SOUTHWESTERN COMMUNITY COLLEGE

Financial Statements and
Supplemental Information

June 30, 2004

(With Independent Auditors' Reports Thereon)

SOUTHWESTERN COMMUNITY COLLEGE

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SOUTHWESTERN COMMUNITY COLLEGE

Officials

Name	Title	Term Expires
Board of Directors:		
Larry W. Mark	President	2005
Kenneth Rech	Vice President	2006
Jerry Smith	Member	2006
Janet E. DeMott	Member	2007
Fred Shearer	Member	2005
Larry Giles	Member	2006
Susan R. Sullivan	Member	2005
Dennis Davis	Member	2007
Community College:		
Dr. Barbara Crittenden	President	
Teresa Krejci	Chief Financial Officer and Board Treasurer	
Mary Jo Skarda	Board Secretary	

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CERTIFIED PUBLIC ACCOUNTANTS
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CRESTON, IOWA 50801

MEMBERS -IOWA SOCIETY OF CPAs
AMERICAN INSTITUTE OF CPAs

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Southwestern Community College

We have audited the accompanying statement of net assets, and the related statements of revenues, expenses, and changes in net assets and cash flows of Southwestern Community College as of and for the year ended June 30, 2004. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material missstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Community College as of June 30, 2004, and the respective changes in financial position and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Southwestern Community College adopted Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units.

In accordance with Government Auditing Standards, we have also issued reports, dated December 10, 2004, on our consideration of Southwestern Community College's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 10 and 30 through 31 are not required parts of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows, which collectively comprise Southwestern Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 10, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Draper, Snodgrass, McCubbin & Co., P.C.

December 10, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Southwestern Community College's annual financial report presents management's discussion and analysis of the College's financial activity for the year ended June 30, 2004. This information should be read in conjunction with the College's financial statements.

These financial statements implement the following reporting standards:

> Governmental Accounting Standards Board (GASB) Statement 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.
>
> Governmental Accounting Standards Board (GASB) Statement 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.

This is the first year of implementation of the Governmental Accounting Standards Board Statement 39 Determining Whether Certain Organizations are Component Units.

The financial statement presentation provides a comprehensive, entity-wide set of financial statements rather than providing statements for each fund group. Depreciation expense is included in this presentation.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The College's annual financial report consists of the following financial statements and other information:

> Management's Discussion and Analysis introduces the basic financial statements, presents condensed financial information, and provides an analytical overview of the College's financial activities.
>
> The Basic Financial Statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows.
>
> Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.
>
> Required Supplementary Information further explains and supports the financial statements with a comparison to the College's budget for the year. Supplementary Information provides detailed information about the individual funds of the College and other information.

FINANCIAL HIGHLIGHTS

Revenues in the general unrestricted fund were up slightly (3.3%) over the prior year. This increase is due mainly to an increase in tuition and fees (9.0%) coupled with a decrease in state general aid (-1.2%).

The College issued $3,110,000 New Jobs Training Program Certificates in fiscal year 2004.

OVERVIEW OF THE FINANCIAL STATEMENTS

Statement of Net Assets

The Statement of Net Assets presents the financial position of the College as a whole as of the last day of the fiscal year. This statement reports the total assets (current and noncurrent) and total liabilities (current and noncurrent) and net assets (assets less liabilities) of the College. The purpose of this statement is to present a fiscal snapshot of the College at a point-in-time. Increases or decrease in net assets over time are one indicator of the current financial condition of the College.

Net Assets

	June 30, 2004
Current and other assets	$ 14,208,663
Capital assets, net of accumulated depreciation	5,827,274
Total assets	$ 20,035,937
Current liabilities	$ 3,978,298
Noncurrent liabilities	5,288,084
Total liabilities	$ 9,266,382
Net assets	
Invested in capital assets, net of related debt	$ 5,583,274
Restricted	
Expendable	
Cash reserve	103,947
Other	1,822,436
Unrestricted	
Unrestricted	677,487
Plant fund	1,287,851
Auxiliary Enterprises	1,294,560
Total net assets	$ 10,769,555
Total liabilities and net assets	$ 20,035,937

The largest portion of the College's net assets (51.8%) is invested in capital assets (e.g. land, buildings, and equipment), less the related debt. The debt related to capital assets is a capital lease that is liquidated with resources other than capital assets. The restricted portion of the net assets (17.9%) consists of resources that are subject to external restrictions. The remaining net assets (30.3%) represent $677,487 in the general unrestricted fund, $1,294,560 in the auxiliary fund, and $1,287,851 that is restricted for plant facilities expenses.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues received by the College, both operating and nonoperating, and the expenses paid by the College, operating and nonoperating, and any other revenues, expenses, gains and losses received or spent by the College.

In general, a public college, such as Southwestern Community College, will report an operating loss since the financial reporting model classifies state appropriations and property tax as nonoperating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Nonoperating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

Changes in Net Assets

	Year ended June 30, 2004
Operating revenue:	
Tuition and fees	$ 1,897,288
Federal appropriations	2,427,397
Iowa Industrial New Jobs Training Program	1,319,561
Auxiliary	2,777,358
Other	727,208
Total operating revenues	$ 9,148,812
Total operating expenses	14,258,853
Operating loss	$ (5,110,041)
Nonoperating revenue (expenses)	
State appropriations	$ 3,861,474
Property tax	1,392,807
Interest income on investments	123,750
Interest on indebtedness	(214,821)
Net nonoperating revenues	$ 5,163,210
Increase in net assets	$ 53,169
Net assets, beginning of year	10,716,386
Net assets, end of year	$ 10,769,555

The Statement of Revenues, Expenses and Changes in Net Assets reflects a positive year, with an increase in net assets at the end of the fiscal year.

For the year ended June 30, 2004, operating revenues increased as a net result of the following changes:

Tuition and fees increased due to an increase in the tuition and fee rate from $89 per credit hour to $97 per credit hour from fiscal year 2003 to fiscal year 2004.

State General Aid, included in the state appropriations revenue, decreased by $43,918 or 1.2%.

Federal revenue increased in part due to the Education Talent Search Grant program completing its first full fiscal year of operation and the receipt of a Title IIA Higher Education Grant – Every Child Counts Program.

The Iowa Industrial New Jobs Training Program revenue increased by $1,211,688 due to the issuance of New Jobs Training Program Certificates.

Operating Expenses

	Year Ended June 30, 2004
Education and Support:	
Liberal Arts and Sciences	$ 1,883,775
Vocational Technical	1,927,722
Adult Education	835,544
Cooperative Services	734,627
Administration	974,139
Student Services	752,561
Learning Resources	161,178
Physical Plant	1,559,474
General Institution	1,400,213
Auxiliary Enterprises	3,349,338
Scholarships and grants	208,931
Loan cancellations and bad debts	59,566
Depreciation	411,785
Total	$ 14,258,853

For the year ended June 30, 2004, operating expenses increased as a net result of the following changes:

Moderate salary increases were given to faculty and staff accompanied by an increase in the cost of the College's health insurance program.

Cooperative Services expenses increased by $729,617 due to the issuance of New Jobs Training Program Certificates and the receipt of a Title IIA Higher Education Grant. The expenses for the issuance are covered by the proceeds from the certificates.

