

Western Technical College District

La Crosse, Wisconsin

Financial Statements With Supplementary Financial Information

Years Ended June 30, 2018 and 2017

Western Technical College District

Financial Statements With Supplementary Financial Information

Years Ended June 30, 2018 and 2017

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Western Technical College District

Financial Statements With Supplementary Financial Information

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Independent Auditor's Report

District Board
Western Technical College District
La Crosse, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Western Technical College District, ("Western"), as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise Western's basic financial statements as listed in the table of contents. We did not audit the financial statements of the discretely presented component unit.

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; 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 did not audit the financial statements of Western Technical College Foundation, Inc. (the "Foundation"), a component unit, which reflect assets of \$7,951,079 for 2018 and \$7,289,735 for 2017 and revenues of \$1,915,142 and \$2,128,772 for the years then ended, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audits and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities and the discretely presented component unit of the Western Technical College District, as of June 30, 2018 and 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, Western adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, the schedule of funding progress, the schedules of employer's proportionate share of the net pension liability (asset) and employer contributions – Wisconsin Retirement System, the schedules of employer's proportionate share of the net OPEB liability and employer contributions – Local Retiree Life Insurance Fund, and the schedule of changes in the employer's total OPEB liability and related ratios – District OPEB plan on pages 4 through 14 and pages 84 and 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, 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.

Supplementary Financial Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Western's basic financial statements. The budgetary comparison schedules listed in the table of contents as supplementary financial information, as required by the Wisconsin Technical College System Board, are presented for purposes of additional analysis and are 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 financial statements.

Such 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 underlying accounting or other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the budgetary comparison schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2018, on our consideration of Western's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 Western's internal control over financial reporting and compliance.



Wipfli LLP

November 15, 2018
Eau Claire, Wisconsin

Management's Discussion and Analysis

Western Technical College District

Management's Discussion and Analysis

Years Ended June 30, 2018 and 2017

Western Technical College District's ("Western") Management's Discussion and Analysis (MD&A) of its financial condition provides an overview of financial activity, identifies changes in financial positions, and assists the reader of the financial statements in focusing on noteworthy financial issues for the year ended June 30, 2018.

While maintaining its financial health is crucial to the long-term viability of Western, the primary mission of a public institution of higher education is to provide education and training. Therefore, net position is accumulated only as required to ensure that there are sufficient reserve funds for future operations and implementation of new programs. The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

This annual report consists of a series of basic financial statements, prepared in accordance with accounting principles generally accepted in the United States, as stated in the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and Statement No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*.

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 are reported as either operating or nonoperating. In general, a public college such as Western will report an overall operating deficit or loss, since the financial reporting model classifies state appropriations and property taxes as nonoperating revenues. The utilization of capital assets is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

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

	2018	Restated 2017	Net Position Increase (Decrease) 2018-2017	Restated 2016	Net Position Increase (Decrease) 2017-2016
Operating revenue	\$ 28,385,738	\$ 28,082,719	\$ 303,019	\$ 28,375,274	\$ (292,555)
Operating expenses	(71,384,557)	(75,419,476)	4,034,919	(73,201,247)	(2,218,229)
Net nonoperating revenues	47,390,534	46,193,617	1,196,917	47,159,729	(966,112)
Change in net position	\$ 4,391,715	\$ (1,143,140)	\$ 5,534,855	\$ 2,333,756	\$ (3,476,896)

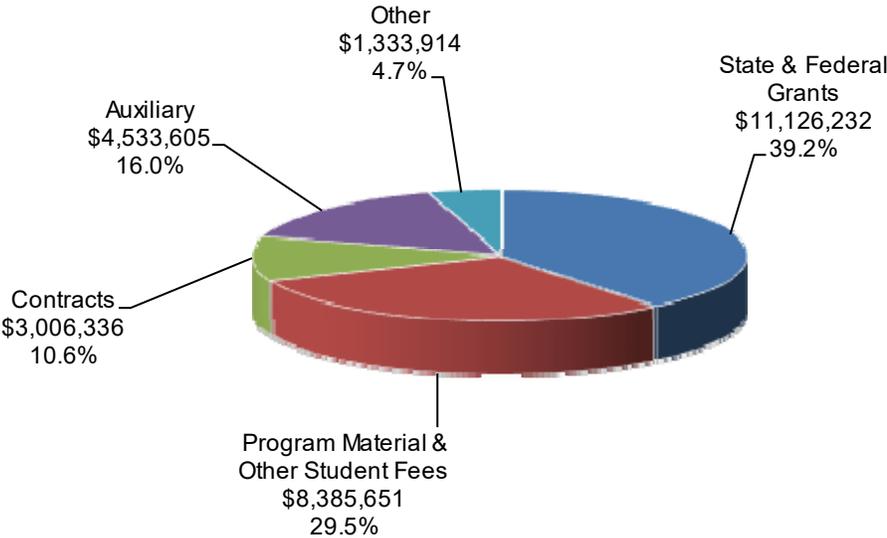
Some of the most noteworthy results of operations for the current year are reflected below:

- Operating revenues are the charges for services offered by Western. During 2018, Western generated more than \$28 million of operating revenue, which is an increase of approximately \$300,000 or 1.1 percent compared to 2017. Significant items and revenue sources are as follows:
 - Total revenue from program, material, and other student fees was approximately \$8.4 million. This is a decrease of approximately \$214,000 or 2.5 percent from the prior year.
 - Over \$11.1 million in operating revenue from state and federal grants were received by Western during the year. This is a decrease of approximately \$476,000 or 4.1 percent from the prior year.
 - Contract revenue was approximately \$3.0 million for the year and represents revenue from instructional and technical assistance contracts with business and industry as well as local school districts. This is an increase of approximately \$950,000 or 46.4 percent from the prior year.

Statement of Revenues, Expenses, and Changes in Net Position (Continued)

- Auxiliary services revenue includes revenues generated by the bookstore, the student residence hall, cafeteria, leased facilities, and other similar activities of Western. Revenue of approximately \$4.5 million was generated by these activities this year. This is a decrease of approximately \$190,000 or 4.1 percent from the prior year.
- The graph below depicts Western's operating revenue by source:

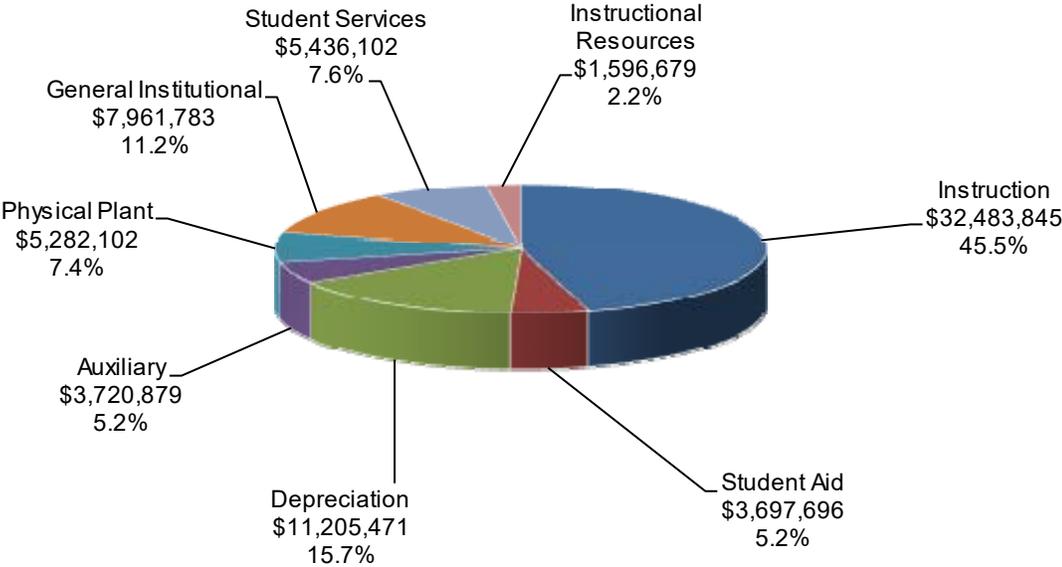
Figure 1. Western Technical College District's Operating Revenue by Sources for Fiscal Year 2018



Statement of Revenues, Expenses, and Changes in Net Position (Continued)

- Operating expenses are costs related to offering the programs of Western. During 2018, operating expenses totaled approximately \$71.4 million. This is a decrease of \$4.0 million or 5.3% from the prior year and is primarily a result of the change in the OPEB liabilities and the change in Western’s share of the employee benefits consortium. The majority of Western’s expenses, about 59.6 percent, are for personnel-related costs. Other major types of expenses include supplies – 1.3 percent, contracted services – 8.3 percent, and depreciation – 15.7 percent. Expenses such as travel, rentals, insurance, utilities, and other expenses account for the remaining 15.1 percent of total operating expenses.
- The graph below categorizes operating expenses by function:

Figure 2. Western Technical College District's Operating Expenses by Function for Fiscal Year 2018



Statements of Revenues, Expenses, and Changes in Net Position (Continued)

- Nonoperating revenue and expenses are items not directly related to providing instruction. Net nonoperating revenue for the year ended June 30, 2018, was \$47.4 million. The most significant components of net nonoperating revenues include the following:
 - Property taxes levied by Western for the year were approximately \$29.8 million. This is an increase of approximately \$675,000 from the prior year.
 - State operating appropriations accounted for approximately \$21.3 million in revenue in 2018. This is an increase of approximately \$220,000 or 1.1 percent from the prior year.
 - Interest expense of approximately \$4.0 million was recorded by Western this year. This is a decrease of approximately \$151,000 or 3.7 percent from the prior year.
- Net position at June 30, 2018, was \$56,868,565 as a result of the above activity. This is a decrease of \$1,005,948 from the prior year, which includes the accumulative effect of a change in accounting principle, which reduced beginning net position by \$5,397,663.

Statements of Cash Flows

The statement of cash flows presents information related to cash inflows and outflows, summarized by operating, noncapital and capital financing, and investing activities. This statement is important in evaluating Western's ability to meet financial obligations as they mature.

The following schedule shows the major components of the Statement of Cash Flows:

	2018	2017	Increase (Decrease) 2018-2017	2016	Increase (Decrease) 2017-2016
Net cash used in operating activities	\$(33,226,892)	\$(35,374,711)	\$ 2,147,819	\$(33,464,134)	\$ (1,910,577)
Net cash provided by noncapital financing activities	51,329,255	49,743,938	1,585,317	49,598,685	145,253
Net cash provided by (used in) capital and related financing activities	(18,231,700)	(29,774,435)	11,542,735	(49,319,985)	19,545,550
Net cash provided by (used in) investing activities	1,124,032	3,704,730	(2,580,698)	19,361,206	(15,656,476)
Net increase (decrease) in cash and cash equivalents	\$ 994,695	\$(11,700,478)	\$ 12,695,173	\$(13,824,228)	\$ 2,123,750

Statements of Cash Flows (Continued)

Specific items of interest related to the Statement of Cash Flows include the following:

- The largest component of cash used in operating activities was payments to employees for salaries/wages and benefits, which generally increase on a yearly basis. Over \$45.1 million was paid in 2018.
- Another significant component of operating cash flows was payments to suppliers. This cash outflow of approximately \$16.6 million represents the costs of doing business. This is a decrease of 11.6 percent from the prior year.
- The largest cash inflows from operating activities included approximately \$8.6 million in tuition and fees, a decrease of 0.9 percent from the prior year, and over \$11.1 million in state and federal grants, a decrease of 6.2 percent from the prior year.
- All property taxes received, approximately \$30.1 million this year, are categorized as cash flows from noncapital financing activities. This is an increase of approximately \$1.4 million or 4.7 percent from the prior year. The other major item in this category is state appropriations, which accounted for \$21.3 million of positive cash flow. This is an increase of 1.1 percent from the prior year.
- The cash used in capital and related financing activities is primarily made up of two categories of cash flows: purchases of capital assets and capital-related debt activity (debt proceeds and principal and interest payments).
- Investment income is interest received on Western's investments, and investments purchased represent cash transferred to sinking funds for the retirement of debt.

Statement of Net Position

The statement of net position includes all assets (items that Western owns and amounts owed to Western by others) and liabilities (amounts owed to others by Western and what has been collected from others for which a service has not yet been performed). This statement is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service to Western – regardless of when cash is exchanged.

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

	2018	Restated 2017	Increase (Decrease) 2018-2017	Restated 2016	Increase (Decrease) 2017-2016
Assets:					
Cash and investments	\$ 25,464,807	\$ 25,255,290	\$ 209,517	\$ 40,465,768	\$ (15,210,478)
Net capital assets	165,852,059	171,066,407	(5,214,348)	160,263,301	10,803,106
Other assets	20,706,521	14,614,051	6,092,470	14,127,715	486,336
TOTAL ASSETS	\$ 212,023,387	\$ 210,935,748	\$ 1,087,639	\$ 214,856,784	\$ (3,921,036)
DEFERRED OUTFLOWS OF RESOURCES	\$ 10,539,659	\$ 11,413,870	\$ (874,211)	\$ 16,874,617	\$ (5,460,747)
Liabilities:					
Other liabilities	\$ 6,134,043	\$ 7,618,097	\$ (1,484,054)	\$ 8,933,344	\$ (1,315,247)
Long-term liabilities	147,163,377	150,952,001	(3,788,624)	157,041,076	(6,089,075)
TOTAL LIABILITIES	\$ 153,297,420	\$ 158,570,098	\$ (5,272,678)	\$ 165,974,420	\$ (7,404,322)
DEFERRED INFLOWS OF RESOURCES	\$ 12,397,061	\$ 5,905,007	\$ 6,492,054	\$ 6,739,328	\$ (834,321)
Net position:					
Net investment in capital assets	\$ 33,454,206	\$ 30,958,804	\$ 2,495,402	\$ 27,189,028	\$ 3,769,776
Restricted for debt service	6,155,280	6,020,872	134,408	6,190,761	(169,889)
Unrestricted	17,259,079	20,894,837	(3,635,758)	25,637,864	(4,743,027)
TOTAL NET POSITION	\$ 56,868,565	\$ 57,874,513	\$ (1,005,948)	\$ 59,017,653	\$ (1,143,140)

Statement of Net Position (Continued)

A more detailed analysis would reveal the following facts:

- As shown above, the largest component of Western's assets is capital assets. Total cost of capital assets net of accumulated depreciation at June 30, 2018 and 2017, was approximately \$165.9 million and \$171.1 million, respectively.
- The other assets category is primarily made up of various receivable balances, the largest being property taxes receivable of approximately \$8.6 million. This is a decrease of 3.3 percent from the prior year.
- Other liabilities include accounts payable, various types of accruals, and accrued interest. At year-end, the other liabilities were \$6.1 million. This is a decrease of \$1.5 million or 19.5 percent from the prior year.
- Long-term liabilities of \$147.0 million include long-term debt (\$140.7 million), total OPEB liability – District OPEB plan (\$2.1 million), and net OPEB liability – Local Retiree Life Insurance Fund (LRLIF) (\$4.3 million). This is a decrease of approximately \$3.8 million or 2.5 percent from the prior year.

