

**AUDIT REPORT
OF
SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
FENNIMORE, WISCONSIN**

JUNE 30, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Southwest Wisconsin Technical College (SWTC) Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of financial activity, identifies changes in financial positions, and assists the reader of these financial statements in focusing on noteworthy financial issues.

Southwest Wisconsin Technical College is committed to excellence in education. Through partnerships in our evolving communities, we challenge and assist individuals to attain

- Employment skills
- Personal enrichment
- Commitment to lifelong learning

The financial resources of the College are applied to activities that support meeting the goals of the College's mission. The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

This annual report consists of a series of financial statements, prepared in accordance with generally accepted accounting principles, as stated in the Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, and Statement 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public College and Universities.

Financial Highlights for the Fiscal Year Ending June 30, 2006

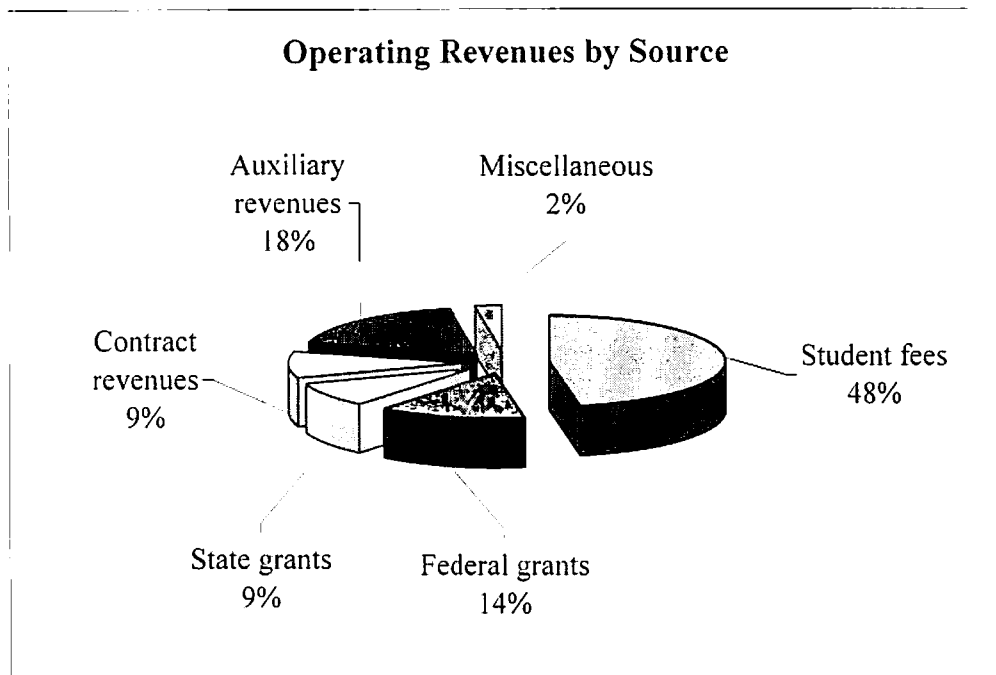
- Received 35 federal, state, or local grants totaling \$1.86 million.
- Updated official statement for borrowing and maintained Moody's "A-1" rating.
- Borrowed \$2,000,000 at a 3.1 percent interest rate
- Continued participation in the start-up of Districts Mutual Insurance (DMI), the insurance company formed by the colleges in the Wisconsin Technical College System.
- Expanded purchase card activity to 22 percent of non-wage disbursements which represents a 39 percent reduction in Accounts Payable checks.
- Increased the use of payroll direct deposit bringing total usage to more than 75 percent.
- Disbursed student financial aid totaling nearly \$1,200,000 in grants, \$1,900,000 in loans, and \$63,000 in college work study earnings.

Statement of Revenues, Expenses, and Changes in Net Assets

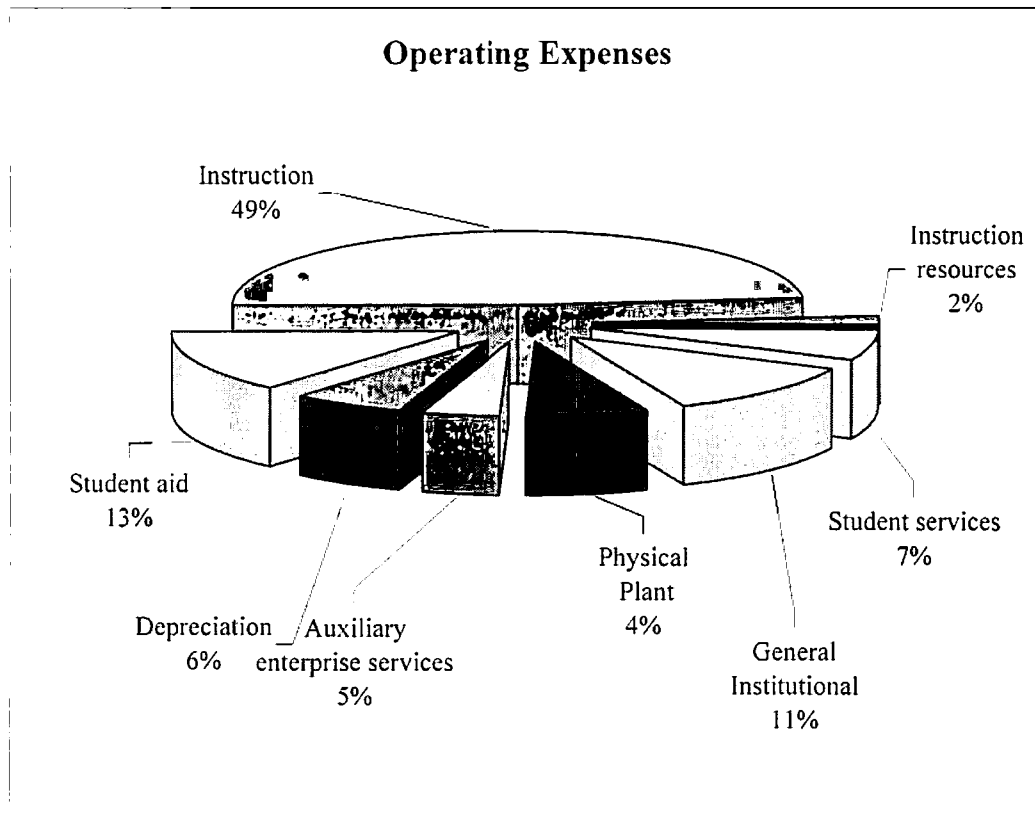
The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. In general, a public college such as SWTC will report an operating deficit or loss, as the financial reporting model classifies state appropriations and property taxes as non-operating revenues. The utilization of capital assets is reflected in the financial statements as depreciation which amortizes the cost of an asset over its expected useful life.

Some of the most noteworthy results of operations for the current year are reflected below:

- Operating revenues are the charges for services offered by the College. During 2006, the College generated approximately \$7.3 million of operating revenue for the offering of services. Significant items and revenue sources are as follows:
 - ✓ Tuition and fee income was flat in fiscal 2005-06. Although tuition rates increased approximately 6.0%, FTEs were down slightly. Total revenue from program, material, and other student fees exceeded \$3.4 million.
 - ✓ Nearly \$1.7 million in operating revenue from state and federal grants was earned by the College during the year. This figure is indicative of the continued efforts of the College to seek out new sources of revenue.
 - ✓ Contract revenues were approximately \$686 thousand for the year and represent revenue from instructional and technical assistance contracts with business and industry, local school districts, and the Department of Corrections.
 - ✓ Auxiliary enterprise revenues include revenues generated by the bookstore, parts store, child care center, salon services, and other similar activities of the College. Revenues of over \$1.3 million were generated by these activities this year.
 - ✓ The graph below depicts the College's operating revenues by source.



- Operating expenses are costs related to the program offerings of the College. During 2005, operating expenses totaled slightly more than \$25.0 million. The majority of the College's expenses, about 59%, are for personnel related costs. Current expense accounts for an additional 23%, while auxiliary services and other expenses account for the remaining 18% of total operating expenses. The graph below categorizes operating expenses by function.



- Non-operating revenues and expenses are items not directly related to providing instruction. Net non-operating revenues for the year ended June 30, 2006 were approximately \$17.6 million. The most significant components of net non-operating revenues include the following:
 - ✓ Property taxes levied by the College for the year were approximately \$11.0 million.
 - ✓ A decrease in state and federal appropriations of approximately \$300,000 combined with an increase in interest income of \$200,000, resulted in net non-operating revenue exceeding \$17.6 million.
- Net assets for 2006 decreased by \$160,135 as a result of the above activity.

Statement of Net Assets

The Statement of Net Assets includes all assets (items that the College owns and amounts owed to the College by others) and liabilities (what the College owes to others and what has been collected from others before we have provided the services). This statement is prepared under 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 us – regardless of when cash is exchanged.