Other improvements included a license for our administrative software, new computers, and expansion of the parking lot.

Statement of Cash Flows

The Statement of Cash Flows provides information about the College's sources and uses of cash. This statement classifies sources and uses of cash during the fiscal year into four categories as presented below:

Cash Flows

	Year Ended June 30, 2004
Cash provided (used) by:	
Operating activities	$(5,388,477)
Non-capital financing activities	5,240,441
Capital and related financing activities	1,768,381
Investing activities	127,638
Net increase in cash	$ 1,747,983
Cash, beginning of the year	7,610,758
Cash, end of the year	$ 9,358,741

Cash used by operating activities includes tuition, fees, grants and contracts, net of payment to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations, local property tax received by the College and the receipt and disbursement of federal direct loan program proceeds. Cash used by capital and related financing activities represents the principal and interest payments on debt, the purchase of capital assets, and the proceeds from New Jobs Training Program Certificates issued. Cash provided by investing activities includes investment income received.

CAPITAL ASSETS

At June 30, 2004, the College had approximately $11.8 million invested in capital assets with an accumulated depreciation of $5.9 million. Depreciation charges totaled $411,785 for the year ended June 30, 2004. Details of capital assets are shown below:

Capital Assets, Net, at Year End

	June 30, 2004
Land	$ 78,610
Buildings and other structures	10,401,456
Furniture and equipment	1,273,826
Accumulated depreciation	(5,926,618)
	$ 5,827,274

Planned capital expenditures for the fiscal year ending June 30, 2005 and beyond include replacing the roof on the Instructional Center and expanding the nursing program. We are also in the process of completing a facilities study that will address repair and replacement issues for our buildings. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

DEBT

At June 30, 2004, the College had $6.1 million in debt outstanding, an increase of $2,297,000 from 2003 due to the issuance of $3,110,000 New Jobs Training Program Certificates less the required payments on the existing debt. The table below summarized these amounts by type.

Outstanding Debt

	June 30, 2004
Certificates payable	$ 5,910,000
Contract payable	231,000
	$ 6,141,000

More detailed information about the College's outstanding debt is presented in Notes 5 and 6 to the financial statements.

ECONOMIC FACTORS

Southwestern Community College continued to improve its financial position during the current fiscal year. However, the current financial condition of the State of Iowa continues to be a concern for College officials. Some of the realities that may potentially become challenges for the College to meet are:

State general aid continues to be volatile and has not kept up with inflation in recent years. State general aid for fiscal year 2005 is $209,533 (5.5%) less than State general aid for fiscal year 2001.

Expenses will continue to increase. As the number of students increase, the costs associated with serving them continue to increase.

Facilities at the College require constant maintenance and upkeep.

Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.

The College anticipates the current fiscal year will be much like the last. We will maintain a close watch over resources to maintain the College's ability to react to unknown issues.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Southwestern Community College, 1501 W. Townline St, Creston, IA 50801.

FINANCIAL STATEMENTS

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2004

ASSETS		
CURRENT ASSETS:		
Cash and investments	$	9,358,741
Receivables:		
Accounts (less allowance of $178,919)		434,999
Other governments (less allowance of $0)		135,648
Property taxes:		
Succeeding year		1,353,213
Inventories		250,638
Receivable for cost of Iowa Industrial New Jobs Training Program		2,452,447
Prepaid expenses and deferred charges		222,977
TOTAL CURRENT ASSETS	$	14,208,663
NONCURRENT ASSETS:		
Capital assets:		
Land	$	78,610
Buildings		9,603,530
Other structures		797,926
Furniture and equipment		1,273,826
Accumulated depreciation		(5,926,618)
TOTAL NONCURRENT ASSETS	$	5,827,274
TOTAL ASSETS	$	20,035,937

The Notes to the Financial Statements are an integral part of this statement.

LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	$ 203,569
Accrued salaries and benefits	372,424
Early retirement payable	76,993
Accrued interest	25,801
Deposits held in custody for others	41,727
Deferred compensation	2,835
Deferred revenues:	
Succeeding year property tax	1,353,213
Other	144,649
Due to other governments	697,734
Compensated absences	141,353
Contract payable	33,000
Certificates payable	885,000
TOTAL CURRENT LIABILITIES	$ 3,978,298
NONCURRENT LIABILITIES	
Compensated absences	$ 42,219
Early retirement	22,865
Certificates payable	5,025,000
Contract payable	198,000
TOTAL NONCURRENT LIABILITIES	$ 5,288,084
TOTAL LIABILITIES	$ 9,266,382
NET ASSETS	
Invested in capital assets, net of related debt	$ 5,583,274
Restricted:	
Expendable:	
Cash reserve	103,947
Other	1,822,436
Unrestricted:	
Unrestricted	677,487
Plant fund	1,287,851
Auxiliary enterprises	1,294,560
TOTAL NET ASSETS	$ 10,769,555
TOTAL LIABILITIES AND NET ASSETS	$ 20,035,937

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ASSETS
Year Ended June 30, 2004

OPERATING REVENUES:		
Tuition and fees, net of scholarship allowances of $1,290,761	$	1,897,288
Federal support		2,427,397
Iowa Industrial New Jobs Training Program		1,319,561
Auxiliary enterprises revenue, net of scholarship allowances of $121,425		2,777,358
Other		727,208
TOTAL OPERATING REVENUES	$	9,148,812
OPERATING EXPENSES:		
Education and support:		
Liberal arts and science	$	1,883,775
Vocational technical		1,927,722
Adult education		835,544
Cooperative services		734,627
Administration		974,139
Student services		752,561
Learning resources		161,178
Physical plant		1,559,474
General institution		1,400,213
Auxiliary enterprises		3,349,338
Scholarships and grants		208,931
Loan cancellations and bad debts		59,566
Depreciation		411,785
TOTAL EXPENSES	$	14,258,853
OPERATING INCOME (LOSS)	$	(5,110,041)
NONOPERATING REVENUES (EXPENSES):		
State appropriations	$	3,861,474
Property tax		1,392,807
Investment income		123,750
Interest on indebtedness		(214,821)
	$	5,163,210
CHANGE IN NET ASSETS	$	53,169
NET ASSETS, beginning of year, as restated		10,716,386
NET ASSETS, end of year	$	10,769,555

The Notes to the Financial Statements are an integral part of this statement.

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2004

CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	$	3,220,685
Federal support		2,420,921
Iowa Industrial New Jobs Training Program		603,550
Payments to employees for salaries and benefits		(7,112,688)
Payments to suppliers for goods and services		(5,427,044)
Scholarships		(1,663,607)
Auxiliary enterprise receipts		1,321,958
Other receipts		1,247,748
NET CASH USED BY OPERATING ACTIVITIES	$	(5,388,477)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	$	3,862,287
Property tax		1,392,807
Federal direct lending receipts		1,979,253
Federal direct lending disbursements		(1,979,253)
Miscellaneous agency fund receipts		166,458
Miscellaneous agency fund disbursements		(181,111)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	$	5,240,441
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	$	(253,079)
Proceeds from New Jobs Training projects certificates issued		3,040,727
Principal paid on debt and leases		(813,000)
Interest paid on debt and leases		(206,267)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	$	1,768,381
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	$	127,638
NET INCREASE IN CASH	$	1,747,983
CASH, at beginning of year		7,610,758
CASH, at end of year	$	9,358,741

The Notes to the Financial Statements are an integral part of this statement.

