

Western Technical College District

Financial Statements
With Supplementary Information

Years Ended June 30, 2020 and 2019

Preliminary Draft

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Western Technical College District

Financial Statements With Supplementary Financial Information

Years Ended June 30, 2020 and 2019

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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, 2020 and 2019, 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 \$7,793,817 for 2020 and \$8,095,984 for 2019 and revenues of \$1,204,873 and \$1,619,944 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, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis, 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 78 through 80 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 _____, 2020, 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

_____, 2020
Eau Claire, Wisconsin

Management's Discussion and Analysis

Preliminary Draft

Western Technical College District

Management's Discussion and Analysis

Years Ended June 30, 2020 and 2019

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, 2020.

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*.

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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:

	2020	2019	Net Position Increase (Decrease) 2020-2019	2018	Net Position Increase (Decrease) 2019-2018
Operating revenue	\$ 28,258,350	\$ 28,517,823	\$ (259,473)	\$ 28,385,738	\$ 132,085
Operating expenses	(69,966,696)	(71,914,255)	1,947,559	(71,384,557)	(529,698)
Net nonoperating revenues	51,251,874	47,744,017	3,507,857	47,390,534	353,483
Change in net position	\$ 9,543,528	\$ 4,347,585	\$ 5,195,943	\$ 4,391,715	\$ (44,130)

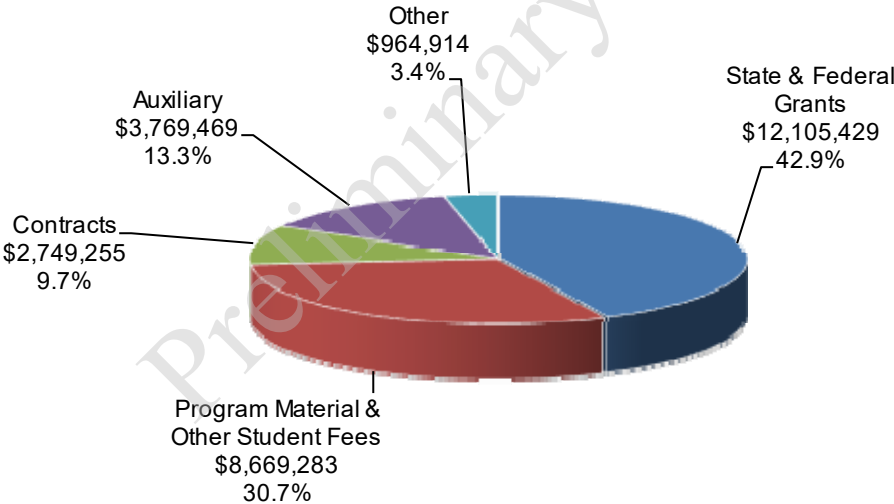
Some of the most noteworthy results of operations for the current year are reflected below:

- Operating revenues are the charges for services offered by Western. During 2020, Western generated more than \$28 million of operating revenue, which is a decrease of approximately \$259,000 or 0.9 percent compared to 2019. Significant items and revenue sources are as follows:
 - Total revenue from program, material, and other student fees was approximately \$8.7 million. This is an increase of approximately \$164,000 or 1.9 percent from the prior year.
 - Over \$12.1 million in operating revenue from state and federal grants were received by Western during the year. This is an increase of approximately \$673,000 or 5.9 percent from the prior year. Western received approximately \$1 million more in state Grants to District Boards than in 2019.
 - Contract revenue was approximately \$2.7 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 a decrease of approximately \$450,000 or 14.0 percent from the prior year and is due to the disruption of certain activities caused by the COVID-19 pandemic.

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

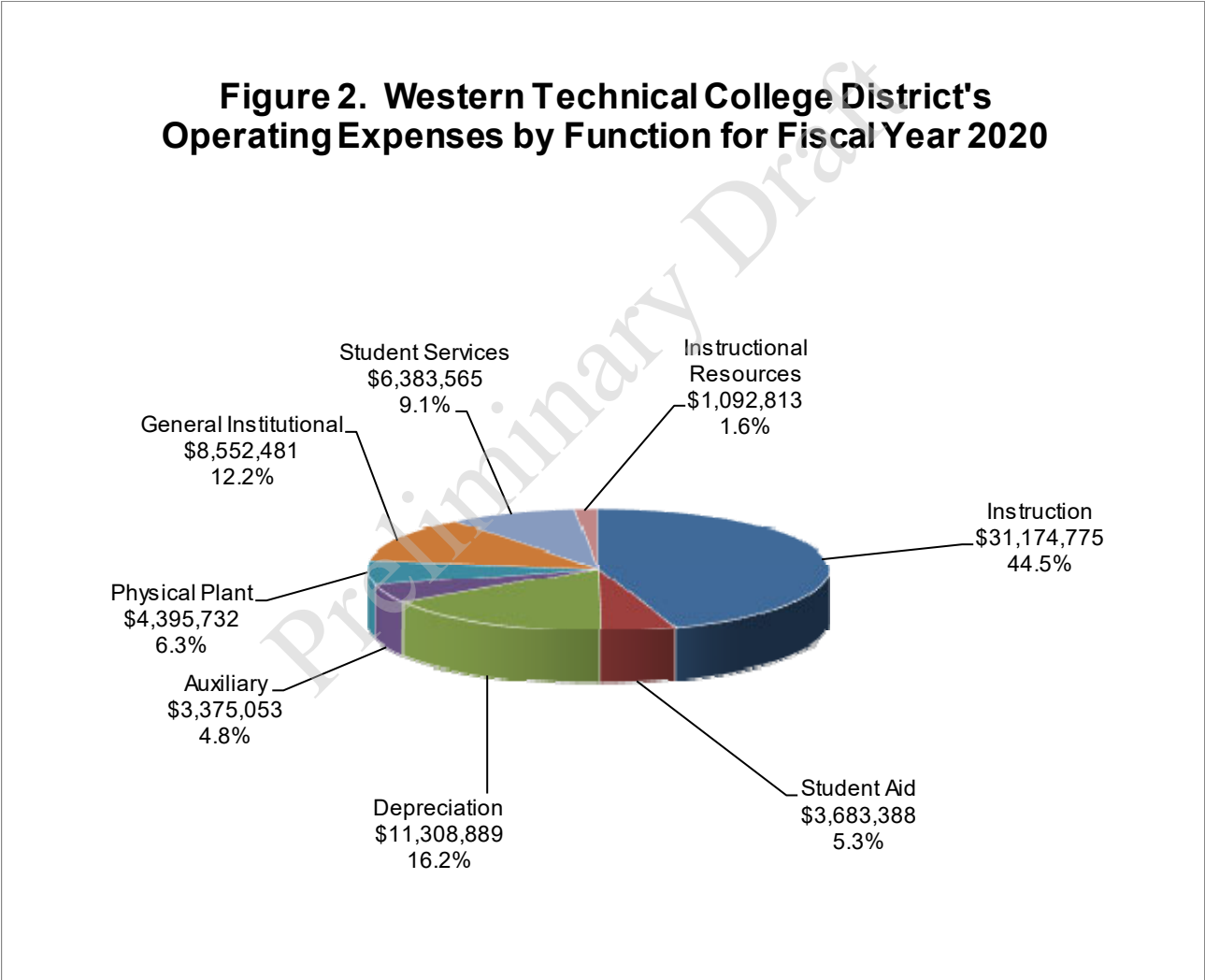
- Auxiliary services revenue includes revenues generated by the bookstore, the student residence hall, cafeteria, leased facilities, and other similar activities of Western. Revenue of approximately \$3.8 million was generated by these activities this year. This is a decrease of approximately \$603,000 or 13.8 percent from the prior year due to disruption from the pandemic.
- The graph below depicts Western's operating revenue by source:

Figure 1. Western Technical College District's Operating Revenue by Sources for Fiscal Year 2020



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

- Operating expenses are costs related to offering the programs of Western. During 2020, operating expenses totaled approximately \$70.0 million. This is a decrease of about \$1.9 million or 2.7 percent from the prior year and is primarily a result of the change in the OPEB and pension liabilities. The majority of Western’s expenses, about 59.7 percent, are for personnel-related costs. Other major types of expenses include supplies – 1.7 percent, contracted services – 8.9 percent, and depreciation – 16.2 percent. Expenses such as travel, rentals, insurance, utilities, and other expenses account for the remaining 13.5 percent of total operating expenses.
- The graph below categorizes operating expenses by function:



Statement 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, 2020, was \$51.3 million. The most significant components of net nonoperating revenues include the following:
 - Property taxes levied by Western for the year were approximately \$30.6 million. This is an increase of approximately \$515,000 from the prior year.
 - State operating appropriations accounted for approximately \$22.5 million in revenue in 2020. This is an increase of approximately \$1.3 million or 6.2 percent from the prior year.
 - Western received CARES Act funding of approximately \$1.5 million in 2020 which was related to the COVID-19 pandemic and was new for the current year.
 - Interest expense of approximately \$3.5 million was recorded by Western this year. This is a decrease of approximately \$120,000 or 3.3 percent from the prior year.
- Net position at June 30, 2020, was \$70,759,258 as a result of the above activity. This is an increase of \$9.5 million from the prior year.

