SOUTHWESTERN COMMUNITY COLLEGE

Financial Statements and
Supplementary Information

June 30, 2007

(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	2008
Kenneth Rech	Vice President	2009
Jerry Smith	Member	2009
Janet E. DeMott	Member	2010
Fred Shearer	Member	2008
Vicki Sickels	Member	2009
Susan R. Sullivan	Member	2008
Dennis Davis	Member	2010
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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309 EAST MONTGOMERY STREET
CRESTON, IOWA 50801

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, 2007, 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 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 and its discretely presented component units as of June 30, 2007, 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 December 7, 2007, 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 31 through 32 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, 2006 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary 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, Mickelson + Co., P.C.

December 7, 2007

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, 2007. This information should be read in conjunction with the College's financial statements.

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 (7.2%) over the prior year. This increase is due mainly to an increase in credit hours, tuition and fees, and increase in state general aid.

The College issued $1,255,000 New Jobs Training Program Certificates in fiscal year 2007 and $1,415,000 of certificates was retired.

In the fall of 2006, the College completed the construction of two new buildings. A new Allied Health and Science Center houses the nursing department. The Center was constructed using, in part, funds from the State of Iowa Accelerated Career Education Program and donations. The new Spartan Suites is a 48-person residence hall which was funded, in part, by no interest loans from local rural electric cooperatives, revenue bonds, and donations.

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.

Net Assets

	June 30, 2007	June 30, 2006
Current and other assets	$ 17,725,868	$ 15,481,782
Capital assets, net of accumulated depreciation	10,304,259	10,079,727
Bond discount	---	10,830
Total assets	$ 28,030,127	$ 25,572,339
Current liabilities	$ 6,655,227	$ 6,027,232
Noncurrent liabilities	8,060,726	6,660,455
Total liabilities	$ 14,715,953	$ 12,687,687
Net assets		
Invested in capital assets, net of related debt	$ 8,320,048	$ 9,331,727
Restricted		
Expendable		
Cash reserve	103,947	103,947
Other	1,935,536	1,796,222
Unrestricted		
Unrestricted	801,093	727,408
Plant fund	1,012,901	331,670
Auxiliary Enterprises	1,140,649	593,678
Total net assets	$ 13,314,174	$ 12,884,652
Total liabilities and net assets	$ 28,030,127	$ 25,572,339

The largest portion of the College's net assets (62.5%) is invested in capital assets (e.g. land, buildings, and equipment), less the related debt. The debt related to capital assets includes a capital lease that is liquidated with resources other than capital assets and revenue bonds. The restricted portion of the net assets (15.3%) consists of resources that are subject to external restrictions. The remaining net assets (22.2%) represent $801,093 in the general unrestricted fund, $1,140,649 in the auxiliary fund, and $1,012,901 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, 2007	Year ended June 30, 2006
Operating revenue:		
Tuition and fees	$ 2,472,971	$ 2,224,396
Federal support	2,353,645	2,142,266
Iowa Industrial New Jobs Training Program	1,086,895	1,746,271
Auxiliary	4,453,460	3,096,841
Other	944,009	1,680,363
Total operating revenues	$ 11,310,980	$ 10,890,137
Total operating expenses	17,029,328	15,543,445
Operating loss	$ (5,718,348)	$ (4,653,308)
Nonoperating revenue (expenses)		
State appropriations	$ 4,666,429	$ 5,331,104
Property tax	1,389,249	1,353,627
Investment income	471,293	298,315
Interest on indebtedness	(379,101)	(329,088)
Net nonoperating revenues	$ 6,147,870	$ 6,653,958
Increase in net assets	$ 429,522	$ 2,000,650
Net assets, beginning of year	12,884,652	10,884,002
Net assets, end of year	$ 13,314,174	$ 12,884,652

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase of $429,522 in net assets at the end of the fiscal year.

For the year ended June 30, 2007, 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 $100.50 per credit hour from fiscal year 2006 to fiscal year 2007.

State General Aid, included in the state appropriations revenue, increased by $205,290. State appropriations revenue also changed, in part, due to revenue of $1,176,440 being recognized in fiscal year 2006, and $171,420 recognized in fiscal year 2007 from the State of Iowa Accelerated Career Education Program for the construction of the Allied Health and Science Center.

Operating Expenses

	Year Ended June 30, 2007	Year Ended June 30, 2006
Education and Support:		
Liberal Arts and Sciences	$ 2,261,544	$ 2,159,665
Vocational Technical	2,325,877	2,135,179
Adult Education	934,265	1,051,251
Cooperative Services	943,541	1,353,931
Administration	1,004,130	900,252
Student Services	856,171	826,602
Learning Resources	175,939	173,719
Physical Plant	1,756,947	1,488,968
General Institution	1,584,718	1,320,722
Auxiliary Enterprises	4,684,670	3,672,159
Scholarships and grants	66,361	42,441
Depreciation	435,165	418,556
Total	$ 17,029,328	$ 15,543,445

For the year ended June 30, 2007, operating expenses increased as a net result of the following changes:

Moderate salary increases were given to faculty and staff.

