

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
Fennimore, Wisconsin

AUDITED FINANCIAL STATEMENTS

June 30, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southwest Wisconsin Technical College, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Southwest Wisconsin Technical College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of business-type activities and the discretely presented component unit of the Southwest Wisconsin Technical College, as of June 30, 2017 and 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of net pension liability and employer contributions, and the schedule of funding progress-other post-employment benefits on pages 4-11 and 48-50 required to be presented to supplement the basic financial statements and related notes. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Southwest Wisconsin Technical College's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, and schedule of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated on our consideration of Southwest Wisconsin Technical College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southwest Wisconsin Technical College's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southwest Wisconsin Technical College's internal control over financial reporting and compliance.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
December 15, 2017

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The discussion and analysis of the financial performance of Southwest Wisconsin Technical College (Southwest Tech) provides an overview of its financial activities, identifies changes in its financial position, and assists the reader of these financial statements in focusing on noteworthy financial issues for the fiscal year ended June 30, 2017.

Southwest Tech provides lifelong learning opportunities with an individualized focus for students and communities.

The analysis focuses on Southwest Tech's financial performance as a whole. It should be read in conjunction with Southwest Tech's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

Southwest Tech's government-wide financial statements reflect the following:

- Received and managed 44 federal, state or local grants totaling \$2.12 million
- Updated official statement for borrowing and maintained Southwest Tech's rating of Aa2 through Moody's.
- Borrowed \$2.5 million at 1.01 percent interest rate.
- Continued participation in Districts Mutual Insurance (DMI), the insurance company formed by the colleges in the Wisconsin Technical College System to provide property and casualty coverage.
- Participated in the formation of Wisconsin Technical Colleges Employee Benefits Consortium (WTCEBC) with five other Wisconsin technical colleges to provide employee benefits. Initial service includes employee health coverage.
- Increase purchase card activity to over 7,200 annual transactions. As a result, the number of accounts payable checks being issued continues to decrease, saving time and money for Southwest Tech and increasing vendor satisfaction with payment timing.
- Disbursed student financial aid totaling \$3,326,506 in grants, \$3,227,239 in loans, and \$63,221 in college work study earnings.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position presents the revenues earned and expenses incurred during the year. Activities performed by Southwest Tech are classified as either operating or non-operating activities. Because Southwest Tech receives the majority of its revenue from the taxpayers and other state and local governments, Southwest Tech will always report an operating deficit or loss.

The utilization of capital assets is reflected in the financial statements as depreciation, which expenses the cost of an asset over its expected useful life.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

The following summary shows a condensed version of the Statement of Revenues, Expenses, and Changes in Net Position:

Table 1
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2017	2016	Change	% Change
OPERATING REVENUE				
Student fees	\$ 5,354,979	\$ 5,240,160	\$ 114,819	2.19
Federal grants	4,269,671	4,497,752	(228,081)	(5.07)
State grants	2,573,769	2,703,022	(129,253)	(4.78)
Contract revenues	1,805,577	2,137,306	(331,729)	(15.52)
Auxiliary revenues	1,601,305	2,213,087	(611,782)	(27.64)
Total operating revenues	15,605,301	16,791,327	(1,186,026)	(7.06)
OPERATING EXPENSES				
Instruction	14,584,086	15,483,174	(899,088)	(5.81)
Instructional resources	251,308	349,695	(98,387)	(28.14)
Student services	2,453,273	2,156,682	296,591	13.75
General institutional	4,576,235	3,673,642	902,593	24.57
Physical plant	1,968,777	1,928,771	40,006	2.07
Auxiliary enterprise services	593,067	2,258,952	(1,665,885)	(73.75)
Depreciation	2,568,360	2,504,915	63,445	2.53
Student aid	3,327,558	3,198,708	128,850	4.03
Total operating expenses	30,322,664	31,554,539	(1,231,875)	(3.90)
NON-OPERATING REVENUES (EXPENSES)				
Property taxes	9,963,198	9,585,952	377,246	3.94
State appropriations	8,117,012	8,550,495	(433,483)	(5.07)
Investment income	29,834	26,168	3,666	14.01
Loss on disposal of capital assets	(8,433)	(10,576)	2,143	-
Interest expense	(1,245,649)	(1,327,762)	82,113	(6.18)
Total non-operating revenues	16,855,962	16,824,277	31,685	0.19
Increase in net assets	2,138,599	2,061,065	<u>\$ 77,534</u>	
Net assets - beginning of year	<u>29,709,869</u>	<u>27,648,804</u>		
Net assets - end of year	<u>\$ 31,848,468</u>	<u>\$ 29,709,869</u>		

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

Operating revenues are the charges for services offered by Southwest Tech. Total operating revenues decreased \$1,186,026 or 7.06% for fiscal year 2017. These increases are primarily due to the following:

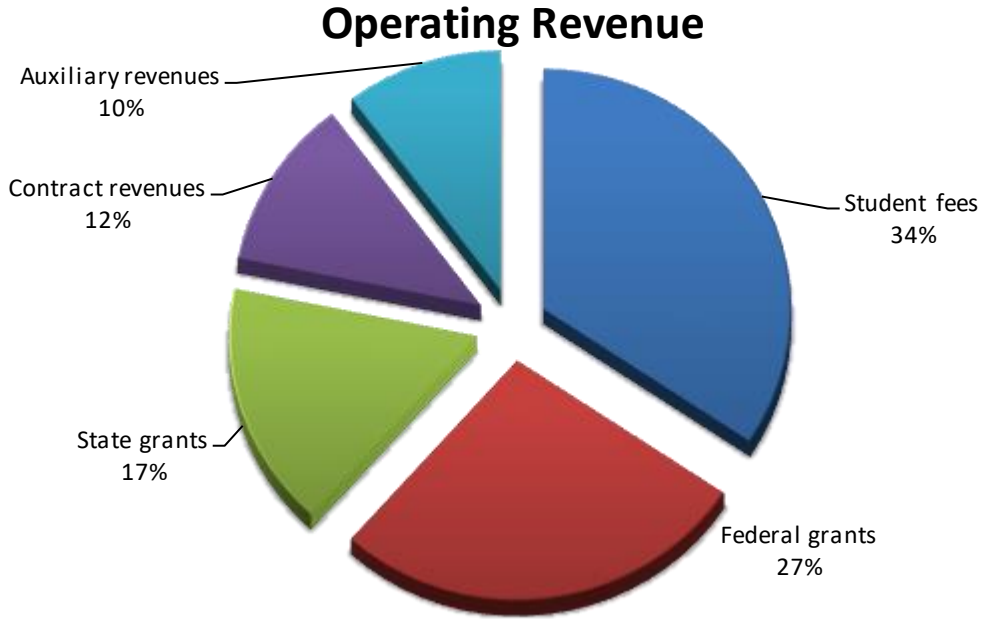
- During 2017 Southwest Tech generated \$5,354,979 for tuition and fees charged to students compared to \$5,240,160 in 2016. This was an increase of \$114,819 or 2.19%.
- The state increased tuition rates 1.5% and 2.0% in 2017 and 2016.
- Southwest Tech receives funding from the federal and state governments for specific purposes, including financial aid payments to students. Southwest Tech received \$6,843,440 for the federal and state governments for 2017 compared to \$7,200,775 for 2016. This figure is indicative of the continued efforts of Southwest Tech to seek out new sources of revenue.
 - ✓ State revenue decreased \$129,253 or 4.78% in 2017 compared to 2016. State funding levels fluctuate between years based on the specific grants available each year as well as the amount of funding the state provides for financial aid.
 - ✓ Federal funding decreased \$228,081 or 5.07% in 2017 compared to 2016. The level of enrollment impacts the amount of federal financial aid that is awarded each year. Federal funding levels fluctuate between years based on the specific grants available each year as well as the amount of funding the state provides for financial aid.
- Revenue from industrial and technical assistance contracts with business and industry, local school districts, UW Platteville and the Department of Corrections was \$1,805,577 in 2017 and \$2,137,306 in 2016.
- Southwest Tech operates auxiliary enterprise operation such as the book store, food service, and childcare center. Southwest Tech had sales of \$1,601,305 for 2017 compared to \$2,213,087 in 2016 for these activities.

Operating expenses are costs incurred for providing education, training and services. Total operating expenses increased \$1,231,875 or 3.90% compared to 2016. The majority of the Southwest Tech's expenses, 49%, are for instructional related costs. Student financial aid and general institutional accounts for an additional 23%, while auxiliary services and other expenses account for the remaining 28% of total operating expenses.

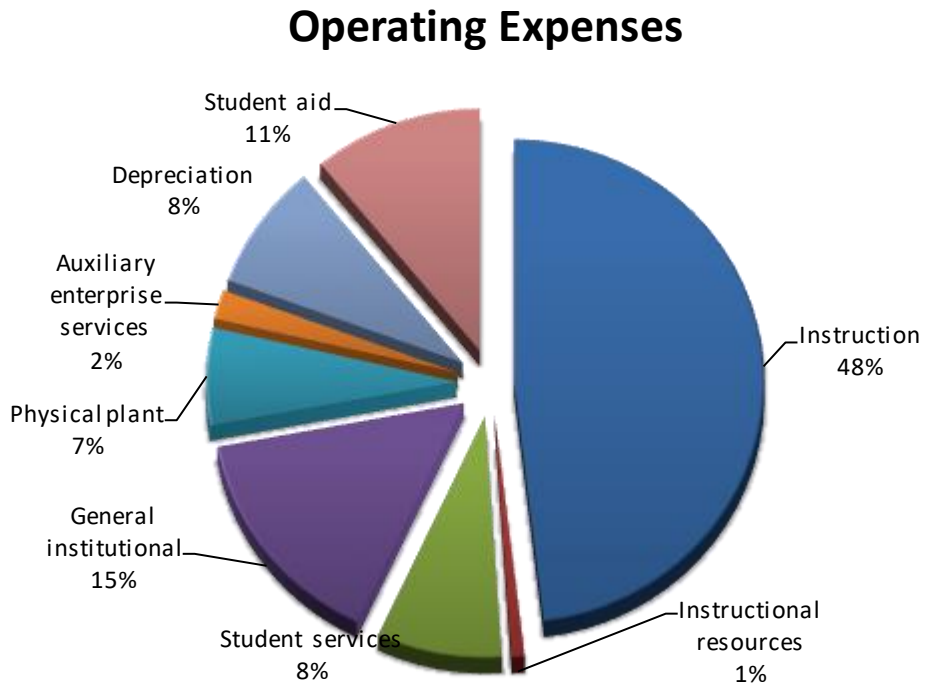
SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

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



The graph below categorizes operating expenses by function.



SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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

Non-operating revenues (expenses) are revenue and expense items not related directly to providing instruction. Net non-operating revenues increased \$31,685 or 0.19% in 2017.

- State operating appropriations decreased \$433,483 or 5.07% in 2017. Final state aid payments are not received until November following the fiscal year end. State aid is determined by a formula that takes into consideration actual expenditures, student FTE's, and equalized property valuations of each of the sixteen technical colleges in Wisconsin.
- Property tax revenue increased \$377,246 or 3.94% in 2017 compared to 2016. Property taxes are the biggest source of funding for Southwest Tech.

STATEMENT OF NET POSITION

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

Net position increased \$2,138,599 or 7.20% in 2017 compared to an increase of \$2,061,065 or 7.45% in 2016. Southwest Tech ended its fiscal year with net position of \$31,848,468 in 2017 of which \$16,978,615 was net investment in capital assets, \$307,930 was restricted for student financial aid, \$1,123,734 was restricted for capital projects, \$1,360,433 was restricted for debt service assistance, and \$12,077,756 was unrestricted net position. Unrestricted net position represents the amount of discretionary resources that can be used to fund general Southwest Tech operations.

Total assets decreased \$748,290 or 1.19% in 2017 and \$1,500,203 or 2.34% in 2016. Other assets decreased \$398,518 or 6.77%. Net capital assets decreased \$194,158 or 0.44% in 2017 compared to an increase of \$325,433 or 0.72% in 2016.

Southwest tech's current liabilities decreased \$534,907 or 7.87% in 2017 compared to an increase of 555,117 or 7.55% in 2016.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

STATEMENT OF NET POSITION (continued)

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

Table 2
Condensed Statements of Net Position

	2017	2016	Change	% Change
ASSETS				
Cash and cash equivalents	\$ 13,492,226	\$ 12,151,260	\$ 1,340,966	11.04
Net capital assets	44,433,615	44,627,773	(194,158)	(0.44)
Other assets	5,486,318	5,884,836	(398,518)	(6.77)
Total assets	63,412,159	62,663,869	748,290	1.19
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	5,677,298	7,422,364	(1,745,066)	(23.51)
LIABILITIES				
Current liabilities	6,259,146	6,794,053	(534,907)	(7.87)
Net pension liability	711,859	1,414,636	(702,777)	(49.68)
Long-term liabilities	27,313,749	29,179,234	(1,865,485)	(6.39)
Total liabilities	34,284,754	37,387,923	(3,103,169)	(8.30)
DEFERRED INFLOWS OF RESOURCES				
Related to pension	2,956,235	2,988,441	(32,206)	(1.08)
NET POSITION				
Net invested in capital assets	16,978,615	15,722,773	1,255,842	7.99
Restricted for student financial aid	307,930	299,472	8,458	2.82
Restricted for capital projects	1,123,734	608,030	515,704	84.82
Restricted for debt service	1,360,433	1,255,978	104,455	8.32
Unrestricted	12,077,756	11,823,616	254,140	2.15
Total net position	\$ 31,848,468	\$ 29,709,869	\$ 2,138,599	7.20

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, Southwest Tech had \$77,053,812 in capital assets, including land, land improvements, buildings and improvements, and moveable equipment. Total accumulated depreciation on these assets was \$32,620,197. Asset acquisitions totaled \$2,383,152. Southwest Tech recognized depreciation expense of \$2,568,360. Detailed information about capital assets can be found in Note 3 to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-term Debt

As of June 30, 2017, Southwest Tech had \$27,455,000 in general obligation debt outstanding compared to \$28,905,000 in 2016. Southwest Tech maintained its Aa2 rating from Moody's Investor service on its current and outstanding long-term debt. Debt service requirements of Southwest Tech are current and are secured by a tax levy adopted by the District Board. Wisconsin statutes require that the first property tax receipts be segregated for annual debt service payments. All general obligation debt for equipment is repaid in five years, while debt related to building and major remodeling is repaid in 10-20 years. The current debt adequately replaces and expands the equipment and facility needs of Southwest Tech. Detailed information about Southwest Tech's long-term debt is presented in Note 4 to the financial statements.

FINANCIAL POSITION

Southwest Tech continues to maintain a strong financial position. Its major revenue sources are property taxes, state aids, student tuition and fees, federal and state grants and contracts with business and industry.

Moody's "Aa2" rating reflects Southwest Tech's:

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

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

ECONOMIC FACTORS

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

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

ECONOMIC FACTORS (continued)

- Southwest Tech is 1 of 2 colleges in the state technical college system that provide student housing on campus. This benefits students that decide not to commute or reside further than reasonable daily travel distances.
- The level of our fund balances affords us time and flexibility to adjust to changing conditions.
- Capital financing through debt service allows us to keep pace with current technology.

Southwest Wisconsin Technical College faces challenges among which are:

- Historically below the state average in equalized valuation growth.
- Declining K-12 population equating to a smaller future customer base from high school graduates.
- Cost of operations continues to increase (wages, benefits, insurance, utilities, etc.)

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

CONTACTING SOUTHWEST WISCONSIN TECHNICAL COLLEGE'S FINANCIAL MANAGEMENT

The financial report is designed to provide a general overview of Southwest Tech's finances for all those with an interest in Southwest Tech's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Caleb White, Vice President for Administrative Services, 1800 Bronson Boulevard, Fennimore, WI 53809.

Additional information about Southwest Wisconsin Technical College and its services can also be found at <http://www.swtc.edu>.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	Primary Government		Component Unit	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ 13,492,226	\$ 12,151,260	\$ 523,020	\$ 299,091
Taxes receivable	3,249,760	3,218,878	-	-
Accounts receivable, net	581,733	1,446,081	228,571	243,384
Student accounts receivable	544,876	554,369	-	-
Due from other governments	35,357	80,217	-	-
Accrued self-insurance	486,459	-	-	-
Inventories	432,257	483,333	-	-
Prepaid expenses	155,876	101,958	-	-
Total current assets	18,978,544	18,036,096	751,591	542,475
NONCURRENT ASSETS				
Investments	-	-	3,356,268	3,030,170
Capital assets not being depreciated	813,445	813,962	236,539	80,000
Capital assets being depreciated, net	43,620,170	43,813,811	1,984,567	2,036,401
Total noncurrent assets	44,433,615	44,627,773	5,577,374	5,146,571
Total assets	63,412,159	62,663,869	6,328,965	5,689,046
DEFERRED OUTFLOWS OF RESOURCES				
Related to pension	5,677,298	7,422,364	-	-
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable and other current liabilities	941,258	866,112	186,983	624,843
Accrued salaries and benefits	555,426	821,576	-	-
Accrued interest	37,098	77,922	-	-
Accrued self-insurance	-	282,779	-	-
Compensated absences	647,533	816,314	-	-
Unearned revenue	552,831	479,350	-	-
Current portion of long-term debt	3,525,000	3,450,000	66,306	67,371
Total current liabilities	6,259,146	6,794,053	253,289	692,214
NONCURRENT LIABILITIES				
Net pension liability	711,859	1,414,636	-	-
Long-term debt, net of current portion	23,930,000	25,455,000	1,783,867	1,396,440
Post-employment benefits	3,383,749	3,724,234	-	-
Total noncurrent liabilities	28,025,608	30,593,870	1,783,867	1,396,440
Total liabilities	34,284,754	37,387,923	2,037,156	2,088,654
DEFERRED INFLOWS OF RESOURCES				
Related to pension	2,956,235	2,988,441	-	-
NET POSITION				
Net investment in capital assets	16,978,615	15,722,773	-	-
Permanently restricted	-	-	2,469,345	1,345,773
Temporarily restricted	-	-	837,841	1,692,399
Restricted				
Student financial assistance	307,930	299,472	-	-
Capital projects	1,123,734	608,030	-	-
Debt service	1,360,433	1,255,978	-	-
Unrestricted	12,077,756	11,823,616	984,623	562,220
Total net position	\$ 31,848,468	\$ 29,709,869	\$ 4,291,809	\$ 3,600,392

See accompanying notes to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2017 and 2016

	Primary Government		Component Unit	
	2017	2016	2017	2016
OPERATING REVENUES				
Tuition and fees				
Program fees (net of \$124,827 and \$115,396 scholarship allowances, respectively)	\$ 4,317,812	\$ 4,185,348	\$ -	\$ -
Material fees (net of \$9,246 and \$6,924 scholarship allowances, respectively)	326,224	339,803	-	-
Other student fees (net of \$20,034 and \$16,155 scholarship allowances, respectively)	710,943	715,009	-	-
Federal grants and contracts	4,269,671	4,497,752	-	-
State grants and contracts	2,573,769	2,703,022	-	-
Non-governmental grants and contracts	1,805,577	2,137,306	-	-
Auxiliary enterprise services	1,601,305	2,213,087	-	-
Contributions and other support	-	-	1,291,895	442,140
Rental income	-	-	439,489	417,049
Total operating revenues	15,605,301	16,791,327	1,731,384	859,189
OPERATING EXPENSES				
Instruction	14,584,086	15,483,174	-	-
Instructional resources	251,308	349,695	-	-
Student services	2,453,273	2,156,682	-	-
General institution	4,576,235	3,673,642	-	-
Physical plant	1,968,777	1,928,771	-	-
Auxiliary enterprise services	593,067	2,258,952	-	-
Depreciation	2,568,360	2,504,915	-	-
Student aid	3,327,558	3,198,708	-	-
Program activities and other	-	-	1,366,133	1,104,201
Total operating expenses	30,322,664	31,554,539	1,366,133	1,104,201
Operating loss	(14,717,363)	(14,763,212)	365,251	(245,012)
NONOPERATING REVENUES (EXPENSES)				
State appropriations	8,117,012	8,550,495	-	-
Local property taxes	9,963,198	9,585,952	-	-
Loss on disposal of capital assets	(8,433)	(10,576)	-	-
Investment income	29,834	26,168	326,166	142,062
Interest on capital asset-related debt	(1,245,649)	(1,327,762)	-	-
Total non-operating revenues (expenses)	16,855,962	16,824,277	326,166	142,062
Change in net position	2,138,599	2,061,065	691,417	(102,950)
Net position - beginning of year	29,709,869	27,648,804	3,600,392	3,703,342
Net position - end of year	\$ 31,848,468	\$ 29,709,869	\$ 4,291,809	\$ 3,600,392

