

SOUTHWESTERN COMMUNITY COLLEGE

Financial Statements and  
Supplemental Information

June 30, 2005

(With Independent Auditors' Reports Thereon)

# SOUTHWESTERN COMMUNITY COLLEGE

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# SOUTHWESTERN COMMUNITY COLLEGE

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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	

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Southwestern Community College

We have audited the accompanying financial statements of Southwestern Community College, and its aggregate discretely presented component units as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of Southwestern Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We audited under separate engagements the financial statements of the component units of the Community College as discussed in Note 1, which represent 100% of the assets and revenues of the discretely presented component units. Those financial statements were audited by us, and our opinion, insofar as it relates to those units, is based on the separately issued audit reports of the component units.

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 misstatement. 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 and its discretely presented component units as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 28, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing 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, 2004 (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.

*Drapen, Smedgrasso, Mickelson + Co., P.C.*

November 28, 2005

## **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, 2005. 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.

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 (3.0%) over the prior year. This increase is due mainly to an increase in tuition and fees (5.7%) coupled with an increase in state general aid (1.9%).

The College issued \$1,965,000 New Jobs Training Program Certificates in March of fiscal year 2005.

Our cash and investments are 12.6% higher than last year mainly due to the cash on hand from the New Jobs Training Program certificates that had not yet been spent on training as of June 30, 2005.

Total New Jobs Training Program liabilities increased by \$1,080,000 due to the additional New Job Training certificates issued less those certificates that were due and paid.

## **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 decreases in net assets over time are one indicator of the current financial condition of the College.

	<b>Net Assets</b>	
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Current and other assets	\$ 15,750,524	\$ 14,208,663
Capital assets, net of accumulated depreciation	<u>5,462,845</u>	<u>5,827,274</u>
Total assets	<u>\$ 21,213,369</u>	<u>\$ 20,035,937</u>
Current liabilities	\$ 4,765,732	\$ 3,978,298
Noncurrent liabilities	<u>5,688,875</u>	<u>5,288,084</u>
Total liabilities	<u>\$ 10,454,607</u>	<u>\$ 9,266,382</u>
Net assets		
Invested in capital assets, net of related debt	\$ 5,251,845	\$ 5,583,274
Restricted		
Expendable		
Cash reserve	103,947	103,947
Other	2,165,967	1,822,436
Unrestricted		
Unrestricted	672,174	677,487
Plant fund	1,369,197	1,287,851
Auxiliary Enterprises	<u>1,195,632</u>	<u>1,294,560</u>
Total net assets	<u>\$ 10,758,762</u>	<u>\$ 10,769,555</u>
Total liabilities and net assets	<u>\$ 21,213,369</u>	<u>\$ 20,035,937</u>

The largest portion of the College's net assets (48.8%) 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 (21.1%) consists of resources that are subject to external restrictions. The remaining net assets (30.1%) represent \$672,174 in the general unrestricted fund, \$1,195,632 in the auxiliary fund, and \$1,369,197 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 <u>June 30, 2005</u>	Year ended <u>June 30, 2004</u>
Operating revenue:		
Tuition and fees	\$ 2,065,650	\$ 1,897,288
Federal support	2,283,856	2,427,397
Iowa Industrial New Jobs Training Program	1,787,800	1,319,561
Auxiliary	2,851,253	2,777,358
Other	<u>739,650</u>	<u>727,208</u>
Total operating revenues	\$ 9,728,209	\$ 9,148,812
Total operating expenses	<u>14,773,120</u>	<u>14,258,853</u>
Operating loss	<u>\$ (5,044,911)</u>	<u>\$ (5,110,041)</u>
Nonoperating revenue (expenses)		
State appropriations	\$ 3,846,534	\$ 3,861,474
Property tax	1,344,373	1,392,807
Investment income	161,168	123,750
Interest on indebtedness	(320,162)	(214,821)
Agency fund	<u>2,205</u>	<u>---</u>
Net nonoperating revenues	\$ 5,034,118	\$ 5,163,210
Increase in net assets	\$ (10,793)	\$ 53,169
Net assets, beginning of year	<u>10,769,555</u>	<u>10,716,386</u>
Net assets, end of year	<u>\$ 10,758,762</u>	<u>\$ 10,769,555</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a slight decrease in net assets at the end of the fiscal year.

For the year ended June 30, 2005, 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 \$97 per credit hour to \$103 per credit hour from fiscal year 2004 to fiscal year 2005.

State General Aid, included in the state appropriations revenue, increased by \$67,283 or 1.9%.

The Iowa Industrial New Jobs Training Program revenue increased by \$468,239 due to the issuance of New Jobs Training Program Certificates.

### Operating Expenses

	<u>Year Ended June 30, 2005</u>	<u>Year Ended June 30, 2004</u>
Education and Support:		
Liberal Arts and Sciences	\$ 1,967,348	\$ 1,883,775
Vocational Technical	1,984,971	1,927,722
Adult Education	974,851	835,544
Cooperative Services	1,308,984	734,627
Administration	789,476	974,139
Student Services	781,328	752,561
Learning Resources	162,921	161,178
Physical Plant	1,607,215	1,559,474
General Institution	1,272,922	1,400,213
Auxiliary Enterprises	3,355,427	3,349,338
Scholarships and grants	147,327	208,931
Loan cancellations and bad debts	---	59,566
Depreciation	<u>420,350</u>	<u>411,785</u>
Total	<u>\$ 14,773,120</u>	<u>\$ 14,258,853</u>

For the year ended June 30, 2005, 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 \$574,357 due to the issuance of New Jobs Training Program Certificates. The expenses for the issuance are covered by the proceeds from the certificates.

