

Mid-State Technical College District
Wisconsin Rapids, Wisconsin

ANNUAL FINANCIAL REPORT

June 30, 2020



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Mid-State Technical College District

Wisconsin Rapids, Wisconsin

JUNE 30, 2020

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Independent auditors' report

To the District Board
Mid-State Technical College District
Wisconsin Rapids, Wisconsin

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the business-type activity, discretely presented component unit and aggregate remaining fund information of the Mid-State Technical College District, Wisconsin Rapids, Wisconsin (the "District") as of and for the year ended June 30, 2020, 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 of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the District'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 District'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 activity, discretely presented component unit and aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Prior Year Summarized Financial Information

We have previously audited the District's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities, discreetly presented component unit, and the aggregate remaining fund information in our report dated December 3, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and the schedules relating to pensions and other postemployment benefits on pages 42 through 44 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
March 5, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

June 30, 2020

The purpose of Management's Discussion and Analysis (MD&A) is to provide users of the basic financial statements with a narrative introduction, overview, and analysis of those statements. The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the MID-STATE Technical College District's basic financial statements. The statements are comprised of two components: government-wide financial statements and notes to financial statements.

Government-wide financial statements - The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflows/inflows of resources, and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

Notes to financial statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements. The notes to financial statements are located after the government-wide financial statements in the financial section of the basic financial statements.

Condensed Comparative Data and Overall Analysis

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

The following is a condensed version of the Statement of Revenues, Expenses and Changes in Net Position for the year ended June 30, 2020 with comparison totals for the prior year.

	<u>2020</u>	<u>2019</u>
Operating revenue	\$ 10,498,744	\$ 9,550,598
Operating expenses	(40,848,809)	(40,967,015)
Nonoperating Revenues (Expenses)	<u>32,060,115</u>	<u>29,935,485</u>
Change in Net Position	<u>\$ 1,710,050</u>	<u>\$ (1,480,932)</u>

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 2020, the District generated approximately \$10.50 million of operating revenue compared to \$9.55 million for the prior year. The District reclassified PELL and other federal revenues to nonoperating in 2020. Significant items and revenue sources are as follows:

Total revenue from program, material and other student fees was approximately \$5.5 million for 2020 and \$5.0 million for 2019.

Approximately \$2.3 million in operating revenue came from state and federal grants compared to \$1.9 million for the prior year. The District continues to seek new sources of revenue.

Contract revenues were approximately \$1.2 million for the year compared to \$1.0 million for the prior year and represents revenue from instructional and technical assistance contracts with business and industry, as well as local school districts.

Auxiliary enterprise revenues include revenues generated by the bookstore and copy center and other similar activities of the College. Revenues of \$978 thousand were generated by these activities this year, compared to \$1.1 million for the prior year.

The table below shows the District's distribution of operating revenues by source.

	<u>2020</u>	<u>2019</u>
Tuition and fees	52.22%	52.74%
Federal and state grants	21.79%	20.21%
Contracts	11.09%	10.49%
Auxiliary	9.32%	11.50%
Other	<u>5.58%</u>	<u>5.06%</u>
Total operating revenues by source	<u>100.00%</u>	<u>100.00%</u>

- Operating expenses are costs related to offering the programs of the District. During 2020, operating expenses totaled \$40.85 million compared to \$40.97 million for the prior year. The majority of the District's expenses, approximately 65%, are for personnel related costs. Other major types of expenses include supplies, contracted services, depreciation, travel, rentals, insurance, utilities and other expenses make up the remaining 35%.

The table below shows the District’s distribution of operating expenses by function.

	<u>2020</u>	<u>2019</u>
Instruction	43.77%	45.10%
Instructional resources	2.20%	2.53%
Student services	12.09%	10.69%
General institutional	15.77%	15.71%
Physical plant	4.40%	8.05%
Auxiliary enterprise services	3.24%	2.74%
Depreciation	10.66%	9.60%
Student aid	<u>7.87%</u>	<u>5.58%</u>
Total operating expenses by function	<u><u>100.00%</u></u>	<u><u>100.00%</u></u>

- Non-operating revenues and expenses are items not directly related to providing instruction. Net non-operating revenues for the year ending June 30, 2020 were \$32.1 million, compared to \$29.9 million for the prior year. The most significant components of net non-operating revenues include the following:
 - Federal grants accounted for over \$4.9 million in revenue for the current year compared to \$3.9 million for the prior year. The increase was due to CARES funding received in the current year.
 - State operating appropriations accounted for over \$14.20 million in revenue for the current year compared to \$13.94 million for the prior year.
 - Property taxes levied by the District for the year were approximately \$13.4 million compared to \$12.6 million for the prior year.
 - Interest expense of \$915 thousand was recorded by the District this year.
- Net position of the District increased \$1,710,050 for the year and totaled \$23,381,722 as of June 30, 2020.

Statement of Cash Flows

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

The table below shows the District’s major categories of cash flows:

	<u>2020</u>	<u>2019</u>
Cash used in operating activities	\$ (26,688,842)	\$ (25,428,665)
Cash provided by non-capital financing activities	32,310,062	30,039,399
Cash used in capital and related financing activities	(889,415)	(5,038,244)
Cash used in investing activities	<u>(127,291)</u>	<u>(98,893)</u>
Change in cash and cash equivalents	<u><u>\$ 4,604,514</u></u>	<u><u>\$ (526,403)</u></u>

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

- The largest component of cash used in operating activities was payments to employees for salaries/wages and benefits, which continue to increase on a yearly basis. Approximately \$26.0 million was paid compared to \$23.8 million for the prior year. The District also contributed \$826 thousand to a trust for post-employment benefits.

- Another component of operating cash flows was payments to suppliers of over \$10.2 million compared to \$11.3 million for the prior year, which represents the costs of doing business.
- The largest cash inflows from operating activities included \$5.4 million in tuition and fees and \$2.3 million in state and federal grants.
- Categorized as cash flows from non-capital financing activities were \$13.2 million in property taxes received. Federal grants and state appropriations are the other major items in this category, and accounted for \$19.1 million of positive cash flow.
- The cash used in capital and related financing activities is made up of two categories of cash flows: purchases of capital assets of \$3.8 million and capital-related debt activity (principal and interest payments) of nearly \$7.5 million. The issuance of capital related debt and the debt premium received of over \$10.17 million and federal and state grants received of \$296 thousand are two categories of positive cash flow in the capital and related financing activities.
- Investment income is interest received on the District's investments.

Statement of Net Position

The Statement of Net Position includes 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). This statement is prepared using the economic resources measurement focus, which details the items to be reported and the accrual basis of accounting.

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

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 15,196,634	\$ 10,592,120
Long-term investments	2,608,635	2,308,647
Net capital assets	39,526,251	39,800,419
Net pension asset	3,297,508	-
Net other post-employment benefits asset	259,050	-
Other assets	<u>8,242,805</u>	<u>8,216,435</u>
Total assets	<u>69,130,883</u>	<u>60,917,621</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on advance refunding	175,403	202,739
Pension plan	7,097,949	9,421,113
Other postemployment benefits	<u>1,288,399</u>	<u>1,237,683</u>
Total deferred outflows of resources	<u>8,561,751</u>	<u>10,861,535</u>
LIABILITIES		
Current liabilities	12,304,186	12,225,316
Long-term obligations, net of current portion	31,733,762	28,731,452
Net pension liability	-	3,671,881
Other post employment benefits	<u>-</u>	<u>77,394</u>
Total liabilities	<u>44,037,948</u>	<u>44,706,043</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	9,879,220	5,055,167
Other post-employment benefits	<u>393,744</u>	<u>346,274</u>
Total deferred inflows of resources	<u>10,272,964</u>	<u>5,401,441</u>
NET POSITION		
Net investment in capital assets	14,960,403	14,581,694
Restricted for debt service	354,584	133,099
Restricted for pension benefits	3,556,558	-
Unrestricted	<u>4,510,177</u>	<u>6,956,879</u>
Total net position	<u>\$ 23,381,722</u>	<u>\$ 21,671,672</u>

A more detailed analysis would reveal the following facts:

- As shown above, the largest component is the District's capital assets. Total cost of capital assets net of accumulated depreciation as of June 30, 2020 was approximately \$39.5 million compared to \$39.8 million for the prior year.
- The largest item within the other asset category is the property taxes receivable of approximately \$3.7 million.
- Current liabilities include accounts payable, various types of accruals and the portion of long-term debt due within the next fiscal year. At year-end, the current portion of the District's long-term debt was \$6.6 million.
- Long-term liabilities of \$31.7 million represent the portion of long-term obligations related to general obligation bonds and notes, capital leases, premium and compensated absences due after June 30, 2020.

The District is a member of the Wisconsin Retirement System (System) and is required to report their proportionate share of the System's activities in their financial statements. The System's actuarial study performed with a measurement date of December 31, 2019, determined a net pension asset existed, of which the District's share was \$3.3 million. In the actuarial study with a measurement date of December 31, 2018, the District's share was a net pension liability of \$3.6 million. The most significant change for the current actuarial valuation was the investment returns generated by the System in 2019, which over performed long-term projected investment returns and a decrease in the discount rate. Changes in these balances are reported through deferred outflows and inflows of resources and amortized to net position over time. Additional information is in Note 2.D.

Capital Assets and Debt Administration

The District's investment in capital assets as of June 30, 2020 amounts to \$39,526,251 (net of accumulated depreciation). This includes land and land improvements, building and improvements and moveable equipment. The most significant projects capitalized in fiscal year 2020 were the College wide security system, fire truck for instruction, manufacturing lab equipment, and Anatomage table for simulation. There was also a significant investment in technology. Additional information on the District's capital assets can be found in Note 2.B on page 28.

At the end of the 2020 fiscal year, the District had total general obligation debt outstanding of \$33,475,000 and capital leases of \$1,961,670. The District notes it continues to maintain a Moody's Investors Services Aa1 rating, and the District has continued to meet all its debt service requirements. All general obligation debt for equipment, building and remodeling is repaid over 5 to 10 years. The debt is secured by the District's irrevocable tax pledge. The current debt adequately replaces and expands the equipment and facility needs of the District. Additional information on the District's long-term debt can be found in Note 2.C on pages 28 to 30.

Financial Position

MID-STATE continued to maintain its strong financial position in the current year. These changes are primarily attributed to the following:

- The effect of strategies to lower the escalating cost of health insurance offering best suited options for employees, higher co-pays, higher employee deductibles and contributions.
- Fiscal constraint exercised by budget managers through efficiency and cost containment measures and prudent discretionary spending creating continued favorable expenditure budget variances. These positive spending variances offset the effect of unanticipated revenue shortfalls and have enabled stabilization of fund balance.
- Vacancies due to turnovers in employees during the year positively affected the general fund net position.
- The increase in net cash is due to the borrowings related to FY2021 bond offerings. Details can be found on the Statement of Cash Flows in pages 16-17.