See accompanying notes to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities		
Tuition and fees received	\$ 5,437,953	\$ 5,263,050
Federal and state grants received	6,888,300	7,173,782
Business, industry and school district contract revenues received	2,669,925	2,086,155
Payments to employees, including related benefits	(20,322,421)	(22,918,756)
Payments to suppliers	(7,894,150)	(6,105,310)
Auxiliary enterprise revenues received	1,601,305	2,213,087
Net Cash Flows from Operating Activities	(11,619,088)	(12,287,992)
Cash flows from non-capital financing activities		
Local property taxes received	9,932,316	9,497,394
State appropriations received	8,117,012	8,550,495
Net Cash Flows from Non-Capital Financing Activities	18,049,328	18,047,889
Cash flows from capital and related financing activities		
Purchases of capital assets	(2,382,635)	(2,190,048)
Proceeds from issuance of capital debt	2,500,000	2,500,000
Principal paid on capital debt	(3,950,000)	(3,880,000)
Interest paid on capital debt	(1,286,473)	(1,330,841)
Net Cash Flows from Capital and Related Financing Activities	(5,119,108)	(4,900,889)
Cash flows from capital and related financing activities		
Investment income received	29,834	26,168
Net Increase in Cash and Cash Equivalents	1,340,966	885,176
Cash and Cash Equivalents - Beginning of Year	12,151,260	11,266,084
Cash and Cash Equivalents - End of Year	\$ 13,492,226	\$ 12,151,260
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$(14,717,363)	\$(14,763,212)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	2,568,360	2,504,915
Changes in assets and liabilities		
Accounts receivable, net	864,348	(51,151)
Student accounts receivable	9,493	(11,890)
Due from other governments	44,860	(26,992)
Inventories	51,076	55,975
Prepaid expenses	(53,918)	53,659
Net pension asset	1,010,083	864,519
Accounts payable and other current liabilities	75,146	(311,617)
Accrued salaries and benefits	(266,150)	(221,532)
Accrued self-insurance	(769,238)	(148,221)
Compensated absences	(168,781)	24,552
Unearned revenue	73,481	34,780
Post-employment benefits	(340,485)	(291,777)
Net cash used in operating activities	\$(11,619,088)	\$(12,287,992)

See accompanying notes to the financial statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Reporting Entity

The reporting entity of Southwest Tech consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of an organization's governing body and it is able to its will on that organization, (2) it appoints a voting majority of an organization's governing body and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government or its constituents; (2) the primary government is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government is entitled to, or has the ability to otherwise access, are significant to the primary government.

The Southwest Wisconsin Technical College Foundation, Inc. (Foundation), is a not-for-profit corporation whose purpose is to solicit, hold, manage, invest, and expend endowment funds and

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

other gifts, grants, and bequests exclusively for the maintenance and benefit of Southwest Tech. The Foundation is managed by an independent board of directors. Southwest Tech provides office space, certain equipment and furnishings, most related utility services and some insurance coverage to the Foundation without charge. The Foundation's resources are almost entirely for the benefit of Southwest Tech and the "entitlement/ability to access" criterion is met because the Foundation has a history of supporting Southwest Tech with its economic resources, the financial resources of the Foundation are significant to Southwest Tech as a whole and accordingly, the Foundation is presented as a discretely presented component unit of the District.

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

Basis of Accounting and Financial Statement Presentation

For financial reporting purposes, Southwest Tech is considered a special-purpose government engaged only in business-type activities. Accordingly, the financial statements of Southwest Tech have been prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the years for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. All significant inter-governmental transactions have been eliminated.

Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires Southwest Tech to make estimates and assumptions that affect the reported amounts of assets, deferred inflows and outflows of revenues and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position

Cash and Cash Equivalents

Southwest Tech's cash and cash equivalents are considered to be cash on hand, demand deposits, investments in the Local Government Investment Pool, and short-term investments with original maturities less than ninety days from date of acquisition.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. The SIF is not rated. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2017 and 2016, the fair value of Southwest Tech's share of the LGIP's assets was substantially equal to the amount reported in these statements.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories of books and supplies are stated at the lower of cost or market; cost is determined using the first-in, first-out method. Instructional and administrative inventories are expensed as incurred.

Capital Assets

Capital assets are reported at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value at the time of receipt. Interest costs incurred during construction are not capitalized and are not considered material.

The costs of maintenance and repairs are charged to operations as incurred. Equipment assets having a cost of \$500 or more per unit and building or remodeling projects of \$15,000 or more are capitalized. Depreciation on buildings and equipment is provided in amounts sufficient to relate the cost of depreciable assets to operations on the straight-line basis over the estimated useful life of the asset, which range from four to ten years for equipment and fifty years for buildings and remodeling.

Property Tax and Taxes Receivable

The District Board, under Section 38.16 of the Wisconsin Statutes, may levy a tax not to exceed 1.5 mills on the full value of taxable property within the area served by Southwest Tech for the purposes of operating and maintaining schools. The mill rate limitation is not applicable to taxes levied for the purposes of paying principal and interest on general obligation debt issued by Southwest Tech that is used for capital improvements and equipment additions.

Southwest Tech's operational mill rate was .62698 and .61542 mills for fiscal years ending 2017 and 2016. The debt service mill rate for the fiscal years ending 2017 and 2016 was .62522 and .63559 respectively.

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

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

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

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

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

Pensions

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

Post-Employment Benefits

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

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

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

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows and Inflows of Resources

In addition to assets, the balance sheet will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. All deferred outflows and inflows relate to the WRS pension activity.

Fees and Tuition

Fees and tuition are recorded as revenue in the period in which the related activity or instruction takes place. Revenues for the summer semester are prorated on the basis of student class days occurring before and after June 30. Southwest Tech's student fee receivable is stated at amounts due from students, net of an allowance for doubtful accounts. Amounts outstanding longer than the agreed upon payment terms are considered past due. Southwest Tech determines its allowance for doubtful accounts by considering a number of factors including length of time amounts are past due, Southwest Tech's previous loss history and the student's ability to pay his or her obligation. Southwest Tech writes off receivables when they become uncollectible, and payments subsequently collected on such receivables are credited to the allowance for doubtful accounts.

State and Federal Revenues

Southwest Tech receives funding from various federal and state contracts and grants. These revenues are earned as expenses are incurred. Such expenses may be incurred during the grantor's fiscal period, which may be different than that of Southwest Tech.

Southwest Tech participates in federally funded Pell Grants, SEOG Grants, Federal Work Study and Federal Direct Student Loan Programs. Federal and State programs are audited in accordance with Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*.

Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the following method: All aid is reflected in the basic financial statements as operating expenses or scholarship allowances, which reduce revenues. Southwest Tech receives and disburses cash and, as a result, must record all federal and state loan funds as federal and state grants, and the crediting of the funds to the student's account as student aid expense. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification of Revenue and Expense

Southwest Tech has classified its revenue and expenses as either operating or non-operating according to the following criteria:

Operating revenue/expenses- Operating revenues and expenses include activities that have the characteristics of exchange transactions to provide goods or services related to Southwest Tech's principal ongoing operations. Operating revenues include (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) most federal, state and local grants and contracts that are essentially the same as contracts for services that finance programs of Southwest Tech. Operating expenses include the cost of providing educational services, student aid, administrative expenses and depreciation on capital assets.

Non-operating revenues/expenses – Non-operating revenues and expenses include activities that have the characteristics of non-exchange transactions. Non-operating revenues as defined by GASB Statement No.9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. These revenues include gifts and contributions, and other revenue sources.

Self-Insurance

Southwest Tech is self-insured for health and dental coverage. Southwest Tech accounts for its medical self-insurance program in an internal service fund. The purpose of this fund is to pay medical insurance claims of Southwest Tech employees and their covered dependents and to minimize the total costs of annual insurance to Southwest Tech. The accrued liability for estimated claims represents an estimate of the eventual loss on claims arising prior to year-end, including claims incurred, but not yet reported. The amounts not reported to Southwest Tech were determined by the Plan administrator.

Net Position

Net position is classified according to restrictions on availability of assets for satisfaction of Southwest Tech's obligations.

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

NOTE 2—CASH AND CASH EQUIVALENTS

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

	2017	2016	Risk
Cash and cash equivalents:			
Cash on hand	\$ 2,940	\$ 3,000	
Deposit accounts	12,318,551	10,983,763	Custodial
Local Government Investment Pool	1,170,735	1,164,497	Credit and interest
Total cash and cash equivalents	\$ 13,492,226	\$ 12,151,260	

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2—CASH AND CASH EQUIVALENTS (continued)

Southwest Tech voluntarily invests excess funds in the Wisconsin Local Government Investment Pool (LGIP), an external investment pool. The LGIP is part of the State Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. The SIF is not rated. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, the fair value of the Southwest Tech's share of the LGIP's assets was substantially equal to the amounts reported above.

Southwest Tech is limited to investments authorized by Wisconsin State Statute 66.0603 including the following:

1. Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the state if the time deposits mature in not more than three years.
2. Bonds or securities issued or guaranteed as to principal and interest by the federal government, or by a commission, board, or other instrumentality of the federal government.
3. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state, as well as bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, the University of Wisconsin Hospitals and Clinics Authority, a local cultural arts district, or the Wisconsin Aerospace Authority.
4. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category assigned by Standard & Poor's corporation, Moody's investors service, or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
5. Securities of an open-end management investment company or investment trust, with certain limitations:
 - a. Bonds or securities issued under the authority of the municipality;
 - b. The local government pooled-investment fund as established under Section 25.50 of the Wisconsin Statutes; the state of Wisconsin local government investment fund (LGIP)
 - c. Agreements in which a public depository agrees to repay funds advanced to it by Southwest Tech, plus interest, if the agreement is secured by bonds or securities issued or guaranteed as to principal and interest by the federal government.
 - d. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
 - e. Repurchase agreements with public depositories, with certain conditions.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2—CASH AND CASH EQUIVALENTS (continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, Southwest Tech would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The bank balances were \$12,374,752 and \$11,354,897 at June 30, 2017 and 2016. Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Bank accounts and the local government investment pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may be significant to individual organizations. As of June 30, 2017, \$257,087 of Southwest Tech's deposits was covered by the FDIC, and \$12,118,548 was secured by pledged securities.