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2004

RECONCILIATION OF OPERATING LOSS TO NET CASH	
Used by operating activities:	
Operating loss	$ 5,110,041)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	$ 411,785
Provisions for doubtful accounts	59,566
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	56,987
(Increase) decrease in notes receivable	2,588
(Increase) decrease in NJTP receivable	(640,663)
(Increase) decrease in due from other governments	(53,893)
(increase) decrease in inventories	(5,909)
(Increase) decrease in prepaid expenses and deferred charges	19,403
Increase (decrease) in accounts payable	21,200
Increase (decrease) in salaries and benefits	88,685
Increase (decrease) in early retirement payable	(105,142)
Increase (decrease) in due to other governments	(75,348)
Increase (decrease) in deferred revenues	(55,490)
Increase (decrease) in compensated absences	(1,120)
Increase (decrease) in accrued interest payable	8,554
Increase (decrease) in refundable advances on student loans	(9,639)
TOTAL ADJUSTMENTS	$ (278,436)
NET CASH USED BY OPERATING ACTIVITIES	$ (5,388,477)

The Notes to the Financial Statements are an integral part of this statement.

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
COMPONENT UNIT -
SOUTHWESTERN COMMUNITY COLLEGE EDUCATION FOUNDATION
June 30, 2004

	Foundation Fiscal Year End March 31, 2004
ASSETS	
CURRENT ASSETS:	
Cash and investments	$ 1,181,229
Accounts receivable	100
Deposits held	-
TOTAL CURRENT ASSETS	$ 1,181,329
TOTAL ASSETS	$ 1,181,329
NET ASSETS	
Restricted:	
Nonexpendable:	
Scholarships and grants	$ 653,781
Expendable:	
Scholarships and grants	447,353
Unrestricted	80,195
TOTAL NET ASSETS	$ 1,181,329
TOTAL LIABILITIES AND NET ASSETS	$ 1,181,329

The Notes to the Financial Statements are an integral part of this statement.

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
COMPONENT UNIT -
SOUTHWESTERN COMMUNITY COLLEGE FOUNDATION
June 30, 2004

ASSETS		
CURRENT ASSETS:		
Cash and investments	$	73,414
Accounts receivable		1,849
Deposits held		100
TOTAL CURRENT ASSETS	$	75,363
NONCURRENT ASSETS:		
Capital assets:		
Land	$	25,480
Buildings		493,259
Furniture and equipment		110,555
Accumulated depreciation		(178,941)
Investment in direct financing lease		231,000
TOTAL NONCURRENT ASSETS	$	681,353
TOTAL ASSETS	$	756,716
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable	$	5,227
Accrued interest		1,592
Deposits		2,325
Deferred revenue		3,500
Notes payable		51,376
TOTAL CURRENT LIABILITIES	$	64,020
NONCURRENT LIABILITIES		
Note payable	$	315,933
TOTAL LIABILITIES	$	379,953
NET ASSETS		
Unrestricted		376,763
TOTAL NET ASSETS	$	376,763
TOTAL LIABILITIES AND NET ASSETS	$	756,716

The Notes to the Financial Statements are an integral part of this statement.

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ASSETS
COMPONENTS UNIT -
SOUTHWESTERN COMMUNITY COLLEGE EDUCATION FOUNDATION
Year Ended June 30, 2004

	Foundation Fiscal Year End March 31, 2004
OPERATING REVENUES:	
Contributions and pledges, net of doubtful accounts of $0	$ 497,674
In-kind support	172,425
TOTAL OPERATING REVENUES	$ 670,099
OPERATING EXPENSES:	
Program expenses	$ -
Management and general expenses	22,873
Fund raising expenses	139,167
TOTAL OPERATING EXPENSES	$ 162,040
OPERATING INCOME	$ 508,059
NONOPERATING REVENUES (EXPENSES):	
Addition to endowments	$ 36,207
Investment income	30,229
Scholarships and grants to Southwestern Community College and students	(173,423)
TOTAL NON-OPERATING REVENUES (EXPENSES)	$ (106,987)
CHANGE IN NET ASSETS	$ 401,072
NET ASSETS, beginning of year, as restated	780,257
NET ASSETS, end of year	$ 1,181,329

The Notes to the Financial Statements are an integral part of this statement.

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ASSETS
COMPONENTS UNIT -
SOUTHWESTERN COMMUNITY COLLEGE FOUNDATION
Year Ended June 30, 2004

OPERATING REVENUES:		
Rental income	$	187,247
Miscellaneous		6,898
TOTAL OPERATING REVENUES	$	194,145
OPERATING EXPENSES:		
Program expenses	$	148,813
Management and general expenses		2,165
Depreciation		26,357
TOTAL OPERATING EXPENSES	$	177,335
OPERATING INCOME	$	16,810
NONOPERATING REVENUES (EXPENSES):		
Investment income	$	622
Interest on indebtedness		(5,373)
TOTAL NON-OPERATING REVENUES (EXPENSES)	$	(4,751)
CHANGE IN NET ASSETS	$	12,059
NET ASSETS, beginning of year, as restated		364,704
NET ASSETS, end of year	$	376,763

The Notes to the Financial Statements are an integral part of this statement.

Note 1. Summary of Significant Accounting Policies and Related Matters

Organization and Function

Southwestern Community College (the College) is a publicly supported, post-secondary, two-year institution, established and operated as an area community college by Merged Area XIV as provided in Chapter 260C of the Code of Iowa.

In fulfilling the responsibilities assigned to it by laws, the College offers a comprehensive educational program and support services to serve local and state needs. The College offers as its curriculum adult education, vocational (career) education, and college parallel courses. The College maintains campuses in Creston, Red Oak, and Osceola, Iowa, and has its administrative offices in Creston.

Reporting Entity

For financial reporting purposes, the College has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. The College has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the College.

These financial statements present Southwestern Community College (the primary government) and its component units. The component units discussed below are included in the College's reporting entity because of the significance of their operational or financial relationships with the College. Certain disclosures about the component units are not included because the component units have been audited separately and a report has been issued under separate cover. The audited financial statements are available at the College.

Note 1. Summary of Significant Accounting Policies and Related Matters (continued)

Discrete Component Units

Southwestern Community College Foundation is a legally separate not-for-profit foundation. The Foundation was established for the purpose of operating and maintaining dormitory facilities on the College's campus. The Foundation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of Southwestern Community College.

Southwestern Community College Education Foundation is a legally separate not-for-profit foundation. The Education Foundation was established for the purpose of receiving funds through donations to provide scholarships to students. The Foundation is governed by a Board of Directors who are appointed by the College. Although the College does not control the timing or amount of receipts from the Education Foundation, the majority of the resources that are held are used for the benefit of Southwestern Community College. The Education Foundation's financial information is presented as of March 31, 2004, which is the year end for the Education Foundation and is presented on the cash basis of accounting other than U.S. generally accepted accounting principles.

Financial Statement Presentation

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets:

Nonexpendable - Net assets subject to externally-imposed stipulations that they be maintained permanently by the College, including the College's permanent endowment funds.

