who holds a state or local office, and one school district administrator. Board members serve staggered three-year terms. The District Board powers are established under the provisions of Chapter 38 of the Wisconsin Statutes and include:

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

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

Reporting Entity

The reporting entity of Southwest Tech 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 impose 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 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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2019 and 2018, the fair value of Southwest Tech's share of the LGIP's assets was substantially equal to the amount reported in these statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 .61086 and .61391 mills for fiscal years ending 2019 and 2018, respectively. The debt service mill rate was .63132 and .60434 for the fiscal years ending 2019 and 2018, respectively.

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

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

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

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

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pensions

For purposes of measuring the net pension liability (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 year 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 of health insurance premiums banked to pay future post separation premiums. Those with seventeen or more years of service will have three years 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 of health insurance premiums banked to pay future separation premiums. Those with fifteen or more years of service will have four years of health insurance premiums banked to pay future post separation premiums. Those with seventeen or more years of service will have five years of health insurance premiums banked to pay future post separation premiums.

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, 2019 and 2018 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, 2019 and 2018 related to pension and OPEB activity.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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

- Restricted net position for debt service can only be used to repay debt service costs (principal and interest) as they are levied for that specific purpose.
- Restricted net position for student financial assistance can only be used for student financial assistance activities.
- Restricted net position for capital projects results from unspent from general obligation debt issued specifically for capital projects.

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

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 2—CASH AND CASH EQUIVALENTS

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

	2019	2018	Risk
Cash and cash equivalents:			
Cash on hand	\$ 2,940	\$ 2,940	
Deposit accounts	13,494,135	13,478,272	Custodial credit
Local Government Investment Pool	1,213,957	1,186,395	Credit and interest rate
Total cash and cash equivalents	\$ 14,711,032	\$ 14,667,607	

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.

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 \$13,892,901 and \$13,806,969 at June 30, 2019 and 2018. 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, 2019, all of the \$13,892,901 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, 2019, Wisconsin Local Government Investment Pool (LGIP) investments have a maturity of 12 months or less.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2019:

	Balance 7/1/2018	Additions	(Deletions)	Balance 6/30/2019
Capital assets not being depreciated				
Land	\$ 813,445	\$ -	\$ -	\$ 813,445
Construction in progress	29,134	1,172,803	(29,134)	1,172,803
Total capital assets not being depreciated	842,579	1,172,803	(29,134)	1,986,248
Capital assets being depreciated				
Land improvements	1,204,239	-	-	1,204,239
Buildings & improvements	48,142,756	619,619	-	48,762,375
Equipment	29,932,095	1,532,973	(369,171)	31,095,897
Total capital assets being depreciated	79,279,090	2,152,592	(369,171)	81,062,511
Less accumulated depreciation for				
Land improvements	671,824	48,495	-	720,319
Buildings & improvements	12,924,386	1,236,794	-	14,161,180
Equipment	21,628,785	1,560,923	(283,906)	22,905,802
Total accumulated depreciation	35,224,995	2,846,212	(283,906)	37,787,301
Total capital assets being depreciated-net	44,054,095	(693,620)	(85,265)	43,275,210
Net capital assets	44,896,674	<u>\$ 479,183</u>	<u>\$ (114,399)</u>	45,261,458
Less general obligation debt	<u>(26,099,129)</u>			<u>(25,817,263)</u>
Total net investment in capital assets	<u>\$ 18,797,545</u>			<u>\$ 19,444,195</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 3—CAPITAL ASSETS (continued)

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
Constructions 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>

NOTE 4—LONG-TERM OBLIGATIONS

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 4—LONG-TERM OBLIGATIONS (continued)

Changes in long-term obligations for the years ended June 30, 2019 and 2018 was as follows:

	Balance 7/1/2018	Additions	Reductions	Balance 6/30/2019	Due Within One Year
Notes and bonds payable					
General obligation bonds	\$ 20,820,000	\$ 7,775,000	\$ 9,760,000	\$ 18,835,000	\$ 1,620,000
General obligation notes	5,000,000	4,000,000	2,800,000	6,200,000	2,300,000
Unamortized premiums	279,129	572,411	69,277	782,263	-
Total bonds and notes payable	26,099,129	12,347,411	12,629,277	25,817,263	3,920,000
Other Liabilities:					
Net pension liability	-	2,858,425	-	2,858,425	-
Net other postemployment liability benefits - health insurance	9,288,006	-	1,876,551	7,411,455	-
Accrued compensated absences	781,996	689,358	539,608	931,746	-
Total long-term liabilities	\$ 36,169,131	\$ 15,895,194	\$ 15,045,436	\$ 37,018,889	\$ 3,920,000
	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	-
Total bonds and notes payable	27,455,000	9,283,737	10,639,608	26,099,129	3,600,000
Other Liabilities:					
Net other postemployment liability benefits - health insurance	3,383,749	5,904,257	-	9,288,006	-
Accrued compensated absences	647,533	756,179	621,716	781,996	-
Total long-term liabilities	\$ 31,486,282	\$ 15,944,173	\$ 11,261,324	\$ 36,169,131	\$ 3,600,000

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 4—LONG-TERM OBLIGATIONS (continued)

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, 2019 is as follows:

	Bonds	Aggregate
Debt limit (2% for bonds, 5% for aggregate)	\$ 169,327,135	\$ 423,317,836
Debt outstanding at June 30, 2019 net of resources available to pay principal:	18,835,000	25,035,000
Margin of indebtedness:	\$ 150,492,135	\$ 398,282,836

General obligation debt at June 30, 2019 and 2018 are as follows:

	Buyer	2019	2018
2009 \$23,900,000 taxable general obligation Build America Bonds payable, authorized by the American Recovery and Reinvestment Act, with annual principal 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
2014 \$2,500,000 promissory notes payable with annual principal 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
2014 \$5,215,000 general obligation refunding bonds payable with annual principal 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	4,575,000	5,020,000
2015 \$2,500,000 promissory notes payable with annual principal 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	500,000	1,000,000
2016 \$2,500,000 promissory notes payable with annual principal payments of \$500,000 through June 1, 2021, interest at 2.0%, payable semi-annually on June 1 and December 1.	UMB Bank, NA	1,000,000	1,500,000

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4—LONG-TERM OBLIGATIONS (continued)

	<u>Buyer</u>	<u>2019</u>	<u>2018</u>
2017 \$2,500,000 promissory notes payable with annual principal payments of \$500,000 through June 1, 2022, interest at 2.0%, payable semi-annually on June 1 and December 1.	Robert W. Baird	1,500,000	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	6,485,000
2018 \$4,000,000 promissory notes payable with annual principal payments of \$814,000 - \$892,400 through June 1, 2023, interest at 5%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	Robert W. Baird	3,200,000	-
2019 \$7,775,000 general obligation refunding bonds payable with annual principal payments of \$1,313,550 - \$1,460,625 through June 1, 2025, interest with an average of 4%, payable semi-annually in June 1 and December 1. Proceeds used to finance construction and remodeling.	Robert W. Baird	\$ 7,775,000	\$ -
Total General Obligation Debt		<u>\$ 25,035,000</u>	<u>\$ 25,820,000</u>

Future debt service requirements as of June 30, 2019 are as follows:

<u>Year Ended</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 3,920,000	\$ 849,538	\$ 4,769,538
2021	3,505,000	669,950	4,174,950
2022	3,055,000	559,050	3,614,050
2023	2,595,000	483,200	3,078,200
2024	1,860,000	414,400	2,274,400
2025-2029	10,100,000	925,650	11,025,650
	<u>\$ 25,035,000</u>	<u>\$ 3,901,788</u>	<u>\$ 28,936,788</u>

NOTE 5—EMPLOYEE'S RETIREMENT SYSTEM

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 1,200 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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 5—EMPLOYEE'S RETIREMENT SYSTEM

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publication/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 THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 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
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
2018	2.4	17

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, 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 reporting period, the WRS recognized \$796,212 contributions from the employer which equaled required contributions.

Contribution rates as of December 31, 2018 are as follows:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

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

At June 30, 2019, the District reported a liability of \$2,858,425 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No Material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 5—EMPLOYEE’S RETIREMENT SYSTEM (continued)

date. The District’s proportion of the net pension liability was based on the District’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District’s proportion was 0.08034506% which was a decrease of 0.00315568% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$1,140,086.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,226,279	\$ 3,935,262
Changes in assumptions	481,825	-
Net differences between projected and actual earnings on pension plan investments	4,174,534	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	18,779	5,876
Employer contributions subsequent to the measurement date	395,424	-
Total	\$ 7,296,841	\$ 3,941,138

\$395,424 reported as deferred outflows related to pension resulting from the District’s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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:

2020		\$ 1,067,457
2021		274,329
2022		471,472
2023		1,147,021
		\$ 2,960,279

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 5—EMPLOYEE’S RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2017
Measurement Date of Net Pension Liability (Asset)	December 31, 2018
Actuarial Cost Method:	Entry age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table
Post-retirement Adjustments*	1.9%

**No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% 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 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality, and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 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 THE FINANCIAL STATEMENTS
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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	49%	8.1%	5.5%
Fixed income	24.5	4.0	1.5
Inflation sensitive assets	15.5	3.8	1.3
Real estate	8	6.5	3.9
Private equity/debt	8	9.4	6.7
Multi-asset	4	6.7	4.1
Total core fund	110%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.6%	5.0%
International equities	30	8.5	5.9
Total variable fund	100%	8.0%	5.4%

Single discount rate. A single discount rate of 7.00% was used to measure the total pension liability, as opposed to a discount rate of 7.20% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% 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 municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease to Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase to Discount Rate (8.00%)
The District's proportionate share of net pension liability	\$ 11,359,681	\$ 2,858,425	\$ (3,462,918)

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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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 June 30, 2018, the date of the latest actuarial valuation, there were 177 active and 109 retired members in the plan.

Administrative staff and faculty hired prior to July 1, 2000 with a minimum of 13 years of service with the college as of June 30, 2013 are eligible. Eligible retirees will be provided with a credit/bank from which their premiums may be paid until exhaustion of funds. The benefit amount is based upon the family medical premium amount (annualized) times a factor, ranging from 3 to 5, as determined by years of service as of June 30, 2013.

Support staff hired prior to July 1, 2000 with a minimum of 13 years of service with the college as of June 30, 2013 are eligible. Eligible retirees will be provided with a credit/bank from which their premiums may be paid until exhaustion of funds. The benefit amount is based upon the family medical premium amount (annualized) times a factor, ranging from 1 to 3, as determined by years of service as of June 30, 2013.

Funding Policy: Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payments of future benefits as of June 30, 2019. The general fund is used for funding all postretirement healthcare benefits.

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, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS (continued)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.50%
Investment rate of return:	3.75% based upon all years of projected payments discounted at a municipal bond rate of 3.75%
Healthcare cost trend rates:	7.50% decreasing by 0.50% per year down to 6.50%, then 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 3.75% was used in calculating Southwest Tech's OPEB liabilities (based upon all projected payments discounted at a long-term expected rate of return of 3.75%).