For investments, custodial credit risk is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to the transaction, Southwest Tech will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Southwest Tech's investment policy minimizes credit risk by limiting investments to the safest type of securities and diversifying the investment portfolio. Individual securities may not exceed 5% of the market value of the portfolio at the time of purchase with the exception of U.S. Government issues fully guaranteed as to both principal and interest by the U.S. government or agencies thereof, shares of open-ended investment companies, the LGIP, or the Wisconsin Investment Series Cooperative (WISC). The LGIP and WISC do not carry a credit quality rating.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, Southwest Tech's investment policy limits the maturity of any security to no more than five years from the date of purchase or in accordance with state and local statutes and ordinances, whichever is less. The policy indicates that the investment portfolio should be structured so that securities mature to meet the cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. The policy sets a maximum duration range of two years with a target duration of one year. As of June 30, 2017, Wisconsin Local Government Investment Pool (LGIP) investments have a maturity of 12 months or less.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3—CAPITAL ASSETS

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

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3—CAPITAL ASSETS (continued)

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

	Balance 7/1/2015	Additions	(Deletions)	Balance 6/30/2016
Capital assets not being depreciated				
Land	\$ 813,445	\$ -	\$ -	\$ 813,445
Constructions in progress	517	-	-	517
Total capital assets not being depreciated	813,962	-	-	813,962
Capital assets being depreciated				
Land improvements	1,067,977	-	-	1,067,977
Buildings & improvements	46,374,063	641,015	-	47,015,078
Equipment	24,306,093	1,549,033	(44,879)	25,810,247
Total capital assets being depreciated	71,748,133	2,190,048	(44,879)	73,893,302
Less accumulated depreciation for				
Land improvements	529,842	44,674	-	574,516
Buildings & improvements	9,381,397	1,164,578	-	10,545,975
Equipment	17,697,640	1,295,663	(34,303)	18,959,000
Total accumulated depreciation	27,608,879	2,504,915	(34,303)	30,079,491
Total capital assets being depreciated-net	44,139,254	(314,867)	(10,576)	43,813,811
Net capital assets	44,953,216	<u>\$ (314,867)</u>	<u>\$ (10,576)</u>	44,627,773
Less general obligation debt	(30,285,000)			(28,905,000)
Total net investment in capital assets	<u>\$ 14,668,216</u>			<u>\$ 15,722,773</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4—LONG-TERM OBLIGATIONS

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

Changes in long-term obligations for the years ended June 30, 2017 and 2016 was as follows:

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

	<u>Balance 7/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2016</u>	<u>Due Within One Year</u>
Notes and bonds payable	\$ 30,285,000	\$ 2,500,000	\$ 3,880,000	\$ 28,905,000	\$ 3,450,000
Accrued compensated absences	791,762	586,373	561,821	816,314	816,314
Total long-term liabilities	<u>\$ 31,076,762</u>	<u>\$ 3,086,373</u>	<u>\$ 4,441,821</u>	<u>\$ 29,721,314</u>	<u>\$ 4,266,314</u>

All general obligation debt is secured by the full faith and credit and taxing powers of Southwest Tech. Long-term debt will be retired by future property tax levies and resources accumulated in the debt service fund.

Wisconsin State Statute 67.03 (1) limits total general obligation debt of Southwest Tech to 5% of the equalized value of taxable property located within the district. Wisconsin State Statute 67.03 (9) limits bonded indebtedness of Southwest Tech to 2% of the equalized value of taxable property, including tax incremental districts. The legal debt limit and the margin of indebtedness, as of June 30, 2017 is as follows:

	<u>Bonds</u>	<u>Aggregate</u>
Debt limit (2% for bonds, 5% for aggregate)	\$ 158,344,414	\$ 395,861,036
Debt outstanding at June 30, 2017 net of resources available to pay principal	<u>22,455,000</u>	<u>27,455,000</u>
Margin of indebtedness:	<u>\$ 135,889,414</u>	<u>\$ 368,406,036</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4—LONG-TERM OBLIGATIONS (continued)

General obligation debt at June 30, 2017 and 2016 are as follows:

	<u>Buyer</u>	<u>2017</u>	<u>2016</u>
2008 \$8,000,000 general obligation school improvement bonds payable with annual principle payments of \$150,000 - \$585,000 through June 1, 2028, interest at 4.00%-4.75%, payable semi-annually in June 1 and December 1. Proceeds used to finance construction and remodeling.	Sterne, Agee & Leach, Inc.	\$ 370,000	\$ 725,000
2009 \$23,900,000 taxable general obligation Build America Bonds payable, authorized by the American Recovery and Reinvestment Act, with annual principle payments of \$600,000 - \$1,745,000 through June 1, 2029, interest at 1.65%-6.125%, payable semi-annually in June 1 and December 1. Interest payments are reduced by a 35% federal subsidy. Proceeds used to finance new construction and remodeling.	Robert W. Baird	17,010,000	18,050,000
2012 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2017, interest at 0.40%-1.0%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	UMB Bank, N.A	-	500,000
2013 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2018, interest at 1.75%-2%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	BOSC, Inc.	500,000	1,000,000
2014 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2019, interest at 0.5-2.0%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	Piper Jaffray	1,000,000	1,500,000

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 4—LONG-TERM OBLIGATIONS (continued)

	Buyer	2017	2016
2014 \$5,215,000 general obligation refunding bonds payable with annual principle payments of \$30,000-\$575,000 through June 1, 2028, interest at 2.0-3.0%, payable semi-annually June 1 and December 1.	Robert W. Baird	5,075,000	5,130,000
2015 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2020, interest at 2.0%, payable semi-annually in June 1 and December 1. Proceeds used to finance remodeling, facility improvements, and equipment purchases.	Piper Jaffray	1,500,000	2,000,000
2016 \$2,500,000 promissory notes payable with annual principle payments of \$500,000 through June 1, 2021, interest at 2.0%, payable semi-annually in June 1 and December 1.	UMB Bank, NA	2,000,000	-
Total General Obligation Debt		<u>\$ 27,455,000</u>	<u>\$ 28,905,000</u>

Future debt service requirements as of June 30, 2017 are as follows:

Year Ended June 30	Principal	Interest	Total
2018	\$ 3,525,000	\$ 886,129	\$ 4,411,129
2019	3,100,000	788,203	3,888,203
2020	2,670,000	711,765	3,381,765
2021	2,250,000	641,529	2,891,529
2022	1,810,000	577,961	2,387,961
2023-2027	10,100,000	1,850,521	11,950,521
2028-2032	4,000,000	223,081	4,223,081
	<u>\$ 27,455,000</u>	<u>\$ 5,679,189</u>	<u>\$ 33,134,189</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5—EMPLOYEE'S RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits. The WRS also provides death and disability benefits for employees.

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

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

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. During the current and prior reporting periods, the WRS recognized \$816,621 and \$837,279 in contributions from the employer. Contribution rates as of June 30, 2017 are as follows:

Employee Category	Employee	Employer
General (including teachers, executives, and elected officials)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At June 30, 2017 and 2016, Southwest Tech reported a liability of \$711,859 and \$1,414,636 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Southwest Tech’s proportion of the net pension liability was based on Southwest Tech’s share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016 and 2015, Southwest Tech’s proportion was 0.08636563% and 0.08705556%. For the years ended June 30, 2017 and 2016, Southwest Tech recognized pension expense of \$1,826,408 and \$1,692,285.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

At June 30, 2017, Southwest Tech reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

At June 30, 2017 and 2016, \$405,570 and \$405,864 were reported as deferred outflows related to pension resulting from Southwest Tech’s contributions subsequent to the measurement date. Deferred outflows will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 1,836,849	\$ (895,513)
2018	1,836,849	(895,513)
2019	1,536,878	(894,720)
2020	59,788	(270,489)
2021	1,364	-
	\$ 5,271,728	\$ (2,956,235)

Actuarial assumptions. The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset)	December 31, 2016
Actuarial Cost Method:	Entry age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

<u>Core Fund Asset Class</u>	<u>Current Asset Allocation</u>	<u>Destination Target Asset Allocation</u>	<u>Long-Term Expected Nominal Rate of Return</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equities	50%	45%	8.3%	5.4%
Fixed income	24.5	37	4.2	1.4
Inflation sensitive assets	15.5	20	4.3	1.5
Real estate	8	7	6.5	3.6
Private equity/debt	8	7	9.4	6.5
Multi-asset	4	4	6.6	3.7
Total core fund	110%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. equities	70%	70%	7.6%	4.7%
International equities	30	30	8.5	5.6
Total variable fund	100%	100%	7.9%	5.0%

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Southwest Tech’s proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents Southwest Tech’s proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what Southwest Tech’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.2 percent) or 1-percentage-point higher (8.2 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.2%)</u>	<u>Current Discount Rate (7.2%)</u>	<u>1% Increase to Discount Rate (8.2%)</u>
Southwest Tech's proportionate share of net pension liability - 2016	\$ 9,364,961	\$ 711,859	\$ (5,951,422)
Southwest Tech's proportionate share of net pension liability - 2015	\$ 9,922,284	\$ 1,414,636	\$ (5,229,989)

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 5 – EMPLOYEE’S RETIREMENT SYSTEM (continued)

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

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS

Southwest Tech provides other post-employment benefits (OPEB) for its employees through a single-employer retiree benefit plan that provides postemployment health and dental insurance benefits to eligible employees and their spouses in accordance with employee contracts. There are approximately 44 active and 77 retired members in the plan as of July 1, 2016 the most recent actuary study. Benefits and eligibility are established and amended by the governing body.

