

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
Fennimore, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the business-type activities and the aggregate discretely presented component unit of the Southwest Wisconsin Technical College, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise Southwest Wisconsin Technical College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Southwest Wisconsin Technical College Foundation, Inc. and the SWTC Real Estate Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

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, 2020 and 2019, 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. 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 individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2020 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
Madison, Wisconsin
November 20, 2020

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2020 and 2019

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, 2020.

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 43 federal, state or local grants totaling \$2.178 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 1.08% 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.
- Processed nearly 7,000 transactions through our purchase card program. 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 \$3,483,792 in grants, \$2,411,378 in loans, \$63,221 in college work study earnings, and \$22,830 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, 2020 and 2019

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

	2020	2019	Change	% Change
OPERATING REVENUE				
Student fees	\$ 5,570,847	\$ 5,570,432	\$ 415	0.01
Federal grants	3,779,436	3,605,134	174,302	4.83
State grants	2,556,219	2,360,193	196,026	8.31
Contract revenues	1,712,148	1,959,274	(247,126)	(12.61)
Auxiliary revenues	1,450,747	1,534,927	(84,180)	(5.48)
Total operating revenues	15,069,397	15,029,960	39,437	0.26
OPERATING EXPENSES				
Instruction	15,609,492	12,135,789	3,473,703	28.62
Instructional resources	126,998	149,622	(22,624)	(15.12)
Student services	2,431,218	2,555,685	(124,467)	(4.87)
General institutional	4,987,213	4,868,969	118,244	2.43
Physical plant	1,000,678	2,023,329	(1,022,651)	(50.54)
Auxiliary enterprise services	1,335,739	1,073,586	262,153	24.42
Depreciation	3,014,303	2,846,212	168,091	5.91
Student aid	3,483,964	3,117,436	366,528	11.76
Total operating expenses	31,989,605	28,770,628	3,218,977	11.19
NON-OPERATING REVENUES (EXPENSES)				
Property taxes	10,650,000	10,761,844	(111,844)	(1.04)
State appropriations	8,747,474	8,223,892	523,582	6.37
Investment income	219,612	432,529	(212,917)	(49.23)
Loss on disposal of capital assets	(40,743)	(85,265)	44,522	-
Interest expense	(752,515)	(1,213,741)	461,226	(38.00)
Total non-operating revenues	18,823,828	18,119,259	704,569	3.89
Increase in net position	1,903,620	4,378,591	<u>\$ (2,474,971)</u>	
Net position at beginning of year	<u>32,965,082</u>	<u>28,586,491</u>		
Net position at end of year	<u>\$ 34,868,702</u>	<u>\$ 32,965,082</u>		

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2020 and 2019

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

Operating revenues are the charges for services offered by Southwest Tech. Total operating revenues increased \$39,437 or .26% for fiscal year 2020. The increase is primarily due to the following:

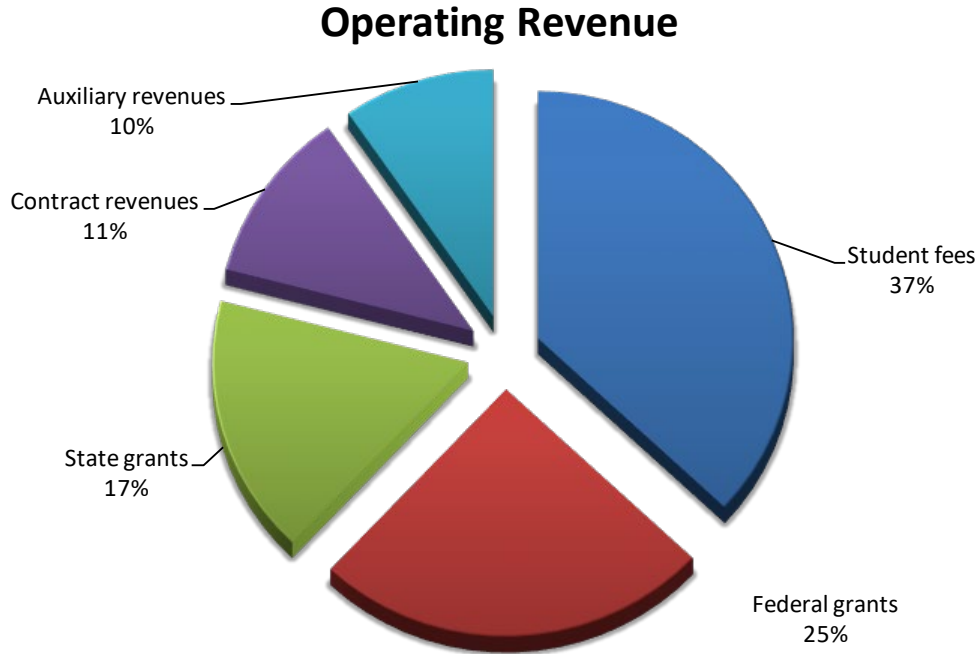
- The state increased tuition rates 1.5% in 2020 and 1.4% in 2019.
- Southwest Tech receives funding from the federal and state governments for specific purposes, including financial aid payments to students. Southwest Tech received \$6,335,655 from the federal and state governments for 2020 compared to \$5,965,327 for 2019. This figure is indicative of the coronavirus relief act funding that was received during 2020.
 - ✓ State revenue increased \$196,026 or 8.31% in 2020 compared to 2019. 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 \$174,302 or 4.83% in 2020 compared to 2019. 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 \$1,717,155 in 2020 and \$1,959,274 in 2019.
- Southwest Tech operates auxiliary enterprise operation such as the book store, food service, and childcare center. Southwest Tech had sales of \$1,450,747 for 2020 compared to \$1,534,927 in 2019 for these activities.

Operating expenses are costs incurred for providing education, training and services. Total operating expenses increased \$3,198,384 or 11.12% compared to 2019. The majority of Southwest Tech's expenses, 46%, are for instructional related costs. Student financial aid and general institutional accounts for an additional 27%, while auxiliary services and other expenses account for the remaining 27% of total operating expenses.