## 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:

	<b>Cash Flows</b>	
	<u>Year Ended June 30, 2005</u>	<u>Year Ended June 30, 2004</u>
Cash provided (used) by:		
Operating activities	\$ (4,803,532)	\$ (5,388,477)
Non-capital financing activities	5,191,379	5,240,441
Capital and related financing activities	629,885	1,768,381
Investing activities	<u>157,951</u>	<u>127,638</u>
Net increase in cash	\$ 1,175,683	\$ 1,747,983
Cash, beginning of the year	<u>9,358,741</u>	<u>7,610,758</u>
Cash, end of the year	<u>\$ 10,534,424</u>	<u>\$ 9,358,741</u>

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, 2005, the College had approximately \$11.8 million invested in capital assets with an accumulated depreciation of \$6.3 million. Depreciation charges totaled \$420,350 for the year ended June 30, 2005. Details of capital assets are shown below:

	<b>Capital Assets, Net, at Year End</b>	
	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Land	\$ 78,610	\$ 78,610
Buildings and other structures	10,403,919	10,401,456
Furniture and equipment	1,295,760	1,273,826
Accumulated depreciation	<u>(6,315,444)</u>	<u>(5,926,618)</u>
	<u>\$ 5,462,845</u>	<u>\$ 5,827,274</u>

Planned capital expenditures for the fiscal year ending June 30, 2006 and beyond include replacing the roof on the Instructional Center, remodeling the courtyard and expanding the nursing program. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

## **DEBT**

At June 30, 2005, the College had \$7.2 million in debt outstanding, an increase of \$1,047,000 from 2004 due to the issuance of \$1,965,000 New Jobs Training Program Certificates less the required payments on the existing debt. The table below summarized these amounts by type.

### **Outstanding Debt**

	<u>June 30, 2005</u>	<u>June 30, 2004</u>
Certificates payable	\$ 6,990,000	\$ 5,910,000
Contract payable	<u>198,000</u>	<u>231,000</u>
	<u>\$ 7,188,000</u>	<u>\$ 6,141,000</u>

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, 2005

ASSETS	
CURRENT ASSETS:	
Cash and investments	\$ 10,534,424
Receivables:	
Accounts (less allowance of \$146,855)	334,137
Other governments (less allowance of \$0)	100,300
Property taxes:	
Succeeding year	1,359,058
Inventories	554,597
Receivable for cost of Iowa Industrial New Jobs Training Program	2,670,416
Prepaid expenses and deferred charges	197,592
TOTAL CURRENT ASSETS	<u>\$ 15,750,524</u>
NONCURRENT ASSETS:	
Capital assets:	
Land	\$ 78,610
Buildings	9,605,992
Other structures	797,927
Furniture and equipment	1,295,760
Accumulated depreciation	(6,315,444)
TOTAL NONCURRENT ASSETS	<u>\$ 5,462,845</u>
TOTAL ASSETS	<u>\$ 21,213,369</u>

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

## LIABILITIES

### CURRENT LIABILITIES:

Accounts payable	\$ 173,788
Accrued salaries and benefits	403,751
Early retirement payable	25,899
Accrued interest	27,331
Deposits held in custody for others	35,329
Deferred revenues:	
Succeeding year property tax	1,359,058
Other	243,695
Due to other governments	771,706
Compensated absences	167,175
Contract payable	33,000
Certificates payable	1,525,000
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 4,765,732</u></b>

### NONCURRENT LIABILITIES

Compensated absences	\$ 43,438
Early retirement	15,437
Certificates payable	5,465,000
Contract payable	165,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>\$ 5,688,875</u></b>

### TOTAL LIABILITIES

**\$10,454,607**

### NET ASSETS

Invested in capital assets, net of related debt	\$ 5,251,845
Restricted:	
Expendable:	
Cash reserve	103,947
Other	2,165,967
Unrestricted:	
Unrestricted	672,174
Plant fund	1,369,197
Auxiliary enterprises	1,195,632
<b>TOTAL NET ASSETS</b>	<b><u>\$10,758,762</u></b>

### TOTAL LIABILITIES AND NET ASSETS

**\$21,213,369**

SOUTHWESTERN COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN ASSETS  
Year Ended June 30, 2005

OPERATING REVENUES:	
Tuition and fees, net of scholarship allowances of \$1,330,553	\$ 2,065,650
Federal support	2,283,856
Iowa Industrial New Jobs Training Program	1,787,800
Auxiliary enterprises revenue, net of scholarship allowances of \$131,312	2,851,253
Other	739,650
TOTAL OPERATING REVENUES	<u>\$ 9,728,209</u>
OPERATING EXPENSES:	
Education and support:	
Liberal arts and science	\$ 1,967,348
Vocational technical	1,984,971
Adult education	974,851
Cooperative services	1,308,984
Administration	789,476
Student services	781,328
Learning resources	162,921
Physical plant	1,607,215
General institution	1,272,922
Auxiliary enterprises	3,355,427
Scholarships and grants	147,327
Depreciation	420,350
TOTAL EXPENSES	<u>\$ 14,773,120</u>
OPERATING INCOME (LOSS)	<u>\$ (5,044,911)</u>
NONOPERATING REVENUES (EXPENSES):	
State appropriations	\$ 3,846,534
Property tax	1,344,373
Investment income	161,168
Interest on indebtedness	(320,162)
Agency	2,205
	<u>\$ 5,034,118</u>
CHANGE IN NET ASSETS	\$ (10,793)
NET ASSETS, beginning of year, as restated	<u>10,769,555</u>
NET ASSETS, end of year	<u><u>\$ 10,758,762</u></u>

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

SOUTHWESTERN COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	\$ 3,592,727
Federal support	2,295,141
Iowa Industrial New Jobs Training Program	1,666,915
Payments to employees for salaries and benefits	(7,340,101)
Payments to suppliers for goods and services	(5,664,474)
Scholarships	(1,654,166)
Auxiliary enterprise receipts	1,202,711
Other receipts	1,097,715
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (4,803,532)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State appropriations	\$ 3,849,859
Property tax	1,344,373
Federal direct lending receipts	2,117,754
Federal direct lending disbursements	(2,168,628)
Miscellaneous agency fund receipts	246,555
Miscellaneous agency fund disbursements	(198,534)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 5,191,379</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	\$ (55,920)
Proceeds from New Jobs Training projects certificates issued	1,922,437
Principal paid on debt and leases	(918,000)
Interest paid on debt and leases	(318,632)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ 629,885</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>\$ 157,951</u>
NET INCREASE IN CASH	\$ 1,175,683
CASH, at beginning of year	<u>9,358,741</u>
CASH, at end of year	<u><u>\$ 10,534,424</u></u>