Capital Assets and Debt Administration

Western's investment in capital assets as of June 30, 2018, amounts to \$165,852,059 (net of accumulated depreciation). This includes land and land improvements, buildings and improvements, and movable equipment. Information on Western's capital assets can be found in Note 5 on pages 33 and 34.

At the end of the 2018 fiscal year, Western had total general obligation debt outstanding of \$127,130,430 and \$13,580,000 in revenue bonds. Western has continued to meet all of its debt service requirements. All general obligation debt for equipment is repaid in five years, while debt related to building and remodeling is repaid in 10 to 20 years. The debt is secured by the full faith and credit of the unlimited taxing powers of Western. The current debt adequately replaces and expands the equipment and facility needs of Western. Additional information on Western's long-term debt can be found in Note 6 on pages 35 through 45.

Financial Position

For the year ended June 30, 2018, Western's financial position declined slightly with a decrease in net position of \$1,005,948 (including the effect of the restatement of net position). The fund balance in the General Fund as of June 30, 2018, represented approximately 25 percent of General Fund expenditures. This has grown from a low of 2.5 percent as of June 30, 2003. Western's fund balance policy directs the College to maintain a reserve for operations in the General Fund equal to 16-25 percent (60-90 days cash flow) of the adopted General Fund and Special Revenue – Operating Fund expenditure budgets for the next year. As of June 30, 2018, Western had approximately 17.0 percent of budgeted expenditures in that designation.

Western has diversified sources of revenue consisting of property taxes, state aid, student fees, federal and state grants, and other sources of revenue. With this diversity of revenues along with a strong commitment to operating efficiently, Western will continue to have the resources available to adequately finance enrollment in the future.

Economic Factors

Western continues to achieve financial stability and is confident that its financial and economic position will remain stable. The following economic factors contribute to this outlook:

- For 2018, Western experienced a valuation factor of 1.60% for net new construction.
- On the expenditure side, Western has a proven history of implementing cost reduction strategies, when needed, to reallocate funds to the highest priority areas.

Although Western has a strong financial position, some financial realities still remain that have the potential to negatively impact Western.

- Uncertainty of level of state funding.
- Challenges associated with maintaining a competitive salary and benefit structure.
- The national trend of declining enrollment.
- The need to provide affordable education while keeping tuition rates low.

Economic Factors (Continued)

To address these pressure points and help Western maintain and/or improve its financial position, Western has consistently taken the following steps:

1. Maintained budget actions that require Western to reduce expenditures within expected revenues to enable the designated for operations fund balance to remain at or above the fund balance policy goal of 16-25 percent of General Fund and Special Revenue – Operating Fund expenditures.
2. Continued to right-size and reallocate within Western to ensure the budget expenditures are within expected revenues and other restrictions on current operations.
3. Gave careful scrutiny to new grant-funded initiatives to prevent starting activities that cannot be maintained when grant funding ends.
4. Focused district programs and services to high priority activities that are as cost-effective as possible.

The fund financial statements of Western can be found on pages 90 through 99.

Summary

While the economic outlook for Western includes some considerable funding challenges, Western will continue to follow these steps to ensure that it provides the essential experience to students, as well as maintain a high level of financial stability.

Contacting Western's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Western's finances and to demonstrate Western's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Vice President, Finance/Operations, Western Technical College District, 400 Seventh Street N., P.O. Box C-0908, La Crosse, Wisconsin 54602-0908.

Basic Financial Statements

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Western Technical College District

Statements of Net Position

June 30, 2018 and 2017

<i>Assets and Deferred Outflows of Resources</i>	Primary Government		Component Unit	
	2018	Restated 2017	2018	2017
Current assets:				
Cash and cash equivalents	\$ 6,608,064	\$ 4,910,831	\$ 304,567	\$ 382,760
Receivables:				
Local taxes	8,607,435	8,900,736	-	-
Accounts and other receivables, net of allowance for uncollectible accounts	4,483,001	3,510,346	2,500	869
Pledges receivable, net of discounts and allowances	-	-	110,185	145,558
Inventories	921,300	1,381,705	-	-
Prepaid expenses	741,221	643,264	-	-
Total current assets	21,361,021	19,346,882	417,252	529,187
Noncurrent assets:				
Restricted cash and cash equivalents	14,954,882	15,657,420	-	-
Restricted investments	3,901,861	4,687,039	-	-
Investments	-	-	6,857,978	6,624,788
Cash value of life insurance	-	-	5,522	5,247
Pledges receivable, net of discounts and allowances	-	-	670,327	130,513
Other noncurrent assets	147,028	178,000	-	-
Restricted net pension asset - WRS	5,806,536	-	-	-
Capital assets, not being depreciated	9,136,381	9,593,080	-	-
Capital assets, being depreciated	253,076,877	246,769,483	-	-
Accumulated depreciation	(96,361,199)	(85,296,156)	-	-
Total noncurrent assets	190,662,366	191,588,866	7,533,827	6,760,548
Total assets	212,023,387	210,935,748	7,951,079	7,289,735
Deferred outflows of resources:				
Related to pensions - WRS	9,474,371	11,413,870	-	-
Related to OPEB - District OPEB plan	589,281	-	-	-
Related to OPEB - LRLIF	476,007	-	-	-
Total deferred outflows of resources	10,539,659	11,413,870	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 222,563,046	\$ 222,349,618	\$ 7,951,079	\$ 7,289,735

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Primary Government		Component Unit	
	2018	Restated 2017	2018	2017
Liabilities:				
Current liabilities:				
Accounts payable	\$ 2,127,922	\$ 1,663,371	\$ 1,619	\$ 9,612
Accrued liabilities:				
Payroll, payroll taxes, and insurance	532,894	2,551,278	-	-
Accrued interest	1,207,425	1,239,848	2,379	2,851
Compensated absences	506,953	638,235	-	-
Unearned revenue	1,256,513	1,057,848	222	8,706
Due to Western	-	-	590,000	-
Due to student and other organizations	502,336	467,517	-	-
Current portion of long-term obligations	14,505,000	13,495,000	59,921	34,270
Total current liabilities	20,639,043	21,113,097	654,141	55,439
Noncurrent liabilities:				
Compensated absences	26,001	45,376	-	-
Net pension liability	-	1,624,887	-	-
Long-term debt	126,205,430	135,601,706	103,181	163,121
Net OPEB liability - LRLIF	4,282,434	-	-	-
Total OPEB liability - District OPEB plan	2,144,512	-	-	-
Net OPEB obligation	-	185,032	-	-
Total noncurrent liabilities	132,658,377	137,457,001	103,181	163,121
Total liabilities	153,297,420	158,570,098	757,322	218,560
Deferred inflows of resources:				
Related to pensions - WRS	11,453,725	5,110,128	-	-
Related to OPEB - LRLIF	140,342	-	-	-
Deferred amount on refunding	802,994	794,879	-	-
Total deferred inflows of resources	12,397,061	5,905,007	-	-
Net position:				
Net investment in capital assets	33,454,206	30,958,804	-	-
Restricted - Nonexpendable	-	-	4,144,997	4,107,031
Restricted for:				
Debt service	6,155,280	6,020,872	-	-
Scholarships and other activities	-	-	2,904,829	2,878,391
Unrestricted	17,259,079	20,894,837	143,931	85,753
Total net position	56,868,565	57,874,513	7,193,757	7,071,175
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 222,563,046	\$ 222,349,618	\$ 7,951,079	\$ 7,289,735

See accompanying notes to the basic financial statements.

Western Technical College District

Statements of Revenues, Expenses, and Changes in Net Position

Years Ended June 30, 2018 and 2017

	Primary Government		Component Unit	
	2018	Restated 2017	2018	2017
Operating revenue:				
Student program fees - Net of scholarship allowance of \$3,828,002 and \$3,567,210, respectively	\$ 7,302,542	\$ 7,529,964	\$ -	\$ -
Student material fees - Net of scholarship allowance of \$166,193 and \$159,338, respectively	314,519	330,971	-	-
Other student fees - Net of scholarship allowance of \$406,124 and \$355,578, respectively	768,590	738,596	-	-
Federal grants	8,817,076	9,211,545	-	-
State grants	2,309,156	2,391,184	-	-
Business and industry contract revenue	3,006,336	2,053,407	-	-
Auxiliary services revenue	4,533,605	4,725,207	-	-
Contributions and other support	-	-	1,431,510	1,387,878
Miscellaneous	1,333,914	1,101,845	-	-
Total operating revenue	28,385,738	28,082,719	1,431,510	1,387,878
Operating expenses:				
Instruction	32,483,845	36,483,225	-	-
Instructional resources	1,596,679	1,612,283	-	-
Student services	5,436,102	5,715,053	-	-
General institutional	7,961,783	9,183,816	1,787,560	1,097,242
Physical plant	5,282,102	5,404,762	-	-
Auxiliary services	3,720,879	3,907,548	-	-
Depreciation	11,205,471	9,691,719	-	6,250
Student aid	3,697,696	3,421,070	-	-
Total operating expenses	71,384,557	75,419,476	1,787,560	1,103,492
Operating income (loss)	(42,998,819)	(47,336,757)	(356,050)	284,386
Nonoperating revenue (expenses):				
Property taxes	29,781,538	29,104,736	-	-
State operating appropriations	21,254,416	21,030,843	-	-
Investment income earned	338,854	194,730	483,632	740,894
Interest expense	(3,973,463)	(4,124,375)	-	-
Loss on uncollectible pledges	-	-	(5,000)	-
Loss on disposal of capital assets	(10,811)	(12,317)	-	-
Total nonoperating revenue	47,390,534	46,193,617	478,632	740,894
Change in net position	4,391,715	(1,143,140)	122,582	1,025,280
Net position - Beginning of year	57,874,513	54,562,716	7,071,175	6,045,895
Restatement of net position - See note 19	-	4,454,937	-	-
Cumulative effect of change in accounting principle	(5,397,663)	-	-	-
Net position - Beginning of year, as restated	52,476,850	59,017,653	7,071,175	6,045,895
Net position - End of year	\$ 56,868,565	\$ 57,874,513	\$ 7,193,757	\$ 7,071,175

See accompanying notes to the basic financial statements.

Western Technical College District

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Tuition and fees received	\$ 8,566,207	\$ 8,645,624
Federal and state grants received	11,143,661	11,882,240
Business, industry, and school district contract revenues received	3,468,671	1,799,803
Payments to employees	(45,121,093)	(44,756,275)
Payments for materials and services	(16,579,932)	(18,760,763)
Auxiliary enterprise revenues received	4,552,341	4,712,417
Other receipts	743,253	1,102,243
Net cash used in operating activities	(33,226,892)	(35,374,711)
Cash flows from noncapital financing activities:		
Local property taxes	30,074,839	28,713,095
State appropriations	21,254,416	21,030,843
Net cash provided by noncapital financing activities	51,329,255	49,743,938
Cash flows from capital and related financing activities:		
Purchases of capital assets	(5,915,042)	(21,712,745)
Proceeds from sale of capital assets	67,389	-
Proceeds from issuance of capital debt	55,675,000	30,145,000
Principal paid on capital debt	(64,865,000)	(34,590,000)
Interest and fiscal charges paid on capital debt	(3,194,047)	(3,616,690)
Net cash used in capital and related financing activities	(18,231,700)	(29,774,435)
Cash flows from investing activities:		
Purchase of investments	(3,448,000)	(2,611,000)
Sales of investments	4,233,178	6,121,000
Investment income received	338,854	194,730
Net cash provided by investing activities	1,124,032	3,704,730
Net increase (decrease) in cash and cash equivalents	994,695	(11,700,478)
Cash and cash equivalents - Beginning of year	20,568,251	32,268,729
Cash and cash equivalents - End of year	\$ 21,562,946	\$ 20,568,251

Western Technical College District

Statements of Cash Flows (Continued)

Years Ended June 30, 2018 and 2017

	2018	2017
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 6,608,064	\$ 4,910,831
Restricted cash and cash equivalents	14,954,882	15,657,420
Total	\$ 21,562,946	\$ 20,568,251
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (42,998,819)	\$ (47,336,757)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,205,471	9,691,719
Changes in assets and liabilities:		
(Increase) decrease in assets/deferred outflows of resources:		
Accounts and other receivables	(972,655)	9,481
Inventories	460,405	76,081
Prepaid expenses	(97,957)	(159,280)
Other noncurrent assets	30,972	(178,000)
Net pension asset - WRS	(5,806,536)	-
Net OPEB asset	-	157,023
Deferred outflows related to pension/OPEB	1,637,785	5,460,747
Increase (decrease) in liabilities/deferred inflows of resources:		
Accounts payable	310,270	(147,885)
Accrued liabilities	(2,018,384)	187,026
Compensated absences	(131,282)	(149,900)
Unearned revenue	198,665	50,126
Postemployment benefits - Compensated absences	(19,375)	(25,017)
Net pension liability - WRS	(1,624,887)	(1,577,480)
Net OPEB liability	-	185,032
Total OPEB liability - District OPEB plan	(653,655)	-
Net OPEB liability - LRLIF	734,332	-
Deferred inflows related to pension/OPEB	6,483,939	(1,629,200)
Due to student and other organizations	34,819	11,573
Net cash used in operating activities	\$ (33,226,892)	\$ (35,374,711)
Noncash capital and related financing activities:		
Purchases of capital assets in accounts payable	\$ 1,098,725	\$ 944,444

See accompanying notes to the basic financial statements.

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Introduction

The financial statements of the Western Technical College District (“Western”) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to public colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by Western are described below.

Reporting Entity

The Western Technical College District (commonly known as the Western Technical College or Western) was organized in 1912 under state legislation. Western is fully accredited by the Higher Learning Commission of the North Central Association Commission on Accreditation and School Improvement. The geographic area of Western is comprised of all or part of 11 counties.

Western, governed by a nine-member board appointed by board chairpersons of counties within the service area, operates a public technical college offering one- and two-year degrees, technical certificates, and a comprehensive adult education program. As Western’s governing authority, the Board’s powers include:

- Authority to borrow money and levy taxes.
- Budgeting authority.
- Authority over other fiscal and general management of Western, 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 provided, and to approve the hiring or retention of the President who implements Board policy and directives.

The accompanying financial statements present the activities of the Western Technical College District. Accounting principles generally accepted in the United States require that these financial statements include the primary government and its component units. Component units are separate organizations that would be included in Western’s reporting entity because of the significance of their operational or financial relationships with Western. All significant activities and organizations with which Western exercises oversight responsibility have been considered for inclusion in the financial statements.

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Reporting Entity (Continued)

The Western Technical College Foundation, Inc. (the "Foundation") is a not-for-profit corporation whose purpose is to support, promote, and facilitate the activities of Western. Western provides office space, printing, employee compensation, and other operating costs at no charge to the Foundation. Since the Foundation's resources are almost entirely for the benefit of Western and its students, the Foundation has a history of supporting Western with its economic resources, and the financial resources of the Foundation are significant to the District as a whole, the Foundation is presented as a discretely presented component unit of Western.

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

New Accounting Pronouncement

Management adopted new accounting guidance GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* that replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. See Note 19 for the restatement of beginning net position.

Measurement Focus and Basis of Accounting and Financial Statement Presentation

Western's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the cash transaction takes place. Nonexchange transactions, in which Western gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Measurement Focus and Basis of Accounting and Financial Statement Presentation (Continued)

Operating revenues and expenses generally include all fiscal transactions directly related to instructional and auxiliary enterprise activities plus administration, operation, and maintenance of capital assets and depreciation on capital assets. Included in nonoperating revenues are property taxes, state appropriations, investment income, and revenues for capital construction projects. Interest on debt is a nonoperating expense.