Expendable - Net assets whose use by the College is subject to externally – imposed stipulations that can be fulfilled by actions of the College, pursuant to those stipulations or that expire by the passage of time.

Note 1. Summary of Significant Accounting Policies and Related Matters (continued)

Unrestricted Net Assets: Net assets that are not subject to externally-imposed situations. Examples include: Student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

GASB Statement No. 35 also requires the statements of net assets, revenues, expenses and changes in net assets, and cash flows be reported on a consolidated basis.

The basic financial statements report information on all of the activities of the College. The effect of interfund activity has been removed from these statements.

Measurement Focus and Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and 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 tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Statements presented in the supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting, except for depreciation. The statement of revenues, expenditures and changes in fund balance is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Assets, Liabilities and Net Assets

Cash and Deposits - Deposits (certificates of deposit) are stated at fair value.

For purposes of the cash flows, all deposits are considered to be cash equivalents.

Note 1. Summary of Significant Accounting Policies and Related Matters (continued)

Due From Other Governments - This represents state aid, grants and reimbursements due from the State of Iowa and grants and reimbursements due from the Federal government.

Inventories - Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Property Tax Receivable - Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Directors to the appropriate county auditors. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Programs (NJTP) - This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2004 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets - Capital assets, which include land, buildings and improvements, and equipment and vehicles are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. No interest costs were capitalized since there were no qualifying assets.

Capital assets are defined by the College as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Note 1. Summary of Significant Accounting Policies and Related Matters (continued)

Assets	Amount
Land, buildings and improvements	$ 25,000
Equipment and vehicles	5,000

Depreciation is computed using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-50
Equipment	2-20
Vehicles	3-10

The College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

Salaries and Benefits Payable - Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amounts of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, and other receivables not collected within sixty days after year end.

Compensated Absences - College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities of the appropriate fund. These liabilities have been compute based on rates of pay in effect at June 30, 2004.

Auxiliary Enterprise Revenues - Auxiliary Enterprise revenues primarily represent revenues generated by the bookstore, food service, and central stores.

Note 1. Summary of Significant Accounting Policies and Related Matters (continued)

Summer Session - The College operates summer sessions during May, June and July. Revenues and expenditures for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the load study distributions supplied by the College Registrar.

Tuition and Fees - Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses.

Operating and Nonoperating Activities - Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include state appropriations, property tax and interest income.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Scholarship Allowances and Student Aid

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

Note 2. Cash and Deposits

The College's cash and deposits (certificates of deposit) at June 30, 2004, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to ensure there will be no loss of public funds.

The College is authorized by Statute to invest public funds not currently needed for operating expenses in obligations of the United States government and its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain highly rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The College's investments are categorized to give an indication of the level of risk assumed by the College at year-end. However, at June 30, 2004, the College had no investments subject to risk categorization.

Note 3. Inventories

The College's inventories at June 30, 2004 are as follows:

Type	Amount
Supplies and materials	$ 181,346
Livestock	18,550
Crop inventory	4,059
Development/work in progress	46,683
Total	$ 250,638

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

Note 4. Capital Assets (continued)

	Balance Beginning Of Year	Additions	Deletions	Balance End Of Year
Capital assets not being depreciated:				
Land	$ 78,610	$ ---	$ ---	$ 78,610
Construction in progress	408,412	---	408,412	----
Total capital assets not being depreciated	$ 487,022	$ ---	$ 408,412	$ 78,610
Capital assets being depreciated:				
Buildings	$ 9,135,403	$ 468,127	$ ---	$ 9,603,530
Other structures and improvements	712,963	84,963	---	797,926
Furniture, equipment and Vehicles	1,395,522	108,401	243,097	1,260,826
Total capital assets being depreciated	$11,243,888	$ 661,491	$ 243,097	$11,662,282
Less accumulated depreciation for:				
Buildings	$ 4,271,492	$ 290,963	$ ---	$ 4,562,455
Other structures and improvements	313,314	40,377	---	353,691
Furniture, equipment and vehicles	1,173,124	80,445	243,097	1,010,472
Total accumulated depreciation	$ 5,757,930	$ 411,785	$ 243,097	$ 5,926,618
Total capital assets being depreciated	$ 5,485,958	$ 249,706	$ ---	$ 5,735,664
Capital assets, net	$ 5,972,980	$ 249,706	$ 408,412	$ 5,814,274

Capital assets also include $13,000 of non-depreciable assets held in agency funds under the control of the College.

Note 5. Contract Payable

The contract payable in the investment in plant fund is a lease/purchase agreement dated May 9, 2000, with Southwestern Community College Foundation for the purpose of financing a portion of an addition to the Osceola facility. The terms of the agreement call for annual payments of $33,000 for 10 years with an interest rate of 0%. The College is responsible for insurance, maintenance and all utilities. At the end of the agreement term, the Foundation will convey the portion of the addition to the College for $1.

Note 6. New Jobs Training Program Certificates

Pursuant to agreements dated between November 1983 and May 2004, the College issued certificates with current outstanding balances totaling $5,910,000, with interest rates ranging from 2.25% to 7.40% per annum. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E, Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries, which are new or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes; incremental property taxes; budgeted reserves and, in the case of default, standby property tax. Changes during the year ended June 30, 2004, were $780,000 of certificates retired and $3,110,000 new certificates issued. Since inception, the College has administered 83 projects, with 9 currently receiving project funding. Of the remaining 74 projects, 30 have completed the debt service and the remaining 34 are being completed as scheduled. The liability for the certificates is carried in the restricted fund.

The certificates will mature as follows:

Year ending June 30:	Interest Rates	Principal	Interest	Total
2005	2.25-7.15%	$ 885,000	$ 299,078	$1,184,078
2006	2.75-7.20%	1,240,000	241,806	1,481,806
2007	3.15-7.25%	1,080,000	186,652	1,266,652
2008	3.50-7.30%	585,000	135,796	720,796
2009	3.80-7.35%	595,000	107,615	702,615
2010-2013	4.05-7.40%	1,525,000	181,853	1,706,853
		$5,910,000	$1,152,800	$7,062,800

Note 7. Retirement Plans

The College contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost sharing, multiple-employer defined benefit pension plan administered by the State of Iowa (the State). IPERS provides retirement and death benefits, which are established by State Statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplemental information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by State Statute. The College's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were $134,283, $125,840, and $131,545 equal to the required contributions for the year.

The College also participates in the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the College. The defined contribution plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and the College is required to contribute 5.75%. The College's and employee required and actual contributions to TIAA-CREF for the year ended June 30, 2004, were $120,866 and $77,774 respectively.

Note 8. Iowa Small Business New Jobs Training Program

The College administers the Iowa Small Business New Jobs Training Program (SBNJTP) in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. Since inception, the College has administered 40 projects, with 4 currently receiving project funding. The remaining 36 projects have either completed their debt service or had their debt forgiven by the State. The College is not carrying a liability relating to these projects.

Note 9. Early Retirement

An early retirement plan is available to any employee who is at least fifty-five years of age and has completed ten or more years of full-time employment. The plan provides for monthly cash payments to the employee or the employee's beneficiary until the employee's sixty-fifth birthday. The payment will provide an amount up to 50% of the employee's final year's salary excluding stipends. The plan also provides for continuation of health benefits for the retired employee on the same basis as provided at the time of retirement until the employee's sixty-fifth birthday. If the College changes its health care plan or insurance carrier for active employees, the change will apply to all former employees and dependents insured under the early retirement plan. Early retirement can be taken at attainment of eligibility requirements and proper notification to the College. As of June 30, 2004 the potential liability, if all eligible employees accepted the early retirement plan, is approximately $525,000.