Auxiliary Enterprise expenses increased due in part to additional Direct Student Loans and other financial aid.

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, 2007	Year Ended June 30, 2006
Cash provided (used) by:		
Operating activities	$ (4,143,933)	$ (4,091,602)
Non-capital financing activities	5,922,790	6,245,436
Capital and related financing activities	(52,708)	(3,558,773)
Investing activities	434,419	308,455
Net increase (decrease) in cash	$ 2,160,568	$ (1,096,484)
Cash, beginning of the year	9,437,940	10,534,424
Cash, end of the year	$ 11,598,508	$ 9,437,940

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, 2007, the College had approximately $17.6 million invested in capital assets with an accumulated depreciation of $7.3 million. Depreciation charges totaled $435,165 for the year ended June 30, 2007. Details of capital assets are shown below:

Capital Assets, Net, at Year End

	June 30, 2007	June 30, 2006
Land	$ 78,610	$ 78,610
Buildings and other structures	16,062,107	11,385,372
Furniture and equipment	1,420,311	1,459,072
Construction in progress	18,221	4,085,809
Accumulated depreciation	(7,274,990)	(6,929,136)
	$ 10,304,259	$ 10,079,727

More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

DEBT

At June 30, 2007, the College had $9.2 million in debt outstanding, an increase of $1,171,666 from 2006 due to the issuance of $1,255,000 New Jobs Training Program Certificates less the required payments on the existing debt and the issuance of $1,400,000 in revenue bonds less required payments to help finance the construction of a 48-person residence hall. The table below summarized these amounts by type.

Outstanding Debt

	June 30, 2007	June 30, 2006
Certificates payable	$ 7,150,000	$ 7,310,000
Contract payable	132,000	165,000
Revenue bonds payable	1,934,666	570,000
	$ 9,216,666	$ 8,045,000

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, some of the realities that may potentially become challenges for the College to meet are:

State general aid has not kept up with inflation in recent years.

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 quickly outdated presenting an ongoing challenge to maintain up-to-date technology at a reasonable cost.

For fiscal year 2008 the College is excited about its expansion of the nursing program due to the new Allied Health and Science Center. The new 48-person residence hall has also been a great addition to serve the housing needs of our students.

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, 2007

ASSETS	
CURRENT ASSETS:	
Cash and deposits	$ 11,598,508
Receivables:	
Accounts (less allowance of $201,566)	475,347
Other governments (less allowance of $0)	232,955
Property taxes:	
Succeeding year	1,411,744
Inventories	614,073
Receivable for cost of Iowa Industrial New Jobs Training Program	3,223,844
Prepaid expenses and deferred charges	169,397
TOTAL CURRENT ASSETS	$ 17,725,868
NONCURRENT ASSETS:	
Capital assets:	
Land	$ 78,610
Buildings	15,206,601
Other structures	855,506
Furniture and equipment	1,420,311
Construction in progress	18,221
Accumulated depreciation	(7,274,990)
TOTAL NONCURRENT ASSETS	$ 10,304,259
TOTAL ASSETS	$ 28,030,127

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

LIABILITIES	
CURRENT LIABILITIES:	
Accounts payable	$ 246,390
Accrued salaries and benefits	452,219
Early retirement payable	5,285
Accrued interest	47,283
Deposits held in custody for others	57,579
Deferred revenues:	
Succeeding year property tax	1,411,744
Other	332,525
Due to other governments	2,627,651
Compensated absences	238,134
Bonds payable	158,417
Contract payable	33,000
Certificates payable	1,045,000
TOTAL CURRENT LIABILITIES	$ 6,655,227
NONCURRENT LIABILITIES	
Compensated absences	$ 71,228
Early retirement	9,249
Bonds payable	1,776,249
Contract payable	99,000
Certificates payable	6,105,000
TOTAL NONCURRENT LIABILITIES	$ 8,060,726
TOTAL LIABILITIES	$ 14,715,953
NET ASSETS	
Invested in capital assets, net of related debt	$ 8,320,048
Restricted:	
Expendable:	
Cash reserve	103,947
Other	1,935,536
Unrestricted:	
Unrestricted	801,093
Plant fund	1,012,901
Auxiliary enterprises	1,140,649
TOTAL NET ASSETS	$ 13,314,174
TOTAL LIABILITIES AND NET ASSETS	$ 28,030,127