Use of Estimates

The preparation of the accompanying financial statements in accordance with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Deposits and Investments

Western's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

State Statutes permit Western to invest available cash balances in time deposits of authorized depositories, U.S. Treasury obligations, U.S. government agency issues, municipal obligations of Wisconsin municipal entities, high-grade commercial paper that matures in less than seven years, and the local government pooled investment fund administered by the State of Wisconsin Investment Board.

All investments are stated at fair value. Investment income includes changes in fair value of investments, interest, and realized gains and losses.

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A three-tier hierarchy prioritizes the inputs used in measuring fair value. These tiers include Level 1, defined as quoted market prices in active markets for identical assets or liabilities; Level 2, defined as inputs other than quoted market prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs, therefore requiring an entity to develop its own assumptions. The asset's or liability's fair value measurement within the hierarchy is based on techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Receivables

Accounts receivable and student tuition and fees receivable are 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. Western determines its allowance for doubtful accounts by considering a number of factors including length of time amounts are past due, Western's previous loss history, and the student's ability to pay his or her obligation. Western writes off receivables when they become uncollectible. Payments of accounts receivable are applied to the specific invoices identified on the customer's remittance advice or, if unspecified, to the earliest unpaid invoices.

Inventories and Prepaid Expenses

Inventories of books and supplies are valued at the lower of cost, using the first-in, first-out (FIFO) method or market. Instructional and administrative inventories are accounted for as expenses when purchased. Prepaid expenses represent payments made by Western for which benefits extend beyond June 30.

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where historical cost is not available. Donated assets are recorded as capital assets at their estimated acquisition value at the date of donation. Western maintains a threshold level of a unit cost of \$5,000 or more for equipment and \$15,000 or more for building or remodeling projects for capitalizing assets.

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Capital Assets (Continued)

Capital assets are depreciated using the straight-line method mid-year convention over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared no longer needed by Western, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 4 to 12 years for equipment, 10 to 20 years for site improvements, and 50 years for buildings.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as the projects are constructed.

Capital assets are reviewed for impairment when events or changes in circumstances suggest that the service utility of the capital asset may have significantly and unexpectedly declined. Capital assets are considered impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses, if any, are recorded in the statements of revenues, expenses, and changes in net position. There were no impairment losses recorded in the years ended June 30, 2018 and 2017.

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses) until then. At this time, Western reports deferred outflows of resources related to Western's District OPEB plan, the Local Retiree Life Insurance Fund (LRLIF), and the Wisconsin Retirement System (WRS). The deferred outflows of resources related to the OPEB plan represents Western's contributions to the plan subsequent to the measurement date of the total OPEB liability. The deferred outflows of resources related to the LRLIF and WRS represent its proportionate shares of collective deferred outflows of resources of the plans and Western's contributions to the plans subsequent to the measurement date of the collective net pension and OPEB liabilities (assets).

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenues) until that time. Western has two types of items that qualify for reporting in this category. They are the deferred amount on refunding and the deferred inflows of resources related to the LRLIF and the WRS. The deferred amount on refunding represents the difference between the carrying value of refunded debt and its reacquisition price. The deferred inflows of resources related to the LRLIF and WRS represent Western's proportionate shares of collective deferred inflows of resources of the plans.

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts

Vacation – Western employees are granted vacation in varying amounts, based on length of service and staff classifications that can accumulate to a maximum of 120 hours. Liabilities for vacation and salary-related payments, including social security taxes, are recorded when incurred.

Sick Leave – Western’s traditional policy allows employees to earn up to 10 days of sick pay for each year employed up to a maximum of 30 days. Except as indicated below in postemployment benefits, accumulated sick leave does not vest and no liability has been accrued.

Postemployment Benefits – Employees electing to retire after age 55 with 10 or more years of service may have had three options to choose from. One option (option a) applies unused sick leave to group health insurance premiums until exhausted. The other options (options b and c) provide health care benefits until eligible for Medicare benefits or until covered under a new employer’s medical program, whichever comes first. For option a, an estimate of the present value of future benefits is recognized as a long-term liability in the statements of net position. For options b and c, an amount is actuarially determined and recorded. This plan is closed to new entrants and only includes those employees who had a minimum of 10 years of service and were at least 55 years of age as of June 30, 2013.

Western participates in a life insurance OPEB plan that covers WRS-eligible employees. The fiduciary net position of the LRLIF has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. 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.

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

District Pension Plan

Western employees participate in the Wisconsin Retirement System (WRS). For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the 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.

Restricted Assets

Restricted assets are cash, cash equivalents, and investments whose use is limited by legal requirements such as a bond indenture or investment in an irrevocable trust.

Net Position

Net position is classified according to restrictions or availability of assets for Western's obligations. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

When both restricted and unrestricted resources are available for use, it is Western's policy to use externally restricted resources first.

Property Tax Levy

Under Wisconsin law, personal property taxes and first installment real estate taxes are collected by city, town, and village treasurers or clerks who then make proportional settlement with Western and taxing entities' treasurers for those taxes collected on their behalf. Second installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the taxing entities before retaining any for county purposes.

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

Property Tax Levy (Continued)

The aggregate Western tax levy is apportioned and certified by November 6 of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes may be paid in full by two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, Western may be paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to Western for any remaining balance.

Under Section 38.16 of the Wisconsin Statutes, Western's Board may levy a tax not to exceed the prior year's levy by Western's valuation factor, which is equal to the percentage change in Western's equalized value from the prior year due to net new construction for the purposes of making capital improvements, acquiring equipment, operating, and maintaining schools. The limitation is not applicable to taxes levied for the purpose of paying principal and interest on general obligation notes payable issued by Western. For the years ended June 30, 2018 and 2017, Western levied at the following mill rate:

	2018	2017
Operating purposes	0.606010	0.606705
Debt service requirements	0.940240	0.961718
Total	1.546250	1.568423

Western Technical College District

Notes to the Basic Financial Statements

Note 1 **Summary of Significant Accounting Policies** (Continued)

State and Federal Revenues

State general and categorical aids are recognized as revenue in the entitlement year. Federal and state aids for reimbursable programs are recognized as revenue in the year related program expenditures are incurred or eligibility requirements are met. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenues.

Tuition and Fees

Student tuition and fees are recorded, net of scholarships, as revenue in the period in which the related activity or instruction takes place. Tuition and fees for the summer semester are prorated on the basis of student class days occurring before and after June 30.

Scholarship Allowances and Student Financial Aid

Certain student financial aid (loans, funds provided to students as awarded by third parties, and federal direct loans) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances. Scholarship allowances represent the amount of aid applied directly to the student's account. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Subsequent Events

Subsequent events have been evaluated through November 15, 2018, which is the date the financial statements were available to be issued.

Western Technical College District

Notes to the Basic Financial Statements

Note 2 Cash and Investments

Deposits

Custodial Credit Risk: Custodial credit risk is the risk that in the event of a bank failure, Western's deposits may not be returned to it. Western has the following deposit policy for custodial credit risk. The Vice President of Finance and Operations, or his/her designee, is authorized to make investments with the designated public depositories, the State of Wisconsin Local Government Pooled Investment Fund, or obligations of the United States Government or its agencies, as per applicable provisions of Wisconsin law plus the investment fundamentals of safety, liquidity, and yield. An amount not to exceed \$650,000 of Western's funds may be invested in each designated public depository without collateralization. Appropriate operating procedures and agreements for the collateralization of public deposits beyond insured amounts shall be developed as necessary by the Vice President of Finance and Operations. Funds to be invested will be placed in institutions that provide insurance and/or collateralization to the full amount of the investment, including principal and interest. The exception shall be those funds placed directly with the Local Government Pooled Investment Fund or obligations of the United States Government or its agencies. Collateralization requires pledging of obligations of the United States Government or its agencies.

As of June 30, 2018 and 2017, none of Western's bank balance was exposed to custodial credit risk.

Investments

Interest Rate Risk: Interest rate risk is the risk that the changes in market interest rates will adversely affect the fair value of the investment. Western's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State Statute limits the maturity of commercial paper and corporate bonds to not more than seven years.

Credit Risk: State Statute limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. Ratings are not required, or available, for the Wisconsin Local Government Investment Pool. Western's investment policy does not further limit its investment choices. As of June 30, 2018 and 2017, Western's investment in U.S. Treasury notes had a Aaa rating through Moody's Investors Service. All other investments were unrated.

Western Technical College District

Notes to the Basic Financial Statements

Note 2 Cash and Investments (Continued)

Concentration of Credit Risk: For an investment, concentration of credit risk is the risk of loss that may be caused by Western's investment in a single issuer. Western does not have an investment policy for concentration of credit risk. At June 30, 2017, 29% of Western's total investments are in short-term money market instruments with the Wisconsin Investment Series Cooperative.

Western's cash and investment balances at June 30, 2018 and 2017, were as follows:

	Maturities	2018	2017
U.S. Treasury - Notes	< 1 year	\$ 3,550,743	\$ 2,850,191
	1-5 years	119,852	240,218
WISC Investment Series	< 120 days average	-	1,371,767
Money market funds	N/A	231,266	224,863
Total investments		3,901,861	4,687,039
Cash deposits with financial institutions carrying amount		21,552,131	20,557,405
Petty cash		10,815	10,846
Total cash and investments		\$ 25,464,807	\$ 25,255,290

During the year ended June 30, 2017, Western participated in a Wisconsin Investment Series Cooperative (WISC) fund, which is authorized under Wisconsin Statute 66.0301 and is governed by a commission in accordance with the terms of an intergovernmental cooperation agreement. The WISC is not registered with the SEC as an investment company. The WISC reports to participants on the amortized cost basis. WISC shares are bought and redeemed at \$1 based on the amortized cost of the investments in the pool. Participants in WISC have the right to withdraw their funds in total on one day's notice. The investments in WISC are not subject to the fair value hierarchy disclosures.

Western Technical College District

Notes to the Basic Financial Statements

Note 2 Cash and Investments (Continued)

Cash and investments are classified as follows:

	2018	2017
Cash restricted for:		
Debt service	\$ 4,948,377	\$ 5,401,681
Capital projects	10,006,505	10,255,739
Investments restricted for:		
Debt service	3,901,861	3,315,272
Capital projects	-	1,371,767
Total restricted	18,856,743	20,344,459
Unrestricted	6,608,064	4,910,831
Total cash and investments	\$ 25,464,807	\$ 25,255,290

Note 3 Fair Value Measurements (Assets and Liabilities Measured at Fair Value)

Western categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Western has the following recurring fair value measurements as of June 30, 2018 and 2017:

	Assets at Fair Value as of June 30, 2018			
	Level 1	Level 2	Level 3	Total
U.S. Treasury - Notes	\$ 3,670,595	\$ -	\$ -	\$ 3,670,595
Money market fund	231,266	-	-	231,266
Total investments at fair value	\$ 3,901,861	\$ -	\$ -	\$ 3,901,861

Western Technical College District

Notes to the Basic Financial Statements

Note 3 Fair Value Measurements (Assets and Liabilities Measured at Fair Value) (Continued)

	Assets at Fair Value as of June 30, 2017			
	Level 1	Level 2	Level 3	Total
U.S. Treasury - Notes	\$ 3,090,409	\$ -	\$ -	\$ 3,090,409
Money market fund	224,863	-	-	224,863
Total investments at fair value	\$ 3,315,272	\$ -	\$ -	\$ 3,315,272

Note 4 Accounts and Other Receivables

Accounts and other receivables consisted of the following on June 30:

	2018	2017
Student tuition and fees:		
Student tuition and fees	\$ 1,512,482	\$ 1,574,892
Allowance for uncollectible accounts	(275,000)	(250,000)
Student tuition and fees, net	1,237,482	1,324,892
Intergovernmental	1,158,073	1,175,502
Contracted services	634,028	1,009,582
Receivable from WTCEBC	862,387	-
Related party	591,031	370
	\$ 4,483,001	\$ 3,510,346

Western Technical College District

Notes to the Basic Financial Statements

Note 5 Capital Assets

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

	2018			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 6,603,548	\$ 18,700	\$ 78,200	\$ 6,544,048
Construction in progress	2,989,532	2,592,333	2,989,532	2,592,333
Total capital assets not being depreciated	9,593,080	2,611,033	3,067,732	9,136,381
Capital assets being depreciated:				
Site improvements	10,926,519	1,616,639	-	12,543,158
Leasehold improvements	674,723	-	-	674,723
Buildings and improvements	196,145,055	3,849,418	-	199,994,473
Equipment	39,023,186	981,765	140,428	39,864,523
Total capital assets being depreciated	246,769,483	6,447,822	140,428	253,076,877
Less accumulated depreciation for:				
Site improvements	4,493,406	986,192	-	5,479,598
Leasehold improvements	219,285	33,736	-	253,021
Buildings and improvements	51,636,267	7,537,953	-	59,174,220
Equipment	28,947,198	2,647,590	140,428	31,454,360
Total accumulated depreciation	85,296,156	11,205,471	140,428	96,361,199
Net capital assets being depreciated	161,473,327	(4,757,649)	-	156,715,678
Net capital assets	\$ 171,066,407	\$ (2,146,616)	\$ 3,067,732	165,852,059
Less outstanding debt related to capital assets				(133,745,000)
Unamortized premium				(7,172,666)
Unamortized discount				207,236
Plus unexpended debt proceeds				8,312,577
Net investment in capital assets				\$ 33,454,206

Western Technical College District

Notes to the Basic Financial Statements

Note 5 Capital Assets (Continued)

	2017			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 6,365,848	\$ 237,700	\$ -	\$ 6,603,548
Construction in progress	52,521,277	2,989,532	52,521,277	2,989,532
Total capital assets not being depreciated	58,887,125	3,227,232	52,521,277	9,593,080
Capital assets being depreciated:				
Site improvements	6,712,930	4,213,589	-	10,926,519
Leasehold improvements	674,723	-	-	674,723
Buildings and improvements	134,244,455	61,900,600	-	196,145,055
Equipment	35,634,699	3,686,998	298,511	39,023,186
Total capital assets being depreciated	177,266,807	69,801,187	298,511	246,769,483
Less accumulated depreciation for:				
Site improvements	3,794,043	699,363	-	4,493,406
Leasehold improvements	185,548	33,737	-	219,285
Buildings and improvements	45,642,395	5,993,872	-	51,636,267
Equipment	26,268,645	2,964,747	286,194	28,947,198
Total accumulated depreciation	75,890,631	9,691,719	286,194	85,296,156
Net capital assets being depreciated	101,376,176	60,109,468	12,317	161,473,327
Net capital assets	<u>\$ 160,263,301</u>	<u>\$ 63,336,700</u>	<u>\$ 52,533,594</u>	171,066,407
Less outstanding debt related to capital assets				(142,935,000)
Unamortized premium				(6,379,570)
Unamortized discount				217,864
Plus unexpended debt proceeds				<u>8,989,103</u>
Net investment in capital assets				<u>\$ 30,958,804</u>