In 2019-20, \$5,000,000 in general obligation promissory notes were issued to finance budgeted site improvements, capital facilities, and equipment expenditures and an additional \$4,500,000 of notes were issued for similar projects occurring during the 2020-2021 fiscal year.

General fund revenue has increased 3.3%. MID-STATE's revenue increased primarily due to the net new construction factor, state grants and federal grant revenue.

MID-STATE's overall mill rate is slightly higher per \$1,000 of equalized valuation than the average in the state technical college system. Tuition and material fees are mandated by the Wisconsin Technical College Board. Federal and State grants are subject to change with new legislation.

At June 30, 2020 reserves and fund balances total \$20.2 million reflecting an increase of \$5.4 million. Reserves and fund balance for the General Fund total \$10.2 million reflecting an increase of \$75,564.

Economic Factors

MID-STATE, one of 16 colleges in the Wisconsin Technical College System, is a leading provider of higher education offering more than 100 associate degrees, technical diplomas, and certificates. Student-focused and community-based, MID-STATE serves a resident population of approximately 172,421 in central Wisconsin with campuses in Marshfield, Stevens Point and Wisconsin Rapids, and Adams.

According to the most recent Graduate Employment Survey,

- 94% of alumni are employed within six months after graduation;
- 63% of graduates work in the MID-STATE District comprising all or portions of Adams, Clark, Jackson, Juneau, Marathon, Portage, Waushara, and Wood Counties.

The College district has several known large business expansions underway. Matalco, a metal billet manufacturing company has recently relocated into Wisconsin Rapids and is in process of completing a 110,000 sq ft facility with an expected cost of \$80M and create over 80 new jobs. In the Stevens Point area Marten Machining, a manufacturer of high precision machining tools is under construction of a 40,000 sq ft headquarters operation that will position them to double their size in five years serving the aerospace, biomedical, medical device and energy sectors. Additionally, in Stevens Point, Delta Dental has broken ground on a 133,000 sq ft facility which will allow them to add up to 20% more employees – up to 450. The Marshfield area saw the expansion of Hastreiter Industries as they grew into a 42,000 sq ft facilities to serve their precision machining operation. Finally, the new \$27.5M YMCA and Boys and Girls Club opened their doors in Wisconsin Rapids over the summer of 2020 as did the City's new 12M Aquatic Center. The area remains rich in timber and paper production as evidenced by ND Papers \$80M renovations at the Biron Mill but the diversification to other industries is underway in central WI. Major regional employers are also found in the healthcare, insurance, educational software, alternative energy, food processing, and agriculture industries. While the region still maintains a strong dairy industry, the majority of the agricultural operations involve the growing and processing of fruits and vegetables at companies such as McCain Foods, Ocean Spray Cranberries, Mariani, Heartland Farms, Wysocki Family of Companies, Okray Farms, and Del Monte Foods.

Now, more than ever, local businesses, government and education institutions are collaborating in economic development partnerships. Historically and consistently, MID-STATE has served as a key player in the economy of central Wisconsin, and again the College is stepping forward to create value as the underlying nature of the region's economy transforms. The College district resides in the state's Centergy economic development region and has a presence on the board of directors. The college also has a strong presence in the Portage County Business Council, the Heart of the North Chamber of Commerce, the Marshfield Area Chamber of Commerce & Industry and the Adams Chamber of Commerce. The College has been involved in rapid response teams both providing information and support to new and expanding businesses as well as services to dislocated employees.

The MID-STATE District Board has remained committed to maintaining College programs and services. As a fiscal strategy, the college reallocates resources, and pursues opportunities that represent the greatest community need.

The following are some of the strategies deployed that have contributed to positive college outcomes and fiscal strength:

- a. Implementing new academic programs that meet employers' current and future needs.
- b. Accessing local, state and federal grant monies to offset programming costs
- c. Exploring additional revenue streams such as facility rental opportunities
- d. Suspending and/or eliminating programs that experience consistently low enrollment and job placement.
- e. Reassessing positions and changing responsibilities as vacancies arise, resulting in intermittent savings.
- f. Eliminating staff positions through attrition, when possible.
- g. Continuously exploring means of slowing the growth in health insurance costs.
- h. Continued management of faculty workloads, adjunct budgets, optimal class sizes, and student retention.
- i. Exercising greater scrutiny over perceived needs and spending.
- j. Stressing tighter budgetary management and control with managers.
- k. Enhanced energy saving mechanisms throughout facilities, resulting in reduced heating and cooling costs, e.g., implemented a four-day work week during the summer session.

MID-STATE has expanded its efforts to reverse the historic negative trend in enrollments and student fee revenue with an aggressive enrollment strategy. Early result showed upward trend in enrollment which was hampered by the pandemic in Spring of 2020 which the college considers an anomaly. In addition to improving the enrollment strategy, the college is implementing changes and software to assist advising services therefore increasing student success and retention.

Many of the past funding and budgeting pressures will continue to have an impact on the College. These include:

- Tighter tax levy constraints.
- Maintaining affordable tuition and student fees.
- Proposed legislation to shift or eliminate federal and state grants.
- Need to maintain strong enrollments and demand for programs.
- Rising health insurance costs.
- Adequate funding for post-employment benefits.
- Need to keep salary and benefits competitive to maintain and attract professional staff.
- Need to keep up with technology.
- Need to maintain and improve aging facilities

Specific to this fiscal year, the Coronavirus brought significant financial implications to the College. On Monday March 16, 2020 the college advanced spring break through Friday March 27, 2020. Implementing a strategy of "uninterrupted education", approximately 80% of the classes, those that allowed for online or virtual programming, resumed on March 30, 2020. During this Phase 1 of the pandemic, expenditures were made in the areas of: 1.) critical virtual equipment and software, 2.) student simulation trainers and kits and 3.) communication software. In late May, select face-to-face courses resumed in a small in-person environment allowing students to finish the spring semester courses, and many to graduate.

Phase II of the strategy began on June 1, 2020 with the summer term. Classes and services were offered in three modes: online, virtual or small-in person. A comprehensive harm reduction protocol was implemented covering six essential elements: 1.) building readiness, 2.) staff & student readiness, 3.) control access readiness, 4.) social distancing readiness, 5.) campus hygiene readiness and 6.) communication readiness. The online and virtual education, as well as, the student service expenses continued and now include additional class sections following social distancing protocol. Additionally, the college absorbed additional expenses due to 1) significant cleaning and disinfecting costs and 2) lost production for employees with the safer at home order and their responsibilities not positioned for offsite work.

To help offset the operational expenses of uninterrupted education during a pandemic, the college was awarded the following federal, state, and miscellaneous grants and allocations:

CARES Act Strengthening Institution Grant (SIP)	\$74,633
CARES Governor Emergency Education Relief (GEER)	\$305,878
CARES College Relief Aid	\$764,006
District Mutual Insurance Covid Assistance	\$50,000
Insurance Trust	\$11,775
Total	<u>\$1,206,292</u>

Additionally, students were supported by an additional CARES allocation of \$764,006.

In summary, for FY20, the College was able to cover all expenses due to the pandemic with pandemic related grant and allocation funding with the exception of the non-reimbursement of approximately \$211,000 of paid but not earned salaries and approximately \$122,113 in lost tuition for Spring semester. These expenses and lost revenue were covered in the operational budget.

Despite the budgetary challenges, MID-STATE deploys effective financial strategies that enable the College to meet its mission of transforming lives through the power of teaching and learning.

Requests for Information

This financial report is designed to provide a general overview of the District’s finances for all those with an interest in the college’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Vice President of Finance and Facilities, 500 32nd Street North, Wisconsin Rapids, WI 54494.

FINANCIAL STATEMENTS

Mid-State Technical College District

STATEMENT OF NET POSITION

JUNE 30, 2020

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2019

	2020		2019	
	District	Foundation	District	Foundation
ASSETS				
Current assets				
Cash and investments	\$ 11,484,709	\$ 3,537,936	\$ 11,237,292	\$ 3,451,174
Receivables				
Accounts	854,435	303,433	818,662	11,111
Property taxes	3,699,631	-	3,501,920	-
Student fees, net of reserve of \$695,971	3,155,007	-	3,269,341	-
Beneficial interest in assets held by community foundation	-	61,649	-	63,960
Inventories	420,821	-	502,433	-
Prepaid items	112,911	-	124,079	-
Total current assets	<u>19,727,514</u>	<u>3,903,018</u>	<u>19,453,727</u>	<u>3,526,245</u>
Noncurrent assets				
Restricted cash and investments	6,320,560	-	1,663,475	-
Net pension asset	3,297,508	-	-	-
Net other postemployment benefits asset	259,050	-	-	-
Capital assets				
Nondepreciable				
Land	291,312	-	291,312	-
Construction in progress	344,287	-	250,617	-
Depreciable				
Land improvements	4,192,008	-	3,916,169	-
Buildings and improvements	49,712,436	-	48,964,372	-
Equipment	29,833,868	-	26,869,619	-
Intangible assets	11,915	-	11,915	-
Less: Accumulated depreciation	(44,859,575)	-	(40,503,585)	-
Total noncurrent assets	<u>49,403,369</u>	<u>-</u>	<u>41,463,894</u>	<u>-</u>
Total assets	<u>69,130,883</u>	<u>3,903,018</u>	<u>60,917,621</u>	<u>3,526,245</u>
DEFERRED OUTFLOWS OF RESOURCES				
Loss on advance refunding	175,403	-	202,739	-
Pension plan	7,097,949	-	9,421,113	-
Other postemployment benefits	1,288,399	-	1,237,683	-
Total deferred outflows of resources	<u>8,561,751</u>	<u>-</u>	<u>10,861,535</u>	<u>-</u>
LIABILITIES				
Current liabilities				
Accounts payable	728,741	-	1,052,456	-
Accrued payroll, payroll taxes and retirement	1,520,958	-	1,351,584	-
Accrued health and dental claims	397,187	-	639,201	-
Accrued interest	273,981	-	253,924	-
Unearned student fees	2,638,899	-	2,869,252	-
Unearned other revenues	157,062	-	174,566	-
Current portion of long-term liabilities	6,587,358	-	5,884,333	-
Total current liabilities	<u>12,304,186</u>	<u>-</u>	<u>12,225,316</u>	<u>-</u>
Long-term liabilities				
General obligation debt	27,725,000	-	24,572,438	-
Capital lease obligation	1,124,312	-	1,695,979	-
Debt premium	1,355,602	-	874,153	-
Compensated absences	1,528,848	-	1,588,882	-
Net pension liability	-	-	3,671,881	-
Other postemployment benefits	-	-	77,394	-
Total long-term liabilities	<u>31,733,762</u>	<u>-</u>	<u>32,480,727</u>	<u>-</u>
Total liabilities	<u>44,037,948</u>	<u>-</u>	<u>44,706,043</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Pension plan	9,879,220	-	5,055,167	-
Other postemployment benefits	393,744	-	346,274	-
Total deferred inflows of resources	<u>10,272,964</u>	<u>-</u>	<u>5,401,441</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	14,960,403	-	14,581,694	-
Restricted for debt service	354,584	-	133,099	-
Restricted for OPEB and pension benefits	3,556,558	-	-	-
Restricted for scholarships and Foundation activities	-	3,903,018	-	3,526,245
Unrestricted	4,510,177	-	6,956,879	-
Total net position	<u>\$ 23,381,722</u>	<u>\$ 3,903,018</u>	<u>\$ 21,671,672</u>	<u>\$ 3,526,245</u>

The notes to the basic financial statements are an integral part of this statement.