Below are highlights of the components of the Statement of Net Assets:

	2006	Restated 2005	Increase or (Decrease)	
			\$	%
ASSETS				
Cash and Cash equivalents	\$ 6,019,746	\$ 5,593,887	\$ 425,859	7.6
Net capital assets	12,048,125	12,402,871	(354,746)	(2.9)
Other assets	5,721,353	5,491,957	229,396	4.2
Total Assets	<u>23,789,224</u>	<u>23,488,715</u>	<u>300,509</u>	<u>1.3</u>
LIABILITIES				
Current Liabilities	4,363,782	4,201,907	161,875	3.9
Long-term Liabilities 7,250,719	<u>7,250,719</u>	<u>6,951,950</u>	<u>298,769</u>	<u>4.3</u>
Total Liabilities	<u>11,614,501</u>	<u>11,153,857</u>	<u>460,644</u>	<u>4.1</u>
NET ASSETS				
Invested in capital assets, net of related debt	8,307,448	7,850,294	457,154	5.8
Restricted for debt service	118,235	812	117,423	14461.0
Restricted for student financial aid	14,998	14,998	0	
Unrestricted	3,734,042	4,468,754	(734,712)	(16.4)
Total Net Assets	<u>12,174,723</u>	<u>12,334,858</u>	<u>(160,135)</u>	<u>(1.3)</u>

A more detailed analysis would reveal the following facts:

- As shown above, the largest component of the College's assets is capital assets. Total cost of capital assets less accumulated depreciation at June 30, 2006 resulted in a net capital asset of \$12.0 million.
- The other assets category is primarily made up of various receivable balances, the largest being property taxes receivable of over \$3.7 million.
- Current liabilities include accounts payable, various types of accruals, and the portion of long-term debt due within the next fiscal year. At year end, the current portion of the College's long-term debt was \$2.1 million.
- Long-term liabilities of \$7.2 million represent the portion of long-term debt and post retirement benefits due after fiscal year 2006-07.

Capital Asset and Debt Administration

The College's investment in capital assets as of June 30, 2006 amounts to \$12,048,125 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, and moveable equipment. Additional information on the College's capital assets can be found in Note 3 on pages 23 & 24.

At the end of the current fiscal year, the College had total general obligation debt outstanding of \$6,080,000. The College continues to maintain a Moody's Investors Service "A1" rating on its current and outstanding long-term debt. Debt service requirements are current and secured by the taxing authority to levy for principal and interest expense. All general obligation debt for equipment is repaid in five years, while debt related to building and major remodeling is repaid in 10 years. The current debt adequately replaces and expands the equipment and facility needs of the College. Additional information on the College's long-term debt can be found in Note 4 on pages 24-27.

Financial Position

Moody's Investors Service "A1" rating reflects the district's solid financial operations, supported by health reserves; limited, yet growing tax base; and average debt burden, which is mostly attributable to underlying entities.

"...believes the district's financial position will remain solid due to expected tax base and enrollment growth and healthy reserves."

"While recent residential and commercial developments have contributed to the increase in the district's tax base, officials note that the reduction in the district's agricultural valuation has slowed some of this tax base growth. The percentage of valuation in agriculture for the Southwest Wisconsin District is ten times the state average; thus, any change in agriculture value has a much larger impact on the district's overall valuation. Going forward, the district will need to rely more heavily on increases in assessed valuations on residential and commercial property."

"...expects the district's average debt burden, 3.5%, to remain manageable due to expected tax base growth and limited future borrowing needs."

"Payout is rapid, with 100.0% of principal retired in ten years."

Economic Factors

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

- The College has had moderate growth in FTE's of approximately 5.5% percent since 2001-02 (4 years ago).
- The College has 4 collaborative programs, Clinical Laboratory Technician, Pharmacy Technician, Radiography, and Respiratory Care Practitioner, with other technical colleges that provide options for students to fulfill program requirements locally and finish with minimal time elsewhere.
- Unique programs such as Golf Course Management and online programs/courses draw students from outside of the district and state.
- SWTC is 1 of 2 colleges in the state technical college system that provide student housing on campus. This benefits students that decide not to commute or reside further than reasonable daily travel distances.
- The level of our fund balances affords us time and flexibility to adjust to changing conditions.
- Capital financing through debt service allows us to keep pace with current technology.
- A higher than average percentage of revenue is gained through grant opportunities.

Southwest Wisconsin Technical College faces challenges among which are:

- 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 budget growth must be covered by tax revenue.
- Cost of operations continues to increase (wages, benefits, insurance, utilities, etc.).
- Percentage of revenue from state aid expected to decrease.

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



Engelton & Associates, Ltd.

Certified Public Accountants and Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Southwest Wisconsin Technical College District
Fennimore, Wisconsin

We have audited the financial statements of Southwest Wisconsin Technical College District as of and for the years ended June 30, 2006 and 2005 as identified in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Wisconsin Technical College District as of June 30, 2006 and 2005, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2006 on our consideration of Southwest Wisconsin Technical College District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) on pages 1 to 7 preceding this report and the budgetary comparison information on pages 33 through 39 are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on Southwest Wisconsin Technical College District's basic financial statements. The schedules on pages 40 to 42 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, State Single Audit Guidelines for Programs from the Wisconsin Technical College System Board and Higher Education Aids Board, and is also not a required part of the basic financial statements of Southwest Wisconsin Technical College District. The supplemental schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Engelson and Associates, Ltd

La Crosse, Wisconsin

August 31, 2006, except for Note 1 M, as
to which the date is November 6, 2006

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
STATEMENTS OF NET ASSETS
JUNE 30, 2006 and 2005

Assets	2006	Restated 2005
Current assets		
Cash and cash equivalents	\$ 3,407,651	\$ 4,105,805
Taxes receivable	3,794,544	3,677,535
Accounts receivable	592,498	541,856
Student accounts receivable	489,692	540,490
Interest receivable	25,507	-
Due from other governments	247,177	325,824
Inventory and prepaid expenses	571,935	406,252
Total current assets	9,129,004	9,597,762
Capital assets		
Cost of capital assets	23,728,601	22,936,110
Less: Accumulated depreciation	(11,680,476)	(10,533,239)
	12,048,125	12,402,871
Other Non-current assets		
Restricted cash and cash equivalents	2,612,095	1,488,082
Total Assets	\$ 23,789,224	\$ 23,488,715
Liabilities		
Current liabilities		
Accounts payable	\$ 534,661	\$ 310,857
Accrued salaries and related items	634,944	786,266
Accrued vacation	355,275	350,342
Deferred revenue	529,724	514,720
Accrued self-insurance	194,251	210,732
Accrued interest	14,677	12,690
Current portion of long-term obligations	2,100,250	2,016,300
Total current liabilities	4,363,782	4,201,907
Long-Term Obligations		
Accrued retiree health insurance premiums	3,125,719	2,571,950
General obligation notes payable and capital lease	4,125,000	4,380,000
Total long-term obligations	7,250,719	6,951,950
Total Liabilities	11,614,501	11,153,857
Net Assets		
Invested in capital assets, net of related debt	8,307,448	7,850,294
Restricted for:		
Debt service	118,235	812
Student financial assistance	14,998	14,998
Unrestricted	3,734,042	4,468,754
Total Net Assets	\$ 12,174,723	\$ 12,334,858

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2006 and 2005

	2006	Restated 2005
Operating revenues		
Student program fees, net of scholarship allowances of \$26,896 & \$34,404	\$ 2,870,562	\$ 2,886,034
Student material fees, net of scholarship allowances of \$2,272 & \$3,171	242,526	266,025
Other student fees, net of scholarship allowances of \$3,239 & \$ 3,658	345,723	306,858
Federal grants	1,001,910	1,099,454
State grants	639,746	625,531
Business and industry contract revenue	602,023	617,609
School District contract revenue	84,644	144,211
Auxiliary enterprise revenues	1,342,800	1,226,385
Miscellaneous	174,972	145,823
Total operating revenues	<u>7,304,906</u>	<u>7,317,930</u>
Operating expenses		
Instructional	12,105,580	12,209,018
Instructional resources	545,526	512,683
Student services	1,682,017	1,499,426
General institutional	2,885,750	3,312,526
Physical Plant	1,732,274	638,370
Auxiliary enterprise services	1,175,002	1,067,402
Depreciation	1,602,970	1,680,318
Student aid	3,388,149	3,400,592
Total operating expenses	<u>25,117,268</u>	<u>24,320,335</u>
Operating loss	(17,812,362)	(17,002,405)
Non-operating revenues (expenses)		
Property taxes	11,036,434	10,497,541
Other grants	3,064,790	3,070,677
State appropriations	3,423,731	3,757,132
Investment income earned	352,836	152,763
Interest expense	(225,564)	(220,659)
Total non-operating revenues	<u>17,652,227</u>	<u>17,257,454</u>
Increase (decrease) in net assets	<u>(160,135)</u>	<u>255,049</u>
Net assets - beginning of the year as previously reported (See Note 12)	-	12,698,951
Prior period adjustment	-	(619,142)
Net assets - beginning of the year restated	<u>12,334,858</u>	<u>12,079,809</u>
Net assets - end of year	<u>\$ 12,174,723</u>	<u>\$ 12,334,858</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2006 and 2005