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended June 30, 2018:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
General obligation debt	\$ 129,060,000	\$ 55,675,000	\$ 64,570,000	\$ 120,165,000	\$ 14,190,000
Revenue bonds	13,875,000	-	295,000	13,580,000	315,000
Plus unamortized premium	6,379,570	4,923,916	4,130,820	7,172,666	-
Less unamortized discount	(217,864)	-	(10,628)	(207,236)	-
Compensated absences	45,376	-	19,375	26,001	-
Total	\$ 149,142,082	\$ 60,598,916	\$ 69,004,567	\$ 140,736,431	\$ 14,505,000

The following is a summary of changes in long-term obligations for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General obligation debt	\$ 133,255,000	\$ 30,145,000	\$ 34,340,000	\$ 129,060,000	\$ 13,200,000
Revenue bonds	14,125,000	-	250,000	13,875,000	295,000
Plus unamortized premium	6,616,808	1,811,336	2,048,574	6,379,570	-
Less unamortized discount	(228,492)	-	(10,628)	(217,864)	-
Compensated absences	70,393	-	25,017	45,376	-
Total	\$ 153,838,709	\$ 31,956,336	\$ 36,652,963	\$ 149,142,082	\$ 13,495,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of Western while the bonds are secured by certain revenues as outlined in the bond document. Long-term debt at June 30, 2018 and 2017, is comprised of the following individual issues:

	2018	2017
Promissory notes in the amount of \$1,000,000 were issued October 3, 2008, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 3.25 - 4.00 percent. Mature October 1, 2018.	\$ 125,000	\$ 250,000
Promissory notes in the amount of \$4,800,000 were issued April 1, 2009, to Robert W. Baird & Co. to finance building remodeling and improvement projects and the acquisition of movable equipment. Interest rate at 2.25 - 4.00 percent. Mature October 1, 2018.	265,000	520,000
Promissory notes in the amount of \$1,000,000 were issued May 15, 2009, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.50 percent. Mature October 1, 2018.	125,000	250,000
Promissory notes in the amount of \$1,000,000 were issued June 25, 2009, to Robert W. Baird & Co. to finance building remodeling and improvement projects and site improvement projects. Interest rate at 2.75 - 4.00 percent. Mature October 1, 2018.	165,000	325,000
Promissory notes in the amount of \$1,000,000 were issued August 10, 2009, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.50 - 3.50 percent. Mature October 1, 2018.	160,000	315,000
Promissory notes in the amount of \$1,500,000 were issued October 15, 2009, to Robert W. Baird & Co. to finance building remodeling and improvement projects and property acquisition. Interest rate at 2.00 - 3.25 percent. Mature October 1, 2019.	405,000	600,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2018	2017
Promissory notes in the amount of \$4,270,000 were issued December 10, 2009, to Robert W. Baird & Co. for refunding of debt and to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.50 percent. Mature October 1, 2019.	\$ 305,000	\$ 455,000
Promissory notes in the amount of \$5,500,000 were issued April 15, 2010, to Robert W. Baird & Co. to finance building additions or enlargements at the Sparta Campus and to acquire movable equipment. Interest rate at 2.00 - 4.00 percent. Mature October 1, 2019.	780,000	1,145,000
Promissory notes in the amount of \$1,500,000 were issued June 9, 2010, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.50 - 3.50 percent. Mature October 1, 2019.	460,000	680,000
Promissory notes in the amount of \$2,000,000 were issued August 10, 2010, to Robert W. Baird & Co. to finance building remodeling and improvement projects and to acquire movable equipment. Interest rate at 2.00 - 3.25 percent. Mature October 1, 2019.	610,000	905,000
Promissory notes in the amount of \$2,410,000 were issued October 12, 2010, to Robert W. Baird & Co. for refunding of debt and to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.00 percent. Mature October 1, 2020.	600,000	790,000
Promissory notes in the amount of \$5,450,000 were issued January 27, 2011, to Robert W. Baird & Co. to finance the purchase and improvement of a building at the Black River Falls Campus and to acquire movable equipment. Interest rate at 2.00 - 4.00 percent. Mature October 1, 2020, but refinanced on July 10, 2017.	-	1,500,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2018	2017
<p>Qualified Energy Conservation promissory notes in the amount of \$1,500,000 were issued January 27, 2011, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 4.375 percent. Mature October 1, 2020.</p>	\$ 1,500,000	\$ 1,500,000
<p>Qualified Energy Conservation promissory notes in the amount of \$1,200,000 were issued August 23, 2011, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 3.75 percent. Mature April 1, 2021.</p>	1,200,000	1,200,000
<p>Promissory notes in the amount of \$5,100,000 were issued February 2, 2012, to Robert W. Baird & Co. to finance building remodeling, improvement projects, and acquisition of movable equipment. Interest rate at 1.50 - 2.00 percent. Mature April 1, 2021.</p>	1,135,000	1,500,000
<p>Promissory notes in the amount of \$1,500,000 were issued April 3, 2012, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 1.50 - 2.50 percent. Mature April 1, 2022.</p>	635,000	785,000
<p>Promissory notes in the amount of \$1,500,000 were issued June 4, 2012, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 2.25 percent. Mature April 1, 2022.</p>	700,000	865,000
<p>Promissory notes in the amount of \$1,500,000 were issued August 9, 2012, to Robert W. Baird & Co. for property and site acquisition at the La Crosse campus. Interest rate at 2.00 percent. Mature April 1, 2022.</p>	700,000	865,000
<p>Taxable Clean Renewable Energy bonds in the amount of \$2,000,000 were issued October 9, 2012, to Robert W. Baird & Co. to finance hydro and solar power energy projects. Interest rate at 3.10 percent. Mature April 1, 2023.</p>	2,000,000	2,000,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2018	2017
Promissory notes in the amount of \$6,000,000 were issued February 4, 2013, to Robert W. Baird & Co. to finance building remodeling and improvement projects and acquisition of moveable equipment. Interest rate at 2.00 percent. Mature April 1, 2022.	\$ 1,500,000	\$ 2,435,000
Promissory notes in the amount of \$37,100,000 were issued April 3, 2013, to Robert W. Baird & Co. for refunding of the Bond Anticipation Notes (BANs) used to fund Western's master facilities plan as approved by the November 6, 2012, voters' referendum. Interest rate at 4.00 - 5.00 percent. Mature April 1, 2033, but refinanced on December 28, 2017.	-	19,375,000
Promissory notes in the amount of \$1,500,000 were issued April 3, 2013, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2023.	800,000	950,000
Promissory notes in the amount of \$18,610,000 were issued June 3, 2013, to Robert W. Baird & Co. for refunding of the Bond Anticipation Notes (BANs) used to fund Western's master facilities plan as approved by the November 6, 2012, voters' referendum. Interest rate at 4.00 percent. Mature April 1, 2027, but refinanced on July 10, 2017.	-	18,610,000
Promissory notes in the amount of \$1,500,000 were issued June 3, 2013, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2023.	795,000	945,000
Promissory notes in the amount of \$1,500,000 were issued September 4, 2013, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.50 percent. Mature April 1, 2023.	800,000	950,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2018	2017
Promissory notes in the amount of \$1,500,000 were issued October 16, 2013, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 4.00 percent. Mature April 1, 2023.	\$ 805,000	\$ 950,000
Promissory notes in the amount of \$21,800,000 were issued December 5, 2013, to Robert W. Baird & Co. to finance Western's master facilities plan as approved by the November 6, 2012, voters' referendum and to finance building remodeling and improvement projects and the acquisition of moveable equipment. Interest rate at 2.00 - 4.00 percent. Mature April 1, 2020.	3,965,000	16,875,000
Wisconsin Housing & Economic Authority Multifamily Housing Bonds in the amount of \$14,575,000 were issued on December 1, 2013, to Robert W. Baird & Co. to finance the purchase of a residence hall for student housing. Interest rate at 0.40 - 4.70 percent. Mature April 1, 2038.	13,580,000	13,875,000
Promissory notes in the amount of \$5,500,000 were issued March 4, 2014, to Robert W. Baird & Co. to finance building remodeling and improvement projects and the acquisition of moveable equipment. Interest rate at 1.25 - 3.00 percent. Mature April 1, 2023.	1,775,000	2,735,000
Promissory notes in the amount of \$1,500,000 were issued May 1, 2014, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2024.	940,000	1,085,000
Promissory notes in the amount of \$1,500,000 were issued June 10, 2014, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2024.	965,000	1,105,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2018	2017
Promissory notes in the amount of \$1,500,000 were issued August 21, 2014, to Robert W. Baird & Co. to finance building remodeling and improvement projects at the Weaver Building and other district facilities. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2024.	\$ 965,000	\$ 1,105,000
Promissory notes in the amount of \$2,500,000 were issued October 2, 2014, to Robert W. Baird & Co. to finance building remodeling and improvement projects at the Weaver Building and other district facilities and moveable equipment and construction at the La Crosse campus. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2024.	1,580,000	1,815,000
Promissory notes in the amount of \$1,500,000 were issued November 5, 2014, to Robert W. Baird & Co. to finance building remodeling and improvement projects and construction at the La Crosse campus. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2024.	950,000	1,095,000
Promissory notes in the amount of \$7,500,000 were issued March 3, 2015, to Robert W. Baird & Co. to finance the acquisition of moveable equipment. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2022.	3,890,000	4,805,000
Promissory notes in the amount of \$1,500,000 were issued April 30, 2015, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2025.	1,085,000	1,225,000
Promissory notes in the amount of \$2,000,000 were issued June 2, 2015, to Robert W. Baird & Co. to finance building remodeling and improvement projects and construction of building additions or enlargements at the Viroqua campus. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2025.	1,445,000	1,635,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2018	2017
Promissory notes in the amount of \$3,940,000 were issued November 2, 2015, to Robert W. Baird & Co. for refinancing and to finance building remodeling and improvement projects and the construction of building additions or enlargements at the Viroqua campus. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2025.	\$ 1,160,000	\$ 1,310,000
Promissory notes in the amount of \$4,130,000 were issued March 1, 2016, to Robert W. Baird & Co. to finance building remodeling and improvement projects and the acquisition of moveable equipment. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2025.	2,230,000	2,930,000
Promissory notes in the amount of \$1,500,000 were issued May 3, 2016, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2026.	1,225,000	1,365,000
Promissory notes in the amount of \$3,100,000 were issued December 7, 2016, to Robert W. Baird & Co. to finance the acquisition of moveable equipment and the purchase of sites and buildings. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2026.	2,090,000	2,590,000
Refunding bonds in the amount of \$21,025,000 were issued February 2, 2017, to Robert W. Baird & Co. for refunding of debt. Interest rate at 4.00 percent. Mature April 1, 2033.	20,100,000	20,700,000
Promissory notes in the amount of \$3,020,000 were issued March 9, 2017, to Robert W. Baird & Co. to finance building remodeling and improvement projects and the acquisition of moveable equipment. Interest rate at 2.00 - 4.00 percent. Mature April 1, 2026.	2,320,000	3,020,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2018	2017
Promissory notes in the amount of \$3,000,000 were issued May 2, 2017, to Robert W. Baird & Co. to finance building remodeling and improvement projects and the construction of buildings and building additions on the Sparta campus. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2027.	\$ 2,100,000	\$ 3,000,000
Promissory notes in the amount of \$2,605,000 were issued July 10, 2017, to Robert W. Baird & Co. to finance building remodeling and improvement projects and refunding of debt. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2027.	2,005,000	-
Refunding bonds in the amount of \$16,975,000 were issued July 10, 2017, to Robert W. Baird & Co. for refunding of debt. Interest rate at 4.00 - 5.00 percent. Mature April 1, 2027.	16,975,000	-
Refunding bonds in the amount of \$20,265,000 were issued December 28, 2017, to Robert W. Baird & Co. for refunding of debt. Interest rate at 2.00 - 4.00 percent. Mature April 1, 2033.	20,000,000	-
Refunding bonds in the amount of \$10,635,000 were issued December 28, 2017, to Robert W. Baird & Co. for refunding of debt. Interest rate at 5.00 percent. Mature April 1, 2023.	10,635,000	-
Promissory notes in the amount of \$3,535,000 were issued March 13, 2018, to Robert W. Baird & Co. to finance building remodeling and improvement projects and the acquisition of moveable equipment. Interest rate at 3.00 percent. Mature April 1, 2027.	3,535,000	-
Promissory notes in the amount of \$1,660,000 were issued June 21, 2018, to Robert W. Baird & Co. to finance building remodeling and improvement projects, the acquisition of moveable equipment and the acquisition of sites on the La Crosse campus. Interest rate at 3.00 - 4.00 percent. Mature April 1, 2028.	1,660,000	-
Total long-term debt	\$ 133,745,000	\$ 142,935,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

Western has the power to incur indebtedness for certain purposes specified by Section 67.03(1)(a), Wisconsin Statutes in an aggregate amount, not exceeding 5% of the equalized value of the taxable property within Western, as last determined by the Wisconsin Department of Revenue. The legal debt limit and the margin of indebtedness as of June 30, 2018, are calculated as follows:

Legal debt limit (5% of \$20,322,078,148)	\$ 1,016,103,907
Deduct - Long-term debt applicable to debt margin	(120,165,000)
Restricted net position available for debt services	6,155,280
<hr/>	
Margin of indebtedness	\$ 902,094,187

Wisconsin Statutes 67.03(9) provides that the amount of bonded indebtedness for the purpose of purchasing school sites and the construction and equipping of school buildings may not exceed 2% of the equalized valuation of the taxable property, including tax incremental districts, of Western. This limit was \$406,441,563 at June 30, 2018. Western has bonded indebtedness of \$81,290,000 and \$34,575,000 as of June 30, 2018 and 2017, respectively.

On July 10, 2017, Western issued \$2,605,000 in general obligation notes, \$1,105,000 of which was for the purpose of currently refunding \$1,145,000 in general obligation notes. The refunding resulted in an economic gain of \$79,669 and a decrease in cash flow requirements of \$87,603.

Also on July 10, 2017, Western issued \$16,975,000 in general obligation refunding bonds for the purpose of advance refunding \$18,610,000 in general obligation bonds. The refunding resulted in an economic gain of \$1,115,013 and a decrease in cash flow requirements of \$1,382,860.

On December 28, 2017, Western issued \$20,265,000 in general obligation refunding bonds for the purpose of advance refunding \$19,375,000 in general obligation bonds. The refunding resulted in an economic gain of \$828,700 and a decrease in cash flow requirements of \$948,159.

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

Also on December 28, 2017, Western issued \$10,635,000 in general obligation refunding bonds for the purpose of advance refunding \$11,375,000 in general obligation notes. The refunding resulted in an economic gain of \$228,503 and a decrease in cash flow requirements of \$261,824.

In relation to the above refundings, Western defeased certain general obligation notes by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old notes. At June 30, 2018 and 2017, \$67,085,000 and \$17,725,000 of outstanding notes are considered defeased. These notes will be called and paid from the trust on April 1, 2020.

