

Wisconsin Indianhead Technical College District

Shell Lake, WI

Financial Statements With Supplementary
Financial Information

Years Ended June 30, 2013 and 2012

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Wisconsin Indianhead Technical College District

Financial Statements With Supplementary Financial Information

Years Ended June 30, 2013 and 2012

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Independent Auditor's Report

Board of Directors
Wisconsin Indianhead Technical College District
Shell Lake, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the aggregate remaining fund information of the Wisconsin Indianhead Technical College District (the "District"), as of and for the years ended June 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate remaining fund information of the District as of June 30, 2013 and 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the years then ended in conformity 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 and the schedules of funding progress and employer contributions on pages 4 through 12 and 51 through 52 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The non-GAAP budgetary basis schedules and the schedules of expenditures of federal and state awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration are presented for purposes of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2013, on our consideration of the District'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

/s/ Wipfli LLP

Wipfli LLP

November 18, 2013
Eau Claire, Wisconsin

Management's Discussion and Analysis

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Wisconsin Indianhead Technical College District
Management's Discussion and Analysis
Years Ended June 30, 2013 and 2012

Wisconsin Indianhead Technical College (WITC) District's management's discussion and analysis (MD&A) of its financial condition provides an overview of financial activity, identifies changes in financial position, and assists the reader of the basic financial statements to focus on noteworthy financial issues.

While maintaining its financial health is crucial to the long-term viability of WITC, 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 to avoid cash flow borrowing and to prevent short-term reactionary changes due to higher than anticipated expenses or lower than anticipated revenues. The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying basic 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. 33, *Accounting and Financial Reporting for Nonexchange Transactions*; Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*; Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*; Statement No. 37, *Basic Financial Statements, Management's Discussion and Analysis for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; Statement No. 43, *Financial Accounting for Postemployment Benefit Plans Other Than Pension Plans*; and Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Statements of Revenues, Expenses, and Change in Net Position

The statements of revenues, expenses, and change in net position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or nonoperating. In general, a public college such as WITC will report an 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 basic financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

The following is a condensed version of the statements of revenues, expenses, and change in net position for the years ended June 30, 2013, 2012, and 2011.

	2013	2012	Increase / (Decrease) 2013 - 2012		2011	Increase / (Decrease) 2012 - 2011		
Operating revenues:								
Tuition and fees	\$ 7,355,695	\$ 7,960,746	\$ (605,051)	-7.6%	\$ 7,830,246	\$ 130,500	1.7%	
State and federal grants	15,299,389	15,550,575	(251,186)	-1.6%	16,963,360	(1,412,785)	-8.3%	
Contract revenue	725,453	761,383	(35,930)	-4.7%	606,258	155,125	25.6%	
Miscellaneous	885,049	500,988	384,061	76.7%	1,046,869	(545,881)	-52.1%	
Total operating revenues	24,265,586	24,773,692	(508,106)	-2.1%	26,446,733	(1,673,041)	-6.3%	
Operating expenses:								
Instruction	28,198,774	30,589,535	(2,390,761)	-7.8%	31,050,423	(460,888)	-1.5%	
Instructional resources	1,745,709	1,488,423	257,286	17.3%	1,178,376	310,047	26.3%	
Student services	5,007,090	5,480,730	(473,640)	-8.6%	5,768,776	(288,046)	-5.0%	
General institutional	8,872,951	8,055,093	817,858	10.2%	7,886,017	169,076	2.1%	
Physical plant	4,073,752	2,342,686	1,731,066	73.9%	3,514,218	(1,171,532)	-33.3%	
Auxiliary enterprise services	3,041,075	2,744,810	296,265	10.8%	2,855,417	(110,607)	-3.9%	
Depreciation	2,680,602	2,604,802	75,800	2.9%	2,639,398	(34,596)	-1.3%	
Student aid	7,753,102	9,212,074	(1,458,972)	-15.8%	10,022,546	(810,472)	-8.1%	
Total operating expenses	61,373,055	62,518,153	(1,145,098)	-1.8%	64,915,171	(2,397,018)	-3.7%	
Nonoperating revenues (expenses):								
Property taxes	37,352,350	37,191,617	160,733	0.4%	37,023,265	168,352	0.5%	
State nonoperating appropriations	2,178,939	2,078,508	100,431	4.8%	2,888,833	(810,325)	-28.1%	
Other nonoperating revenues	-	61,654	(61,654)	-100.0%	61,824	(170)	-0.3%	
Investment income earned	28,758	45,896	(17,138)	-37.3%	59,721	(13,825)	-23.1%	
Interest expense	(439,162)	(497,396)	58,234	-11.7%	(562,548)	65,152	-11.6%	
Gain (loss) on disposal of capital assets	(22,409)	23,710	(46,119)	-194.5%	3,532	20,178	571.3%	
Total nonoperating revenues (expenses)	39,098,476	38,903,989	194,487	0.5%	39,474,627	(570,638)	-1.4%	

	2013	2012	Increase / (Decrease) 2013-2012		2011	Increase / (Decrease) 2011 - 2012	
Change in net position	\$ 1,991,007	\$ 1,159,528	\$ 831,479	71.7%	\$ 1,006,189	\$ 153,339	15.2%
Net position - Beginning of year	28,418,879	27,259,351	1,159,528	4.3%	26,253,162	1,006,189	3.8%
Net position - End of year	\$ 30,409,886	\$ 28,418,879	\$ 1,991,007	7.0%	\$ 27,259,351	\$ 1,159,528	4.3%

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

Operating revenues are the charges for services offered by the District. During 2013, the District generated approximately \$24.3 million of operating revenue. Significant items and revenue sources are as follows:

In total, tuition and fee income decreased by 8% in 2013, which reflects an increase in tuition rates of 4.5% coupled with a decline in student enrollment full time equivalent (FTE).

Contract revenues were approximately \$725,000 for the year and represent revenue from instructional and technical assistance contracts with business and industry as well as local school districts.

Auxiliary enterprise revenues are revenues generated by the bookstore, program retail and services sales, food service, and other similar activities of the District. Revenues of \$2,891,876, an increase of 8% in 2013, were generated by these activities this year and are included in tuition and fees.

State and federal grant revenue decreased 1.6% or \$251,186 in 2013, which reflects a decrease in grant funding provided by state, local and federal governments.

Operating expenses are costs related to offering the programs of the District. For 2013, operating expenses totaled approximately \$61.4 million. Approximately 63.2% of this figure represents personnel-related costs. Another major expense was depreciation (4.4%). Expenses such as travel, rentals, insurance, utilities, and other expenses account for the remaining 32.4% of total operating expenses.

Fluctuations in major operating expense categories occur on a year-to-year basis based on enrollment changes as well as college initiatives and priorities. In 2013, physical plant expenses increased 73.9% primarily due to major facility improvements in 2013 which included renovation projects at the Superior and Ashland Campus locations and paving projects at the New Richmond and Rice Lake Campus locations. Instructional resources expenses increased 17.3% as a result of normalized spending on instructional technology equipment. The 15.8% decrease in Student Aid reflects decreased financial aid to students via state and federal programs as a result of decreased eligibility for students, as well as, a decline in student enrollments.

Nonoperating revenues and expenses are items not directly related to providing instruction. Net nonoperating revenues and expenses for the year ended June 30, 2013, increased .5%. The most significant components of net nonoperating revenues include the following:

Property taxes levied by the District for 2013 were approximately \$161,000 more than in the prior year. The increase was levied primarily to cover increases in operating expenditures related to debt repayment.

State non-operating appropriations increased by approximately 4.8% as compared to the previous year. The amount of the increase was primarily due to an increase in state appropriations provided by the State of Wisconsin.

Investment income decreased by approximately 37.3%, reflecting decreasing interest rates.

Net position for 2013 increased \$1,991,007 as a result of the above activity.

Statements of Cash Flows

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

The following schedule shows the major components of the statements of cash flows:

	2013	2012	<u>Increase / (Decrease)</u> 2013-2012		2011	<u>Increase / (Decrease)</u> 2012 - 2011	
Net cash used in operating activities	\$ (34,654,370)	\$ (35,547,645)	\$ 893,275	2.5%	\$ (34,951,559)	\$ (596,086)	-1.7%
Net cash provided by non- capital financing activities	39,194,500	39,085,706	108,794	0.3%	39,181,919	\$ (96,213)	-0.2%
Net cash used in capital and related financing activities	(3,190,630)	(3,952,488)	761,858	19.3%	(1,698,835)	\$ (2,253,653)	-132.7%
Net cash provided by investing activities	28,758	45,896	(17,138)	-37.3%	59,721	\$ (13,825)	-23.1%
Net increase / (decrease) in cash and investments	\$ 1,378,258	\$ (368,531)	\$ 1,746,789	474.0%	\$ 2,591,246	\$ (2,959,777)	-114.2%

Specific items of interest related to the statements of cash flows include the following:

The largest component of cash used in operating activities was payments to employees for salaries/wages and benefits. Approximately \$39.6 million was paid in 2013.

Another significant component of operating cash flows was payments to suppliers. This cash outflow of approximately \$19.7 million represents the costs of goods and services purchased from outside vendors.

The largest cash inflows from operating activities included approximately \$7.3 million in tuition and fees and approximately \$15.5 million in state and federal grants.

Property taxes received of approximately \$37.6 million are categorized as cash flows from non-capital financing activities. The other major item in this category is state appropriations, which accounted for approximately \$2.2 million of positive cash flow.

The net 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). Net cash used in this category was approximately \$3.2 million as compared to approximately \$4.0 million in 2012. The decrease in net cash outlay between 2013 and 2012 primarily represents a lower level of cash outflows for purchases of capital assets.

Investment income is interest received on the District's investments.

Overall, the District's cash increased by \$1,378,258 for the current fiscal period.

Statements of Net Position

The statements of net position include all assets (items that the District owns and amounts owed to the District by others) and liabilities (amounts owed to others by the District and what has been collected from others for which a service has not yet been performed). These statements are 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 the District—regardless of when cash is exchanged.

The following is a condensed version of the statements of net position as of June 30, 2013, 2012, and 2011:

	2013	2012	<u>Increase / (Decrease)</u>		2011	<u>Increase / (Decrease)</u>	
			2013 - 2012			2012 - 2011	
Assets:							
Cash and investments	\$ 12,407,487	\$ 11,029,229	\$ 1,378,258	12.5%	\$ 11,397,760	\$ (368,531)	-3.2%
Net capital assets	28,819,448	27,094,458	1,724,990	6.4%	23,909,107	3,185,351	13.3%
Other assets	16,316,486	17,055,610	(739,124)	-4.3%	16,883,271	172,339	1.0%
Total assets	57,543,421	55,179,297	2,364,124	4.3%	52,190,138	2,989,159	5.7%
Liabilities:							
Current liabilities	9,026,954	9,261,568	(234,614)	-2.5%	8,945,821	315,747	3.5%
Noncurrent liabilities	18,106,581	17,498,850	607,731	3.5%	15,984,966	1,513,884	9.5%
Total liabilities	27,133,535	26,760,418	373,117	1.4%	24,930,787	1,829,631	7.3%
Net Position:							
Net investment in capital assets	9,225,405	8,725,313	500,092	5.7%	7,724,214	1,001,099	13.0%
Restricted for debt service	5,707,070	5,634,749	72,321	1.3%	5,367,049	267,700	5.0%
Unrestricted	15,477,411	14,058,817	1,418,594	10.1%	14,168,088	(109,271)	-0.8%
Total net position	\$ 30,409,886	\$ 28,418,879	\$ 1,991,007	7.0%	\$ 27,259,351	\$ 1,159,528	4.3%

Specific items of interest related to the statement of net position include the following:

Cash and investments increased by \$1,378,258 in 2013. This is primarily the result of unspent debt proceeds received on capital projects in progress at June 30, 2013.

The largest component of the District's assets is net capital assets, which represents the District's investment in its physical plant and in equipment. The net capital asset balance increased by 6.4%.

The other assets category is made up of various receivable balances, including property taxes receivable of approximately \$14.3 million.

Current liabilities include accounts payable, various types of accruals, and the portion of the long-term obligations due within the next fiscal year. At year-end, the current portion of the District's long-term obligations was approximately \$5.8 million.

Long-term liabilities of approximately \$18.1 million represent the portion of long-term obligations due after fiscal year 2013-14.

Capital Assets and Debt Administration

The District's net capital assets as of June 30, 2013, amounts to approximately \$28.8 million. This includes land and land improvements, buildings and improvements, and movable equipment. The most significant building projects in fiscal year 2013 were remodeling initiatives at the Superior and Ashland Campuses. There were also site improvement projects consisting of paving improvements at the New Richmond and Rice Lake Campuses.