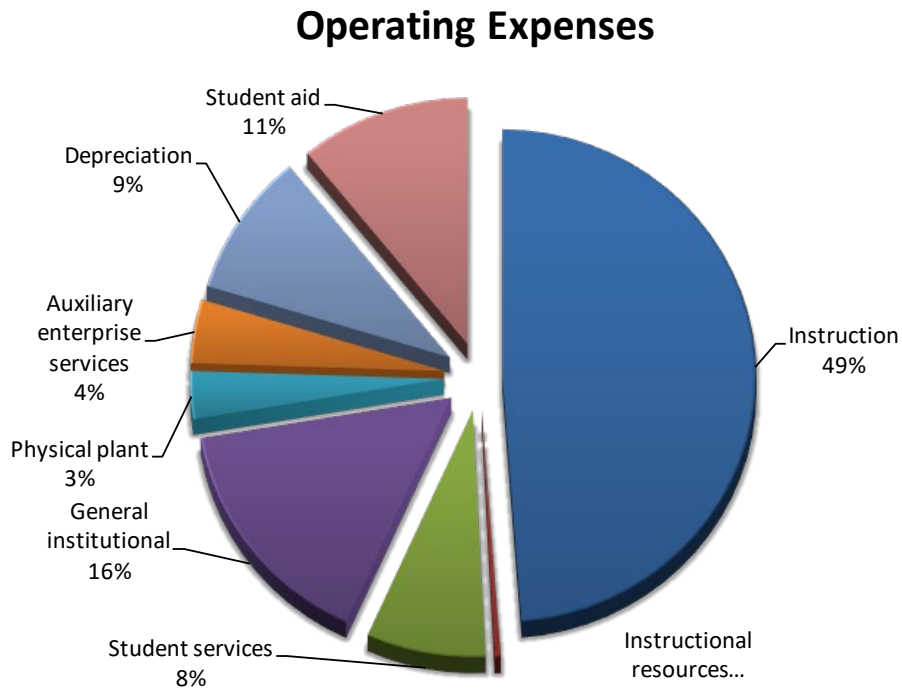
SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2020 and 2019

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

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



The graph below categorizes operating expenses by function:



SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2020 and 2019

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 \$704,569 or 3.89% in 2020.

- State operating appropriations increased \$523,582 or 6.37% in 2020. 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.
- Interest expense decreased \$461,226 or 38% in 2020 compared to 2019. Interest expenses are the biggest non-operating expense 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.

Total net position increased \$1,924,213 or 5.84% in 2020 compared to an increase of \$4,378,591 or 15.32% in 2019. Southwest Tech ended its fiscal year with net position of \$34,889,295 in 2020 of which \$20,469,490 was net investment in capital assets, \$481,252 was restricted for student financial aid, \$1,869,963 was restricted for capital projects, \$2,364,940 was restricted for debt service assistance, and \$9,318,035 was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general Southwest Tech operations.

Total assets increased \$5,566,638 or 8.38% in 2020 and decreased \$1,064,241 or 1.58% in 2019. Net capital assets increased \$1,149,715 or 2.54% in 2020 compared to an increase of \$364,784 or .81% in 2019.

Southwest tech's current liabilities increased \$1,021,144 or 17.19% in 2020 compared to an increase of \$340,865 or 5.16% in 2019.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2020 and 2019

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

	2020	2019	Change	% Change
ASSETS				
Cash and cash equivalents	\$ 16,179,861	\$ 14,711,032	\$ 1,468,829	9.98
Net pension asset	2,494,865	-	2,494,865	-
Net capital assets	46,390,580	45,261,458	1,129,122	2.49
Other assets	6,941,593	6,488,364	453,229	6.99
Total assets	72,006,899	66,460,854	5,546,045	8.34
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	5,365,632	7,296,841	(1,931,209)	(26.47)
Related to other postemployment benefits - health insurance	725,302	2,840,076	(2,114,774)	-
Total deferred outflows of resources	6,090,934	10,136,917	(4,045,983)	(26.47)
LIABILITIES				
Current liabilities	6,962,348	5,941,204	1,021,144	17.19
Long-term liabilities	28,357,596	33,098,889	(4,741,293)	(14.32)
Total liabilities	35,319,944	39,040,093	(3,720,149)	(9.53)
DEFERRED INFLOWS OF RESOURCES				
Related to pension	7,474,882	3,941,138	3,533,744	89.66
Related to other postemployment benefits - health insurance	434,305	651,458	(217,153)	-
Total deferred outflows of resources	7,909,187	4,592,596	3,316,591	89.66
NET POSITION				
Net invested in capital assets	20,448,897	19,444,195	1,004,702	5.17
Restricted for student financial aid	481,252	460,232	21,020	4.57
Restricted for capital projects	1,869,963	1,362,684	507,279	37.23
Restricted for debt service	2,364,940	1,585,231	779,709	49.19
Unrestricted	9,318,035	10,112,740	(794,705)	(7.86)
Total net position	\$ 34,868,702	\$ 32,965,082	\$ 1,903,620	5.77

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, Southwest Tech had \$87,088,873 in capital assets, including land, construction in progress, land improvements, buildings and improvements, and moveable equipment. Total accumulated depreciation on these assets was \$40,677,700. Asset acquisitions totaled \$4,992,633. Southwest Tech recognized depreciation expense of \$3,014,303. 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, 2020 and 2019

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt

As of June 30, 2020, Southwest Tech had \$25,115,000 in general obligation debt outstanding compared to \$25,035,000 in 2019. 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
- Healthy reserves and liquidity
- Modest pension burden
- 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 2019, the district posted a deficit of \$498,000 in fiscal 2019, resulting in an available General Fund balance of \$12.8 million, or a healthy 53.9% of revenues. The district had originally budgeted for a \$1.3 million draw in the General Fund, for one-time expenses related to other post employment benefits (OPEB), and one-time capital initiatives, however, the year ended better than expected due to favorable revenue results. Available fund balance across all operating funds (General and Debt Service Funds), totaled \$14.4 million, or a healthy 48.8% of operating revenues for fiscal 2019."

ECONOMIC FACTORS

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

- Southwest Tech has articulation agreements with other institutions of higher learning that provide options for students to fulfill program requirements locally and finish with minimal time elsewhere.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Years Ended June 30, 2020 and 2019