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2007

OPERATING REVENUES:	
Tuition and fees, net of scholarship allowances of $1,406,357	$ 2,472,971
Federal support	2,353,645
Iowa Industrial New Jobs Training Program	1,086,895
Auxiliary enterprises revenue, net of scholarship allowances of $94,853	4,453,460
Other	944,009
TOTAL OPERATING REVENUES	$ 11,310,980
OPERATING EXPENSES:	
Education and support:	
Liberal arts and science	$ 2,261,544
Vocational technical	2,325,877
Adult education	934,265
Cooperative services	943,541
Administration	1,004,130
Student services	856,171
Learning resources	175,939
Physical plant	1,756,947
General institution	1,584,718
Auxiliary enterprises	4,684,670
Scholarships and grants	66,361
Depreciation	435,165
TOTAL EXPENSES	$ 17,029,328
OPERATING INCOME (LOSS)	$ (5,718,348)
NONOPERATING REVENUES (EXPENSES):	
State appropriations	$ 4,666,429
Property tax	1,389,249
Investment income	471,293
Interest on indebtedness	(379,101)
	$ 6,147,870
CHANGE IN NET ASSETS	$ 429,522
NET ASSETS, beginning of year, as restated	12,884,652
NET ASSETS, end of year	$ 13,314,174

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

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:		
Tuition and fees	$	3,969,648
Federal support		2,310,046
Iowa Industrial New Jobs Training Program		2,055,076
Payments to employees for salaries and benefits		(8,378,953)
Payments to suppliers for goods and services		(5,542,766)
Scholarships		(1,592,142)
Auxiliary enterprise receipts		1,876,304
Other receipts		1,158,854
NET CASH USED BY OPERATING ACTIVITIES	$	(4,143,933)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
State appropriations	$	4,583,511
Property tax		1,389,248
Federal direct lending receipts		2,879,708
Federal direct lending disbursements		(3,065,053)
Miscellaneous agency fund receipts		408,543
Miscellaneous agency fund disbursements		(273,167)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	$	5,922,790
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	$	(712,254)
Proceeds from New Jobs Training projects certificates issued		1,228,836
Proceeds from sale of bonds		1,300,000
Principal paid on debt and leases		(1,483,335)
Interest paid on debt and leases		(385,955)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	$	(52,708)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	$	434,419
NET INCREASE IN CASH	$	2,160,568
CASH, at beginning of year		9,437,940
CASH, at end of year	$	11,598,508

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

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2007

RECONCILIATION OF OPERATING LOSS TO NET CASH		
Used by operating activities:		
Operating loss	$	(5,718,348)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	$	435,165
Provisions for doubtful accounts		42,195
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable		(102,720)
(Increase) decrease in NJTP receivable		(136,165)
(Increase) decrease in due from other governments		143,276
(increase) decrease in inventories		(7,605)
(Increase) decrease in prepaid expenses and deferred charges		30,153
Increase (decrease) in accounts payable		19,356
Increase (decrease) in salaries and benefits		68,970
Increase (decrease) in early retirement payable		(16,587)
Increase (decrease) in due to other governments		1,104,345
Increase (decrease) in deferred revenues		(54,097)
Increase (decrease) in compensated absences		32,732
Increase (decrease) in accrued interest payable		15,397
TOTAL ADJUSTMENTS	$	1,574,415
NET CASH USED BY OPERATING ACTIVITIES	$	(4,143,933)

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, 2007

	Foundation Fiscal Year End March 31, 2007
ASSETS	
CURRENT ASSETS:	
Cash and investments	$ 1,963,706
Accounts receivable	500
Inventory - vehicle	575
TOTAL CURRENT ASSETS	$ 1,964,781
TOTAL ASSETS	$ 1,964,781
NET ASSETS	
Restricted:	
Nonexpendable:	
Scholarships and grants	$ 977,969
Expendable:	
Scholarships and grants	573,491
Unrestricted	413,321
TOTAL NET ASSETS	$ 1,964,781
TOTAL LIABILITIES AND NET ASSETS	$ 1,964,781

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, 2007

ASSETS		
CURRENT ASSETS:		
Cash and deposits	$	15,157
Accounts receivable		2,265
Deposits held		100
TOTAL CURRENT ASSETS	$	17,522
NONCURRENT ASSETS:		
Capital assets:		
Land	$	21,446
Investment in direct financing lease		132,000
TOTAL NONCURRENT ASSETS	$	153,446
TOTAL ASSETS	$	170,968
LIABILITIES		
CURRENT LIABILITIES:		
Deferred revenue	$	5,250
Notes payable		33,000
TOTAL CURRENT LIABILITIES	$	38,250
NONCURRENT LIABILITIES		
Notes payable	$	99,000
TOTAL LIABILITIES	$	137,250
NET ASSETS		
Unrestricted		33,718
TOTAL NET ASSETS	$	33,718
TOTAL LIABILITIES AND NET ASSETS	$	170,968

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

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
COMPONENTS UNIT -
SOUTHWESTERN COMMUNITY COLLEGE EDUCATION FOUNDATION
Year Ended June 30, 2007