Statement 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:

	2020	2019	Increase (Decrease) 2020-2019	2018	Increase (Decrease) 2019-2018
Net cash used in operating activities	\$ (32,655,498)	\$ (29,784,190)	\$ (2,871,308)	\$ (33,226,892)	\$ 3,442,702
Net cash provided by noncapital financing activities	54,378,935	50,878,425	3,500,510	51,329,255	(450,830)
Net cash provided by (used in) capital and related financing activities	(14,954,534)	(24,412,540)	9,458,006	(18,231,700)	(6,180,840)
Net cash provided by (used in) investing activities	(8,679,680)	(3,378,495)	(5,301,185)	1,124,032	(4,502,527)
Net increase (decrease) in cash and cash equivalents	\$ (1,910,777)	\$ (6,696,800)	\$ 4,786,023	\$ 994,695	\$ (7,691,495)

Statement 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 \$42.6 million was paid in 2020.
- Another significant component of operating cash flows was payments to suppliers. This cash outflow of approximately \$17.7 million represents the costs of doing business. This is an increase of \$1.1 million from the prior year.
- The largest cash inflows from operating activities included approximately \$8.7 million in tuition and fees, an increase of 2.3 percent from the prior year, and about \$11.3 million in state and federal grants, a decrease of 3.8 percent from the prior year.
- All property taxes received, approximately \$31.0 million this year, are categorized as cash flows from noncapital financing activities. This is an increase of approximately \$1.3 million or 4.5 percent from the prior year. Also in this category is state appropriations, which accounted for \$22.5 million of positive cash flow. This is an increase of 6.2 percent from the prior year. New for 2020, Western received approximately \$850,000 in CARES Act funding related to the COVID-19 pandemic
- 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:

	2020	2019	Increase (Decrease) 2020-2019	2018	Increase (Decrease) 2019-2018
Assets:					
Cash and investments	\$ 29,818,271	\$ 22,688,663	\$ 7,129,608	\$ 25,464,807	\$ (2,776,144)
Net capital assets	160,024,390	163,679,218	(3,654,828)	165,852,059	(2,172,841)
Other assets	23,821,769	15,853,783	7,967,986	20,706,521	(4,852,738)
TOTAL ASSETS	\$ 213,664,430	\$ 202,221,664	\$ 11,442,766	\$ 212,023,387	\$ (9,801,723)
DEFERRED OUTFLOWS OF RESOURCES	\$ 15,368,699	\$ 18,109,928	\$ (2,741,229)	\$ 10,539,659	\$ 7,570,269
Liabilities:					
Other liabilities	\$ 6,302,242	\$ 7,382,735	\$ (1,080,493)	\$ 6,134,043	\$ 1,248,692
Long-term liabilities	132,130,482	140,487,925	(8,357,443)	147,163,377	(6,675,452)
TOTAL LIABILITIES	\$ 138,432,724	\$ 147,870,660	\$ (9,437,936)	\$ 153,297,420	\$ (5,426,760)
DEFERRED INFLOWS OF RESOURCES	\$ 19,840,727	\$ 11,244,782	\$ 8,595,945	\$ 12,397,061	\$ (1,152,279)
Net position:					
Net investment in capital assets	\$ 44,952,654	\$ 41,122,939	\$ 3,829,715	\$ 33,454,206	\$ 7,668,733
Restricted for debt service	7,235,071	6,479,516	755,555	6,155,280	324,236
Restricted for HRA contributions	774,430	-	774,430	-	-
Restricted for pension benefit	5,982,410	-	5,982,410	-	-
Unrestricted	11,815,113	13,613,695	(1,798,582)	17,259,079	(3,645,384)
TOTAL NET POSITION	\$ 70,759,678	\$ 61,216,150	\$ 9,543,528	\$ 56,868,565	\$ 4,347,585

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, 2020 and 2019, was approximately \$160.0 million and \$163.7 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 4.8 percent from the prior year.
- Other liabilities include accounts payable, various types of accruals, and accrued interest. At year-end, the other liabilities were \$6.3 million. This is a decrease of \$1.1 million or 14.6 percent from the prior year.
- Long-term liabilities of \$132.1 million include long-term debt (\$125.5 million), total OPEB liability – District OPEB plan (\$1.1 million), and net OPEB liability – Local Retiree Life Insurance Fund (LRLIF) (\$5.5 million). This is a decrease of approximately \$8.4 million or 6.0 percent from the prior year.

Capital Assets and Debt Administration

Western's investment in capital assets as of June 30, 2020, amounts to \$160,024,390 (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 2020 fiscal year, Western had total general obligation debt outstanding of \$107,015,000 and \$12,925,000 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, excluding revenue bonds, 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, 2020, Western's financial position improved with an increase in net position of \$9,543,528. The fund balance in the General Fund as of June 30, 2020, represented approximately 37 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, 2020, Western had approximately 27.8 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 2020, Western experienced a valuation factor of 1.34% for net new construction.
- The most recent biennium budget for the State of Wisconsin included an increase of \$25 million in funding to the Wisconsin Technical College System.
- Significant funding from the Higher Education Emergency Relief Fund (HEERF) that is part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- 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.

- The financial impact of the pandemic, including declining enrollments.
- Challenges associated with maintaining a competitive salary and benefit structure.
- The high cost of many high demand academic programs.
- 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 83 through 92.

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.

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Basic Financial Statements

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Western Technical College District

Statements of Net Position

June 30, 2020 and 2019

<i>Assets and Deferred Outflows of Resources</i>	<u>Primary Government</u>		<u>Component Unit</u>	
	2020	2019	2020	2019
Current assets:				
Cash and cash equivalents	\$ 9,656,349	\$ 7,346,064	\$ 270,763	\$ 406,011
Receivables:				
Local taxes	8,568,725	8,999,113	-	-
Accounts and other receivables, net of allowance for uncollectible accounts	7,303,940	5,049,507	691	1,078
Pledges receivable, net of discounts and allowances	-	-	576,227	169,791
Inventories	1,045,786	997,248	-	-
Prepaid expenses	786,219	664,920	-	-
Total current assets	27,361,019	23,056,852	847,681	576,880
Noncurrent assets:				
Restricted cash and cash equivalents	3,299,020	7,520,082	-	-
Restricted investments	16,862,902	7,822,517	-	-
Investments	-	-	6,940,033	6,972,397
Cash value of life insurance	-	-	6,103	5,808
Pledges receivable, net of discounts and allowances	-	-	-	540,899
Other noncurrent assets	134,689	142,995	-	-
Restricted net pension asset - WRS	5,982,410	-	-	-
Capital assets, not being depreciated	10,316,762	10,326,515	-	-
Capital assets, being depreciated	267,489,910	259,887,426	-	-
Accumulated depreciation	(117,782,282)	(106,534,723)	-	-
Total noncurrent assets	186,303,411	179,164,812	6,946,136	7,519,104
Total assets	213,664,430	202,221,664	7,793,817	8,095,984
Deferred outflows of resources:				
Related to pensions - WRS	12,828,456	17,258,283	-	-
Related to OPEB - District OPEB plan	379,847	425,898	-	-
Related to OPEB - LRLIF	2,160,396	425,747	-	-
Total deferred outflows of resources	15,368,699	18,109,928	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 229,033,129	\$ 220,331,592	\$ 7,793,817	\$ 8,095,984

<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	Primary Government		Component Unit	
	2020	2019	2020	2019
Liabilities:				
Current liabilities:				
Accounts payable	\$ 2,200,739	\$ 3,749,599	\$ 9,296	\$ 2,423
Accrued liabilities:				
Payroll, payroll taxes, and insurance	943,237	583,773	-	-
Accrued interest	1,106,311	1,136,928	3,171	2,463
Compensated absences	307,232	249,444	-	-
Unearned revenue	1,147,374	1,180,383	222	222
Due to Western	-	-	2,689	541
Due to student and other organizations	597,349	482,608	-	-
Current portion of long-term obligations	16,215,000	12,930,000	590,000	103,160
Total current liabilities	22,517,242	20,312,735	605,378	108,809
Noncurrent liabilities:				
Compensated absences	3,800	13,559	-	-
Net pension liability - WRS	-	6,773,881	-	-
Long-term debt	109,304,852	115,684,996	-	590,000
Net OPEB liability - LRLIF	5,532,255	3,462,970	-	-
Total OPEB liability - District OPEB plan	1,074,575	1,622,519	-	-
Total noncurrent liabilities	115,915,482	127,557,925	-	590,000
Total liabilities	138,432,724	147,870,660	605,378	698,809
Deferred inflows of resources:				
Related to pensions - WRS	17,934,797	9,342,503	-	-
Related to OPEB - LRLIF	1,180,610	1,184,767	-	-
Deferred amount on refunding	725,320	717,512	-	-
Total deferred inflows of resources	19,840,727	11,244,782	-	-
Net position:				
Net investment in capital assets	44,952,654	41,122,939	-	-
Restricted - Nonexpendable	-	-	4,523,015	4,433,936
Restricted for:				
Debt service	7,235,071	6,479,516	-	-
HRA contributions	774,430	-	-	-
Pension benefit	5,982,410	-	-	-
Scholarships and other activities	-	-	2,581,204	2,783,135
Unrestricted	11,815,113	13,613,695	84,220	180,104
Total net position	70,759,678	61,216,150	7,188,439	7,397,175
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 229,033,129	\$ 220,331,592	\$ 7,793,817	\$ 8,095,984

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, 2020 and 2019

	Primary Government		Component Unit	
	2020	2019	2020	2019
Operating revenue:				
Student program fees - Net of scholarship allowance of \$4,030,400 and \$4,013,384, respectively	\$ 7,601,288	\$ 7,411,273	\$ -	\$ -
Student material fees - Net of scholarship allowance of \$157,326 and \$161,543, respectively	301,100	296,531	-	-
Other student fees - Net of scholarship allowance of \$400,708 and \$434,386, respectively	766,895	797,364	-	-
Federal grants	8,472,203	8,691,577	-	-
State grants	3,633,226	2,741,196	-	-
Business and industry contract revenue	2,749,255	3,195,536	-	-
Auxiliary services revenue	3,769,469	4,372,736	-	-
Contributions and other support	-	-	927,848	1,301,137
Miscellaneous	964,914	1,011,610	-	-
Total operating revenue	28,258,350	28,517,823	927,848	1,301,137
Operating expenses:				
Instruction	31,174,775	33,740,222	-	-
Instructional resources	1,092,813	1,173,942	-	-
Student services	6,383,565	5,396,603	-	-
General institutional	8,552,481	8,251,857	1,413,609	1,416,526
Physical plant	4,395,732	4,950,969	-	-
Auxiliary services	3,375,053	3,780,124	-	-
Depreciation	11,308,889	11,010,414	-	-
Student aid	3,683,388	3,610,124	-	-
Total operating expenses	69,966,696	71,914,255	1,413,609	1,416,526
Operating loss	(41,708,346)	(43,396,432)	(485,761)	(115,389)
Nonoperating revenue (expenses):				
Property taxes	30,590,823	30,076,085	-	-
State operating appropriations	22,508,464	21,194,018	-	-
CARES Act funding	1,548,734	-	-	-
Investment income earned	360,707	542,161	277,025	318,807
Interest expense	(3,497,825)	(3,618,027)	-	-
Loss on disposal of capital assets	(259,029)	(450,220)	-	-
Net nonoperating revenue	51,251,874	47,744,017	277,025	318,807
Change in net position	9,543,528	4,347,585	(208,736)	203,418
Net position - Beginning of year	61,216,150	56,868,565	7,397,175	7,193,757
Net position - End of year	\$ 70,759,678	\$ 61,216,150	\$ 7,188,439	\$ 7,397,175

See accompanying notes to the basic financial statements.