Mid-State Technical College District

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		2019	
	District	Foundation	District	Foundation
OPERATING REVENUES				
Student program fees, net of scholarship allowances of \$1,295,976 and \$1,567,770 for 2020 and 2019	\$ 4,613,831	\$ -	\$ 4,253,804	\$ -
Student material fees, net of scholarship allowances of \$65,583 and \$80,621 for 2020 and 2019	233,484	-	218,782	-
Other student fees, net of scholarship allowances of \$178,391 and \$207,973 for 2020 and 2019	635,085	-	564,122	-
Federal grants	601,652	-	624,361	-
State grants	1,686,041	-	1,305,382	-
Contract revenue	1,164,373	-	1,001,422	-
Auxiliary revenues	978,682	-	1,098,289	-
Miscellaneous	585,596	602,336	484,436	361,691
Total operating revenues	10,498,744	602,336	9,550,598	361,691
OPERATING EXPENSES				
Instruction	17,879,348	-	18,476,053	-
Instructional resources	900,620	-	1,038,153	-
Student services	4,938,483	-	4,379,160	-
General institutional	6,441,381	378,858	6,435,360	374,798
Physical plant	1,798,974	-	3,295,944	-
Auxiliary services	1,324,275	-	1,121,162	-
Depreciation	4,355,990	-	3,932,002	-
Student aid	3,209,738	-	2,289,181	-
Total operating expenses	40,848,809	378,858	40,967,015	374,798
Operating income (loss)	(30,350,065)	223,478	(31,416,417)	(13,107)
NONOPERATING REVENUES (EXPENSES)				
Property taxes	13,364,331	-	12,605,580	-
Federal grants	4,943,936	-	3,921,263	-
State operating appropriations	14,199,506	-	13,948,758	-
Federal capital grants	19,996	-	3,510	-
State capital grants	225,942	-	30,242	-
Capital grants	48,754	-	24,000	-
Investment income	172,697	153,295	304,154	148,513
Gain (loss) on disposition of capital assets	-	-	(62,736)	-
Interest expense	(915,047)	-	(839,286)	-
Total nonoperating revenues (expenses)	32,060,115	153,295	29,935,485	148,513
Change in net position	1,710,050	376,773	(1,480,932)	135,406
Net position - July 1	21,671,672	3,526,245	23,152,604	3,390,839
Net position - June 30	\$ 23,381,722	\$ 3,903,018	\$ 21,671,672	\$ 3,526,245

The notes to the basic financial statements are an integral part of this statement.

Mid-State Technical College District

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		2019	
	District	Foundation	District	Foundation
CASH FLOWS FROM OPERATING REVENUES				
Tuition and fees received	\$ 5,366,381	\$ -	\$ 5,023,113	\$ -
Federal and state grants received	2,287,693	-	1,929,743	-
Contract revenue received	1,132,700	-	1,990,310	-
Auxiliary enterprise revenues received	974,582	-	1,094,189	-
Other receipts	568,092	310,014	520,808	277,090
Payments to employees	(25,997,087)	-	(23,824,559)	-
Payment to employee benefit trust fund	(826,530)	-	(859,312)	-
Payment for scholarships	-	(313,335)	-	(289,517)
Payments to suppliers	(10,194,673)	(65,523)	(11,302,957)	(9,510)
Net cash used for operating activities	(26,688,842)	(68,844)	(25,428,665)	(21,937)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Local property taxes received	13,166,620	-	12,223,620	-
Federal grants received	4,943,936	-	3,921,263	-
State appropriations received	14,199,506	-	13,894,516	-
Net cash provided by noncapital financing activities	32,310,062	-	30,039,399	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(3,808,569)	-	(4,338,480)	-
Proceeds from sale of capital assets	-	-	2,257	-
Proceeds from issuance of capital debt	9,500,000	-	4,800,000	-
Proceeds from capital lease	-	-	1,254,278	-
Premium received on debt issuance	674,782	-	136,956	-
Federal capital grant received	19,996	-	3,510	-
State capital grant received	225,942	-	30,242	-
Capital grant received	48,754	-	24,000	-
Principal paid on capital debt	(5,665,000)	-	(5,160,000)	-
Principal paid on capital lease	(824,333)	-	(816,771)	-
Interest paid on capital debt	(1,060,987)	-	(974,236)	-
Net cash used for capital and related financing activities	(889,415)	-	(5,038,244)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Change in long-term investments	(299,988)	(69,777)	(403,047)	(170,169)
Investment income received	172,697	155,606	304,154	148,629
Net cash provided (used) by investing activities	(127,291)	85,829	(98,893)	(21,540)
Change in cash and cash equivalents	4,604,514	16,985	(526,403)	(43,477)
Cash and cash equivalents - July 1	10,592,120	93,128	11,118,523	136,605
Cash and cash equivalents - June 30	<u>\$ 15,196,634</u>	<u>\$ 110,113</u>	<u>\$ 10,592,120</u>	<u>\$ 93,128</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION				
Cash and investments in current assets	\$ 11,484,709	\$ 3,537,936	\$ 11,237,292	\$ 3,451,174
Cash and investments in restricted assets	6,320,560	-	1,663,475	-
Less: Long-term investments	(2,608,635)	(3,427,823)	(2,308,647)	(3,358,046)
Cash and cash equivalents - June 30	<u>\$ 15,196,634</u>	<u>\$ 110,113</u>	<u>\$ 10,592,120</u>	<u>\$ 93,128</u>

Mid-State Technical College District

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	2020		2019	
	District	Foundation	District	Foundation
RECONCILIATION OF OPERATING LOSS TO NET CASH USED FOR OPERATING ACTIVITIES				
Operating income (loss)	\$ (30,350,065)	\$ 223,478	\$ (31,416,417)	\$ (13,107)
Adjustments to reconcile operating income (loss) to net cash used for operating activities				
Depreciation	4,355,990	-	3,932,002	-
Change in liability (asset) and deferred outflows and inflows of resources				
Change in WRS asset (liability)	(6,969,389)	-	6,775,215	-
Change in WRS deferred outflow	2,323,164	-	(4,242,825)	-
Change in WRS deferred inflow	4,824,053	-	(1,054,421)	-
Change in OPEB asset (liability)	(336,444)	-	655,868	-
Change in OPEB deferred outflow	(50,716)	-	(1,237,683)	-
Change in OPEB deferred inflow	47,470	-	149,834	-
Changes in assets and liabilities				
Receivables				
Accounts	(35,773)	(292,322)	984,788	(8,830)
Student fees	114,334	-	(149,465)	-
Inventories	81,612	-	(16,199)	-
Prepaid items	11,168	-	77,007	-
Accounts payable	(323,715)	-	(160,555)	-
Accrued payroll, payroll taxes, retirement and vacation	169,374	-	37,170	-
Accrued health and dental claims	(242,014)	-	141,687	-
Unearned student fees	(230,353)	-	135,870	-
Unearned other revenue	(17,504)	-	36,372	-
Compensated absences	(60,034)	-	(76,913)	-
Net cash used for operating activities	<u>\$ (26,688,842)</u>	<u>\$ (68,844)</u>	<u>\$ (25,428,665)</u>	<u>\$ (21,937)</u>
Noncash Transactions				
Capital lease issued	\$ 273,253	\$ -	\$ -	\$ -

The notes to the basic financial statements are an integral part of this statement.

Mid-State Technical College District

STATEMENT OF NET POSITION

FIDUCIARY FUND

JUNE 30, 2020

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2019

	<u>Employee Benefit Trust Fund</u>	
	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and investments	<u>\$ 6,234,889</u>	<u>\$ 5,880,175</u>
NET POSITION		
Restricted	<u>\$ 6,234,889</u>	<u>\$ 5,880,175</u>

The notes to the basic financial statements are an integral part of this statement.

Mid-State Technical College District

STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUND

FOR THE YEAR ENDED JUNE 30, 2020

WITH COMPARATIVE AMOUNTS FOR THE YEAR ENDED JUNE 30, 2019

	Employee Benefit Trust Fund	
	2020	2019
ADDITIONS		
Contributions - employer	\$ 826,530	\$ 859,312
Investment income	354,714	329,535
Total Additions	<u>1,181,244</u>	<u>1,188,847</u>
DEDUCTIONS		
Trust fund disbursements	<u>826,530</u>	<u>859,312</u>
Change in net position	354,714	329,535
Net position - July 1	<u>5,880,175</u>	<u>5,550,640</u>
Net position - June 30	<u><u>\$ 6,234,889</u></u>	<u><u>\$ 5,880,175</u></u>

The notes to the basic financial statements are an integral part of this statement.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District is organized under state legislation enacted in 1911 establishing vocational, technical and adult education. The goals of the District are to train people for employment, in a system flexible enough to meet the needs of the community, with programs offered on a part-time, full-time, day and evening basis. The District includes full-service campuses in Stevens Point, Marshfield, Wisconsin Rapids, Adams and several outreach sites.

The District offers training in over forty careers by granting one and two year technical diplomas and two year associate degrees in business, service and health, and technical and industrial. In addition, the District also awards certificates for the successful completion of a single course or a combination of courses. Special interest and leisure-time activities are also available through user-supported adult and continuing education programs designed to enhance overall quality of life throughout the District.

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units as well as those prescribed by the Wisconsin Technical College System Board (WTCSB). The significant principles and policies utilized by the District are described below:

A. REPORTING ENTITY

The District Board oversees the operations of what is generally referred to as the Mid-State Technical College (MSTC) under the provisions of Chapter 38 of the Wisconsin Statutes.

The District is comprised of three counties – Wood, Portage and Adams, plus parts of five other contiguous counties. The Board consists of nine members appointed by the Chairpersons of various county boards in the service area and therefore is considered a “stand-alone” government entity. As the District’s governing authority, the Board’s powers include:

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

GASB standards require reporting, as a component unit, an organization that raises and holds economic resources for the direct benefit of a governmental unit.

Mid-State Technical College Foundation, Inc.

The District is affiliated with Mid-State Technical College Foundation, Inc. (Foundation), a not-for-profit corporation whose purpose is to solicit, hold, manage, invest and expend endowment funds and other gifts, grants, and bequests exclusively for the maintenance and benefit of the District and its students. The Foundation is managed by an independent board of directors and is not financially accountable to the District. The Foundation has been reported as a discretely present component unit in the District’s financial statements.

The Foundation’s financial statements can be obtained through Mid-State Technical College Foundation, Inc., 500 32nd Street North, Wisconsin Rapids, WI 54494-5599.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

B. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

For financial reporting purposes, the District is considered a special purpose government engaged only in business-type activities. The District's basic financial statements are reported using the *economic resources measurement focus* on the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. As a general rule the effect of interfund activity has been eliminated from the district-wide financial statements.

C. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION

1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

2. Property Taxes

The District disseminates its property tax levy to city, village and town treasurers or clerks in October of the fiscal year for which the taxes are levied. The following dates are pertinent to the District's tax calendar.

Levy date	October 31
Assessment date	January 1
Due dates:	
Taxes paid in one installment	January 31
Taxes paid in two installments	January 31 and July 31
Taxes paid in three installments	January 31, April 30, and July 31
Settlement with County Treasurers	August 20

Generally, property taxes are collected in two installments; however, certain municipalities within the District have allowed their citizens to pay in three installments. The District recognizes its total levy as revenue in the fiscal year for which taxes are levied.

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 full 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 purposes of paying principal and interest on general obligation debt issued by the District for capital improvements and equipment acquisitions. For the year ended June 30, 2020, the District levied taxes at the following mill rate:

	<u>Mill Rate</u>	<u>Amount Levied</u>
Operating Mill Rate	\$ 0.50678	\$ 7,008,488
Debt Service	0.45929	6,351,798
	<u>\$ 0.96607</u>	<u>\$ 13,360,286</u>

Property tax revenue recognized in the financial statements for the year ended June 30, 2020 totaled \$13,364,331 which includes the District's property tax levy and other miscellaneous tax collection related adjustments.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

3. Student Receivables, Fees and Tuition

Tuition and fees are recognized as revenue in the period in which the related activity or instruction takes place. Tuition and fees attribute to the District's summer school program are prorated on the basis of student class days occurring before and after June 30.

The District's student fees receivable is stated at amounts due from students, net of an allowance for doubtful accounts of \$695,971 as of June 30, 2020. Amounts outstanding longer than the agreed upon payment terms are considered past due. The District determines its allowance for doubtful accounts by considering a number of factors including length of time amounts are past due, the District's previous loss history, and the student's ability to pay his or her obligation. The District writes off receivables when they become uncollectible.

4. Inventories

Inventories are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

5. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items and are accounted for on the consumption method.

6. Capital Assets

Capital assets, include land, land improvements, buildings and building improvements, intangible assets, and equipment. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation on land improvements, buildings, intangible assets, and equipment is provided in amounts sufficient to charge the cost of the depreciable assets to operations on the straight-line method over the following estimated useful lives:

Assets	Capitalization Threshold	Years
Land improvements	\$ 15,000	40 - 50
Buildings and improvements	15,000	40 - 50
Equipment	5,000	4 - 10
Intangible assets	5,000	5

7. Compensated Absences, Retirement Plan, and Other Employee Benefits

Vacation

The District's policy allows employees to earn varying amounts of vacation pay for each year employed in accordance with District policy. Upon termination of employment from the District, the employee is entitled to 100% of accumulated vacation days. Accumulated vacation days are recorded as an expense and a liability when incurred.

Sick Leave

Exempt and faculty employees who at June 30th, are age 55 may retire early subject to fulfilling a years of service requirement. District employees hired before July 1, 2016, whether at early retirement or normal retirement age as applicable, may opt to utilize their unused accumulated sick leave, subject to certain limits, for payment of their group health and dental insurance premiums. The District accounts for the sick pay expense as it is earned.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

Retirement Plan

The District has a retirement plan covering substantially all of its employees which is funded through contributions to the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenses when paid. Additional information on the retirement plan can be found in Note D.

Other Postemployment Benefits

Health Insurance

District employees hired before July 1, 2016 who have at least 10 to 15 years of service in the District and have applied for a Wisconsin Retirement System annuity are eligible to receive group health insurance benefits funded by the District in an amount based on the number of full years of service to the District. Coverage does not extend beyond a retiree's eligibility for Medicare. Additional information on the other post-employment benefits can be found in Note E.

8. Unearned Revenues

Unearned revenues include amounts received for tuition, fees or other activities prior to the end of the fiscal year but relate to the subsequent fiscal year. Unearned revenues also include amounts received from grant and contract sponsors that have not yet been earned.

9. State and Federal Revenues

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

10. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

11. Pensions

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

12. Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are measured at fair value.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

13. Fund Equity

Equity is classified as net position and displayed in three components:

- ▶ **Net investment in capital assets.** Amount of capital assets, net of accumulated depreciation, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- ▶ **Restricted net position.** Amount of net position that is subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- ▶ **Unrestricted net position.** Net position that is neither classified as restricted nor as net investment in capital assets.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

D. CLASSIFICATION OF REVENUES AND EXPENSES

The District classifies its revenues and expenses as either operating or non-operating according to the following criteria:

- ▶ **Operating revenues and expenses.** Operating revenues and expenses include activities that have characteristics of exchange transactions to provide goods and services related to the District's principal ongoing operations. The principal operating revenues of the District are student tuition and fees, net of scholarship allowances, sales and services of auxiliary enterprises and federal, state and local grants and contracts. Operating expenses include the cost of providing educational services, student aid, administrative expenses and depreciation on capital assets.
- ▶ **Nonoperating revenues and expenses.** Nonoperating revenues and expenses include activities that have the characteristics of non-exchange transactions. The primary nonoperating revenues of the District are general property taxes, state appropriations, investment income and grants restricted by the grantor to be used exclusively for capital programs. Nonoperating expenses include interest on long-term obligations and losses on disposal of capital assets.

E. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

G. RECLASSIFICATIONS

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position or changes in net position.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

The debt service funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the District's cash and investments totaled \$24,040,158 on June 30, 2020 as summarized below:

Petty cash and cash on hand	\$	2,356
Deposits with financial institutions		5,898,248
Investments		
Wisconsin Local Government Investment Pool		11,937,809
Wisconsin Investment Series Cooperative		464
Fixed income mutual funds		2,608,635
Equity mutual funds		3,592,646
	\$	<u>24,040,158</u>

A portion of cash and cash equivalents is restricted for compliance with legal requirements and cannot be used for general purposes of the District. The cash and cash equivalents are classified as follows at June 30, 2020:

Reconciliation to the basic financial statements:

Statement of net position		
Unrestricted	\$	<u>11,484,709</u>
Restricted for		
Capital projects		5,905,181
Debt service		415,379
Total restricted cash and investments		<u>6,320,560</u>
Fiduciary fund statement of net position		
Postemployment benefits trust		6,234,889
	\$	<u>24,040,158</u>

Mid-State Technical College District

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JUNE 30, 2020

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2020:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Fixed income mutual funds	\$ 2,608,635	\$ -	\$ -
Equity mutual funds	3,592,646	-	-
	<u>\$ 6,201,281</u>	<u>\$ -</u>	<u>\$ -</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the District's deposits and investments and the related risks.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available. This coverage has been considered in determining custodial credit risk.

As of June 30, 2020, \$5,424,231 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. No amounts were collateralized.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

<u>Investment Type</u>	<u>Amount</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Not Rated</u>
Wisconsin Investment Series Cooperative	\$ 464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 464
Fixed income mutual funds	2,608,635	398,310	587,991	243,926	1,160,761	217,647	-
Wisconsin Local Government Investment Pool	11,937,809	-	-	-	-	-	11,937,809
Totals	\$ 14,546,908	\$ 398,310	\$ 587,991	\$ 243,926	\$1,160,761	\$ 217,647	\$ 11,938,273

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District's investment policy limits the maturity of any security not extend beyond any recognized unfunded cash needs of the District.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

<u>Investment Type</u>	<u>Amount</u>	<u>Remaining Maturity (in Months)</u>			
		<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>	<u>More Than 60 Months</u>
Wisconsin Investment Series Cooperative	\$ 464	\$ 464	\$ -	\$ -	\$ -
Fixed income mutual funds	2,608,635	-	-	306,075	2,302,560
Wisconsin Local Government Investment Pool	11,937,809	11,937,809	-	-	-
Totals	\$ 14,546,908	\$ 11,938,273	\$ -	\$ 306,075	\$ 2,302,560

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin Local Government Investment Pool ("LGIP") of \$11,937,809 at year-end. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2020, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, nondepreciable:				
Land	\$ 291,312	\$ -	\$ -	\$ 291,312
Construction in progress	250,617	344,287	250,617	344,287
Total capital assets, nondepreciable	<u>541,929</u>	<u>344,287</u>	<u>250,617</u>	<u>635,599</u>
Capital assets, depreciable:				
Land improvements	3,916,169	275,839	-	4,192,008
Buildings and improvements	48,964,372	748,064	-	49,712,436
Equipment	26,869,619	2,964,249	-	29,833,868
Intangible assets	11,915	-	-	11,915
Subtotals	<u>79,762,075</u>	<u>3,988,152</u>	<u>-</u>	<u>83,750,227</u>
Less accumulated depreciation for:				
Land improvements	962,664	86,408	-	1,049,072
Buildings and improvements	20,076,855	1,418,478	-	21,495,333
Equipment	19,452,151	2,851,104	-	22,303,255
Intangible assets	11,915	-	-	11,915
Subtotals	<u>40,503,585</u>	<u>4,355,990</u>	<u>-</u>	<u>44,859,575</u>
Total capital assets, depreciable, net	<u>39,258,490</u>	<u>(367,838)</u>	<u>-</u>	<u>38,890,652</u>
Capital assets, net	<u>\$ 39,800,419</u>	<u>\$ (23,551)</u>	<u>\$ 250,617</u>	39,526,251
Less: Capital related debt				23,945,442
Less: Debt premium				795,809
Add: Loss on advance refunding				175,403
Net investment in capital assets				<u>\$ 14,960,403</u>

C. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2020:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation debt					
Bonds	\$ 1,350,000	\$ -	\$ 180,000	\$ 1,170,000	\$ 180,000
Notes	28,290,000	9,500,000	5,485,000	32,305,000	5,570,000
Total general obligation debt	<u>29,640,000</u>	<u>9,500,000</u>	<u>5,665,000</u>	<u>33,475,000</u>	<u>5,750,000</u>
Debt premium	874,153	674,782	193,333	1,355,602	-
Capital leases	2,512,750	273,253	824,333	1,961,670	837,358
Compensated absences	1,588,882	272,489	332,523	1,528,848	-
Total Long-term obligations	<u>\$ 34,615,785</u>	<u>\$ 10,720,524</u>	<u>\$ 7,015,189</u>	<u>\$ 38,321,120</u>	<u>\$ 6,587,358</u>