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
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NOTE 6—OTHER POST-EMPLOYMENT BENEFITS (continued)

Changes in the Net OPEB Liability

	Increases (Decreases) in Net OPEB Liability
Balances at 6/30/2018	\$ 6,543,944
Changes for the year:	
Service Cost	93,739
Interest	226,102
Changes of benefit terms	(1,262,091)
Differences between expected and actual experience	(683,532)
Changes of assumptions or other input	(185,079)
Benefit payments	(261,530)
Net changes	(2,072,391)
Balances at 6/30/2019	\$ 4,471,553

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 (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current discount rate:

	1% Decrease to Discount Rate (2.75%)	Current Discount Rate (3.75%)	1% Increase to Discount Rate (4.75%)
Total OPEB Liability	\$ 4,703,420	\$ 4,471,553	\$ 4,264,959

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 6—OTHER POST-EMPLOYMENT BENEFITS (continued)

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 (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	\$ 4,443,620	\$ 4,471,553	\$ 4,498,343

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

For the year ended June 30, 2019, Southwest Tech recognized OPEB expense of \$1,159,403. At June 30, 2019, Southwest Tech reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 512,649
Changes in assumptions or other inputs	-	138,809
Employer contributions subsequent to the measurement date	2,840,076	-
Total	\$ 2,840,076	\$ 651,458

\$2,840,076 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, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2020	\$	217,153
2021		217,153
2022		217,152
	\$	651,458

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (continued)

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 \$2,939,902 and \$2,744,062 at June 30, 2019 and 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, Dodgeville, Platteville and Darlington. Future minimum lease payments for the year ending June 30, 2020 are \$63,000. Rent expenses under all operating leases for the years ended June 30, 2019 and 2018 \$59,642 and \$54,882.

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – RISK MANAGEMENT (continued)

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 2019 and 2018.

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

Supplemental Insurance

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

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

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

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

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 8 – RISK MANAGEMENT (continued)

The claims asset (liability) of \$1,280,229 and \$893,685 reported at June 30, 2019 and 2018 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
2019	\$ 893,685	\$ 3,716,669	\$ (3,330,125)	\$ 1,280,229
2018	486,459	3,685,230	(3,278,004)	893,685

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The 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.

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 net assets without donor restrictions, or net assets with donor restrictions, 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), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncement

Southwest Wisconsin Technical College Foundation, Inc. and SWTC Real Estate Foundation adopted the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, as of and for the year ended June 30, 2019. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The changes required by the update have been applied retrospectively to all periods presented. A key change required by the update are the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Expense Allocation

The financial statements report certain categories of expenses that are attributable to more than one program service or supporting activity. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Accordingly, personnel expenses are allocated on the basis of time and effort.

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 December 6, 2019, the date which the consolidated financial statements were available to be issued.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

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. The Foundation's uninsured cash balances at June 30, 2019 and 2018 total approximately \$200,000 and \$350,000.

NOTE C—PROMISES TO GIVE

Unconditional promises to give at June 30, 2019 and 2018 are as follows:

	2019	2018
Receivable in less than one year	\$ 96,751	\$ 43,769
Receivable in one to five years	14,000	93,600
Unconditional promises to give	\$ 110,751	\$ 137,369

NOTE D—INVESTMENTS

Investments at June 30, 2019 and 2018 are comprised of the following:

	2019	2018
Money market fund	\$ 12,542	\$ 10,775
U.S. government and agency obligations	1,255,398	1,015,431
Mutual funds	2,947,608	2,320,187
Investments	\$ 4,215,548	\$ 3,346,393

Investments at June 30, 2019 and 2018 include \$3,684,124 and \$3,017,756 of investments held for endowment purposes.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

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	\$ 12,542	\$ 12,542	\$ -
U.S. government and agency obligations	1,255,398	-	1,255,398
Mutual funds	<u>2,947,608</u>	<u>2,947,608</u>	<u>-</u>
June 30, 2019	<u>\$ 4,215,548</u>	<u>\$ 2,960,150</u>	<u>\$ 1,255,398</u>
Money market fund	\$ 10,775	\$ 10,775	\$ -
U.S. government and agency obligations	1,015,431	-	1,015,431
Mutual funds	<u>2,320,187</u>	<u>2,320,187</u>	<u>-</u>
June 30, 2018	<u>\$ 3,346,393</u>	<u>\$ 2,330,962</u>	<u>\$ 1,015,431</u>

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 quote 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. Mutual funds are valued at the quoted net asset value of shares held by the Foundation at year end.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE F—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2019	2018
Land	\$ 80,000	\$ 80,000
Construction in progress	803,185	128,009
Buildings and improvements	2,842,267	2,758,719
Equipment	54,045	46,980
Property and equipment	3,779,497	3,013,708
Accumulated depreciation	(766,852)	(750,716)
Property and equipment - net	\$ 3,012,645	\$ 2,262,992

NOTE G—MORTGAGE PAYABLE

The REF has two mortgages payable to a local financial institution in monthly installments of \$9,210 and \$2,155, including interest of 3.85%, through September 27, 2023. The mortgages are secured by the REF's student housing units and assignments of its leases and rents. The REF also has a construction loan payable to a local financial institution in monthly interest-only payments until construction is completed. The loan has a fixed interest rate of 4.1%.