At the end of the 2013 fiscal year, the District had total general obligation debt outstanding of approximately \$23.3 million. The District's Moody's Investor Services bond rating was maintained at Aaa. The District has continued to meet all of its debt service requirements. All general obligation debt for equipment is repaid in three years, while debt related to building and remodeling is repaid in five to eight years. The debt is secured by the taxing authority of the District. The current debt structure adequately replaces and expands the equipment and facility needs of the District.

Financial Position

WITC's financial position improved, as net position grew by \$1,991,007. The growth occurred as operating expense decreases substantially outpaced overall revenue decreases.

The District has a diverse source of revenue streams, which include state aid and grants, federal grants, tuition, and property taxes. By far, property taxes remain the most significant and stable source of revenue for WITC. While WITC's statutory taxing authority remains significantly below allowable levels, it is noteworthy that the District's equalized valuation experienced an increase for levy year 2014.

Economic Factors

While commercial and residential development has stagnated and the economy has stalled, WITC remains on solid financial footing. Current statutory limits on WITC's tax levy are well above the District's actual tax levy. However, these limits are ultimately under the control of the legislature. Wisconsin's Biennium Budget Bill for 2012-2013 provided for a tax levy freeze for Wisconsin Technical Colleges that will affect future years for WITC. Unless approved by referendum, the District's tax levy in 2012 and 2013, excluding taxes levied for the purpose of paying principal and interest on valid bonds and notes, may not exceed the greater of: (i) the tax levy in 2010 and (ii) the amount generated using the mill rate used for the tax levy in 2010.

In addition, it is important to note that one of the District's other major sources of revenue – tuition and fees, has historically been positively affected by economic downturns. As markets adjust and workers need to develop new skills, enrollments at technical colleges typically rise. Likewise, when the economy rebounds or is expanding the enrollment typically declines. Information related to 2013-2014 enrollments suggests modest decreases in students returning to school from the workplace. In addition, like most organizations, WITC has identified several areas of concern that could impact future decisions as follows:

State funding for the Technical College System remains stagnant despite a slight increase provided in the current state budget. As a result, students, through tuition and fees, and property taxpayers are required to contribute a larger share of District revenues.

Equalized values of property within the District are showing modest increases while the state average is still a decline. It appears this trend will continue at least in the short term. The stable tax levy with modest increases in valuations will result in a decrease in the mill rate.

Increasing financial pressure will require the District to evaluate its allocation of existing resources. The ability to meet new program needs will be constrained by resource availability.

Personnel and health insurance cost will continue to rise at a faster rate than new revenues.

The impact of technology and resulting productivity of employers in the market require continuous improvement of WITC's existing programs, as well as the development of new programs in response to evolving occupations and advancing technology.

The need to remain current with expanding technology is great. Technology-related expenses are a key requirement in providing a high quality education.

The District has benefit plans in place with its various employee groups that provide for benefits after retirement. The other postemployment employee benefits (OPEB) under these agreements will reduce amounts available for current expenditures.

Economic Factors (continued)

With these challenges in mind, the long-term financial planning established by the District in conjunction with the District board will allow WITC to effectively meet the financial needs of operations in the future. The low mill rate currently in place allows flexibility to address the needs of stakeholders of the college. The District has established and partially funded a trust, which will help minimize the effects to its operations of benefits provided to future retirees. The overall current financial position is strong, and the District is committed to remaining financially stable in the future.

Requests for Information

This financial report is designed to provide a general overview of the District's financial picture for those interested parties. Questions concerning any information contained in this report or for any additional information should be addressed to the Vice President of Finance and Business Services, 505 Pine Ridge Drive, Shell Lake, WI 54871.

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Basic Financial Statements

Wisconsin Indianhead Technical College District

Statements of Net Position

June 30, 2013 and 2012

<i>Assets</i>	2013	2012
Current assets:		
Cash and investments	\$ 8,403,752	\$ 7,295,873
Receivables:		
Local taxes	14,271,922	14,498,353
Accounts receivable	1,498,564	1,888,320
Inventories	546,000	668,937
Total current assets	24,720,238	24,351,483
Noncurrent assets:		
Restricted cash and investments	4,003,735	3,733,356
Capital assets, not being depreciated	1,296,102	2,577,959
Capital assets, being depreciated	65,951,461	61,975,168
Accumulated depreciation	(38,428,115)	(37,458,669)
Total noncurrent assets	32,823,183	30,827,814
TOTAL ASSETS	\$ 57,543,421	\$ 55,179,297

<i>Liabilities and Net Position</i>	2013	2012
Liabilities:		
Current liabilities:		
Accounts payable	\$ 496,260	\$ 572,907
Accrued liabilities:		
Payroll, payroll taxes, and insurance	1,527,128	1,477,783
Accrued interest	104,066	132,105
Accrued vacation	363,121	366,100
Deferred revenue	391,586	403,617
Due to student and other organizations	377,152	254,739
Current portion of long-term obligations	5,767,641	6,054,317
Total current liabilities	9,026,954	9,261,568
Noncurrent liabilities:		
General obligation debt	17,973,256	16,560,943
Net pension obligation	271,404	307,292
Sick leave	570,150	598,540
Net OPEB obligation (asset)	(708,229)	32,075
Total noncurrent liabilities	18,106,581	17,498,850
Total liabilities	27,133,535	26,760,418
Net position:		
Net investment in capital assets	9,225,405	8,725,313
Restricted for:		
Debt service	5,707,070	5,634,749
Unrestricted	15,477,411	14,058,817
Total net position	30,409,886	28,418,879
TOTAL LIABILITIES AND NET POSITION	\$ 57,543,421	\$ 55,179,297

Wisconsin Indianhead Technical College District

Statements of Revenues, Expenses, and Change in Net Position

Years Ended June 30, 2013 and 2012

	2013	2012
Operating revenue:		
Student program fees (tuition): Net of scholarship allowance of \$4,869,294 and \$3,877,594, respectively	\$ 3,755,295	\$ 4,392,451
Student material fees: Net of scholarship allowance of \$322,065 and \$263,434, respectively	246,710	297,294
Other student fees: Net of scholarship allowance of \$561,787 and \$478,399, respectively	461,814	587,157
Federal grants	14,442,580	14,671,518
State grants	856,809	879,057
Business and industry contract revenue	725,453	761,383
Auxiliary enterprise revenue	2,891,876	2,683,844
Miscellaneous	885,049	500,988
Total operating revenue	24,265,586	24,773,692
Operating expenses:		
Instruction	28,198,774	30,589,535
Instructional resources	1,745,709	1,488,423
Student services	5,007,090	5,480,730
General institutional	8,872,951	8,055,093
Physical plant	4,073,752	2,342,686
Auxiliary enterprise services	3,041,075	2,744,810
Depreciation	2,680,602	2,604,802
Student aid	7,753,102	9,212,074
Total operating expenses	61,373,055	62,518,153
Operating loss	(37,107,469)	(37,744,461)

	2013	2012
Nonoperating revenues (expenses):		
Property taxes	\$ 37,352,350	\$ 37,191,617
State nonoperating appropriations	2,178,939	2,078,508
Other nonoperating revenues	-	61,654
Investment income earned	28,758	45,896
Interest expense	(439,162)	(497,396)
Gain (loss) on disposal of capital assets	(22,409)	23,710
Total nonoperating revenues (expenses)	39,098,476	38,903,989
Change in net position	1,991,007	1,159,528
Net position - Beginning of year	28,418,879	27,259,351
Net position - End of year	\$ 30,409,886	\$ 28,418,879

Wisconsin Indianhead Technical College District

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Increase (decrease) in cash and investments:		
Cash flows from operating activities:		
Tuition and fees received	\$ 7,288,131	\$ 7,934,463
Federal and state grants received	15,538,432	15,339,241
Business, industry, and school district contract revenues	838,011	588,343
Payments to employees	(39,633,827)	(38,644,689)
Payments for materials and services	(19,663,854)	(21,068,460)
Other receipts	978,737	303,457
Net cash used in operating activities	(34,654,370)	(35,547,645)
Cash flows from noncapital financing activities:		
Local property taxes	37,578,781	37,515,420
State appropriations	2,178,939	2,078,508
Other nonoperating revenues	-	61,654
Principal paid on noncapital debt	(540,000)	(525,000)
Interest and fiscal charges paid on noncapital debt	(23,220)	(44,876)
Net cash provided by noncapital financing activities	39,194,500	39,085,706
Cash flows from capital and related financing activities:		
Purchases of capital assets	(4,434,378)	(5,790,152)
Proceeds from the sale of capital assets	6,377	23,710
Proceeds from issuance of capital debt	7,098,286	7,056,812
Principal paid on capital debt	(5,340,000)	(4,740,000)
Interest and fiscal charges paid on capital debt	(520,915)	(502,858)
Net cash used in capital and related financing activities	(3,190,630)	(3,952,488)
Cash flows from investing activities:		
Investment income received	28,758	45,896
Net increase (decrease) in cash and investments	1,378,258	(368,531)
Cash and investments - Beginning of year	11,029,229	11,397,760
Cash and investments - End of year	\$ 12,407,487	\$ 11,029,229

	2013	2012
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (37,107,469)	\$ (37,744,461)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,680,602	2,604,802
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Accounts receivable	389,756	(686,768)
Inventories	122,937	155,617
Prepaid expenses	-	35,009
Increase (decrease) in liabilities:		
Accounts payable	(76,647)	(422,917)
Accrued payroll, payroll taxes, and insurance	49,345	(109,598)
Accrued vacation	(2,979)	62,634
Deferred program and material fees	(12,031)	78,580
Net pension obligation	(54,015)	(96,660)
Sick leave	(25,978)	425,704
Net OPEB obligation (asset)	(740,304)	56,029
Due to student and other organizations	122,413	94,384
Net cash used in operating activities	\$ (34,654,370)	\$ (35,547,645)

Wisconsin Indianhead Technical College District

Fiduciary Funds - WITC Postemployment Benefits Trust

Statements of Net Position

Years Ended June 30, 2013 and 2012

	2013	2012
Assets:		
Cash and investments	\$ 4,206,735	\$ 2,741,133
Total Assets	\$ 4,206,735	\$ 2,741,133
Net position:		
Restricted for other postemployment benefits	\$ 4,206,735	\$ 2,741,133

Wisconsin Indianhead Technical College District

Fiduciary Funds - WITC Postemployment Benefits Trust

Statements of Changes in Net Position

Years Ended June 30, 2013 and 2012

	2013	2012
Additions:		
Employer contributions	\$ 2,000,000	\$ 1,200,000
Interest	11,169	26,635
Total additions	2,011,169	1,226,635
Deductions:		
Benefits paid	545,567	798,753
Change in net position	1,465,602	427,882
Net position - Beginning of year	2,741,133	2,313,251
Net position - End of year	\$ 4,206,735	\$ 2,741,133

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

Introduction

The financial statements of the Wisconsin Indianhead Technical College District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States 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 the District are described below.

Reporting Entity

The Wisconsin Indianhead Technical College District was organized in 1972 under state legislation enacted in 1911 establishing vocational, technical, and adult education. The District is fully accredited by the Higher Learning Commission of the North Central Association. The geographic area of the District is comprised of all or part of 11 counties.

The District, governed by a nine-member board appointed by board chairpersons of counties within the service area, operates a public community college offering one- and two-year degrees and a comprehensive adult education program.

As the District'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 the District which includes, but is not limited to, the authority to execute contracts, to exercise control over facilities and properties, to determine the outcome or disposition of matters affecting the recipients of the services provided, and to approve the hiring or retention of key management personnel who implement Board policy and directives.

The accompanying financial statements present the activities of the Wisconsin Indianhead 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 are included in the District's reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

The Wisconsin Indianhead Technical College Foundation, Inc. (the "Foundation"), is a not-for-profit organization whose purpose is to solicit, hold, manage, invest, and expend endowment funds and other gifts, grants, and bequests exclusively for the benefit of the District and its students. The Foundation is managed by an independent board of directors, and is not financially accountable to the District. The financial resources of the Foundation are not significant to the District as a whole and, accordingly, financial information related to the Foundation is not included in these financial statements.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

New Accounting Pronouncements

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. The District adopted this guidance as of July 1, 2012.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Statement No. 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. GASB Concepts Statement No. 4 (CON 4), *Elements of Financial Statements*, specifies that recognition of deferred outflows and deferred inflows should be limited to those instances specifically identified in authoritative GASB pronouncements. Consequently, guidance was needed to determine which balances being reported as assets and liabilities should actually be reported as deferred outflows of resources or deferred inflows of resources, according to the definitions in CON 4. Based on those definitions, Statement No. 65 reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources.