Western Technical College District

Statements of Cash Flows

Years Ended June 30, 2020 and 2019

	2020	2019
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Tuition and fees received	\$ 8,701,200	\$ 8,507,366
Federal and state grants received	11,286,712	11,735,144
Business, industry, and school district contract revenues received	2,958,778	3,140,862
Payments to employees	(42,650,112)	(42,525,703)
Payments for materials and services	(17,690,058)	(16,581,255)
Auxiliary enterprise revenues received	3,775,098	4,337,414
Other receipts	962,884	1,601,982
Net cash used in operating activities	(32,655,498)	(29,784,190)
Cash flows from noncapital financing activities:		
Local property taxes	31,021,211	29,684,407
State appropriations	22,508,464	21,194,018
CARES Act funding	849,260	-
Net cash provided by noncapital financing activities	54,378,935	50,878,425
Cash flows from capital and related financing activities:		
Purchases of capital assets	(8,338,757)	(8,914,026)
Proceeds from sale of capital assets	-	370,927
Proceeds from issuance of capital debt	16,280,000	3,270,000
Principal paid on capital debt	(18,850,000)	(14,505,000)
Interest and fiscal charges paid on capital debt	(4,045,777)	(4,634,441)
Net cash used in capital and related financing activities	(14,954,534)	(24,412,540)
Cash flows from investing activities:		
Purchase of investments	(17,890,356)	(7,460,000)
Sales of investments	8,849,969	3,539,344
Investment income received	360,707	542,161
Net cash used in investing activities	(8,679,680)	(3,378,495)
Net increase (decrease) in cash and cash equivalents	(1,910,777)	(6,696,800)
Cash and cash equivalents - Beginning of year	14,866,146	21,562,946
Cash and cash equivalents - End of year	\$ 12,955,369	\$ 14,866,146

Western Technical College District

Statements of Cash Flows (Continued)

Years Ended June 30, 2020 and 2019

	2020	2019
Reconciliation of cash and cash equivalents to statement of net position:		
Cash and cash equivalents	\$ 9,656,349	\$ 7,346,064
Restricted cash and cash equivalents	3,299,020	7,520,082
Total	\$ 12,955,369	\$ 14,866,146
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (41,708,346)	\$ (43,396,432)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	11,308,889	11,010,414
Changes in assets and liabilities:		
(Increase) decrease in assets/deferred outflows of resources:		
Accounts and other receivables	(1,554,959)	(566,506)
Inventories	(48,538)	(75,948)
Prepaid expenses	(121,299)	76,301
Other noncurrent assets	8,306	4,033
Net pension asset - WRS	(5,982,410)	5,806,536
Deferred outflows related to pension/OPEB	2,741,229	(7,570,269)
Increase (decrease) in liabilities/deferred inflows of resources:		
Accounts payable	(1,123,192)	876,984
Accrued liabilities	359,464	50,879
Compensated absences	57,788	(257,509)
Unearned revenue	(33,009)	(76,130)
Postemployment benefits - Compensated absences	(9,759)	(12,442)
Net pension liability - WRS	(6,773,881)	6,773,881
Total OPEB liability - District OPEB plan	(547,944)	(521,993)
Net OPEB liability - LRLIF	2,069,285	(819,464)
Deferred inflows related to pension/OPEB	8,588,137	(1,066,797)
Due to student and other organizations	114,741	(19,728)
Net cash used in operating activities	\$ (32,655,498)	\$ (29,784,190)
Noncash capital and related financing activities:		
Purchases of capital assets in accounts payable	\$ 1,417,751	\$ 1,843,419

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 the Foundation's administration office.

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.

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.

Western Technical College District

Notes to the Basic Financial Statements

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

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, except for the Wisconsin Investment Series Cooperative (WISC) and the repurchase agreement which are reported on a cost-based measure. 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, 2020 and 2019.

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 200 hours for 2020 and 120 hours for 2019. The maximum hours were temporarily increased for 2020 due to the COVID-19 pandemic. Liabilities for vacation and salary-related payments, including social security taxes, are recorded when incurred. The maximum payout of unused, earned vacation when an employee leaves the college is 40 hours.

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, c, and d) 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, c, and d, 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, investments, and the net pension asset 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, 2020 and 2019, Western levied at the following mill rate:

	2020	2019
Operating purposes	0.583380	0.590960
Debt service requirements	0.862880	0.906420
Total	1.446260	1.497380

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

On October 13, 2020, Western issued \$1,500,000 of general obligation promissory notes with an interest rate of 1.00% - 3.00% (1.06% true interest cost). The proceeds of the notes will be used for financing building remodeling and improvement projects.

Subsequent events have been evaluated through _____, 2020, 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, 2020 and 2019, 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, 2020 and 2019, Western's investment in U.S. Treasury notes had a Aaa rating and the repurchase agreement invested in U.S. Bank National Association commercial paper had a P-1 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, 2020 and 2019, 52% and 27% of Western's total investments are in short-term money market instruments with the Wisconsin Investment Series Cooperative and 20% and 36% of Western's total investments are in U.S. Bank National Association commercial paper, respectively.

Western's cash and investment balances at June 30, 2020 and 2019, were as follows:

	Maturities	2020	2019
U.S. Treasury - Notes	< 1 year	\$ 1,345,986	\$ 4,297,732
	1-5 years	1,443,838	-
U.S. Treasury - Bills	< 1 year	2,086,165	-
WISC Investment Series	< 1 year	10,972,560	3,286,877
Repurchase Agreement - U.S. Bank			
National Association commercial paper	< 1 year	4,138,916	4,459,007
Annuity contract	N/A	774,430	-
Money market funds	N/A	239,923	237,908
Total investments		21,001,818	12,281,524
Cash deposits with financial institutions			
carrying amount		8,805,613	10,396,349
Petty cash		10,840	10,790
Total cash and investments		\$ 29,818,271	\$ 22,688,663

Western is a participant 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:

	2020	2019
Cash restricted for:		
Debt service	\$ 3,299,020	\$ 4,593,564
Capital projects	-	2,926,518
Investments restricted for:		
Debt service	5,115,912	4,535,640
HRA contributions	774,430	-
Capital projects	10,972,560	3,286,877
Total restricted	20,161,922	15,342,599
Unrestricted	9,656,349	7,346,064
Total cash and investments	\$ 29,818,271	\$ 22,688,663

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, 2020 and 2019:

Assets at Fair Value as of June 30, 2020				
	Level 1	Level 2	Level 3	Total
U.S. Treasury - Notes	\$ -	\$ 2,789,824	\$ -	\$ 2,789,824
U.S. Treasury - Bills	-	2,086,165	-	2,086,165
Money market fund	-	239,923	-	239,923
Total investments at fair value	\$ -	\$ 5,115,912	\$ -	\$ 5,115,912

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, 2019			
	Level 1	Level 2	Level 3	Total
U.S. Treasury - Notes	\$ -	\$ 4,297,732	\$ -	\$ 4,297,732
Money market fund	-	237,908	-	237,908
Total investments at fair value	\$ -	\$ 4,535,640	\$ -	\$ 4,535,640

Note 4 Accounts and Other Receivables

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

	2020	2019
Student tuition and fees:		
Student tuition and fees	\$ 1,493,582	\$ 1,529,763
Allowance for uncollectible accounts	(275,000)	(275,000)
Student tuition and fees, net	1,218,582	1,254,763
Intergovernmental	2,373,893	855,702
Contracted services	384,520	628,416
Receivable from WTCEBC	3,324,256	2,309,967
Related party	2,689	659
	\$ 7,303,940	\$ 5,049,507

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:

	2020			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 6,584,948	\$ 45,103	\$ -	\$ 6,630,051
Construction in progress	3,741,567	3,686,711	3,741,567	3,686,711
Total capital assets not being depreciated	10,326,515	3,731,814	3,741,567	10,316,762
Capital assets being depreciated:				
Site improvements	12,817,688	166,714	-	12,984,402
Leasehold improvements	674,723	-	-	674,723
Buildings and improvements	204,454,676	3,986,547	266,366	208,174,857
Equipment	41,940,339	3,769,582	53,993	45,655,928
Total capital assets being depreciated	259,887,426	7,922,843	320,359	267,489,910
Less accumulated depreciation for:				
Site improvements	6,545,116	1,039,494	-	7,584,610
Leasehold improvements	286,757	33,736	-	320,493
Buildings and improvements	66,740,167	7,683,233	7,337	74,416,063
Equipment	32,962,683	2,552,426	53,993	35,461,116
Total accumulated depreciation	106,534,723	11,308,889	61,330	117,782,282
Net capital assets being depreciated	153,352,703	(3,386,046)	259,029	149,707,628
Net capital assets	\$ 163,679,218	\$ 345,768	\$ 4,000,596	160,024,390
Less outstanding debt related to capital assets				(119,940,000)
Unamortized premium				(5,765,833)
Unamortized discount				185,981
Plus unexpended debt proceeds				10,448,086
Net investment in capital assets				\$ 44,952,624