Note 10. Insurance

The College carries commercial insurance purchased from insurers for coverage associated with building and contents, general liability, professional liability, personal injury, standard workers' compensation and employer's liability, athletic medical and accidental death and dismemberment, catastrophic athletic, boiler and machinery, and automobile liability.

Note 11. Accounting Change

For the year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, Determining Whether Certain Organizations Are Component Units. The significant change in the financial statements includes reporting the financial statements of Southwestern Community College Foundation and Southwestern Community College Education Foundation as discretely presented component units. Since the component units are discretely presented, there is no change in the College's previously reported net assets.

REQUIRED SUPPLEMENTAL INFORMATION

SOUTHWESTERN COMMUNITY COLLEGE
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL
Year Ended June 30, 2004

REQUIRED SUPPLEMENTAL INFORMATION

Funds/Levy	Budget	Actual	Variance
Unrestricted	$ 9,481,202	$ 8,107,680	$ 1,373,522
Restricted	$ 5,786,100	$ 2,740,649	$ 3,045,451
Unemployment	-	230	(230)
Insurance	135,000	125,377	9,623
Equipment replacement	70,000	56,756	13,244
Total restricted	$ 5,991,100	$ 2,923,012	$ 3,068,088
Plant	$ 1,450,000	$ 542,571	$ 907,429
Bonds and interest	-	-	-
	$ 1,450,000	$ 542,571	$ 907,429
Grand total	$ 16,922,302	$ 11,573,263	$ 5,349,039

See accompanying independent auditor's report.

NOTE TO REQUIRED SUPPLEMENTAL INFORMATION –
BUDGETARY REPORTING
June 30, 2004

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the College on a basis consistent with U.S. generally accepted accounting principles. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Scholarships and Grants Accounts, Loan Funds, and Agency Funds.

SUPPLEMENTAL INFORMATION

SOUTHWESTERN COMMUNITY COLLEGE
NOTE TO SUPPLEMENTAL INFORMATION
June 30, 2004

Other supplementary information of the College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenue and expenditures. The various fund groups and their designated purposes are as follows:

Current Funds – The Current Funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the College and consist of the following:

Unrestricted Fund – The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the College.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide non-instructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the College.

Restricted Fund – The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

Loan Funds – The Loan Funds are used to account for loans to students, and are financed primarily by the federal government.

Plant Funds – The Plant Funds are used to account for transactions relating to investments in the College properties, and consist of the following self-balancing subfunds:

Unexpended – This account is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of Indebtedness – This account is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

Investment in Plant – This account is used to account for the excess of the carrying value of plant assets over the related liabilities.

Agency Funds – The Agency Funds are used to account for assets held by the College in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities.

SOUTHWESTERN COMMUNITY COLLEGE
NOTE TO SUPPLEMENTAL INFORMATION
June 30, 2004

Statements presented in other supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The statement of revenues, expenditures and changes in fund balances is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

SOUTHWESTERN COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2004

Schedule 1

	Current Funds		
	Unrestricted	Restricted	Loan Funds
ASSETS			
Cash and deposits	$ 1,761,552	$ 6,245,899	$ -
Receivables:			
Accounts (less allowance of $178,919)	434,999	-	-
Other governments (less allowance of $0)	-	110,648	-
Property taxes	425,116	502,981	-
Inventories	250,638	-	-
Receivable for cost of Iowa Industrial New Jobs Training Program	-	2,452,447	-
Prepaid expenses and deferred charges	210,974	9,168	-
Capital assets:			
Land	-	-	-
Buildings	-	-	-
Other structures	-	-	-
Furniture and equipment	-	-	-
Accumulated depreciation	-	-	-
Total assets	$ 3,083,279	$ 9,321,143	$ -
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 117,316	$ 61,686	$ -
Accrued salaries and benefits	368,962	3,462	-
Early retirement payable	-	99,858	-
Accrued interest	-	25,801	-
Deposits held in custody for others	4,051	-	-
Deferred revenues	24,872	80,581	-
Deferred compensation	-	-	-
Deferred property tax revenue	425,116	502,981	
Due to other governments	-	697,734	-
Compensated absences	170,915	12,657	-
Contract payable	-	-	-
Certificates payable	-	5,910,000	-
Total liabilities	$ 1,111,232	$ 7,394,760	$ -

See accompanying independent auditor's report.

Plant funds					
Unexpended	Retirement of Indebtedness	Investment In Plant	Agency Funds	Adjustments	Total
$ 1,290,893	$ -	$ -	$ 60,397	$ -	$ 9,358,741
-	-	-	-	-	434,999
-	-	-	25,000	-	135,648
425,116	-	-	-	-	1,353,213
-	-	-	-	-	250,638
-	-	-	-	-	2,452,447
-	-	-	2,835	-	222,977
-	-	78,610	-	-	78,610
-	-	9,603,530	-	-	9,603,530
-	-	797,926	-	-	797,926
-	-	1,260,826	13,000	-	1,273,826
-	-	-	-	(5,926,618)	(5,926,618)
$ 1,716,009	$ -	$ 11,740,892	$ 101,232	$(5,926,618)	$ 20,035,937

$ 3,042	$ -	$ -	$ 21,525	$ -	$ 203,569
-	-	-	-	-	372,424
-	-	-	-	-	99,858
-	-	-	-	-	25,801
-	-	-	37,676	-	41,727
-	-	-	39,196	-	144,649
-	-	-	2,835	-	2,835
425,116	-	-	-	-	1,353,213
-	-	-	-	-	697,734
-	-	-	-	-	183,572
-	-	231,000	-	-	231,000
-	-	-	-	-	5,910,000
			-		
$ 428,158	$ -	$ 231,000	$ 101,232	$ -	$ 9,266,382

SOUTHWESTERN COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2004

Schedule 1
(continued)

	Current Funds		
	Unrestricted	Restricted	Loan Funds
Fund balances:			
Invested in capital assets, net of related debt			
Restricted:	$ -	$ -	$ -
Expendable:			
Loan	-	-	-
Cash reserve	-	103,947	-
Other	-	1,822,436	-
Unrestricted	677,487	-	-
Auxiliary enterprises	1,294,560	-	-
Total fund balances	$ 1,972,047	$ 1,926,383	$ -
Total liabilities and fund balances	$ 3,083,279	$ 9,321,143	$ -

See accompanying independent auditor's report.