The future scheduled maturities of the mortgages and construction loan are as follows for the years ending June 30:

2020	\$ 71,427
2021	74,404
2022	77,319
2023	80,349
2024	1,411,463
Thereafter	479,232
	\$ 2,194,194

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE I—NET ASSETS

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

	2019	2018
Property and equipment held for leasing (net of accumulated depreciation and related debt)	\$ 813,280	\$ 437,797
Undesignated	205,391	340,682
Net assets without donor restrictions	\$ 1,018,671	\$ 778,479

Net assets with donor restrictions are available for the following purposes:

	2019	2018
Professional staff development - perpetual	\$ 49,215	\$ 44,090
Special projects and events - perpetual	110,803	95,807
Scholarships - perpetual	3,209,837	2,576,341
Professional staff development - spendable	7,125	26,452
Special projects and events - spendable	361,497	343,348
Scholarships - spendable	798,053	766,317
Net assets with donor restrictions	\$ 4,536,530	\$ 3,852,355

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 endowed and the Foundation may not expend the corpus of the fund below the specified amount.

NOTE J—ENDOWMENT FUNDS

The Foundation's endowment consists of approximately seventy individual donor-restricted endowment 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 is subject to Wisconsin's Uniform Prudent Management of Institutional Funds Act (UPMIFA) and thus, classifies amounts in the donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the board of directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The boards of directors of the Foundation have interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the Foundation considers a fund to be underwater when the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE J—ENDOWMENT FUNDS (continued)

donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The Foundation has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with 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 funds, (2) the purposes of the Foundation and 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 investment policies of the Foundation.

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 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.

Endowment net asset composition by type of fund is as follows:

	<u>2019</u>	<u>2018</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount	\$ 2,737,208	\$ 2,619,538
Accumulated investment gains	<u>946,916</u>	<u>398,218</u>
Total funds	<u>\$ 3,684,124</u>	<u>\$ 3,017,756</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2019 and 2018

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE J—ENDOWMENT FUNDS (continued)

Changes in endowment net assets are as follows:

Endowment net assets, 7/1/2017	\$ 2,974,944
Investment return	
Investment income	2,221
Net appreciation (realized and unrealized)	263,318
Total investment return	265,539
Contributions	261,394
Appropriation of endowment assets for expenditure	(488,643)
Transfers to create donor-restricted endowment funds	4,522
Endowment net assets, 6/30/2018	3,017,756
Investment return	
Investment income	30,601
Net appreciation (realized and unrealized)	128,479
Total investment return	159,080
Contributions	642,790
Appropriation of endowment assets for expenditure	(135,502)
Endowment net assets, 6/30/2019	\$ 3,684,124

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, 2019 and 2018, the Foundation recorded donated services of \$270,664 and \$246,823, and the REF recorded donated services of \$48,183 and \$42,263 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, 2019 and 2018, the Foundation paid \$378,645 and \$436,141 and the REF paid \$44,304 and \$46,191 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, 2019 and 2018, the Foundation disbursed \$540,104 and \$809,252.

REQUIRED SUPPLEMENTARY INFORMATION

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

Plan Fiscal Year Ending	Proportion of the Net Pension (Asset) Liability	Proportionate Share of the Net Pension (Asset) Liability	Covered Payroll	Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Pension Liability
12/31/2014	0.086672%	\$ (2,128,893)	\$ 12,149,964	-17.52%	102.74%
12/31/2015	0.087056%	1,414,636	12,311,841	11.49%	98.20%
12/31/2016	0.086366%	711,859	12,373,045	5.75%	99.12%
12/31/2017	0.083501%	(2,479,236)	11,758,708	-21.08%	102.93%
12/31/2018	0.080345%	2,858,425	11,883,773	24.05%	96.45%

*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*

District Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/2015	\$ 850,618	\$ 850,618	\$ -	\$ 12,010,404	7.08%
6/30/2016	837,279	837,279	-	12,352,788	6.78%
6/30/2017	816,621	816,621	-	11,955,189	6.83%
6/30/2018	792,663	792,663	-	11,915,580	6.65%
6/30/2019	796,212	796,212	-	11,910,676	6.68%

*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 CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>
Total OPEB Liability		
Service cost	\$ 93,739	\$ 93,739
Interest	226,102	232,922
Changes of benefit terms	(1,262,091)	-
Differences between expected and actual experience	(683,532)	-
Changes in assumptions or other input	(185,079)	-
Benefit payments	<u>(261,530)</u>	<u>(781,544)</u>
Net Change in OPEB Liability	(2,072,391)	(454,883)
Total OPEB liability at beginning	<u>6,543,944</u>	<u>6,998,827</u>
Total OPEB liability at ending (a)	<u>\$ 4,471,553</u>	<u>\$ 6,543,944</u>
Covered payroll	\$ 11,191,670	\$ 2,561,028
OPEB liability as a percentage of covered payroll	39.95%	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, 2019

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. Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015-2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop total pension liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality, and separation rates.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 4—NET OPEB LIABILITY AND RELATED RATIOS ASSUMPTIONS

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

Actuarial Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2018
Reporting Date:	June 30, 2019
Actuarial Cost Method:	Entry age normal (level percent of salary)
Medical Care Trend:	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter.
Discount Rate:	3.75% based upon all years of projected payments discounted at a municipal bond rate of 3.75%
Actuarial Assumptions:	Based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-14.
Mortality Assumptions:	Wisconsin 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generated improvement scale (multiplied 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, 2019 with Comparative Totals for the Year Ended 2018