	2006	Restated 2005
Cash flows from operating activities		
Tuition and fees received	\$ 3,509,609	\$ 3,382,625
Federal and state grants received	1,720,303	1,803,531
Business, industry and school contract revenues received	686,667	761,820
Payments to employees	(11,080,329)	(10,348,102)
Payments to suppliers	(12,044,093)	(11,217,756)
Auxiliary enterprise revenues received	1,342,800	1,226,385
Other receipts	126,921	99,041
Net cash used in operating activities	<u>(15,738,122)</u>	<u>(14,292,456)</u>
Cash flows from noncapital financing activities		
Local property taxes received	10,919,425	10,410,505
Federal and state appropriations received	6,488,521	6,827,809
Net cash provided by noncapital financing activities	<u>17,407,946</u>	<u>17,238,314</u>
Cash flows from capital and related financing activities		
Net purchases of capital assets	(1,248,224)	(1,943,312)
Proceeds from issuance of capital debt	2,000,000	2,250,000
Principal paid on capital debt	(2,125,000)	(2,125,000)
Interest paid on capital debt	(223,577)	(221,167)
Net cash used in capital and related financing activities	<u>(1,596,801)</u>	<u>(2,039,479)</u>
Cash flows from investing activities		
Investment income received	<u>352,836</u>	<u>152,763</u>
Net increase in cash and cash equivalents	425,859	1,059,142
Cash and cash equivalents at beginning of year	<u>5,593,887</u>	<u>4,534,745</u>
Cash and cash equivalents at end of year	<u>\$ 6,019,746</u>	<u>\$ 5,593,887</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet.		
Current cash and cash equivalents	\$ 3,407,651	\$ 4,105,805
Restricted cash	2,612,095	1,488,082
	<u>\$ 6,019,746</u>	<u>\$ 5,593,887</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
STATEMENT OF CASH FLOWS-CONTINUED
FOR THE YEARS ENDED JUNE 30, 2006 and 2005

	2006	Restated 2005
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	\$ (17,812,362)	\$ (17,002,405)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	1,602,970	1,680,318
Changes in assets and liabilities:		
Accounts receivable	(50,642)	164,289
Student accounts receivable	50,798	110,721
Interest receivable	(25,507)	-
Federal and state aid receivable	78,647	(32,175)
Inventories	(94,988)	(102,315)
Prepaid items	(70,695)	21,505
Accounts payable	223,804	(326,607)
Accrued payroll	(151,322)	182,840
Accrued vacation	4,933	112,620
Deferred program and material fees	15,004	(8,658)
Accrued self insurance	(16,481)	23,465
Accrued retiree health insurance	507,719	883,946
	\$ (15,738,122)	\$ (14,292,456)
Net cash used in operating activities	\$ (15,738,122)	\$ (14,292,456)

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the District's significant accounting policies consistently applied in the presentation of the accompanying financial statements follows.

A. Reporting Entity

Southwest Wisconsin Technical College District ("District") operates a post secondary education school.

The reporting entity for the District is based upon criteria set forth by the Governmental Accounting Standards Board. All functions of the District for which it exercises oversight responsibility are included. The oversight responsibility includes but is not limited to, financial interdependency between the District and the governmental entity; control by the District over selection of the entity's governing authority or designation of management; the ability of the District to significantly influence operations of the entity; and whether the District is responsible for the accountability for fiscal matters.

The District is affiliated with SWTC Foundation, Inc. (Foundation), a not-for-profit corporation whose purpose is to solicit, hold, manage, invest and expend endowment funds and other gifts, grants, and bequests exclusively for the maintenance and benefit of the District. The Foundation is managed by an independent board of directors. SWTC provides office space, certain equipment and furnishings, most utility services and insurance coverage to the Foundation without charge. The financial resources of the Foundation are not significant to the District as a whole and accordingly, financial information related to the Foundation is not included in these financial statements.

The governing body of the District is the District Board. 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 the District 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 policy and directives.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America (US GAAP) as applicable to public colleges and universities as well as those prescribed by the Wisconsin Technical College System Board (WTCSB). The District reports are based on all applicable Government Accounting Standards Board (GASB) pronouncements as well as applicable Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. When applicable, certain prior year amounts have been reclassified to conform to current year presentation. The following is a summary of the more significant policies.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

B. Basis of Accounting and Financial Statement Presentation

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

C. Budgetary Data

The District'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. The District 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. Also, the budget does not incorporate changes related to GASB Statements Nos. 34, 35, 37 and 38 as listed previously in Note 1.

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.

D. Use of Estimates

In preparing basic financial statements in conformity with US GAAP, the District is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

E. Cash and Cash Equivalents

Cash includes amounts in petty cash, demand deposits and other short-term interest bearing deposits.

For purposes of the statements of cash flows, cash on hand, demand deposits with financial institutions, investments in the Local Government Investment Pool, and other short-term investments with maturity dates of less than ninety days from when purchased are considered cash equivalents.

F. Investments

Investments are stated at cost or amortized cost which approximates fair value.

G. Inventories

Inventories of books, supplies and food reflected in the proprietary fund types are stated at the lower of cost or market; cost is determined using the first-in, first-out method. Instructional and administrative inventories are expensed as incurred, with the exception in the current year of construction materials of \$128,017 used to build a house by carpentry students. These costs are included in inventory at June 30, 2006. This house was sold subsequent to year end.

H. Capital Assets

Capital fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value at the time of receipt.

The costs of maintenance and repairs are charged to operations as incurred. Equipment assets having a cost of \$1,000 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 service lives, which range from four to ten years for equipment and are fifty years for buildings and remodeling.

I. 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 the District for the purposes of making capital improvements, acquiring equipment and 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 the District.

The District levied the operational tax levy at 1.3879 mills for 2005-2006 and a debt service mill rate of .3981.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Property Tax and Taxes Receivable, continued

The District 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 the District's tax calendar:

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

Historically, the District 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 the District's year-end.

The District recognizes its property taxes as revenue in the fiscal year for which taxes are levied.

J. Compensated Absences

The District accounts for compensated absences in accordance with the provisions of Statements of the Governmental Accounting Standards Board. The following is a summary of the District's accounting for significant compensated absences:

Vacation – Liabilities for vacation pay are recorded when incurred.

Sick leave - See Note 7.

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

M. Medical/Health/Self-Insurance Fund

The District has established an internal service fund to account for its medical self-insurance program. The purpose of this fund is to pay medical insurance claims of District employees and their covered dependents and to minimize the total costs of annual insurance to the District. The private insurance carrier determines the premium payments to be made by the District. Annual claims are paid from reserves and individual claims in excess of \$65,000 are paid under a reinsurance policy. Estimated claims incurred but not reported of \$194,251 have been recorded as of June 30, 2006.

N. State and Federal Revenues

The District receives funding from various federal and state contracts and grants. Some of these revenues are earned over fiscal periods different than that of the District and are subject to the Federal Single Audit Act and state single audit guidelines.

O. 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. The amount reported as operating revenue and 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.

On July 1, 2002, the District changed procedures related to federal and state student loans. The District now 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. In prior fiscal years, these amounts were credited to the student's account as third party payments as if the student made the payment. Accordingly, the awards were not recorded as student aid.

P. Net Assets

Net assets are classified according to restrictions or availability of assets for satisfaction of District obligations.

Invested in capital assets, net of related debt: This represents the net value of capital assets (land, buildings and equipment) less the debt incurred to acquire or construct the assets plus the borrowed resources not yet expended, but restricted for capital purchases.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

P. Net Assets. Continued

Restricted net assets: Restricted net assets include resources in which the District is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

- Restricted net assets 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 assets for student financial assistance can only be used for student financial assistance activities.

Unrestricted net assets: Unrestricted net assets represent 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 the District and may be used at the discretion of the governing board to meet current expenses for any purpose. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide for students, faculty and staff.

Q. Federal Financial Assistance Programs

The District participates in federally funded Pell Grants, SEOG Grants, Federal Work-Study and Federal Family Educational Loans programs. Federal programs are audited in accordance with the Single Audit Act Amendments of 1996, the U.S. Office of Management and Budget Revised Circular A -133 Audit of States, Local Governments and Non-Profit Organizations and the Compliance Supplement.

R. Classification of Revenue and Expenses

The District has classified its revenue and expenses as either operating or nonoperating 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 the college's principal ongoing operations. Operating revenues include (1) student tuition and fees, net of scholarship allowances and estimated uncollectible amounts, (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 the college. Operating expenses include the cost of providing educational services, administration expenses and depreciation on capital assets.

Nonoperating revenues/expenses: Nonoperating revenues and expenses include activities that have the characteristics of nonexchange transactions. Nonoperating revenues include (1) gifts and contributions, and other revenue sources that are defined as nonoperating revenues 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, such as state appropriations, the local property tax levy and investment income, and (2) any grants and contracts that are not classified as operating revenue or restricted by the grantor to be used exclusively for capital programs. Nonoperating expenses include interest on long-term obligations.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

S. Reclassifications

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

NOTE 2 - CASH AND INVESTMENTS

A. Deposits

The District's cash and investments include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for demand deposits and \$100,000 for time deposits. In addition, the District's deposits and its investment in the Wisconsin Local Government Investment Pool are secured up to \$400,000 by the State of Wisconsin Guarantee Fund subject to the resources of the Fund at each financial institution where funds are held.

The State Treasurer's Investment Board maintains a minimum of 50% of its investments in U.S. Treasury bills, notes, bonds and debt of U.S. agencies. The balance of SWIB's investments is in commercial notes, certificates of deposit and bankers acceptances. The District's share in each of these investment types is its pro rata share in the investment pool.