Funding Policy. Southwest Tech has no invested plan assets accumulated for payment of future benefits. The employer makes all contributions. Southwest Tech’s funding policy is to provide annual contributions on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. Southwest Tech’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of Southwest Tech’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Southwest Tech’s net OPEB obligation:

	2017	2016
Annual required contribution	\$ 411,908	\$ 368,605
Interest on net OPEB obligation	32,675	55,237
Adjustment to annual required contribution	(46,745)	(60,145)
Annual OPEB cost (expense)	397,838	363,697
OPEB payments made	(700,483)	(655,474)
Increase in net OPEB obligation	(302,645)	(291,777)
Net OPEB obligation - beginning of year	1,089,158	1,380,935
Net OPEB obligation - end of year	\$ 786,513	\$ 1,089,158

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (continued)

Southwest Tech's annual OPEB costs, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017 and the preceding two years was as follows:

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

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the entry age normal level % of salary actuarial cost method was used. The actuarial assumptions included a 3.00% investment rate of return and an initial annual healthcare cost trend rate of 7.50%, reduced by decrements to an ultimate rate of 5%. Both rates include a 2.5% inflation assumption. The UAAL is being amortized on a level dollar basis. The remaining amortization period on July 1, 2016 was 24 years.

NOTE 7—COMMITMENTS AND CONTINGENCIES

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7—COMMITMENTS AND CONTINGENCIES (continued)

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

Operating Leases

Southwest Tech leases various facilities as outreach center to offer Adult Basic Education, GED/HSED and other course options. Current facilities are located in Richland Center, Fennimore, Platteville and Darlington. Future minimum lease payments for the years ending June 30, 2018 and 2019 are \$82,484 and \$30,122. Rent expenses under all operating leases for the years ended June 30, 2017 and 2016 \$52,601 and \$53,861.

NOTE 8—RISK MANAGEMENT

Districts Mutual Insurance Company (DMI)

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

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

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

Each member college is assessed an annual premium. Future premiums will be based on relevant rating exposure bases as well as the historical loss experience by members. DMI's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company. Since DMI is fully capitalized, member districts have not been assessed a capitalization amount for fiscal years 2017 and 2016.

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

Supplemental Insurance

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 8 – RISK MANAGEMENT (continued)

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

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

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

Health Insurance

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

The claims asset (liability) of \$486,459 and (\$282,779) reported at June 30, 2017 and 2016 is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that an asset (liability) for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that an asset (liability) has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims asset (liability) amount were:

		Estimated claims outstanding			
		Beginning Balance	Premiums	Claim Payments	Ending Balance
2017	\$	(282,779)	3,413,763	\$ (2,644,525)	486,459
2016		(431,000)	3,825,173	(3,676,952)	(282,779)

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 9—SUBSEQUENT EVENT

On August 1, 2017, Southwest Tech issued \$2,500,000 of General Obligation Promissory Notes, the proceeds of which are to be used for the public purpose of paying building remodeling and improvement costs and acquiring movable equipment. The interest rate on these bonds is 1.40%.

NOTE 10—DISCRETELY PRESENTED COMPONENT UNIT

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

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

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

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

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

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Combination

The combined financial statements include the financial statements of the Foundation and REF, which are related through common management and aligned objectives.

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

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

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

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

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

Promises to Give

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

Investments

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

Property and Equipment

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

Income Tax Status

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

The REF received 501(c)(3) tax-exempt status as a supporting organization under section 509(a)(3) of the Internal Revenue Code in November 2015.

Contributions

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statements of activities as net assets released from restrictions.

Expense Allocation

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

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

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

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

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

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

Estimates

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

Date of Management’s Review

Management has evaluated subsequent events through, the date which the combined financial statements were available to be issued.

NOTE B—PROMISES TO GIVE

Unconditional promises to give at June 30, 2017 and 2016 are as follows:

	2017	2016
Receivable in less than one year	\$ 12,328	\$ 16,760
Receivable in one to five years	138,600	-
	\$ 150,928	\$ 16,760

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE C—INVESTMENTS

Investments are comprised of the following:

	<u>2017</u>	<u>2016</u>
Money market fund	\$ 9,762	\$ 156,172
U.S. government and agency obligations	1,368,764	272,288
Corporate bonds	-	519,439
State and municipal obligations	-	38,763
Common stocks	-	1,799,149
Foreign equities	-	161,103
Mutual funds	<u>1,977,742</u>	<u>83,256</u>
Investments	<u>\$ 3,356,268</u>	<u>\$ 3,030,170</u>

Investments at June 30, 2017 and 2016 include \$2,433,145 and \$1,345,773 of investments held for endowment purposes.

Investment return is summarized as follows:

	<u>2017</u>	<u>2016</u>
Investment income	\$ 65,955	\$ 69,300
Net realized and unrealized gains	271,343	92,640
Investment expenses	<u>(11,132)</u>	<u>(19,878)</u>
Investment return	<u>\$ 326,166</u>	<u>\$ 142,062</u>

NOTE D—FAIR VALUE MEASUREMENTS

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

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Money market fund	\$ 9,762	\$ 9,762	\$ -
U.S. government and agency obligations	1,368,764	-	1,368,764
Mutual funds	<u>1,977,742</u>	<u>1,977,742</u>	<u>-</u>
June 30, 2017	<u>\$ 3,356,268</u>	<u>\$ 1,987,504</u>	<u>\$ 1,368,764</u>
Money market fund	\$ 156,172	\$ 156,172	\$ -
U.S. government and agency obligations	272,288	-	272,288
Corporate bonds	519,439	-	519,439
State and municipal obligations	38,763	-	38,763
Common stocks	1,799,149	1,799,149	-
Foreign equities	161,103	161,103	-
Mutual funds	<u>83,256</u>	<u>83,256</u>	<u>-</u>
June 30, 2016	<u>\$ 3,030,170</u>	<u>\$ 2,199,680</u>	<u>\$ 830,490</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE D—FAIR VALUE MEASUREMENTS (continued)

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

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

NOTE E—PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2017	2016
Land	\$ 80,000	\$ 80,000
Construction in progress	156,539	-
Buildings and improvements	2,676,240	2,696,320
Equipment	43,171	32,647
Property and equipment	2,955,950	2,808,967
Accumulated depreciation	(734,844)	(692,566)
Property and equipment - net	\$ 2,221,106	\$ 2,116,401

NOTE F—MORTGAGE PAYABLE

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

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

2018	\$ 66,306
2019	68,904
2020	71,427
2021	74,404
2022	77,319
Thereafter	1,491,813
	\$ 1,850,173

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE G—LEASING ARRANGEMENTS

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

NOTE H—NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Designated for emergency loan fund	\$ 10,140	\$ 11,642
Property and equipment held for leasing (net of accumulated depreciation and related debt)	370,933	652,590
Special projects	-	12,500
Undesignated	<u>603,550</u>	<u>(114,512)</u>
Unrestricted net assets	<u>\$ 984,623</u>	<u>\$ 562,220</u>

Temporarily restricted net assets are available for the following purposes:

	<u>2017</u>	<u>2016</u>
Professional staff development	\$ 23,607	\$ 21,663
Special projects and events	335,452	213,867
Scholarships	<u>478,782</u>	<u>1,456,869</u>
Temporarily restricted net assets	<u>\$ 837,841</u>	<u>\$ 1,692,399</u>

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

	<u>2017</u>	<u>2016</u>
Professional staff development	\$ 42,050	\$ 55,000
Special projects and events	78,270	20,000
Scholarships	<u>2,349,025</u>	<u>1,270,773</u>
Permanently restricted net assets	<u>\$ 2,469,345</u>	<u>\$ 1,345,773</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE H—NET ASSETS (continued)

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

NOTE I—ENDOWMENT FUNDS

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

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

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE I—ENDOWMENT FUNDS (continued)

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

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

The composition of and changes in donor-restricted endowment net assets as of and for the years ended June 30, 2017 and 2016 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets 7/1/2015	\$ (540)	\$ 1,434,705	\$ 1,268,478	\$ 2,702,643
Investment return				
Investment income	220	29,212	-	29,432
Net appreciation (realized and unrealized)	231	30,577	-	30,808
Total investment return	451	59,789	-	60,240
Contributions	-	1,971	77,295	79,266
Appropriation of endowment assets for expenditure	(651)	(101,436)	-	(102,087)
Endowment net assets 6/30/2016	(740)	1,395,029	1,345,773	2,740,062
Investment return				
Investment income	740	37,733	-	38,473
Net appreciation (realized and unrealized)	-	244,229	-	244,229
Total investment return	740	281,962	-	282,702
Contributions	-	-	76,472	76,472
Appropriation of endowment assets for expenditure	-	(124,292)	-	(124,292)
Transfers to create donor-restricted endowment funds	-	(1,047,100)	1,047,100	-
Endowment net assets 6/30/2017	<u>\$ -</u>	<u>\$ 505,599</u>	<u>\$ 2,469,345</u>	<u>\$ 2,974,944</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 10—DISCRETELY PRESENTED COMPONENT UNIT (continued)

NOTE J—RELATED PARTY TRANSACTIONS

The Foundation and the REF have an agreement with the College for services and facilities. The College employed all of the Foundation and REF's employees. During the year ended June 30, 2017, the Foundation and the REF recorded donated services of \$367,205 and \$150,914, respectively, for the personnel-related costs. The College also provided payroll, human resources, and maintenance services, internet and mailing services, office space, and office equipment without charge. Services received from the College are measured at the College's estimate of the costs it incurred in providing those services. Facilities and office equipment are measured at the fair value rental for similar facilities. During the year ended June 30, 2017, the Foundation and the REF paid \$149,261 and \$11,532, respectively, for expenses incurred by the College.

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

NOTE K—RESTATEMENT OF NET ASSETS

During the year ended June 30, 2017, management determined that the Foundation classified restricted contributions and investment return in prior years incorrectly. As a result, net assets at July 1, 2016, have been restated to reflect the correct classification

	<u>Reported</u>	<u>Change</u>	<u>As Restated</u>
Unrestricted	\$ 547,179	\$ 15,041	\$ 562,220
Temporarily restricted	1,707,440	(15,041)	1,692,399
Permanently restricted	<u>1,345,773</u>	<u>-</u>	<u>1,345,773</u>
Total	<u>\$ 3,600,392</u>	<u>\$ -</u>	<u>\$ 3,600,392</u>

The cumulative effect of the restatement on net assets as of July 1, 2016 is an increase in unrestricted net assets of \$15,401 and a decrease in temporarily restricted net assets of \$15,401.