	2019			Variance with Final Budget	2018 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
REVENUES					
Local government - tax levy	\$ 5,140,000	\$ 5,140,000	\$ 5,416,844	\$ 276,844	\$ 5,392,513
Intergovernmental revenue					
State	10,398,000	10,398,000	10,014,879	(383,121)	10,306,219
Federal	625,500	625,500	715,192	89,692	916,392
Tuition and fees					
Statutory program fees	4,756,500	4,756,500	4,441,995	(314,505)	4,523,250
Materials fees	323,000	323,000	289,212	(33,788)	314,906
Other student fees	521,000	521,000	575,649	54,649	556,614
Institutional	1,591,000	1,591,000	2,145,015	554,015	1,913,756
Total revenues	23,355,000	23,355,000	23,598,786	243,786	23,923,650
EXPENDITURES					
Current:					
Instruction	15,276,000	15,176,000	15,020,315	155,685	14,691,817
Instructional resources	210,000	210,000	149,622	60,378	148,419
Student services	2,225,000	2,225,000	2,162,174	62,826	2,139,127
General institutional	4,847,000	4,947,000	4,868,969	78,031	4,274,973
Physical plant	2,127,400	2,127,400	2,023,329	104,071	1,989,195
Total expenditures	24,685,400	24,685,400	24,224,409	460,991	23,243,531
Excess (deficiency) of revenues over (under) expenditures	(1,330,400)	(1,330,400)	(625,623)	704,777	680,119
OTHER FINANCING SOURCES (USES)					
Transfers in	470,000	470,000	172,292	(297,708)	180,181
Transfers out	-	-	(44,436)	(44,436)	(39,937)
Total other financing sources (uses)	470,000	470,000	127,856	(342,144)	140,244
Net change in fund balance	(860,400)	(860,400)	(497,767)	362,633	820,363
Fund balance—beginning of year	9,620,540	9,620,540	9,428,904	(191,636)	8,608,541
Fund balance—end of year	\$ 8,760,140	\$ 8,760,140	\$ 8,931,137	\$ 170,997	\$ 9,428,904
FUND BALANCE					
Nonspendable - prepaid expenses			318,018		
Assigned for state aid fluctuations			200,000		
Assigned for post employment benefits			3,625,304		
Unassigned			4,787,815		
Total fund balance			\$ 8,931,137		

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, 2019 with Comparative Totals for the Year Ended 2018

	2019				2018 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
REVENUES					
Intergovernmental revenue					
State	\$ 500,000	\$ 500,000	\$ 548,676	\$ 48,676	\$ 535,999
Federal	7,000,000	7,000,000	5,129,130	(1,870,870)	5,537,433
Student fees	250,000	250,000	263,576	13,576	268,394
Institutional	250,000	250,000	189,739	(60,261)	234,978
Total revenues	8,000,000	8,000,000	6,131,121	(1,868,879)	6,576,804
EXPENDITURES					
Student services	8,030,000	8,030,000	6,117,342	1,912,658	6,522,654
Excess (deficiency) of revenues over (under) expenditures	(30,000)	(30,000)	13,779	43,779	54,150
OTHER FINANCING SOURCES					
Transfers in	-	-	44,436	44,436	39,937
Transfers out	30,000	30,000	-	(30,000)	-
Total other financing sources	30,000	30,000	44,436	14,436	39,937
Net change in fund balance	-	-	58,215	58,215	94,087
Fund balance—beginning of year	318,930	318,930	402,017	83,087	307,930
Fund balance—end of year	<u>\$ 318,930</u>	<u>\$ 318,930</u>	<u>\$ 460,232</u>	<u>\$ 141,302</u>	<u>\$ 402,017</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2019 with Comparative Totals for the Year Ended 2018

	2019			Variance with Final Budget	2018
	Original Budget	Final Budget	Actual on a Budgetary Basis		Actual (Budgetary Basis)
REVENUES					
Institutional	\$ 50,000	\$ 50,000	\$ 81,849	\$ 31,849	\$ 165,195
EXPENDITURES					
Current:					
Instruction	1,185,000	885,000	728,336	156,664	603,039
Instructional resources	75,000	75,000	29,526	45,474	28,718
General institutional	500,000	1,100,000	1,092,640	7,360	1,325,294
Physical plant	2,015,000	1,715,000	1,594,635	120,365	753,433
Total expenditures	<u>3,775,000</u>	<u>3,775,000</u>	<u>3,445,137</u>	<u>329,863</u>	<u>2,710,484</u>
Excess (deficiency) of revenues over (under) expenditures	(3,725,000)	(3,725,000)	(3,363,288)	361,712	(2,545,289)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	4,000,000	4,000,000	4,000,000	-	2,500,000
Transfers out	(100,000)	(100,000)	(172,292)	(72,292)	(180,181)
Total other financing sources (uses)	<u>3,900,000</u>	<u>3,900,000</u>	<u>3,827,708</u>	<u>(72,292)</u>	<u>2,319,819</u>
Net change in fund balance	175,000	175,000	464,420	289,420	(225,470)
Fund balance—beginning of year	<u>32,734</u>	<u>32,734</u>	<u>898,264</u>	<u>865,530</u>	<u>1,123,734</u>
Fund balance—end of year	<u>\$ 207,734</u>	<u>\$ 207,734</u>	<u>\$ 1,362,684</u>	<u>\$ 1,154,950</u>	<u>\$ 898,264</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, 2019 with Comparative Totals for the Year Ended 2018