The District's deposits and investments are categorized as follows to give an indication of the level of risk assumed by the District at fiscal year end.

- Category 1 - Insured or collateralized with securities held by the District or its agent in the District's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Uncollateralized.

2006	Bank Balance	1	Category		Carrying Amount
			2	3	
Bank deposits	\$ 2,434,828	\$ 100,000	\$ 400,000	\$ 1,934,828	\$ 2,358,424
Petty cash					-
Investment in state treasurer's investment pool (SWIB)					3,661,322
Total Cash and Investments					\$ 6,019,746
Reconciliation of cash and cash equivalents to the balance sheet:					
Cash and cash equivalents					3,407,651
Restricted cash					2,612,095
Total Cash and Investments					\$ 6,019,746

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - CASH AND INVESTMENTS, CONTINUED

2005	Bank Balance	1	Category		Carrying Amount
			2	3	
Bank deposits	<u>\$ 958,076</u>	<u>\$ 100,000</u>	<u>\$ 400,000</u>	<u>\$ 458,076</u>	\$ 600,736
Petty cash					675
Investment in state treasurer's investment pool (SWIB)					<u>4,992,476</u>
Total Cash and Investments					<u>\$ 5,593,887</u>
Reconciliation of cash and cash equivalents to the balance sheet:					
Cash and cash equivalents					4,105,805
Restricted cash					<u>1,488,082</u>
Total Cash and Investments					<u>\$ 5,593,887</u>

B. Investments

The District is authorized by Wisconsin Statute 66.04(2) to invest in the following instruments:

- Obligations of the U.S. Treasury and U.S. Agencies.
- Obligations of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Time deposits in any bank, trust company or savings and loan association that is authorized to transact business in this state, if the time deposit mature is not more than three years.
- That state's local government pooled investment fund.
- Any security maturing in seven years or less with either the highest or second rating category of a nationally recognized rating agency.
- Repurchase agreements with public depositories, if the agreement is secured by federal bonds or securities.
- Securities of open-end management investment companies or investment trusts, if the portfolio is limited to obligations of the U.S. Treasury and U.S. Agencies.
- Bonds issued by a local exposition district.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2 - CASH AND INVESTMENTS, CONTINUED

B. Investments, Continued

- Bonds issued by a local professional baseball park district.
- Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District'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. In addition, the policy indicates that the investment portfolio should be structured so that securities mature to meet 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.

Credit risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy minimizes credit risk by limiting investments to the safest type of securities and diversifying the investment portfolio. In addition, 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-end investment companies, the Wisconsin Investment Pool, or the Wisconsin Investment Series Cooperative. The Wisconsin Investment Pool, Wisconsin Investment Cooperative, and Government Money Market Fund do not carry a credit quality rating.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 – CAPITAL ASSETS

Capital asset activity was as follows for the year ended June 30, 2006:

2006	Balance 7/1/2005	Additions	Deletions	Balance 6/30/2006
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Land improvements	590,277	3,653	-	593,930
Buildings & improvements	9,964,454	107,718	-	10,072,172
Equipment	12,361,379	1,214,184	533,064	13,042,499
	<hr/>			
Total cost of capital assets	22,936,110	1,325,555	533,064	23,728,601
Less accumulated depreciation for:				
Land improvements	214,822	24,881	-	239,703
Buildings & improvements	2,932,204	229,750	-	3,161,954
Equipment	7,386,213	1,348,339	455,733	8,278,819
	<hr/>			
Total accumulated depreciation	10,533,239	1,602,970	455,733	11,680,476
Net capital assets	12,402,871			12,048,125
Less:				
General obligation debt	(6,205,000)			(6,080,000)
Plus:				
Capital project funds borrowed but not spent	1,652,423			2,339,323
Total invested in capital assets, net of related debt	<u>\$ 7,850,294</u>			<u>\$ 8,307,448</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 3 – CAPITAL ASSETS, CONTINUED

Capital asset activity was as follows for the year ended June 30, 2005:

2005	Balance 7/1/2004	Additions	Deletions	Balance 6/30/2005
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Land improvements	603,561	3,016	16,300	590,277
Buildings & improvements	9,533,001	431,453	-	9,964,454
Equipment	11,215,002	1,408,963	262,586	12,361,379
	<hr/>			
Total cost of capital assets	21,371,564	1,843,432	278,886	22,936,110
Less accumulated depreciation for:				
Land improvements	190,727	25,725	1,630	214,822
Buildings & improvements	2,705,712	250,982	24,490	2,932,204
Equipment	6,335,248	1,403,611	352,646	7,386,213
	<hr/>			
Total accumulated depreciation	9,231,687	1,680,318	378,766	10,533,239
Net capital assets	<u>\$ 12,139,877</u>			<u>\$ 12,402,871</u>

NOTE 4 - GENERAL OBLIGATION DEBT

Long-term liabilities of the District consist of general obligation notes payable, compensated absences and retiree health insurance premiums.

The changes in long-term liabilities at June 30, 2006 and 2005 are as follows:

	Balance 7/1/2005	Additions	Payments	Balance 6/30/2006	Due Within One Year
Notes payable	\$ 6,205,000	\$ 2,000,000	\$ 2,125,000	\$ 6,080,000	\$ 1,955,000
Retiree health insurance	2,763,250	715,189	207,470	3,270,969	145,250
	<hr/>				
Totals	<u>\$ 8,968,250</u>	<u>\$ 2,715,189</u>	<u>\$ 2,332,470</u>	<u>\$ 9,350,969</u>	<u>\$ 2,100,250</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 - GENERAL OBLIGATION DEBT, CONTINUED

	Balance 7/1/2004	Additions	Payments	Balance 6/30/2005	Due Within One Year
Notes payable	\$ 6,080,000	\$ 2,250,000	\$ 2,125,000	\$ 6,205,000	\$ 1,825,000
Retiree health insurance	1,766,684	1,187,436	190,870	2,763,250	191,300
Totals	\$ 7,846,684	\$ 3,437,436	\$ 2,315,870	\$ 8,968,250	\$ 2,016,300

The District pledges full faith, credit and resources of the District to pay all outstanding general obligation bonds. The District levies taxes annually to pay the amount of principal and interest due for the debt.

General obligation debt at June 30, 2006 consists of the following:

	Year	Principal	Interest	Total
\$400,000 general obligation promissory note issued to Robert W. Baird & Co. on May 8, 2002 to finance equipment purchases and major remodeling, annual principle payments of \$80,000 through June 1, 2007, plus semi-annual interest at 3.9 - 4.5%, due on 6/1 and 12/1.	2006-07	80,000	3,120	83,120
		<u>80,000</u>	<u>3,120</u>	<u>83,120</u>
\$3,750,000 general obligation promissory note issued to UBS Painewebber, Inc. October 15, 2002 to finance remodeling, annual principal payments of \$550,000 through June 1, 2007, annual principal payments of \$200,000 through June 1, 2012, plus semi-annual interest at 2.5 - 3.5%, due on 6/1 and 12/1.	2006-07	550,000	45,400	595,400
	2007-08	200,000	31,650	231,650
	2008-09	200,000	26,250	226,250
	2009-10	200,000	20,250	220,250
	2010-11	200,000	14,000	214,000
	2011-12	200,000	7,000	207,000
		<u>1,550,000</u>	<u>144,550</u>	<u>1,694,550</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 - GENERAL OBLIGATION DEBT, continued

\$2,750,000 general obligation promissory note issued to Harris Trust & Savings Bank, August 1, 2003 to finance equipment purchases and major remodeling. Annual principal payments of \$450,000 through August 1, 2008. annual principal payments of \$100,000 through August 1, 2013. plus semi-annual interest at 2.0 - 3.0% due 6/1 and 12/1.

2006-07	450,000	36,125	486,125
2007-08	450,000	26,000	476,000
2008-09	100,000	14,750	114,750
2009-10	100,000	12,000	112,000
2010-11	100,000	9,000	109,000
2011-12	100,000	6,000	106,000
2012-13	100,000	3,000	103,000
	<u>1,400,000</u>	<u>106,875</u>	<u>1,506,875</u>

\$2,250,000 general obligation promissory note issued to UMB Bank, N.A., August 1, 2004 to finance equipment purchases and major remodeling. Annual principal payments of \$450,000 through June 1, 2009, plus semi-annual interest at 2.45 - 2.90% due 6/1 and 12/1.

2006-07	450,000	36,225	486,225
2007-08	450,000	25,200	475,200
2008-09	450,000	13,050	463,050
	<u>1,350,000</u>	<u>74,475</u>	<u>1,424,475</u>

\$2,000,000 general obligation promissory not issued to Citizens Bank, N.A., August 1, 2005 to finance equipment purchases and major remodeling. Annual principal payments of \$425,000 through June 1, 2010, plus semi-annual interest at 3.25% - 3.50% due 6/1 and 12/1.