Western Technical College District

Notes to the Basic Financial Statements

Note 5 Capital Assets (Continued)

	2019			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 6,544,048	\$ 80,000	\$ 39,100	\$ 6,584,948
Construction in progress	2,592,333	3,741,567	2,592,333	3,741,567
Total capital assets not being depreciated	9,136,381	3,821,567	2,631,433	10,326,515
Capital assets being depreciated:				
Site improvements	12,543,158	300,200	25,670	12,817,688
Leasehold improvements	674,723	-	-	674,723
Buildings and improvements	199,994,473	5,238,250	778,047	204,454,676
Equipment	39,864,523	2,891,035	815,219	41,940,339
Total capital assets being depreciated	253,076,877	8,429,485	1,618,936	259,887,426
Less accumulated depreciation for:				
Site improvements	5,479,598	1,075,786	10,268	6,545,116
Leasehold improvements	253,021	33,736	-	286,757
Buildings and improvements	59,174,220	7,628,191	62,244	66,740,167
Equipment	31,454,360	2,272,700	764,377	32,962,683
Total accumulated depreciation	96,361,199	11,010,413	836,889	106,534,723
Net capital assets being depreciated	156,715,678	(2,580,928)	782,047	153,352,703
Net capital assets	\$ 165,852,059	\$ 1,240,639	\$ 3,413,480	163,679,218
Less outstanding debt related to capital assets				(122,510,000)
Unamortized premium				(6,301,604)
Unamortized discount				196,608
Plus unexpended debt proceeds				6,058,717
Net investment in capital assets				\$ 41,122,939

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, 2020:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
General obligation debt	\$ 109,245,000	\$ 16,280,000	\$ 18,510,000	\$ 107,015,000	\$ 15,850,000
Revenue bonds	13,265,000	-	340,000	12,925,000	365,000
Plus unamortized premium	6,301,604	556,696	1,092,468	5,765,832	-
Less unamortized discount	(196,608)	-	(10,628)	(185,980)	-
Compensated absences	13,559	-	9,759	3,800	-
Total	\$ 128,628,555	\$ 16,836,696	\$ 19,941,599	\$ 125,523,652	\$ 16,215,000

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
General obligation debt	\$ 120,165,000	\$ 3,270,000	\$ 14,190,000	\$ 109,245,000	\$ 12,590,000
Revenue bonds	13,580,000	-	315,000	13,265,000	340,000
Plus unamortized premium	7,172,666	129,664	1,000,726	6,301,604	-
Less unamortized discount	(207,236)	-	(10,628)	(196,608)	-
Compensated absences	26,001	-	12,442	13,559	-
Total	\$ 140,736,431	\$ 3,399,664	\$ 15,507,540	\$ 128,628,555	\$ 12,930,000

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, 2020 and 2019, is comprised of the following individual issues:

	2020	2019
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. Matured October 1, 2019.	\$ -	\$ 205,000
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. Matured October 1, 2019.	-	155,000
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. Matured October 1, 2019.	-	400,000
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. Matured October 1, 2019.	-	235,000
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. Matured October 1, 2019.	-	310,000
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.	205,000	405,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2020	2019
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.	\$ 1,500,000	\$ 1,500,000
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.	1,200,000	1,200,000
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. Refinanced January 30, 2020.	-	765,000
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. Refinanced January 30, 2020.	-	480,000
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. Refinanced January 30, 2020.	-	530,000
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. Refinanced January 30, 2020.	-	530,000
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.	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)

	2020	2019
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.	\$ 765,000	\$ 1,135,000
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, 2021. Partially refinanced January 30, 2020.	160,000	650,000
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, 2021. Partially refinanced January 30, 2020.	160,000	645,000
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, 2021. Partially refinanced January 30, 2020.	160,000	650,000
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. Refinanced January 30, 2020.	-	655,000
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.	-	2,380,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2020	2019
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.	\$ 12,925,000	\$ 13,265,000
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.	600,000	800,000
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.	645,000	795,000
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.	670,000	820,000
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.	670,000	820,000
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.	1,085,000	1,335,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2020	2019
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.	\$ 650,000	\$ 800,000
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.	1,995,000	2,955,000
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.	795,000	940,000
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.	1,060,000	1,255,000
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.	850,000	1,005,000
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.	810,000	1,525,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2020	2019
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.	\$ 935,000	\$ 1,080,000
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.	1,065,000	1,585,000
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.	18,855,000	19,485,000
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.	1,795,000	2,060,000
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.	1,685,000	1,895,000
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.	1,120,000	1,635,000
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	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	20,000,000

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2020	2019
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	\$ 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.	1,495,000	1,685,000
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.	960,000	1,060,000
Promissory notes in the amount of \$1,770,000 were issued March 4, 2019, to Robert W. Baird & Co. to finance building remodeling and improvement projects and property acquisition. Interest rate at 3.00 - 4.00 percent. Mature April 1, 2028.	1,235,000	1,770,000
Promissory notes in the amount of \$1,500,000 were issued May 28, 2019, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 3.00 - 4.00 percent. Mature April 1, 2029.	1,000,000	1,500,000
Promissory notes in the amount of \$1,500,000 were issued October 2, 2019, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 3.00 percent. Mature April 1, 2029.	1,000,000	-
Promissory notes in the amount of \$4,225,000 were issued November 20, 2019, to Robert W. Baird & Co. with \$1,500,000 to finance building remodeling and improvement projects and \$2,725,000 to finance the acquisition of moveable equipment. Interest rate at 3.00 percent. Mature April 1, 2029.	2,225,000	-

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Long-Term Debt (Continued)

	2020	2019
Promissory notes in the amount of \$4,345,000 were issued January 30, 2020, to Robert W. Baird & Co. with \$1,500,000 to finance building remodeling and improvement projects and \$2,845,000 for the refunding of debt. Interest rate at 3.00 percent. Mature April 1, 2029.	\$ 3,845,000	\$ -
Promissory notes in the amount of \$1,500,000 were issued April 9, 2020, to Robert W. Baird & Co. to finance building remodeling and improvement projects. Interest rate at 3.00 percent. Mature April 1, 2030.	1,500,000	-
Promissory notes in the amount of \$4,710,000 were issued June 4, 2020 with \$1,500,000 to finance building remodeling and improvement projects and \$3,210,000 to finance the acquisition of movable equipment. Interest rate at 2.00 - 3.00 percent. Mature April 1, 2030.	4,710,000	-
Total long-term debt	\$ 119,940,000	\$ 122,510,000

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, 2020, are calculated as follows:

Legal debt limit (5% of \$22,107,123,210)	\$ 1,105,356,161
Deduct - Long-term debt applicable to debt margin	(107,015,000)
Restricted net position available for debt services	7,235,071
<hr/>	
Margin of indebtedness	\$ 1,005,576,232
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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 \$442,142,464 at June 30, 2020. Western has bonded indebtedness of \$79,390,000 and \$80,360,000 as of June 30, 2020 and 2019, respectively.

On January 30, 2020, Western issued \$4,345,000 in general obligation notes, \$2,845,000 of which was for the purpose of currently refunding \$2,920,000 in general obligation notes. The refunding resulted in an economic gain of \$39,921 and a decrease in cash flow requirements of \$40,750.

Western Technical College District

Notes to the Basic Financial Statements

Note 6 Long-Term Obligations (Continued)

Maturities of Long-Term Debt

Aggregate cash flow requirements for the retirement of long-term principal and interest on debt as of June 30, 2020, follows:

Fiscal Year	Principal	Interest	Total
2021	\$ 16,215,000	\$ 4,489,703	\$ 20,704,703
2022	10,770,000	3,958,237	14,728,237
2023	11,125,000	3,555,998	14,680,998
2024	8,915,000	3,135,907	12,050,907
2025	8,290,000	2,771,710	11,061,710
2026-2030	36,875,000	9,291,488	46,166,488
2031-2035	24,335,000	2,707,995	27,042,995
2036-2038	3,415,000	328,060	3,743,060
Total	\$ 119,940,000	\$ 30,239,098	\$ 150,179,098

Preliminary Draft

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 <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Vesting

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

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 executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to receive a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially- reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

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:

Year	Core Fund Adjustment	Variable Fund Adjustment
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%
2018	2.4%	17.0%
2019	0.0%	(10.0%)

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 \$1,971,938 in contributions from the employer.

Contribution rates as of June 30, 2020 and 2019, are as follows:

Employee Category	2020		2019	
	Employee	Employer	Employee	Employer
General (including teachers, executives, and elected officials)	6.75%	6.75%	6.55%	6.55%
Protective with social security	6.75%	11.65%	6.55%	10.55%
Protective without social security	6.75%	16.25%	6.55%	14.95%

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

At June 30, 2020 and 2019, Western reported (\$5,982,410) and \$6,773,881, 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, 2019 and 2018, Western's proportion was 0.18553236% and 0.19040130% (a decrease of 0.00486894% from the prior year).

For the years ended June 30, 2020 and 2019, Western recognized pension expense of \$2,236,968 and \$4,578,090.