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, 2020 and 2019

	Primary Government		Component Unit	
	2020	2019	2020	2019
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 16,179,861	\$ 14,711,032	\$ 421,907	\$ 450,856
Taxes receivable	3,477,638	3,528,560	-	-
Accounts receivable, net	413,215	400,692	124,926	183,735
Student accounts receivable	645,754	585,969	-	-
Due from other governments	51,034	25,579	-	-
Accrued self-insurance	1,722,220	1,280,229	-	-
Inventories	247,238	349,317	-	-
Prepaid expenses	384,494	318,018	-	611
Total current assets	<u>23,121,454</u>	<u>21,199,396</u>	<u>546,833</u>	<u>635,202</u>
NONCURRENT ASSETS				
Net pension asset	2,494,865	-	-	-
Investments	-	-	4,336,967	4,215,548
Capital assets not being depreciated	2,007,294	1,986,248	883,186	208,009
Capital assets being depreciated, net	<u>44,383,286</u>	<u>43,275,210</u>	<u>2,296,403</u>	<u>2,804,636</u>
Total noncurrent assets	<u>48,885,445</u>	<u>45,261,458</u>	<u>7,516,556</u>	<u>7,228,193</u>
Total assets	72,006,899	66,460,854	8,063,389	7,863,395
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	5,365,632	7,296,841	-	-
Related to other postemployment benefits - health insurance	<u>725,302</u>	<u>2,840,076</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	6,090,934	10,136,917	-	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and other current liabilities	776,018	1,051,364	13,152	7,977,395
Accrued salaries and benefits	379,313	400,293	-	-
Accrued interest	34,629	12,504	-	-
Accrued self-insurance	-	-	-	-
Deferred revenue	667,388	557,043	-	-
Current portion of long-term debt	<u>5,105,000</u>	<u>3,920,000</u>	<u>91,214</u>	<u>68,904</u>
Total current liabilities	6,962,348	5,941,204	104,366	8,046,299
NONCURRENT LIABILITIES				
Net pension liability	-	2,858,425	-	-
Compensated absences	920,356	931,746	-	-
Long-term debt	20,010,000	21,115,000	2,191,484	2,125,290
Unamortized debt premiums	826,683	782,263	-	-
Other postemployment benefits - health insurance	<u>6,600,557</u>	<u>7,411,455</u>	<u>-</u>	<u>-</u>
Total noncurrent liabilities	<u>28,357,596</u>	<u>33,098,889</u>	<u>2,191,484</u>	<u>2,125,290</u>
Total liabilities	35,319,944	39,040,093	2,295,850	10,171,589
DEFERRED INFLOWS OF RESOURCES				
Related to pension	7,474,882	3,941,138	-	-
Related to other postemployment benefits - health insurance	<u>434,305</u>	<u>651,458</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	7,909,187	4,592,596	-	-
NET POSITION				
Net investment in capital assets	20,448,897	19,444,195	-	-
Net assets with donor restrictions	-	-	4,560,237	4,536,530
Restricted				
Student financial assistance	481,252	460,232	-	-
Capital projects	1,869,963	1,362,684	-	-
Debt service	2,364,940	1,585,231	-	-
Net assets without donor restrictions	-	-	1,207,302	1,018,671
Unrestricted	<u>9,318,035</u>	<u>10,112,740</u>	<u>-</u>	<u>-</u>
Total net position	<u>\$ 34,868,702</u>	<u>\$ 32,965,082</u>	<u>\$ 5,767,539</u>	<u>\$ 5,555,201</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, 2020 and 2019

	<u>Primary Government</u>		<u>Component Unit</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
OPERATING REVENUES				
Tuition and fees				
Program fees (net of \$144,347 and \$138,123 scholarship allowances, respectively)	\$ 4,498,373	\$ 4,441,995	\$ -	\$ -
Material fees (net of \$8,910 and \$10,359 scholarship allowances, respectively)	282,343	289,212	-	-
Other student fees (net of \$24,949 and \$25,898 scholarship allowances, respectively)	790,131	839,225	-	-
Federal grants and contracts	3,779,436	3,605,134	-	-
State grants and contracts	2,556,219	2,360,193	-	-
Non-governmental grants and contracts	1,712,148	1,959,274	-	-
Auxiliary enterprise services	1,450,747	1,534,927	-	-
Contributions and other support	-	-	1,420,903	1,508,141
Rental income	-	-	572,941	515,251
Total operating revenues	15,069,397	15,029,960	1,993,844	2,023,392
OPERATING EXPENSES				
Instruction	15,609,492	12,135,789	-	-
Instructional resources	126,998	149,622	-	-
Student services	2,431,218	2,555,685	-	-
General institution	4,987,213	4,868,969	-	-
Physical plant	1,000,678	2,023,329	-	-
Auxiliary enterprise services	1,335,739	1,073,586	-	-
Depreciation	3,014,303	2,846,212	-	-
Student aid	3,483,964	3,117,436	-	-
Program activities and other	-	-	1,890,566	1,251,391
Total operating expenses	31,989,605	28,770,628	1,890,566	1,251,391
Operating loss	(16,920,208)	(13,740,668)	103,278	772,001
NONOPERATING REVENUES (EXPENSES)				
State appropriations	8,747,474	8,223,892	-	-
Local property taxes	10,650,000	10,761,844	-	-
Loss on disposal of capital assets	(40,743)	(85,265)	-	(45,101)
Investment income	219,612	432,529	109,060	197,467
Interest expense	(752,515)	(1,213,741)	-	-
Total non-operating revenues (expenses)	18,823,828	18,119,259	109,060	152,366
Change in net position	1,903,620	4,378,591	212,338	924,367
Net position at beginning of year	32,965,082	28,586,491	5,555,201	4,630,834
Net position at end of year	\$ 34,868,702	\$ 32,965,082	\$ 5,767,539	\$ 5,555,201

See accompanying notes to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Tuition and fees received	\$ 5,621,407	\$ 5,546,174
Federal and state grants received	6,310,200	5,986,416
Business, industry and school district contract revenues received	1,699,625	1,843,415
Payments to employees for operating payroll	(18,596,917)	(23,548,969)
Payments to suppliers	(9,894,103)	(5,612,698)
Auxiliary enterprise revenues received	1,450,747	1,534,927
Net Cash Flows from Operating Activities	(13,409,041)	(14,250,735)
Cash flows from non-capital financing activities		
Local property taxes received	10,700,922	10,451,611
State appropriations received	8,747,474	8,223,892
Net Cash Flows from Non-Capital Financing Activities	19,448,396	18,675,503
Cash flows from capital and related financing activities		
Acquisition and construction of capital assets	(4,184,168)	(3,296,261)
Proceeds from issuance of debt	4,000,000	11,775,000
Premium on debt issue	44,420	503,134
Debt retired	(3,920,000)	(12,560,000)
Interest paid	(730,390)	(1,235,745)
Net Cash Flows from Capital and Related Financing Activities	(4,790,138)	(4,813,872)
Cash flows from investing activities		
Investment income received	219,612	432,529
Net Increase in Cash and Cash Equivalents	1,468,829	43,425
Cash and Cash Equivalents at Beginning of Year	14,711,032	14,667,607
Cash and Cash Equivalents at End of Year	\$ 16,179,861	\$ 14,711,032
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (16,920,208)	\$ (13,740,668)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	3,014,303	2,846,212
Changes in assets and liabilities		
Accounts receivable, net	(12,523)	(115,859)
Student accounts receivable	(59,785)	(18,358)
Due from other governments	(25,455)	21,089
Inventories	102,079	(39,883)
Prepaid expenses	(66,476)	(156,998)
Net pension liability	111,663	1,140,087
Accounts payable and other current liabilities	(275,346)	(92,738)
Accrued salaries and benefits	(20,980)	(47,286)
Accrued self-insurance	(441,991)	(386,544)
Compensated absences	(11,390)	149,750
Unearned revenue	110,345	(5,900)
Post-employment benefits	1,086,723	(3,803,639)
Net cash used in operating activities	\$ (13,409,041)	\$ (14,250,735)