In addition, Statement No. 65 recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The requirements of Statement No. 65 are effective for periods beginning after December 15, 2012. The District does not anticipate the implementation of Statement No. 65 will result in any changes to previously reported net position.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which will be effective for years beginning after June 15, 2014. Statement No. 68 establishes new requirements for governments to report a "net pension liability" for the unfunded portion of its pension plan. Governments that maintain their own pension plans (either single-employer or agent multiple-employer) will report a liability for the difference between the total pension liability and the amount held in a pension trust fund. Governments that participate in a cost sharing plan will report a liability for their "proportionate share" of the net pension liability of the entire system. Statement No. 68 also requires more extensive note disclosures and required supplementary information, including 10 years of historical information. The methods used to determine the discount rate (the assumed rate of return on plan assets held in trust) are mandated and must be disclosed, along with what the impact would be on the net pension liability if that rate changed by 1% in either direction. Other new disclosure requirements include details of the changes in the components of the net pension liability, comparisons of actual employer contributions to actuarially determined contributions, and ratios to put the net pension liability in context. For single-employer and agent multiple-employer plans, the information for these statements will come from the annual actuarial valuation. For cost sharing plans, this information will be derived from the financial reports of the plan itself, multiplied by the government's proportionate share of plan. Statement No. 68 is only applicable to pension plans. However, the GASB intends to issue a similar standard for other postemployment benefits effective two years later than this standard.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The District's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, assets, and liabilities resulting from exchange and exchange-type transactions are recognized when the exchange takes place. Non-exchange transactions, in which the District 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 non-operating revenues are property taxes, state appropriations, investment income, and revenues for capital construction projects. Interest on debt is a non-operating expense.

Use of Estimates

The preparation of the accompanying financial statements in conformity 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. Actual results may differ from these estimates.

Cash, Cash Equivalents, and Investments

The District'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 the District 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 which matures in less than seven years, and the local government pooled investment fund administered by the State investment board.

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

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Receivables

All accounts receivable are shown at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

The District considers student accounts to be past due when a student has an account balance after the payment due date for the class. Contract receivables are considered past due 30 days after the date of billing. Past due accounts are subject to past due letter collection efforts and are subsequently placed with third-party collection agencies and the State of Wisconsin Tax Refund Interception Program (TRIP). If an account balance still exists after three years, the account is written off.

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 the District for which benefits extend beyond June 30.

Capital Assets

Capital assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of a unit cost of \$5,000 or more for capitalizing capital assets.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed by the District, no salvage value is taken into consideration for depreciation purposes. Useful lives vary from 3 to 7 years for equipment, 15 years for site improvements, 20 years for remodeling, and 40 years for buildings.

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

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

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets (Continued)

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, 2013 and 2012.

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

Vacation - District employees are granted vacation in varying amounts, based on length of service and staff classifications. Vacation earned is forfeited if not taken by August 15 of the next fiscal year. Liabilities for vacation- and salary-related payments, including social security taxes, are recorded when incurred.

Sick Leave - The District's policy allows employees to earn varying amounts of sick pay based on the length of service and staff classification. The accumulated sick leave does not vest unless criteria are met for payment upon retirement as described in Note 9. Amounts have been recorded consistent with the compensated absences reporting standards of GASB Statement No. 16, *Accounting for Compensated Absences*.

Retirement Plans - District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenses when paid.

Postemployment Benefits Other Than Pension Benefits – See Note 8 for the details of these benefits.

Net Position

Net position is classified according to restrictions or availability of assets for District 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, or imposed by law through constitutional provisions or enabling legislation.

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

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

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 the District 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.

The aggregate District 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, the District 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 the District for any remaining balance.

Under Section 38.16 of the Wisconsin Statutes, the District Board may levy a tax not to exceed a rate of \$1.50 per \$1,000 of the equalized value of taxable property within the area served by the District for the purposes of making capital improvements, acquiring equipment, and operating and maintaining schools. The mill rate limitation is not applicable to taxes levied for the purpose of paying principal and interest on general obligation notes payable issued by the District. For the years ended June 30, 2013 and 2012, the District levied at the following mill rate:

	2013	2012
Operating purpose	\$ 1.04005	\$ 0.99232
Debt service requirements	0.20174	0.18779
Total	\$ 1.24179	\$ 1.18011

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 expenses are incurred or eligibility requirements are met. Aids received prior to meeting revenue recognition criteria are recorded as deferred revenues.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

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

Financial aid to students is reported in the basic financial statements under the alternative method, as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid (loans, funds provided to students as awarded by third parties, and Federal Direct Lending) 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 basic financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total District basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third-party aid.

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Wisconsin Indianhead Technical College District

Notes to 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, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of June 30, 2013, \$344,331 of the District's bank balance of \$10,927,205 was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

Interest Rate Risk - The District does not have a formal investment policy that limits 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 Investment Pool. The District has no investment policy that would further limit its investment choices.

The District's cash and investments balances at June 30 were as follows:

	Maturity	2013	2012
Certificates of deposit	<1 year	\$ 651,744	\$ -
Wisconsin Local Government Investment Pool	<1 year	6,093,963	6,598,783
<hr/>			
Total investments (considered cash equivalents)		6,745,707	6,598,783
Cash deposits with financial institutions carrying amount		9,859,426	7,162,449
Petty cash		9,089	9,130
Less - Cash and investments held by fiduciary funds		(4,206,735)	(2,741,133)
<hr/>			
Cash and investments reported on statements of net position		\$ 12,407,487	\$ 11,029,229

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 2 Cash and Investments (Continued)

Investments (Continued)

The District has invested funds in the Wisconsin Local Government Investment Pool (LGIP). The LGIP is an investment pool managed by the State of Wisconsin Investment Board, which allows governments within the state to pool their funds for investment purposes. The LGIP is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2(a)7 of the Investment Company Act of 1940. Investments in the LGIP are valued at fair value.

Cash and investments are classified as follows on June 30:

	2013	2012
Restricted for:		
Debt service	\$ 39,800	\$ 162,644
Capital projects	3,963,935	3,570,712
Total restricted	4,003,735	3,733,356
Unrestricted	8,403,752	7,295,873
Total cash and investments	\$ 12,407,487	\$ 11,029,229

Note 3 Accounts Receivable

Accounts receivable consisted of the following on June 30:

	2013	2012
Student tuition and fees	\$ 601,583	\$ 546,050
Intergovernmental	151,175	390,219
Contracted services	638,755	751,313
Other	107,051	200,738
Totals	\$ 1,498,564	\$ 1,888,320

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 4 Capital Assets

Capital asset balances and activity were as follows for the year ended June 30, 2013:

	2013			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 211,276	\$ -	\$ -	\$ 211,276
Construction in progress	2,366,683	1,084,826	2,366,683	1,084,826
Total capital assets not being depreciated	2,577,959	1,084,826	2,366,683	1,296,102
Capital assets being depreciated:				
Site improvements	1,356,512	-	-	1,356,512
Buildings and improvements	44,094,394	4,697,610	-	48,792,004
Equipment	16,524,262	1,018,625	1,739,942	15,802,945
Total capital assets being depreciated	61,975,168	5,716,235	1,739,942	65,951,461
Less accumulated depreciation for:				
Site improvements	748,747	49,484	-	798,231
Buildings and improvements	23,771,366	1,387,111	-	25,158,477
Equipment	12,938,556	1,244,007	1,711,156	12,471,407
Total accumulated depreciation	37,458,669	2,680,602	1,711,156	38,428,115
Net capital assets	27,094,458	<u>\$ 4,120,459</u>	<u>\$ 2,395,469</u>	28,819,448
Less outstanding debt related to capital assets	(21,966,381)			(23,647,733)
Plus capital project funds borrowed but not spent	<u>3,597,236</u>			<u>4,053,690</u>
Net investment in capital assets	<u>\$ 8,725,313</u>			<u>\$ 9,225,405</u>

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 4 Capital Assets (Continued)

Capital asset balances and activity were as follows for the year ended June 30, 2012:

	2012			Ending Balance
	Beginning Balance	Increases	Decreases	
Capital assets not being depreciated:				
Land	\$ 211,276	\$ -	\$ -	\$ 211,276
Construction in progress	1,591,029	2,366,683	1,591,029	2,366,683
Total capital assets not being depreciated	1,802,305	2,366,683	1,591,029	2,577,959
Capital assets being depreciated:				
Site improvements	1,356,512	-	-	1,356,512
Buildings and improvements	40,527,897	3,566,497	-	44,094,394
Equipment	15,360,433	1,448,002	284,173	16,524,262
Total capital assets being depreciated	57,244,842	5,014,499	284,173	61,975,168
Less accumulated depreciation for:				
Site improvements	696,304	52,443	-	748,747
Buildings and improvements	22,455,775	1,315,591	-	23,771,366
Equipment	11,985,961	1,236,768	284,173	12,938,556
Total accumulated depreciation	35,138,040	2,604,802	284,173	37,458,669
Net capital assets	23,909,107	<u>\$ 4,776,380</u>	<u>\$ 1,591,029</u>	27,094,458
Less outstanding debt related to capital assets	(19,697,481)			(21,966,381)
Plus capital project funds borrowed but not spent	3,512,588			<u>3,597,236</u>
Net investment in capital assets	<u>\$ 7,724,214</u>			<u>\$ 8,725,313</u>

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 5 Long-Term Obligations

Long-term liability activity for the years ended June 30, 2013 and 2012, was as follows:

	Balance 7/1/2012	Additions	Reductions	Balance 6/30/2013	Amounts Due Within One Year
General obligation notes	\$ 22,150,000	\$ 7,000,000	\$ 5,880,000	\$ 23,270,000	\$ 5,585,000
Premium on promissory note issuance	356,381	98,286	76,934	377,733	89,477
Net pension obligation	372,439	30,267	84,282	318,424	47,020
Sick leave	642,272	21,074	47,052	616,294	46,144
Net OPEB obligation (asset)	32,075	1,256,281	1,996,585	(708,229)	-
Totals	\$ 23,553,167	\$ 8,405,908	\$ 8,084,853	\$ 23,874,222	\$ 5,767,641

	Balance 7/1/2011	Additions	Reductions	Balance 6/30/2012	Amounts Due Within One Year
General obligation notes	\$ 20,515,000	\$ 6,900,000	\$ 5,265,000	\$ 22,150,000	\$ 5,880,000
Premium on promissory note issuance	247,481	156,812	47,912	356,381	65,438
Net pension obligation	469,099	34,616	131,276	372,439	65,147
Sick leave	216,569	488,035	62,332	642,272	43,732
Net OPEB obligation (asset)	(23,954)	1,253,479	1,197,450	32,075	-
Totals	\$ 21,424,195	\$ 8,832,942	\$ 6,703,970	\$ 23,553,167	\$ 6,054,317

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 5 Long-Term Obligations (Continued)

General Obligation Debt

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt is comprised of the following individual issues at June 30:

	2013	2012
General Obligation Series 2003C, US Bank Corporate Trust Services Issued: August 1, 2003 / Maturity: April 1, 2013 Amount: \$3,860,000 Interest: 3.0% to 4.3% paid semiannually on April 1 and October 1 Annual principal payments: \$75,000 to \$540,000 Purpose: Pay off unfunded WRS pension liability	\$ -	\$ 540,000
General Obligation Series 2005A, US Bank Corporate Trust Services Issued: August 1, 2005 / Maturity: October 1, 2013 Amount: \$6,500,000 Interest: 3.0% to 3.5% paid semiannually on April 1 and October 1 Annual principal payments: \$50,000 to \$900,000 Purpose: Construction, remodeling, and equipment	900,000	950,000
General Obligation Series 2007A, US Bank Corporate Trust Services Issued: August 1, 2007 / Maturity: October 1, 2012 Amount: \$3,400,000 Interest: 4.0% paid semiannually on April 1 and October 1 Annual principal payments: \$400,000 to \$600,000 Purpose: Construction, remodeling, and equipment	-	600,000
General Obligation Series 2008A, US Bank Corporate Trust Services Issued: August 1, 2008 / Maturity: October 1, 2013 Amount: \$4,650,000 Interest: 3.25% paid semiannually on April 1 and October 1 Annual principal payments: \$15,000 to \$3,000,000 Purpose: Construction, remodeling, and equipment	600,000	1,000,000
General Obligation Series 2009A, US Bank Corporate Trust Services Issued: May 1, 2009 / Maturity: October 1, 2014 Amount: \$1,000,000 Interest: 2.5% paid semiannually on April 1 and October 1 Annual principal payments: \$240,000 to \$260,000 Purpose: Remodeling	515,000	760,000