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

SOUTHWESTERN COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2005

RECONCILIATION OF OPERATING LOSS TO NET CASH

Used by operating activities:

Operating loss	<u>\$ (5,044,911)</u>
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Adjustments to reconcile operating loss to net cash used by operating activities:

Depreciation	\$ 420,350
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Provisions for doubtful accounts	90,994
----------------------------------	--------

Changes in assets and liabilities:

(Increase) decrease in accounts receivable	100,862
--	---------

(Increase) decrease in NJTP receivable	(217,969)
--	-----------

(Increase) decrease in due from other governments	10,456
---	--------

(increase) decrease in inventories	(303,959)
------------------------------------	-----------

(Increase) decrease in prepaid expenses and deferred charges	19,290
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Increase (decrease) in accounts payable	(4,419)
---	---------

Increase (decrease) in salaries and benefits	31,327
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Increase (decrease) in early retirement payable	(58,522)
---	----------

Increase (decrease) in due to other governments	73,972
---	--------

Increase (decrease) in deferred revenues	50,426
--	--------

Increase (decrease) in compensated absences	27,041
---	--------

Increase (decrease) in accrued interest payable	<u>1,530</u>
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TOTAL ADJUSTMENTS	<u>\$ 241,379</u>
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NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (4,803,532)</u></u>
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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, 2005

	Foundation Fiscal Year End <u>March 31, 2005</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash and investments	\$ 1,566,496
Accounts receivable	-
Deposits held	-
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 1,566,496</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,566,496</u></u>
 <b>NET ASSETS</b>	
Restricted:	
Nonexpendable:	
Scholarships and grants	\$ 813,037
Expendable:	
Scholarships and grants	487,211
Unrestricted	<u>266,248</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 1,566,496</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 1,566,496</u></u>

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, 2005

ASSETS	
CURRENT ASSETS:	
Cash and investments	\$ 79,685
Accounts receivable	2,984
Deposits held	100
TOTAL CURRENT ASSETS	\$ 82,769
NONCURRENT ASSETS:	
Capital assets:	
Land	\$ 25,480
Buildings	493,259
Furniture and equipment	110,491
Accumulated depreciation	(205,901)
Investment in direct financing lease	198,000
TOTAL NONCURRENT ASSETS	\$ 621,329
TOTAL ASSETS	\$ 704,098
LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	\$ 4,706
Accrued interest	1,873
Deposits	5,900
Deferred revenue	5,250
Notes payable	50,342
TOTAL CURRENT LIABILITIES	\$ 68,071
NONCURRENT LIABILITIES	
Notes payable	\$ 265,658
TOTAL LIABILITIES	\$ 333,729
NET ASSETS	
Unrestricted	370,369
TOTAL NET ASSETS	\$ 370,369
TOTAL LIABILITIES AND NET ASSETS	\$ 704,098

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, 2005

	Foundation Fiscal Year End <u>March 31, 2005</u>
OPERATING REVENUES:	
Contributions and pledges, net of doubtful accounts of \$0	\$ 357,672
In-kind support	114,679
TOTAL OPERATING REVENUES	<u>\$ 472,351</u>
OPERATING EXPENSES:	
Program expenses	\$ -
Management and general expenses	25,241
Fund raising expenses	75,146
TOTAL OPERATING EXPENSES	<u>\$ 100,387</u>
OPERATING INCOME	<u>\$ 371,964</u>
NONOPERATING REVENUES (EXPENSES):	
Addition to endowments	\$ 159,156
Investment income	33,246
Scholarships and grants to Southwestern Community College and students	<u>(179,199)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ 13,203</u>
CHANGE IN NET ASSETS	\$ 385,167
NET ASSETS, beginning of year	<u>1,181,329</u>
NET ASSETS, end of year	<u><u>\$ 1,566,496</u></u>

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, 2005

OPERATING REVENUES:	
Rental income	\$ 170,556
Miscellaneous	4,669
Inkind support	50,152
TOTAL OPERATING REVENUES	<u>\$ 225,377</u>
OPERATING EXPENSES:	
Program expenses	\$ 164,650
Management and general expenses	34,976
Depreciation	27,596
TOTAL OPERATING EXPENSES	<u>\$ 227,222</u>
OPERATING LOSS	<u>\$ (1,845)</u>
NONOPERATING REVENUES (EXPENSES):	
Investment income	\$ 874
Interest on indebtedness	(5,250)
Loss on disposal of equipment	(176)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ (4,552)</u>
CHANGE IN NET ASSETS	\$ (6,397)
NET ASSETS, beginning of year	<u>376,766</u>
NET ASSETS, end of year	<u><u>\$ 370,369</u></u>

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

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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, academic improvements grants, development grants, and other support to the College as determined by the Foundation Board of Directors. 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, 2005, 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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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, 2005 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.

SOUTHWESTERN COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2005

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

<u>Assets</u>	<u>Amount</u>
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:

<u>Assets</u>	<u>Years</u>
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, 2005.

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

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 2. Cash and Deposits

The College's cash and deposits (certificates of deposit) at June 30, 2005, 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.