Total interest paid during the year on long-term debt totaled \$833,852.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 6/30/20</u>
General obligation bonds	12/05/12	03/01/26	1.53% - 2.95%	2,090,000	\$ 1,170,000
General obligation notes	09/07/11	03/01/21	3.00%	3,600,000	495,000
General obligation notes	09/06/12	03/01/22	2.00%	2,900,000	740,000
General obligation notes	12/05/12	03/01/22	2.00%	2,200,000	490,000
General obligation notes	09/10/13	03/01/23	2.00% - 3.00%	2,800,000	1,125,000
General obligation notes	12/09/13	03/01/23	2.00% - 3.00%	2,495,000	875,000
General obligation notes	09/04/14	03/01/24	2.00% - 3.00%	3,555,000	2,180,000
General obligation notes	05/05/15	03/01/25	2.00% - 3.00%	1,545,000	755,000
General obligation notes	09/01/15	03/01/25	2.00% - 3.00%	4,000,000	3,525,000
General obligation notes	04/11/16	03/01/21	2.00% - 3.00%	1,500,000	245,000
General obligation notes	09/01/16	03/01/26	2.00%	4,200,000	3,770,000
General obligation notes	03/06/17	03/01/27	2.00% - 3.00%	1,500,000	1,370,000
General obligation notes	09/13/17	03/01/27	2.00% - 3.00%	3,765,000	2,745,000
General obligation notes	02/05/18	03/01/27	2.00% - 4.00%	1,585,000	1,110,000
General obligation notes	09/10/18	09/01/28	3.00%	4,800,000	3,985,000
General obligation notes	09/16/19	03/01/29	3.00% - 4.00%	5,000,000	4,395,000
General obligation notes	06/15/20	03/01/30	2.00% - 3.00%	4,500,000	4,500,000
Total general obligation notes					<u>32,305,000</u>
Total outstanding general obligation debt					<u>\$ 33,475,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$33,475,000 on June 30, 2020 are detailed below:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,750,000	\$ 854,220	\$ 6,604,220
2022	5,350,000	746,665	6,096,665
2023	4,815,000	613,790	5,428,790
2024	4,270,000	490,863	4,760,863
2025	4,040,000	369,845	4,409,845
2026 - 2030	9,250,000	542,095	9,792,095
	<u>\$ 33,475,000</u>	<u>\$ 3,617,478</u>	<u>\$ 37,092,478</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2020 was as follows:

	<u>Aggregate</u>	<u>Bonded</u>
Equalized valuation of the District	\$ 14,908,179,679	\$ 14,908,179,679
Statutory limitation percentage	(x) 5%	(x) 2%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>\$ 745,408,984</u>	<u>\$ 298,163,594</u>
General obligation debt	\$ 33,475,000	\$ 1,170,000
Capital Leases	1,961,670	-
Net outstanding general obligation debt applicable to debt limitation	<u>\$ 35,436,670</u>	<u>\$ 1,170,000</u>

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

Capital Lease

The District is obligated under a lease accounted for as a capital lease that was used to finance the acquisition of capital assets. The total lease is for \$4,500,000 in technology equipment. The cost of the capital assets under the capital lease is \$4,500,000 and the related accumulated depreciation is \$2,675,378 as of June 30, 2020.

The following is a schedule of the minimum lease payments under the lease agreement and the present values of the minimum lease payments at June 30, 2020:

<u>Year Ending</u>	<u>Minimum Lease Payments</u>
2021	\$ 900,000
2022	1,150,673
Subtotal	2,050,673
Less: Amount representing interest	89,003
Present value of future minimum lease payments	<u>\$ 1,961,670</u>

D. PENSION PLANS

1. WRS Pension Plan Description

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

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <https://etf.wi.gov/about-etf/reports-andstudies/financial-reports-and-statements>.

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

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service. The factors influencing the benefit are 1) final average earnings, 2) years of creditable service, and 3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2010	-1.3%	22.0%
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2	4
2018	2.4	17
2019	0	-10

Contributions

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

During the year ending June 30, 2020, the WRS recognized \$1,097,941 in contributions from the District.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	6.75%	6.75%
Protective with Social Security	6.75%	11.65%
Protective without Social Security	6.75%	16.25%

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

At June 30, 2020, the District reported an asset of \$3,297,508 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.10226556%, which was a decrease of 0.00094425% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$1,279,617.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

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At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 6,259,424	\$ 3,132,423
Net differences between projected and actual earnings on pension plan investments	-	6,741,278
Changes in assumptions	256,962	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,942	5,519
Employer contributions subsequent to the measurement date	554,621	-
Total	<u>\$ 7,097,949</u>	<u>\$ 9,879,220</u>

\$554,621 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Expense</u>
2021	\$ (980,384)
2022	(739,075)
2023	118,582
2024	(1,735,015)
Total	<u>\$ (3,335,892)</u>

Actuarial Assumptions

The total pension liability in the December 31, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date:	December 31, 2018
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.0%
Discount rate:	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

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Actuarial assumptions are based upon an experience study conducted in 2019 using experience from January 1, 2015 to December 31, 2018. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 actuarial valuation.

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

	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Core Fund Asset Class			
Global equities	49%	8.0%	5.1%
Fixed income	24.5%	4.9%	2.1%
Inflation sensitive assets	15.5%	4.0%	1.2%
Real estate	9%	6.3%	3.5%
Private equity/debt	8%	10.6%	7.6%
Multi-asset	4%	6.9%	4.0%
Cash	-10%	0.9%	N/A
Total Core Fund	100%	7.5%	4.6%
Variable Fund Asset Class			
U.S. equities	70%	7.5%	4.6%
International equities	30%	8.2%	5.3%
Total Variable Fund	100%	7.8%	4.9%

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

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

Single Discount Rate. A single discount rate of 7.0% was used to measure the total pension liability for the current and prior year. This single discount rate is based on the expected rate of return on pension plan investments of 7.0% and a municipal bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019). In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities. Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Mid-State Technical College District

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Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase to Discount Rate (8.0%)</u>
District's proportionate share of the net pension liability (asset)	\$ 8,491,673	\$ (3,297,508)	\$ (12,111,278)

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

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$85,691 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2020.

2. Supplemental Pension Plan

The District maintains a supplemental pension plan for faculty, professional, management, and technical employees hired prior to July 1, 2012 who also meet certain age and service requirements. As of June 30, 2020, there are forty-five employees potentially eligible for the plan, which is closed. The plan, a single-employee pension plan, is a defined benefit pension plan established to provide benefits after early retirement. The plan is administered by the District.

Funding Policy - The entire cost of these benefits is paid by the District. Benefits are currently funded on a pay-as-you-go basis and recorded in the District's general fund. No assets exist to prefund retiree benefits. No payments were made for the year ended June 30, 2020. Because the supplemental pension plan is closed to new employees, the District determined the pension liability to be immaterial, and an actuarial study was not performed for the year ended June 30, 2020.

E. OTHER POSTEMPLOYMENT BENEFIT

Plan Description

In addition to providing pension benefits, the District as authorized by the Board of Trustees provides medical, dental and insurance benefits for eligible retirees (and spouses) in accordance with employee contracts. Eligible retired employees have access to group coverage through the District's group plans. District paid medical, dental and life insurance benefits last until the retiree reaches age 65 while coverage for the spouse lasts until the retiree would have reached 65. All employees of the District are eligible for the Plan if they meet the follow age and service requirements:

Administrative Support Staff	Age 55 and 10 years of service
Faculty	Age 55 and 10 years of service
Professional, Technical, Management Employees	Age 55 and 10 years of service
Custodians	Age 55 and 10 years of service

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of insurance premiums based on the employee group and their retirement date.

The Plan is a single-employer defined postemployment benefit plan. The Plan does not issue separate financial statements.

Benefits Provided

The District provides medical, dental and insurance benefits for retired employees through the District's plans.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	42
Inactive employees entitled to but not yet receiving benefit payments	70
Active employees	204
	<u>316</u>

Contributions

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of insurance premiums based on the employee group and their retirement date. District paid medical and dental benefits are paid until the retiree or surviving spouse becomes eligible for Medicare.

Investments

The Plan does not have a separate investment policy from the District. For the year ended June 30, 2020, the annual money-weighted rate of return on investments, net of investment expense, was 6.41%. At June 30, 2020, the Plan had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Plan investments.

Net OPEB Asset

The District's net OPEB asset was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2020.

Actuarial Assumptions. The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	2.5%
Salary increases:	Ranges from 0.7% to 3.0%
Investment rate of return:	3.5%
Healthcare cost trend rates:	6.20% for 2019 increasing to 7.0% for 2020, decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%

Mortality rates are the same as those used in the Wisconsin 2012 Mortality Table adjusted for future mortality improvements using the MP-2015 fully generated improvement scale (multiplied 50%).

The actuarial assumptions used in the June 30, 2018 valuation were based on the "Wisconsin Retirement System 2012 - 2014 Experience Study".

The long-term expected rate of return on OPEB plan investments was valued at 2.25%. A blend of expected earnings on District funds and the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

Discount Rate. The discount rate used to measure the total OPEB liability was 2.25%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

Changes in the Net OPEB Liability (Asset)

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at July 1, 2019	\$ 5,957,569	\$ 5,880,175	\$ 77,394
Changes for the year:			
Service cost	197,129	-	197,129
Interest	197,500	-	197,500
Differences between expected and actual experiences	-	-	-
Changes in assumptions or other input	450,171	-	450,171
Contributions - employer	-	826,530	(826,530)
Net investment income	-	388,117	(388,117)
Benefit payments	(826,530)	(826,530)	-
Administrative expense	-	(33,403)	33,403
Net changes	<u>18,270</u>	<u>354,714</u>	<u>(336,444)</u>
Balance at June 30, 2020	<u>\$ 5,975,839</u>	<u>\$ 6,234,889</u>	<u>\$ (259,050)</u>

Sensitivity of the net OPEB liability (asset) to changes in the discount rate. The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (1.25%) or 1-percentage-point higher (3.25%) than the current rate:

	1% Decrease to Discount Rate (1.25%)	Current Discount Rate (2.25%)	1% Increase to Discount Rate (3.25%)
Net OPEB liability (asset)	\$ 170,460	\$ (259,050)	\$ (625,552)

Sensitivity of the net OPEB liability (asset) to changes in the healthcare cost trend rates. The following presents the net OPEB liability (asset) of the District, as well as what the District's net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.2% decreasing to 4.0%) or 1-percentage-point higher (7.2% decreasing to 6.0%) than the current healthcare cost trend rates:

	1% Decrease (5.2% decreasing to 4.0%)	Healthcare Cost Trend Rates (6.2% decreasing to 5.0%)	1% Increase (7.2% decreasing to 6.0%)
Net OPEB liability (asset)	\$ (581,017)	\$ (259,050)	\$ 100,370

OPEB plan fiduciary net position. Fiduciary net position is 104.3% of total OPEB liability. Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$486,840. At June 30, 2020, the District reported deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 928,262	\$ -
Changes in assumptions	360,137	77,364
Net difference between projected and actual earnings on OPEB plan investments	-	316,380
Total	<u>\$ 1,288,399</u>	<u>\$ 393,744</u>

Amounts reported as deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

<u>Year Ended June 30,</u>	<u>Expense</u>
2021	\$ 264,030
2022	264,030
2023	313,139
2024	53,456
Total	<u>\$ 894,655</u>

Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2020.

NOTE 3: OTHER INFORMATION

A. COMPONENT UNIT

This report contains the Mid State Technical College Foundation, Inc., which is included as a component unit. Financial information is presented as a discrete column in the statement of net position, the statement of revenues, expenses and changes in net position, and the statement of cash flows. In addition to the basic financial statements, the following disclosures are considered necessary for a fair presentation.