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 5 Long-Term Obligations (Continued)

General Obligation Debt (Continued)

	2013	2012
General Obligation Series 2009B, US Bank Corporate Trust Services Issued: December 1, 2009 / Maturity: October 1, 2014 Amount: \$3,300,000 Interest: 2.0% to 2.5% paid semiannually on April 1 and October 1 Annual principal payments: \$200,000 to \$2,300,000 Purpose: Remodeling and equipment	\$ 800,000	\$ 3,100,000
General Obligation Series 2010A, US Bank Corporate Trust Services Issued: July 1, 2010 / Maturity: October 1, 2018 Amount: \$1,000,000 Interest: 2.25% paid semiannually on April 1 and October 1 Annual principal payments: \$245,000 to \$465,000 Purpose: Construction, remodeling, and equipment	2,255,000	2,500,000
General Obligation Series 2011A, US Bank Corporate Trust Services Issued: April 7, 2011 / Maturity: October 1, 2017 Amount: \$3,350,000 Interest: 1.5% paid semiannually on April 1 and October 1 Annual principal payments: \$600,000 to \$1,275,000 Purpose: Construction, remodeling, and equipment	2,750,000	3,350,000
General Obligation Series 2011B, US Bank Corporate Trust Services Issued: May 5, 2011 / Maturity: October 1, 2020 Amount: \$2,450,000 Interest: 2.25% paid semiannually on April 1 and October 1 Annual principal payments: \$200,000 to \$300,000 Purpose: Construction, remodeling, and equipment	2,250,000	2,450,000
General Obligation Series 2011C, US Bank Corporate Trust Services Issued: December 14, 2011 / Maturity: October 1, 2016 Amount: \$3,900,000 Interest: 1% paid semiannually on April 1 and October 1 Annual principal payments: \$200,000 to \$1,675,000 Purpose: Construction, remodeling, and equipment	3,700,000	3,900,000

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 5 Long-Term Obligations (Continued)

General Obligation Debt (Continued)

	2013	2012
General Obligation Series 2012A, US Bank Corporate Trust Services Issued: May 15, 2012 / Maturity: October 1, 2018 Amount: \$3,000,000 Interest: 1.04% paid semiannually on April 1 and October 1 Annual principal payments: \$200,000 to \$600,000 Purpose: Construction, remodeling, and equipment	\$ 2,500,000	\$ 3,000,000
General Obligation Series 2012B, US Bank Corporate Trust Services Issued: November 15, 2012 / Maturity: October 1, 2017 Amount: \$4,980,000 Interest: 0.5931% paid semiannually on April 1 and October 1 Annual principal payments: \$500,000 to \$1,700,000 Purpose: Construction, remodeling, and equipment	4,980,000	-
General Obligation Series 2013A, US Bank Corporate Trust Services Issued: June 18, 2013 / Maturity: October 1, 2018 Amount: \$2,020,000 Interest: 0.72533% paid semiannually on April 1 and October 1 Annual principal payments: \$300,000 to \$800,000 Purpose: Construction, remodeling, and equipment	2,020,000	-
Total general obligation debt	\$ 23,270,000	\$ 22,150,000

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 5 Long-Term Obligations (Continued)

General Obligation Debt (Continued)

The District 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 the District, as last determined by the Wisconsin Department of Revenue. The legal debt limit and the margin of indebtedness as of June 30, 2013, are calculated as follows:

Legal debt limit (5% of \$30,516,022,667)	\$	1,525,801,133
Less: Long-term debt applicable to debt margin		(23,270,000)
Plus: Restricted net position available for debt service		5,707,070
<hr/>		
Margin of indebtedness	\$	1,508,238,203
<hr/>		

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 in the District. This limit was \$610,320,453 at June 30, 2013. The District had no outstanding bonded indebtedness.

Aggregate cash flow requirements for the retirement of long-term principal and interest on general obligation debt as of June 30, 2013, follows:

Year Ended June 30,	Principal	Interest	Totals
<hr/>			
2014	\$ 5,585,000	\$ 375,985	\$ 5,960,985
2015	5,820,000	275,291	6,095,291
2016	4,180,000	194,589	4,374,589
2017	3,090,000	129,556	3,219,556
2018	2,630,000	73,513	2,703,513
2019 - 2021	1,965,000	36,394	2,001,394
<hr/>			
Totals	\$ 23,270,000	\$ 1,085,328	\$ 24,355,328
<hr/>			

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 6 Employee Retirement Plans

All eligible Wisconsin Indianhead Technical College District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer public employee retirement system (PERS). All permanent employees hired after 7/1/2011 that have never been employed by a WRS employer prior to that date are expected to work over 1200 hours a year (880 hours for teachers and educational support employees) in order to be eligible to participate in the System. Permanent employees hired prior to 7/1/2011 are expected to work over 600 hours a year (440 hours for teachers and educational support employees) in order to be eligible to participate in the System. Covered employees in the general/teacher/educational support personnel category are required by Statute to contribute 5.9% (July to December 2012) and 6.65% (January to June 2013) of their salary to the plan. If provided for by an existing collective bargaining agreement, employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for the District employees covered by the WRS for the year ended June 30, 2013, was \$25,469,439; the employer's total payroll was \$27,983,134. The total required contribution for the year ended June 30, 2013 was \$3,196,180, of which \$1,598,090 was contributed by the employer and \$1,598,090 by the employee. Total contributions for the years ending June 30, 2012 and 2011, were \$2,946,162 and \$2,868,909, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 are entitled to receive retirement benefits. Employees may retire at age 55 and receive actuarially reduced benefits. The factors influencing the benefit are (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment before becoming eligible for retirement benefits may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefits. 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, up to and including June 30, 2011, are immediately vested. Participants initially beginning employment on or after July 1, 2011, are not eligible for a WRS retirement annuity or lump sum retirement benefit until they have five years of creditable service. If an employee were to leave prior to fulfilling the five year vesting requirement, that employee would remain eligible to take a separation benefit. The separation benefit would include the employee contributions (and investment returns) only.

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

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 7 Pension Benefits

Special Early Retirement Program

The Wisconsin Indianhead Technical College District Board offers a Special Early Retirement Program (stipend) to qualified faculty and management employees. To qualify for this program, employees need to have met qualifying hire dates, be between 55 and 65 years of age, have at least 15 years of full-time service to the college, have not participated in the District's 403(b) match program (see below), and give notice at least six months in advance of their intent to retire. The stipend will be 45% of the base contract salary in the year of retirement and will be paid periodically until the retiree reaches age 65.

Payments under the plan are made on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding all early retirement stipends. The employer makes all contributions.

Membership of the plan consisted of 51 retirees receiving benefits and 15 active plan members at July 1, 2011, the date of the latest actuarial valuation.

The following table shows the components of the District's annual pension cost for fiscal years 2013 and 2012, the amount actually contributed to the plan, and changes in the District's net pension benefit obligation:

	2013	2012
Annual required contribution	\$ 503,715	\$ 503,715
Interest on net pension obligation	16,760	21,109
Adjustment to annual required contribution	(490,208)	(490,208)
Annual pension cost (expense)	30,267	34,616
Contributions made	(84,282)	(131,276)
Decrease in net pension obligation	(54,015)	(96,660)
Net pension obligation - Beginning of year	372,439	469,099
Net pension obligation - End of year	\$ 318,424	\$ 372,439

The annual required contribution for the current year was determined as part of the July 1, 2011, actuarial valuation using the projected unit credit method. The actuarial assumptions included a 4.5% discount rate. Mortality, disability, and retirement rates are from the Wisconsin Retirement System experience for public schools.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 7 Pension Benefits (Continued)

Special Early Retirement Program (Continued)

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The plan's unfunded actuarial accrued liability is being amortized using the level dollar method. The remaining amortization period at July 1, 2011, was one year.

The District's annual pension costs, the percentage of annual pension cost contributed to the plan, and the net pension obligation for fiscal year 2013 and the three previous years are as follows:

Fiscal Year Ended	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
6/30/2010	\$ 40,285	402.40%	\$ 613,873
6/30/2011	\$ 34,803	515.98%	\$ 469,099
6/30/2012	\$ 34,616	379.24%	\$ 372,439
6/30/2013	\$ 30,267	278.46%	\$ 318,424

403(b) Match Program

Faculty, management, office and technical support employees may be eligible to participate in the District's 403(b) match program. Faculty hired prior to January 1, 2008, have the choice to participate in the match by electing a match amount varying from \$0 to \$1,400 per year based upon years of service with a \$9,500 lifetime maximum or 2.0% of base salary without a lifetime maximum. Faculty had until July 1, 2011, to make their choice. Faculty hired on January 1, 2008, or after are eligible for a contribution match up to 2.0% of their base salary with no lifetime maximum, beginning in the third year of employment.

Management employees can elect to participate in the 403(b) match program beginning with the third full year of employment. The match is a dollar-for-dollar match up to 2.0% of their annual base salary. Management employees hired prior to July 1, 1993, may elect to participate in the match program, but will forfeit their eligibility for the Special Early Retirement Program. Management employees hired after July 1, 1993, are not eligible for the Special Early Retirement Program.

Office and technical support employees hired after January 1, 2009, who are eligible for benefits, can elect to participate in the 403(b) match program beginning with the third full year of employment. The match will be a dollar-for-dollar match up to 2.0% of their annualized salary. Eligible employees will elect participation each year.

The District's contributions for this program for the years ending June 30, 2013 and 2012, were \$289,535 and \$288,771, respectively.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 8 Postemployment Benefits Other Than Pension Benefits

In addition to the pension benefits described in Notes 6 and 7, the District provides postemployment health insurance benefits to all eligible staff members based upon the years of service with the District and accumulated sick leave at retirement.

Retiree Health Insurance

District employees are eligible for retiree health insurance benefits if certain criteria are met. A description of retiree health insurance benefits and eligibility requirements by employee classification is provided below:

Custodians hired prior to 1/1/2008: One day of sick leave (8 hrs) equals one month of single medical insurance premium provided employee has 15 years of continuous full-time service, is at least age 57 1/2 and gives 6 months' notice. Sick leave cannot accrue beyond 960 hours. The benefit expires when one of the following occurs: (1) the balance of sick leave hours is exhausted, or (2) the employee reaches age 65.

Faculty hired prior to 1/1/2008: One day of sick leave (7 hrs) equals one month of single medical insurance provided employee has 15 years of continuous full-time service, is at least age 55, and gives notice by January 15 of the calendar year retiring. The benefit expires when one of the following occurs: (1) the balance of sick leave hours is exhausted, or (2) the employee utilizes 120 months of coverage.

Managers hired prior to 7/1/1993: One day of sick leave (7.5 hrs) equals one month of single medical insurance provided employee has 15 years of continuous full-time service, is at least age 55, and gives 6 months' notice. The benefit expires when one of the following occurs: (1) the balance of sick leave hours is exhausted, (2) the employee utilizes 120 months of coverage, or (3) the employee reaches age 65.

Office and Technical Support hired prior to January 1, 2009: One day of sick leave (7.5 hours) equals one month of single medical insurance provided the employee is age 55, gives 6 months' notice, and has 15 continuous years of service. Sick leave cannot accrue beyond 900 hours. The benefit expires when one of the following occurs: (1) the balance of sick leave hours is exhausted, or (2) the employee reaches age 65. These employees also have the option to receive the termination benefit described in Note 9 on page 45 instead of the benefit described above. However, once the employee chooses the termination benefit, they forfeit their right to the above benefit.

The District administers a single-employer defined benefit health care plan. The plan provides funds for medical benefits to eligible retirees and their spouses through the District's group medical insurance plan, which covers both active and retired members. Benefit provisions are established through district policy administered through an employee handbook. The eligibility requirements are based on the retiree's position, years of service, and age at retirement. If eligible, the retiree may receive funds for medical benefits up to 10 years or until they are eligible for Medicare. The plan does not issue a standalone report.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 8 Postemployment Benefits Other Than Pension Benefits (Continued)

Retiree Health Insurance (Continued)

Membership of the plan consisted of 94 retirees receiving benefits and 369 active plan members at July 1, 2011, the date of the latest actuarial valuation.

The contribution requirements of plan members are based on district policy as administered through the employee handbook in effect on the date of retirement. The District's contribution is established annually based on an amount to pay current premiums and an additional amount to pre-fund benefits. For fiscal year 2013, the District contributed \$2,000,000 to the plan, including \$545,567 for current benefits.