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, 2020 and 2019, Western reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,355,982	\$ 5,682,909	\$ 5,275,827	\$ 9,325,766
Changes in assumptions	466,188	-	1,141,828	-
Net differences between projected and actual earnings on pension plan investments	-	12,230,174	9,892,790	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,498	21,714	9,856	16,737
Employer contributions subsequent to the measurement date	1,003,788	-	937,982	-
Total	\$ 12,828,456	\$ 17,934,797	\$ 17,258,283	\$ 9,342,503

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:

<u>Year Ended June 30:</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2021	\$ (1,814,818)
2022	(1,356,555)
2023	209,040
2024	(3,147,796)

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, 2020 and 2019, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>2020</u>	<u>2019</u>
Actuarial valuation date	December 31, 2018	December 31, 2017
Measurement date of net pension liability (asset)	December 31, 2019	December 31, 2018
Actuarial cost method	Entry age	Entry age
Asset valuation method	Fair market value	Fair market value
Long-term expected rate of return	7.0%	7.0%
Discount rate	7.0%	7.0%
Salary increases:		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 Mortality Table
Postretirement adjustments*	1.9%	1.9%

** 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 2018 and 2017 valuations are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015, through December 31, 2017. The total pension liability for December 31, 2019 and 2018, is based upon a rollforward of the liability calculated from the December 31, 2018 and 2017, 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, 2019

	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global equities	49.0%	8.0%	5.1%
Fixed income	24.5%	4.9%	2.1%
Inflation sensitive assets	15.5%	4.0%	1.2%
Real estate	9.0%	6.3%	3.5%
Private equity/debt	8.0%	10.6%	7.6%
Multi-asset	4.0%	6.9%	4.0%
Total core fund	110.0%	7.5%	4.6%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.5%	4.6%
International equities	30%	8.2%	5.3%
Total variable fund	100%	7.8%	4.9%

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

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

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, 2018

	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>			
Global equities	49.0%	8.1%	5.5%
Fixed income	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	3.8%	1.3%
Real estate	9.0%	6.5%	3.9%
Private equity/debt	8.0%	9.4%	6.7%
Multi-asset	4.0%	6.7%	4.1%
Total core fund	110.0%	7.3%	4.7%
<u>Variable Fund Asset Class</u>			
U.S. equities	70%	7.6%	5.0%
International equities	30%	8.5%	5.9%
Total variable fund	100%	8.0%	5.4%

New England Pension Consultants Long-Term US CPI (Inflation) Forecast: 2.5%.

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

Single Discount Rate: A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.00% and a long-term bond rate of 2.75%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the 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 current discount rate, 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 or 1 percentage point higher than the current rate:

	2020		2019	
	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% decrease to discount rate	6.0%	\$ 15,405,775	6.0%	\$ 26,920,114
Current discount rate	7.0%	(5,982,410)	7.0%	6,773,881
1% increase to discount rate	8.0%	(21,972,538)	8.0%	(8,206,405)

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At June 30, 2020 and 2019, the District reported payables of \$338,021 and \$328,249 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 9 active plan members and 35 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 2020, Western contributed \$379,847 to the plan for current premiums, while plan members receiving benefits contributed \$90,346 (approximately 19% of total premiums). For fiscal year 2019, Western contributed \$425,898 to the plan for current premiums, while plan members receiving benefits contributed \$102,146 (approximately 19% of total premiums).

Western Technical College District

Notes to the Basic Financial Statements

Note 9 Postemployment Benefits Other Than Pension Benefits (Continued)

At June 30, 2020 and 2019, Western reported a total OPEB liability of \$1,074,995 and \$1,622,519. The total pension liability was measured as of June 30, 2019 and 2018, and was determined by an actuarial valuation as of June 30, 2019 and 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:

	2020	2019
Inflation	2.50%	2.50%
Salary increases:		
Inflation	3.00%	3.00%
Merit	0.1%-3.0%	0.7%-3.0%
Healthcare cost	7.5% decreasing by 0.5% down to 6.5%, then by 0.1% per year down to 5.0% and level thereafter	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%	3.75%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2012 Mortality Table
Actuarial assumptions	Based on an experience study conducted in 2018 using WRS experience from 2015-2017	Based on an experience study conducted in 2015 using WRS experience from 2012-2014

The 3.5% and 3.75% discount rates used to measure the total OPEB liability were determined by the actuary at Bond Buyer Go for a 20-year AA municipal bond as of June 30, 2019 and 2018.

Changes in the total OPEB liability for the year ended June 30, 2020, are as follows:

	2020	2019
Balance at beginning of year	\$ 1,622,519	\$ 2,144,512
Changes for the year:		
Service cost	11,188	11,608
Interest	53,069	64,949
Differences between expected and actual experience	(214,518)	-
Changes of assumptions or other inputs	28,215	(9,269)
Benefit payments	(425,898)	(589,281)
Net changes	(547,944)	(521,993)
Balance at end of year	\$ 1,074,575	\$ 1,622,519

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 or 1 percentage point higher than the current rate:

	2020		2019	
	Discount Rate	Total OPEB Liability	Discount Rate	Total OPEB Liability
1% decrease to discount rate	2.50%	\$ 1,092,480	2.75%	\$ 1,660,004
Current discount rate	3.50%	1,074,575	3.75%	1,622,519
1% increase to discount rate	4.50%	1,057,179	4.75%	1,586,108

The following represents Western's total OPEB liability calculated using the healthcare 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 healthcare 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:

Healthcare Cost Trend Rates	2020	2019
1% Decrease - (6.5% Decreasing to 4.0%)	\$ 1,065,042	\$ 1,589,335
Current - (7.5% Decreasing to 5.0%)	1,074,575	1,622,519
1% Increase - (8.5% Decreasing to 6.0%)	1,084,224	1,656,604

For the years ended June 30, 2020 and 2019, Western recognized OPEB expense of (\$122,046) and \$67,288. At June 30, 2020 and 2019, Western reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	
	2020	2019
Western's contributions subsequent to the measurement date	\$ 379,847	\$ 425,898

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 subsequent year.

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>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

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.

Western Technical College District

Notes to the Basic Financial Statements

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

Contributions (Continued)

Contribution rates as of June 30, 2020 and 2019, are as follows:

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

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 years ended December 31, 2018 and 2017, are as listed below:

Life Insurance Employee Contribution Rates For the Years Ended December 31, 2019 and 2018

<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 \$26,015 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, 2020 and 2019, Western reported a liability of \$5,532,255 and \$3,462,970 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31 within Western's fiscal year, and the total OPEB liability used to calculate the net OPEB liability 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 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, 2019 and 2018, Western's proportion was 1.299202% and 1.342061% (a decrease of 0.042859% from the prior year).

For the year ended June 30, 2020 and 2019, Western recognized OPEB expense of \$358,686 and \$300,736.

At June 30, 2020 and 2019, Western reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 247,838	\$ -	\$ 175,673
Changes in assumptions	2,040,873	608,506	330,421	750,635
Net differences between projected and actual earnings on OPEB plan investments	104,358	-	82,759	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	324,266	-	258,459
Employer contributions subsequent to the measurement date	15,165	-	12,567	-
Total	\$ 2,160,396	\$ 1,180,610	\$ 425,747	\$ 1,184,767

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 subsequent year. 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
2021	\$ 159,268
2022	159,268
2023	148,016
2024	136,426
2025	107,193
Thereafter	254,450

Actuarial Assumptions

The total OPEB liability in the actuarial valuations used for the years ended June 30, 2020 and 2019, were determined using the following actuarial assumptions, applied to all periods included in the measurement:

	2020	2019
Actuarial valuation date	January 1, 2019	January 1, 2018
Measurement date of net OPEB liability (asset)	December 31, 2019	December 31, 2018
Actuarial cost method	Entry age normal	Entry age normal
20 year tax-exempt municipal bond yield	2.74%	4.10%
Long-term expected rate of return	4.25%	5.00%
Discount rate	2.87%	4.22%
Salary increases:		
Inflation	3.0%	3.0%
Seniority/Merit	0.1% - 5.6%	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table	Wisconsin 2018 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)

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015, to December 31, 2017. The total OPEB liabilities for December 31, 2019 and 2018 are based upon a roll-forward of the liabilities calculated from the January 1, 2019 and January 1, 2018 actuarial valuations.

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, 2019

<u>Asset Class</u>	<u>Index</u>	<u>Target</u>	<u>Long-Term Expected</u>
U.S. credit bonds	Barclays credit	45%	2.12%
U.S. long credit bonds	Barclays long credit	5%	2.90%
U.S. mortgages	Barclays MBS	50%	1.53%
Inflation			2.20%
Long-term expected rate of return			4.25%

Western Technical College District

Notes to the Basic Financial Statements

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

Actuarial Assumptions (Continued)

Local OPEB Life Insurance
Asset Allocation Targets and Expected Returns
As of December 31, 2018

Asset Class	Index	Target	Long-Term Expected
U.S. government bonds	Barclays government	1%	1.44%
U.S. credit bonds	Barclays credit	40%	2.69%
U.S. long credit bonds	Barclays long credit	4%	3.01%
U.S. mortgages	Barclays MBS	54%	2.25%
U.S. municipal bonds	Bloomberg Barclays Muni	1%	1.68%
Inflation			2.30%
Long-term expected rate of return			5.00%

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. 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.

Single Discount Rate: A single discount rate of 2.87% was used to measure the total OPEB liability as opposed to a discount rate of 4.22% for the prior year. 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. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Western Technical College District

Notes to the Basic Financial Statements

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

Actuarial Assumptions (Continued)

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 current discount rate, 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 or 1 percentage point higher than the current rate:

	2020		2019	
	Discount Rate	Net OPEB Liability	Discount Rate	Net OPEB Liability
1% decrease to discount rate	1.87%	\$ 7,639,118	3.22%	\$ 4,926,305
Current discount rate	2.87%	5,532,255	4.22%	3,462,970
1% increase to discount rate	3.87%	3,929,343	5.22%	2,334,340

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, 2017	\$ 31,480
Claims and changes in estimates	407,884
Claim payments	(420,992)
Liability balance - June 30, 2018	18,372
Claims and changes in estimates	386,659
Claim payments	(382,170)
Liability balance - June 30, 2019	22,861
Claims and changes in estimates	333,390
Claim payments	(336,526)
Liability balance - June 30, 2020	\$ 19,725

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, 2020 and 2019, Western paid a total premium of \$5,920,058 and \$7,325,589, 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 2020 and 2019. For the years ended June 30, 2020 and 2019, Western paid a premium of \$355,802 and \$328,652, 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.