Maturities of Long-Term Debt

Aggregate cash flow requirements for the retirement of long-term principal and interest on debt as of June 30, 2018, follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 14,505,000	\$ 4,809,843	\$ 19,314,843
2020	11,895,000	4,431,024	16,326,024
2021	13,600,000	4,085,232	17,685,232
2022	9,625,000	3,631,825	13,256,825
2023	9,935,000	3,283,498	13,218,498
2024-2028	33,570,000	11,574,558	45,144,558
2029-2033	35,285,000	5,078,447	40,363,447
2034-2038	5,330,000	785,605	6,115,605
Total	\$ 133,745,000	\$ 37,680,032	\$ 171,425,032

Western Technical College District

Notes to the Basic Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System

Plan Description

The Wisconsin Retirement System (WRS) is a cost-sharing, multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government, and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found online 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.

Western Technical College District

Notes to the Basic Financial Statements

Note 7 **Employee Retirement Plans – Wisconsin Retirement System** (Continued)

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.

Western Technical College District

Notes to the Basic Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System (Continued)

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2008	6.6%	0.0%
2009	(2.1%)	(42.0%)
2010	(1.3%)	22.0%
2011	(1.2%)	11.0%
2012	(7.0%)	(7.0%)
2013	(9.6%)	9.0%
2014	4.7%	25.0%
2015	2.9%	2.0%
2016	0.5%	5.0%
2017	2.0%	4.0%

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and executives and elected officials. Starting on January 1, 2016, the executive and elected officials category was merged into the general employee category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

Western Technical College District

Notes to the Basic Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Contributions (Continued)

During the reporting period, the WRS recognized \$1,872,529 in contributions from the employer.

Contribution rates as of June 30, 2018 and 2017, are as follows:

Employee Category	2018		2017	
	Employee	Employer	Employee	Employer
General (including teachers, executives, and elected officials)	6.7%	6.7%	6.8%	6.8%
Protective with social security	6.7%	6.7%	6.8%	10.6%
Protective without social security	6.7%	14.9%	6.8%	14.9%

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

At June 30, 2018 and 2017, Western reported (\$5,806,536) and \$1,624,887, for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31 within Western's fiscal year, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation one year prior to and rolled forward to the measurement date. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Western's proportionate share of the net pension liability (asset) was based on Western's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017 and 2016, Western's proportion was 0.19556431% and 0.19713787% (a decrease of 0.00157356% from the prior year).

For the years ended June 30, 2018 and 2017, Western recognized pension expense of \$2,724,203 and \$4,169,852.

Western Technical College District

Notes to the Basic Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2018 and 2017, Western reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2018		2017	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 7,377,349	\$ (3,450,879)	\$ 619,570	\$(5,110,128)
Changes in assumptions	1,147,258	-	1,698,882	-
Net differences between projected and actual earnings on pension plan investments	-	(7,980,544)	8,088,171	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	22,032	(22,302)	35,251	-
Employer contributions subsequent to the measurement date	927,732	-	971,996	-
Total	\$ 9,474,371	\$(11,453,725)	\$11,413,870	\$(5,110,128)

Deferred outflows related to pension resulting from Western's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 635,818
2020	(49,554)
2021	(1,995,182)
2022	(1,512,055)
2023	13,887

Western Technical College District

Notes to the Basic Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Actuarial Assumptions

The total pension liability in the actuarial valuations used for the years ended June 30, 2018 and 2017, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2018	2017
Actuarial valuation date	December 31, 2016	December 31, 2015
Measurement date of net pension liability (asset)	December 31, 2017	December 31, 2016
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair market value	Fair market value
Long-term expected rate of return	7.2%	7.2%
Discount rate	7.2%	7.2%
Salary increases:		
Inflation	3.2%	3.2%
Seniority/Merit	0.2% - 5.6%	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table	Wisconsin 2012 Mortality Table
Postretirement adjustments*	2.1%	2.1%

** No postretirement 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 postretirement discount rate.*

Actuarial assumptions for the 2015 valuation are based upon an experience study conducted in 2015 using experience from 2012-2014. Actuarial assumptions for the 2014 valuation are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2017 and 2016, is based upon a rollforward of the liability calculated from the December 31, 2016 and 2015, actuarial valuations.

Western Technical College District

Notes to the Basic Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Actuarial Assumptions (Continued)

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

Asset Allocation Targets and Expected Returns

As of December 31, 2017

	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return
<u>Core Fund Asset Class</u>			
Global equities	50.0%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8.0%	6.5%	3.6%
Private equity/debt	8.0%	9.4%	6.5%
Multi-asset	4.0%	6.5%	3.6%
Total core fund	110.0%	7.3%	4.4%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total variable fund	100%	7.9%	5.0%

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

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

Western Technical College District

Notes to the Basic Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Actuarial Assumptions (Continued)

Asset Allocation Targets and Expected Returns

As of December 31, 2016

	Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return
<u>Core Fund Asset Class</u>				
Global equities	50.0%	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	8.0%	7%	6.5%	3.6%
Private equity/debt	8.0%	7%	9.4%	6.5%
Multi-asset	4.0%	4%	6.6%	3.7%
Total core fund	110.0%	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%

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

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

Single Discount Rate: A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long-term bond rate of 3.31%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Western Technical College District

Notes to the Basic Financial Statements

Note 7 Employee Retirement Plans – Wisconsin Retirement System (Continued)

Actuarial Assumptions (Continued)

Sensitivity of Western's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate: The following presents Western's proportionate share of the net pension liability calculated using the discount rate of 7.20%, as well as what Western'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 (6.20%) or 1 percentage point higher (8.20%) than the current rate:

	2018		2017	
	Discount	Net Pension	Discount	Net Pension
	Rate	Liability	Rate	Liability
		(Asset)		(Asset)
1% decrease to discount rate	6.2%	\$ 15,023,492	6.2%	\$ 21,376,427
Current discount rate	7.2%	(5,806,536)	7.2%	1,624,887
1% increase to discount rate	8.2%	(21,638,002)	8.2%	(13,584,694)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2018 and 2017, the District reported payables of \$314,612 and \$327,695 for the outstanding amount of contributions to the pension plan required for the years then ended.

Western Technical College District

Notes to the Basic Financial Statements

Note 8 Compensated Absences

In addition to the pension benefit described in Note 7, per union contracts, employees who were age 57 or more at October 23, 2001, could elect a cash accumulation plan. Upon an employee's retirement, Western will establish an amount equal to 60% of total accumulated sick leave, up to a maximum of 65 days, at the highest daily rate achieved during the employee's working career with Western. Funds will be used to pay monthly group health insurance premiums for the employee until such sum is exhausted or until retiree dies.

Note 9 Postemployment Benefits Other Than Pension Benefits

Western administers a single-employer defined benefit health care plan. The plan provides medical insurance benefits to eligible retirees and their spouses through Western's group medical insurance plan, which covers both active and retired members. Benefit provisions are established through board policy. The eligibility requirements are based on the retirees position, years of service, and age at retirement. If eligible, the retiree may receive medical insurance benefits until eligible for Medicare. There are no assets accumulated in a trust that meet the criteria of GASB No. 75, paragraph 4, and there is not a standalone report for the plan. There are 31 active plan members and 47 inactive plan members currently receiving benefits. The plan is closed to new entrants.

The contribution requirements of plan members are based on the employee handbook in effect on the date of retirement. Western's contribution is established annually based on an amount to pay current premiums, less the retiree portion. For fiscal year 2018, Western contributed \$589,281 to the plan for current premiums, while plan members receiving benefits contributed \$132,449 (approximately 18% of total premiums).

Western Technical College District

Notes to the Basic Financial Statements

Note 9 Postemployment Benefits Other Than Pension Benefits (Continued)

Western's total OPEB liability of \$2,144,512 was measured as of June 30, 2017, and was determined by an actuarial valuation as of June 30, 2017. The total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases:	
Inflation	3.00%
Merit	0.7%-3.0%
Health care cost	7.5% decreasing by 0.5% down to 6.5%, then by 0.1% per year down to 5.0% and level thereafter
Discount rate	3.50%
Mortality	Wisconsin 2012 Mortality Table Based on an experience study conducted in 2015 using
Actuarial assumptions	WRS experience from 2012-2014

The 3.5% discount rate used to measure the total OPEB liability was determined by the actuary at Bond Buyer Go for a 20-year AA municipal bond as of June 30, 2017.

Changes in the total OPEB liability for the year ended June 30, 2018, are as follows:

Balance at June 30, 2017	\$ 2,798,167
Changes for the year:	
Service cost	11,608
Interest	85,009
Benefit payments	(750,272)
Net changes	(653,655)
Balance at June 30, 2018	\$ 2,144,512

Western Technical College District

Notes to the Basic Financial Statements

Note 9 Postemployment Benefits Other Than Pension Benefits (Continued)

The following presents the total OPEB liability of Western, as well as what Western's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the current rate:

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Western's total OPEB liability	\$ 2,197,658	\$ 2,144,512	\$ 2,093,224

The following represents Western's total OPEB liability calculated using the health care cost trend rate of 7.5% decreasing to 5%, as well as what Western's total OPEB liability would be if it were calculated using the health care cost trend rate that is 1 percentage point lower (6.5% decreasing to 4.0%) or 1 percentage point higher (8.5% decreasing to 6.0%) than the current rate:

	1% Decrease (6.5% Decreasing to 4.0%)	Health Care Cost Trend Rates (7.5% Decreasing to 5.0%)	1% Increase to (8.5% Decreasing to 6.0%)
Western's total OPEB liability	\$ 2,112,411	\$ 2,144,512	\$ 2,177,485

For the year ended June 30, 2018, Western recognized OPEB expense of \$96,617. At June 30, 2018, Western reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Western's contributions subsequent to the measurement date	\$ 589,281

The amount reported as deferred outflows of resources related to OPEB resulting from Western's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

Western Technical College District

Notes to the Basic Financial Statements

Note 9 **Postemployment Benefits Other Than Pension Benefits** (Continued)

The following disclosures for the district OPEB plan are for the year ended June 30, 2017, which has not been restated for the implementation of GASB Statement No. 75.

Western administers a single-employer defined benefit health care plan. The plan provides medical insurance benefits to eligible retirees and their spouses through Western's group medical insurance plan, which covers both active and retired members. Benefit provisions are established through board policy. The eligibility requirements are based on the retiree's position, years of service, and age at retirement. If eligible, the retiree may receive medical insurance benefits until they are eligible for Medicare. The plan does not issue a standalone report.

The contribution requirements of plan members are based on the collective bargaining agreement or employee handbook in effect on the date of retirement. Western's contribution is established annually based on an amount to pay current premiums. For fiscal year 2017, Western contributed \$750,272 to the plan for current premiums. Plan members receiving benefits contributed \$184,512 (approximately 20% of total premiums). For fiscal year 2016, Western contributed \$916,502 to the plan for current premiums. Plan members receiving benefits contributed \$239,173 (approximately 21% of total premiums.)

Western Technical College District

Notes to the Basic Financial Statements

Note 9 Postemployment Benefits Other Than Pension Benefits (Continued)

Western's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, 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 cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed 30 years. The following table shows the components of Western's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in Western's net OPEB obligation:

	<u>2017</u>
Annual required contribution	\$ 1,055,350
Interest on net OPEB asset	(6,281)
Adjustment to annual required contribution	<u>43,258</u>
Annual OPEB cost (expense)	(1,092,327)
Contributions made	<u>750,272</u>
Decrease in net OPEB asset	(342,055)
Net OPEB asset - Beginning of year	<u>157,023</u>
Net OPEB asset (liability) - End of year	<u><u>\$ (185,032)</u></u>

Western's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for fiscal year 2017 and the two preceding fiscal years are as follows:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Asset</u> <u>(Liability)</u>
6/30/2017	\$ 1,092,327	69%	\$ (185,032)
6/30/2016	1,146,482	80%	157,023
6/30/2015	1,082,507	94%	387,003

Western Technical College District

Notes to the Basic Financial Statements

Note 9 Postemployment Benefits Other Than Pension Benefits (Continued)

The funded status as of July 1, 2015, the most recent actuarial valuation date, was 0% funded. The actuarial accrued liability for benefits was \$3,762,665, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,762,665. The covered payroll (annual payroll of active employees covered by the plan) was \$27,610,728 and the ratio of the UAAL to the covered payroll was 14%.

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. Examples include assumptions about future employment, mortality, and the health care costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer 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.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of 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, 2015, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4% rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio, and an annual health care cost trend rate of 7.5% initially, reduced by 0.5% per year to a rate of 6.5%, then by 0.10% per year to a rate of 5%. The actuarial value of the plan assets was not determined because there were no plan assets as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the open level dollar amortization method. The remaining amortization period at July 1, 2015, was four years.

Western Technical College District

Notes to the Basic Financial Statements

Note 10 Other Postemployment Benefits – Local Retiree Life Insurance Fund

Plan Description

The Local Retiree Life Insurance Fund (LRLIF) is a cost-sharing, multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position

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

Benefits Provided

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a postretirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with basic coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of June 30, 2018, are as follows:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% postretirement coverage	40% of employee contribution

Western Technical College District

Notes to the Basic Financial Statements

Note 10 **Other Postemployment Benefits – Local Retiree Life Insurance Fund** (Continued)

Employee contributions are based on nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017, are as listed below:

Life Insurance Employee Contribution Rates
For the Year Ended December 31, 2017

<u>Attained Age</u>	<u>Basic</u>
Under 30	\$ 0.05
30-34	0.06
35-39	0.07
40-44	0.08
45-49	0.12
50-54	0.22
55-59	0.39
60-64	0.49
65-69	0.57

During the reporting period, the LRLIF recognized \$26,463 in contributions from the employer.

Western Technical College District

Notes to the Basic Financial Statements

Note 10 Other Postemployment Benefits – Local Retiree Life Insurance Fund (Continued)

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

At June 30, 2018, Western reported a liability of \$4,282,434 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to December 31, 2017. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. Western's proportion of the net OPEB liability was based on Western's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, Western's proportion was 1.42340700%, which was a decrease of 0.03799900% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, Western recognized OPEB expense of \$438,432.

At June 30, 2018, Western reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (60,338)
Net differences between projected and actual earnings on OPEB plan investments	49,311	-
Changes in assumptions	413,821	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	(80,004)
Employer contributions subsequent to the measurement date	12,875	-
Total	\$ 476,007	\$ (140,342)

Western Technical College District

Notes to the Basic Financial Statements

Note 10 Other Postemployment Benefits – Local Retiree Life Insurance Fund (Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The amount reported as deferred outflows related to OPEB resulting from Western's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Net Deferred Outflows (Inflows) of Resources
2019	\$ 54,208
2020	54,208
2021	54,208
2022	54,208
2023	41,881
Thereafter	64,077

Actuarial Assumptions

The total OPEB liability in the January 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	January 1, 2017
Measurement date of net OPEB liability (asset)	December 31, 2017
Actuarial cost method	Entry age normal
20 year tax-exempt municipal bond yield	3.44%
Long-term expected rate of return	5.00%
Discount rate	3.63%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table

Western Technical College District

Notes to the Basic Financial Statements

Note 10 Other Postemployment Benefits – Local Retiree Life Insurance Fund (Continued)

Actuarial Assumptions (Continued)

Long-Term Expected Return on Plan Assets: The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carrier's general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investment). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2017

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return
U.S. government bonds	Barclays government	1%	1.13%
U.S. credit bonds	Barclays credit	65%	2.61%
U.S. long credit bonds	Barclays long credit	3%	3.08%
U.S. mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-term expected rate of return			5.00%

Western Technical College District

Notes to the Basic Financial Statements

Note 10 Other Postemployment Benefits – Local Retiree Life Insurance Fund (Continued)

Actuarial Assumptions (Continued)

Single Discount Rate: A single discount rate of 3.63% was used to measure the total OPEB liability. The plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

Sensitivity of Western's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate: The following presents Western's proportionate share of the net OPEB liability calculated using the discount rate of 3.63%, as well as what Western's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.63%) or 1 percentage point higher (4.63%) than the current rate:

	1% Decrease to Discount Rate (2.63%)	Current Discount Rate (3.63%)	1% Increase to Discount Rate (4.63%)
Western's proportionate share of the net OPEB liability	\$ 6,052,707	\$ 4,282,434	\$ 2,923,935

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Western Technical College District

Notes to the Basic Financial Statements

Note 11 Risk Management

Self-Insured Programs

Western has a self-funded dental plan for its employees. The plan administrator, Delta Dental of Wisconsin, is responsible for the approval, processing, and payment of claims, after which they bill Western for reimbursement. Western is also responsible for a monthly administrative fee. The plan reports on a fiscal year ending June 30.