Plant funds					
Unexpended	Retirement of Indebtedness	Investment In Plant	Agency Funds	Adjustments	Total
$ -	$ -	$ 11,509,892	$ -	$(5,926,618)	$ 5,583,274
-	-	-	-	-	-
-	-	-	-	-	103,947
-	-	-	-	-	1,822,436
1,287,851	-	-	-	-	1,965,338
-	-	-	-	-	1,294,560
$ 1,287,851	$ -	$ 11,509,892	$ -	$(5,926,618)	$ 10,769,555
$ 1,716,009	$ -	$ 11,740,892	$ 101,232	$(5,926,618)	$ 20,035,937

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2004

Schedule 2

	Current Funds		
	Unrestricted	Restricted	Loan Funds
REVENUES:			
General:			
Tuition and fees	$ 3,277,712	$ 1,218	$ -
Local support	436,907	518,993	-
State support	3,554,487	301,656	-
Federal support	302,118	2,125,279	-
Sales and services	14,168	-	-
Interest income	78,591	28,486	16,673
Iowa Industrial New Jobs Training Program	-	1,319,561	-
Increase in plant investment due to plant expenditures	-	-	-
Increase in plant investment due to retirement of debt	-	-	-
Other	433,177	781,320	40,345
	$ 8,097,160	$ 5,076,513	$ 57,018
Auxiliary enterprises:			
Student fees	$ 63,407	$ -	$ -
State support	29,172	-	-
Federal support	1,979,253	-	-
Sales and services	691,859	-	-
Other	518,608	-	-
	$ 3,282,299	$ -	$ -
TOTAL REVENUES	$ 11,379,459	$ 5,076,513	$ 57,018
EXPENDITURES:			
Education and support:			
Liberal arts and sciences	$ 1,931,031	$ -	$ -
Vocational technical	1,974,350	89,817	-
Adult education	663,396	208,884	-
Cooperative services	-	1,276,389	-
Administration	751,354	284,784	-
Student services	822,770	-	-
Learning resources	163,478	-	-
Physical plant	1,149,449	88,523	-
General institution	651,852	869,579	-
Total education and support	$ 8,107,680	$ 2,817,976	$ -

See accompanying independent auditor's report.

Plant funds					
Unexpended	Retirement of Indebtedness	Investment In Plant	Adjustments	Total
$ -	$ -	$ -	$(1,381,642)	$ 1,897,288
403,907	33,000	-	-	1,392,807
5,331	-	-	-	3,861,474
-	-	-	-	2,427,397
-	-	-	-	14,168
-	-	-	-	123,750
-	-	-	-	1,319,561
-	-	253,079	(253,079)	-
-	-	33,000	-	33,000
-	-	-	(541,802)	713,040
$ 409,238	$ 33,000	$ 286,079	$(2,176,523)	$ 11,782,485
$ -	$ -	$ -	$ -	$ 63,407
-	-	-	-	29,172
-	-	-	-	1,979,253
-	-	-	(152,927)	538,932
-	-	-	(352,014)	166,594
$ -	$ -	$ -	$ (504,941)	$ 2,777,358
$ 409,238	$ 33,000	$ 286,079	$(2,681,464)	$ 14,559,843
$ -	$ -	$ -	$ (47,256)	$ 1,883,775
-	-	-	(136,445)	1,927,722
-	-	-	(36,736)	835,544
-	-	-	(541,762)	734,627
-	-	-	(61,999)	974,139
-	-	-	(70,209)	752,561
-	-	-	(2,300)	161,178
364,893	-	-	(43,391)	1,559,474
-	-	-	(121,218)	1,400,213
$ 364,893	$ -	$ -	$(1,061,316)	$ 10,229,233

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2004

Schedule 2
(Continued)

	Current Funds		
	Unrestricted	Restricted	Loan Funds
Auxiliary enterprises	3,412,622	-	-
Scholarships and grants	-	1,621,117	-
Loan cancellations and bad debts	-	-	59,566
Retirement of indebtedness	-	-	-
Interest on indebtedness	-	214,821	-
Plant asset acquisitions	-	-	-
Disposal of plant assets	-	-	-
Depreciation	-	-	-
TOTAL EXPENDITURES	$ 11,520,302	$ 4,653,914	$ 59,566
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (140,843)	$ 422,599	$ (2,548)
TRANSFERS	28,176	(28,176)	-
NET	$ (112,667)	$ 394,423	$ (2,548)
FUND BALANCE, beginning of year, as restated (Note 12)	2,084,714	1,531,960	2,548
FUND BALANCE, end of year	$ 1,972,047	$ 1,926,383	$ -

See accompanying independent auditor's report.

Plant funds				
Unexpended	Retirement of Indebtedness	Investment In Plant	Adjustments	Total
-	-	-	(63,284)	3,349,338
-	-	-	(1,412,186)	208,931
-	-	-	-	59,566
-	33,000	-	-	33,000
-	-	-	-	214,821
144,678	-	-	(144,678)	-
-	-	243,097	(243,097)	-
-	-	-	411,785	411,785
$ 509,571	$ 33,000	$ 243,097	$(2,512,776)	$ 14,506,674
$ (100,333)	$ -	$ 42,982	$ (168,688)	$ 53,169
-	-	-	-	-
$ (100,333)	$ -	$ 42,982	$ (168,688)	$ 53,169
1,388,184	-	11,466,910	(5,757,930)	10,716,386
$ 1,287,851	$ -	$ 11,509,892	$(5,926,618)	$ 10,769,555

SOUTHWESTERN COMMUNITY COLLEGE
UNRESTRICTED FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION AND SUPPORT
Year Ended June 30, 2004

Schedule 3

	Education		
	Liberal Arts and Science	Vocational Technical	Adult Education
REVENUES AND OTHER ADDITIONS:			
Tuition and fees	$ 1,979,525	$ 1,008,505	$ 285,161
Local support	-	-	-
State support	1,452,654	1,312,238	786,595
Federal support	-	129,795	97,167
Sales and services	-	1,965	-
Interest income	-	-	-
Other	134,023	216,294	48,233
	$ 3,566,202	$ 2,668,797	$ 1,217,156
Allocation of support services revenues (1)	261,368	265,644	117,993
TOTAL REVENUE AND OTHER ADDITIONS	$ 3,827,570	$ 2,934,441	$ 1,335,149
EXPENDITURES:			
Salaries and benefits	$ 1,749,766	$ 1,599,382	$ 479,671
Services	113,590	146,411	111,935
Materials and supplies	60,499	153,848	39,349
Travel	7,176	31,272	20,106
Expended for plant assets	-	43,437	6,166
Purchases for resale	-	-	6,169
Other	-	-	-
	$ 1,931,031	$ 1,974,350	$ 663,396
Allocation of support services expenditures (1)	1,434,027	1,457,491	647,385
TOTAL EXPENDITURES & OTHER DEDUCTIONS	$ 3,365,058	$ 3,431,841	$ 1,310,781
TRANSFERS AMONG FUNDS - additions (deductions)			
NET INCREASE			
FUND BALANCES, at beginning of year			
FUND BALANCES, at end of year			

(1) The support services allocations are based upon the percentage of contact hours reported by each major education program.

See accompanying independent auditors' report.