	Foundation Fiscal Year End March 31, 2007
OPERATING REVENUES:	
Contributions and pledges, net of doubtful accounts of $0	$ 324,957
In-kind support	91,713
TOTAL OPERATING REVENUES	$ 416,670
OPERATING EXPENSES:	
Program expenses	$ -
Management and general expenses	57,814
Fund raising expenses	16,011
TOTAL OPERATING EXPENSES	$ 73,825
OPERATING INCOME	$ 342,845
NONOPERATING REVENUES (EXPENSES):	
Addition to endowments	$ 68,766
Investment income	70,405
Scholarships and grants to Southwestern Community College and students	(278,668)
TOTAL NON-OPERATING REVENUES (EXPENSES)	$ (139,497)
CHANGE IN NET ASSETS	$ 203,348
NET ASSETS, beginning of year	1,761,433
NET ASSETS, end of year	$ 1,964,781

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

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
COMPONENTS UNIT -
SOUTHWESTERN COMMUNITY COLLEGE FOUNDATION
Year Ended June 30, 2007

OPERATING REVENUES:		
Rental income	$	1,200
Miscellaneous		481
TOTAL OPERATING REVENUES	$	1,681
OPERATING EXPENSES:		
Program expenses	$	1,137
Management and general expenses		2,034
TOTAL OPERATING EXPENSES	$	3,171
OPERATING LOSS	$	(1,490)
NONOPERATING REVENUES (EXPENSES):		
Investment income	$	144
TOTAL NON-OPERATING REVENUES (EXPENSES)	$	144
CHANGE IN NET ASSETS	$	(1,346)
NET ASSETS, beginning of year		35,064
NET ASSETS, end of year	$	33,718

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 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, 2006, which is the year end for the Education Foundation and is presented on the cash basis of accounting which is a comprehensive 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 restrictions. 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, 2007 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 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 one year.

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 computed based on rates of pay in effect at June 30, 2007.

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, 2007, 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, 2007 are as follows:

Type	Amount
Supplies and materials	$ 197,553
Livestock	26,225
Crops	7,283
Development/work in progress	383,012
Total	$ 614,073

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2007 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	4,085,809	18,221	4,085,809	18,221
Total capital assets not being depreciated	$ 4,164,419	$ 18,221	$ 4,085,809	$ 96,831
Capital assets being depreciated:				
Buildings	$10,529,866	$ 4,676,735	$ ---	$15,206,601
Other structures and improvements	855,506	---	---	855,506
Furniture, equipment and vehicles	1,446,072	90,679	129,440	1,407,311
Total capital assets being depreciated	$12,831,444	$ 4,767,414	$ 129,440	$17,469,418
Less accumulated depreciation for:				
Buildings	$ 5,311,399	$ 312,036	$ ---	$ 5,623,435
Other structures and improvements	438,285	44,216	---	482,501
Furniture, equipment and vehicles	1,179,452	78,913	89,311	1,169,054
Total accumulated depreciation	$ 6,929,136	$ 435,165	$ 89,311	$ 7,274,990
Total capital assets being depreciated	$ 5,902,308	$ 4,332,249	$ 40,129	$10,194,428
Capital assets, net	$10,066,727	$ 4,350,470	$ 4,125,938	$10,291,259

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. The balance on the contract at June 30, 2007 is $132,000.

Note 6. Revenue Bonds Payable

The College has issued revenue bonds for the construction of the student housing building as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2007 bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue of June 1, 2006			
	Interest Rates	Principal	Interest	Total
2008	4.15	$ 20,000	$ 26,380	$ 46,380
2009	4.20	20,000	25,540	45,540
2010	4.25	20,000	24,690	44,690
2011	4.30	20,000	23,830	43,830
2012	4.35	20,000	22,960	42,960
2013-2017	4.4 – 4.6	130,000	99,150	229,150
2018-2021	4.7 – 5.0	325,000	55,835	380,835
Total		$555,000	$278,385	$833,385

The College has issued revenue bonds payable for the construction of student housing as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2007 bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue of August 8, 2006			
	Interest Rates	Principal	Interest	Total
2008	0	$ 133,265	$ ---	$ 133,265
2009	0	140,117	---	140,117
2010	0	140,117	---	140,117
2011	0	140,117	---	140,117
2012	0	140,117	---	140,117
2013-2017	0	590,477	---	590,477
Total		$1,284,210	$ ---	$1,284,210

Note 6. Revenue Bonds Payable (continued)

The College has issued revenue bonds payable for the purchase of equipment and furnishings for the new student housing as allowed by Section 260C.56 of the Code of Iowa. Details of the College's June 30, 2007 bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue of August 1, 2006			
	Interest Rates	Principal	Interest	Total
2008	4.00	$ 5,152	$ 3,724	$ 8,876
2009	4.00	5,362	3,515	8,877
2010	4.00	5,580	3,296	8,876
2011	4.00	5,808	3,069	8,877
2012	4.00	6,044	2,832	8,876
2013-2017	4.00	34,121	10,260	44,381
2018-2021	4.00	33,388	2,856	36,244
Total		$ 95,455	$ 29,552	$125,007

Note 7. New Jobs Training Program Certificates

Pursuant to agreements dated between November 1983 and June 2007, the College issued certificates with current outstanding balances totaling $7,150,000, 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, 2007, were $1,415,000 of certificates retired and $1,255,000 new certificates issued. Since inception, the College has administered 95 projects, with 5 currently receiving project funding. Of the remaining 90 projects, 68 have completed the debt service and the remaining 22 are being completed as scheduled. The liability for the certificates is carried in the restricted fund.