Foreign Liability - \$2,000,000 aggregate general; \$1,000,000 auto per accident; \$1,000,000 employee benefits; includes benefit for accidental death and dismemberment, repatriation, and medical expenses; \$1,000 deductible for employee benefits.

Western Technical College District

Notes to the Basic Financial Statements

Note 11 Risk Management (Continued)

Supplemental Insurance (Continued)

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

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 a facility for instructional purposes. Total expense for all operating leases for the years ended June 30, 2020 and 2019, was \$12,900 and \$13,200, respectively. Minimum future rental payments under these leases as of June 30, 2020, are as follows:

<u>June 30,</u>	<u>Amount</u>
2021	\$ 8,000
	<u>\$ 8,000</u>

Western Technical College District

Notes to the Basic Financial Statements

Note 13 **Operating Leases** (Continued)

As Lessor

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

Note 14 **Transactions With Component Unit**

Western paid Foundation expenses of approximately \$461,142 and \$458,332 for the fiscal years ended June 30, 2020 and 2019, respectively. Western also has a receivable from the Foundation of \$2,689 and \$541 at June 30, 2020 and 2019, respectively. Western received payments of \$98,894 and \$95,183 for administration and professional development expenses during the fiscal years ended June 30, 2020 and 2019, respectively. In addition, the Foundation disbursed scholarships and awards of \$527,012 and \$545,162 on behalf of Western during the fiscal years ended June 30, 2020 and 2019, 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. The bonds were paid off in October 2008. 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 \$200,024 and \$188,570 for June 30, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
Salaries and wages	\$ 32,226,849	\$ 31,066,898
Fringe benefits	9,559,264	12,230,089
Staff development	635,379	938,403
Supplies	1,208,866	1,178,020
Duplication/copy	156,492	194,988
Contracted services	6,194,442	6,696,715
Rentals - Facilities and equipment	21,500	18,650
Credit expenses	391,733	341,143
Insurance	352,732	388,156
Utilities	906,834	996,296
Depreciation	11,308,889	11,010,414
Student aid	4,298,729	3,655,120
Resale	1,639,482	1,906,586
Minor equipment	328,168	735,742
Other expenses	737,337	557,035
Total operating expenses	\$ 69,966,696	\$ 71,914,255

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, 2020:

Construction Contractors	Amount Remaining
Fowler & Hammer, Inc.	\$ 1,889,713
P&T Electric	450,409
Winona Nursery	388,685
	\$ 2,728,807

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 – Pledges Receivable

Unconditional pledges receivable at June 30, consist of:

	2020	2019
Receivable in less than one year	\$ 576,227	\$ 169,791
Receivable in one to five years	-	590,000
Total pledges receivable	576,227	759,791
Less:		
Discount to net present value at 4.5%	-	(49,101)
Allowance for uncollectible pledges	-	-
Pledges receivable - Net	<u>\$ 576,227</u>	<u>\$ 710,690</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:

	2020	2019
Fair value	\$ 6,940,033	\$ 6,972,397
Cost	\$ 6,068,806	\$ 6,148,617

	2020	2019
Cash equivalents	\$ 114,516	\$ 136,961
Bonds and notes	2,399,539	2,133,888
Common stocks and mutual funds	4,425,978	4,701,548
Totals	\$ 6,940,033	\$ 6,972,397

Investment income included the following:

	2020	2019
Interest and dividends	\$ 222,215	\$ 292,891
Investment management fees	(39,587)	(38,956)
Net realized gains	42,411	60,082
Net losses	51,986	4,790
Totals	\$ 277,025	\$ 318,807

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>2020</u>	<u>2019</u>
Due La Crosse Medical Health Science Consortium, Inc., related to its commitment as more fully discussed in Note D, matured April 2020	\$ -	\$ 103,160
Due to Coulee Bank, related to its commitment for construction of Veteran and Military Student Center on Western campus, due December 2020	590,000	590,000
Subtotal	590,000	693,160
Less current maturities	(590,000)	(103,160)
Totals	<u>\$ -</u>	<u>\$ 590,000</u>

The following is a schedule by years of future debt service payments required together with their present value as of June 30, 2020:

2021	<u>\$ 590,000</u>
Totals	<u>\$ 590,000</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. The board-designated funds total \$0 and \$108,318 as of June 30, 2020 and 2019, respectively.

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. The Foundation's obligation to the Consortium was completed in April 2020.

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 – Endowment Funds

The Board of Directors of the Foundation has interpreted the State of Wisconsin enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowments, and (c) accumulations to the permanent endowments made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment funds is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

Following is a description of the Foundation's endowment funds:

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.

Western Technical College District

Notes to the Basic Financial Statements

Note 18 Component Unit (Continued)

F – Endowment Funds (Continued)

Changes in donor-restricted endowment funds for the years ended June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Balance at beginning of year	\$ 6,015,670	\$ 5,752,709
Contributions	88,078	285,111
Investment income, net	251,294	275,853
Reclassifications	-	5,000
Fees - Foundation	(88,815)	(85,538)
Award distributions	(212,734)	(217,465)
	<u>\$ 6,053,493</u>	<u>\$ 6,015,670</u>
Balance at end of year	<u>\$ 6,053,493</u>	<u>\$ 6,015,670</u>

G – Fair Values Measured on Recurring Basis

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

2020	<u>Fair Value</u>	<u>Quoted Market Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 6,940,033	\$ 6,940,033
	<u>\$ 6,940,033</u>	<u>\$ 6,940,033</u>
2019	<u>Fair Value</u>	<u>Quoted Market Prices in Active Markets for Identical Assets (Level 1)</u>
Investments	\$ 6,972,397	\$ 6,972,397
	<u>\$ 6,972,397</u>	<u>\$ 6,972,397</u>

Western Technical College District

Notes to the Basic Financial Statements

Note 19 Pledged Revenues

Western has pledged residence hall rent revenues and supplemental district revenues ("pledged revenues") to repay a \$14,575,000 multifamily housing bond issue. Proceeds from the bonds provided financing for Western's residence hall construction project. The bonds are payable solely from the pledged revenue and are payable through April 1, 2038. The total principal and interest remaining to be paid on the bonds is \$19,509,113. Principal and interest paid during the year ended June 30, 2020, was \$899,838 and pledged revenues were \$7,289,434. Principal and interest paid during the year ended June 30, 2019, was \$881,138 and pledged revenues were \$8,371,057.

Preliminary Draft

Required Supplementary Information

Preliminary Draft

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 LIABILITY WISCONSIN RETIREMENT SYSTEM (WRS)

Last 10 Calendar Years*

	Measurement Date	Western's Proportion of the Net Pension Liability (Asset)	Western's Proportionate Share of the Net Pension Liability (Asset)	Western's Covered Payroll	Western's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	12/31/2019	0.18553236%	\$ (5,982,410)	\$ 29,112,257	(20.55%)	102.96%
2019	12/31/2018	0.19040130%	6,773,881	28,095,739	24.11%	96.45%
2018	12/31/2017	0.19556431%	(5,806,536)	28,187,778	(20.60%)	102.93%
2017	12/31/2016	0.19713787%	1,624,887	28,557,093	5.69%	99.12%
2016	12/31/2015	0.19707112%	3,202,367	28,121,121	11.39%	98.20%
2015	12/31/2014	0.19717624%	(4,843,188)	27,347,818	(17.71%)	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM (WRS)

Last 10 Fiscal Years*

	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Western's Covered Payroll for the Fiscal Period	Contributions as a Percentage of Covered Payroll
2020	\$ 1,971,138	\$ (1,971,138)	\$ -	\$ 29,639,642	6.65%
2019	1,892,807	(1,892,807)	-	28,571,455	6.62%
2018	1,872,529	(1,872,529)	-	27,740,817	6.75%
2017	1,915,785	(1,915,785)	-	28,593,896	6.70%
2016	1,895,802	(1,895,802)	-	28,298,774	6.70%
2015	1,939,886	(1,939,886)	-	28,114,985	6.90%

Notes to the Schedules:

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

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

*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 Calendar Years*

	Measurement Date	Western's Proportion of the Net OPEB Liability	Western's Proportionate Share of the Net OPEB Liability	Western's Covered Payroll	Western's Proportionate Share of the Net OPEB Liability as a Percentage of Its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2020	12/31/2019	1.29920200%	\$ 5,532,255	\$ 26,214,989	21.10%	37.58%
2019	12/31/2018	1.34206100%	3,462,970	24,896,910	13.91%	48.69%
2018	12/31/2017	1.42340700%	4,282,434	25,217,250	16.98%	44.81%

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

Last 10 Fiscal Years*

	Contractually Required Contributions for the Fiscal Period	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Western's Covered Payroll for the Fiscal Period	Contributions as a Percentage of Covered Payroll
2020	\$ 26,015	\$ (26,015)	\$ -	\$ 26,745,495	0.10%
2019	25,514	(25,514)	-	25,370,159	0.10%
2018	26,463	(26,463)	-	24,789,359	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: Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return, and expected inflation. Please refer to the actuarial assumptions section in Note 10 for additional details.

*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*

Schedule of Changes in the Employer's Total OPEB Liability and Related Ratios - District OPEB Plan Last 10 Fiscal Years*

	2020	2019	2018
Measurement date	6/30/2019	6/30/2018	6/30/2017
Total OPEB liability:			
Service cost	\$ 11,188	\$ 11,608	\$ 11,608
Interest on the total OPEB liability	53,069	64,949	85,009
Differences between expected and actual experience	(214,518)	-	-
Changes of assumptions or other inputs	28,215	(9,269)	-
Benefit payments	(425,898)	(589,281)	(750,272)
Net change in total OPEB liability	(547,944)	(521,993)	(653,655)
Total OPEB liability - Beginning	1,622,519	2,144,512	2,798,167
Total OPEB liability - Ending	\$ 1,074,575	\$ 1,622,519	\$ 2,144,512
Covered-employee payroll	\$ 677,786	\$ 2,165,627	\$ 2,165,627
Western's total OPEB liability as a percentage of covered-employee payroll	158.54%	74.92%	99.02%

Notes to Schedule:

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

Benefit changes: In 2020, there were no changes in benefit terms.