Support					
General Administration	Student Services	Learnings Resources	Physical Plant	General Institution	Education and Support Total
$ 700	$ 3,821	$ -	$ -	$ -	$ 3,277,712
436,907	-	-	-	-	436,907
-	3,000	-	-	-	3,554,487
1,527	73,629	-	-	-	302,118
-	-	-	12,203	-	14,168
78,591	-	-	-	-	78,591
5,250	19,692	-	9,679	6	433,177
$ 522,975	$ 100,142	$ -	$ 21,882	$ 6	$ 8,097,160
(522,975)	(100,142)	-	(21,882)	(6)	-
$ -	$ -	$ -	$ -	$ -	$ 8,097,160
$ 508,003	$ 685,997	$ 98,644	$ 599,782	$ 435,781	$ 6,157,026
109,373	66,037	39,752	367,789	173,516	1,128,403
18,636	55,937	24,286	146,302	27,232	526,089
6,486	14,799	796	8,576	15,248	104,459
-	-	-	27,000	-	76,603
-	-	-	-	-	6,169
108,856	-	-	-	75	108,931
$ 751,354	$ 822,770	$ 163,478	$ 1,149,449	$ 651,852	$ 8,107,680
(751,354)	(822,770)	(163,478)	(1,149,449)	(651,852)	-
$ -	$ -	$ -	$ -	$ -	$ 8,107,680
					$ 31,978
					$ 21,458
					656,029
					$ 677,487

SOUTHWESTERN COMMUNITY COLLEGE
UNRESTRICTED FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AUXILIARY EXTERPRISES
Year Ended June 30, 2004

Schedule 4

	Financial Aid	Bookstore
REVENUES:		
Student fees	$ -	$ -
State support	-	-
Federal support	1,979,253	-
Sales and services	-	568,735
Other income	-	-
TOTAL REVENUES	$ 1,979,253	$ 568,735
EXPENDITURES:		
Salaries and benefits	$ -	$ 78,904
Services	-	6,184
Materials and supplies	-	1,072
Travel	-	-
Expended for plant assets	-	-
Purchases for resale	-	428,426
Other	1,979,253	83,803
TOTAL EXPENDITURES	$ 1,979,253	$ 598,389
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ (29,654)
TRANSFERS	-	(317)
NET INCREASE (DECREASE)	$ -	$ (29,971)
FUND BALANCE, at beginning of year	-	301,641
FUND BALANCES, at end of year	$ -	$ 271,670

See accompanying independent auditors' report.

Interdepartment Charges	Other	Total
$ -	$ 63,407	$ 63,407
-	29,172	29,172
-	-	1,979,253
-	123,124	691,859
311,124	207,484	518,608
$ 311,124	$ 423,187	$ 3,282,299
$ 47,059	$ 22,612	$ 148,575
186,212	181,804	374,200
34,322	185,810	221,204
1,637	52,790	54,427
20,900	5,580	26,480
17,528	74,104	520,058
-	4,622	2,067,678
$ 307,658	$ 527,322	$ 3,412,622
$ 3,466	$ (104,135)	$ (130,323)
28,936	(32,421)	(3,802)
$ 32,402	$ (136,556)	$ (134,125)
279,557	847,487	1,428,685
$ 311,959	$ 710,931	$ 1,294,560

SOUTHWESTERN COMMUNITY COLLEGE
RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2004

Schedule 5

	Equipment Replacement	Insurance	Unemployment compensation	Early Retirement
REVENUES:				
Tuition and fees	$ -	$ -	$ -	$ -
Local support	64,722	79,714	-	280,073
State support	-	-	-	-
Federal support	-	-	-	-
Interest income	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	$ 64,722	$ 79,714	$ -	$ 280,073
EXPENDITURES:				
Salaries and benefits	$ -	$ 23,855	$ 230	$ 166,062
Services	-	64,142	-	-
Materials and supplies	56,757	526	-	-
Travel	-	-	-	-
Expended for plant assets	-	-	-	-
Interest on indebtedness	-	-	-	-
Scholarships and grants	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	$ 56,757	$ 88,523	$ 230	$ 166,062
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 7,965	$ (8,809)	$ (230)	$ 114,011
TRANSFERS	-	-	-	-
NET INCREASE (DECREASE)	$ 7,965	$ (8,809)	$ (230)	$ 114,011
FUND BALANCES, at beginning of year	153,653	90,720	120,157	319,690
FUND BALANCES, at end of year	$ 161,618	$ 81,911	$ 119,927	$ 433,701

See accompanying independent auditors' report.

Cash Reserve	Iowa Industrial New Jobs Training Program	Standby	Tort	Scholarship	Miscellaneous	Total
$ -	$ -	$ -	$ -	$ -	$ 1,218	$ 1,218
-	-	39,544	54,940	-	-	518,993
-	-	-	-	138,403	163,253	301,656
-	-	-	-	1,482,714	642,565	2,125,279
-	28,486	-	-	-	-	28,486
-	1,319,561	-	-	-	-	1,319,561
-	25,260	-	-	-	756,060	781,320
$ -	$ 1,373,307	$ 39,544	$ 54,940	$ 1,621,117	$ 1,563,096	$ 5,076,513
$ -	$ -	$ -	$ 488	$ -	$ 595,497	$ 786,132
-	1,189,019	-	36,366	-	341,973	1,631,500
-	-	-	-	-	278,454	335,737
-	-	-	-	-	38,858	38,858
-	-	-	-	-	5,318	5,318
-	214,821	-	-	-	-	214,821
-	-	-	-	1,621,117	18,800	1,639,917
-	-	-	-	-	1,631	1,631
$ -	$ 1,403,840	$ -	$ 36,854	$ 1,621,117	$ 1,280,531	$ 4,653,914
$ -	$ (30,533)	$ 39,544	$ 18,086	$ -	$ 282,565	$ 422,599
-	30,533	(31,708)	-	-	(27,001)	(28,176)
$ -	$ -	$ 7,836	$ 18,086	$ -	$ 255,564	$ 394,423
103,947	-	47,326	310,562	-	385,905	1,531,960
$ 103,947	$ -	$ 55,162	$ 328,648	$ -	$ 641,469	$ 1,926,383

SOUTHWESTERN COMMUNITY COLLEGE
AGENCY FUNDS
SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
Year Ended June 30, 2004

Schedule 6

Additions:	
Fees	$ 23,308
State support	59,955
Sales and services	2,438
Other	111,657
	$ 197,358
Deductions:	
Salaries and benefits	$ 1,190
Services	150,075
Materials and supplies	22,556
Travel	22,793
Other	132
	$ 196,746
Net increase	$ 612
Deposits held in custody for others at beginning of year	24,064
Deposits held in custody for others at end of year	$ 24,676

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF TAXES AND INTERGOVERNMENTAL REVENUES

Schedule 7

	Years ended June 30,			
	2004	2003	2002	2001
Local (property tax)	$ 1,392,807	$ 1,361,773	$ 1,320,743	$ 1,308,719
State	3,950,601	4,196,717	4,465,407	4,584,134
Federal	4,406,650	4,216,338	3,991,709	3,786,996
	$ 9,750,058	$ 9,774,828	$ 9,777,859	$ 9,679,849

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF CREDIT AND CONTACT HOUR ENROLLMENT
Year Ended June 30, 2004

Schedule 8

Category	Credit Hours		
	Eligible For Aid	Not Eligible For Aid	Total
Arts and Sciences	19,207	-	19,207
Vocational Preparatory	11,676	-	11,676
Adult Education	-	-	-
Cooperative Programs	-	-	-
Related Services and Activities	-	-	-
Total	30,883	-	30,883

See accompanying independent auditors' report.