	2019		Actual on a Budgetary Basis	Variance with Final Budget	2018 Actual (Budgetary Basis)
	Original Budget	Final Budget			
REVENUES					
Local government - tax levy	\$ 5,345,000	\$ 5,345,000	\$ 5,345,000	\$ -	\$ 4,950,000
Intergovernmental revenue					
Federal	222,000	222,000	298,603	76,603	314,949
State	19,000	19,000	20,530	1,530	19,562
Institutional	30,000	430,000	43,804	(386,196)	23,921
Total revenues	5,616,000	6,016,000	5,707,937	(308,063)	5,308,432
EXPENDITURES					
Debt service	5,616,000	13,916,000	13,865,022	50,978	12,082,291
Excess (deficiency) of revenues over (under) expenditures	-	(7,900,000)	(8,157,085)	(257,085)	(6,773,859)
OTHER FINANCING SOURCES (USES)					
Refunding debt issued	-	7,900,000	7,775,000	(125,000)	6,485,000
Premium on issuance of debt	-	-	572,411	572,411	298,737
Total other financing sources (uses)	-	7,900,000	8,347,411	447,411	6,783,737
Net change in fund balance	-	-	190,326	190,326	9,878
Fund balance—beginning of year	1,371,531	1,371,531	1,407,409	35,878	1,397,531
Fund balance—end of year	\$ 1,371,531	\$ 1,371,531	\$ 1,597,735	\$ 226,204	\$ 1,407,409

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, 2019 with Comparative Totals for the Year Ended 2018

	2019			Variance with Final Budget	2018 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
OPERATING REVENUES					
Institutional	\$ 1,900,000	\$ 1,900,000	\$ 1,534,927	\$ (365,073)	\$ 1,544,884
OPERATING EXPENSES					
Auxiliary services	1,800,000	1,800,000	1,273,412	526,588	1,564,046
Excess of operating revenues over operating expenses	100,000	100,000	261,515	161,515	(19,162)
NON-OPERATING EXPENSES					
Transfers out	(400,000)	(400,000)	-	400,000	-
Net change in net position	(300,000)	(300,000)	261,515	561,515	(19,162)
Net Position—beginning of year	3,651,237	3,651,237	3,562,176	(89,061)	3,581,338
Net Position—end of year	<u>\$ 3,351,237</u>	<u>\$ 3,351,237</u>	<u>\$ 3,823,691</u>	<u>\$ 472,454</u>	<u>\$ 3,562,176</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, 2019 with Comparative Totals for the Year Ended 2018

	2019				2018 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
OPERATING REVENUES					
Institutional	\$ 4,385,000	\$ 4,385,000	\$ 3,833,084	\$ (551,916)	\$ 4,057,063
OPERATING EXPENSES					
Auxiliary services	4,385,000	4,385,000	3,639,408	745,592	3,722,962
Excess (deficiency) of revenues over (under) expenditures	-	-	193,676	193,676	334,101
Net change in net position	-	-	193,676	193,676	334,101
Net Position—beginning of year	1,171,610	1,171,610	1,305,711	134,101	971,610
Net Position—end of year	<u>\$ 1,171,610</u>	<u>\$ 1,171,610</u>	<u>\$ 1,499,387</u>	<u>\$ 327,777</u>	<u>\$ 1,305,711</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, 2019

	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	\$ 5,416,844	\$ -	\$ -	\$ 5,345,000	\$ -	-	\$ 10,761,844	\$ -	\$ 10,761,844
Intergovernmental revenue									
State	10,014,879	548,676	-	20,530	-	-	10,584,085	-	10,584,085
Federal	715,192	5,129,130	-	298,603	-	-	6,142,925	(2,537,791)	3,605,134
Tuition and fees									
Statutory program fees	4,441,995	-	-	-	-	-	4,441,995	-	4,441,995
Materials fees	289,212	-	-	-	-	-	289,212	-	289,212
Other student fees	575,649	263,576	-	-	-	-	839,225	-	839,225
Institutional	2,145,015	189,739	81,849	43,804	1,534,927	3,833,084	7,828,418	(3,901,688)	3,926,730
Total revenues	23,598,786	6,131,121	81,849	5,707,937	1,534,927	3,833,084	40,887,704	(6,439,479)	34,448,225
EXPENDITURES									
Current:									
Instruction	15,020,315	-	-	-	-	-	15,020,315	(2,884,526)	12,135,789
Instructional resources	149,622	-	-	-	-	-	149,622	-	149,622
Student services	2,162,174	6,117,342	-	-	-	-	8,279,516	(5,723,831)	2,555,685
General institutional	4,868,969	-	-	-	-	-	4,868,969	-	4,868,969
Physical plant	2,023,329	-	148,876	-	-	-	2,172,205	(148,876)	2,023,329
Auxiliary services	-	-	-	-	1,273,412	3,639,408	4,912,820	(3,839,234)	1,073,586
Capital outlay	-	-	3,296,261	-	-	-	3,296,261	(3,296,261)	-
Depreciation	-	-	-	-	-	-	-	2,846,212	2,846,212
Student aid	-	-	-	-	-	-	-	3,117,436	3,117,436
Debt service:									
Principal	-	-	-	12,560,000	-	-	12,560,000	(12,560,000)	-
Interest	-	-	-	1,305,022	-	-	1,305,022	(91,281)	1,213,741
Total expenditures	24,224,409	6,117,342	3,445,137	13,865,022	1,273,412	3,639,408	52,564,730	(22,580,361)	29,984,369
Excess (deficiency) of revenues over (under) expenditures	(625,623)	13,779	(3,363,288)	(8,157,085)	261,515	193,676	(11,677,026)	16,140,882	4,463,856
OTHER FINANCING SOURCES (USES)									
Long-term debt issued	-	-	4,000,000	7,775,000	-	-	11,775,000	(11,775,000)	-
Premium on issuance of debt	-	-	-	572,411	-	-	572,411	(572,411)	-
Transfers in	172,292	44,436	-	-	-	-	216,728	(216,728)	-
Transfer out	(44,436)	-	(172,292)	-	-	-	(216,728)	216,728	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	(85,265)	(85,265)
Total other financing sources (uses)	127,856	44,436	3,827,708	8,347,411	-	-	12,347,411	(12,432,676)	(85,265)
Net change in fund balance/net position	(497,767)	58,215	464,420	190,326	261,515	193,676	670,385	3,708,206	4,378,591
Fund balance/Net Position at beginning 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
Fund balance/Net Position at end of year	\$ 8,931,137	\$ 460,232	\$ 1,362,684	\$ 1,597,735	\$ 3,823,691	\$ 1,499,387	\$ 17,674,866	\$ 15,290,216	\$ 32,965,082