2006-07	425,000	56,313	481,313
2007-08	425,000	42,500	467,500
2008-09	425,000	28,688	453,688
2009-10	425,000	14,875	439,875
	<u>1,700,000</u>	<u>142,376</u>	<u>1,842,376</u>

TOTALS	<u>\$ 6,080,000</u>	<u>\$ 471,396</u>	<u>\$ 6,551,396</u>
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**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

NOTE 4 - GENERAL OBLIGATION DEBT - continued

Future debt service requirements as of June 30, 2006 are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 1,955,000	\$ 177,183	\$ 2,132,183
2008	1,525,000	125,350	1,650,350
2009	1,175,000	82,738	1,257,738
2010	725,000	47,125	772,125
2011	300,000	23,000	323,000
2012	300,000	13,000	313,000
2013	100,000	3,000	103,000
TOTALS	\$ 6,080,000	\$ 471,396	\$ 6,551,396

All general obligation debt is backed by the full faith and taxing power of the District.

Changes in general obligation debt outstanding for the year ended June 30, 2006 were as follows:

	Balance 7/1/2005	Additions	Payments	Balance 6/30/2006
Promissory notes and capital lease	<u>\$ 6,205,000</u>	<u>\$ 2,000,000</u>	<u>\$ 2,125,000</u>	<u>\$ 6,080,000</u>

The Wisconsin State Statutes Chapter 67.03(1) provides that the aggregate amount of indebtedness of a District shall not exceed 5% of the value as determined by the Wisconsin Department of Revenue as of October 1, 2005 (most recent valuation) was \$6,341,804,904.

	<u>Bonds</u>	<u>Aggregate</u>
Debt limit (2% for bonds; 5% for aggregate)	\$ 126,836,098	\$ 317,090,245
Debt outstanding at June 30, 2006, net of resources available to fund principal and interest payments	-	5,961,765
Legal debt margin	<u>\$ 126,836,098</u>	<u>\$ 311,128,480</u>

Debt outstanding as a percent of legal debt limitation	1.92%
Debt outstanding as a percent of equalized value	0.09%

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5 - EMPLOYEE RETIREMENT PLAN

All eligible employees of the District participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (non-teachers) and 440 hours a year (teachers) are eligible to participate in the System. Covered employees in the general/teacher category are required by statute to contribute 5.5% of their salary (4.1% for Executives and Elected Officials, 4.1% for Protective Occupations with Social Security, and 4.4% for Protective Occupations without Social Security), to the Plan. Employers may make these contributions to the Plan on behalf of the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended June 30, 2006 and 2005 respectively was \$10,552,580 and \$9,687,198; the employer's total payroll was \$10,976,126 and \$10,530,942. The total required contributions for the year ended June 30, 2006 and 2005 respectively were \$1,087,518 and \$949,345, which was 10.3% and 9.8% of payroll, all from the employer. Total contributions for the years ending June 30, 2004 and 2003 were \$856,773 and \$911,997, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees), are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees), and receive actuarially reduced benefits. Retirement benefits are calculated as 1.6% (2.0% for Executives, Elected Officials, and Protective Occupations without Social Security) of final average earnings for each year of creditable service. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation after 1/1/90 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 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of the State Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

NOTE 6 - COMMITMENTS AND CONTINGENCIES

The District 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. The amount, if any, of liability arising from these audits is not reasonably estimable and, accordingly, no provision is included in the accompanying basic financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 6 - COMMITMENTS AND CONTINGENCIES, CONTINUED

The District leases several copy machines and a postage machine. The minimum lease payments for the five years subsequent to June 30, 2006 are as follows:

2007	\$ 90,461
2008	85,113
2009	85,113
2010	85,113
2011	70,928

The District entered into a five year lease beginning July 1, 2005, to rent a building for instructional purposes. Minimum future lease payments for the four years subsequent to June 30, 2006 are as follows:

2007	\$3,333 per month plus an annual amount equal to the first year's rent times the CPI, not to exceed \$1,200.
2008, 2009, 2010	An amount equal to the prior year's rent plus an amount equal to the prior's year's rent times the CPI, not to exceed \$1,300 per year.

The District, with Madison Area Technical College and Western Wisconsin Technical College, has formed an operational consortium for the sharing of the cost of implementation, live running and maintenance of administrative software developed by Peoplesoft. The District's share of the cost of the software has been recorded as a capital lease, which is detailed in Note 4. The consortium has a 10 year agreement with Peoplesoft whereby each member of the consortium will share the cost of the procurement, enhancement and maintenance of the system.

Outstanding purchase orders at June 30, 2006 totaled \$17,700. The District was committed to a building project in the amount of \$657,450 at June 30, 2006. In addition, the District approved a 2006-2007 board association fee of \$16,683.

NOTE 7 - POST RETIREMENT BENEFITS

The District's employee fringe benefit program includes a provision which allows both academic staff 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, years of service and number of accumulated hours of sick leave.

For employees, either academic staff or support staff with less than thirteen years of service to the District 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 lay off. An employee can accumulate a maximum of 140 days.

Support staff with thirteen or more years of service to the District will have their health insurance premiums paid by the District for one year. Those with fifteen or more years of service to the District will have their health insurance premiums paid by the District for two years and those with seventeen or more years of service will have their health insurance premiums paid for three years.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 7 - POST RETIREMENT BENEFITS, continued

Academic staff with thirteen or more years of service to the District will have their health insurance premiums paid by the District for three years. Those with fifteen or more years of service will have their health insurance premiums paid for four years and those with seventeen or more years of service will have their health insurance premiums paid for five years.

These benefits are financed on a pay-as-you-go basis. In the current year, the District paid \$191,300 of health insurance for 28 former employees.

NOTE 8 - SUBSEQUENT EVENTS

In October 2006, the Board of Directors authorized various expenditure budget revisions. The purpose of these revisions was to appropriately eliminate negative budget variances.

Subsequent to June 30, 2006, the Board approved a resolution to borrow \$1,800,000.

NOTE 9 - RELATED PARTY TRANSACTIONS

The District leases a conference room at a hotel owned by the District's Director of Fiscal Services. The total amount paid for the year ended June 30, 2006 and 2005 was \$2,951 and \$6,400, respectively. In addition, amounts for building costs were paid to a company owned by the president of the Board of Directors for Southwest Wisconsin Technical College. The total amount paid to this company for the year ended June 30, 2006 was \$20,044.

NOTE 10 - RISK MANAGEMENT

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 \$200,000,000 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. The District's exposure to its layer of insurance is limited to \$5,000 to \$100,000 per occurrence depending on the type of coverage. DMI purchases reinsurance for losses in excess of its retained layer of coverage.

DMI operations are governed by a six-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. Stanley Hollmann, Chief Financial Officer, of the District is a related party in his role as Treasurer of DMI.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 10 - RISK MANAGEMENT, CONTINUED

Each member college was assessed an annual premium that included a capitalization component to establish reserves for the company. The total capitalization amount for all members in fiscal year 2006 totaled \$1,418,248 of which the District's portion was \$25,163. For the year ended June 30, 2006, the District paid a premium of \$134,089. 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.

The audited DMI financial statements can be obtained through Districts Mutual Insurance Co., 200 W. Grand Avenue Suite B, Port Washington, WI 53074.

In July 1997, WTCS technical colleges formed the 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 from DMI for its participating members:

Foreign 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.

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

NOTE 11 – LIMITATION ON DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues the District may derive from property taxes to 1.5 mills. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt).

NOTE 12 – PRIOR PERIOD ADJUSTMENT

The prior year financial statements have been restated to reflect additional accrued sick leave for retirees not shown as a liability on the Statement of Net Assets in the prior year. The effect of this restatement is a decrease in net assets on the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets of \$635,316. Of the amount, \$16,174 is adjustment related to the year ended June 30, 2005 and is shown as additional General Institutional Expense on the Statement of Revenues, Expenses, and Changes in Net Assets. The remaining \$619,142 is the adjustment related to years prior to June 30, 2005 and is shown as a prior period adjustment on the Statement of Revenues, Expenses, and Changes in Net Assets.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 12 – PRIOR PERIOD ADJUSTMENT, continued

In addition, the prior year financial statements are being restated to reflect inventory of a house built by the students in the year ending June 30, 2005. The effect of this restatement is an increase in net assets on the Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets of \$111,107.