Postemployment Benefits

The District's annual other postemployment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or fund excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for fiscal years 2013 and 2012, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

	2013	2012
Annual required contribution	\$ 1,254,677	\$ 1,254,677
Interest on net OPEB obligation	1,604	(1,198)
Adjustment to annual required contribution	3,415	2,550
Annual OPEB cost (expense)	1,259,696	1,256,029
Contributions made	(2,000,000)	(1,200,000)
Increase (decrease) in net OPEB obligation	(740,304)	56,029
Net OPEB (asset) obligation - Beginning of year	32,075	(23,954)
Net OPEB (asset) obligation - End of year	\$ (708,229)	\$ 32,075

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 8 Postemployment Benefits Other Than Pension Benefits (Continued)

Postemployment Benefits (Continued)

The District's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the previous four years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2009	\$ 972,083	89.11%	\$ 105,817
6/30/2010	\$ 1,072,226	97.96%	\$ 127,702
6/30/2011	\$ 1,073,320	114.13%	\$ (23,954)
6/30/2012	\$ 1,256,029	95.54%	\$ 32,075
6/30/2013	\$ 1,259,696	158.77%	\$ (708,229)

The funded status as of July 1, 2011, the most recent actuarial valuation date, was 25.1% funded. The actuarial accrued liability for benefits was \$9,234,456, and the actuarial value of assets was \$2,313,251, resulting in an unfunded actuarial accrued liability (UAAL) of \$6,921,205. The covered payroll (annual payroll of active employees covered by the plan) was \$22,560,073, and the ratio of the UAAL to the covered payroll was 30.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care costs trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

In the July 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 5 percent rate of return (net of administrative expenses), based on the plan being funded in an irrevocable employee benefit trust invested in a long-term fixed income portfolio, and an annual health care cost trend rate of 10 percent initially, reduced by decrements to a rate of 5 percent after five years. The actuarial value of the plan assets was determined to be the market value of the plan assets as of the date of the actuarial valuation. The plan's unfunded actuarial liability is being amortized using the open level dollar of projected payroll amortization method. The remaining amortization period at July 1, 2011, was 13 years.

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Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 9 Sick Leave

In addition to the other benefits described in Notes 6, 7, and 8, the District makes termination payments to eligible staff members when they retire.

Following are the eligible employee groups and the respective requirements:

Custodians hired on or after 1/1/2008: The employee's hourly rate at time of retirement multiplied by 1.5 times available sick leave hours, which accrue to a maximum of 960 hours, creates a cash pool of dollars to be utilized for medical insurance premiums until the pool exhausts, the employee has 120 months of coverage, or the employee reaches age 70, whichever occurs first. Retiree can choose single, single plus one, or family coverage, and the appropriate premium will be deducted from the pool. Employees must be age 57 1/2, give 6 months' notice, and have 15 continuous years of service.

Faculty hired on or after 1/1/2008: Faculty with 10-14 years of service receive a cash pool of dollars to pay for medical insurance. The pool amount is based on the hourly rate at time of retirement times sick leave hours available to a maximum of 840 hours. A proration factor based on years of service is also included as follows:

- 10 years – 50% of sick leave or maximum of 420 hours, maximum 60 months of coverage
- 11 years – 60% of sick leave or maximum of 504 hours, maximum 72 months of coverage
- 12 years – 70% of sick leave or maximum of 588 hours, maximum 84 months of coverage
- 13 years – 80% of sick leave or maximum of 672 hours, maximum 96 months of coverage
- 14 years – 90% of sick leave or maximum of 756 hours, maximum 108 months of coverage
- 15 years – 100% of sick leave or maximum of 840 hours, maximum 120 months of coverage

The employee must be age 55, have 15 years of continuous service, and must give notice by January 15 of the calendar year retiring. Retiree can choose single, single plus one, or family coverage, and the appropriate premium will be deducted from the pool. The benefit expires when one of the following occurs: (1) the balance of sick leave hours is exhausted, or (2) the employee reaches age 70.

Managers hired between July 1, 1993, and June 30, 2003: The employee's hourly rate times available sick leave hours accumulated to maximum of 900 hours creates a cash pool to be utilized for medical insurance premiums until the pool exhausts or the employee reaches age 65. If the pool is exhausted prior to age 65, employees receive an additional 36 months if the accumulated sick leave balance was at least 36 days at the time of retirement. Employee must be at least 55 years of age, have 15 years of continuous full time service, and provide 6 months' notice. Retiree can choose single, single plus one, or family coverage, and the appropriate premium will be deducted from the pool.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 9 Sick Leave (Continued)

Managers hired on or after 7/1/2003: The employee's hourly rate times available sick leave hours to maximum of 900 hours creates a cash pool to be utilized for medical insurance premiums until pool exhausts or the employee reaches age 65. The employee must have 15 years continuous full-time service, be at least age 55, and give 6 months' notice. Retiree can choose single, single plus one, or family coverage, and the appropriate premium will be deducted from the pool. The benefit expires when one of the following occurs: (1) the balance of sick leave hours is exhausted, (2) the employee utilizes 10 years of coverage, or (3) the employee reaches age 65.

Office and technical support employees hired after January 1, 2009: The employee's hourly rate at the time they retire multiplied by 1.5 times available sick leave hours, which accrue to a maximum of 900 hours, creates a cash pool of dollars to be utilized for medical insurance premiums until the pool exhausts, the employee reaches Medicare age plus 5 years, or the retiree has had coverage for 120 months, whichever occurs first. The retiree can purchase employee, single plus one, or family medical insurance under the retiree medical plan and the appropriate premium will be deducted from the pool. Employees must be currently employed by the District, have at least 15 years of benefit eligible service with the District, be eligible to receive Wisconsin Retirement System benefits, and give 6 months' notice.

The liability for these benefits at June 30, 2013, and 2012, is \$616,294 and \$642,272, respectively.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 10 Risk Management

Districts Mutual Insurance Company (DMI)

In July 2004, all 16 WTCS technical colleges created the Districts Mutual Insurance Company (DMI) (the "Company"). Districts Mutual Insurance Company is a fully assessable mutual company authorized under Wisconsin Statute 611 to provide property, casualty, and liability insurance and risk management services to its members. The scope of insurance protection provided by DMI is broad, covering property at \$350,000,000 per occurrence; general liability, auto, and educators' legal liability at \$5,000,000 per occurrence; and workers' compensation at the statutorily required limits.

At this time, settled claims have not approached the coverage limits as identified above. The District's exposure in its layer of insurance is limited to \$2,500 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 above \$250,000 per occurrence.

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

For the year ended June 30, 2013, the District paid premiums of \$284,118. Future premiums will be based on relevant rating exposure bases as well as the historical loss experienced by members. DMI's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company.

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

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 10 Risk Management (Continued)

Supplemental Insurance

In July 1997, eleven of the sixteen WTCS technical colleges formed the WTCS Insurance Trust (the "Trust") to jointly purchase commercial insurance to provide coverage for losses from theft of, damages to, or destruction of assets. This trust grew to include fifteen WTCS technical colleges. In order to achieve additional cost savings, the technical colleges made a decision to form their own insurance company.

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

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

- *Foreign travel liability:* \$2,000,000 aggregate general; \$1,000,000 auto per accident; \$1,000,000 employee benefits; include benefits for accidental death and dismemberment, repatriation, and medical expense; \$1,000 deductible for employee benefits.
- *Crime:* \$750,000 coverage for employee dishonesty, forgery, computer fraud and funds transfer fraud; \$500,000 coverage for theft, robbery, burglary, disappearance and destruction of money and securities; \$25,000 coverage for investigation expense; \$2,500 deductible for investigation, \$15,000 deductible for employee dishonesty, forgery, and fraud.

The scope of settled claims has not exceeded the coverage limits in any of the past three fiscal years. There was no significant reduction in the District's insurance coverage in fiscal 2013.

Note 11 Subsequent Events

Subsequent to June 30, 2013, the District issued \$5,825,000 of general obligation promissory notes with interest rates ranging from 1.0% to 1.5%. The proceeds from these general obligation promissory notes will be used for the purchase of equipment and remodeling.

Subsequent events have been evaluated through November 18, 2013, which is the date the financial statements were available to be issued.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 12 Expense Classification

Operating expenses by natural classification were as follows for the years ended June 30:

	2013	2012
Salaries and wages	\$ 27,983,134	\$ 27,950,592
Employee benefits	10,793,790	11,423,882
Travel and meetings	1,024,591	928,327
Instruction supplies	656,584	381,674
Contracted services	913,885	486,087
Rentals	213,224	247,464
Insurance	342,738	373,681
Utilities	1,026,478	765,220
Depreciation	2,680,603	2,604,802
Other	7,985,737	8,071,080
Student aid	7,752,291	9,285,344
Total operating expenses	\$ 61,373,055	\$ 62,518,153

Note 13 Related-Party Transactions

The District is a related party with the Wisconsin Indianhead Technical College Foundation, Inc. The total expenses (including salaries, benefits, office space, and computer usage) paid by the District for the Foundation were approximately \$283,665 and \$300,773 for the fiscal years ended June 30, 2013 and 2012, respectively. At June 30, 2013 and 2012, there were accounts receivable from the Foundation of \$43,335 and \$121,210, respectively.

The District is a member of the Wisconsin Indianhead, Lakeshore, and Mid-State consortium, a nonprofit organization formed under Section 66.0301 and Chapter 38 of the Wisconsin Statutes. The WILM consortium's purpose is to develop, procure, enhance, and manage a customer-focused, state-of-the-art environment for performing administrative business services for consortium members. It will provide the information service needs of each college for the purpose of improving cost, quality, service, and institutional effectiveness for customers, while meeting federal- and state-mandated requirements. The District's share paid to the consortium was \$411,969 and \$855,090 to cover their expenses for the fiscal years ended June 30, 2013 and 2012, respectively.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 14 Operating Leases

Certain equipment used by the District is leased under long-term operating leases. Payments on the leases for the years ended June 30, 2013 and 2012, recorded as an operating expense in the statements of revenues, expenses, and change in net position for totaled \$155,833 and \$122,646, for the fiscal years ended June 30, 2013 and 2012, respectively.

The District has future operating lease obligations as follows:

2014	\$	167,880
2015		113,182
2016		111,424
2017		18,982
		<hr/>
		\$ 411,468

In addition, the District leases land under a long-term operating lease for a payment of one dollar, which expires December 2073.

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 15 Outstanding Contractual Commitments

The District entered into various contracts with construction contractors during the year. The following amount remains unspent as of June 30, 2013:

Construction Contractors	Amount Remaining
Avani Environmental International, Inc.	\$ 17,594
County Materials Corporation	2,428
Duluth Steel Fabricators, Inc.	14,171
Fahrner Asphalt Sealers	37,085
Ferguson Enterprises	8,564
First Supply, LLC	2,500
Graybar Electric Company, Inc.	40,785
Gulfeagle Supply	25,577
Johnson Controls	43,400
MacArthur Company	103,296
Macco's Commercial Interiors, Inc.	29,725
Max Gray Construction, Inc.	207,827
MCI Purchasing	4,454
Midwest Mechanical Solutions	26,200
Monarch Paving Company	153,681
Old Castle Buildingenvelope	18,000
Parsons Electric-Technologies	28,306
Paul's Sheet Metal, Inc.	28,687
Precision Countertops, Inc.	2,318
Sell Hardware, Inc.	7,135
Sheet Metal Connectors, Inc.	2,399
Sherwin Williams Company	3,149
Todd's Redi-Mix Concrete, LLC	2,721
Tubelite, Inc.	14,000
V&S Construction Services, Inc.	743,912
Viking Electric Supply, Inc.	5,945
WL Hall Company	9,354
Wynn O Jones & Associates, Inc.	79,973
Zorn Compressor & Equipment	2,457
Totals	\$ 1,665,643

Wisconsin Indianhead Technical College District

Notes to Financial Statements

Note 16 Self-Funded Insurance

Through December 31, 2011, the District had retained a portion of the risk of loss for its health and dental care programs. As of January 1, 2012, the District has retained a portion of the risk of loss for only its dental care program. A third-party administrator is responsible for the approval, processing, and payment of claims, after which the District is billed for reimbursement. The District has no stop-loss coverage for dental care coverage. The District's aggregate exposure is limited to \$1,000 per individual per year. This amount was \$692,998 as of June 30, 2013.

Changes in the claims liability amount for the years ended June 30, 2013 and 2012, were as follows:

	Claims Payable July 1	Claims and Changes in Estimates	Claim Payments	Claims Payable June 30
Year ended June 30, 2013	\$ 198,895	\$ 309,759	\$ (483,325)	\$ 25,329
Year ended June 30, 2012	\$ 391,560	\$ 4,393,675	\$ (4,586,340)	\$ 198,895

The claims liabilities of \$25,329 and \$198,895 reported above at June 30, 2013 and 2012, respectively, are based upon the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the basic financial statements indicated that it is probable that a liability has been incurred at the date of the basic financial statements and the amount of the loss can be reasonably estimated. In addition, claims, expenses, and liabilities are reduced by amounts expected to be recovered through excess insurance.