Cash and Investments

Investments at June 30, 2020 consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Gain (Loss)</u>
Money market funds	\$ 75,101	\$ 75,101	\$ -
Fixed income			
Mutual funds	846,833	873,274	26,441
Corporate bonds	25,000	24,766	(234)
Equities			
Mutual funds	2,145,218	2,454,682	309,464
Total Investments	<u>\$ 3,092,152</u>	<u>3,427,823</u>	<u>\$ 335,671</u>
Bank deposits		<u>110,113</u>	
Total cash and investments		<u>\$ 3,537,936</u>	

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

As of June 30, 2020, none of the Foundation's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized (or collateralized with securities held by the pledging financial institution or its trust department or agent not in the Foundation's name).

Investment income reported in the statement of revenues, expenses and changes in net position consisted of the following:

Realized and unrealized gain, net	\$	32,762
Interest and dividend income		140,248
Investment fees		(19,929)
Decrease in beneficial interest in assets held by community foundation		214
Investment income	\$	<u>153,295</u>

Beneficial Interest in Investments Held by Community Foundation

Beneficial interest in assets held by Community Foundation represents amounts held at the Community Foundation of South Wood County. The Foundation entered into an agreement with the Community Foundation of South Wood County whereby they transfer donor restricted and board designated endowment funds to the Community Foundation of South Wood County with the restriction that the Community Foundation of South Wood County make annual distributions to the Foundation as requested. The agreement governing the assets includes a variance power allowing the Community Foundation of South Wood County to modify the restrictions on distributions from the funds.

B. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage. A description of the District's risk management programs is presented below:

Commercial Insurance

The District also purchases commercial insurance policies for various property and other liability risks. Payments of premiums for these policies are also recorded as expenditures in the general fund of the District.

In addition to the above, the District has established separate internal service funds for the following risk management programs:

Self-funded Insurance Program

The District has established a separate internal service funds for the following risk management programs:

District employees, retirees and employee dependents are eligible for medical, dental and vision benefits with funding provided by charges to the District, employees and retirees. On June 30, 2020, District established a reserve of \$1,658,536 for future unreported claims. The claims liability of \$397,187 reported as of June 30, 2020, is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

Changes in the District's claims liability amount for 2020 and 2019 follow:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2020	\$ 639,201	\$ 4,054,703	\$ 4,296,717	\$ 397,187
2019	497,514	3,907,337	3,765,650	639,201

The District also participates in the following risk management programs:

Districts Mutual Insurance Company

In July 2004 all sixteen WTCS technical colleges created Districts Mutual Insurance Company (DMI). DMI is a fully-accessible 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 and auto at \$5,000,000 per occurrence, and workers' compensation at the statutorily required limits.

At the 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.

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

Each member college was assessed an annual premium that included a capitalization component, a premium component and an operational expense component. Future premiums will be based on relevant rating exposure bases as well as historical loss experience by members. DMI's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each participant based on equity interest in the company.

For the year ended June 30, 2020, the District paid total insurance premiums of \$217,031. Future premiums will be based on relevant rating exposure bases as well as the historical loss experience by members.

Audited financial statements for DMI can be obtained from Districts Mutual Insurance Company, 200 W. Grant Avenue Suite B, Port Washington, WI 53074.

Supplemental Insurance

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

The WTCS insurance Trust has purchased the following levels of coverage from DMI for its participating members:

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

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

The WTCS Insurance Trust statements can be obtained through Lakeshore Technical College District, 2190 North Avenue, Cleveland, WI 53015.

Insurance settlements have not exceeded insurance coverage in any of the past three years nor has there been any significant reduction in coverage compared to the prior year.

COVID 19

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities.

Specific to the District, COVID-19 has impacted operations as there has been an increased emphasis on remote learning and personal protective equipment. The District is reliant on the State Governments for a significant proportion of its revenues through intergovernmental grants. As the state is dealing with increased costs associated with the pandemic, there may be changes to future funding levels for the District once the state's budget is approved. The full impact of COVID-19 is unknown and cannot be reasonable estimated as events associated with the pandemic continue to occur subsequent to year-end and are still developing.

C. EXPENSES CLASSIFICATION

Expenses on the Statement of Revenues, Expenses and Changes in Net Position are classified by function. Alternatively, the expenses could also be shown by type of expense, as follows for the year ended June 30, 2020:

	<u>Amount</u>
Salaries and wages	\$ 18,021,481
Fringe benefits	7,521,676
Travel, memberships and subscriptions	541,787
Supplies, printing and minor equipment	2,655,937
Contract services	3,228,693
Rentals	62,175
Insurance	230,024
Utilities	591,349
Depreciation	4,355,990
Student aid	3,209,738
Other expenses	429,959
Total Operating Expenses	<u>\$ 40,848,809</u>

D. CONTINGENCIES

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

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

Mid-State Technical College District

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2020

E. UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, GASB issued Statement No. 87, *Leases*. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after June 15, 2021. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

F. SUBSEQUENT EVENTS

On October 13, 2020, the District issued \$1.00 million in general obligation notes. These notes will be used for the purpose of paying the cost of building remodeling and improvement projects and for the public purpose of paying the cost of acquiring movable equipment. The notes will be repaid through March 1, 2024 and bear interest at 3.00%.

REQUIRED SUPPLEMENTARY INFORMATION

Mid-State Technical College District

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/14	0.11052010%	\$ (2,727,741)	\$ 15,057,878	18.12%	102.74%
12/31/15	0.10862389%	1,765,117	15,180,292	11.63%	98.20%
12/31/16	0.10615351%	874,958	15,031,364	5.82%	99.12%
12/31/17	0.10452044%	(3,103,335)	15,266,811	20.33%	102.93%
12/31/18	0.10320981%	3,671,881	15,813,237	23.22%	96.45%
12/31/19	0.10226556%	(3,297,508)	16,191,475	20.37%	102.96%

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 1,054,051	\$ 1,054,051	\$ -	\$ 15,057,878	7.00%
6/30/16	1,032,226	1,032,226	-	15,180,292	6.80%
6/30/17	992,070	992,070	-	15,031,364	6.60%
6/30/18	1,038,143	1,038,143	-	15,266,811	6.80%
6/30/19	1,102,331	1,102,331	-	15,816,021	6.97%
6/30/20	1,097,941	1,097,941	-	16,470,950	6.67%

See notes to required supplementary information.

Mid-State Technical College District

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS *

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability				
Service cost	\$ 197,129	\$ 216,892	\$ 226,033	\$ 226,033
Interest	197,500	162,783	178,077	186,527
Differences between expected and actual experience	-	1,547,104	-	-
Changes of assumptions	450,171	(82,064)	(70,318)	-
Benefit payments	(826,530)	(859,312)	(673,057)	(634,923)
Net change in total OPEB liability	<u>18,270</u>	<u>985,403</u>	<u>(339,265)</u>	<u>(222,363)</u>
Total OPEB liability - beginning	<u>5,957,569</u>	<u>4,972,166</u>	<u>5,311,431</u>	<u>5,533,794</u>
Total OPEB liability - ending (a)	<u>\$ 5,975,839</u>	<u>\$ 5,957,569</u>	<u>\$ 4,972,166</u>	<u>\$ 5,311,431</u>
Plan fiduciary net position				
Contributions - employer	\$ 826,530	\$ 859,312	\$ 1,000,357	\$ 5,229,262
Net investment income	388,117	360,349	364,161	317,731
Benefit payments	(826,530)	(859,312)	(673,057)	(634,923)
Administrative expenses	(33,403)	(30,814)	(30,541)	(22,350)
Net change in plan fiduciary net position	<u>354,714</u>	<u>329,535</u>	<u>660,920</u>	<u>4,889,720</u>
Plan fiduciary net position - beginning	<u>5,880,175</u>	<u>5,550,640</u>	<u>4,889,720</u>	<u>-</u>
Plan fiduciary net position - ending (b)	<u>\$ 6,234,889</u>	<u>\$ 5,880,175</u>	<u>\$ 5,550,640</u>	<u>\$ 4,889,720</u>
District's net OPEB liability (asset) - ending (a) - (b)	<u>\$ (259,050)</u>	<u>\$ 77,394</u>	<u>\$ (578,474)</u>	<u>\$ 421,711</u>
Plan fiduciary net position as a percentage of the total OPEB liability	104.33%	98.70%	111.63%	92.06%
Covered-employee payroll	\$ 14,271,315	\$ 14,271,315	\$ 12,221,249	\$ 12,221,249
District's net OPEB liability (asset) as a percentage of covered-employee payroll	-1.82%	0.54%	-4.73%	3.45%
Annual money-weighted rate of return net of investment expense	6.41%	6.30%	6.98%	6.28%

* The amounts presented for each fiscal year were determined as of the current fiscal year end. Amounts for prior years were not available.

See notes to required supplementary information.

Mid-State Technical College District

SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN LAST 10 FISCAL YEARS *

	2020	2019	2018	2017
Actuarially determined contribution (ADC)	\$ 438,847	\$ 438,847	\$ 534,824	\$ 534,824
Contributions in relation to the ADC	826,530	859,312	1,000,357	5,229,262
Contribution deficiency (excess)	<u>\$ (387,683)</u>	<u>\$ (420,465)</u>	<u>\$ (465,533)</u>	<u>\$ (4,694,438)</u>
Covered-employee payroll	\$ 14,271,315	\$ 14,271,315	\$ 12,221,249	\$ 12,221,249
Contributions as a percentage of covered-employee payroll	5.79%	6.02%	8.19%	42.79%

Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset valuation method	Market Value	Market Value	Market Value	Market Value
Amortization method	5 year Level Dollar	5 year Level Dollar	30 year Level Dollar	30 year Level Dollar
Discount rate	3.50%	3.50%	3.50%	3.50%
Inflation	2.50%	2.50%	2.50%	2.50%

* The amounts presented for each fiscal year were determined as of the current fiscal year end.
Amounts for prior years were not available.

See notes to required supplementary information.

Mid-State Technical College District

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2020

A. OTHER POST EMPLOYMENT BENEFIT PLAN

The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until then fiscal years are presented.

B. WISCONSIN RETIREMENT SYSTEM

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

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

SUPPLEMENTARY INFORMATION

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

GENERAL FUND

The General Fund is the primary operating fund of the District and its accounts reflect all financial activity not to be accounted for in another fund.