A reconciliation of Net Assets for the year ended June 30, 2005 is as follows:

Net Assets per June 30, 2005 financial statements	\$ 12,859,067
Restatement of June 30, 2005 financial statements	
House built recorded as expense instead of as inventory	111,107
Underaccrual of retiree health insurance	(16,174)
Restated Net Assets as of June 30, 2005	<u>12,954,000</u>
Prior period adjustment	
Underaccrual of retiree health insurance for years prior to June 30, 2005	(619,142)
Net Assets at June 30, 2005 per the Statement of Revenues, Expenses and Changes in Net Assets	<u><u>\$ 12,334,858</u></u>

SUPPLEMENTAL FINANCIAL INFORMATION

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

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Local government	\$8,545,000	\$8,557,000	\$8,581,995	\$ -	\$8,581,995	\$ 24,995
Intergovernmental revenue						
State	3,881,000	3,681,000	3,665,336	-	3,665,336	(15,664)
Federal	800,000	800,000	785,555	-	785,555	(14,445)
Tuition and fees						
Statutory program fees	2,862,000	2,862,000	2,870,562	-	2,870,562	8,562
Materials fees	271,000	271,000	242,526	-	242,526	(28,474)
Other student fees	191,000	231,000	232,569	-	232,569	1,569
Institutional	850,000	900,000	865,251	-	865,251	(34,749)
Total revenues	17,400,000	17,302,000	17,243,794	-	17,243,794	(58,206)
Expenditures						
Instruction	11,896,000	12,446,000	12,454,320	(9,372)	12,444,948	1,052
Instructional resources	503,000	473,000	466,155	(1,087)	465,068	7,932
Student services	1,366,000	1,446,000	1,448,308	(2,814)	1,445,494	506
General institutional	2,389,000	2,189,000	2,176,355	(6,102)	2,170,253	18,747
Physical plant	1,446,000	1,346,000	1,365,105	(19,105)	1,346,000	-
Total expenditures	17,600,000	17,900,000	17,910,243	(38,480)	17,871,763	28,237
Excess of revenues over expenditures	(200,000)	(598,000)	(666,449)	38,480	(627,969)	(29,969)
Other financing sources (uses)						
Operating transfers in	-	-	4,880	-	4,880	4,880
Operating transfers out	-	-	-	-	-	-
	-	-	4,880	-	4,880	4,880
Excess of revenues and other financing sources over expenditures and other uses	(200,000)	(598,000)	(661,569)	38,480	(623,089)	(25,089)
Fund balance at July 1, 2005	4,355,895	4,355,895	4,670,537	9,035	4,679,572	323,677
Fund balance at June 30, 2006	<u>\$4,155,895</u>	<u>\$3,757,895</u>	<u>\$4,008,968</u>	<u>\$ 47,515</u>	<u>\$4,056,483</u>	<u>\$ 298,588</u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SPECIAL REVENUE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Intergovernmental revenue						
Federal	\$ 250,000	\$ 250,000	\$ 216,355	\$ -	\$ 216,355	\$ (33,645)
Institutional	80,000	80,000	48,051	-	48,051	(31,949)
Total revenues	330,000	330,000	264,406	-	264,406	(65,594)
Expenditures						
Instruction	330,000	330,000	264,406	-	264,406	(65,594)
Physical plant	-	-	-	-	-	-
Total expenditures	330,000	330,000	264,406	-	264,406	(65,594)
Excess of revenues over expenditures	-	-	-	-	-	-
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures and other uses	-	-	-	-	-	-
Fund balance at July 1, 2005	-	-	-	-	-	-
Fund balance at June 30, 2006	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SPECIAL REVENUE NON-AIDABLE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
State aids	\$ 560,000	\$ 560,000	\$ 386,580	\$ -	\$ 386,580	\$ (173,420)
Other student fees	110,000	110,000	113,154	-	113,154	3,154
Institutional	98,000	98,000	72,389	-	72,389	(25,611)
Federal	4,153,000	4,153,000	3,064,790	-	3,064,790	(1,088,210)
Total revenues	4,921,000	4,921,000	3,636,913	-	3,636,913	(1,284,087)
Expenditures						
Student services	4,921,000	4,921,000	3,621,858	-	3,621,858	1,299,142
Total expenditures	4,921,000	4,921,000	3,621,858	-	3,621,858	1,299,142
Excess of revenues over expenditures	-	-	15,055	-	15,055	15,055
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures and other uses	-	-	15,055	-	15,055	15,055
Fund balance at July 1, 2005	97,598	97,598	108,447	-	108,447	10,849
Fund balance at June 30, 2006	\$ 97,598	\$ 97,598	\$ 123,502	\$ -	\$ 123,502	\$ 25,904

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Intergovernmental revenue						
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Institutional	50,000	50,000	169,739	-	169,739	119,739
Total revenues	50,000	50,000	169,739	-	169,739	119,739
Expenditures						
Instruction	780,000	675,120	635,078	(162,536)	472,542	202,578
Instructional resources	80,000	80,000	79,371	(8,639)	70,732	9,268
General institutional	490,000	490,000	261,583	(99,009)	162,574	327,426
Physical plant	700,000	800,000	367,169	424,526	791,695	8,305
Total expenditures	2,050,000	2,045,120	1,343,201	154,342	1,497,543	547,577
Excess of revenues over expenditures	(2,000,000)	(1,995,120)	(1,173,462)	(154,342)	(1,327,804)	667,316
Other financing sources (uses)						
Operating transfers in	-	-		-	-	-
Operating transfers out	-	-	(4,880)	-	(4,880)	(4,880)
Proceeds from general obligations	2,000,000	2,000,000	2,000,000	-	2,000,000	-
	2,000,000	2,000,000	1,995,120	-	1,995,120	(4,880)
Excess of revenues and other financing sources over expenditures and other uses	-	4,880	821,658	(154,342)	667,316	662,436
Fund balance at July 1, 2005	758,528	758,528	1,517,665	134,758	1,652,423	893,895
Fund balance at June 30, 2006	\$ 758,528	\$ 763,408	\$2,339,323	\$ (19,584)	\$2,319,739	\$ 1,556,331

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Local government	\$2,466,000	\$2,466,000	\$2,454,439	\$ -	\$2,454,439	\$ (11,561)
Intergovernmental revenue						
State	-	-	11,561	-	11,561	11,561
Federal	-	-	-	-	-	-
Institutional	1,000	1,000	-	-	-	(1,000)
Total revenues	2,467,000	2,467,000	2,466,000	-	2,466,000	(1,000)
Expenditures						
Physical plant	2,467,000	2,467,000	2,348,577	-	2,348,577	118,423
Total expenditures	2,467,000	2,467,000	2,348,577	-	2,348,577	118,423
Excess of revenues over expenditures	-	-	117,423	-	117,423	117,423
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures and other uses	-	-	117,423	-	117,423	117,423
Fund balance at July 1, 2005	3,142	3,142	812	-	812	(2,330)
Fund balance at June 30, 2006	<u>\$ 3,142</u>	<u>\$ 3,142</u>	<u>\$ 118,235</u>	<u>\$ -</u>	<u>\$ 118,235</u>	<u>\$ 115,093</u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
ENTERPRISE FUNDS SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Institutional	\$ 1,434,000	\$ 1,434,000	\$ 1,401,845	\$ -	\$ 1,401,845	\$ (32,155)
Total revenues	1,434,000	1,434,000	1,401,845	-	1,401,845	(32,155)
Expenditures						
Auxiliary services	1,334,000	1,334,000	1,131,597	(4,250)	1,127,347	206,653
Total expenditures	1,334,000	1,334,000	1,131,597	(4,250)	1,127,347	206,653
Excess of revenues over expenditures	100,000	100,000	270,248	4,250	274,498	174,498
Other financing sources (uses)						
Operating transfers in	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures and other uses	100,000	100,000	270,248	4,250	274,498	174,498
Fund balance at July 1, 2005, restated	1,738,297	1,738,297	1,832,366	(3,038)	1,829,328	91,031
Fund balance at June 30, 2006	<u>\$ 1,838,297</u>	<u>\$ 1,838,297</u>	<u>\$ 2,102,614</u>	<u>\$ 1,212</u>	<u>\$ 2,103,826</u>	<u>\$ 265,529</u>

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
INTERNAL SERVICE FUNDS SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	Original Budget	Amended Budget	Actual	Adjustment to budgetary Basis	Actual on a budgetary Basis	Variance
Revenues						
Institutional	\$2,975,000	\$2,975,000	\$2,699,751	\$ -	\$2,699,751	\$ (275,249)
Total revenues	2,975,000	2,975,000	2,699,751	-	2,699,751	(275,249)
Expenditures						
Auxiliary services	2,975,000	2,975,000	2,494,594	-	2,494,594	480,406
Total expenditures	2,975,000	2,975,000	2,494,594	-	2,494,594	480,406
Excess of revenues over expenditures	-	-	205,157	-	205,157	205,157
Fund balance at July 1, 2005	445,815	445,815	490,818	-	490,818	45,003
Fund balance at June 30, 2006	<u>\$ 445,815</u>	<u>\$ 445,815</u>	<u>\$ 695,975</u>	<u>\$ -</u>	<u>\$ 695,975</u>	<u>\$ 250,160</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE TO RECONCILE BUDGET (NON-GAAP BUDGETARY) BASIS FINANCIAL
STATEMENTS TO BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund	Enterprise Funds
Revenues					
Local government	\$ 8,581,995	\$ -	\$ -	\$ 2,454,439	\$ -
Intergovernmental revenue					
State	3,665,336	-	-	11,561	-
Federal	785,555	216,355	-	-	-
Tuition and fees					
Program fees	2,870,562	-	-	-	-
Materials fees	242,526	-	-	-	-
Other student fees	232,569	-	-	-	-
Institutional	865,251	48,051	169,739	-	1,401,845
Total revenues	17,243,794	264,406	169,739	2,466,000	1,401,845
Expenditures					
Instruction	12,444,948	264,406	472,542	-	-
Instructional resources	465,068	-	70,732	-	-
Student services	1,445,494	-	-	-	-
General institutional	2,170,253	-	162,574	-	-
Physical plant	1,346,000	-	791,695	2,348,577	-
Auxiliary services	-	-	-	-	1,127,347
Depreciation	-	-	-	-	-
Student aid	-	-	-	-	-
Total expenditures	17,871,763	264,406	1,497,543	2,348,577	1,127,347
Excess of revenues over expenditures	(627,969)	-	(1,327,804)	117,423	274,498
Other financing sources (uses)					
Operating transfers in	4,880	-	-	-	-
Operating transfers out	-	-	(4,880)	-	-
Proceeds from promissory notes	-	-	2,000,000	-	-
	4,880	-	1,995,120	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	(623,089)	-	667,316	117,423	274,498
Fund balance at July 1, 2005, restated	4,670,537	-	1,517,665	812	1,832,366
Fund balance at June 30, 2006	<u>\$ 4,047,448</u>	<u>\$ -</u>	<u>\$ 2,184,981</u>	<u>\$ 118,235</u>	<u>\$ 2,106,864</u>