REQUIRED SUPPLEMENTARY INFORMATION

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

	2016	2015	2014
Southwest Tech's proportion of the net pension liability	0.086366%	0.087056%	0.086672%
Southwest Tech's proportionate share of the net pension liability	\$ 711,859	\$ 1,414,636	\$ (2,128,893)
Southwest Tech's covered-employee payroll	\$ 12,373,045	\$ 12,311,841	\$ 12,149,964
Southwest Tech's proportionate share as a percentage of covered payroll	5.75%	11.49%	17.52%
Plan fiduciary net position as a percentage of the total pension liability	99.12%	98.20%	102.74%

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

SCHEDULE OF CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS*

	2016	2015	2014
Contractually required contributions	\$ 816,621	\$ 837,279	\$ 850,618
Contributions in relation to the contractually required contributions	\$ 816,621	\$ 837,279	\$ 850,618
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Southwest Tech's covered-employee payroll	\$ 12,373,045	\$ 12,311,841	\$ 12,149,964
Contributions as a percentage of covered-employee payroll	6.60%	6.80%	7.00%

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

See accompanying notes to the required supplementary information.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
 June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2016	\$ -	\$ 7,162,500	\$ 7,162,500	0.00%	\$ 4,239,079	168.96%
7/1/2013	\$ -	\$ 5,919,556	\$ 5,919,556	0.00%	\$ 5,795,408	102.14%
7/1/2012	\$ -	\$ 6,699,033	\$ 6,699,033	0.00%	\$ 6,456,777	103.75%

See accompanying notes to the required supplementary information.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1—BUDGETS AND BUDGETARY ACCOUNTING

Southwest Tech's reporting structure used in the preparation of the basic financial statements is different than the fund structure used for budgetary accounting. Annual budgets are adopted for all funds in accordance with the requirements of the Wisconsin Technical College System Board. The process includes an administrative compilation and review of campus and departmental requests, public hearings, and approval by the District Board prior to June 30 of each year. Capital outlays for multi-year projects are budgeted annually in the Capital Projects Fund upon planned inception of the project.

Local property taxes are levied on a calendar year basis by various taxing municipalities located in Southwestern Wisconsin. Southwest Tech records as revenue its share of the local tax when levied.

Annual budgets are prepared on a different basis from the basic financial statements by recognizing encumbrances as expenditures and by recognizing revenues related to encumbrances.

The legal level of control for each budget is by function and within each fund. Budget amendments during the year are legally authorized. Budget transfers (between funds and functional areas within funds) and changes in expenditures (appropriations) require approval by the Board and require publishing a Class I public notice in the District's official newspaper within 10 days according to Wisconsin Statutes. The budget was modified during the year and also subsequent to the fiscal year end. These budget modifications reflect (1) actual property tax revenues in excess of estimates; (2) changes in expected state aid payments, both for the current year and prior year adjustments; (3) various other minor adjustments. Expenditures may not exceed appropriations. Unencumbered appropriations lapse at the end of each fiscal year. Management is authorized to transfer appropriations within functions without the approval of the Board.

NOTE 2—FUNDING PROGRESS DATA

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

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

NOTE 3—WISCONSIN RETIREMENT SYSTEM

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

Changes of assumptions. Southwest Tech reported a deferred outflow of \$744,276 for change in assumption for the year ended June 30, 2017.

OTHER SUPPLEMENTARY INFORMATION

The following supplementary information is provided to document Southwest Tech's compliance with budgetary requirements. This accountability is an essential requirement to maintain the public trust. The method of accounting used for budgetary compliance monitoring is substantially different from the method of preparing the basic financial statements of the Southwest Tech. At the end of this section is a reconciliation between the two methods.

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2017 with Comparative Totals for Year Ended June 30, 2016

	2017		Actual on a Budgetary Basis	Variance with Final Budget	2016 Actual (Budgetary Basis)
	Original Budget	Final Budget			
REVENUES					
Local government - tax levy	\$ 4,775,000	\$ 4,775,000	\$ 5,013,198	\$ 238,198	\$ 4,745,952
Intergovernmental revenue					
State	10,844,000	10,844,000	10,118,962	(725,038)	10,750,750
Federal	651,000	651,000	1,144,050	493,050	1,404,653
Tuition and fees					
Statutory program fees	4,390,000	4,390,000	4,317,812	(72,188)	4,185,348
Materials fees	333,000	333,000	326,224	(6,776)	339,803
Other student fees	423,000	423,000	452,169	29,169	467,328
Institutional	1,972,000	1,972,000	1,631,332	(340,668)	1,931,787
Total revenues	23,388,000	23,388,000	23,003,747	(384,253)	23,825,621
EXPENDITURES					
Current:					
Instruction	15,082,200	14,682,200	14,118,582	563,618	15,438,114
Instructional resources	299,000	299,000	251,308	47,692	349,695
Student services	1,900,000	2,100,000	2,041,038	58,962	1,751,756
General institutional	4,442,800	4,642,800	4,576,235	66,565	3,673,642
Physical plant	2,192,000	2,192,000	1,968,777	223,223	1,928,771
Total expenditures	23,916,000	23,916,000	22,955,940	960,060	23,141,978
Excess (deficiency) of revenues over (under) expenditures	(528,000)	(528,000)	47,807	575,807	683,643
OTHER FINANCING SOURCES (USES)					
Transfers in	528,000	528,000	249,243	(278,757)	410,135
Transfers out	-	-	(38,814)	(38,814)	(23,625)
Total other financing sources (uses)	528,000	528,000	210,429	(317,571)	386,510
Net change in fund balance	-	-	258,236	258,236	1,070,153
Fund balance—beginning of year	7,901,152	7,901,152	8,350,305	449,153	7,280,152
Fund balance—end of year	\$ 7,901,152	\$ 7,901,152	\$ 8,608,541	\$ 707,389	\$ 8,350,305
FUND BALANCE					
Nonspendable - prepaid expenses			155,876		
Assigned for state aid fluctuations			200,000		
Assigned for post employment benefits			3,167,807		
Unassigned			5,084,858		
Total fund balance			\$ 8,608,541		

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SPECIAL REVENUE NON-AIDABLE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2017 with Comparative Totals for Year Ended June 30, 2016

	2017		Actual on a Budgetary Basis	Variance with Final Budget	2016
	Original Budget	Final Budget			Actual (Budgetary Basis)
REVENUES					
Intergovernmental revenue					
State	\$ 500,000	\$ 500,000	\$ 552,774	\$ 52,774	\$ 485,607
Federal	7,000,000	7,000,000	5,899,800	(1,100,200)	5,923,885
Student fees	250,000	250,000	258,774	8,774	247,681
Institutional	250,000	250,000	260,328	10,328	264,770
Total revenues	8,000,000	8,000,000	6,971,676	(1,028,324)	6,921,943
EXPENDITURES					
Student services	7,950,000	7,950,000	6,952,032	997,968	6,846,758
Excess (deficiency) of revenues over (under) expenditures	50,000	50,000	19,644	(30,356)	75,185
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	38,814	38,814	23,625
Transfers out	(50,000)	(50,000)	(50,000)	-	(50,000)
Total other financing sources (uses)	(50,000)	(50,000)	(11,186)	38,814	(26,375)
Net change in fund balance	-	-	8,458	8,458	48,810
Fund balance—beginning of year	250,662	250,662	299,472	48,810	250,662
Fund balance—end of year	\$ 250,662	\$ 250,662	\$ 307,930	\$ 57,268	\$ 299,472

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2017 with Comparative Totals for Year Ended June 30, 2016

	2017			Variance with Final Budget	2016 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis		
REVENUES					
Institutional	\$ 20,000	\$ 50,000	\$ 50,751	\$ 751	\$ 30,395
EXPENDITURES					
Current:					
Instruction	1,285,000	669,000	942,424	(273,424)	763,897
Instructional resources	75,000	75,000	41,232	33,768	44,487
Student services	-	-	-	-	1,599
General institutional	443,000	600,000	397,980	202,020	540,105
Physical plant	952,000	1,980,000	454,168	1,525,832	583,935
Total expenditures	<u>2,755,000</u>	<u>3,324,000</u>	<u>1,835,804</u>	<u>1,488,196</u>	<u>1,934,023</u>
Excess (deficiency) of revenues over (under) expenditures	(2,735,000)	(3,274,000)	(1,785,053)	1,488,947	(1,903,628)
OTHER FINANCING SOURCES (USES)					
Proceeds from debt	2,500,000	2,500,000	2,500,000	-	2,500,000
Transfers in	-	-	50,000	50,000	50,000
Transfers out	(78,000)	-	(249,243)	(249,243)	(410,135)
Total other financing sources (uses)	<u>2,422,000</u>	<u>2,500,000</u>	<u>2,300,757</u>	<u>(199,243)</u>	<u>2,139,865</u>
Net change in fund balance	(313,000)	(774,000)	515,704	1,289,704	236,237
Fund balance—beginning of year	<u>678,793</u>	<u>678,793</u>	<u>608,030</u>	<u>(70,763)</u>	<u>371,793</u>
Fund balance—end of year	<u>\$ 365,793</u>	<u>\$ (95,207)</u>	<u>\$ 1,123,734</u>	<u>\$ 1,218,941</u>	<u>\$ 608,030</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2017 with Comparative Totals for Year Ended June 30, 2016

	2017				2016 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
REVENUES					
Local government - tax levy	\$ 4,950,000	\$ 4,950,000	\$ 4,950,000	\$ -	\$ 4,840,000
Intergovernmental revenue					
Federal	329,000	329,000	326,427	(2,573)	344,848
State	8,000	8,000	19,045	11,045	17,160
Institutional	1,000	1,000	4,632	3,632	4,012
Total revenues	5,288,000	5,288,000	5,300,104	12,104	5,206,020
EXPENDITURES					
Debt service	5,356,000	5,356,000	5,304,473	51,527	5,255,416
Excess (deficiency) of revenues over (under) expenditures	(68,000)	(68,000)	(4,369)	63,631	(49,396)
OTHER FINANCING SOURCES (USES)					
Premium on issuance of debt	-	-	68,000	68,000	44,575
Net change in fund balance	(68,000)	(68,000)	63,631	131,631	(4,821)
Fund balance—beginning of year	1,295,721	1,295,721	1,333,900	38,179	1,338,721
Fund balance—end of year	<u>\$ 1,227,721</u>	<u>\$ 1,227,721</u>	<u>\$ 1,397,531</u>	<u>\$ 169,810</u>	<u>\$ 1,333,900</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
PROPRIETARY FUNDS - ENTERPRISE FUNDS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2017 with Comparative Totals for Year Ended June 30, 2016