Contact Hours		
Eligible For Aid	Not Eligible For Aid	Total
369,212	-	369,212
375,253	-	375,253
161,626	5,053	166,679
-	-	-
17,520	-	17,520
923,611	5,053	928,664

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF CURRENT FUND REVENUES
BY SOURCE AND EXPENDITURES BY FUNCTION
FOR THE LAST FOUR YEARS

Schedule 9

	Years Ended June 30,			
	2004	2003	2002	2001
REVENUES:				
Tuition and fees	$ 3,278,930	$ 2,994,771	$ 2,555,856	$ 2,426,433
Local support	955,900	933,482	904,517	901,943
State support	3,856,143	3,809,094	4,025,210	4,284,134
Federal support	2,427,397	2,245,419	1,994,721	1,919,986
Sales and services	14,168	10,250	17,628	24,752
Interest income	107,077	154,920	236,533	425,086
Iowa Industrial New Jobs Training Program	1,319,561	107,873	161,782	1,667,125
Auxiliary enterprises	3,282,299	3,253,809	1,123,610	1,015,617
Other	1,214,497	601,153	529,753	701,504
TOTAL REVENUES	$ 16,455,972	$ 14,110,771	$ 11,549,610	$ 13,366,580
EXPENDITURES:				
Liberal arts and sciences	$ 1,931,031	$ 1,877,507	$ 1,881,811	$ 1,966,368
Vocational technical	2,064,167	1,859,635	1,657,257	1,736,509
Adult education	872,280	782,753	699,708	780,699
Cooperative services	1,276,389	5,010	251,435	1,589,581
Administration	1,036,138	803,940	779,955	674,581
Student services	822,770	795,636	947,375	976,639
Learning resources	163,478	151,762	136,296	144,367
Physical plant	1,237,972	1,214,987	1,035,243	1,212,927
General institution	1,521,431	1,501,233	1,295,068	1,215,875
Auxiliary enterprises	3,412,622	3,252,955	1,052,119	984,112
Scholarships and grants	1,621,117	1,578,126	1,536,972	1,350,330
Interest on indebtedness	214,821	248,465	295,775	307,284
TOTAL EXPENDITURES	$ 16,174,216	$ 14,072,009	$ 11,569,014	$ 12,939,272

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2004

Schedule 10

Federal grantor/pass-through grant/program name	Federal CFDA Number	Total Federal Expenditures	New Loans and New Loans Guarantees
United States Department of Education:			
Student financial assistance cluster:*			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	$ 40,755	$ -
Federal Work-Study (FWS)	84.033	70,150	-
Federal Pell Grants	84.063	1,416,577	-
Federal Direct Student Loan Program - loans disbursed	84.268	-	1,979,253
Total student financial assistance cluster		$ 1,527,482	$ 1,979,253
Student Support Services	84.042A	240,530	-
Educational Talent Search	84.044A	234,696	-
Total direct United States Department of Education		$ 2,002,708	$ 1,979,253
Passed through Iowa Department of Education - Vocational Education:			
Basic Grants to States Perkins	84.048A	$ 129,795	$ -
Adult Education - State Grant Program	84.002	97,167	-
Tech Prep Education	84.243A	77,275	-
Learn for Literacy	84.323	1,032	-
Total Iowa Department of Education		$ 305,269	$ -
Passed through Iowa College Aid Commission - State State Student Incentive Grants	84.069	$ 30,388	$ -
Passed through Iowa State University: Title IIA - Higher Education Grant - Every Child Counts	84.367B	$ 89,033	$ -
Total Federal expenditures		$ 2,427,398	$ 1,979,253

*Major federal financial assistance program

See accompanying independent auditors' report and notes to schedule of expenditures to federal awards.

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2004

Note 1. Basis of Presentation

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those expenditures of Southwestern Community College (the College) for the year ended June 30, 2004, which have been financed by the United States government (federal financial assistance). For purposes of the Schedule, federal financial assistance includes all federal assistance entered into directly between the College and the federal government and sub-awards from nonfederal organizations made under federally sponsored agreements. Because the Schedule presents only a selected portion of the activities of the College, it is not intended to, and does not, present the financial position; support and revenue; expenses; and changes in fund balances of the College.

Deductions or expenditures for direct costs are recognized as incurred using the accrual method of accounting and the cost accounting principles contained in the United States Office of Management and Budget Circular A-21, *Cost Principles for Educational Institutions*. Under those cost principles, certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2. Student Financial Assistance

The balance on Federal Perkins Loans at June 30, 2004, was $0.

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, revenue and expenditures are recorded in the College's Agency Fund of the financial statements. The College liquidated the Federal Perkins Loan Program during the year ended June 30, 2004. All loans have been fully retired, purchased or assigned and accepted. The proper calculations for determining the federal amount of cash to be returned to the Department of Education have been completed and the amount was paid.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors of
Southwestern Community College:

We have audited the statement of net assets, and the related statements of revenues, expenses and changes in net assets and cash flows of Southwestern Community College as of and for the year ended June 30, 2004, and have issued our report thereon dated December 10, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards; Chapter 11 of the Code of Iowa; and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Compliance

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

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2004, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. These comments are included in a separate letter dated December 10, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southwestern Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or

operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the College in a separate letter dated December 10, 2004.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Southwestern Community College and other parties to whom Southwestern Community College may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Draper, Snodgrass, McCallum & Co., P.C.

December 10, 2004

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of
Southwestern Community College

Compliance

We have audited the compliance of Southwestern Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB), Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Southwestern Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Southwestern Community College's management. Our responsibility is to express an opinion on Southwestern Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Southwestern Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Southwestern Community College's compliance with those requirements.

In our opinion, the Southwestern Community College complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2004.

We did not audit the College's compliance with requirements governing the student loan repayment cycle, deferments, and cancellations for the Federal Perkins Loan Program. Those requirements govern functions that are performed by the EFG Technologies (EFG) service organization. Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

Internal Control Over Compliance

The management of Southwestern Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southwestern Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Requirements governing the student loan repayment cycle, deferments, and cancellations are performed by EFG. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the Department of Education's Audit Guide, *Compliance Audits (Attestation Engagement) of Federal Student Financial Assistance Programs at Participating Institutions and Institutions Services*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to the internal control of EFG.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Southwestern Community College and other parties to whom Southwestern Community College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Draper, Snodgrass, McJunkin & Co., P.C.

December 10, 2004

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2004

Part I: Summary of Auditors' Results

a. An unqualified opinion was issued on the financial statements.

b. No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements and no material weaknesses were disclosed.

c. The audit did not disclose any non-compliance which is material to the financial statements.

d. No reportable conditions in internal control over major programs were disclosed by the audit of the financial statements and no material weaknesses were disclosed.

e. An unqualified opinion was issued on compliance with requirements applicable to each major program.

f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

g. Major programs were as follows:
   Student financial aid-cluster
   CFDA Number – 84.007 Federal Supplemental Opportunity Grant (FSEOG)
   CFDA Number – 84.033 Federal Work-Study (FWS)
   CFDA Number – 84.063 Federal Pell Grants
   CFDA Number – 84.268 Federal Direct Student Loan Program

h. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i. Southwestern Community College did qualify as a low-risk auditee.

Part II: Findings Relating to the General Purpose Financial Statements

Instances of non-compliance:

No matters were reported.

Reportable conditions:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of non-compliance:

No matters were reported.

Reportable conditions:

No matters were reported.