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, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019, 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, 2020 and 2019

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 acquisition 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, 2020 and 2019

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 .60249 and .61086 mills for fiscal years ending 2020 and 2019, respectively. The debt service mill rate was .60762 and .63132 for the fiscal years ending 2020 and 2019, 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 earned 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, 2020 and 2019

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, 2020 and 2019 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, 2020 and 2019 related to pension and OPEB activity.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

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, 2020 and 2019

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, 2020 and 2019

NOTE 2—CASH AND CASH EQUIVALENTS

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

	<u>2020</u>	<u>2019</u>	<u>Risk</u>
Cash and cash equivalents:			
Cash on hand	\$ 2,940	\$ 2,940	
Deposit accounts	14,945,368	13,494,135	Custodial credit
Local Government Investment Pool	<u>1,231,553</u>	<u>1,213,957</u>	Credit and interest rate
Total cash and cash equivalents	<u>\$ 16,179,861</u>	<u>\$ 14,711,032</u>	

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 \$15,025,223 and \$13,892,901 at June 30, 2020 and 2019. 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, 2020, all of the \$15,025,223 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, 2020, 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, 2020 and 2019

NOTE 3—CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2020:

	Balance 7/1/2019	Additions	(Deletions)	Balance 6/30/2020
Capital assets not being depreciated				
Land	\$ 813,445	\$ 228,566	\$ -	\$ 1,042,011
Construction in progress	1,172,803	580,352	(787,872)	965,283
Total capital assets not being depreciated	1,986,248	808,918	(787,872)	2,007,294
Capital assets being depreciated				
Land improvements	1,204,239	29,622	-	1,233,861
Buildings & improvements	48,762,375	1,886,054	-	50,648,429
Equipment	31,095,897	2,247,446	(164,647)	33,178,696
Total capital assets being depreciated	81,062,511	4,163,122	(164,647)	85,060,986
Less accumulated depreciation for				
Land improvements	720,319	45,962	-	766,281
Buildings & improvements	14,161,180	1,310,953	-	15,472,133
Equipment	22,905,802	1,657,388	(123,904)	24,439,286
Total accumulated depreciation	37,787,301	3,014,303	(123,904)	40,677,700
Total capital assets being depreciated-net	43,275,210	1,148,819	(40,743)	44,383,286
Net capital assets	45,261,458	<u>\$ 1,957,737</u>	<u>\$ (828,615)</u>	46,390,580
Less general obligation debt	<u>(25,817,263)</u>			<u>(25,941,683)</u>
Total net investment in capital assets	<u>\$ 19,444,195</u>			<u>\$ 20,448,897</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 3—CAPITAL ASSETS (continued)

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
Constructions 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	\$ 479,183	\$ (114,399)	45,261,458
Less general obligation debt	(26,099,129)			(25,817,263)
Total net investment in capital assets	\$ 18,797,545			\$ 19,444,195

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, 2020 and 2019

NOTE 4—LONG-TERM OBLIGATIONS (continued)

Changes in long-term obligations for the years ended June 30, 2020 and 2019 was as follows:

	Balance 7/1/2019	Additions	Reductions	Balance 6/30/2020	Due Within One Year
Notes and bonds payable					
General obligation bonds	\$ 18,835,000	\$ -	\$ 1,620,000	\$ 17,215,000	\$ 1,705,000
General obligation notes	6,200,000	4,000,000	2,300,000	7,900,000	3,400,000
Unamortized premiums	782,263	199,744	155,324	826,683	-
Total bonds and notes payable	25,817,263	4,199,744	4,075,324	25,941,683	5,105,000
Other Liabilities:					
Net pension liability	2,858,425	-	(2,858,425)	-	-
Net other postemployment liability benefits - health insurance	7,411,455	-	810,898	6,600,557	-
Accrued compensated absences	931,746	640,445	651,835	920,356	-
Total long-term liabilities	\$ 37,018,889	\$ 4,840,189	\$ 2,679,632	\$ 33,462,596	\$ 5,105,000
	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

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, 2020 and 2019

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, 2020 is as follows:

	Bonds	Aggregate
Debt limit (2% for bonds, 5% for aggregate)	\$ 175,931,548	\$ 439,828,871
Debt outstanding at June 30, 2020 net of resources available to pay principal:	17,215,000	25,115,000
Margin of indebtedness:	\$ 158,716,548	\$ 414,713,871

General obligation debt at June 30, 2020 and 2019 are as follows:

	Buyer	2020	2019
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	4,125,000	4,575,000
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
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	500,000	1,000,000
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	1,000,000	1,500,000
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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 4—LONG-TERM OBLIGATIONS (continued)

	<u>Buyer</u>	<u>2020</u>	<u>2019</u>
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 on June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	Robert W. Baird	2,400,000	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	6,605,000	7,775,000
2020 \$4,000,000 promissory notes payable with annual principal payments of \$800,000 through June 1, 2024, interest at 2-4%, payable semi-annually on June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	Robert W. Baird	4,000,000	-
Total General Obligation Debt		<u>\$ 25,115,000</u>	<u>\$ 25,035,000</u>

Future debt service requirements as of June 30, 2020 are as follows:

Year Ended	Principal	Interest	Total
June 30			
2021	\$ 5,105,000	\$ 798,528	\$ 5,903,528
2022	3,855,000	639,050	4,494,050
2023	3,395,000	547,200	3,942,200
2024	2,660,000	446,400	3,106,400
2025	1,950,000	331,500	2,281,500
2026-2029	8,150,000	543,450	8,693,450
	<u>\$ 25,115,000</u>	<u>\$ 3,306,128</u>	<u>\$ 28,421,128</u>

In prior years, the College defeased certain general obligations bonds by placing the proceeds of new debt in an irrevocable trust to provide for the future debt service payments on the old debt. Accordingly, the trust account assets and liability for the defeased bonds are not included in the College's financial statements. At June 30, 2020, \$13,200,000 of debt outstanding is considered defeased.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

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, 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.

ETF issued a standalone WRS Financial Report, which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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 annual earnings periods. 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, 2020 and 2019

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 (%)
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	5.4	17
2019	0.0	(10)

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 \$800,839 contributions from the employer.

Contribution rates as of December 31, 2019, the measurement date, are as follows:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.55%	6.55%
Protective with Social Security	6.55%	10.55%
Protective without Social Security	6.55%	14.95%

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

At June 30, 2020, Southwest Tech reported an asset of \$2,494,865 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Southwest Tech’s proportion of the net pension liability (asset) was based on Southwest Tech’s share of contributions to the pension plan relative to the contributions

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

of all participating employers. At December 31, 2019, Southwest Tech’s proportion was 0.07737321% which was a decrease of 0.00297185% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, Southwest Tech recognized pension expense of \$941,290.