	2017				2016
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	Actual (Budgetary Basis)
OPERATING REVENUES					
Institutional	\$ 2,100,000	\$ 2,100,000	\$ 1,601,305	\$ (498,695)	\$ 2,213,087
OPERATING EXPENSES					
Auxiliary services	2,000,000	2,000,000	1,446,840	553,160	2,009,018
Excess of operating revenues over operating expenses	100,000	100,000	154,465	54,465	204,069
NON-OPERATING EXPENSES					
Transfers out	(400,000)	(400,000)	-	400,000	-
Net change in net position	(300,000)	(300,000)	154,465	454,465	204,069
Net Position—beginning of year	3,402,804	3,402,804	3,426,873	24,069	3,222,804
Net Position—end of year	<u>\$ 3,102,804</u>	<u>\$ 3,102,804</u>	<u>\$ 3,581,338</u>	<u>\$ 478,534</u>	<u>\$ 3,426,873</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
PROPRIETARY FUNDS - INTERNAL SERVICE FUNDS
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
Year Ended June 30, 2017 with Comparative Totals for Year Ended June 30, 2016

	2017				2016 Actual (Budgetary Basis)
	Original Budget	Final Budget	Actual on a Budgetary Basis	Variance with Final Budget	
OPERATING REVENUES					
Institutional	\$ 4,200,000	\$ 4,200,000	\$ 3,972,292	\$ (227,708)	\$ 4,103,321
OPERATING EXPENSES					
Auxiliary services	4,200,000	4,200,000	3,125,231	1,074,769	4,358,860
Net change in net position	-	-	847,061	847,061	(255,539)
Net Position—beginning of year	380,088	380,088	124,549	(255,539)	380,088
Net Position—end of year	<u>\$ 380,088</u>	<u>\$ 380,088</u>	<u>\$ 971,610</u>	<u>\$ 591,522</u>	<u>\$ 124,549</u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE TO RECONCILE BUDGET (NON-GAAP BUDGETARY) BASIS FINANCIAL STATEMENTS
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

	Governmental Funds				Proprietary Funds		Total	Reconciling Items	Statement of Revenues, Expenses and Changes in Net Position
	General	Special Revenue	Capital Projects	Debt Service	Enterprise Funds	Internal Service			
REVENUES									
Local government - tax levy	\$ 5,013,198	\$ -	\$ -	\$ 4,950,000	\$ -	-	\$ 9,963,198	\$ -	\$ 9,963,198
Intergovernmental revenue									
State	10,118,962	552,774	-	19,045	-	-	10,690,781	-	10,690,781
Federal	1,144,050	5,899,800	-	326,427	-	-	7,370,277	(3,100,606)	4,269,671
Tuition and fees									
Statutory program fees	4,317,812	-	-	-	-	-	4,317,812	-	4,317,812
Materials fees	326,224	-	-	-	-	-	326,224	-	326,224
Other student fees	452,169	258,774	-	-	-	-	710,943	-	710,943
Institutional	1,631,332	260,328	50,751	4,632	1,601,305	3,972,292	7,520,640	(4,083,924)	3,436,716
Total revenues	23,003,747	6,971,676	50,751	5,300,104	1,601,305	3,972,292	40,899,875	(7,184,530)	33,715,345
EXPENDITURES									
Current:									
Instruction	13,342,507	-	-	-	-	-	13,342,507	1,241,579	14,584,086
Instructional resources	251,308	-	-	-	-	-	251,308	-	251,308
Student services	2,041,038	6,952,032	-	-	-	-	8,993,070	(6,539,797)	2,453,273
General institutional	4,576,235	-	-	-	-	-	4,576,235	-	4,576,235
Physical plant	1,968,777	-	232,513	-	-	-	2,201,290	(232,513)	1,968,777
Auxiliary services	-	-	-	-	1,446,840	3,125,231	4,572,071	(3,979,004)	593,067
Capital outlay	776,075	-	1,603,291	-	-	-	2,379,366	(2,379,366)	-
Depreciation	-	-	-	-	-	-	-	2,568,360	2,568,360
Student aid	-	-	-	-	-	-	-	3,327,558	3,327,558
Debt service:									
Principal	-	-	-	3,950,000	-	-	3,950,000	(3,950,000)	-
Interest	-	-	-	1,354,473	-	-	1,354,473	(108,824)	1,245,649
Total expenditures	22,955,940	6,952,032	1,835,804	5,304,473	1,446,840	3,125,231	41,620,320	(10,052,007)	31,568,313
Excess (deficiency) of revenues over (under) expenditures	47,807	19,644	(1,785,053)	(4,369)	154,465	847,061	(720,445)	2,867,477	2,147,032
OTHER FINANCING SOURCES (USES)									
Long-term debt issued	-	-	2,500,000	-	-	-	2,500,000	(2,500,000)	-
Payment to refunded bond escrow	-	-	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	68,000	-	-	68,000	(68,000)	-
Transfers in	249,243	38,814	50,000	-	-	-	338,057	(338,057)	-
Transfer out	(38,814)	(50,000)	(249,243)	-	-	-	(338,057)	338,057	-
Loss on disposal of capital assets	-	-	-	-	-	-	-	(8,433)	(8,433)
Total other financing sources (uses)	210,429	(11,186)	2,300,757	68,000	-	-	2,568,000	(2,576,433)	(8,433)
Net change in fund balance/net position	258,236	8,458	515,704	63,631	154,465	847,061	1,847,555	291,044	2,138,599
Fund balance/Net Position - beginning of year	8,350,305	299,472	608,030	1,333,900	3,426,873	124,549	14,143,129	15,566,740	29,709,869
Fund balance/Net Position - end of year	\$ 8,608,541	\$ 307,930	\$ 1,123,734	\$ 1,397,531	\$ 3,581,338	\$ 971,610	\$ 15,990,684	\$ 15,857,784	\$ 31,848,468

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE TO RECONCILE BUDGET (NON-GAAP BUDGETARY) BASIS FINANCIAL STATEMENTS
TO STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended June 30, 2017

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

Operating	\$ 2,573,769
Non-operating	8,117,012
	\$ 10,690,781

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

Non-governmental grants and contracts	\$ 1,805,577
Auxiliary enterprises	1,601,305
Investment income	29,834
	\$ 3,436,716

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

Budgetary basis fund balance	\$ 15,990,684
Capital assets capitalized - at cost	76,782,277
Accumulated depreciation on capital assets	(32,374,292)
Net pension asset and deferred items	2,009,204
General obligation notes payable	(27,455,000)
Other post employment benefits and long-term portion of retiree health insurance	(3,383,749)
Accrued interest on notes payable	(37,098)
Encumbrances outstanding at year end	316,442
	\$ 31,848,468

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Project Identification Number	Grant Period	Federal Grant Amount	Expenditures		Total Expenditures
					Federal	Match	
Department of Agriculture							
Pass-through Program from Wisconsin Department of Agriculture, Trade, and Consumer Protection							
Federal-State Marketing Improvement Program	10.156	03-108-000-015	7/1/15-8/31/15	1,505	660	-	660
Pass-through Program from University of Wisconsin - Platteville							
Capacity Building for Non-Land Grant Colleges of Agriculture (NLGCA)	10.326	03-173-000-013	7/1/16-9/30/16	28,945	27,888	-	27,888
Total Department of Agriculture				30,450	28,548	-	28,548
Department of Labor							
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants							
Pass-through Program from Chippewa Valley Technical College	17.282	03-174-000-013	7/1/16-3/31/17	188,163	159,739	-	159,739
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants							
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-109-000-015	7/1/16-9/30/16	93,976	67,163	-	67,163
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants							
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	03-109-000-015	10/1/16-6/30/17	204,590	148,959	-	148,959
Total Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants				486,729	375,861	-	375,861
Pass-through Program from Chippewa Valley Technical College							
H-1B Job Training Grants	17.268	03-184-000-116	7/1/17-6/30/17	434,758	254,742	-	254,742
Total Department of Labor				921,487	630,603	-	630,603

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Project Identification Number	Grant Period	Federal Grant Amount	Expenditures		Total Expenditures
					Federal	Match	
Department of Education							
Department of Education Direct Programs							
Student Financial Assistance Cluster							
Federal Supplemental Education Opportunity Grant	84.007		7/1/16-6/30/17	-	40,149	-	40,149
Federal College Work Study	84.033		7/1/16-6/30/17	-	63,221	-	63,221
Federal Pell Grant	84.063		7/1/16-6/30/17	-	2,695,824	-	2,695,824
Direct Student Loans							
Federal Student Stafford Loans	84.268		7/1/16-6/30/17	-	3,100,606	-	3,100,606
Total Student Financial Assistance Cluster				-	5,899,800	-	5,899,800
Department of Education (continued)							
Pass-through program from Wisconsin Technical College Systems Board							
Adult Education Act							
Adult Basic Education - Basic Grants to States	84.002	03-111-146-165	7/1/16-6/30/17	13,800	13,800	-	13,800
Adult Basic Education - Basic Grants to States	84.002	03-110-146-125	7/1/16-6/30/17	184,428	75,029	-	75,029
Total Adult Education Act				198,228	88,829	-	88,829
Career and Technical Education Basic Grants to States							
Strengthening Career & Technical Program	84.048	03-193-150-257	7/1/16-6/30/17	29,649	29,648	-	29,648
NTO Connections to NTO Recruit	84.048	03-194-150-267	7/1/16-6/30/17	7,412	7,412	-	7,412
Student Success	84.048	03-198-150-237	7/1/16-6/30/17	239,522	74,122	165,400	239,522
Career Prep	84.048	03-106-150-216	7/1/16-6/30/17	39,173	39,173	-	39,173
High School to College Transition	84.048	03-137-150-246	7/1/16-6/30/17	37,060	37,060	-	37,060
Total Career and Technical Education Basic Grants to States				352,816	187,415	165,400	352,815
Total Department of Education				551,044	6,176,044	165,400	6,341,444