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Required Supplementary Information

Wisconsin Indianhead Technical College District

Schedules of Funding Progress and Employer Contributions - OPEB

Year Ended, June 30, 2013

SCHEDULE OF FUNDING PROGRESS - OPEB

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2011	\$ 2,313,251	\$ 9,234,456	\$ 6,921,205	25.1%	\$ 22,560,073	30.7%
7/1/2009	\$ 1,267,474	\$ 11,623,721	\$ 10,356,247	10.9%	\$ 16,554,001	62.6%
3/31/2008	\$ 1,250,000	\$ 6,448,265	\$ 5,198,265	19.4%	\$ 19,524,512	26.6%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - OPEB

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2013	\$ 1,254,677	159.40%
2012	\$ 1,254,677	95.64%
2011	\$ 1,074,163	114.04%
2010	\$ 1,074,163	97.78%
2009	\$ 972,083	89.11%
2008	\$ 972,083	128.60%

See Independent Auditor's Report.

Wisconsin Indianhead Technical College District

Schedule of Funding Progress - Pension

Year Ended, June 30, 2013

SCHEDULE OF FUNDING PROGRESS - PENSION

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Projected Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2011	\$ -	\$ 471,584	\$ 471,584	0.0%	\$ 989,656	47.7%
7/1/2009	\$ -	\$ 735,695	\$ 735,695	0.0%	\$ 1,026,476	71.7%

See Independent Auditor's Report.

See accompanying notes to required supplementary information.

Wisconsin Indianhead Technical College District

Notes to Required Supplementary Information

Note 1 Data in the above schedules of funding progress was taken from the report issued by the actuary for OPEB and pension benefits.

Note 2 The actuarial study for the District's OPEB benefits dated May 14, 2012, was prepared using assumptions that were significantly different from those used in the actuarial study dated August 18, 2010. The following are the assumptions that changed significantly:

	August 18, 2010	May 14, 2012
Remaining amortization period	27 years	13 years
Amortization method	Open level percentage	Open level dollar
Discount rate	5%	5%
Medical trend	12% to 5% after 7 years	10% to 5% after 5 years

Supplementary Financial Information

Wisconsin Indianhead Technical College District

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund Year Ended June 30, 2013

	Original Budget
Revenues:	
Local government	\$ 30,506,175
Intergovernmental:	
State	1,872,500
Federal	25,000
Tuition and fees:	
Statutory program fees	8,350,000
Material fees	567,612
Other student fees	1,134,723
Institutional	470,000
Total revenues	42,926,010
Expenditures:	
Instruction	25,440,570
Instructional resources	1,266,262
Student services	4,871,464
General institutional	8,068,100
Physical plant	3,279,614
Total expenditures	42,926,010
Revenues over expenditures	-
Other financing uses:	
Operating transfer out	-
Total other financing uses	-
Revenues over (under) expenditures and other financing uses	-
Fund balance - Beginning of year	13,771,677
Fund balance - End of year	\$ 13,771,677

Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
\$ 30,506,175	\$ 30,528,536	\$ -	\$ 30,528,536	\$ 22,361
2,107,500	2,178,939	-	2,178,939	71,439
25,000	27,840	-	27,840	2,840
8,600,000	8,548,777	-	8,548,777	(51,223)
617,612	565,433	-	565,433	(52,179)
1,134,723	986,302	-	986,302	(148,421)
470,000	369,581	-	369,581	(100,419)
43,461,010	43,205,408	-	43,205,408	(255,602)
25,315,570	25,002,193	(25,665)	24,976,528	339,042
1,266,262	1,212,013	24,375	1,236,388	29,874
4,871,464	4,614,278	(162)	4,614,116	257,348
8,593,100	8,589,862	(543)	8,589,319	3,781
3,414,614	3,253,846	(14,026)	3,239,820	174,794
43,461,010	42,672,191	(16,020)	42,656,171	804,839
-	533,217	16,020	549,237	549,237
(300,000)	(300,000)	-	(300,000)	-
(300,000)	(300,000)	-	(300,000)	-
(300,000)	233,217	16,020	249,237	549,237
14,257,097	14,348,361	(91,264)	14,257,097	-
\$ 13,957,097	\$ 14,581,578	\$ (75,244)	\$ 14,506,334	\$ 549,237

See Independent Auditor's Report.

See accompanying Notes to the Budgetary Comparison Schedules.

Wisconsin Indianhead Technical College District

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Special Revenue Fund Year Ended June 30, 2013

	Original Budget
Revenues:	
Local government	\$ 756,754
Intergovernmental:	
State	625,000
Federal	700,000
Tuition and fees:	
Statutory program fees	50,000
Material fees	20,000
Other student fees	-
Institutional	610,000
Total revenues	2,761,754
Expenditures:	
Instruction	2,121,754
Instructional resources	15,000
Student services	600,000
General institutional	15,000
Physical plant	10,000
Total expenditures	2,761,754
Revenues over expenditures	-
Fund balance - Beginning of year	448,104
Fund balance - End of year	\$ 448,104

Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
\$ 756,754	\$ 756,754	\$ -	\$ 756,754	\$ -
625,000	662,107	-	662,107	37,107
700,000	637,097	-	637,097	(62,903)
50,000	43,487	-	43,487	(6,513)
20,000	3,342	-	3,342	(16,658)
-	37,299	-	37,299	37,299
671,000	695,308	-	695,308	24,308
2,822,754	2,835,394	-	2,835,394	12,640
2,237,754	2,237,546	-	2,237,546	208
15,000	-	-	-	15,000
545,000	544,259	-	544,259	741
15,000	-	-	-	15,000
10,000	-	-	-	10,000
2,822,754	2,781,805	-	2,781,805	40,949
-	53,589	-	53,589	53,589
520,325	520,325	-	520,325	-
\$ 520,325	\$ 573,914	\$ -	\$ 573,914	\$ 53,589

See Independent Auditor's Report.

See accompanying Notes to the Budgetary Comparison Schedules.

Wisconsin Indianhead Technical College District

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Capital Projects Fund Year Ended June 30, 2013

	Original Budget
Revenues:	
Intergovernmental:	
State	\$ 220,589
Federal	-
Tuition and fees:	
Institutional	50,000
Total revenues	270,589
Expenditures:	
Instruction	2,123,736
Instructional resources	869,821
Student services	125,650
General institutional	435,200
Physical plant	4,055,340
Total expenditures	7,609,747
Revenues over (under) expenditures	(7,339,158)
Other financing sources:	
Operating transfer in	43,420
General obligation promissory notes issued	7,000,000
Total other financing sources	7,043,420
Revenues and other financing sources over (under) expenditures	(295,738)
Fund balance - Beginning of year	455,531
Fund balance - End of year	\$ 159,793

Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
\$ 220,589	\$ 194,702	\$ -	\$ 194,702	\$ (25,887)
-	111,178	-	111,178	111,178
50,000	36,031	-	36,031	(13,969)
270,589	341,911	-	341,911	71,322
1,873,736	1,483,233	35,054	1,518,287	355,449
869,821	676,971	1,460	678,431	191,390
125,650	104,024	-	104,024	21,626
555,200	419,177	133,247	552,424	2,776
4,185,340	4,245,536	(63,579)	4,181,957	3,383
7,609,747	6,928,941	106,182	7,035,123	574,624
(7,339,158)	(6,587,030)	(106,182)	(6,693,212)	645,946
43,420	43,485	-	43,485	65
7,000,000	7,000,000	-	7,000,000	-
7,043,420	7,043,485	-	7,043,485	65
(295,738)	456,455	(106,182)	350,273	646,011
1,095,190	3,597,235	(2,502,045)	1,095,190	-
\$ 799,452	\$ 4,053,690	\$ (2,608,227)	\$ 1,445,463	\$ 646,011

See Independent Auditor's Report.

See accompanying Notes to the Budgetary Comparison Schedules.

Wisconsin Indianhead Technical College District

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Debt Service Fund Year Ended June 30, 2013

	Original Budget
Revenues:	
Local government	\$ 6,067,060
Institutional	125,000
Total revenues	6,192,060
Expenditures:	
Physical plant	6,438,729
Total expenditures	6,438,729
Revenues under expenditures	(246,669)
Other financing sources:	
Operating transfer in	-
Premium on general obligation notes	-
Total other financing sources	-
Revenues and other financing sources over (under) expenditures	(246,669)
Fund balance - Beginning of year	5,570,760
Fund balance - End of year	\$ 5,324,091

Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
\$ 6,067,060	\$ 6,067,060	\$ -	\$ 6,067,060	\$ -
125,000	3,071	-	3,071	(121,929)
6,192,060	6,070,131	-	6,070,131	(121,929)
6,438,729	6,424,135	-	6,424,135	14,594
6,438,729	6,424,135	-	6,424,135	14,594
(246,669)	(354,004)	-	(354,004)	(107,335)
-	300,000	-	300,000	300,000
-	98,286	-	98,286	98,286
-	398,286	-	398,286	398,286
(246,669)	44,282	-	44,282	290,951
5,766,854	5,766,854	-	5,766,854	-
\$ 5,520,185	\$ 5,811,136	\$ -	\$ 5,811,136	\$ 290,951

See Independent Auditor's Report.

See accompanying Notes to the Budgetary Comparison Schedules.

Wisconsin Indianhead Technical College District

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Enterprise Fund Year Ended June 30, 2013

	Original Budget
Revenues:	
Institutional	\$ 3,000,000
Total revenues	3,000,000
Expenditures:	
Auxiliary enterprise services	3,000,000
Total expenditures	3,000,000
Revenues under expenditures	-
Other financing uses:	
Operating transfer out	(43,420)
Total other financing uses	(43,420)
Revenues under expenditures and other financing uses	(43,420)
Fund balance - Beginning of year	278,712
Fund balance - End of year	\$ 235,292

Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
\$ 3,045,000	\$ 2,891,876	\$ -	\$ 2,891,876	\$ (153,124)
3,045,000	2,891,876	-	2,891,876	(153,124)
3,045,000	3,041,076	-	3,041,076	3,924
3,045,000	3,041,076	-	3,041,076	3,924
-	(149,200)	-	(149,200)	(149,200)
(43,420)	(43,485)	-	(43,485)	(65)
(43,420)	(43,485)	-	(43,485)	(65)
(43,420)	(192,685)	-	(192,685)	(149,265)
410,577	410,577	-	410,577	-
\$ 367,157	\$ 217,892	\$ -	\$ 217,892	\$ (149,265)

See Independent Auditor's Report.

See accompanying Notes to the Budgetary Comparison Schedules.

Wisconsin Indianhead Technical College District

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Internal Service Fund Year Ended June 30, 2013

	Original Budget
Revenues:	
Institutional	\$ 450,000
Total revenues	450,000
Expenditures:	
Auxiliary enterprise services	400,000
Total expenditures	400,000
Revenues over expenditures	50,000
Fund balance - Beginning of year	122,705
Fund balance - End of year	\$ 172,705

Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
\$ 450,000	\$ 417,067	\$ -	\$ 417,067	\$ (32,933)
450,000	417,067	-	417,067	(32,933)
400,000	309,759	-	309,759	90,241
400,000	309,759	-	309,759	90,241
50,000	107,308	-	107,308	57,308
48,411	48,411	-	48,411	-
\$ 98,411	\$ 155,719	\$ -	\$ 155,719	\$ 57,308

See Independent Auditor's Report.

See accompanying Notes to the Budgetary Comparison Schedules.

Wisconsin Indianhead Technical College District

Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual-Special Revenue Non-Aidable Fund Year Ended June 30, 2013

	Original Budget
Revenues:	
Intergovernmental:	
Federal	\$ 15,000,000
Tuition and fees:	
Other student fees	400,000
Institutional	400,000
Total revenues	15,800,000
Expenditures:	
Instruction	-
Instructional resources	-
Student services	15,800,000
Total expenditures	15,800,000
Revenues under expenditures	-
Fund balance - Beginning of year	321,779
Fund balance - End of year	\$ 321,779

Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Favorable (Unfavorable)
\$ 15,000,000	\$ 13,666,465	\$ -	\$ 13,666,465	\$ (1,333,535)
400,000	358,498	-	358,498	(41,502)
400,000	500,238	-	500,238	100,238
15,800,000	14,525,201	-	14,525,201	(1,274,799)
400,000	304,898	-	304,898	95,102
-	-	-	-	-
15,400,000	14,272,399	14,877	14,287,276	1,112,724
15,800,000	14,577,297	14,877	14,592,174	1,207,826
-	(52,096)	(14,877)	(66,973)	(66,973)
597,304	605,857	(8,553)	597,304	-
\$ 597,304	\$ 553,761	\$ (23,430)	\$ 530,331	\$ (66,973)

See Independent Auditor's Report.