Mid-State Technical College District

GENERAL FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Positive (Negative)
REVENUES						
Local government - tax levy	\$ 7,008,488	\$ 7,008,488	\$ 7,150,954	\$ -	\$ 7,150,954	\$ 142,466
Intergovernmental revenue						
State	14,714,150	16,050,884	15,885,547	-	15,885,547	(165,337)
Federal	551,528	611,269	601,652	-	601,652	(9,617)
Tuition and fees						
Statutory program fees	6,466,824	6,466,824	5,894,977	-	5,894,977	(571,847)
Material fees	324,100	324,100	295,235	-	295,235	(28,865)
Other student fees	400,565	411,565	420,099	-	420,099	8,534
Institutional	194,535	283,075	324,148	-	324,148	41,073
Total revenues	29,660,190	31,156,205	30,572,612	-	30,572,612	(583,593)
EXPENDITURES						
Instruction	17,801,020	19,087,965	17,405,699	8,215	17,413,914	1,674,051
Instructional resources	1,033,801	1,140,567	1,062,203	2,099	1,064,302	76,265
Student services	4,059,602	4,170,207	3,936,336	130	3,936,466	233,741
General institutional	5,208,977	5,330,220	6,128,369	-	6,128,369	(798,149)
Physical plant	2,080,908	2,096,880	2,060,037	13,960	2,073,997	22,883
Total expenditures	30,184,308	31,825,839	30,592,644	24,404	30,617,048	1,208,791
Excess (deficiency) of revenues over expenditures	(524,118)	(669,634)	(20,032)	(24,404)	(44,436)	625,198
OTHER FINANCING SOURCES						
Transfers in	120,000	120,000	120,000	-	120,000	-
Net change in fund balance	(404,118)	(549,634)	99,968	(24,404)	75,564	625,198
Fund balance - July 1, 2019	10,170,894	10,142,059	10,162,418	(20,359)	10,142,059	-
Fund balance - June 30, 2020	\$ 9,766,776	\$ 9,592,425	\$ 10,262,386	\$ (44,763)	\$ 10,217,623	\$ 625,198
FUND BALANCE						
Reserved for encumbrances			\$ 44,763			
Reserved for prepaid items			105,512			
Unreserved fund balance						
Designated for state aid fluctuations			383,216			
Designated for subsequent year expenditures			1,734,346			
Designated for other post employment benefits			482,274			
Designated for operations			7,512,275			
			<u>\$ 10,262,386</u>			

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than debt service or major capital projects) that are restricted to expenditures for designated purposes because of the legal or regulatory provisions. The District has two special revenue funds:

Aidable Fund - The operating fund is used to account for the proceeds from specific revenue sources other than non-aidable funds that are legally restricted as to expenditures for specific purposes. This fund includes technical assistance contracts and contracted instructional services to business and industry.

Non-aidable Fund - The non-aidable fund is used to account for assets held by the District in a trustee capacity, primarily for student aids and other student activities.

Mid-State Technical College District

SPECIAL REVENUE AIDABLE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Positive (Negative)
REVENUES						
Intergovernmental revenue						
Federal	\$ -	\$ 336,000	\$ 336,000	\$ -	\$ 336,000	\$ -
Tuition and fees						
Statutory program fees	8,000	8,000	14,380	-	14,380	6,380
Material fees	4,000	4,000	3,808	-	3,808	(192)
Other student fees	18,000	18,000	21,364	-	21,364	3,364
Institutional	755,000	1,085,155	1,143,349	-	1,143,349	58,194
Total revenues	<u>785,000</u>	<u>1,451,155</u>	<u>1,518,901</u>	<u>-</u>	<u>1,518,901</u>	<u>67,746</u>
EXPENDITURES						
Instruction	860,353	1,210,365	1,323,367	-	1,323,367	(113,002)
Student services	-	40	221	-	221	(181)
General institutional	-	167,858	41,752	29,650	71,402	96,456
Physical plant	2,620	2,620	35,937	-	35,937	(33,317)
Total expenditures	<u>862,973</u>	<u>1,380,883</u>	<u>1,401,277</u>	<u>29,650</u>	<u>1,430,927</u>	<u>(50,044)</u>
Net change in fund balance	(77,973)	70,272	117,624	(29,650)	87,974	17,702
Fund balance - July 1, 2019	<u>347,652</u>	<u>348,937</u>	<u>348,937</u>	<u>-</u>	<u>348,937</u>	<u>-</u>
Fund balance - June 30, 2020	<u>\$ 269,679</u>	<u>\$ 419,209</u>	<u>\$ 466,561</u>	<u>\$ (29,650)</u>	<u>\$ 436,911</u>	<u>\$ 17,702</u>
FUND BALANCE						
Reserved for encumbrances			\$ 29,650			
Reserved for emergency relief funds			218,144			
Unreserved						
Designated for subsequent year expenditures			182,431			
Designated for operations			36,336			
			<u>\$ 466,561</u>			

Mid-State Technical College District

SPECIAL REVENUE NON-AIDABLE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Intergovernmental revenue						
Federal	\$ 4,390,000	\$ 5,154,006	\$ 4,607,936	\$ -	\$ 4,607,936	\$ (546,070)
Tuition and fees						
Other student fees	387,200	387,200	371,959	-	371,959	(15,241)
Institutional	440,400	440,400	368,815	-	368,815	(71,585)
Total revenues	<u>5,217,600</u>	<u>5,981,606</u>	<u>5,348,710</u>	<u>-</u>	<u>5,348,710</u>	<u>(632,896)</u>
EXPENDITURES						
Student services	5,163,717	5,827,547	5,157,676	-	5,157,676	669,871
General institutional	46,142	71,259	70,181	-	70,181	1,078
Total expenditures	<u>5,209,859</u>	<u>5,898,806</u>	<u>5,227,857</u>	<u>-</u>	<u>5,227,857</u>	<u>670,949</u>
Net change in fund balance	7,741	82,800	120,853	-	120,853	38,053
Fund balance - July 1, 2019	<u>161,911</u>	<u>105,027</u>	<u>105,027</u>	<u>-</u>	<u>105,027</u>	<u>-</u>
Fund balance - June 30, 2020	<u>\$ 169,652</u>	<u>\$ 187,827</u>	<u>\$ 225,880</u>	<u>\$ -</u>	<u>\$ 225,880</u>	<u>\$ 38,053</u>
FUND BALANCE						
Reserved for student financial assistance			\$ 14,218			
Reserved for emergency student aid			100,176			
Reserved for student government and organizations			104,771			
Assigned			6,715			
			<u>\$ 225,880</u>			

CAPITAL PROJECTS FUND

The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities and remodeling (other than those financed by enterprise funds and trust funds).

Mid-State Technical College District

CAPITAL PROJECTS FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Positive (Negative)
REVENUES						
Intergovernmental revenue						
State	\$ 108,420	\$ 230,480	\$ 225,942	\$ -	\$ 225,942	\$ (4,538)
Federal	-	-	19,996	-	19,996	19,996
Institutional	36,020	84,774	99,941	-	99,941	15,167
Total revenues	144,440	315,254	345,879	-	345,879	30,625
EXPENDITURES						
Instruction	2,080,420	2,367,289	2,116,514	178,313	2,294,827	72,462
Instructional resources	168,000	146,796	125,396	(46,926)	78,470	68,326
Student services	607,900	614,662	684,715	(80,832)	603,883	10,779
General institutional	752,108	1,099,982	916,148	(5,738)	910,410	189,572
Physical plant	1,515,435	1,653,682	1,519,677	110,325	1,630,002	23,680
Total expenditures	5,123,863	5,882,411	5,362,450	155,142	5,517,592	364,819
Excess (deficiency) of revenues over expenditures	(4,979,423)	(5,567,157)	(5,016,571)	(155,142)	(5,171,713)	395,444
OTHER FINANCING SOURCES						
Long-term debt issued	5,000,000	9,500,000	9,500,000	-	9,500,000	-
Capital leases issued	-	-	273,253	-	273,253	273,253
Total other financing sources	5,000,000	9,500,000	9,773,253	-	9,773,253	273,253
Net change in fund balance	20,577	3,932,843	4,756,682	(155,142)	4,601,540	668,697
Fund balance - July 1, 2019	580,483	487,045	856,149	(369,104)	487,045	-
Fund balance - June 30, 2020	<u>\$ 601,060</u>	<u>\$ 4,419,888</u>	<u>\$ 5,612,831</u>	<u>\$ (524,246)</u>	<u>\$ 5,088,585</u>	<u>\$ 668,697</u>
Reserved for encumbrances			\$ 524,246			
Reserved for capital projects			5,088,585			
			<u>\$ 5,612,831</u>			

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Mid-State Technical College District

DEBT SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Adjustment to Budgetary Basis</u>	<u>Actual on a Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
REVENUES						
Local government - tax levy	\$ 6,351,798	\$ 6,351,798	\$ 6,213,377	\$ -	\$ 6,213,377	\$ (138,421)
Institutional	112,000	577,895	9,013	-	9,013	(568,882)
Total revenues	<u>6,463,798</u>	<u>6,929,693</u>	<u>6,222,390</u>	<u>-</u>	<u>6,222,390</u>	<u>(707,303)</u>
EXPENDITURES						
Physical plant	<u>6,431,097</u>	<u>6,665,422</u>	<u>6,655,630</u>	<u>-</u>	<u>6,655,630</u>	<u>9,792</u>
Excess (deficiency) of revenues over expenditures	<u>32,701</u>	<u>264,271</u>	<u>(433,240)</u>	<u>-</u>	<u>(433,240)</u>	<u>(697,511)</u>
OTHER FINANCING SOURCES						
Long-term debt issued	10,000	438,939	-	-	-	(438,939)
Debt premium	-	-	674,782	-	674,782	674,782
Total Other Financing Sources	<u>10,000</u>	<u>438,939</u>	<u>674,782</u>	<u>-</u>	<u>674,782</u>	<u>235,843</u>
Net change in fund balance	42,701	703,210	241,542	-	241,542	(461,668)
Fund balance - July 1, 2019	<u>387,506</u>	<u>387,023</u>	<u>387,023</u>	<u>-</u>	<u>387,023</u>	<u>-</u>
Fund balance - June 30, 2020	<u>\$ 430,207</u>	<u>\$ 1,090,233</u>	<u>\$ 628,565</u>	<u>\$ -</u>	<u>\$ 628,565</u>	<u>\$ (461,668)</u>
FUND BALANCE						
Reserved for debt service			<u>\$ 628,565</u>			

ENTERPRISE FUND

The enterprise funds are used to account for activities where the intent of the district is that the costs of providing goods or services on a continuing basis be financed or recovered primarily through fees charged to the users of the goods or services. The operations of the District's food service and bookstore, as well as various other minor services are accounted for in the enterprise funds.