Claims Liabilities

Western establishes claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The estimate is based on historical experience.

Unpaid Claims Liabilities

The following represents the changes in approximate aggregate liabilities for Western:

	Dental
Liability balance - June 30, 2016	\$ 17,578
Claims and changes in estimates	496,275
<u>Claim payments</u>	<u>(482,373)</u>
Liability balance - June 30, 2017	31,480
Claims and changes in estimates	407,884
<u>Claim payments</u>	<u>(420,992)</u>
<u>Liability balance - June 30, 2018</u>	<u>\$ 18,372</u>

Western Technical College District

Notes to the Basic Financial Statements

Note 11 Risk Management (Continued)

Public Entity Risk Pool

As of July 1, 2015, Western joined together with other technical colleges in the state to form the Wisconsin Technical College Employee Benefits Consortium (WTCEBC). WTCEBC is a public entity risk pool that Western 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. Western 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 Western. 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. Each college maintains an individual reserve with WTCEBC. In the event a college were to leave the consortium, their reserve would be used to pay their remaining claims, and the balance would be refunded to the college.

WTCEBC operations are governed by a board of directors. The board of directors is comprised of one representative from each of the member colleges. The WTCEBC uses a third party to administer its operations, including all of the accounting functions.

For the year ended June 30, 2018 and 2017, Western paid a total premium of \$10,113,307 and \$8,257,628, respectively.

Audited financial statements for WTCEBC can be obtained by contacting Western.

Districts Mutual Insurance Company (DMI)

In July 2004, all 16 WTCS technical colleges created Districts Mutual Insurance Company (DMI). DMI 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 \$500,225,000 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. Western's exposure in its layer of insurance is limited to \$5,000 to \$100,000 per occurrence depending on the type of coverage, and DMI purchases reinsurance for losses in excess of its retained layer of coverage.

Western Technical College District

Notes to the Basic Financial Statements

Note 11 Risk Management (Continued)

Districts Mutual Insurance Company (DMI) (Continued)

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 was assessed an annual premium that included a capitalization component to establish reserves for the company. Since DMI is fully capitalized, member districts have not been assessed a capitalization amount for fiscal years 2018 and 2017. For the years ended June 30, 2018 and 2017, Western paid a premium of \$337,196 and \$360,453, respectively. Future premiums will be based on relevant rating exposure bases as well as the historical loss experience by members. DMI's ongoing operational expenses are paid through the premiums collected for the insurance policies issued by the company.

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

Supplemental Insurance

Western is part of the WTCS Insurance Trust that jointly purchases 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 16 Wisconsin Technical College System districts.

The WTCS Insurance Trust has purchased the following levels of coverage from commercial carriers for Western:

Crime – \$750,000 coverage for theft, employee dishonesty, forgery, computer fraud, and funds transfer fraud; \$25,000 coverage for investigation expenses; \$2,500 deductible for investigation; and \$15,000 deductible for employee dishonesty, forgery, and fraud.

Business Travel Accident – Coverage for local Board of Trustees members, \$100,000 for scheduled losses, assistance services, medical evacuation, and repatriation.

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

Western Technical College District

Notes to the Basic Financial Statements

Note 11 Risk Management (Continued)

Other Insured Risk

Western is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Western maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to Western, and there has been no significant reduction in insurance coverage from the previous year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Note 12 Contingent Liability

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

Note 13 Operating Leases

As Lessee

Western leases certain facilities for instructional purposes. Total expense for all operating leases for the years ended June 30, 2018 and 2017, was \$23,412 and \$71,674, respectively. Minimum future rental payments under these leases as of June 30, 2018, are as follows:

<u>June 30,</u>	<u>Amount</u>
2019	\$ 25,850
2020	9,600
2021	8,000
	<u>\$ 43,450</u>

As Lessor

Western has agreements to lease certain office space to outside organizations. Currently, Western holds several month-to-month leases.

Western Technical College District

Notes to the Basic Financial Statements

Note 14 Transactions With Component Unit

Western paid Foundation expenses of approximately \$459,455 and \$507,829 for the fiscal years ended June 30, 2018 and 2017, respectively. In addition, Western leased classroom space from the Foundation for \$7,745 for the fiscal year ended June 30, 2017. During the year ended June 30, 2017, Western purchased the Welding and Apprenticeship Facility from the Foundation for \$600,000. Western also has a receivable from the Foundation of \$591,031 and \$370 at June 30, 2018 and 2017, respectively. \$590,000 of the receivable at June 30, 2018, represents a pledge for the Veteran's Center that will be paid to Western during the year ended June 30, 2019. Western received payments of \$95,010 and \$91,004 for administration and professional development expenses during the fiscal years ended June 30, 2018 and 2017, respectively. In addition, the Foundation disbursed scholarships and awards of \$507,559 and \$405,101 on behalf of Western during the fiscal years ended June 30, 2018 and 2017, respectively.

Note 15 Joint Venture

The La Crosse Medical Health Science Center ("Consortium") is a collaboratively owned and operated medical health science, education, and research center. The Consortium is a Wisconsin nonstock corporation tax-exempt under IRC 501(c)3. The Consortium board is made up of representatives of each of the five participating organizations.

To date, Western has borrowed \$3,650,000 for the Consortium, as authorized in the 1996 referendum. In addition, Western's dormitory and land, valued at \$1,110,000, was contributed to the Consortium. Along with the other participating entities, Western pays its share of the operation and maintenance costs based on their share of square foot usage. Western's share of these costs was \$204,444 and \$187,896 for June 30, 2018 and 2017, respectively.

Separately issued Consortium financial statements are available at the Western Business Office, 400 7th Street North, La Crosse, Wisconsin 54601.

Western Technical College District

Notes to the Basic Financial Statements

Note 16 Expense Classification

Expenses on the statements of revenue, expenses, and changes in net position are classified by function. Alternately, the expenses could also be shown by type of expenses as follows for the years June 30, 2018 and 2017:

	2018	2017
Salaries and wages	\$ 30,081,812	\$ 31,063,042
Fringe benefits	12,447,832	15,797,196
Staff development	940,365	914,981
Supplies	924,743	1,170,515
Duplication/copy	225,964	272,404
Contracted services	5,950,181	5,229,872
Rentals - Facilities and equipment	30,062	74,924
Credit expenses	418,685	420,711
Insurance	363,890	418,297
Utilities	1,084,030	998,087
Depreciation	11,205,471	9,691,719
Student aid	3,766,977	3,520,260
Resale	2,078,465	2,191,248
Minor equipment	1,318,101	2,969,234
Other expenses	547,979	686,986
Total operating expenses	\$ 71,384,557	\$ 75,419,476

Western Technical College District

Notes to the Basic Financial Statements

Note 17 Outstanding Contractual Commitments

During the year, Western entered into various contracts with construction contractors related to capital projects. The following contracted amounts remain unspent as of June 30, 2018:

Construction Contractors	Amount Remaining
Fowler & Hammer, Inc.	\$ 1,234,983
Interstate Roofing & Waterproofing, Inc.	154,732
Market and Johnson	188,976
Schwicker's Tecta America LLC	156,718
	<hr/>
	\$ 1,735,409

Western Technical College District

Notes to the Basic Financial Statements

Note 18 Component Unit

This report contains the Western Technical College Foundation, Inc. (the "Foundation"), which is included as a discretely presented component unit. In addition to the basic financial statements, the following disclosures are considered necessary for a fair presentation.

A – Promises to Give

Unconditional promises to give at June 30 consist of:

	<u>2018</u>	<u>2017</u>
Temporarily restricted	\$ 817,314	\$ 298,484
Permanently restricted	492	2,587
Totals	<u>\$ 817,806</u>	<u>\$ 301,071</u>

Time restrictions on unconditional promises to give are as follows:

	<u>2018</u>	<u>2017</u>
Receivable in less than one year	\$ 110,185	\$ 145,558
Receivable in one to five years	707,621	155,513
Total unconditional promises to give	817,806	301,071
Less:		
Discounts to net present value at 3%	(37,294)	(25,000)
Allowance for uncollectible pledges	-	-
Pledges receivable - Net of discounts and allowances	<u>\$ 780,512</u>	<u>\$ 276,071</u>

Western Technical College District

Notes to the Basic Financial Statements

Note 18 Component Unit (Continued)

Investments managed by investment firms consisted of the following at June 30:

B – Investments

Investments at June 30 consisted of the following:

	<u>2018</u>	<u>2017</u>
Fair value	\$ 6,857,978	\$ 6,624,788
Cost	\$ 5,948,248	\$ 5,964,857

	<u>2018</u>	<u>2017</u>
Cash equivalents	\$ 161,971	\$ 210,171
Bonds and notes	2,474,734	2,207,444
Common stocks and mutual funds	4,221,273	4,207,173
Totals	\$ 6,857,978	\$ 6,624,788

Investment income included the following:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 264,359	\$ 174,723
Investment management fees	(38,898)	(36,127)
Net realized gains	100,853	390,869
Net losses	157,318	211,429
Totals	\$ 483,632	\$ 740,894

Western Technical College District

Notes to the Basic Financial Statements

Note 18 Component Unit (Continued)

C – Long-Term Debt

Long-term debt consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Due La Crosse Medical Health Science Consortium, Inc., related to its commitment as more fully discussed in Note 6, matures April 2020	\$ 163,102	\$ 197,391
Less current maturities	<u>(59,921)</u>	<u>(34,270)</u>
Totals	<u>\$ 103,181</u>	<u>\$ 163,121</u>

The following is a schedule by years of future debt service payments required together with their present value as of June 30, 2018:

2019	\$ 68,077
2020	108,340
Less amounts representing interest	<u>(13,315)</u>
Totals	<u>\$ 163,102</u>

Western Technical College District

Notes to the Basic Financial Statements

Note 18 **Component Unit** (Continued)

D – Limited Guaranty Agreement

As an initial member of the La Crosse Medical Health Science Consortium, Inc. (the "Consortium"), the Foundation entered into a limited guaranty agreement (the "agreement") with the Consortium and other of its members to assist the Consortium in satisfying its financial commitments related to the construction and financing of the allied Health Science Center (the "Center") should those financial commitments not be satisfied through the Consortium's private fund-raising and grant development efforts. To recognize its commitment, the Foundation has previously designated funds to meet its potential obligation.

In the year ended June 30, 2012, the Foundation recognized its commitment to the Consortium, as defined in the agreement, totaling \$875,333. Under the agreement, the Foundation's obligation to the Consortium essentially reflects its share of debt service related to the repayment of bonds issued to finance a portion of the construction of the Center.

E – Net Position

Unrestricted net position at June 30 consists of board-designated and undesignated funds.

Net position restricted for scholarships and other activities at June 30 consists of promises to give restricted due to time and for purpose, endowment earnings unexpended and restricted for purpose, and various funds restricted for purpose.

Restricted-nonexpendable net position at June 30 consists of endowment funds and promises to give to endowment funds.

Western Technical College District

Notes to the Basic Financial Statements

Note 18 Component Unit (Continued)

F – Functional Expenses

Functional expenses for the year ended June 30 are as follow:

2018	Program	Management and General	Fund-raising	Total
College program support	\$ 1,136,970	\$ -	\$ -	\$ 1,136,970
Contracted services	162,156	176,095	121,204	459,455
Interest	-	-	9,346	9,346
Miscellaneous	98,453	14,246	69,090	181,789
Totals	<u>\$ 1,397,579</u>	<u>\$ 190,341</u>	<u>\$ 199,640</u>	<u>\$ 1,787,560</u>

2017	Program	Management and General	Fund-raising	Total
College program support	\$ 511,960	\$ -	\$ -	\$ 511,960
Contracted services	179,228	194,636	133,965	507,829
Interest	7,158	-	13,837	20,995
Miscellaneous	25,855	30,692	6,161	62,708
Totals	<u>\$ 724,201</u>	<u>\$ 225,328</u>	<u>\$ 153,963</u>	<u>\$ 1,103,492</u>

Western Technical College District

Notes to the Basic Financial Statements

Note 18 Component Unit (Continued)

G – Endowment Funds

On July 1, 2008, the Foundation adopted FASB ASC 958-205 (formerly Financial Statement of Position 117-1 Endowments of Not-for-Profit Organizations). FASB ASC 958-205 provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”). FASB ASC 958-205 also requires additional disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The state of Wisconsin enacted UPMIFA in July 2009, the provisions of which apply to endowment funds existing on or established after that date. The Board of Directors has determined that the majority of the Foundation’s permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Western Technical College District

Notes to the Basic Financial Statements

Note 18 Component Unit (Continued)

G – Endowment Funds (Continued)

Following is a description of the Foundation's endowment funds for purposes of the requirements of FASB ASC 958-205:

Donor-Restricted Endowments

The Foundation's endowment consists of numerous individual funds established for a variety of purposes, primarily for student scholarship and staff development. A minimum of \$10,000 is required to establish an endowment. The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to support the established purposes while seeking to maintain the purchasing power of these endowment assets over the long-term. The current long-term return objective is to return 5%, which is to be provided through a total return strategy in which investment returns are achieved through a combination of capital appreciation and current income. The current spending policy is to distribute an amount at least equal to 5% of the fund's beginning market value.