Note 3. Inventories

The College's inventories at June 30, 2005 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 177,250
Livestock	14,375
Crop inventory	5,318
Development/work in progress	<u>357,654</u>
Total	<u>\$ 554,597</u>

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

Note 4. Capital Assets (continued)

	<u>Balance Beginning Of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End Of Year</u>
Capital assets not being depreciated:				
Land	\$ 78,610	\$ ---	\$ ---	\$ 78,610
Total capital assets not being depreciated	<u>\$ 78,610</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ 78,610</u>
Capital assets being depreciated:				
Buildings	\$ 9,603,530	\$ 2,462	\$ ---	\$ 9,605,992
Other structures and improvements	797,926	---	---	797,926
Furniture, equipment and Vehicles	<u>1,260,826</u>	<u>53,458</u>	<u>31,524</u>	<u>1,282,760</u>
Total capital assets being depreciated	<u>\$11,662,282</u>	<u>\$ 55,920</u>	<u>\$ 31,524</u>	<u>\$11,686,678</u>
Less accumulated depreciation for:				
Buildings	\$ 4,562,455	\$ 291,138	\$ ---	\$ 4,853,593
Other structures and improvements	353,691	40,378	---	394,069
Furniture, equipment and vehicles	<u>1,010,472</u>	<u>88,834</u>	<u>31,524</u>	<u>1,067,782</u>
Total accumulated depreciation	<u>\$ 5,926,618</u>	<u>\$ 420,350</u>	<u>\$ 31,524</u>	<u>\$ 6,315,444</u>
Total capital assets being depreciated	<u>\$ 5,735,664</u>	<u>\$(364,430)</u>	<u>\$ ---</u>	<u>\$ 5,371,234</u>
Capital assets, net	<u>\$ 5,814,274</u>	<u>\$(364,430)</u>	<u>\$ ---</u>	<u>\$ 5,449,844</u>

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

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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 2005, the College issued certificates with current outstanding balances totaling \$6,990,000, with interest rates ranging from 2.75% 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, 2005, were \$885,000 of certificates retired and \$1,965,000 new certificates issued. Since inception, the College has administered 89 projects, with 6 currently receiving project funding. Of the remaining 83 projects, 51 have completed the debt service and the remaining 32 are being completed as scheduled. The liability for the certificates is carried in the restricted fund.

The certificates will mature as follows:

<u>Year ending</u> <u>June 30:</u>	<u>Interest</u> <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	2.75-7.20%	\$1,525,000	\$ 327,969	\$1,852,969
2007	3.15-7.25%	1,340,000	261,088	1,601,088
2008	3.50-7.30%	780,000	200,081	980,081
2009	3.95-7.40%	775,000	163,763	938,763
2010	4.05-7.40%	680,000	125,965	805,965
2011-2014	4.05-6.00%	<u>1,890,000</u>	<u>209,223</u>	<u>2,099,223</u>
		<u>\$6,990,000</u>	<u>\$1,288,089</u>	<u>\$8,278,089</u>

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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, 2005, 2004, and 2003 were \$137,679, \$134,283, and \$125,840 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's required and actual contributions to TIAA-CREF for the year ended June 30, 2005, were \$125,944 and \$81,042 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 44 projects, with 4 currently receiving project funding. The remaining 40 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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2005

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, 2005 the potential liability, if all eligible employees accepted the early retirement plan, is approximately \$514,395.

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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTAL INFORMATION

SOUTHWESTERN COMMUNITY COLLEGE  
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES  
 BUDGET TO ACTUAL  
 Year Ended June 30, 2005

REQUIRED SUPPLEMENTAL INFORMATION

<u>Funds/Levy</u>	<u>Original/Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Unrestricted	\$ 9,862,735	\$ 8,390,342	\$ 1,472,393
Restricted	\$ 5,958,664	\$ 3,030,040	\$ 2,928,624
Unemployment	5,000	23,871	(18,871)
Insurance	171,000	143,751	27,249
Equipment replacement	60,000	34,301	25,699
Total restricted	<u>\$ 6,194,664</u>	<u>\$ 3,231,963</u>	<u>\$ 2,962,701</u>
Plant	\$ 1,450,000	\$ 341,117	\$ 1,108,883
Bonds and interest	-	-	-
	<u>\$ 1,450,000</u>	<u>\$ 341,117</u>	<u>\$ 1,108,883</u>
Grand total	<u><u>\$ 17,507,399</u></u>	<u><u>\$ 11,963,422</u></u>	<u><u>\$ 5,543,977</u></u>

See accompanying independent auditor's report.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION –  
BUDGETARY REPORTING  
June 30, 2005

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, 2005

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, 2005

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, 2005

Schedule 1

	Current Funds	
	Unrestricted	Restricted
<b>ASSETS</b>		
Cash and deposits	\$ 1,521,799	\$ 7,537,216
Receivables:		
Accounts (less allowance of \$146,855)	334,137	-
Other governments (less allowance of \$0)	-	100,192
Property taxes	425,500	508,058
Inventories	554,597	-
Receivable for cost of Iowa Industrial New Jobs Training Program	-	2,670,416
Prepaid expenses and deferred charges	188,837	8,755
Capital assets:		
Land	-	-
Buildings	-	-
Other structures	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
<b>Total assets</b>	<b>\$ 3,024,870</b>	<b>\$ 10,824,637</b>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 116,764	\$ 57,024
Accrued salaries and benefits	390,898	12,853
Early retirement payable	-	41,336
Accrued interest	-	27,331
Deposits held in custody for others	3,825	-
Deferred revenues	20,053	135,826
Deferred compensation	-	-
Deferred property tax revenue	425,500	508,058
Due to other governments	-	771,706
Compensated absences	200,024	10,589
Contract payable	-	-
Certificates payable	-	6,990,000
<b>Total liabilities</b>	<b>\$ 1,157,064</b>	<b>\$ 8,554,723</b>

See accompanying independent auditor's report.