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Project Identification Number	Grant Period	Federal Grant Amount	Expenditures		Total Expenditures
					Federal	Match	
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	03-172-000-013	7/1/16-8/31/16	221,307	54,621	-	54,621
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	93.912	03-172-000-013	9/1/16-6/30/17	-	147,364	-	147,364
Total Department of Health & Human Services				221,307	201,985	-	201,985
Department of Homeland Security							
Pass-through program from Wisconsin Technical College Systems Board Assistance to Firefighters Grant	97.044	03-113-153-116	7/1/15-6/30/16	6,671	6,671	-	6,671
Total Federal Awards				<u>\$ 1,730,959</u>	<u>\$ 7,043,851</u>	<u>\$ 165,400</u>	<u>\$ 7,209,251</u>

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2017

State Grantor/Program	State Identifying Number	Project Identification Number	Grant Period	Grant Amount	Expenditures		Total Expenditures
					State	Match	
Wisconsin Higher Education Board							
Wisconsin Higher Education Grant	235.102		7/1/16-6/30/17	436,610	436,610	-	436,610
Remissions of Fees for Veterans and Dependents	235.105		7/1/16-6/30/17	26,848	26,848	-	26,848
Minority Undergraduate Retention Grant	235.107		7/1/16-6/30/17	1,575	1,575	-	1,575
Academic Excellence Scholarship	235.109		7/1/16-6/30/17	38,814	38,814	-	38,814
Talent Incentive Program Grant	235.114		7/1/16-6/30/17	22,300	22,300	-	22,300
Hearing and Visually Handicapped Student Grant	235.116		7/1/16-6/30/17	850	850	-	850
Nursing	235.117		7/1/16-6/30/17	15,000	15,000	-	15,000
Wisconsin Covenant Scholars Grant Revenue	235.131		7/1/16-6/30/17	22,625	22,625	-	22,625
Wisconsin Covenant Foundation Grant Revenue	235.131		7/1/16-6/30/17	15,000	15,000	-	15,000
Total Wisconsin Higher Education Board				579,622	579,622	-	579,622
Wisconsin Department of Transportation							
Motorcycle Safety	266.7348	03-123-000-003	1/1/16-12/31/16	13,223	9,875	-	9,875
3 Wheel Safety	266.7348	03-127-000-004	1/1/16-12/31/16	812	812	-	812
Total Wisconsin Department of Transportation				14,035	10,687	-	10,687
Wisconsin Technical College Systems Board							
Emergency Assistance	292.104		7/1/16-6/30/17	17,575	17,575	-	17,575
State Aids for Vocational Technical and Adult Education	292.105		7/1/16-6/30/17	1,553,030	1,553,030	-	1,553,030
State Aids Prior Years	292.105		7/1/16-6/30/17	(33,000)	(33,000)	-	(33,000)
Performance Based Aid	292.105		7/1/16-6/30/17	1,099,574	1,099,574	-	1,099,574
Workforce Advancement Training Grants:							
3M	292.124	03-131-124-177	7/1/16-6/30/17	67,086	5,787	-	5,787
3M	292.124	03-139-124-176	7/1/16-6/30/17	17,260	11,962	-	11,962
Community First Bank	292.124	03-126-124-177	7/1/16-6/30/17	9,960	5,925	-	5,925
Dillman	292.124	03-149-124-177	7/1/16-6/30/17	10,123	2,255	-	2,255
Emmi Roth	292.124	03-144-124-176	7/1/16-6/30/17	10,093	10,093	-	10,093
Foremost Farms - Safety	292.124	03-133-124-176	7/1/16-6/30/17	15,065	12,474	-	12,474
Lands End	292.124	03-162-124-177	7/1/16-6/30/17	11,511	11,493	-	11,493
Precision Manufacturing	292.124	03-132-124-146	7/1/16-6/30/17	42,513	42,513	-	42,513
Schreiber	292.124	03-150-124-176	7/1/16-6/30/17	13,348	9,684	-	9,684

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
Year ended June 30, 2017

State Grantor/Program	State Identifying Number	Project Identification Number	Grant Period	Grant Amount	Expenditures		Total Expenditures
					State	Match	
Wisconsin Technical College Systems Board (continued)							
Schreiber Foods	292.124	03-163-124-177	7/1/16-6/30/17	175,163	16,968	-	16,968
Faculty Development	292.124	03-161-124-156	7/1/16-6/30/17	48,147	48,147	-	48,147
Advanced Manufacturing	292.124	03-118-124-186	7/1/16-6/30/17	32,512	28,161	-	28,161
Advanced Manufacturing	292.124	03-118-124-187	7/1/16-6/30/17	7,926	7,926	-	7,926
Electrical Construction Apprentice Lab Support	292.124	03-125-124-116	7/1/16-6/30/17	8,200	8,200	-	8,200
Alternative Welding for Adults	292.124	03-108-124-137	7/1/16-6/30/18	186,674	186,674	-	186,674
AgAnimal Science	292.124	03-115-124-147	7/1/16-6/30/17	196,727	98,073	-	98,073
Criminal Justice Studies	292.124	03-107-124-137	7/1/16-6/30/17	83,299	73,091	-	73,091
Tutoring 4 Success	292.124	03-190-124-166	7/1/16-6/30/17	162,356	121,767	-	121,767
Pathways to Success	292.124	03-189-124-127	7/1/16-6/30/17	152,466	47,716	-	47,716
Total Workforce Advancement Training Grants:				1,250,429	748,909	-	748,909
Fire Fighter Training 2%	292.137		7/1/16-6/30/17	28,272	28,272	-	28,272
Property Tax Relief Aid	292.162		7/1/16-6/30/17	6,528,192	6,528,192	-	6,528,192
Supporting Veterans' Success	292.190	03-191-190-117	7/1/16-6/30/17	61,370	16,142	-	16,142
Hazmat	292.372		7/1/16-6/30/17	3,048	3,048	-	3,048
Total Wisconsin Technical College Systems Board				10,508,490	9,961,742	-	9,961,742
Wisconsin Department of Workforce Development							
Blueprint for Prosperity - Welding	445.109	03-114-000-015	7/1/16-9/30/2016	83,204	69,939	-	69,939
Wisconsin Department of Natural Resources							
DNR payment in lieu of taxes			7/1/16-6/30/17	29,923	29,923	-	29,923
Wisconsin Department of Revenue							
State Aid Computers	835.109		7/1/16-6/30/17	38,868	38,868	-	38,868
Total State Awards				<u>\$ 11,254,142</u>	<u>\$ 10,690,781</u>	<u>\$ -</u>	<u>\$ 10,690,781</u>

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2017

NOTE 1—BASIS OF PRESENTATION

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

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Specifically, debt service expenditures, as well as expenditures related to claims and judgments, and compensated absences are recorded only when payment is due. Such expenditures are recognized following the cost principles contained in in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

NOTE 3—RECONCILIATION OF FEDERAL AND STATE AWARDS TO THE BASIC FINANCIAL STATEMENTS

Federal Revenue reported in the basic financial statements is reconciled to the Schedule of Expenditures of Federal and State Awards as follows:

Reconciliation	
Federal revenues reported on the Schedule of Expenditures of Federal and State Awards	<u>\$ 7,043,851</u>
Federal Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position	\$ 4,269,671
Direct Student Loans included on the Schedule of Expenditures of Federal and State Awards	3,100,606
Federal Subsidy payment for Build America Bonds	<u>(326,426)</u>
Total Federal Revenues	<u><u>\$ 7,043,851</u></u>

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
June 30, 2017

NOTE 3—RECONCILIATION OF FEDERAL AND STATE AWARDS TO THE BASIC FINANCIAL STATEMENTS (continued)

State Revenue reported in the basic financial statements is reconciled to the Schedule of Expenditures of Federal and State Awards as follows:

Reconciliation

State revenues reported on the Schedule of Expenditures of Federal and State Awards	<u>\$10,690,781</u>
State Revenue reported in the Statement of Revenues, and Expenses and Changes in Net Position	
Operating	\$ 2,573,769
Non-operating	<u>8,117,012</u>
Total State Revenues	<u><u>\$10,690,781</u></u>

NOTE 4—SUBRECIPIENT PAYMENTS

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

There were no prior audit findings.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business type activities and the discretely presented component unit of Southwest Wisconsin Technical College (Southwest Tech) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Southwest Tech's basic financial statements, and have issued our report thereon dated .

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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Purpose of this Report

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

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
December 15, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL AND EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE *STATE SINGLE AUDIT GUIDELINES*

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

Report on Compliance for Each Major Federal and Major State Program

We have audited Southwest Wisconsin Technical College's (Southwest Tech's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* (the *Guidelines*) that could have a direct and material effect on Southwest Tech's major federal program and each of its major state programs for the year ended June 30, 2017. Southwest Tech's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Southwest Tech's major federal program and each of its major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Guidelines*. Those standards, the Uniform Guidance, and the *Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or major state program occurred. An audit includes examining, on a test basis, evidence about Southwest Tech's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program and each major state program. However, our audit does not provide a legal determination of Southwest Tech's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, Southwest Tech complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and each of its major state programs for the year ended June 30, 2017.

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Report on Internal Control Over Compliance

Management of Southwest Tech is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southwest Tech's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program and each of its major state programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and each of its major state programs and to test and report on internal control over compliance in accordance with the *Uniform Guidance* and the *Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwest Tech's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance* and the *Guidelines*. Accordingly, this report is not suitable for any other purpose.

Wegner CPAs LLP

Wegner CPAs, LLP
Madison, Wisconsin
December 15, 2017

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
Student Financial Assistance Cluster	
84.007	Federal Supplemental Education Opportunity Grant
84.033	Federal College Work Study
84.063	Federal Pell Grant
84.268	Federal Student Stafford Loans

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

State Awards

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

SOUTHWEST WISCONSIN TECHNICAL COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017

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

Identification of state major programs:

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

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

Section II—Financial Statement Findings

None

Section III—Federal and State Award Findings and Questioned Costs

None

Section IV—Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No

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

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

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

Name and signature of partner



Scott R. Haumersen, CPA

Date of report

December 15, 2017