Endowment composition by type of fund as of June 30 is as follows:

	Restricted- Nonexpendable Net Position	Restricted- Expendable Net Position	Total
2018			
Donor-restricted endowment funds	\$ 4,144,997	\$ 2,393,010	\$ 6,538,007
2017			
Donor-restricted endowment funds	\$ 4,107,031	\$ 2,132,684	\$ 6,239,715

Western Technical College District

Notes to the Basic Financial Statements

Note 18 Component Unit (Continued)

G – Endowment Funds (Continued)

Changes in endowment net assets for the year ended June 30 are as follows:

	Restricted- Nonexpendable Net Position	Restricted- Expendable Net Position	Total
2018			
Balance at beginning of year	\$ 4,107,031	\$ 2,132,684	\$ 6,239,715
Donations	37,966	209,431	247,397
Investment income	-	508,754	508,754
Uncollectible pledges	-	(5,000)	(5,000)
Distributions	-	(452,859)	(452,859)
Balance at end of year	<u>\$ 4,144,997</u>	<u>\$ 2,393,010</u>	<u>\$ 6,538,007</u>
2017			
Balance at beginning of year	\$ 3,978,138	\$ 1,516,626	\$ 5,494,764
Donations	128,893	441,682	570,575
Investment income	-	749,097	749,097
Uncollectible pledges	-	(50)	(50)
Distributions	-	(574,671)	(574,671)
Balance at end of year	<u>\$ 4,107,031</u>	<u>\$ 2,132,684</u>	<u>\$ 6,239,715</u>

Western Technical College District

Notes to the Basic Financial Statements

Note 18 Component Unit (Continued)

H – Fair Values Measured on Recurring Basis

Fair values of assets measured on a recurring basis at June 30 are as follows:

		Quoted Market Prices in Active Markets for Identical Assets (Level 1)
2018	Fair Value	
Investments	\$ 6,857,978	\$ 6,857,978
2017	Fair Value	Quoted Market Prices in Active Markets for Identical Assets (Level 1)
Investments	\$ 6,624,788	\$ 6,624,788

Note 19 Prior Year Restatement

Net position as of July 1, 2017 and 2016, has been restated as follows due to errors in recording deferred inflows – property taxes for subsequent year. Property taxes levied for future debt service had been deferred until the year in which the debt service payment was made, but accounting principles generally accepted in the United States require these taxes to be recognized in the same period as the other taxes levied.

Western Technical College District

Notes to the Basic Financial Statements

Note 19 **Prior Year Restatement** (Continued)

In addition, as a result of the implementation of GASB No. 75, net position as of July 1, 2017 was restated as follows:

	Primary Government
Balance at July 1, 2016, as previously reported	\$ 54,562,716
Add previously reported deferred inflows - property taxes for subsequent year at June 30, 2016	4,454,937
Balance at July 1, 2016, as restated	<u>\$ 59,017,653</u>

	Primary Government
Balance at July 1, 2017, as previously reported	\$ 53,703,317
Add previously reported deferred inflows - property taxes for subsequent year at June 30, 2018	4,171,196
Add previously reported net OPEB obligation	185,032
Subtract beginning total OPEB liability for district OPEB plan	(2,798,167)
Add deferred outflows of resources - Contributions after the measurement date for district OPEB plan	750,272
Subtract beginning net OPEB liability for LRLIF	(3,548,102)
Add deferred outflows of resources - Contributions after the measurement date for LRLIF	13,302
Balance at July 1, 2017, as restated	<u>\$ 52,476,850</u>

Retrospective application of GASB No. 75 to the year ended June 30, 2017, was impracticable as of July 1, 2016, balance of the total OPEB liability – District OPEB plan, and the net OPEB liability – LRLIF were not provided by the actuaries.

Required Supplementary Information

Western Technical College District

Schedule of Funding Progress

Year Ended June 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2015	\$ -	\$ 3,762,665	\$ 3,762,665	0.0%	\$ 27,610,728	14%
7/1/2013	-	5,222,875	5,222,875	0.0%	25,024,245	21%
7/1/2011	-	5,961,895	5,961,895	0.0%	25,555,655	23%

Note 1: Data in the schedule of funding progress was taken from the report issued by the actuary for OPEB.

Note 2: In the July 1, 2015, study, the District changed from the projected unit credit cost method to the entry age cost method.

Western Technical College District

Schedules of the Employer's Proportionate Share of the Net Pension Liability (Asset) and Employer Contributions – Wisconsin Retirement System

Last 10 Fiscal Years*

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION ASSET WISCONSIN RETIREMENT SYSTEM (WRS)

Last 10 Fiscal Years*

	2018	2017	2016	2015
Measurement date	12/31/2017	12/31/2016	12/31/2015	12/31/2014
Western's proportion of the net pension liability (asset)	0.19556431%	0.19713787%	0.19707112%	0.19717624%
Western's proportionate share of the net pension liability (asset)	\$ (5,806,536)	\$ 1,624,887	\$ 3,202,367	\$ (4,843,188)
Western's covered payroll	\$28,187,778	\$28,557,093	\$28,121,121	\$27,347,818
Western's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(20.60%)	5.69%	11.39%	(17.71%)
Plan fiduciary net position as a percentage of the total pension liability	102.93%	99.12%	98.20%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS)

Last 10 Fiscal Years*

	2018	2017	2016	2015
Contractually required contributions for the fiscal period	\$ 1,872,529	\$ 1,915,785	\$ 1,895,802	\$ 1,939,886
Contributions in relation to the contractually required contributions	(1,872,529)	(1,915,785)	(1,895,802)	(1,939,886)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Western's covered payroll for the fiscal period	\$27,740,817	\$28,593,896	\$28,298,774	\$28,114,985
Contributions as a percentage of covered payroll	6.75%	6.70%	6.70%	6.90%

Changes of assumptions. There were no changes in the assumptions.

*These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

Western Technical College District

Schedules of the Employer's Proportionate Share of the Net OPEB Liability and Employer Contributions – Local Retiree Life Insurance Fund

Last 10 Fiscal Years*

SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)

Last 10 Fiscal Years*

	<u>2018</u>
Measurement date	12/31/2017
Western's proportion of the net OPEB liability	1.42340700%
Western's proportionate share of the net OPEB liability	\$ 4,282,434
Western's covered payroll	\$25,217,250
Western's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.98%
Plan fiduciary net position as a percentage of the total OPEB liability	44.81%

SCHEDULE OF EMPLOYER CONTRIBUTIONS LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)

Last 10 Fiscal Years*

	<u>2018</u>
Contractually required contributions for the fiscal period	\$ 26,463
Contributions in relation to the contractually required contributions	<u>(26,463)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Western's covered payroll for the fiscal period	\$24,789,359
Contributions as a percentage of covered payroll	0.11%

Notes to the Schedules:

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

Changes of assumptions. There were no changes in the assumptions.

*These schedules are intended to present information for the last 10 years. Additional information will be presented as it becomes available.

Western Technical College District

Schedule of Changes in the Employer's Total OPEB Liability and Related Ratios – District OPEB Plan

Last 10 Fiscal Years*

	2018
Measurement date	6/30/2017
Total OPEB liability:	
Service cost	\$ 11,608
Interest on the total OPEB liability	85,009
Benefit payments	(750,272)
Net change in total OPEB liability	(653,655)
Total OPEB liability - Beginning	2,798,167
Total OPEB liability - Ending	\$ 2,144,512
Covered payroll	\$ 2,165,627
Western's total OPEB liability as a percentage of covered payroll	99.02%

Notes to Schedule:

There are no assets accumulated in a trust that meets the criteria in GASBS No. 75, paragraph 4, to pay related benefits.

Benefit changes: In 2018, there were no changes in benefit terms.

Changes of assumptions: In 2018, there were no changes of assumptions.

*This schedule is intended to present information for the past 10 years. Additional information will be presented as it becomes available.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

District Board
Western Technical College District
La Crosse, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States 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 of Western Technical College District ("Western") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Western's basic financial statements, and have issued our report thereon dated November 15, 2018. Our report includes a reference to other auditors who audited the financial statements of Western Technical College Foundation, Inc. (the "Foundation"), as described in our report on Western's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Western's internal control over financial reporting (internal control) to determine the auditing 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 Western's internal control. Accordingly, we do not express an opinion on the effectiveness of Western'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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control over financial reporting 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 Western'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*.

Purpose of This Report

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

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

November 15, 2018
Eau Claire, Wisconsin

Supplementary Financial Information

Western Technical College District

General Fund – Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual

(Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:						
Local government	\$ 11,553,000	\$ 11,553,000	\$ 11,654,579	\$ -	\$ 11,654,579	\$ 101,579
Intergovernmental:						
State	22,101,108	22,101,108	21,948,987	-	21,948,987	(152,121)
Federal	1,664,777	1,664,777	1,695,452	-	1,695,452	30,675
Tuition and fees:						
Statutory program fees	11,164,000	11,164,000	11,072,485	-	11,072,485	(91,515)
Material fees	510,000	510,000	480,712	-	480,712	(29,288)
Other student fees	1,114,340	1,114,340	1,139,631	-	1,139,631	25,291
Institutional	742,500	742,500	787,362	-	787,362	44,862
Total revenues	48,849,725	48,849,725	48,779,208	-	48,779,208	(70,517)
Expenditures:						
Instruction	32,345,643	31,888,939	30,624,783	5,832	30,630,615	1,258,324
Instructional resources	1,377,223	1,377,223	1,289,115	-	1,289,115	88,108
Student services	5,175,541	5,450,143	5,450,143	-	5,450,143	-
General institutional	8,457,878	8,457,878	7,959,247	94,015	8,053,262	404,616
Physical plant	4,316,770	4,498,872	4,527,280	(28,409)	4,498,871	1
Total expenditures	51,673,055	51,673,055	49,850,568	71,438	49,922,006	1,751,049
Revenue over (under) expenditures	(2,823,330)	(2,823,330)	(1,071,360)	(71,438)	(1,142,798)	1,680,532

Western Technical College District

General Fund – Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual

(Non-GAAP Budgetary Basis) (Continued)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Other financing sources (uses):						
Operating transfer in	\$ 116,000	\$ 116,000	\$ 46,643	\$ -	\$ 46,643	\$ (69,357)
Operating transfer (out)	(275,000)	(275,000)	(331,500)	-	(331,500)	(56,500)
Total other financing sources (uses)	(159,000)	(159,000)	(284,857)	-	(284,857)	(125,857)
Revenue and other financing sources (uses) over (under) expenditures	(2,982,330)	(2,982,330)	(1,356,217)	(71,438)	(1,427,655)	1,554,675
Fund balance - Beginning of year	13,908,662	13,908,662	13,962,631	(53,969)	13,908,662	-
Fund balance - End of year	\$ 10,926,332	\$ 10,926,332	\$ 12,606,414	\$ (125,407)	\$ 12,481,007	\$ 1,554,675
Analysis of fund balance:						
Reserve for encumbrances	\$ -	\$ -	\$ 53,969	\$ 71,438	\$ 125,407	\$ 125,407
Reserve for self-insurance	-	-	-	-	-	-
Reserve for postemployment benefits	1,093,361	1,093,361	1,530,361	-	1,530,361	437,000
Designated for subsequent year	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Designated for state aid fluctuations	420,000	420,000	420,000	-	420,000	-
Designated for operations	8,412,971	8,412,971	9,602,084	(196,845)	9,405,239	992,268
Fund balance - End of year	\$ 10,926,332	\$ 10,926,332	\$ 12,606,414	\$ (125,407)	\$ 12,481,007	\$ 1,554,675

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedules.

Western Technical College District

Special Revenue – Aidable Funds – Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental:						
State	\$ 370,000	\$ 370,000	\$ 463,375	\$ -	\$ 463,375	\$ 93,375
Tuition and fees:						
Other student fees	40,000	40,000	35,083	-	35,083	(4,917)
Institutional	1,966,000	2,970,413	2,866,044	-	2,866,044	(104,369)
Total revenues	2,376,000	3,380,413	3,364,502	-	3,364,502	(15,911)
Expenditures:						
Instruction	2,170,000	3,174,413	3,174,412	-	3,174,412	1
General institutional	219,720	219,720	204,611	-	204,611	15,109
Total expenditures	2,389,720	3,394,133	3,379,023	-	3,379,023	15,110
Revenue under expenditures	(13,720)	(13,720)	(14,521)	-	(14,521)	(801)
Fund balance - Beginning of year	18,235	18,235	18,235	-	18,235	-
Fund balance - End of year	\$ 4,515	\$ 4,515	\$ 3,714	\$ -	\$ 3,714	\$ (801)
Analysis of fund balance:						
Reserve for veterans support	\$ 4,515	\$ 4,515	\$ 3,714	\$ -	\$ 3,714	\$ (801)

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedules.

Western Technical College District

Special Revenue – Non-Aidable Funds – Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:						
Local government	\$ 75,646	\$ 75,646	\$ 74,959	\$ -	\$ 74,959	\$ (687)
Intergovernmental:						
State	1,066,250	1,066,250	1,151,210	-	1,151,210	84,960
Federal	20,300,188	20,300,188	17,454,508	-	17,454,508	(2,845,680)
Tuition and fees:						
Other student fees	832,865	832,865	804,264	-	804,264	(28,601)
Institutional	595,800	595,800	471,252	-	471,252	(124,548)
Total revenues	22,870,749	22,870,749	19,956,193	-	19,956,193	(2,914,556)
Expenditures:						
Instruction	101,900	96,595	63,461	-	63,461	33,134
Student services	22,823,849	22,823,849	19,839,491	-	19,839,491	2,984,358
General institutional	15,000	20,305	20,305	-	20,305	-
Total expenditures	22,940,749	22,940,749	19,923,257	-	19,923,257	3,017,492
Revenue over (under) expenditures	(70,000)	(70,000)	32,936	-	32,936	102,936
Fund balance - Beginning of year	469,401	469,401	469,401	-	469,401	-
Fund balance - End of year	\$ 399,401	\$ 399,401	\$ 502,337	\$ -	\$ 502,337	\$ 102,936
Analysis of fund balance:						
Reserve for student and other organizations	\$ 399,401	\$ 399,401	\$ 502,337	\$ -	\$ 502,337	\$ 102,936

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedules.

Western Technical College District

Capital Projects Fund – Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual

(Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:						
Intergovernmental:						
Federal	\$ -	\$ -	\$ 28,877	\$ -	\$ 28,877	\$ 28,877
Institutional	78,000	78,000	909,426	-	909,426	831,426
Total revenue	78,000	78,000	938,303	-	938,303	860,303
Expenditures:						
Instruction	1,185,000	1,308,464	1,129,470	178,994	1,308,464	-
Instructional resources	470,000	470,000	380,635	(11,277)	369,358	100,642
Student services	18,000	18,000	2,749	-	2,749	15,251
General institutional	334,000	334,000	142,931	87,859	230,790	103,210
Physical plant	8,858,000	8,734,536	5,788,334	(248,195)	5,540,139	3,194,397
Total expenditures	10,865,000	10,865,000	7,444,119	7,381	7,451,500	3,413,500
Revenue under expenditures	(10,787,000)	(10,787,000)	(6,505,816)	(7,381)	(6,513,197)	4,273,803
Other financing sources:						
Issuance of long-term debt	8,100,000	8,100,000	6,695,000	-	6,695,000	(1,405,000)
Total other financing sources	8,100,000	8,100,000	6,695,000	-	6,695,000	(1,405,000)

Western Technical College District

Capital Projects Fund – Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual

(Non-GAAP Budgetary Basis) (Continued)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenue and other financing sources over (under) expenditures	\$ (2,687,000)	\$ (2,687,000)	\$ 189,184	\$ (7,381)	\$ 181,803	\$ 2,868,803
Fund balance - Beginning of year	6,705,770	6,705,770	9,278,662	(2,572,892)	6,705,770	-
Fund balance - End of year	\$ 4,018,770	\$ 4,018,770	\$ 9,467,846	\$ (2,580,273)	\$ 6,887,573	\$ 2,868,803
Analysis of fund balance:						
Reserve for encumbrances	\$ -	\$ -	\$ 2,572,892	\$ 7,381	\$ 2,580,273	\$ 2,580,273
Reserve for capital projects (unreserved)	4,018,770	4,018,770	6,894,954	(2,587,654)	4,307,300	288,530
Fund balance - End of year	\$ 4,018,770	\$ 4,018,770	\$ 9,467,846	\$ (2,580,273)	\$ 6,887,573	\$ 2,868,803

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedules.