Plant funds					
Unexpended	Retirement of Indebtedness	Investment In Plant	Agency Funds	Adjustments	Total
\$1,369,197	\$ -	\$ -	\$ 106,212	\$ -	\$ 10,534,424
-	-	-	-	-	334,137
-	-	-	108	-	100,300
425,500	-	-	-	-	1,359,058
-	-	-	-	-	554,597
-	-	-	-	-	2,670,416
-	-	-	-	-	197,592
-	-	78,610	-	-	78,610
-	-	9,605,992	-	-	9,605,992
-	-	797,927	-	-	797,927
-	-	1,282,760	13,000	-	1,295,760
-	-	-	-	(6,315,444)	(6,315,444)
<u>\$1,794,697</u>	<u>\$ -</u>	<u>\$ 11,765,289</u>	<u>\$ 119,320</u>	<u>\$ (6,315,444)</u>	<u>\$ 21,213,369</u>

\$ -	\$ -	\$ -	\$ -	\$ -	\$ 173,788
-	-	-	-	-	403,751
-	-	-	-	-	41,336
-	-	-	-	-	27,331
-	-	-	31,504	-	35,329
-	-	-	87,816	-	243,695
-	-	-	-	-	-
425,500	-	-	-	-	1,359,058
-	-	-	-	-	771,706
-	-	-	-	-	210,613
-	-	198,000	-	-	198,000
-	-	-	-	-	6,990,000
<u>\$ 425,500</u>	<u>\$ -</u>	<u>\$ 198,000</u>	<u>\$ 119,320</u>	<u>\$ -</u>	<u>\$ 10,454,607</u>

SOUTHWESTERN COMMUNITY COLLEGE  
BALANCE SHEET  
June 30, 2005

	Current Funds	
	Unrestricted	Restricted
Fund balances:		
Invested in capital assets, net of related debt		
Restricted:	\$ -	\$ -
Expendable:		
Cash reserve	-	103,947
Other	-	2,165,967
Unrestricted	672,174	-
Auxiliary enterprises	1,195,632	-
Total fund balances	\$ 1,867,806	\$ 2,269,914
Total liabilities and fund balances	\$ 3,024,870	\$ 10,824,637

See accompanying independent auditor's report.

<u>Unexpended</u>	<u>Plant funds</u>		<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
	<u>Retirement of Indebtedness</u>	<u>Investment In Plant</u>			
\$ -	\$ -	\$ 11,567,289	\$ -	\$ (6,315,444)	\$ 5,251,845
-	-	-	-	-	103,947
-	-	-	-	-	2,165,967
1,369,197	-	-	-	-	2,041,371
-	-	-	-	-	1,195,632
<u>\$1,369,197</u>	<u>\$ -</u>	<u>\$ 11,567,289</u>	<u>\$ -</u>	<u>\$ (6,315,444)</u>	<u>\$ 10,758,762</u>
<u>\$1,794,697</u>	<u>\$ -</u>	<u>\$ 11,765,289</u>	<u>\$ 119,320</u>	<u>\$ (6,315,444)</u>	<u>\$ 21,213,369</u>

SOUTHWESTERN COMMUNITY COLLEGE  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 Year Ended June 30, 2005

Schedule 2

	Current Funds	
	Unrestricted	Restricted
<b>REVENUES:</b>		
General:		
Tuition and fees	\$ 3,463,586	\$ -
Local support	422,338	499,697
State support	3,617,650	228,884
Federal support	287,038	1,996,818
Sales and services	23,195	-
Interest income	93,874	67,294
Iowa Industrial New Jobs Training Program	-	1,787,800
Increase in plant investment due to plant expenditures	-	-
Increase in plant investment due to retirement of debt	-	-
Other	428,999	640,939
	<u>\$ 8,336,680</u>	<u>\$ 5,221,432</u>
Auxiliary enterprises:		
Student fees	\$ 58,767	\$ -
State support	2,271	-
Federal support	2,117,754	-
Sales and services	668,203	-
Other	474,934	-
	<u>\$ 3,321,929</u>	<u>\$ -</u>
<b>TOTAL REVENUES</b>	<u>\$ 11,658,609</u>	<u>\$ 5,221,432</u>
<b>EXPENDITURES:</b>		
Education and support:		
Liberal arts and sciences	\$ 2,005,705	\$ -
Vocational technical	1,968,673	91,275
Adult education	764,106	242,983
Cooperative services	7,385	1,654,710
Administration	751,002	98,143
Student services	844,067	-
Learning resources	163,344	-
Physical plant	1,224,173	106,332
General institution	661,887	718,358
Total education and support	<u>\$ 8,390,342</u>	<u>\$ 2,911,801</u>

See accompanying independent auditor's report.

<u>Unexpended</u>	<u>Plant funds</u>		<u>Adjustments</u>	<u>Total</u>
	<u>Retirement of Indebtedness</u>	<u>Investment In Plant</u>		
\$ -	\$ -	\$ -	\$ (1,397,936)	\$ 2,065,650
389,338	33,000	-	-	1,344,373
-	-	-	-	3,846,534
-	-	-	-	2,283,856
-	-	-	-	23,195
-	-	-	-	161,168
-	-	-	-	1,787,800
-	-	55,921	(55,921)	-
-	-	33,000	-	33,000
125	-	-	(353,608)	716,455
<u>\$ 389,463</u>	<u>\$ 33,000</u>	<u>\$ 88,921</u>	<u>\$ (1,807,465)</u>	<u>\$ 12,262,031</u>
\$ -	\$ -	\$ -	\$ -	\$ 58,767
-	-	-	-	2,271
-	-	-	-	2,117,754
-	-	-	(176,907)	491,296
-	-	-	(293,769)	181,165
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (470,676)</u>	<u>\$ 2,851,253</u>
<u>\$ 389,463</u>	<u>\$ 33,000</u>	<u>\$ 88,921</u>	<u>\$ (2,278,141)</u>	<u>\$ 15,113,284</u>
\$ -	\$ -	\$ -	\$ (38,357)	\$ 1,967,348
-	-	-	(74,977)	1,984,971
-	-	-	(32,238)	974,851
-	-	-	(353,111)	1,308,984
-	-	-	(59,669)	789,476
-	-	-	(62,739)	781,328
-	-	-	(423)	162,921
290,959	-	-	(14,249)	1,607,215
-	-	-	(107,323)	1,272,922
<u>\$ 290,959</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (743,086)</u>	<u>\$ 10,850,016</u>

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2005

	Current Funds	
	Unrestricted	Restricted
Auxiliary enterprises	3,411,459	-
Scholarships and grants	-	1,609,192
Retirement of indebtedness	-	-
Interest on indebtedness	-	320,162
Plant asset acquisitions	-	-
Disposal of plant assets	-	-
Depreciation	-	-
TOTAL EXPENDITURES	\$ 11,801,801	\$ 4,841,155
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (143,192)	\$ 380,277
TRANSFERS	38,951	(36,746)
NET	\$ (104,241)	\$ 343,531
FUND BALANCE, beginning of year	1,972,047	1,926,383
FUND BALANCE, end of year	\$ 1,867,806	\$ 2,269,914

See accompanying independent auditor's report.