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, 2019

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

Operating	\$ 2,360,193
Non-operating	8,223,892
	\$ 10,584,085

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

Non-governmental grants and contracts	\$ 1,959,274
Auxiliary enterprises	1,534,927
Investment income	432,529
	\$ 3,926,730

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

Budgetary basis fund balance	\$ 17,674,866
Capital assets capitalized - at cost	82,776,500
Accumulated depreciation on capital assets	(37,529,098)
Net pension liability and deferred items	497,278
General obligation notes payable	(25,035,000)
Net other postemployment benefits and deferred items - health insurance	(5,222,837)
Accrued interest on notes payable	(12,504)
Encumbrances outstanding at year end	598,140
	\$ 33,747,345

**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, 2019

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								
Risk Management Education Partnerships	10.460	03-117-000-018	7/1/18-6/30/19	22,026	-	14,470	-	14,470
Department of Labor								
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants								
Pass-through program from Chippewa Valley Technical College	17.282	03-109-000-015	7/1/17-6/30/18	16,614	-	14,526	-	14,526
H-1B Tech Hire IMPACT Job Training Grant	17.268	03-184-000-016	7/1/18-6/30/19	327,937	-	315,188	-	315,188
Total Department of Labor				344,551	-	329,714	-	329,714
Department of Education								
Department of Education Direct Programs								
Student Financial Assistance Cluster								
Federal Supplemental Education Opportunity Grant	84.007		7/1/18-6/30/19	-	-	51,350	-	51,350
Federal College Work Study	84.033		7/1/18-6/30/19	-	-	63,221	-	63,221
Federal Pell Grant	84.063		7/1/18-6/30/19	-	-	2,476,768	-	2,476,768
Direct Student Loans								
Federal Student Plus Loans	84.268		7/1/18-6/30/19	-	-	22,791	-	22,791
Federal Student Stafford Loans	84.268		7/1/18-6/30/19	-	-	2,515,000	-	2,515,000
Total Direct Student Loans				-	-	2,537,791	-	2,537,791
Total Student Financial Assistance Cluster				-	-	5,129,130	-	5,129,130
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	7/1/18-6/30/19	25,000	-	18,749	6,363	25,112
Adult Basic Education - Disadvantaged	84.002	03-110-146-128	7/1/18-6/30/19	175,123	-	74,322	100,800	175,122
Total Adult Education Act				200,123	-	93,071	107,163	200,234

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, 2019

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal	Project	Grant Period	Federal	Passed	Expenditures		Total
	CFDA Number	Identification Number		Grant Amount	Through to Subrecipients	Federal	Match	Expenditures
Department of Education (continued)								
Career and Technical Education Basic Grants to States								
Career Prep	84.048	03-106-150-218	7/1/18-6/30/19	39,022	-	39,023	-	39,023
High School to College Transition	84.048	03-137-150-248	7/1/18-6/30/19	50,043	-	50,043	-	50,043
Strengthening Career & Technical Program	84.048	03-193-150-258	7/1/18-6/30/19	40,034	-	39,577	-	39,577
NTO Connections to NTO Recruit	84.048	03-194-150-268	7/1/18-6/30/19	10,009	-	9,939	-	9,939
Student Success	84.048	03-198-150-238	7/1/18-6/30/19	274,743	-	108,105	163,516	271,621
Total Career and Technical Education Basic Grants to States				413,851	-	246,687	163,516	410,203
Total Department of Education				613,974	-	5,468,888	270,679	5,739,567
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	7/1/18-6/30/19	35,938	-	31,250	4,710	35,960
Total Federal Awards				<u>\$ 1,016,489</u>	<u>\$ -</u>	<u>\$ 5,844,322</u>	<u>\$ 275,389</u>	<u>\$ 6,119,711</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, 2019