See accompanying Notes to the Budgetary Comparison Schedules.

Wisconsin Indianhead Technical College District

Schedule to Reconcile Budget (Non-GAAP Budgetary Basis) Financial Statements to Basic Financial Statements

Year Ended June 30, 2013

	General Fund	Special Revenue Fund	Capital Projects Fund	Debt Service Fund
Revenues:				
Local government	\$ 30,528,536	\$ 756,754	\$ -	\$ 6,067,060
Intergovernmental:				
State	2,178,939	662,107	194,702	-
Federal	27,840	637,097	111,178	-
Tuition and fees:				
Statutory program fees	8,548,777	43,487	-	-
Material fees	565,433	3,342	-	-
Other student fees	986,302	37,299	-	-
Institutional	369,581	695,308	36,031	3,071
Auxiliary enterprise revenue	-	-	-	-
Total revenues	43,205,408	2,835,394	341,911	6,070,131
Expenditures:				
Instruction	24,976,528	2,237,546	1,518,287	-
Instructional resources	1,236,388	-	678,431	-
Student services	4,614,116	544,259	104,024	-
General institutional	8,589,319	-	552,424	-
Physical plant	3,239,820	-	4,181,957	6,424,135
Auxiliary enterprise services	-	-	-	-
Depreciation	-	-	-	-
Student aid	-	-	-	-
Interest expense	-	-	-	-
Total expenditures	42,656,171	2,781,805	7,035,123	6,424,135
Revenues over (under) expenditures	549,237	53,589	(6,693,212)	(354,004)
Other financing sources (uses):				
Operating transfer in (out)	(300,000)	-	43,485	300,000
Premium on general obligation notes	-	-	-	98,286
General obligation promissory notes issued	-	-	7,000,000	-
Total other financing sources (uses)	(300,000)	-	7,043,485	398,286
Revenues and other financing sources (uses) over (under) expenditures	249,237	53,589	350,273	44,282
Fund balance - Beginning of year	14,257,097	520,325	1,095,190	5,766,854
Fund balance - End of year	\$ 14,506,334	\$ 573,914	\$ 1,445,463	\$ 5,811,136

Enterprise Fund	Internal Service Fund	Special Revenue Non-Aidable Fund	Totals	Reconciling Items	Statement of Revenue Expenses & Change in Net Position
\$ -	\$ -	\$ -	\$ 37,352,350	\$ -	\$ 37,352,350
-	-	-	3,035,748	-	3,035,748
-	-	13,666,465	14,442,580	-	14,442,580
-	-	-	8,592,264	(4,836,969)	3,755,295
-	-	-	568,775	(322,065)	246,710
-	-	358,498	1,382,099	(920,285)	461,814
2,891,876	417,067	500,238	4,913,172	(3,296,321)	1,616,851
-	-	-	-	2,891,876	2,891,876
2,891,876	417,067	14,525,201	70,286,988	(6,483,764)	63,803,224
-	-	304,898	29,037,259	(838,485)	28,198,774
-	-	-	1,914,819	(169,110)	1,745,709
-	-	14,287,276	19,549,675	(14,542,585)	5,007,090
-	-	-	9,141,743	(268,792)	8,872,951
-	-	-	13,845,912	(9,772,160)	4,073,752
3,041,076	309,759	-	3,350,835	(309,760)	3,041,075
-	-	-	-	2,680,602	2,680,602
-	-	-	-	7,753,102	7,753,102
-	-	-	-	439,162	439,162
3,041,076	309,759	14,592,174	76,840,243	(15,028,026)	61,812,217
(149,200)	107,308	(66,973)	(6,553,255)	8,544,262	1,991,007
(43,485)	-	-	-	-	-
-	-	-	98,286	(98,286)	-
-	-	-	7,000,000	(7,000,000)	-
(43,485)	-	-	7,098,286	(7,098,286)	-
(192,685)	107,308	(66,973)	545,031	1,445,976	1,991,007
410,577	48,411	597,304	22,695,758	5,723,121	28,418,879
\$ 217,892	\$ 155,719	\$ 530,331	\$ 23,240,789	\$ 7,169,097	\$ 30,409,886

See Independent Auditor's Report.

See accompanying Notes to the Budgetary Comparison Schedules.

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Wisconsin Indianhead Technical College District

Notes to Budgetary Comparison Schedules

Year Ended June 30, 2013

Note 1 Budgetary Accounting

The District 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. The District follows the procedures listed below in adopting its annual budget:

Property taxes are levied by the various taxing municipalities located primarily in 11 northwestern Wisconsin counties. The District records as revenue its share of the local tax when levied, since the District'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 the District'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, etc.), 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.

The District has also included the issuance of general obligation promissory notes where the bid was awarded prior to year-end but the actual sale wasn't completed until after year-end.

Wisconsin Indianhead Technical College District

Notes to Budgetary Comparison Schedules

Year Ended June 30, 2013

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

Revenues

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

General Fund	\$	43,205,408
Special Revenue Fund		2,835,394
Special Revenue Non-Aidable Fund		14,525,201
Capital Projects Fund		341,911
Debt Service Fund		6,070,131
Enterprise Fund		2,891,876
Internal Service Fund		417,067

Budgetary revenues 70,286,988

Adjustments:

Interfund charges from internal service and fiduciary funds are eliminated for GAAP reporting		(535,499)
Scholarship allowances are included in expenditures for budgetary purposes but offset revenue for GAAP reporting		(5,753,146)
Summer tuition recognized on cash basis is adjusted to accrual basis for GAAP reporting		32,325
Loss on disposal of capital assets		(28,787)
NWECS fund balance transfer		(198,657)

Revenues on a GAAP basis \$ 63,803,224

GAAP basis revenues per the Statements of Revenues and Expenses:

Operating revenues	\$	24,265,586
Property taxes		37,352,350
State nonoperating appropriations		2,178,939
Loss on disposal of capital assets		(22,409)
Investment income		28,758

GAAP revenues \$ 63,803,224

Wisconsin Indianhead Technical College District

Notes to Budgetary Comparison Schedules

Year Ended June 30, 2013

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

Expenditures

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

General Fund	\$	42,656,171
Special Revenue Fund		2,781,805
Special Revenue Non-Aidable Fund		14,592,174
Capital Projects Fund		7,035,123
Debt Service Fund		6,424,135
Enterprise Fund		3,041,076
Internal Service Fund		309,759

Budgetary expenditures 76,840,243

Adjustments:

Interfund charges from internal service and fiduciary funds are eliminated for GAAP reporting		(1,348,122)
Scholarship allowances are included in expenditures for budgetary purposes but offset revenue for GAAP reporting		(5,753,146)
Cash basis expenditures adjusted to GAAP accrual basis		
Amortization of bond premium		(76,934)
Interest expense		(28,039)
Pension-related benefits, compensated absences, and termination benefits		(82,971)
Capital asset acquisitions reported as expenditures for budgetary purposes		(4,434,378)
Budgetary expenditure for repayment of principal on long-term debt		(5,880,000)
Encumbrances as reported for budgetary purposes		(105,038)
Depreciation recorded for GAAP purposes		2,680,602

Expenses on a GAAP basis \$ 61,812,217

GAAP basis expenses per the Statements of Revenues and Expenses:

Operating expenses	\$	61,373,055
Interest expense		439,162

GAAP expenses \$ 61,812,217

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.

Wisconsin Indianhead Technical College District

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Administering Agency Award Description Pass-Through Agency	Federal Catalog Number	Pass-Through Agency Number	Program or Award Amount	Revenues		Total Expenditures
				Federal	Match	
<u>U.S. Department of Education</u>						
<u>Student Financial Assistance Cluster - Direct</u>						
Federal Supplemental Education Opportunity Program	84.007					
Grants						
July 1, 2012 - June 30, 2013		P007A124567	\$ 129,158	136,050	\$ -	136,050
Administration						
July 1, 2012 - June 30, 2013			-	6,804	-	6,804
Total 84.007			129,158	142,854	-	142,854
Federal Work-Study Program	84.033					
Grants						
July 1, 2012 - June 30, 2013		P033A124567	160,864	154,179	-	154,179
Administration						
July 1, 2012 - June 30, 2013			-	7,709	-	7,709
Total 84.033			160,864	161,888	-	161,888
Federal Pell Grant Program	84.063					
Grants						
July 1, 2011 - June 30, 2012		P0638113476	-	6,218	-	6,218
July 1, 2012 - June 30, 2013		P0638123476	6,429,940	6,428,298	-	6,428,298
Administration						
July 1, 2010 - June 30, 2011			-	5	-	5
July 1, 2011 - June 30, 2012			-	370	-	370
July 1, 2012 - June 30, 2013			-	10,000	-	10,000
Total 84.063			6,429,940	6,444,891	-	6,444,891
Federal Direct Student Loans	84.268					
July 1, 2011 - June 30, 2012		P268K123476	-	(180)	-	(180)
July 1, 2012 - June 30, 2013		P268K133476	7,341,686	6,941,900	-	6,941,900
Total 84.268			7,341,686	6,941,720	-	6,941,720
Total Student Financial Assistance Cluster			14,061,648	13,691,353	-	13,691,353
<u>Wisconsin Technical College System</u>						
Adult Education - Basic Grants to States	84.002					
Basic Skills Education						
July 1, 2012 - June 30, 2013		17-130-146-123	184,302	184,302	155,128	339,430
Basic Skills Education						
July 1, 2012 - June 30, 2013		17-132-146-163	10,627	10,627	1,007	11,634
Total 84.002			194,929	194,929	156,135	351,064

Wisconsin Indianhead Technical College District

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Administering Agency Award Description Pass-Through Agency	Federal Catalog Number	Pass-Through Agency Number	Program or Award Amount	Revenues		Total Expenditures
				Federal	Match	
<u>Wisconsin Technical College System</u>						
Career & Technical Education - Basic Grants to States	84.048					
Achieving Student Success July 1, 2012 - June 30, 2013		17-141-150-233	\$ 298,102	\$ 298,102	\$ 448,967	\$ 747,069
Improvement of Graduation & Retention Rate July 1, 2012 - June 30, 2013		17-142-150-253	67,407	65,937	-	65,937
Assuring Access & Participation in Nontraditional Training & Employment July 1, 2012 - June 30, 2013		17-145-150-263	18,352	18,078	-	18,078
Technical Preparation Education Program July 1, 2012 - June 30, 2013		17-166-150-213	50,449	50,449	4,876	55,325
Total 84.048			434,310	432,566	453,843	886,409
Total U.S. Department of Education			14,690,887	14,318,848	609,978	14,928,826
<u>U.S. Department of Labor</u>						
<u>Wisconsin Department of Workforce Development</u>						
ARRA Sector Alliance for the Green Economy (SAGE) July 1, 2012 - June 30, 2013	17.275	GJ-19915-10-60-A-55	13,100	8,545	-	8,545
Trade Adjustment Assistance and Community College and Career Training Grant (TAACCCT) - Direct July 1, 2012 - June 30, 2013	17.282	TC-23775-12-60-A-55	605,451	112,235	-	112,235
Total U.S. Department of Labor			618,551	120,780	-	120,780
<u>U.S. Department of Veterans Affairs</u>						
<u>Wisconsin Department of Veterans Affairs</u>						
Survivors and Dependents Educational Assistance July 1, 2012 - June 30, 2013	64.117		-	2,952	-	2,952
Total U.S. Department of Veterans Affairs			-	2,952	-	2,952
Total Federal Awards			\$ 15,309,438	\$ 14,442,580	\$ 609,978	\$ 15,052,558