Note 7. New Jobs Training Program Certificates (continued)

The certificates will mature as follows:

Year ending June 30:	Interest Rates	Principal	Interest	Total
2008	3.50-7.30%	$1,045,000	$ 369,978	$1,414,978
2009	3.95-7.40%	1,240,000	304,230	1,544,230
2010	4.05-7.40%	1,010,000	243,110	1,253,110
2011	4.05-5.80%	815,000	192,085	1,007,085
2012	4.15-5.95%	805,000	152,773	957,773
2013-2016	4.25-6.25%	2,235,000	244,355	2,479,355
		$7,150,000	$1,506,531	$8,656,531

Note 8. 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 supplementary 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, 2007, 2006, and 2005 were $155,692, $154,408, and $137,679 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, 2007, were $149,996 and $100,377 respectively.

Note 9. 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 50 projects, with 4 currently receiving project funding. The remaining 46 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 10. 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, 2007 the potential liability, if all eligible employees accepted the early retirement plan, is approximately $1,317,954.

Note 11. 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 SUPPLEMENTARY INFORMATION

SOUTHWESTERN COMMUNITY COLLEGE
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
BUDGET TO ACTUAL
Year Ended June 30, 2007

REQUIRED SUPPLEMENTARY INFORMATION

Funds/Levy	Original Budget	Actual	Variance Actual/ Original Budget
Unrestricted	$ 10,642,508	$ 9,447,916	$ 1,194,592
Restricted	$ 6,409,659	$ 3,522,603	$ 2,887,056
Unemployment	10,000	11,814	(1,814)
Insurance	216,441	219,309	(2,868)
Equipment replacement	50,000	45,172	4,828
Total restricted	$ 6,686,100	$ 3,798,898	$ 2,887,202
Plant	$ 3,000,000	$ 1,743,019	$ 1,256,981
Bonds and interest	-	-	-
	$ 3,000,000	$ 1,743,019	$ 1,256,981
Grand total	$ 20,328,608	$ 14,989,833	$ 5,338,775

See accompanying independent auditor's report.

SOUTHWESTERN COMMUNITY COLLEGE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
June 30, 2007

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, and Agency Funds.

SUPPLEMENTARY INFORMATION

SOUTHWESTERN COMMUNITY COLLEGE
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2007

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 SUPPLEMENTARY INFORMATION
June 30, 2007

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, 2007

Schedule 1

	Current Funds	
	Unrestricted	Restricted
ASSETS		
Cash and deposits	$ 1,718,190	$ 8,618,914
Receivables:		
Accounts (less allowance of $201,566)	475,347	-
Other governments (less allowance of $0)	-	232,955
Property taxes	440,728	530,288
Inventories	614,073	-
Receivable for cost of Iowa Industrial New Jobs Training Program	-	3,223,844
Prepaid expenses and deferred charges	168,277	1,120
Capital assets:		
Land	-	-
Buildings	-	-
Other structures	-	-
Furniture and equipment	-	-
Construction in progress	-	-
Accumulated depreciation	-	-
Total assets	$ 3,416,615	$ 12,607,121
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 165,560	$ 42,658
Accrued salaries and benefits	449,825	2,394
Early retirement payable	-	14,534
Accrued interest	-	45,085
Deposits held in custody for others	14,800	-
Deferred revenues	14,117	140,054
Deferred property tax revenue	440,728	530,288
Due to other governments	-	2,627,651
Compensated absences	294,388	14,974
Bonds payable	95,455	-
Contract payable	-	-
Certificates payable	-	7,150,000
Total liabilities	$ 1,474,873	$ 10,567,638

See accompanying independent auditor's report.

Plant funds					
Unexpended	Retirement of Indebtedness	Investment In Plant	Agency Funds	Adjustments	Total
$ 1,022,679	$ -	$ -	$ 238,725	$ -	$ 11,598,508
-	-	-	-	-	475,347
-	-	-	-	-	232,955
440,728	-	-	-	-	1,411,744
-	-	-	-	-	614,073
-	-	-	-	-	3,223,844
-	-	-	-	-	169,397
-	-	78,610	-	-	78,610
-	-	15,206,601	-	-	15,206,601
-	-	855,506	-	-	855,506
-	-	1,407,311	13,000	-	1,420,311
-	-	18,221	-	-	18,221
-	-	-	-	(7,274,990)	(7,274,990)
$ 1,463,407	$ -	$ 17,566,249	$ 251,725	$ (7,274,990)	$ 28,030,127