At June 30, 2020, Southwest Tech 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 projected and actual experience	\$ 4,735,824	\$ (2,369,963)
Net differences between projected and actual earnings on pension plan investments	-	(5,100,391)
Changes in assumptions	194,415	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,732	(4,528)
Employer contributions subsequent to the measurement date	422,661	-
Total	\$ 5,365,632	\$ (7,474,882)

\$422,661 reported as deferred outflows related to pension 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, 2021. 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:

2021	\$ (749,821)
2022	(560,045)
2023	90,515
2024	(1,312,560)
	\$ (2,531,911)

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 5—EMPLOYEE’S RETIREMENT SYSTEM (continued)

Actuarial assumptions. The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2018
Measurement Date of Net Pension Liability (Asset)	December 31, 2019
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair 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. The total pension liability (asset) for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 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
As of and for the Years Ended June 30, 2020 and 2019

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>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global Equities	49	8.0	5.1
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9	6.3	3.5
Private Equity/Debt	8	10.6	7.6
Multi-Asset	4	6.9	4.0
Total Core Fund	110	7.5	4.6
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.5	4.6
International Equities	30	8.2	5.3
Total Variable Fund	100	7.8	4.9

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges; target percentages may differ from actual monthly allocations.

Single discount rate. A single discount rate of 7.00% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.). 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.

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

Sensitivity of Southwest Tech’s proportionate share of the net pension liability to changes in the discount rate. The following presents Southwest Tech’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what Southwest Tech’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	\$ 6,424,724	\$ (2,494,865)	\$ (9,163,284)

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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, 2020. 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.

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

Net OPEB Liability

Southwest Tech's net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

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

Inflation:	2.50%
Investment rate of return:	3.50% based upon all years of projected payments discounted at a municipal bond rate of 3.50%
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 3.50% was used in calculating Southwest Tech's OPEB liabilities (based upon all projected payments discounted at a long-term expected rate of return of 3.50%).

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
NOTES TO THE FINANCIAL STATEMENTS
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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 6/30/2019	\$ 4,471,553
Changes for the year:	
Service Cost	4,761
Interest	157,909
Changes of assumptions or other input	46,962
Benefit payments	(526,073)
Net changes	(316,441)
Balances at 6/30/2020	\$ 4,155,112

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 (2.50 percent) or 1-percentage-point higher (4.50 percent) than the current discount rate:

	1% Decrease to Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase to Discount Rate (4.50%)
Total OPEB Liability	\$ 4,357,953	\$ 4,155,112	\$ 3,975,204

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	\$ 4,125,783	\$ 4,155,112	\$ 4,183,380

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

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

For the year ended June 30, 2020, Southwest Tech recognized OPEB expense of \$42,742. At June 30, 2020, 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	\$ -	\$ 341,766
Changes in assumptions or other inputs	35,221	92,539
Employer contributions subsequent to the measurement date	690,081	-
Total	\$ 725,302	\$ 434,305

\$690,081 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, 2021. 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:

2021	\$ (205,412)
2022	(205,411)
2023	11,739
	\$ (399,084)

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 \$2,445,445 and \$2,939,902 at June 30, 2020 and 2019.

NOTE 7—COMMITMENTS AND CONTINGENCIES

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 7—COMMITMENTS AND CONTINGENCIES (continued)

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

Operating Leases

Southwest Tech leases various facilities as outreach center to 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 are as follows:

2021	\$	77,960
2022		60,000
2023		61,798
2024		59,937
2025		20,867
Thereafter		186,717
Total future minimum lease payments	\$	467,279

NOTE 8—RISK MANAGEMENT

Districts Mutual Insurance Company (DMI)

In July 2004 all sixteen WTCS technical colleges created Districts Mutual Insurance Company (DMI). Districts Mutual Insurance Company is a fully-assessable mutual company authorized under Wisconsin Statute 611 to provide property, casualty, and liability insurance and risk management services to its members. The scope of insurance protection provided by DMI is broad, covering property at \$350,000,000 per occurrence; general liability, auto, and educators' legal liability at \$5,000,000 per occurrence; and workers' compensation at the statutorily required limits.

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

DMI operations are governed by a five-member board of directors. Member colleges do not exercise any control over the activities of DMI beyond election of the board of directors at the annual meeting. The board has the authority to adopt its own budget, set policy matters, and control the financial affairs of the company.

Each member college is assessed an annual premium. Future premiums will be based on relevant rating exposure bases as well as the historical loss experience by members. DMI's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company. Since DMI is fully capitalized, member districts have not been assessed a capitalization amount for fiscal years 2020 and 2019.

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 8—RISK MANAGEMENT (continued)

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, 2020 and 2019

NOTE 8—RISK MANAGEMENT (continued)

The claims asset (liability) of \$1,722,221 and \$1,280,229 reported at June 30, 2020 and 2019 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
2020	\$ 1,280,229	\$ 3,349,262	\$ (2,907,270)	\$ 1,722,221
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, 2020 and 2019

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 \$5,000 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 that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends, or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, 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, 2020 and 2019

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Adoption of New Accounting Pronouncement

On May 28, 2014, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU and all subsequently issued clarifying ASUs supersedes the revenue recognition requirements and most industry-specific guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance also includes a cohesive set of disclosure requirements that will provide users of the financial statements with comprehensive information about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

REF adopted the requirements of the new guidance as of July 1, 2019, using the modified retrospective method of transition. In applying the new guidance, REF elected to use the practical expedient that allows the guidance to be applied only to contracts that were not complete as of January 1, 2019.

The majority of REF's revenue is recognized over time based on the transfer of control. Revenue recognized over time primarily consists of performance obligations that are satisfied within one year or less. In addition, the majority of REF's contracts do not contain variable consideration and contract modifications are generally minimal.

The adoption of the new guidance did not have a significant impact on REF's financial statements. The majority of REF's revenue arrangements generally consist of a single performance obligation to transfer promised goods or services. Based on REF's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new guidance.

Also, on June 21, 2018, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU provides a more robust framework for evaluating whether transactions such as grants and similar contracts with government agencies and others should be accounted for as exchange transactions or contributions. The ASU also assists entities in determining whether a contribution is conditional. The Foundation and REF adopted the requirements of the ASU as of July 1, 2019. The changes in the ASU have been applied on a modified prospective basis, that is, the changes have been applied to agreements that are either not completed as of July 1, 2019 or entered into after that date.

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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following program services and supporting activities are included in the accompanying 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.

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

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

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

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

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

Estimates

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

Date of Management's Review

Management has evaluated subsequent events through October 15, 2020, the date which the consolidated financial statements were available to be issued.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

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, 2020 and 2019 total approximately \$55,000 and \$200,000.