Internal Service Funds	Fiduciary Funds	Total	Reconciling items	Statement of revenues expenses and changes in net assets	
\$ -	\$ -	\$ 11,036,434	\$ -	\$ 11,036,434	
-	386,580	4,063,477	-	4,063,477	(1)
-	3,064,790	4,066,700	-	4,066,700	(2)
-	-	2,870,562	-	2,870,562	
-	-	242,526	-	242,526	
-	113,154	345,723	-	345,723	
2,699,751	72,389	5,257,026	(2,699,751)	2,557,275	(3)
2,699,751	3,636,913	27,882,448	(2,699,751)	25,182,697	
-	-	13,181,896	(1,076,316)	12,105,580	
-	-	535,800	9,726	545,526	
-	3,621,858	5,067,352	(3,385,335)	1,682,017	
-	-	2,332,827	552,923	2,885,750	
-	-	4,486,272	(2,528,434)	1,957,838	(4)
2,494,594	-	3,621,941	(2,446,939)	1,175,002	
-	-	-	1,602,970	1,602,970	
-	-	-	3,388,149	3,388,149	
2,494,594	3,621,858	29,226,088	(3,883,256)	25,342,832	
205,157	15,055	(1,343,640)	1,183,505	(160,135)	
-	-	4,880	-	4,880	
-	-	(4,880)	-	(4,880)	
-	-	2,000,000	(2,000,000)	-	
-	-	2,000,000	(2,000,000)	-	
205,157	15,055	656,360	(816,495)	(160,135)	
490,818	108,447	8,620,645	3,714,213	12,334,858	
\$ 695,975	\$ 123,502	\$ 9,277,005	\$ 2,897,718	\$ 12,174,723	(5)

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE TO RECONCILE BUDGET BASIS FINANCIAL STATEMENTS
TO BASIC FINANCIAL STATEMENTS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006**

(1) State grants revenue is presented on the basic financial statements as follows:

Operating	\$ 639,746
Non-operating	3,423,731
	\$ 4,063,477

(2) Federal grants revenue is presented on the basic financial statements as follows:

Operating	\$ 1,001,910
Non-operating	3,064,790
	\$ 4,066,700

(3) Institutional revenue is reported as five separate line items on the basic financial statements

Business and industry contract revenue	\$ 602,023
School district contract revenue	84,644
Miscellaneous revenue	126,921
Enterprise fund revenue	1,342,800
Special revenue fund revenue	48,051
Investment income earned	352,836
	\$ 2,557,275

(4) Interest expense is reported as a component of physical plant on the budgetary statements:

Physical Plant	\$ 1,732,274
Interest expense	225,564
	\$ 1,957,838

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

Budgetary basis fund balance	\$ 9,277,005
General fixed assets capitalized - cost	23,728,601
Accumulated depreciation on general fixed assets	(11,680,476)
General obligation bonds payable	(6,080,000)
Long-term portion of retiree health insurance	(3,125,719)
Accrued interest on Long-term Debt	(14,677)
Encumbrances outstanding at beginning of year	(404,596)
Encumbrances outstanding at year-end	516,208
Other reconciling differences	(41,623)
	2,897,718
Net assets per basic financial statements	\$ 12,174,723

FEDERAL AND STATE SINGLE AUDIT REPORTS

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Grant Award</u>	<u>Accrued Receivable July 1, 2005</u>
U.S. Department of Education				
Direct Programs:				
Pell Grant	84.063	-	\$ -	\$ -
Federal Student Stafford Loans	84.032	-	-	-
Federal Student Plus Loans	84.032	-	-	-
Supplemental Education Opportunity Grant	84.007	-	-	-
College Work Study	84.033	-	-	-
Total SFA Cluster			-	-
Title III				
Project Management	84.031A	-	46,370	2,328
Strengthen Instructions	84.031A	-	669,425	33,475
Total 84.031A			715,795	35,803
U.S. Department of Agriculture				
Direct Programs:				
Risk Management	10.450	-	210,895	39,844
Total Direct Programs			926,690	75,647
U.S. Department of Education				
Pass-through Programs from:				
Wisconsin Technical College Systems Board				
Adult Education Act				
B E for inmates	84.002	03-114-146-116	32,900	9,046
Forward to civic literacy	84.002	03-111-146-166	20,977	7,675
Adult basic education - disadvantaged	84.002	03-110-146-126	124,597	37,481
Literacy coalition	84.002	03-129-146-136	7,000	7,313
TOTAL 84.002			185,474	61,515
Wisconsin Technical College Systems Board				
Work-based learning	84.048	03-192-150-226	25,000	13,357
Student Effectiveness	84.048	03-193-150-256	32,000	10,383
NTO Connections	84.048	03-194-150-266	61,191	24,256
Special population services	84.048	03-198-150-236	210,426	88,047
TOTAL 84.048			328,617	136,043
Wisconsin Technical College Systems Board				
Technical Preparation Grant	84.243	03-106-150-406	116,810	28,373
Wisconsin Department of Public Instruction				
Disability Related Services	84.126	03-125-000-005	-	1,522
Transition Services	84.323A	03-158-138-176	10,000	-

Revenues		Accrued		
<u>Grantor</u>	<u>Local</u>		<u>Expenditures</u>	<u>Receivable</u>
<u>Reimbursement</u>	<u>Share</u>	<u>Totals</u>		<u>June 30, 2006</u>
\$ 1,115,418	\$ -	\$ 1,115,418	\$ 1,115,418	\$ -
1,778,934	-	1,778,934	1,778,934	-
74,809	-	74,809	74,809	-
32,408	-	32,408	32,408	-
63,221	-	63,221	63,221	-
3,064,790	-	3,064,790	3,064,790	-
22,494	26,204	45,899	45,899	(471)
272,011	36,449	318,507	318,507	43,522
294,505	62,653	364,406	364,406	43,051
98,207	9,048	86,154	86,154	18,743
3,457,502	71,701	3,515,350	3,515,350	61,794
32,411	10,967	43,867	43,867	9,535
19,428	4	20,981	20,981	9,224
121,939	136,190	260,787	260,787	40,139
7,338	27	7,027	7,027	6,975
181,116	147,188	332,662	332,662	65,873
28,917	24	25,024	25,024	9,440
30,204	974	32,974	32,974	12,179
58,971	1,839	62,904	62,904	26,350
242,361	200,064	410,490	410,490	56,112
360,453	202,901	531,392	531,392	104,081
113,071	5,076	121,886	121,886	32,112
1,522	-	-	-	-
6,925	407	10,407	10,407	3,075

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006**

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Grant Award</u>	<u>Accrued Receivable July 1, 2005</u>
U.S. Department of Health and Human Services				
Department of Workforce Development				
Advance Transformer/ DWD Project	17.200		\$ 9,950	\$ -
Department of Health and Family Services				
Childcare Initiatives	93.596	03-107-000-005	41,470	(1,767)
Childcare Initiatives	93.596	03-207-000-006	46,946	-
TOTAL 93.596			<u>88,416</u>	<u>(1,767)</u>
Total Pass-through Programs			<u>739,267</u>	<u>225,686</u>
			<u>\$ 1,665,957</u>	<u>\$ 301,333</u>

Total Federal Expenditures as stated above
Difference in prior year/current year accrued receivables
Total Expenditures of Federal Awards

Plus: Prior year under accrual of revenue
Add: FSA Contracts
Less: College connection

TOTAL FEDERAL REVENUE PER COMBINED STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Revenues					Accrued
Grantor	Local				Receivable
<u>Reimbursement</u>	<u>Share</u>	<u>Totals</u>	<u>Expenditures</u>	<u>June 30, 2006</u>	
\$ 3,524	\$ -	\$ 5,572	\$ 5,572	\$ 2,048	
11,450	(167)	13,050	13,050	-	
18,142	130,000	147,565	147,565	(577)	
<u>29,592</u>	<u>129,833</u>	<u>160,615</u>	<u>160,615</u>	<u>(577)</u>	
<u>696,203</u>	<u>485,405</u>	<u>1,162,534</u>	<u>1,162,534</u>	<u>206,612</u>	
<u>\$ 4,153,705</u>	<u>\$ 557,106</u>	<u>\$ 4,677,884</u>	<u>\$ 4,677,884</u>	<u>\$ 268,406</u>	

\$ 4,153,705
(32,927)
4,120,778

14,604
31,318
(100,000)