Changes of assumptions: In 2020, 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.

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, 2020, and the related notes to the financial statements, which collectively comprise Western's basic financial statements, and have issued our report thereon dated _____, 2020. 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) as a basis for designing 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 financial statements. 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.

Wipfli LLP

_____, 2020
Eau Claire, Wisconsin

Preliminary Draft

Supplementary Financial Information

Preliminary Draft

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, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:						
Local government	\$ 12,286,440	\$ 12,286,440	\$ 12,306,130	\$ -	\$ 12,306,130	\$ 19,690
Intergovernmental:						
State	23,290,736	23,290,736	24,328,133	-	24,328,133	1,037,397
Federal	1,164,140	1,164,140	1,883,042	-	1,883,042	718,902
Tuition and fees:						
Statutory program fees	11,574,000	11,574,000	11,743,990	-	11,743,990	169,990
Material fees	468,600	468,600	458,425	-	458,425	(10,175)
Other student fees	1,226,500	1,226,500	1,145,386	-	1,145,386	(81,114)
Institutional	734,800	734,800	864,131	-	864,131	129,331
Total revenues	50,745,216	50,745,216	52,729,237	-	52,729,237	1,984,021
Expenditures:						
Instruction	30,797,008	30,729,355	29,262,777	(6,855)	29,255,922	1,473,433
Instructional resources	1,190,004	1,190,004	1,060,542	-	1,060,542	129,462
Student services	6,150,294	6,150,294	5,711,421	-	5,711,421	438,873
General institutional	8,264,285	8,331,938	8,320,089	11,849	8,331,938	-
Physical plant	4,530,625	4,530,625	4,168,688	5,243	4,173,931	356,694
Total expenditures	50,932,216	50,932,216	48,523,517	10,237	48,533,754	2,398,462
Revenue over (under) expenditures	(187,000)	(187,000)	4,205,720	(10,237)	4,195,483	4,382,483

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, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Other financing sources (uses):						
Operating transfer in	\$ 30,000	\$ 30,000	\$ 40,476	\$ -	\$ 40,476	\$ 10,476
Operating transfer (out)	(100,000)	(100,000)	(179,286)	-	(179,286)	(79,286)
Total other financing sources (uses)	(70,000)	(70,000)	(138,810)	-	(138,810)	(68,810)
Revenue and other financing sources (uses) over (under) expenditures	(257,000)	(257,000)	4,066,910	(10,237)	4,056,673	4,313,673
Fund balance - Beginning of year	13,804,319	13,804,319	13,842,092	(37,773)	13,804,319	-
Fund balance - End of year	\$ 13,547,319	\$ 13,547,319	\$ 17,909,002	\$ (48,010)	\$ 17,860,992	\$ 4,313,673
Analysis of fund balance:						
Reserve for encumbrances	\$ -	\$ -	\$ 37,773	\$ 10,237	\$ 48,010	\$ 48,010
Reserve for prepaid expenses	-	-	715,059	-	715,059	715,059
Reserve for postemployment benefits	1,034,468	1,034,468	1,064,992	-	1,064,992	30,524
Designated for subsequent year	1,000,000	1,000,000	2,200,000	-	2,200,000	1,200,000
Designated for subsequent years	-	-	1,100,000	-	1,100,000	-
Designated for state aid fluctuations	700,000	700,000	700,000	-	700,000	-
Designated for operations	10,812,851	10,812,851	12,091,178	(58,247)	12,032,931	1,220,080
Fund balance - End of year	\$ 13,547,319	\$ 13,547,319	\$ 17,909,002	\$ (48,010)	\$ 17,860,992	\$ 3,213,673

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, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:						
Intergovernmental:						
State	\$ 430,000	\$ 430,000	\$ 302,780	\$ -	\$ 302,780	\$ (127,220)
Federal	-	-	27,650	-	27,650	27,650
Tuition and fees:						
Other student fees	40,000	40,000	22,217	-	22,217	(17,783)
Institutional	3,487,000	3,487,000	2,524,527	-	2,524,527	(962,473)
Total revenues	3,957,000	3,957,000	2,877,174	-	2,877,174	(1,079,826)
Expenditures:						
Instruction	3,710,000	3,710,000	2,639,439	-	2,639,439	1,070,561
General institutional	247,000	247,000	237,735	-	237,735	9,265
Total expenditures	3,957,000	3,957,000	2,877,174	-	2,877,174	1,079,826
Revenue under expenditures	-	-	-	-	-	-
Fund balance - Beginning of year	-	-	-	-	-	-
Fund balance - End of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Analysis of fund balance:						
Reserve for veterans support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:						
Local government	\$ 106,309	\$ 106,309	\$ 93,693	\$ -	\$ 93,693	\$ (12,616)
Intergovernmental:						
State	1,293,310	1,293,310	1,237,862	-	1,237,862	(55,448)
Federal	18,626,178	18,626,178	17,739,940	-	17,739,940	(886,238)
Tuition and fees:						
Other student fees	864,000	864,000	847,188	-	847,188	(16,812)
Institutional	566,400	566,400	449,664	-	449,664	(116,736)
Total revenues	21,456,197	21,456,197	20,368,347	-	20,368,347	(1,087,850)
Expenditures:						
Instruction	84,169	84,169	39,971	-	39,971	44,198
Student services	21,424,741	21,424,741	20,241,939	(34,921)	20,207,018	1,217,723
General institutional	11,068	11,068	68	-	68	11,000
Total expenditures	21,519,978	21,519,978	20,281,978	(34,921)	20,247,057	1,272,921
Revenue over (under) expenditures	(63,781)	(63,781)	86,369	34,921	121,290	185,071
Fund balance - Beginning of year	476,059	476,059	510,980	(34,921)	476,059	-
Fund balance - End of year	\$ 412,278	\$ 412,278	\$ 597,349	\$ -	\$ 597,349	\$ 185,071
Analysis of fund balance:						
Reserve for student and other organizations	\$ 412,278	\$ 412,278	\$ 597,349	\$ -	\$ 597,349	\$ 185,071

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, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:						
Intergovernmental:						
State	\$ 341,000	\$ 341,000	\$ 272,915	\$ -	\$ 272,915	\$ (68,085)
Federal	-	-	25,297	-	25,297	25,297
Institutional	165,000	165,000	407,959	-	407,959	242,959
Total revenue	506,000	506,000	706,171	-	706,171	200,171
Expenditures:						
Instruction	1,755,000	2,037,435	2,305,908	(268,474)	2,037,434	1
Instructional resources	275,000	283,876	283,875	-	283,875	1
Student services	16,000	31,904	31,903	-	31,903	1
General institutional	308,000	308,000	299,992	5,053	305,045	2,955
Physical plant	7,246,000	6,938,785	5,360,775	717,257	6,078,032	860,753
Total expenditures	9,600,000	9,600,000	8,282,453	453,836	8,736,289	863,711
Revenue under expenditures	(9,094,000)	(9,094,000)	(7,576,282)	(453,836)	(8,030,118)	1,063,882
Other financing sources:						
Issuance of long-term debt	10,230,000	10,230,000	13,435,000	-	13,435,000	3,205,000
Total other financing sources	10,230,000	10,230,000	13,435,000	-	13,435,000	3,205,000

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, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenue and other financing sources under expenditures	\$ 1,136,000	\$ 1,136,000	\$ 5,858,718	\$ (453,836)	\$ 5,404,882	\$ 4,268,882
Fund balance - Beginning of year	422,828	422,828	3,296,670	(2,873,842)	422,828	-
Fund balance - End of year	\$ 1,558,828	\$ 1,558,828	\$ 9,155,388	\$ (3,327,678)	\$ 5,827,710	\$ 4,268,882
Analysis of fund balance:						
Reserve for encumbrances	\$ -	\$ -	\$ 2,873,842	\$ 453,836	\$ 3,327,678	\$ 3,327,678
Reserve for capital projects (unreserved)	1,558,828	1,558,828	6,281,546	(3,781,514)	2,500,032	941,204
Fund balance - End of year	\$ 1,558,828	\$ 1,558,828	\$ 9,155,388	\$ (3,327,678)	\$ 5,827,710	\$ 4,268,882

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, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenues:						
Local government	\$ 18,191,000	\$ 18,191,000	\$ 18,191,000	\$ -	\$ 18,191,000	\$ -
Institutional	165,000	165,000	113,261	446,196	559,457	394,457
Total revenues	18,356,000	18,356,000	18,304,261	446,196	18,750,457	394,457
Expenditures:						
Physical plant	19,391,000	19,391,000	19,473,666	(110,500)	19,363,166	27,834
Total expenditures	19,391,000	19,391,000	19,473,666	(110,500)	19,363,166	27,834
Revenue over (under) expenditures	(1,035,000)	(1,035,000)	(1,169,405)	556,696	(612,709)	422,291
Other financing sources:						
Issuance of long-term debt			2,845,000		2,845,000	2,845,000
Refinancing debt payment			(2,957,229)		(2,957,229)	(2,957,229)
Premium on notes issued			556,696	(556,696)	-	-
Total other financing sources	-	-	444,467	(556,696)	(112,229)	(112,229)
Revenue and other financing sources over (under) expenditures	(1,035,000)	(1,035,000)	(724,938)	-	(724,938)	310,062
Fund balance - Beginning of year	7,616,444	7,616,444	7,616,444	-	7,616,444	-
Fund balance - End of year	\$ 6,581,444	\$ 6,581,444	\$ 6,891,506	\$ -	\$ 6,891,506	\$ 310,062
Analysis of fund balance:						
Reserve for debt service	\$ 6,581,444	\$ 6,581,444	\$ 6,891,506	\$ -	\$ 6,891,506	\$ 310,062