NOTE C—PROMISES TO GIVE

Unconditional promises to give at June 30, 2020 and 2019 are as follows:

	2020	2019
Receivable in less than one year	\$ 61,140	\$ 96,751
Receivable in one to five years	7,000	14,000
Unconditional promises to give	\$ 68,140	\$ 110,751

NOTE D—INVESTMENTS

Investments at June 30, 2020 and 2019 are comprised of the following:

	2020	2019
Money market fund	\$ 22,970	\$ 12,542
U.S. government and agency obligations	1,161,238	1,255,398
Mutual funds	3,152,759	2,947,608
Investments	\$ 4,336,967	\$ 4,215,548

Investments at June 30, 2020 and 2019 include \$3,676,149 and \$3,684,124 of investments held for endowment purposes.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

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	\$ 22,970	\$ 22,970	\$ -
U.S. government and agency obligations	1,161,238	-	1,161,238
Mutual funds	3,152,759	3,152,759	-
June 30, 2020	<u>\$ 4,336,967</u>	<u>\$ 3,175,729</u>	<u>\$ 1,161,238</u>
Money market fund	\$ 12,542	\$ 12,542	\$ -
U.S. government and agency obligations	1,255,398	-	1,255,398
Mutual funds	2,947,608	2,947,608	-
June 30, 2019	<u>\$ 4,215,548</u>	<u>\$ 2,960,150</u>	<u>\$ 1,255,398</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, 2020 and 2019

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE F—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2020	2019
Land	\$ 80,000	\$ 80,000
Construction in progress	803,186	128,009
Buildings and improvements	3,112,466	3,517,442
Equipment	54,046	54,046
Property and equipment	4,049,698	3,779,497
Accumulated depreciation	(870,109)	(766,852)
Property and equipment, net	\$ 3,179,589	\$ 3,012,645

NOTE G—MORTGAGE PAYABLE

The REF has three mortgages payable to a local financial institution in monthly installments of \$9,210, \$2,155, and \$3,279 including interest of 3.85%, 3.85%, and 3.52% through October 25, 2026. The mortgages are secured by the REF's student housing units and assignments of its leases and rents.

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

2021	\$ 91,214
2022	94,730
2023	98,401
2024	1,430,114
2025	19,384
Thereafter	548,855
	\$ 2,282,698

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, 2020 and 2019

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:

	2020	2019
Property and equipment held for leasing (net of accumulated depreciation and related debt)	\$ 898,902	\$ 813,280
Undesignated	308,400	205,391
Net assets without donor restrictions	\$ 1,207,302	\$ 1,018,671

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

	2020	2019
Professional staff development - perpetual	\$ 56,130	\$ 49,215
Special projects and events - perpetual	112,101	110,803
Scholarships - perpetual	3,244,340	3,209,837
Professional staff development - spendable	5,767	7,125
Special projects and events - spendable	350,374	361,497
Scholarships - spendable	791,525	798,053
Net assets with donor restrictions	\$ 4,560,237	\$ 4,536,530

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 funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Foundation has interpreted Wisconsin's enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE J—ENDOWMENT FUNDS (continued)

expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by Wisconsin's enacted version of UPMIFA. In accordance with Wisconsin's enacted version of UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

To achieve its objectives, the Foundation has adopted an investment policy that attempts to maximize total return consistent with an acceptable level of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution, while growing the fund if possible. The Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Investment risk is measured in terms of the total endowment fund. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk. Asset classes may include common and preferred stocks, closed-end and open-end mutual funds, real estate investment trusts, American Depository 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>2020</u>	<u>2019</u>
Donor-restricted endowment funds:		
Original donor-restricted gift amount	\$ 2,797,366	\$ 2,737,208
Accumulated investment gains	<u>878,783</u>	<u>946,916</u>
Total funds	<u>\$ 3,676,149</u>	<u>\$ 3,684,124</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE J—ENDOWMENT FUNDS (continued)

The composition of and changes in donor-restricted endowment net assets as of and for the years ended June 30, 2020 and 2019 are as follows:

	<u>6/30/2019</u>	<u>6/30/2020</u>
Endowment net assets - beginning	\$ 3,017,756	\$ 3,684,124
Investment return, net	159,080	84,842
Contributions	642,790	60,208
Appropriation of endowment assets for expenditure	<u>(135,502)</u>	<u>(153,025)</u>
Endowment net assets - ending	<u>\$ 3,684,124</u>	<u>\$ 3,676,149</u>

NOTE K—RELATED PARTY TRANSACTIONS

The Foundation and the REF have an agreement with the College for services and facilities. The College employed all of the Foundation and REF's employees. During the years ended June 30, 2020 and 2019, the Foundation recorded donated services of \$277,560 and \$270,664, and the REF recorded donated services of \$49,820 and \$48,183 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, 2020 and 2019, the Foundation paid \$234,423 and \$378,645 and the REF paid \$102,938 and \$44,304 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, 2020 and 2019, the Foundation disbursed \$1,171,674 and \$539,797.

NOTE L—LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation's financial assets as of the date of the consolidated statement of financial position of 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the consolidated statement of financial position date because of donor imposed restrictions:

	<u>2020</u>	<u>2019</u>
Financial assets, at year end	\$ 4,883,800	\$ 4,850,139
Less those unavailable for general expenditures within one year due to:		
Restricted by donor with time or purpose restrictions	884,088	852,406
Restricted for endowment purposes	<u>3,676,149</u>	<u>3,684,124</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 323,563</u>	<u>\$ 313,609</u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO THE FINANCIAL STATEMENTS
As of and for the Years Ended June 30, 2020 and 2019

NOTE 9—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE M—SUBSEQUENT EVENTS

The Foundation and REF's operations may be affected by the recent and ongoing COVID-19 outbreak that was declared a pandemic by the World Health Organization in March 2020. The ultimate disruption and effect on the Foundation and REF is uncertain; however, it may result in a material adverse impact on the Foundation and REF's financial position, activities, and cash flows. Possible effects may include, but are not limited to, disruption to the Foundation and REF's donors and revenues, absenteeism in the Foundation and REF's workforce, unavailability of supplies used in the Foundation and REF's programs, and a decline in value of assets held by the Foundation and REF.