Plant funds				
Unexpended	Retirement of Indebtedness	Investment In Plant	Adjustments	Total
-	-	-	(56,032)	3,355,427
-	-	-	(1,461,865)	147,327
-	33,000	-	-	33,000
-	-	-	-	320,162
17,158	-	-	(17,158)	-
-	-	31,524	(31,524)	-
-	-	-	420,350	420,350
<u>\$ 308,117</u>	<u>\$ 33,000</u>	<u>\$ 31,524</u>	<u>\$(1,889,315)</u>	<u>\$ 15,126,282</u>
\$ 81,346	\$ -	\$ 57,397	\$ (388,826)	\$ (12,998)
-	-	-	-	2,205
\$ 81,346	\$ -	\$ 57,397	\$ (388,826)	\$ (10,793)
<u>1,287,851</u>	<u>-</u>	<u>11,509,892</u>	<u>(5,926,618)</u>	<u>10,769,555</u>
<u><u>\$ 1,369,197</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,567,289</u></u>	<u><u>\$(6,315,444)</u></u>	<u><u>\$ 10,758,762</u></u>

SOUTHWESTERN COMMUNITY COLLEGE  
UNRESTRICTED FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION AND SUPPORT  
Year Ended June 30, 2005

Schedule 3

	Education		
	Liberal Arts and Science	Vocational Technical	Adult Education
REVENUES AND OTHER ADDITIONS:			
Tuition and fees	\$ 1,946,966	\$ 1,073,904	\$ 436,460
Local support	-	-	-
State support	1,375,445	1,352,174	887,031
Federal support	-	117,810	102,241
Sales and services	-	6,397	-
Interest income	-	-	-
Other	157,927	126,599	105,953
	<u>\$ 3,480,338</u>	<u>\$ 2,676,884</u>	<u>\$1,531,685</u>
Allocation of support services revenues (1)	228,779	274,423	129,609
	<u>\$ 3,709,117</u>	<u>\$ 2,951,307</u>	<u>\$1,661,294</u>
TOTAL REVENUE AND OTHER ADDITIONS	<u>\$ 3,709,117</u>	<u>\$ 2,951,307</u>	<u>\$1,661,294</u>
EXPENDITURES:			
Salaries and benefits	\$ 1,828,075	\$ 1,688,648	\$ 482,734
Services	114,191	88,488	190,367
Materials and supplies	56,025	157,178	61,507
Travel	7,414	31,714	20,140
Expended for plant assets	-	-	-
Purchases for resale	-	-	9,358
Other	-	2,645	-
	<u>\$ 2,005,705</u>	<u>\$ 1,968,673</u>	<u>\$ 764,106</u>
Allocation of support services expenditures (1)	1,301,992	1,561,750	737,607
	<u>\$ 3,307,697</u>	<u>\$ 3,530,423</u>	<u>\$1,501,713</u>
TOTAL EXPENDITURES & OTHER DEDUCTIONS	<u>\$ 3,307,697</u>	<u>\$ 3,530,423</u>	<u>\$1,501,713</u>
TRANSFERS AMONG FUNDS - additions (deductions)			
NET DECREASE			
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

Cooperative Services	General Administration	Student Services	Learnings Resources	Physical Plant	General Institution	Education and Support Total
\$ -	\$ 352	\$ 5,904	\$ -	\$ -	\$ -	\$ 3,463,586
-	422,338	-	-	-	-	422,338
-	-	3,000	-	-	-	3,617,650
-	1,360	65,627	-	-	-	287,038
-	-	-	-	16,798	-	23,195
-	93,874	-	-	-	-	93,874
7,385	7,278	11,164	-	12,693	-	428,999
<u>\$ 7,385</u>	<u>\$ 525,202</u>	<u>\$ 85,695</u>	<u>\$ -</u>	<u>\$ 29,491</u>	<u>\$ -</u>	<u>\$ 8,336,680</u>
7,577	(525,202)	(85,695)	-	(29,491)	-	-
<u>\$ 14,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,336,680</u>
\$ 7,385	\$ 511,726	\$ 700,262	\$ 103,038	\$ 654,796	\$ 442,681	\$ 6,419,345
-	114,806	74,479	41,009	471,160	165,136	1,259,636
-	14,940	57,848	19,218	90,757	35,189	492,662
-	7,543	11,478	79	7,460	18,881	104,709
-	-	-	-	-	-	-
-	-	-	-	-	-	9,358
-	101,987	-	-	-	-	104,632
<u>\$ 7,385</u>	<u>\$ 751,002</u>	<u>\$ 844,067</u>	<u>\$ 163,344</u>	<u>\$ 1,224,173</u>	<u>\$ 661,887</u>	<u>\$ 8,390,342</u>
43,124	(751,002)	(844,067)	(163,344)	(1,224,173)	(661,887)	-
<u>\$ 50,509</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,390,342</u>
						<u>\$ 48,349</u>
						<u>\$ (5,313)</u>
						<u>677,487</u>
						<u>\$ 672,174</u>

SOUTHWESTERN COMMUNITY COLLEGE  
UNRESTRICTED FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
AUXILIARY ENTERPRISES  
Year Ended June 30, 2005

Schedule 4

	Financial Aid	Bookstore
REVENUES:		
Student fees	\$ -	\$ -
State support	-	-
Federal support	2,117,754	-
Sales and services	-	582,664
Other income	50,874	2,018
	<u>\$ 2,168,628</u>	<u>\$ 584,682</u>
TOTAL REVENUES		
EXPENDITURES:		
Salaries and benefits	\$ -	\$ 81,715
Services	-	5,381
Materials and supplies	-	2,319
Travel	-	61
Expended for plant assets	-	-
Purchases for resale	-	439,341
Other	2,168,628	79,348
	<u>\$ 2,168,628</u>	<u>\$ 608,165</u>
TOTAL EXPENDITURES		
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ (23,483)
TRANSFERS	-	(445)
NET INCREASE (DECREASE)	\$ -	\$ (23,928)
FUND BALANCE, at beginning of year	-	271,670
FUND BALANCES, at end of year	\$ -	\$ 247,742

See accompanying independent auditors' report.