Wisconsin Indianhead Technical College District

Schedule of Expenditures of State Awards Year Ended June 30, 2013

Administering Agency Award Description Pass-Through Agency	State I.D. Number	Pass-Through Agency Number	Program or Award Amount	Revenues		Total Expenditures
				State	Match	
<u>Wisconsin Higher Education Aids Board</u>						
Higher Education Grant July 1, 2012 - June 30, 2013	235.102		\$ 1,525,145	\$ 738,330	\$ -	\$ 738,330
Remission of Fees for Veterans & Dependents July 1, 2012 - June 30, 2013	235.105		79,402	79,402	-	79,402
Minority Undergraduate Retention Grant July 1, 2012 - June 30, 2013	235.107		1,960	1,960	-	1,960
Handicapped Grant July 1, 2012 - June 30, 2013	235.112		1,800	1,800	-	1,800
Talent Incentive Program July 1, 2012 - June 30, 2013	235.114		154,200	100,180	-	100,180
Nursing Student Loan July 1, 2012 - June 30, 2013	235.117		12,000	12,000	-	12,000
Indian Student Assistance Grant July 1, 2012 - June 30, 2013	235.132		16,500	13,750	-	13,750
Wisconsin Covenant Grant July 1, 2012 - June 30, 2013	235.108		43,500	30,688	-	30,688
Wisconsin Foundation Covenant Grant July 1, 2012 - June 30, 2013	235.131		24,500	16,500	-	16,500
Total Wisconsin Higher Education Aids Board			1,859,007	994,610	-	994,610
<u>Wisconsin Technical College System</u>						
State Aids for Wisconsin Technical College System July 1, 2012 - June 30, 2013	292.105		-	1,959,473	-	1,959,473
Farm Business & Production Management Training	292.111		-	20,341	-	20,341
<u>Incentive Grants</u>						
Office Support Specialist TSA July 1, 2012 - June 30, 2013		17-146-112-152	2,000	2,000	-	2,000
Early Childhood Education Aligned Curriculum July 1, 2012 - June 30, 2013		17-169-112-143	12,000	7,913	-	7,913
Dental Assistance Program Implementation July 1, 2012 - June 30, 2013		17-175-112-133	110,240	110,240	55,101	165,341
CNC Machine Tool Operations Implementation July 1, 2012 - June 30, 2013		17-178-112-133	112,500	112,500	42,189	154,689
Adult Secondary Education Project July 1, 2012 - June 30, 2013		17-186-112-123	80,983	80,983	81,809	162,792
ABE / ELL College Transition Project July 1, 2012 - June 30, 2013		17-187-112-163	17,244	16,370	5,455	21,825
ABE / ELL Early Childhood Education Pathway July 1, 2012 - June 30, 2013		17-188-112-163	3,145	3,147	1,256	4,403
Total 292.112			338,112	333,153	185,810	518,963

Wisconsin Indianhead Technical College District

Schedule of Expenditures of State Awards Year Ended June 30, 2013

Administering Agency Award Description Pass-Through Agency	State I.D. Number	Pass-Through Agency Number	Program or Award Amount	Revenues		Total Expenditures
				State	Match	
Transition Services - Disabilities July 1, 2012 - June 30, 2013	292.115	17-193-115-113	\$ 23,638	\$ 23,138	\$ 7,710	\$ 30,848
<u>Workforce Advancement Training</u> Supervisory Management Training Grant July 1, 2012 - June 30, 2013	292.116	17-150-116-113	8,485	2,850	-	2,850
Faculty Development Program July 1, 2012 - June 30, 2013	292.123	17-182-123-113	46,300	45,431	-	45,431
Fire Fighter Training 2% July 1, 2012 - June 30, 2013	292.137		-	57,892	-	57,892
<u>Health Care Education</u> Medical Assistant Program Expansion July 1, 2012 - June 30, 2013	292.161	17-170-161-113	190,931	189,970	-	189,970
Health Informaiton Technology Program July 1, 2012 - June 30, 2013		17-179-161-113	96,963	95,687	-	95,687
Allied Health Human Patient Simulation Laboratory July 1, 2012 - June 30, 2013		17-192-161-113	109,414	109,414	73,210	182,624
Total 292.161			397,308	395,071	73,210	468,281
Driver Education July 1, 2012 - June 30, 2013	292.172		-	11,030	-	11,030
Total Wisconsin Technical College System			813,843	2,848,379	266,730	3,115,109
<u>Wisconsin Department of Natural Resources</u> Payments in Lieu of Taxes July 1, 2012 - June 30, 2013	370.503		-	99,213	-	99,213
<u>Wisconsin Department of Justice</u> Basic Jail Officer Training July 1, 2012 - June 30, 2013	455.231		-	18,138	-	18,138
Law Enforcement Specialized Training July 1, 2012 - June 30, 2013		170-744	-	15,700	-	15,700
Total Wisconsin Department of Justice			-	33,838	-	33,838
<u>Wisconsin Department of Revenue</u> Aid in Lieu of Computer Taxes July 1, 2012 - June 30, 2013	835.109		-	40,851	-	40,851
<u>Wisconsin Department of Transportation</u> Motorcycle Safety July 1, 2012 - December 1, 2012	20.395(4)(aq)	M/C-12-17-743-V	8,143	-	22,857	22,857
April 1, 2013 - June 30, 2013		M/C-13-17-761-V	32,178	12,298	33,000	45,298
Total Wisconsin Department of Transportation			40,321	12,298	55,857	68,154
Total State Awards			\$ 2,713,171	\$ 4,029,189	\$ 322,587	\$ 4,351,776

See Independent Auditor's Report.
See accompanying Notes to the Schedules of Expenditures of Federal and State Awards.

Wisconsin Indianhead Technical College District

Notes to the Schedules of Expenditures of Federal and State Awards

Year Ended June 30, 2013

Note 1 Basis of Presentation

The accompanying schedules of expenditures of federal and state awards include the federal and state grant activity of Wisconsin Indianhead Technical College District under programs of the federal and state government for the year ended June 30, 2013. The information in these schedules is presented in accordance with the requirements of OMB-Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and *State of Wisconsin Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of Wisconsin Indianhead Technical College District, it is not intended to represent the financial position, changes in net position, or cash flows of Wisconsin Indianhead Technical College.

Note 2 Summary of Significant Accounting Policies

Expenditures reported on the schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 Reconciliation

State:

Revenues per statement of revenues, expenses and changes in net position:

Nonoperating revenues - State nonoperating appropriations	\$	2,178,939
Operating revenues - State Grants		856,809
Farm Business and Production Management Training		20,341
Fire Fighter Training 2%		57,892
Higher Education Aids Board assistance		915,208
<hr/>		
State revenue per schedule of expenditures of state awards	\$	4,029,189

Single Audit Section

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

District Board
Wisconsin Indianhead Technical College District
Shell Lake, 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 and the aggregate remaining fund information of the Wisconsin Indianhead Technical College District (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 18, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider item 2013-01 described in the accompanying schedule of findings and questioned costs to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Compliance and Other Matters

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

Responses to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on them.

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 the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/ Wipfli LLP

Wipfli LLP

November 18, 2013
Eau Claire, Wisconsin

Independent Auditor's Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by OMB Circular A-133

District Board
Wisconsin Indianhead Technical College District
Shell Lake, Wisconsin

Report on Compliance for Each Major Federal and State Program

We have audited Wisconsin Indianhead Technical College District's (the "District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration, that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013. The District's major federal and state programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on the Student Financial Assistance Cluster

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding the Student Financial Assistance Cluster as described in items 2013-02 and 2013-03 for return to Title IV requirements. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on the Student Financial Assistance Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its Student Financial Assistance Cluster for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Programs

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal or state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance ("internal control") with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal and state program and to test and report on internal control in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2013-03 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-02 to be a significant deficiency.

The District's responses to the internal control findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of *OMB Circular A-133* and the *State of Wisconsin Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

/s/ Wipfli LLP

Wipfli LLP

November 18, 2013
Eau Claire, Wisconsin

Wisconsin Indianhead Technical College District

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified
not considered to be a material weakness? No

Noncompliance material to financial statements? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified
not considered to be material weakness? Yes

Type of auditor's report issued on compliance
for major programs Qualified

Any audit findings disclosed that are required to
be reported in accordance with OMB Circular A-133,
Section 510(a)? Yes

Wisconsin Indianhead Technical College District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

Section I - Summary of Auditor's Results (Continued)

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	Student Financial Assistance Cluster:
84.007	Federal Supplemental Education Opportunity Grants
84.033	Federal Work-Study Program
84.063	Federal Pell Grant Program
84.268	Federal Direct Student Loans

Dollar threshold used to determine Type A
and Type B programs \$300,000

Auditee qualified as low-risk auditee? Yes

Wisconsin Indianhead Technical College District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

Section I - Summary of Auditor's Results (Continued)

State Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified
not considered to be a material weakness? No

Type of auditor's report issued on compliance
for major programs Unmodified

Any audit findings disclosed that are required to
be reported in accordance with the *State of Wisconsin
Single Audit Guidelines*? No

Identification of major state programs:

<u>State I.D. Number</u>	<u>Name of State Program</u>
292.105	State Aids for Wisconsin Technical College System
235.107	Minority Undergraduate Retention Grant
235.117	Nursing Student Loan
235.132	Indian Student Assistance Grant

Dollar threshold used to determine Type A programs \$100,000

Wisconsin Indianhead Technical College District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

Section II - Financial Statement Findings

2013-01 Material Adjustments

Criteria – Statement of Auditing Standards (SAS) No. 115 indicates that the “Identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity’s internal control” should be regarded as a material weakness in internal control.

Condition – During the audit, Wipfli LLP proposed a material adjusting journal entry related to the liability for accumulated sick leave.

Cause – Lack of secondary review of District staff calculation as it related to the liability for accumulated sick leave.

Effect – The financial records as originally presented for audit were materially misstated.

Recommendation – We recommend that calculations for financial statement balances be reviewed for accuracy prior to preparing the financial statements.

Corrective Action Plan – Management will incorporate reconciliation procedures for the annual GAAP based financial statements similar to the current monthly reconciliation of budget basis financial statements.

Section III - Federal and State Awards Findings and Questioned Costs

2013-02 Late return of unearned Title IV funds

Programs Affected – Student Financial Assistance Cluster (Title IV Programs)

Criteria – Per 34 CFR 668.22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the withdrawal date. Any unearned assistance needs to be returned by either the recipient or the institution, as determined by the return of Title IV calculation. An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date the institution’s determination that the student withdrew.

Wisconsin Indianhead Technical College District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

2013-02 Late return of unearned Title IV funds (Continued)

Condition – We identified three students out of forty whose return to Title IV calculation was prepared late.

Known Questioned Costs - \$0

Effect – Title IV funds were returned later than the required 45 days.

Cause – An individual at one of the District’s campuses was not preparing the return to Title IV calculations in the proper time period. As a result, the determination of the District’s share of Title IV funds to be returned was done late, and subsequently returned after the 45 day required timeframe.

Recommendation – We recommend that someone review a list of student withdrawals each week and determine that the proper return to Title IV calculations have been prepared. This will ensure that the calculation is prepared timely and that any funds required to be returned are returned within the appropriate time period.

Contact – Terry Klein, Director, Financial Aid

Corrective Action Plan – Management has established a performance improvement plan with the employee responsible for the errors and will implement the recommendation so as to ensure that calculations and any required return of Title IV funds are made in accordance with the Department of Education regulations.

2013-03 Return to Title IV calculations

Programs Affected – Student Financial Assistance Cluster (Title IV Programs)

Criteria – Per 34 CFR 668.22, when a recipient of Title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the withdrawal date. Any unearned assistance needs to be returned by either the recipient or the institution, as determined by the return of Title IV calculation. An institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 45 days after the date the institution’s determination that the student withdrew.

Wisconsin Indianhead Technical College District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

2013-03 Return to Title IV calculations (Continued)

Condition – While performing the compliance testing on students who withdrew during the current fiscal year, we determined that return to Title IV calculations were not completed for eleven students for which they should have been.

Known Questioned Costs - Unknown

Effect – The Title IV programs may be owed a refund from the District and/or the student.

Cause – The District calculated the 60% of payment or enrollment period date incorrectly.

Recommendation – We recommend the District have the Director of Financial Aid review the 60% of payment or enrollment period date calculation before the start of each semester.

Contact – Terry Klien, Director, Financial Aid

Corrective Action Plan – The Director of Financial Aid will make, review, and perform additional procedures to verify the 60% of payment or enrollment period calculation is accurate to ensure that any required return of Title IV funds are made in accordance with the Department of Education regulations.

Wisconsin Indianhead Technical College District

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

Section IV - Other Issues

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

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

Wisconsin Department of Revenue	No
Wisconsin Higher Education Aids Board	No
Wisconsin Technical College System	No
Wisconsin Department of Transportation	No
Wisconsin Department of Justice	No
Wisconsin Department of Workforce Development	No
Wisconsin Department of Natural Resources	No
Wisconsin Department of Veterans Affairs	No

Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

/s/ Rob Ganschow, CPA, CFE

Rob Ganschow, CPA, CFE

Name and signature of partner

Date of report

November 18, 2013

Wisconsin Indianhead Technical College District

Schedule of Prior Year's Findings and Questioned Costs

Year Ended June 30, 2013

Financial Statement Findings

None

Federal and State Award Findings and Questioned Costs

None