State Grantor/Program	State	Project	Grant Period	Grant Amount	Expenditures		Total Expenditures
	Identifying Number	Identification Number			State	Match	
Wisconsin Higher Education Board							
Wisconsin Higher Education Grant	235.102		7/1/18-6/30/19	466,932	466,932	-	466,932
Remissions of Fees for Veterans and Dependents	235.105		7/1/18-6/30/19	20,783	20,783	-	20,783
Minority Undergraduate Retention Grant	235.107		7/1/18-6/30/19	1,980	1,980	-	1,980
State Grants - TES Scholarship	235.109		7/1/18-6/30/19	16,200	16,200	-	16,200
Talent Incentive Program Grant	235.114		7/1/18-6/30/19	15,000	15,000	-	15,000
Nursing	235.117		7/1/18-6/30/19	1,875	1,875	-	1,875
Wisconsin Covenant Scholars Grant Revenue	235.131		7/1/18-6/30/19	2,250	2,250	-	2,250
Wisconsin Covenant Foundation Grant Revenue	235.131		7/1/18-6/30/19	44,439	44,439	-	44,439
Total Wisconsin Higher Education Board				569,459	569,459	-	569,459
Wisconsin Department of Transportation							
Motorcycle Safety	20.395(4)(aq)	03-123-000-003	1/1/2018-12/31/2018	13,640	10,939	-	10,939
Motorcycle Safety	20.395(4)(aq)	03-123-000-003	1/1/2019-12/31/2019	17,797	10,805	-	10,805
3 Wheel Safety	266.7348	03-127-000-004	7/1/2018-6/30/19	1,263	1,132	-	1,132
Total Wisconsin Department of Transportation				32,700	22,876	-	22,876
Wisconsin Technical College Systems Board							
Emergency Assistance	292.104	03-124-104-118	7/1/18-6/30/19	17,981	17,981	-	17,981
State Aids for Vocational Technical and Adult Education	292.105		7/1/18-6/30/19	1,693,000	1,693,000	-	1,693,000
Performance Based Aid	292.105		7/1/18-6/30/19	980,749	980,749	-	980,749
State Aids Prior Years	292.105		7/1/18-6/30/19	(69,100)	(69,100)	-	(69,100)
Workforce Advancement Training Grants:							
Schreiber	292.124	03-140-124-178	7/1/18-6/30/19	10,364	4,571	-	4,571
Community First Bank	292.124	03-141-124-178	7/1/18-6/30/19	5,327	5,307	-	5,307
3M	292.124	03-148-124-178	7/1/18-6/30/19	30,677	2,846	-	2,846
Dillman	292.124	03-166-127-179	7/1/18-6/30/19	60,001	28,909	-	28,909
Community First Bank	292.124	03-171-124-179	7/1/18-6/30/19	7,676	3,256	-	3,256
Imperia Foods/Schuman Cheese/Lactalis	292.124	03-173-124-179	7/1/18-6/30/19	13,480	8,439	-	8,439
Total Workforce Advancement Training Grants				127,525	53,328	-	53,328

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, 2019

State Grantor/Program	State	Project	Grant Period	Grant Amount	Expenditures		Total Expenditures
	Identifying Number	Identification Number			State	Match	
Wisconsin Technical College Systems Board (continued)							
Incentive Grants:							
Captioning Leadership Grant	292.124	03-101-124-198	7/1/18-6/30/19	16,741	16,741	-	16,741
Southwest Tech Student Success Center	292.124	03-102-124-128	7/1/18-6/30/19	19,369	18,623	-	18,623
Southwest Tech Student Success Center	292.132	03-114-132-119	7/1/18-6/30/19	4,625	4,096	-	4,096
Advanced Manufacturing	292.124	03-118-124-188	7/1/18-6/30/19	10,843	3,391	-	3,391
Collaborative Leadership	292.124	03-130-124-139	7/1/18-6/30/19	182,345	116,515	-	116,515
Professional Development	292.124	03-161-124-158	7/1/18-6/30/19	72,108	48,074	24,088	72,162
Industrial Maintenance Career Pathways	292.124	03-177-124-129	7/1/18-6/30/19	81,640	61,230	-	61,230
Pistons to Pathways	292.124	03-178-124-129	7/1/18-6/30/19	158,456	118,841	-	118,841
Ag Health IT Career Pathways	292.124	03-189-124-128	7/1/18-6/30/19	32,696	2,369	790	3,159
Tutoring 4 Success	292.124	03-190-124-168	7/1/18-6/30/19	236,411	177,147	59,049	236,196
Total Incentive Grants				815,234	567,027	83,927	650,954
Fire Fighter Training 2%	292.137		7/1/18-6/30/19	31,600	31,600	-	31,600
Property Tax Relief Aid	292.162		7/1/18-6/30/19	6,528,192	6,528,192	-	6,528,192
Hazmat	292.372		7/1/18-6/30/19	2,407	2,407	-	2,407
Total Wisconsin Technical College Systems Board				10,127,588	9,805,184	83,927	9,889,111
Wisconsin Department of Natural Resources							
DNR payment in lieu of taxes			7/1/18-6/30/19	31,406	31,406	-	31,406
Wisconsin Department of Workforce Development							
DWD Fast Forward Dual Credit	445.109	03-154-000-018	7/1/18-6/30/19	274,120	20,922	-	20,922
DWD Wage\$ Direct Training	17.268	03-155-155-119	7/1/18-6/30/19	18,447	18,447	-	18,447
Total Wisconsin Department of Workforce Development				292,567	39,369	-	39,369
Wisconsin Department of Revenue							
Personal Property Aid	835.109		7/1/18-6/30/19	75,397	75,397	-	75,397
State Aid Computers	835.109		7/1/18-6/30/19	40,394	40,394	-	40,394
Total Wisconsin Department of Revenue				115,791	115,791	-	115,791
Total State Awards				\$ 11,169,511	\$ 10,584,085	\$ 83,927	\$ 10,668,012

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, 2019

NOTE 1—BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the Schedule) includes the federal and state award activity of the Southwest Tech under programs of the federal government and state agencies for the year ended June 30, 2019. 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 Uniform Guidance, 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>\$ 5,844,322</u>
Federal Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position	\$ 3,605,134
Direct Student Loans included on the Schedule of Expenditures of Federal and State Awards	2,537,791
Federal Subsidy payment for Build America Bonds	<u>(298,603)</u>
Total Federal Revenues	<u>\$ 5,844,322</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year Ended June 30, 2019

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>\$10,584,085</u>
State Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position	
Operating	\$ 2,360,193
Non-operating	<u>8,223,892</u>
Total State Revenues	<u><u>\$10,584,085</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, 2019

There were no prior audit findings.

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
November 15, 2019

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 The Major Federal and Each 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, 2019. 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, 2019.

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
November 15, 2019

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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

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
292.162	Property Tax Relief Aid

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

Section II—Financial Statement Findings

No matters were reported.

Section III—Federal and State Award Findings and Questioned Costs

No matters were reported.

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2019

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

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

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

Name and signature of partner

Scott R. Haumersen, CPA

Date of report

November 15, 2019