<u>Interdepartment Charges</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ 58,767	\$ 58,767
-	2,271	2,271
-	-	2,117,754
-	85,539	668,203
283,000	139,042	474,934
\$ 283,000	\$ 285,619	\$ 3,321,929
\$ 51,651	\$ 37,015	\$ 170,381
167,889	109,842	283,112
24,464	129,401	156,184
1,397	36,319	37,777
20,400	-	20,400
16,230	39,099	494,670
-	959	2,248,935
\$ 282,031	\$ 352,635	\$ 3,411,459
\$ 969	\$ (67,016)	\$ (89,530)
27,181	(36,134)	(9,398)
\$ 28,150	\$ (103,150)	\$ (98,928)
311,959	710,931	1,294,560
\$ 340,109	\$ 607,781	\$ 1,195,632

SOUTHWESTERN COMMUNITY COLLEGE  
RESTRICTED FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2005

Schedule 5

	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Unemployment compensation</u>	<u>Early Retirement</u>
REVENUES:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Local support	62,562	98,920	-	278,028
State support	-	-	-	-
Federal support	-	-	-	-
Interest income	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Other	-	5,720	-	-
<b>TOTAL REVENUES</b>	<u>\$ 62,562</u>	<u>\$ 104,640</u>	<u>\$ -</u>	<u>\$ 278,028</u>
EXPENDITURES:				
Salaries and benefits	\$ -	\$ 29,622	\$ 23,871	\$ 149,285
Services	-	74,518	-	-
Materials and supplies	34,301	2,191	-	-
Travel	-	-	-	-
Expended for plant assets	-	-	-	-
Interest on indebtedness	-	-	-	-
Scholarships and grants	-	-	-	-
Other	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 34,301</u>	<u>\$ 106,331</u>	<u>\$ 23,871</u>	<u>\$ 149,285</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ 28,261</b>	<b>\$ (1,691)</b>	<b>\$ (23,871)</b>	<b>\$ 128,743</b>
<b>TRANSFERS</b>	<u>-</u>	<u>(2,365)</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE)</b>	<b>\$ 28,261</b>	<b>\$ (4,056)</b>	<b>\$ (23,871)</b>	<b>\$ 128,743</b>
<b>FUND BALANCES, at beginning of year</b>	<u>161,618</u>	<u>81,911</u>	<u>119,927</u>	<u>433,701</u>
<b>FUND BALANCES, at end of year</b>	<u><u>\$ 189,879</u></u>	<u><u>\$ 77,855</u></u>	<u><u>\$ 96,056</u></u>	<u><u>\$ 562,444</u></u>

See accompanying independent auditors' report.

Cash Reserve	Iowa Industrial New Jobs Training Program	Standby	Tort	Scholarship	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	20,214	39,973	-	-	499,697
-	-	-	-	151,210	77,674	228,884
-	-	-	-	1,457,982	538,836	1,996,818
-	67,294	-	-	-	-	67,294
-	1,787,800	-	-	-	-	1,787,800
-	24,936	-	-	-	610,283	640,939
<u>\$ -</u>	<u>\$ 1,880,030</u>	<u>\$ 20,214</u>	<u>\$ 39,973</u>	<u>\$ 1,609,192</u>	<u>\$ 1,226,793</u>	<u>\$ 5,221,432</u>
\$ -	\$ -	\$ -	\$ 604	\$ -	\$ 535,259	\$ 738,641
-	1,603,797	-	36,816	-	200,783	1,915,914
-	-	-	-	-	147,295	183,787
-	-	-	-	-	25,568	25,568
-	-	-	-	-	18,363	18,363
-	320,162	-	-	-	-	320,162
-	-	-	-	1,609,192	15,570	1,624,762
-	-	-	-	-	13,958	13,958
<u>\$ -</u>	<u>\$ 1,923,959</u>	<u>\$ -</u>	<u>\$ 37,420</u>	<u>\$ 1,609,192</u>	<u>\$ 956,796</u>	<u>\$ 4,841,155</u>
\$ -	\$ (43,929)	\$ 20,214	\$ 2,553	\$ -	\$ 269,997	\$ 380,277
-	43,929	(43,929)	-	-	(34,381)	(36,746)
\$ -	\$ -	\$ (23,715)	\$ 2,553	\$ -	\$ 235,616	\$ 343,531
<u>103,947</u>	<u>-</u>	<u>55,162</u>	<u>328,648</u>	<u>-</u>	<u>641,469</u>	<u>1,926,383</u>
<u>\$ 103,947</u>	<u>\$ -</u>	<u>\$ 31,447</u>	<u>\$ 331,201</u>	<u>\$ -</u>	<u>\$ 877,085</u>	<u>\$ 2,269,914</u>

SOUTHWESTERN COMMUNITY COLLEGE  
 AGENCY FUNDS  
 SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS  
 Year Ended June 30, 2005

	Schedule 6
Additions:	
Fees	\$ 21,718
State support	26,696
Sales and services	9,904
Other	<u>114,725</u>
	<u>\$ 173,043</u>
Deductions:	
Services	\$ 116,808
Materials and supplies	36,874
Travel	23,293
Other	<u>35</u>
	<u>\$ 177,010</u>
Transfers among funds	<u>\$ (2,205)</u>
Net increase	\$ (6,172)
Deposits held in custody for others at beginning of year	<u>24,676</u>
Deposits held in custody for others at end of year	<u><u>\$ 18,504</u></u>