\$ 4,066,700

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2006**

<u>State Grant/Program Title</u>	<u>State Catlog Number</u>	<u>State Grant Award</u>	<u>Accrued Receivable July 1, 2005</u>
Wisconsin Technical College Systems Board			
Fire training school reimbursement	292.002	\$ -	\$ 1,401
Vocational education instructor competency program	292.104	1,487	3,564
State Aids for technical colleges	292.105	2,918,803	-
Project Pivot	292.106	37,629	9,993
Project Val-You (AODA)	292.110	-	16,504
Farm training	292.111	-	24,279
Incentive grants:			
Adult & Family Literacy	292.112	33,596	13,332
Adult & Family Literacy Ctr	292.112	34,550	-
Administrative Assistant	292.112	-	-
Basic Ed Outreach	292.112	46,100	8,129
Electromechanical Technician	292.112	-	-
Office Aide	292.112	66,373	-
Advanced Mfg Network	292.112	8,132	10,054
Bldg Trades Carpentry	292.112	<u>66,986</u>	<u>48,709</u>
Total 292.112		255,737	80,224
Employee Transition	292.115	23,875	7,444
Lactalis Workforce Advancement Training	292.116	19,861	-
Cabela's Workforce Advancement Training	292.116	<u>49,379</u>	<u>-</u>
Total 292.116		69,240	-
Faculty Development Grant	292.123	43,900	26,304

<u>Revenues</u>					<u>Accrued</u>
<u>Grantor</u>	<u>Local</u>				<u>Receivable</u>
<u>Reimbursement</u>	<u>Share</u>	<u>Totals</u>	<u>Expenditures</u>		<u>July 1, 2006</u>
\$ 1,401	\$ -	\$ -	\$ -	\$ -	\$ -
3,564	1,493	2,980	2,980		1,487
2,918,803	-	2,918,803	2,918,803		-
37,952	4,814	42,443	42,443		9,670
16,504	-	-	-		-
24,279	-	-	-		-
34,537	11,200	44,796	44,796		12,391
13,578	11,516	46,066	46,066		20,972
-	-	-	-		-
38,339	-	46,100	46,100		15,890
-	-	-	-		-
40,380	47,561	113,934	113,934		25,993
10,054	2,552	10,207	10,207		7,655
99,465	33,512	100,498	100,498		16,230
<u>236,353</u>	<u>106,341</u>	<u>361,601</u>	<u>361,601</u>		<u>99,131</u>
24,340	10,846	34,721	34,721		6,979
842	6,714	26,575	26,575		19,019
<u>15,069</u>	<u>15,752</u>	<u>63,007</u>	<u>63,007</u>		<u>32,186</u>
15,911	22,466	89,582	89,582		51,205
47,099	247	44,147	44,147		23,105

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2006**

<u>State Grant/Program Title</u>	<u>State Catalog Number</u>	<u>State Grant Award</u>	<u>Accrued Receivable July 1, 2005</u>
Wisconsin Technical College Systems Board, continued			
Practical Nursing	292.161	\$ 154,000	\$ 30,627
Nursing Assistant	292.161	50,000	11,246
Medical Coding Specialist	292.161	-	28,188
Medical Assistant	292.161	<u>75,000</u>	<u>29,587</u>
Total 292.161		279,000	99,648
Total Wisconsin Technical College System Board		<u>3,629,671</u>	<u>269,361</u>
Department of Transportation			
Motorcycle Safety	20.395(4)(aq)	7,000	5,000
Wisconsin Higher Education Board			
HEAB-WHEG	39.435	358,680	-
HEAB - Minority Undergraduate Retention	39.44	1,150	-
HEAB - Academic Excellence		2,250	-
HEAB-TIP	39.435	<u>24,500</u>	<u>-</u>
Total HEAB		<u>386,580</u>	<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u>\$ 4,023,251</u>	<u>\$ 274,361</u>

Total state revenue as stated above
Plus tuition and fees stated separately
Less prior year overaccrual of accounts receivable
Add state tax exempt computer aid
Difference in prior year/current year accrued receivables

TOTAL STATE REVENUE PER COMBINED STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

<u>Revenues</u>					<u>Accrued</u>
<u>Grantor</u>	<u>Local</u>				<u>Receivable</u>
<u>Reimbursement</u>	<u>Share</u>	<u>Totals</u>	<u>Expenditures</u>		<u>July 1, 2006</u>
\$ 102,934	\$ 665	\$ 154,665	\$ 154,665	\$	81,693
42,513	529	50,529	50,529		18,733
28,188	-	-	-		-
<u>89,764</u>	<u>2,194</u>	<u>77,194</u>	<u>77,194</u>		<u>14,823</u>
263,399	3,388	282,388	282,388		115,249
<u>3,589,605</u>	<u>149,595</u>	<u>3,776,665</u>	<u>3,776,665</u>		<u>306,826</u>
5,686	34,751	35,437	35,437		-
358,680	-	358,680	358,680		-
1,150	-	1,150	1,150		-
2,250	-	2,250	3,400		-
<u>24,500</u>	<u>-</u>	<u>24,500</u>	<u>24,500</u>		<u>-</u>
<u>386,580</u>	<u>-</u>	<u>386,580</u>	<u>387,730</u>		<u>-</u>
<u>\$ 3,981,871</u>	<u>\$ 184,346</u>	<u>\$ 4,198,682</u>	<u>\$ 4,199,832</u>	<u>\$</u>	<u>306,826</u>

\$ 3,981,871
478
(3,206)
51,869
32,465

\$ 4,063,477

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND SCHEDULE OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2006**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southwest Wisconsin Technical College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUBRECIPIENTS

The District's subrecipients included the following:

<u>Subrecipient</u>	<u>Program</u>	<u>Catalog Number</u>	<u>Amount</u>
Southwestern Wisconsin Childcare Resource & Referral, Inc.	Childcare & Development Grant	93.596	\$ 30,656



Engelson & Associates, Ltd.

Certified Public Accountants and Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
Southwest Wisconsin Technical College District
Fennimore, Wisconsin

Compliance

We have audited the compliance of Southwest Wisconsin Technical College District ("District") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration (DOA) that are applicable to each of its major federal and state programs for the year ended June 30, 2006. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration (DOA). Those standards, OMB Circular A-133, and the State Single Audit Guidelines issued by the Wisconsin Department of Administration (DOA) require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal and state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State Single Audit Guidelines issued by the Wisconsin Department of Administration (DOA).

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the audit committee, management, the board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Engelson and Associates, Ltd

La Crosse, Wisconsin
August 31, 2006



Engelson & Associates, Ltd.

Certified Public Accountants and Consultants

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
Southwest Wisconsin Technical College District
Fennimore, Wisconsin

We have audited the financial statements of Southwest Wisconsin Technical College District ("District") as of and for the year ended June 30, 2006, and have issued our report thereon dated August 31, 2006. We conducted our audit 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.

Compliance and Other Matters

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the audit committee, management, the board of directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Engelson and Associates, Ltd.

La Crosse, Wisconsin
August 31, 2006

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

A. Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the basic financial statements of Southwest Wisconsin Technical College.
2. No reportable conditions relating to the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of Southwest Wisconsin Technical College were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with Section 510(a) of OMB Circular A-133.
5. There are no audit findings relative to the major federal award programs for Southwest Wisconsin Technical College.
6. The programs tested as major programs include:

	<u>CFDA#</u>	<u>Amount</u>
Federal:		
Pell Grant	84.063	\$ 1,115,418
Federal Direct Student Loans	84.032	1,778,934
Federal Direct Student Plus Loans	84.032	74,809
Supplemental Education Opportunity Grant	84.007	32,408
College Work Study	84.033	63,221
Project Management	84.031A	19,695
Strengthen Institutions	84.031A	282,058
State:		
State Aid	292.105	2,918,803
Wisconsin Higher Education Board	39.435	386,580
Lactalis Workforce Advancement Training	292.116	19,861
Cabela's Workforce Advancement Training	292.116	49,379
Faculty Development	292.123	43,900

7. The federal threshold for distinguishing Types A and B program was \$300,000. The Wisconsin threshold was \$100,000 for Type A and \$25,000 for Type B.
8. Southwest Wisconsin Technical College was determined to be a low-risk auditee.
9. Type of auditor's report issued on compliance for federal and state major program – Unqualified.

**SOUTHWEST WISCONSIN TECHNICAL COLLEGE DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

B. Findings - Financial Statement Audit in accordance with Governmental Auditing Standards

NONE

C. Findings and Questioned Costs - Major Federal Award Programs Audit & Major State Award Programs Audit

NONE

D. Findings and Questioned Costs – Other Issues

1. There is no substantial doubt about Southwest Wisconsin Technical College's ability to continue as a going concern.
2. The audit report does not show audit issues (material noncompliance, non-material noncompliance, questioned costs, material weakness, reportable condition, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with *State Single Audit Guidelines*.

i. Department of Health and Family Services	No
ii. Department of the Workforce Development	No
iii. Department of Corrections	N/A
iv. Department of Public Instruction	No
v. Department of Agriculture	No
vi. Department of Education	No
vii. Wisconsin Technical College Systems Board	No

3. A management letter was issued conveying audit comments issued as a result of this audit.

4. Name of partner: Earl Engelson

Signature of partner:

5. Date of report: August 31, 2006

E. Status of Prior Audit Findings and Questioned Costs – State and Federal Awards

NONE