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, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:						
Intergovernmental:						
Federal	\$ -	\$ -	\$ 376,807	\$ -	\$ 376,807	\$ 376,807
Institutional	4,441,075	4,441,075	3,900,777	-	3,900,777	(540,298)
Total revenue	4,441,075	4,441,075	4,277,584	-	4,277,584	(163,491)
Expenditures:						
Auxiliary services	4,612,575	4,612,575	4,412,725	-	4,412,725	199,850
Total expenditures	4,612,575	4,612,575	4,412,725	-	4,412,725	199,850
Revenue under expenditures	(171,500)	(171,500)	(135,141)	-	(135,141)	36,359
Other financing sources (uses):						
Operating transfer in	200,000	200,000	179,286	-	179,286	(20,714)
Operating transfer (out)	(100,000)	(100,000)	-	-	-	100,000
Total other financing sources (uses)	100,000	100,000	179,286	-	179,286	79,286
Revenue and other financing sources (uses) under expenditures	(71,500)	(71,500)	44,145	-	44,145	115,645
Net position - Beginning of year	3,899,828	3,899,828	3,899,828	-	3,899,828	-
Net position - End of year	\$ 3,828,328	\$ 3,828,328	\$ 3,943,973	\$ -	\$ 3,943,973	\$ 115,645
Analysis of net position:						
Unrestricted	\$ 3,828,328	\$ 3,828,328	\$ 3,943,973	\$ -	\$ 3,943,973	\$ 115,645

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, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
Revenue:						
Institutional	\$ 876,000	\$ 876,000	\$ 790,702	\$ -	\$ 790,702	\$ (85,298)
Total revenue	876,000	876,000	790,702	-	790,702	(85,298)
Expenditures:						
Auxiliary services	846,000	846,000	675,358	-	675,358	170,642
Total expenditures	846,000	846,000	675,358	-	675,358	170,642
Revenue over expenditures	30,000	30,000	115,344	-	115,344	85,344
Other financing uses:						
Operating transfer out	(30,000)	(30,000)	(40,476)	-	(40,476)	(10,476)
Revenue over expenditures and other financing uses	-	-	74,868	-	74,868	74,868
Net position - Beginning of year	345,027	345,027	345,027	-	345,027	-
Net position - End of year	\$ 345,027	\$ 345,027	\$ 419,895	\$ -	\$ 419,895	\$ 74,868
Analysis of net position:						
Unrestricted	\$ 345,027	\$ 345,027	\$ 419,895	\$ -	\$ 419,895	\$ 74,868

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, 2020

	General Fund	Special Revenue Aidable Funds	Special Revenue Non-Aidable Funds	Capital Projects Fund
Revenues:				
Local government	\$ 12,306,130	\$ -	\$ 93,693	\$ -
Intergovernmental:				
State	24,328,133	302,780	1,237,862	272,915
Federal	1,883,042	27,650	17,739,940	25,297
Tuition and fees:				
Statutory program fees	11,743,990	-	-	-
Material fees	458,425	-	-	-
Other student fees	1,145,386	22,217	847,188	-
Institutional	864,131	2,524,527	449,664	407,959
Auxiliary services revenue	-	-	-	-
Total revenues	52,729,237	2,877,174	20,368,347	706,171
Expenditures:				
Instruction	29,255,922	2,639,439	39,971	2,037,434
Instructional resources	1,060,542	-	-	283,875
Student services	5,711,421	-	20,207,018	31,903
General institutional	8,331,938	237,735	68	305,045
Physical plant	4,173,931	-	-	6,078,032
Auxiliary services	-	-	-	-
Depreciation	-	-	-	-
Student aid	-	-	-	-
Interest expense	-	-	-	-
Total expenditures	48,533,754	2,877,174	20,247,057	8,736,289
Excess (deficiency) of revenue over expenditures	4,195,483	-	121,290	(8,030,118)
Other financing (uses) sources:				
Operating transfers in	40,476	-	-	-
Operating transfers (out)	(179,286)	-	-	-
Loss on disposal of capital assets	-	-	-	-
Issuance of long-term debt	-	-	-	13,435,000
Refinancing debt payment	-	-	-	-
Total other financing (uses) sources	(138,810)	-	-	13,435,000
Excess (deficiency) of revenues and other financing sources (uses) over (under) expenditures	4,056,673	-	121,290	5,404,882
Fund balance/net position - Beginning of year	13,804,319	-	476,059	422,828
Fund balance/net position - End of year	\$ 17,860,992	\$ -	\$ 597,349	\$ 5,827,710

Debt Service Fund	Enterprise Funds	Internal Service Funds	Totals	Reconciling Items	Statement of Revenue, Expenses, and Changes in Net Position
\$ 18,191,000	\$ -	\$ -	\$ 30,590,823	\$ -	\$ 30,590,823
-	-	-	26,141,690	-	26,141,690
-	376,807	-	20,052,736	(10,031,799)	10,020,937
-	-	-	11,743,990	(4,142,702)	7,601,288
-	-	-	458,425	(157,325)	301,100
-	-	-	2,014,791	(1,247,896)	766,895
559,457	3,900,777	790,702	9,497,217	(5,422,341)	4,074,876
-	-	-	-	3,769,469	3,769,469
18,750,457	4,277,584	790,702	100,499,672	(17,232,594)	83,267,078
-	-	-	33,972,766	(2,797,991)	31,174,775
-	-	-	1,344,417	(251,604)	1,092,813
-	-	-	25,950,342	(19,566,777)	6,383,565
-	-	-	8,874,786	(322,305)	8,552,481
19,363,166	-	-	29,615,129	(25,219,397)	4,395,732
-	4,412,725	675,358	5,088,083	(1,713,030)	3,375,053
-	-	-	-	11,308,889	11,308,889
-	-	-	-	3,683,388	3,683,388
-	-	-	-	3,497,825	3,497,825
19,363,166	4,412,725	675,358	104,845,523	(31,381,002)	73,464,521
(612,709)	(135,141)	115,344	(4,345,851)	14,148,408	9,802,557
-	179,286	-	219,762	(219,762)	-
-	-	(40,476)	(219,762)	219,762	-
-	-	-	-	(259,029)	(259,029)
2,845,000	-	-	16,280,000	(16,280,000)	-
(2,957,229)	-	-	(2,957,229)	2,957,229	-
(112,229)	179,286	(40,476)	13,322,771	(13,581,800)	(259,029)
(724,938)	44,145	74,868	8,976,920	566,608	9,543,528
7,616,444	3,899,828	345,027	26,564,505	34,651,645	61,216,150
\$ 6,891,506	\$ 3,943,973	\$ 419,895	\$ 35,541,425	\$ 35,218,253	\$ 70,759,678

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, 2020

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, 2020

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	\$ 52,729,237
Special Revenue Aidable Funds	2,877,174
Special Revenue Non-Aidable Funds	20,368,347
Capital Projects Fund	706,171
Debt Service Fund	18,750,457
Enterprise Funds	4,277,584
Internal Services Funds	790,702
	<hr/>
	100,499,672
Adjustments:	
Interfund charges from internal service and fiduciary funds are eliminated for GAAP reporting	(1,782,305)
Scholarship allowances are included in expenditures for budgetary purposes but offset revenue for GAAP reporting	(4,588,434)
Summer tuition is recognized on the cash basis rather than the accrual basis	(112,301)
Student loans expended are eliminated for GAAP reporting	(10,303,358)
Premium on notes issued	(556,696)
Debt issuance costs shown net for budgetary reporting	110,500
	<hr/>
Reconciled revenues	<u>\$ 83,267,078</u>

Western Technical College District

Notes to Budgetary Comparison Schedules (Continued)

Year Ended June 30, 2020

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	\$ 28,258,350
Property taxes	30,590,823
State nonoperating appropriations	22,508,464
CARES Act funding	1,548,734
Investment income	360,707
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Total	<u>\$ 83,267,078</u>

Preliminary Draft

Western Technical College District

Notes to Budgetary Comparison Schedules (Continued)

Year Ended June 30, 2020

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	\$ 48,533,754
Special Revenue Aidable Fund	2,877,174
Special Revenue Non-Aidable Fund	20,247,057
Capital Projects Fund	8,736,289
Debt Service Fund	19,363,166
Enterprise Funds	4,412,725
Internal Service Funds	675,358
	104,845,523
Adjustments:	
Interfund charges from internal service and fiduciary funds are eliminated for GAAP reporting	(1,667,565)
Scholarship allowances are included in expenditures for budgetary purposes but offset revenue for GAAP reporting	(4,588,434)
The following expenditures are recognized on the cash basis rather than the accrual basis:	
Amortization of deferred premiums	(1,084,660)
Bond issue costs	110,500
Claims payable to employee benefits consortium	(1,014,289)
Interest expense	9,647
Compensated absences	(9,759)
Other postemployment and pension benefits	94,416
The acquisition of capital assets is reported as an expenditure for budgetary purposes	(7,901,160)
Student loans expended are eliminated for GAAP reporting	(10,303,358)
Repayment of principal on long-term debt is a budgetary expenditure	(15,480,020)
Encumbrances are recorded for budgetary purposes	(429,151)
Loss on disposal of capital assets recorded for GAAP purposes	259,029
Depreciation recorded for GAAP purposes	10,882,831
	Reconciled expenses
	\$ 73,723,550

Western Technical College District

Notes to Budgetary Comparison Schedules (Continued)

Year Ended June 30, 2020

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	\$ 69,966,696
Interest expense	3,497,825
Loss on disposal of capital assets	259,029
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Total	<u>\$ 73,723,550</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.

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