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%
12/31/2019	0.077373%	(2,494,865)	12,228,545	-20.40%	102.96%

*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%
6/30/2020	800,839	800,839	-	12,453,569	6.43%

*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*

	2019	2018	2017
Total OPEB Liability			
Service cost	\$ 4,761	\$ 93,739	\$ 93,739
Interest	157,909	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	46,962	(185,079)	-
Benefit payments	(526,073)	(261,530)	(781,544)
Net Change in OPEB Liability	(316,441)	(2,072,391)	(454,883)
Total OPEB liability at beginning	4,471,553	6,543,944	6,998,827
Total OPEB liability at ending	\$ 4,155,112	\$ 4,471,553	\$ 6,543,944
Covered payroll	11,191,670	11,191,670	2,561,028
OPEB liability as a percentage of covered payroll	37.13%	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, 2020

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. No significant change in assumptions were noted from the prior year.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2020

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, 2019
Reporting Date:	June 30, 2020
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:	3.50% based upon all years of projected payments discounted at a municipal bond rate of 3.50%
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, 2020 with Comparative Totals for the Year Ended 2019

	2020		Actual on a Budgetary Basis	Variance with Final Budget	2019 Actual (Budgetary Basis)
	Original Budget	Final Budget			
REVENUES					
Local government - tax levy	\$ 5,343,000	\$ 5,343,000	\$ 5,305,000	\$ (38,000)	\$ 5,416,844
Intergovernmental revenue					
State	10,451,100	10,451,100	10,762,965	311,865	10,014,879
Federal	647,200	647,200	799,525	152,325	715,192
Tuition and fees					
Statutory program fees	4,551,400	4,551,400	4,498,373	(53,027)	4,441,995
Materials fees	291,000	291,000	282,343	(8,657)	289,212
Other student fees	567,700	567,700	522,807	(44,893)	575,649
Institutional	1,654,600	1,654,600	1,775,918	121,318	2,145,015
Total revenues	23,506,000	23,506,000	23,946,931	440,931	23,598,786
EXPENDITURES					
Current:					
Instruction	14,907,000	14,907,000	13,974,073	932,927	15,020,315
Instructional resources	173,000	173,000	126,998	46,002	149,622
Student services	1,999,000	1,999,000	2,043,777	(44,777)	2,162,174
General institutional	4,994,000	4,994,000	4,987,213	6,787	4,868,969
Physical plant	2,092,000	2,092,000	1,878,757	213,243	2,023,329
Total expenditures	24,165,000	24,165,000	23,010,818	1,154,182	24,224,409
Excess (deficiency) of revenues over (under) expenditures	(659,000)	(659,000)	936,113	1,595,113	(625,623)
OTHER FINANCING SOURCES (USES)					
Transfers in	310,000	310,000	218,244	(91,756)	172,292
Transfers out	(45,000)	(45,000)	(48,044)	(3,044)	(44,436)
Total other financing sources (uses)	265,000	265,000	170,200	(94,800)	127,856
Net change in fund balance	(394,000)	(394,000)	1,106,313	1,500,313	(497,767)
Fund balance at beginning of year	8,528,904	8,528,904	8,931,137	402,233	9,428,904
Fund balance at end of year	\$ 8,134,904	\$ 8,134,904	\$ 10,037,450	\$ 1,902,546	\$ 8,931,137
FUND BALANCE					
Nonspendable - prepaid expenses			371,991		
Assigned for state aid fluctuations			200,000		
Assigned for post employment benefits			4,882,846		
Unassigned			4,582,613		
Total fund balance			\$ 10,037,450		

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, 2020 with Comparative Totals for the Year Ended 2019

	2020			Variance with Final Budget	2019 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
REVENUES					
Intergovernmental revenue					
State	\$ 600,000	\$ 600,000	\$ 520,445	\$ (79,555)	\$ 548,676
Federal	6,910,000	6,910,000	5,287,211	(1,622,789)	5,129,130
Student fees	260,000	260,000	267,324	7,324	263,576
Institutional	250,000	250,000	165,779	(84,221)	189,739
Total revenues	8,020,000	8,020,000	6,240,759	(1,779,241)	6,131,121
EXPENDITURES					
Current:					
Instruction	-	-	-	-	-
Student services	8,075,000	8,075,000	6,267,783	1,807,217	6,117,342
Total expenditures	8,075,000	8,075,000	6,267,783	1,807,217	6,117,342
Excess (deficiency) of revenues over (under) expenditures	(55,000)	(55,000)	(27,024)	27,976	13,779
OTHER FINANCING SOURCES					
Transfers in	45,000	45,000	48,044	3,044	44,436
Net change in fund balance	(10,000)	(10,000)	21,020	31,020	58,215
Fund balance at beginning of year	378,017	378,017	460,232	82,215	402,017
Fund balance at end of year	\$ 368,017	\$ 368,017	\$ 481,252	\$ 113,235	\$ 460,232

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, 2020 with Comparative Totals for the Year Ended 2019

	2020			Variance with Final Budget	2019 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
REVENUES					
Institutional	\$ 20,000	\$ 50,000	\$ 31,612	\$ (18,388)	\$ 81,849
EXPENDITURES					
Current:					
Instruction	599,000	885,000	584,841	300,159	728,336
Instructional resources	50,000	75,000	56,429	18,571	29,526
General institutional	2,512,000	1,100,000	418,263	681,737	1,092,640
Physical plant	1,939,000	1,715,000	2,246,556	(531,556)	1,594,635
Total expenditures	<u>5,100,000</u>	<u>3,775,000</u>	<u>3,306,089</u>	<u>468,911</u>	<u>3,445,137</u>
Excess (deficiency) of revenues over (under) expenditures	(5,080,000)	(3,725,000)	(3,274,477)	450,523	(3,363,288)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	4,000,000	4,000,000	4,000,000	-	4,000,000
Transfers out	<u>(310,000)</u>	<u>(100,000)</u>	<u>(218,244)</u>	<u>(118,244)</u>	<u>(172,292)</u>
Total other financing sources (uses)	<u>3,690,000</u>	<u>3,900,000</u>	<u>3,781,756</u>	<u>(118,244)</u>	<u>3,827,708</u>
Net change in fund balance	(1,390,000)	175,000	507,279	332,279	464,420
Fund balance at beginning of year	<u>1,485,264</u>	<u>1,485,264</u>	<u>1,362,684</u>	<u>(122,580)</u>	<u>898,264</u>
Fund balance at end of year	<u>\$ 95,264</u>	<u>\$ 1,660,264</u>	<u>\$ 1,869,963</u>	<u>\$ 209,699</u>	<u>\$ 1,362,684</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, 2020 with Comparative Totals for the Year Ended 2019