$ 7,580	$ -	$ -	$ 30,592	$ -	$ 246,390
-	-	-	-	-	452,219
-	-	-	-	-	14,534
2,198	-	-	-	-	47,283
-	-	-	42,779	-	57,579
-	-	-	178,354	-	332,525
440,728	-	-	-	-	1,411,744
-	-	-	-	-	2,627,651
-	-	-	-	-	309,362
-	-	1,839,211	-	-	1,934,666
-	-	132,000	-	-	132,000
-	-	-	-	-	7,150,000
$ 450,506	$ -	$ 1,971,211	$ 251,725	$ -	$ 14,715,953

SOUTHWESTERN COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2007

	Current Funds	
	Unrestricted	Restricted
Fund balances:		
Invested in capital assets, net of related debt		
Restricted:	$ -	$ -
Expendable:		
Cash reserve	-	103,947
Other	-	1,935,536
Unrestricted	801,093	-
Auxiliary enterprises	1,140,649	-
Total fund balances	$ 1,941,742	$ 2,039,483
Total liabilities and fund balances	$ 3,416,615	$ 12,607,121

See accompanying independent auditor's report.

Plant funds					
Unexpended	Retirement of Indebtedness	Investment In Plant	Agency Funds	Adjustments	Total
$ -	$ -	$ 15,595,038	$ -	$ (7,274,990)	$ 8,320,048
-	-	-	-	-	103,947
-	-	-	-	-	1,935,536
1,012,901	-	-	-	-	1,813,994
-	-	-	-	-	1,140,649
$ 1,012,901	$ -	$ 15,595,038	$ -	$ (7,274,990)	$ 13,314,174
$ 1,463,407	$ -	$ 17,566,249	$ 251,725	$ (7,274,990)	$ 28,030,127

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2007

Schedule 2

	Current Funds	
	Unrestricted	Restricted
REVENUES:		
General:		
Tuition and fees	$ 3,944,004	$ 6,613
Local support	434,367	520,515
State support	4,016,724	427,338
Federal support	256,144	2,097,501
Sales and services	13,200	-
Interest income	169,563	301,730
Iowa Industrial New Jobs Training Program	-	1,086,895
Increase in plant investment due to plant expenditures	-	-
Increase in plant investment due to retirement of debt	-	-
Proceeds from sale of bonds	-	-
Other	633,708	638,118
	$ 9,467,710	$ 5,078,710
Auxiliary enterprises:		
Student fees	$ 62,314	$ -
State support	1,876	-
Federal support	2,879,708	-
Sales and services	1,236,735	-
Other	759,184	-
	$ 4,939,817	$ -
TOTAL REVENUES	$ 14,407,527	$ 5,078,710
EXPENDITURES:		
Education and support:		
Liberal arts and sciences	$ 2,311,045	$ -
Vocational technical	2,039,079	397,165
Adult education	705,059	273,965
Cooperative services	21,528	1,165,529
Administration	775,932	276,253
Student services	918,822	-
Learning resources	178,529	-
Physical plant	1,407,669	195,357
General institution	908,748	800,557
Total education and support	$ 9,266,411	$ 3,108,826

See accompanying independent auditor's report.

Plant funds				
Unexpended	Retirement of Indebtedness	Investment In Plant	Adjustments	Total
$ -	$ -	$ -	$ (1,477,646)	$ 2,472,971
343,477	90,890	-	-	1,389,249
222,367	-	-	-	4,666,429
-	-	-	-	2,353,645
-	-	-	-	13,200
-	-	-	-	471,293
-	-	-	-	1,086,895
-	-	699,826	(699,826)	-
-	-	63,790	(63,790)	-
1,300,000	-	-	(1,300,000)	-
25,000	-	-	(366,017)	930,809
$ 1,890,844	$ 90,890	$ 763,616	$ (3,907,279)	$ 13,384,491
$ -	$ -	$ -	$ -	$ 62,314
-	-	-	-	1,876
-	-	-	-	2,879,708
-	-	-	(169,751)	1,066,984
-	-	-	(316,606)	442,578
$ -	$ -	$ -	$ (486,357)	$ 4,453,460
$ 1,890,844	$ 90,890	$ 763,616	$ (4,393,636)	$ 17,837,951
$ -	$ -	$ -	$ (49,501)	$ 2,261,544
-	-	-	(110,367)	2,325,877
-	-	-	(44,759)	934,265
-	-	-	(243,516)	943,541
-	-	-	(48,055)	1,004,130
-	-	-	(62,651)	856,171
-	-	-	(2,590)	175,939
170,251	-	-	(16,330)	1,756,947
-	-	-	(124,587)	1,584,718
$ 170,251	$ -	$ -	$ (702,356)	$ 11,843,132

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2007

	Current Funds	
	Unrestricted	Restricted
Auxiliary enterprises	4,802,322	-
Scholarships and grants	67,513	1,500,058
Retirement of indebtedness	-	-
Interest on indebtedness	-	352,001
Plant asset acquisitions	-	-
Proceeds from sale of bonds	-	-
Disposal of plant assets	-	-
Depreciation	-	-
TOTAL EXPENDITURES	$ 14,136,246	$ 4,960,885
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 271,281	$ 117,825
TRANSFERS	349,375	21,489
NET	$ 620,656	$ 139,314
FUND BALANCE, beginning of year	1,321,086	1,900,169
FUND BALANCE, end of year	$ 1,941,742	$ 2,039,483

See accompanying independent auditor's report.