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF TAXES AND INTERGOVERNMENTAL REVENUES

Schedule 7

	Years ended June 30,			
	2005	2004	2003	2002
Local (property tax)	\$ 1,344,373	\$ 1,392,807	\$ 1,361,773	\$ 1,320,743
State	3,875,501	3,950,601	4,196,717	4,465,407
Federal	4,401,610	4,406,650	4,216,338	3,991,709
	\$ 9,621,484	\$ 9,750,058	\$ 9,774,828	\$ 9,777,859

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE  
 SCHEDULE OF CREDIT AND CONTACT HOUR ENROLLMENT  
 Year Ended June 30, 2005

Schedule 8

<u>Category</u>	<u>Credit Hours</u>		
	<u>Eligible For Aid</u>	<u>Not Eligible For Aid</u>	<u>Total</u>
Arts and Sciences	17,107	-	17,107
Vocational Preparatory	12,193	-	12,193
Adult Education	-	-	-
Cooperative Programs	-	-	-
Related Services and Activities	-	-	-
Total	<u>29,300</u>	<u>-</u>	<u>29,300</u>

See accompanying independent auditors' report.

Contact Hours

<u>Eligible For Aid</u>	<u>Not Eligible For Aid</u>	<u>Total</u>
329,244	-	329,244
394,931	-	394,931
179,777	6,747	186,524
-	10,905	10,905
<u>15,540</u>	<u>-</u>	<u>15,540</u>
<u>919,492</u>	<u>17,652</u>	<u>937,144</u>

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,			
	2005	2004	2003	2002
<b>REVENUES:</b>				
Tuition and fees	\$ 3,463,586	\$ 3,278,930	\$ 2,994,771	\$ 2,555,856
Local support	922,035	955,900	933,482	904,517
State support	3,846,534	3,856,143	3,809,094	4,025,210
Federal support	2,283,856	2,427,397	2,245,419	1,994,721
Sales and services	23,195	14,168	10,250	17,628
Interest income	161,168	107,077	154,920	236,533
Iowa Industrial New Jobs Training Program	1,787,800	1,319,561	107,873	161,782
Auxiliary enterprises	3,321,929	3,282,299	3,253,809	1,123,610
Other	1,069,938	1,214,497	601,153	529,753
<b>TOTAL REVENUES</b>	<b>\$ 16,880,041</b>	<b>\$ 16,455,972</b>	<b>\$ 14,110,771</b>	<b>\$ 11,549,610</b>
<b>EXPENDITURES:</b>				
Liberal arts and sciences	\$ 2,005,705	\$ 1,931,031	\$ 1,877,507	\$ 1,881,811
Vocational technical	2,059,948	2,064,167	1,859,635	1,657,257
Adult education	1,007,089	872,280	782,753	699,708
Cooperative services	1,662,095	1,276,389	5,010	251,435
Administration	849,145	1,036,138	803,940	779,955
Student services	844,067	822,770	795,636	947,375
Learning resources	163,344	163,478	151,762	136,296
Physical plant	1,330,505	1,237,972	1,214,987	1,035,243
General institution	1,380,245	1,521,431	1,501,233	1,295,068
Auxiliary enterprises	3,411,459	3,412,622	3,252,955	1,052,119
Scholarships and grants	1,609,192	1,621,117	1,578,126	1,536,972
Interest on indebtedness	320,162	214,821	248,465	295,775
<b>TOTAL EXPENDITURES</b>	<b>\$ 16,642,956</b>	<b>\$ 16,174,216</b>	<b>\$ 14,072,009</b>	<b>\$ 11,569,014</b>

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2005

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	\$ 45,950	\$ -
Federal Work-Study (FWS)	84.033	62,079	-
Federal Pell Grants	84.063	1,377,071	-
Federal Direct Student Loan Program - loans disbursed	84.268	-	2,117,754
Student Support Services	84.042A	244,998	-
Educational Talent Search	84.044A	166,081	-
		<u>\$ 1,896,179</u>	<u>\$2,117,754</u>
Total direct United States Department of Education			
Passed through Iowa Department of Education - Vocational Education:			
Basic Grants to States			
Perkins	84.048A	\$ 117,810	\$ -
Adult Education - State Grant Program			
ABE Program	84.002	95,524	-
English Literacy & Civics Education	84.002	4,000	-
Teacher Training	84.002	2,717	-
Tech Prep Education	84.243A	74,352	-
Learn for Literacy	84.323	887	-
		<u>\$ 295,290</u>	<u>\$ -</u>
Total Iowa Department of Education			
Passed through Iowa College Aid Commission - State			
State Student Incentive Grants	84.069	\$ 39,869	\$ -
Passed through Iowa State University:			
Title IIA - Higher Education Grant - Every Child Counts	84.367B	\$ 52,518	\$ -
		<u>\$ 2,283,856</u>	<u>\$2,117,754</u>
Total Federal expenditures			

\*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, 2005

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, 2005, 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.

## 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 accompanying financial statements of Southwestern Community College and the aggregate discretely presented component units as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements listed in the table of contents and have issued our report thereon dated November 28, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards; 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, 2005, 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 November 28, 2005.

### 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 November 28, 2005.

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.

*Drapen, Smelgrosso, Mikkelsen + Co., P.C.*

November 28, 2005

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, 2005. 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, 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, 2005.

## 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.

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.

*Drapen, Smidgrass, Mickelson + Co., P.C.*

November 28, 2005

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2005

**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 reported by the audit of the financial statements and no material weaknesses were reported.
- 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 reported by the audit of the financial statements and no material weaknesses were reported.
- 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
  - CFDA Number – 84.042A Student Support Services
  - CFDA Number – 84.044A Educational Talent Search
- 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.

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2005

**Part III: Findings and Questioned Costs for Federal Awards:**

Instances of non-compliance:

No matters were reported.

Reportable conditions:

No matters were reported.