Western Technical College District

Debt Service Fund – Schedule of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual

(Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:						
Local government	\$ 18,052,000	\$ 18,052,000	\$ 18,052,000	\$ -	\$ 18,052,000	\$ -
Institutional	34,000	34,000	112,179	4,247,387	4,359,566	4,325,566
Total revenues	18,086,000	18,086,000	18,164,179	4,247,387	22,411,566	4,325,566
Expenditures:						
Physical plant	17,901,000	17,901,000	18,365,756	(676,529)	17,689,227	211,773
Total expenditures	17,901,000	17,901,000	18,365,756	(676,529)	17,689,227	211,773
Revenue over (under) expenditures	185,000	185,000	(201,577)	4,923,916	4,722,339	4,537,339
Other financing sources:						
Issuance of long-term debt	1,145,000	-	48,980,000	-	48,980,000	48,980,000
Refinancing debt payment	(1,145,000)	-	(53,600,354)	-	(53,600,354)	(53,600,354)
Premium on notes issued	-	-	4,923,916	(4,923,916)	-	-
Total other financing sources	-	-	303,562	(4,923,916)	(4,620,354)	(4,620,354)
Revenue and other financing sources over (under) expenditures	185,000	185,000	101,985	-	101,985	(83,015)
Fund balance - Beginning of year	7,260,720	7,260,720	7,260,720	-	7,260,720	-
Fund balance - End of year	\$ 7,445,720	\$ 7,445,720	\$ 7,362,705	\$ -	\$ 7,362,705	\$ (83,015)
Analysis of fund balance:						
Reserve for debt service	\$ 7,445,720	\$ 7,445,720	\$ 7,362,705	\$ -	\$ 7,362,705	\$ (83,015)

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedules.

Western Technical College District

Enterprise Funds – Schedule of Revenue, Expenditures, and Changes in Net Position – Budget and Actual

(Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:						
Institutional	\$ 4,812,100	\$ 4,812,100	\$ 4,561,830	\$ -	\$ 4,561,830	\$ (250,270)
Total revenue	4,812,100	4,812,100	4,561,830	-	4,561,830	(250,270)
Expenditures:						
Auxiliary services	5,027,146	5,027,146	4,824,537	-	4,824,537	202,609
Total expenditures	5,027,146	5,027,146	4,824,537	-	4,824,537	202,609
Revenue under expenditures	(215,046)	(215,046)	(262,707)	-	(262,707)	(47,661)
Other financing sources (uses):						
Operating transfer in	275,000	275,000	331,499	-	331,499	56,499
Operating transfer (out)	(100,000)	(100,000)	-	-	-	100,000
Total other financing sources (uses)	175,000	175,000	331,499	-	331,499	156,499
Revenue and other financing sources over expenditures	(40,046)	(40,046)	68,792	-	68,792	108,838
Net position - Beginning of year	3,832,145	3,832,145	3,832,145	-	3,832,145	-
Net position - End of year	\$ 3,792,099	\$ 3,792,099	\$ 3,900,937	\$ -	\$ 3,900,937	\$ 108,838
Analysis of net position:						
Unrestricted	\$ 3,792,099	\$ 3,792,099	\$ 3,900,937	\$ -	\$ 3,900,937	\$ 108,838

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedules.

Western Technical College District

Internal Service Funds – Schedule of Revenue, Expenditures, and Changes in Net Position – Budget and Actual

(Non-GAAP Budgetary Basis)

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:						
Institutional	\$ 1,061,000	\$ 1,061,000	\$ 1,041,960	\$ -	\$ 1,041,960	\$ (19,040)
Total revenue	1,061,000	1,061,000	1,041,960	-	1,041,960	(19,040)
Expenditures:						
Auxiliary services	1,045,000	1,045,000	948,948	-	948,948	96,052
Total expenditures	1,045,000	1,045,000	948,948	-	948,948	96,052
Revenue over expenditures	16,000	16,000	93,012	-	93,012	77,012
Other financing uses:						
Operating transfer out	(16,000)	(16,000)	(46,643)	-	(46,643)	(30,643)
Revenue over (under) expenditures and other financing uses	-	-	46,369	-	46,369	46,369
Net position - Beginning of year	265,265	265,265	265,265	-	265,265	-
Net position - End of year	\$ 265,265	\$ 265,265	\$ 311,634	\$ -	\$ 311,634	\$ 46,369
Analysis of net position:						
Unrestricted	\$ 265,265	\$ 265,265	\$ 311,634	\$ -	\$ 311,634	\$ 46,369

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedules.

Western Technical College District

Schedules to Reconcile Budget Basis Financial Schedules to Basic Financial Statements – Schedule to Reconcile the Budget (Non-GAAP) Basis Financial Schedules to the Statement of Revenue, Expenses, and Changes in Net Position

June 30, 2018

	General Fund	Special Revenue Aidable Funds	Special Revenue Non-Aidable Funds	Capital Projects Fund
Revenues:				
Local government	\$ 11,654,579	\$ -	\$ 74,959	\$ -
Intergovernmental:				
State	21,948,987	463,375	1,151,210	-
Federal	1,695,452	-	17,454,508	28,877
Tuition and fees:				
Statutory program fees	11,072,485	-	-	-
Material fees	480,712	-	-	-
Other student fees	1,139,631	35,083	804,264	-
Institutional	787,362	2,866,044	471,252	909,426
Auxiliary services revenue	-	-	-	-
Total revenues	48,779,208	3,364,502	19,956,193	938,303
Expenditures:				
Instruction	30,630,615	3,174,412	63,461	1,308,464
Instructional resources	1,289,115	-	-	369,358
Student services	5,450,143	-	19,839,491	2,749
General institutional	8,053,262	204,611	20,305	230,790
Physical plant	4,498,871	-	-	5,540,139
Auxiliary services	-	-	-	-
Depreciation	-	-	-	-
Student aid	-	-	-	-
Interest expense	-	-	-	-
Total expenditures	49,922,006	3,379,023	19,923,257	7,451,500
Excess (deficiency) of revenue over expenditures	(1,142,798)	(14,521)	32,936	(6,513,197)
Other financing (uses) sources:				
Operating transfers in	46,643	-	-	-
Operating transfers (out)	(331,500)	-	-	-
Loss on disposal of capital assets	-	-	-	-
Issuance of long-term debt	-	-	-	6,695,000
Refinancing debt payment	-	-	-	-
Total other financing (uses) sources	(284,857)	-	-	6,695,000
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	(1,427,655)	(14,521)	32,936	181,803
Fund balance/net position - Beginning of year	13,908,662	18,235	469,401	6,705,770
Restatement of net position (see Note 19)	-	-	-	-
Fund balance/net position - Beginning of year, as restated	13,908,662	18,235	469,401	6,705,770
Fund balance/net position - End of year	\$ 12,481,007	\$ 3,714	\$ 502,337	\$ 6,887,573

Debt Service Fund	Enterprise Funds	Internal Service Funds	Totals	Reconciling Items	Statement of Revenue, Expenses, and Changes in Net Position
\$ 18,052,000	\$ -	\$ -	\$ 29,781,538	\$ -	\$ 29,781,538
-	-	-	23,563,572	-	23,563,572
-	-	-	19,178,837	(10,361,761)	8,817,076
-	-	-	11,072,485	(3,769,943)	7,302,542
-	-	-	480,712	(166,193)	314,519
-	-	-	1,978,978	(1,210,388)	768,590
4,359,566	4,561,830	1,041,960	14,997,440	(10,318,336)	4,679,104
-	-	-	-	4,533,605	4,533,605
22,411,566	4,561,830	1,041,960	101,053,562	(21,293,016)	79,760,546
-	-	-	35,176,952	(2,693,107)	32,483,845
-	-	-	1,658,473	(61,794)	1,596,679
-	-	-	25,292,383	(19,856,281)	5,436,102
-	-	-	8,508,968	(547,185)	7,961,783
17,689,227	-	-	27,728,237	(22,446,135)	5,282,102
-	4,824,537	948,948	5,773,485	(2,052,606)	3,720,879
-	-	-	-	11,205,471	11,205,471
-	-	-	-	3,697,696	3,697,696
-	-	-	-	3,973,463	3,973,463
17,689,227	4,824,537	948,948	104,138,498	(28,780,478)	75,358,020
4,722,339	(262,707)	93,012	(3,084,936)	7,487,462	4,402,526
-	331,499	-	378,142	(378,142)	-
-	-	(46,643)	(378,143)	378,143	-
-	-	-	-	(10,811)	(10,811)
48,980,000	-	-	55,675,000	(55,675,000)	-
(53,600,354)	-	-	(53,600,354)	53,600,354	-
(4,620,354)	331,499	(46,643)	2,074,645	(2,085,456)	(10,811)
101,985	68,792	46,369	(1,010,291)	5,402,006	4,391,715
7,260,720	3,832,145	265,265	32,460,198	25,414,315	57,874,513
-	-	-	-	(5,397,663)	(5,397,663)
7,260,720	3,832,145	265,265	32,460,198	20,016,652	52,476,850
\$ 7,362,705	\$ 3,900,937	\$ 311,634	\$ 31,449,907	\$ 25,418,658	\$ 56,868,565

See Independent Auditor's Report.

See accompanying notes to Budgetary Comparison Schedules.

Western Technical College District

Notes to Budgetary Comparison Schedules

Year Ended June 30, 2018

Note 1 **Budgetary Accounting**

Western uses a fund structure for budgetary accounting as compared to the entity-wide presentation of the basic financial statements. Annual budgets are adopted for all funds in accordance with the requirements of the Wisconsin Technical College System Board. Western follows the procedures listed below in adopting its annual budget.

- Property taxes are levied by the various taxing municipalities located in 11 West Central Wisconsin counties. Western records as revenue its share of the local tax when levied, since Western's share becomes available during its fiscal year to finance its operations.
- Public hearings are conducted on the proposed budget.
- Prior to July 1, the budget is legally enacted through approval by the Board.
- Budget amendments during the year are legally authorized. Budget transfers (between funds and functional areas within funds) and changes in budgeted revenues and expenditures (appropriations) require approval by a vote of two-thirds of the entire membership of the Board and require publishing a Class I public notice in Western's official newspaper within 10 days according to Wisconsin Statutes.
- Management exercises control over budgeted expenditures by fund and function (i.e., instruction, instructional resources), as presented in the required supplementary information. Expenditures may not exceed funds available or appropriated, unless authorized by a resolution adopted by a vote of two-thirds of the Board. Unused appropriations lapse at the end of each fiscal year.
- Formal budgetary integration is employed as a planning device for all funds. The annual operating budget is prepared primarily on the same basis as fund financial statements prior to the adoption of GASB Statement No. 34, except encumbrances are also included in the adopted budget. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process.

Western Technical College District

Notes to Budgetary Comparison Schedules (Continued)

Year Ended June 30, 2018

Note 2 Explanation of Differences Between Revenues, Expenditures, and Other Financing Sources for Budgetary Funds on Budgetary Basis and the Statement of Revenues and Expenses on a GAAP Basis

Revenues

Actual amounts (budgetary basis) "revenues" from the budgetary comparison schedules:

General Fund	\$ 48,779,208
Special Revenue Aidable Funds	3,364,502
Special Revenue Non-Aidable Funds	19,956,193
Capital Projects Fund	938,303
Debt Service Fund	22,411,566
Enterprise Funds	4,561,830
Internal Services Funds	1,041,960
	<hr/>
	101,053,562
Adjustments:	
Interfund charges from internal service and fiduciary funds are eliminated for GAAP reporting	(2,086,039)
Scholarship allowances are included in expenditures for budgetary purposes but offset revenue for GAAP reporting	(4,400,319)
Summer tuition is recognized on the cash basis rather than the accrual basis	58,059
Student loans expended are eliminated for GAAP reporting	(10,549,941)
Premium on notes issued	(4,923,916)
Debt issuance costs shown net for budgetary reporting	676,529
Reclassify proceeds on sale of land	(67,389)
	<hr/>
Reconciled revenues	\$ 79,760,546

Western Technical College District

Notes to Budgetary Comparison Schedules (Continued)

Year Ended June 30, 2018

Note 2 **Explanation of Differences Between Revenues, Expenditures, and Other Financing Sources for Budgetary Funds on Budgetary Basis and the Statement of Revenues and Expenses on a GAAP Basis (Continued)**

Revenues (Continued)

Revenues per the Statement of Revenues and Expenses on a GAAP Basis:

Operating revenues	\$ 28,385,738
Property taxes	29,781,538
State nonoperating appropriations	21,254,416
Investment income	338,854
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Total	<u>\$ 79,760,546</u>

Western Technical College District

Notes to Budgetary Comparison Schedules (Continued)

Year Ended June 30, 2018

Note 2 Explanation of Differences Between Revenues, Expenditures, and Other Financing Sources for Budgetary Funds on Budgetary Basis and the Statement of Revenues and Expenses on a GAAP Basis (Continued)

Expenditures

Actual amounts (budgetary basis) "expenditures" from the budgetary comparison schedules:

General Fund	\$ 49,922,006
Special Revenue Aidable Fund	3,379,023
Special Revenue Non-Aidable Fund	19,923,257
Capital Projects Fund	7,451,500
Debt Service Fund	17,689,227
Enterprise Funds	4,824,537
Internal Service Funds	948,948

104,138,498

Adjustments:

Interfund charges from internal service and fiduciary funds are eliminated for GAAP reporting	(2,051,219)
Scholarship allowances are included in expenditures for budgetary purposes but offset revenue for GAAP reporting	(4,400,319)
The following expenditures are recognized on the cash basis rather than the accrual basis:	
Amortization of deferred premiums	(4,122,706)
Bond issue costs	676,529
Claims payable to employee benefits consortium	(2,823,787)
Interest expense	(30,136)
Compensated absences	(19,375)
Other postemployment and pension benefits	770,979
The acquisition of capital assets is reported as an expenditure for budgetary purposes	(6,069,322)
Student loans expended are eliminated for GAAP reporting	(10,549,941)
Repayment of principal on long-term debt is a budgetary expenditure	(10,838,408)
Encumbrances are recorded for budgetary purposes	(78,818)
Loss on disposal of capital assets recorded for GAAP purposes	10,811
Depreciation recorded for GAAP purposes	10,756,045

Reconciled expenses	\$ 75,368,831
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Western Technical College District

Notes to Budgetary Comparison Schedules (Continued)

Year Ended June 30, 2018

Note 2 **Explanation of Differences Between Revenues, Expenditures, and Other Financing Sources for Budgetary Funds on Budgetary Basis and the Statement of Revenues and Expenses on a GAAP Basis (Continued)**

Expenditures (Continued)

Expenses per the Statement of Revenues and

Expenses on a GAAP Basis:

Operating expenses	\$ 71,384,557
Interest expense	3,973,463
Loss on disposal of capital assets	10,811
<hr/>	
Total	<u>\$ 75,368,831</u>

Other financing sources and uses such as operating transfers in (out) and proceeds from issuance of long-term debt are not recognized as revenues or expenses for GAAP reporting.