	Plant funds			
Unexpended	Retirement of Indebtedness	Investment In Plant	Adjustments	Total
-	-	-	(117,652)	4,684,670
-	-	-	(1,501,210)	66,361
-	63,790	-	(63,790)	-
-	27,100	-	-	379,101
668,498	-	-	(668,498)	-
-	-	1,300,000	(1,300,000)	-
-	-	129,441	(129,441)	-
-	-	-	435,165	435,165
$ 838,749	$ 90,890	$ 1,429,441	$ (4,047,782)	$ 17,408,429
$ 1,052,095	$ -	$ (665,825)	$ (345,854)	$ 429,522
(370,864)	-	-	-	-
$ 681,231	$ -	$ (665,825)	$ (345,854)	$ 429,522
331,670	-	16,260,863	(6,929,136)	12,884,652
$ 1,012,901	$ -	$ 15,595,038	$ (7,274,990)	$ 13,314,174

SOUTHWESTERN COMMUNITY COLLEGE
UNRESTRICTED FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION AND SUPPORT
Year Ended June 30, 2007

Schedule 3

	Education		
	Liberal Arts and Science	Vocational Technical	Adult Education
REVENUES AND OTHER ADDITIONS:			
Tuition and fees	$ 2,427,588	$ 1,210,770	$ 295,861
Local support	-	-	-
State support	1,437,977	1,724,689	852,908
Federal support	-	103,875	105,476
Sales and services	-	-	-
Interest income	-	-	-
Other	292,400	175,792	132,163
	$ 4,157,965	$ 3,215,126	$ 1,386,408
Allocation of support services revenues (1)	288,573	248,238	152,503
TOTAL REVENUE AND OTHER ADDITIONS	$ 4,446,538	$ 3,463,364	$ 1,538,911
EXPENDITURES:			
Salaries and benefits	$ 2,132,743	$ 1,735,794	$ 477,030
Services	121,682	121,185	124,142
Materials and supplies	44,677	142,164	79,945
Travel	11,943	32,077	15,298
Expended for plant assets	-	7,859	-
Purchases for resale	-	-	8,644
Scholarships and grants	-	-	-
Other	-	-	-
	$ 2,311,045	$ 2,039,079	$ 705,059
Allocation of support services expenditures (1)	1,764,712	1,518,052	932,601
TOTAL EXPENDITURES & OTHER DEDUCTIONS	$ 4,075,757	$ 3,557,131	$ 1,637,660
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						
Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Education and Support Total
$ -	$ 330	$ 9,455	$ -	$ -	$ -	$ 3,944,004
-	434,367	-	-	-	-	434,367
-	-	1,150	-	-	-	4,016,724
-	649	46,144	-	-	-	256,144
-	-	-	-	13,200	-	13,200
-	169,563	-	-	-	-	169,563
12,054	6,869	11,364	2,465	601	-	633,708
$ 12,054	$ 611,778	$ 68,113	$ 2,465	$ 13,801	$ -	$ 9,467,710
6,843	(611,778)	(68,113)	(2,465)	(13,801)	-	-
$ 18,897	$ -	$ -	$ -	$ -	$ -	$ 9,467,710
$ 20,233	$ 555,259	$ 771,049	$ 109,307	$ 675,071	$ 525,537	$ 7,002,023
1,295	113,725	71,811	40,823	643,356	217,042	1,455,061
-	13,916	58,323	28,249	71,608	130,833	569,715
-	6,513	17,639	150	7,634	27,441	118,695
-	-	-	-	10,000	-	17,859
-	-	-	-	-	-	8,644
-	-	-	-	-	67,513	67,513
-	86,519	-	-	-	7,895	94,414
$ 21,528	$ 775,932	$ 918,822	$ 178,529	$ 1,407,669	$ 976,261	$ 9,333,924
41,848	(775,932)	(918,822)	(178,529)	(1,407,669)	(976,261)	-
$ 63,376	$ -	$ -	$ -	$ -	$ -	$ 9,333,924
						$ (60,101)
						$ 73,685
						727,408
						$ 801,093

SOUTHWESTERN COMMUNITY COLLEGE
UNRESTRICTED FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
AUXILIARY ENTERPRISES
Year Ended June 30, 2007

Schedule 4

	Financial Aid	Bookstore
REVENUES:		
Student fees	$ -	$ -
State support	-	-
Federal support	2,879,708	-
Sales and services	-	715,863
Other income	185,345	(932)
TOTAL REVENUES	$ 3,065,053	$ 714,931
EXPENDITURES:		
Salaries and benefits	$ -	$ 69,333
Services	-	5,007
Materials and supplies	-	1,009
Travel	-	-
Expended for plant assets	-	-
Purchases for resale	-	487,957
Other	3,065,053	75,643
TOTAL EXPENDITURES	$ 3,065,053	$ 638,949
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ 75,982
TRANSFERS	-	(643)
NET INCREASE (DECREASE)	$ -	$ 75,339
FUND BALANCE, at beginning of year	-	246,859
FUND BALANCES, at end of year	$ -	$ 322,198

See accompanying independent auditors' report.