	2020				2019 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
REVENUES					
Local government - tax levy	\$ 5,345,000	\$ 5,345,000	\$ 5,345,000	\$ -	\$ 5,345,000
Intergovernmental revenue					
Federal	-	-	-	-	298,603
State	20,000	20,000	20,283	283	20,530
Institutional	60,000	60,000	42,520	(17,480)	43,804
Total revenues	5,425,000	5,425,000	5,407,803	(17,197)	5,707,937
EXPENDITURES					
Debt service	5,724,600	5,724,600	4,805,713	918,887	13,865,022
Total expenditures	5,724,600	5,724,600	4,805,713	918,887	13,865,022
Excess (deficiency) of revenues over (under) expenditures	(299,600)	(299,600)	602,090	901,690	(8,157,085)
OTHER FINANCING SOURCES (USES)					
Refunding debt issued	-	-	-	-	7,775,000
Premium on issuance of debt	-	-	199,744	199,744	572,411
Transfers out	(299,600)	(299,600)	-	299,600	-
Total other financing sources (uses)	(299,600)	(299,600)	199,744	499,344	8,347,411
Net change in fund balance	(599,200)	(599,200)	801,834	1,401,034	190,326
Fund balance at beginning of year	1,407,409	1,407,409	1,597,735	190,326	1,407,409
Fund balance at end of year	\$ 808,209	\$ 808,209	\$ 2,399,569	\$ 1,591,360	\$ 1,597,735

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, 2020 with Comparative Totals for the Year Ended 2019

	2020			Variance with Final Budget	2019 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
OPERATING REVENUES					
Intergovernmental revenue					
Federal	\$ -	\$ -	\$ 5,009	\$ 5,009	\$ -
Institutional	1,768,000	1,768,000	1,450,747	(317,253)	1,534,927
OPERATING EXPENSES					
Auxiliary services	1,636,000	1,636,000	1,571,105	64,895	1,273,412
Excess (deficiency) of operating revenues over (under) operating expenses	132,000	132,000	(115,349)	(247,349)	261,515
NON-OPERATING EXPENSES					
Transfers out	(400,000)	(400,000)	-	400,000	-
Net change in net position	(268,000)	(268,000)	(115,349)	152,651	261,515
Net Position at beginning of year	3,664,176	3,664,176	3,823,691	159,515	3,562,176
Net Position at end of year	<u>\$ 3,396,176</u>	<u>\$ 3,396,176</u>	<u>\$ 3,708,342</u>	<u>\$ 312,166</u>	<u>\$ 3,823,691</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, 2020 with Comparative Totals for the Year Ended 2019

	2020				2019 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
OPERATING REVENUES					
Institutional	\$ 4,427,000	\$ 4,427,000	\$ 3,674,390	\$ (752,610)	\$ 3,833,084
OPERATING EXPENSES					
Auxiliary services	4,427,000	4,427,000	3,443,400	983,600	3,639,408
Excess (deficiency) of revenues over (under) expenditures	-	-	230,990	230,990	193,676
Net change in net position	-	-	230,990	230,990	193,676
Net Position at beginning of year	1,155,711	1,155,711	1,499,387	343,676	1,305,711
Net Position at end of year	\$ 1,155,711	\$ 1,155,711	\$ 1,730,377	\$ 574,666	\$ 1,499,387

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, 2020

	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	\$ 5,305,000	\$ -	\$ -	\$ 5,345,000	\$ -	\$ -	\$ 10,650,000	\$ -	\$ 10,650,000
Intergovernmental revenue									
State	10,762,965	520,445	-	20,283	-	-	11,303,693	-	11,303,693
Federal	799,525	5,287,211	-	-	5,009	-	6,091,745	(2,312,309)	3,779,436
Tuition and fees									
Statutory program fees	4,498,373	-	-	-	-	-	4,498,373	-	4,498,373
Materials fees	282,343	-	-	-	-	-	282,343	-	282,343
Other student fees	522,807	267,324	-	-	-	-	790,131	-	790,131
Institutional	1,775,918	165,779	31,612	42,520	1,450,747	3,674,390	7,140,966	(3,758,459)	3,382,507
Total revenues	23,946,931	6,240,759	31,612	5,407,803	1,455,756	3,674,390	40,757,251	(6,070,768)	34,686,483
EXPENDITURES									
Current:									
Instruction	13,974,073	-	584,841	-	-	-	14,558,914	1,050,578	15,609,492
Instructional resources	126,998	-	56,429	-	-	-	183,427	(56,429)	126,998
Student services	2,043,777	6,267,783	-	-	-	-	8,311,560	(5,880,342)	2,431,218
General institutional	4,987,213	-	418,263	-	-	-	5,405,476	(418,263)	4,987,213
Physical plant	1,878,757	-	2,246,556	-	-	-	4,125,313	(3,124,635)	1,000,678
Auxiliary services	-	-	-	-	1,571,105	3,443,400	5,014,505	(3,678,766)	1,335,739
Depreciation	-	-	-	-	-	-	-	3,014,303	3,014,303
Student aid	-	-	-	-	-	-	-	3,483,964	3,483,964
Debt service:									
Principal	-	-	-	3,920,000	-	-	3,920,000	(3,920,000)	-
Interest	-	-	-	885,713	-	-	885,713	(133,198)	752,515
Total expenditures	23,010,818	6,267,783	3,306,089	4,805,713	1,571,105	3,443,400	42,404,908	(9,662,788)	32,742,120
Excess (deficiency) of revenues over (under) expenditures	936,113	(27,024)	(3,274,477)	602,090	(115,349)	230,990	(1,647,657)	3,592,020	1,944,363
OTHER FINANCING SOURCES (USES)									
Long-term debt issued	-	-	4,000,000	-	-	-	4,000,000	(4,000,000)	-
Premium on issuance of debt	-	-	-	199,744	-	-	199,744	(199,744)	-
Transfers in	218,244	48,044	-	-	-	-	266,288	(266,288)	-
Transfer out	(48,044)	-	(218,244)	-	-	-	(266,288)	266,288	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	(40,743)	(40,743)
Total other financing sources (uses)	170,200	48,044	3,781,756	199,744	-	-	4,199,744	(4,240,487)	(40,743)
Net change in fund balance/net position	1,106,313	21,020	507,279	801,834	(115,349)	230,990	2,552,087	(648,467)	1,903,620
Fund balance/Net Position at beginning 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
Fund balance/Net Position at end of year	\$ 10,037,450	\$ 481,252	\$ 1,869,963	\$ 2,399,569	\$ 3,708,342	\$ 1,730,377	\$ 20,226,953	\$ 14,641,749	\$ 34,868,702

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, 2020

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

Operating	\$ 2,556,219
Non-operating	8,747,474
	<u>\$ 11,303,693</u>

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

Non-governmental grants and contracts	\$ 1,712,148
Auxiliary enterprises	1,450,747
Investment income	219,612
	<u>\$ 3,382,507</u>

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

Budgetary basis fund balance	\$ 20,226,953
Capital assets capitalized - at cost	86,796,021
Accumulated depreciation on capital assets	(40,415,122)
Net pension asset and deferred items	385,615
General obligation notes payable	(25,115,000)
Unamortized debt premium	(826,683)
Net other postemployment benefits and deferred items - health insurance	(6,309,560)
Accrued interest on notes payable	(34,629)
Encumbrances outstanding at year end	161,107
	<u>\$ 34,868,702</u>