Mid-State Technical College District

ENTERPRISE FUNDS SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Positive (Negative)
REVENUES						
Auxiliary revenue	\$ 1,156,975	\$ 1,156,975	\$ 1,004,837	\$ -	\$ 1,004,837	\$ (152,138)
EXPENDITURES						
Auxiliary services	1,220,206	1,220,206	1,302,370	-	1,302,370	(82,164)
Excess (deficiency) of revenues over expenditures	(63,231)	(63,231)	(297,533)	-	(297,533)	(234,302)
OTHER FINANCING USES						
Transfers out	(120,000)	(120,000)	(120,000)	-	(120,000)	-
Net change in fund balance	(183,231)	(183,231)	(417,533)	-	(417,533)	(234,302)
Fund balance - July 1, 2019	1,398,768	1,520,420	1,520,420	-	1,520,420	-
Fund balance - June 30, 2020	<u>\$ 1,215,537</u>	<u>\$ 1,337,189</u>	<u>\$ 1,102,887</u>	<u>\$ -</u>	<u>\$ 1,102,887</u>	<u>\$ (234,302)</u>
FUND BALANCE						
Unrestricted net position			<u>\$ 1,102,887</u>			

INTERNAL SERVICE FUND

The Internal Service Fund is used to account for the financing of goods or services provided by one department to other departments on a cost-reimbursement basis. The District's internal service fund is used to account for all collections and claim payments related to the District's dental, vision, and health self-insurance program along with copy center operations on the Marshfield and Wisconsin Rapids campuses.

Mid-State Technical College District

INTERNAL SERVICE FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL FOR THE YEAR ENDED JUNE 30, 2020

	Original Budget	Amended Budget	Actual	Adjustment to Budgetary Basis	Actual on a Budgetary Basis	Variance Positive (Negative)
REVENUES						
Institutional	\$ 10,000	\$ 10,000	\$ 25,205	\$ -	\$ 25,205	\$ 15,205
Auxiliary revenue	6,213,200	6,213,200	6,000,562	-	6,000,562	(212,638)
Total revenues	<u>6,223,200</u>	<u>6,223,200</u>	<u>6,025,767</u>	-	<u>6,025,767</u>	<u>(197,433)</u>
EXPENDITURES						
Auxiliary services	<u>5,744,435</u>	<u>5,744,435</u>	<u>5,355,688</u>	-	<u>5,355,688</u>	<u>388,747</u>
Net change in fund balance	478,765	478,765	670,079	-	670,079	191,314
Fund balance - July 1, 2019	<u>1,557,567</u>	<u>1,841,147</u>	<u>1,841,147</u>	-	<u>1,841,147</u>	<u>-</u>
Fund balance - June 30, 2020	<u>\$ 2,036,332</u>	<u>\$ 2,319,912</u>	<u>\$ 2,511,226</u>	<u>\$ -</u>	<u>\$ 2,511,226</u>	<u>\$ 191,314</u>
FUND BALANCE						
Unrestricted net position			<u>\$ 2,511,226</u>			

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

Mid-State Technical College District

SCHEDULE TO RECONCILE BUDGET (NON-GAAP BUDGETARY) BASIS FINANCIAL STATEMENTS TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

	General Fund	Special Revenue Aidable Fund	Special Revenue Non-Aidable Fund	Capital Projects Fund
REVENUES				
Local government - tax levy	\$ 7,150,954	\$ -	\$ -	\$ -
Intergovernmental revenue				
State	15,885,547	-	-	225,942
Federal	601,652	336,000	4,607,936	19,996
Tuition and fees				
Statutory program fees	5,894,977	14,380	-	-
Material fees	295,235	3,808	-	-
Other student fees	420,099	21,364	371,959	-
Institutional	324,148	1,143,349	368,815	99,941
Auxiliary revenue	-	-	-	-
Total revenues	<u>30,572,612</u>	<u>1,518,901</u>	<u>5,348,710</u>	<u>345,879</u>
EXPENDITURES				
Instruction	17,413,914	1,323,367	-	2,294,827
Instructional resources	1,064,302	-	-	78,470
Student services	3,936,466	221	5,157,676	603,883
General institutional	6,128,369	71,402	70,181	910,410
Physical plant	2,073,997	35,937	-	1,630,002
Auxiliary services	-	-	-	-
Depreciation	-	-	-	-
Student aid	-	-	-	-
Total expenditures	<u>30,617,048</u>	<u>1,430,927</u>	<u>5,227,857</u>	<u>5,517,592</u>
Excess (deficiency) of revenues over expenditures	<u>(44,436)</u>	<u>87,974</u>	<u>120,853</u>	<u>(5,171,713)</u>
OTHER FINANCING SOURCES				
Transfers in	120,000	-	-	-
Transfers out	-	-	-	-
Long-term debt issued	-	-	-	9,500,000
Capital leases issued	-	-	-	273,253
Debt premium	-	-	-	-
Total other financing sources	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>9,773,253</u>
Net change in fund balances	75,564	87,974	120,853	4,601,540
Fund balances - July 1, 2019	<u>10,142,059</u>	<u>348,937</u>	<u>105,027</u>	<u>487,045</u>
Fund balances - June 30, 2020	<u>\$ 10,217,623</u>	<u>\$ 436,911</u>	<u>\$ 225,880</u>	<u>\$ 5,088,585</u>

<u>Debt Service Fund</u>	<u>Enterprise Funds</u>	<u>Internal Service Fund</u>	<u>Total</u>	<u>Reconciling Items</u>	<u>Statement of Revenues, Expenses and Changes in Net Position</u>
\$ 6,213,377	\$ -	\$ -	\$ 13,364,331	\$ -	\$ 13,364,331
-	-	-	16,111,489	-	16,111,489 (1)
-	-	-	5,565,584	-	5,565,584 (2)
-	-	-	5,909,357	(1,295,526)	4,613,831
-	-	-	299,043	(65,559)	233,484
-	-	-	813,422	(178,337)	635,085
9,013	-	25,205	1,970,471	949	1,971,420 (3)
-	1,004,837	6,000,562	7,005,399	(6,026,717)	978,682
<u>6,222,390</u>	<u>1,004,837</u>	<u>6,025,767</u>	<u>51,039,096</u>	<u>(7,565,190)</u>	<u>43,473,906</u>
-	-	-	21,032,108	(3,152,760)	17,879,348
-	-	-	1,142,772	(242,152)	900,620
-	-	-	9,698,246	(4,759,763)	4,938,483
-	-	-	7,180,362	(738,981)	6,441,381
6,655,630	-	-	10,395,566	(7,681,545)	2,714,021 (4)
-	1,302,370	5,355,688	6,658,058	(5,333,783)	1,324,275
-	-	-	-	4,355,990	4,355,990
-	-	-	-	3,209,738	3,209,738
<u>6,655,630</u>	<u>1,302,370</u>	<u>5,355,688</u>	<u>56,107,112</u>	<u>(14,343,256)</u>	<u>41,763,856</u>
<u>(433,240)</u>	<u>(297,533)</u>	<u>670,079</u>	<u>(5,068,016)</u>	<u>6,778,066</u>	<u>1,710,050</u>
-	-	-	120,000	(120,000)	-
-	(120,000)	-	(120,000)	120,000	-
-	-	-	9,500,000	(9,500,000)	-
-	-	-	273,253	(273,253)	-
674,782	-	-	674,782	(674,782)	-
<u>674,782</u>	<u>(120,000)</u>	<u>-</u>	<u>10,448,035</u>	<u>(10,448,035)</u>	<u>-</u>
241,542	(417,533)	670,079	5,380,019	(3,669,969)	1,710,050
<u>387,023</u>	<u>1,520,420</u>	<u>1,841,147</u>	<u>14,831,658</u>	<u>6,840,014</u>	<u>21,671,672</u>
<u>\$ 628,565</u>	<u>\$ 1,102,887</u>	<u>\$ 2,511,226</u>	<u>\$ 20,211,677</u>	<u>\$ 3,170,045</u>	<u>\$ 23,381,722 (5)</u>

Mid-State Technical College District

SCHEDULE TO RECONCILE BUDGET (NON-GAAP BUDGETARY) BASIS FINANCIAL STATEMENTS TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

A. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted for all funds in accordance with the requirements of the Wisconsin Technical College System Board. The District's fund structure used in preparation of the basic financial statements is different than the fund structure used for budgetary accounting. In addition, the annual budgets are prepared on a different basis from the basic financial statements. The principal difference is that encumbrances outstanding at the end of the year are recorded as expenditures, as legally prescribed. Also, the District's annual budget does not incorporate changes related to GASB Statements No. 34, 35, 37 and 38. The District follows these procedures in establishing the budgetary data reflected in the supplemental information section of this report.

The District follows the procedures listed below in adopting annual budgets for all funds in accordance with legal requirements.

- ▶ District administration submits their annual budget to the District Board for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- ▶ A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget. Public hearings are subsequently held on the proposed budget to obtain taxpayer comments.
- ▶ Prior to July 1, the District's budget is legally enacted through approval by the District Board in accordance with State Statute 38.12.
- ▶ Budgets included in the supplemental information section of this report detail the originally approved and final budgets. Budget amendments during the year are legally authorized by the District Board 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 District Board and a Class 1 public notice published in the District's official newspaper within 10 days according to Wisconsin Statutes. Budget amendments were authorized by the District Board during the year. Budget appropriations not expended during the year are closed to fund balance unless authorized by the District Board to be forwarded into the succeeding year's budget.
- ▶ Management exercises control over budgeted expenditures by fund and function (e.g., instruction and instructional resources), as presented in the supplemental information section of this report. Expenditures may not exceed funds available or appropriated.

The District did not have any major violation of legal or contractual provisions for the fiscal year ended June 30, 2020.

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

Operating	\$	1,686,041
Nonoperating		14,199,506
Nonoperating capital grants		225,942
	\$	<u>16,111,489</u>

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

Operating	\$	601,652
Nonoperating		4,943,936
Nonoperating capital grants		19,996
	\$	<u>5,565,584</u>

Mid-State Technical College District

SCHEDULE TO RECONCILE BUDGET (NON-GAAP BUDGETARY) BASIS FINANCIAL STATEMENTS TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

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

Contract revenue	\$	1,164,373
Miscellaneous revenue		585,596
Investment income		172,697
Capital grants		48,754
	<u>\$</u>	<u>1,971,420</u>

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

Physical plant	\$	1,798,974
Interest expense		915,047
	<u>\$</u>	<u>2,714,021</u>

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

Budgetary basis fund balance	<u>\$</u>	<u>20,211,677</u>
Adjustments		
General capital assets - cost		83,471,896
Accumulated depreciation on general capital assets		(44,360,594)
Deferred outflows of resources - pension plan		7,097,949
Deferred outflows of resources - Other postemployment benefits		1,288,399
Loss on advance refunding		175,403
Net pension asset		3,297,508
Net other postemployment benefits asset		259,050
General obligation debt		(33,475,000)
Capital lease		(1,961,670)
Bond premium		(1,355,602)
Compensated absences		(1,528,848)
Accrued interest on debt payable		(273,981)
Summer school tuition earned		274,340
Summer school instructor wages paid		(64,500)
Deferred inflows of resources - pension plan		(9,879,220)
Deferred inflows of resources - Other postemployment benefits		(393,744)
Encumbrances outstanding at year end		598,659
Total Adjustments		<u>3,170,045</u>
Net position per basic financial statements	<u>\$</u>	<u>23,381,722</u>



Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

To the Board of Education
Mid-State Technical College District
Wisconsin Rapids, Wisconsin

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Mid-State Technical College District, Wisconsin Rapids, Wisconsin (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 5, 2021.

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) as a basis for designing 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.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 on compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin

March 5, 2021