Interdepartment Charges	Other	Total
$ -	$ 62,314	$ 62,314
-	1,876	1,876
-	-	2,879,708
19,107	501,765	1,236,735
297,962	276,809	759,184
$ 317,069	$ 842,764	$ 4,939,817
$ 109,210	$ 97,299	$ 275,842
114,800	304,442	424,249
46,331	231,525	278,865
1,521	37,700	39,221
37,471	23,074	60,545
26,016	53,798	567,771
-	15,133	3,155,829
$ 335,349	$ 762,971	$ 4,802,322
$ (18,280)	$ 79,793	$ 137,495
358,459	51,660	409,476
$ 340,179	$ 131,453	$ 546,971
31,497	315,322	593,678
$ 371,676	$ 446,775	$ 1,140,649

SOUTHWESTERN COMMUNITY COLLEGE
RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2007

Schedule 5

	Equipment Replacement	Insurance	Unemployment compensation	Early Retirement
REVENUES:				
Tuition and fees	$ -	$ -	$ -	$ -
Local support	64,344	159,699	-	167,198
State support	-	-	-	-
Federal support	-	-	-	-
Interest income	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Other	-	83,631	-	-
TOTAL REVENUES	$ 64,344	$ 243,330	$ -	$ 167,198
EXPENDITURES:				
Salaries and benefits	$ -	$ 47,967	$ 11,814	$ 128,152
Services	-	138,776	-	-
Materials and supplies	45,172	3,018	-	-
Travel	-	-	-	-
Expended for plant assets	-	-	-	-
Interest on indebtedness	-	-	-	-
Scholarships and grants	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	$ 45,172	$ 189,761	$ 11,814	$ 128,152
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ 19,172	$ 53,569	$ (11,814)	$ 39,046
TRANSFERS	-	(38,450)	-	-
NET INCREASE (DECREASE)	$ 19,172	$ 15,119	$ (11,814)	$ 39,046
FUND BALANCES, at beginning of year	207,649	68,306	89,500	650,065
FUND BALANCES, at end of year	$ 226,821	$ 83,425	$ 77,686	$ 689,111

See accompanying independent auditors' report.

Cash Reserve	Iowa Industrial New Jobs Training Program	Standby	Tort	Scholarship	Miscellaneous	Total
$ -	$ -	$ -	$ -	$ -	$ 6,613	$ 6,613
-	-	89,150	40,124	-	-	520,515
-	-	-	-	60,472	366,866	427,338
-	-	-	-	1,439,586	657,915	2,097,501
-	301,730	-	-	-	-	301,730
-	1,086,895	-	-	-	-	1,086,895
-	46,289	-	-	-	508,198	638,118
$ -	$ 1,434,914	$ 89,150	$ 40,124	$ 1,500,058	$ 1,539,592	$ 5,078,710
$ -	$ -	$ -	$ 750	$ -	$ 1,002,257	$ 1,190,940
-	1,149,190	-	28,798	-	187,526	1,504,290
-	-	-	-	-	280,255	328,445
-	-	-	-	-	34,117	34,117
-	-	-	-	-	-	-
-	370,660	-	-	-	-	370,660
-	-	-	-	1,500,058	9,976	1,510,034
-	-	-	-	-	22,399	22,399
$ -	$ 1,519,850	$ -	$ 29,548	$ 1,500,058	$ 1,536,530	$ 4,960,885
$ -	$ (84,936)	$ 89,150	$ 10,576	$ -	$ 3,062	$ 117,825
-	84,936	(84,936)	-	-	59,939	21,489
$ -	$ -	$ 4,214	$ 10,576	$ -	$ 63,001	$ 139,314
103,947	-	(11,151)	329,138	-	462,715	1,900,169
$ 103,947	$ -	$ (6,937)	$ 339,714	$ -	$ 525,716	$ 2,039,483

SOUTHWESTERN COMMUNITY COLLEGE
AGENCY FUNDS
SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
Year Ended June 30, 2007

	Schedule 6
Additions:	
Fees	$ 22,406
State support	101,601
Sales and services	2,150
Other	174,371
	$ 300,528
Deductions:	
Salaries and benefits	$ 737
Services	241,169
Materials and supplies	32,396
Travel	16,877
	$ 291,179
Transfers among funds	$ -
Net increase	$ 9,349
Deposits held in custody for others at beginning of year	20,430
Deposits held in custody for others at end of year	$ 29,779

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF TAXES AND INTERGOVERNMENTAL REVENUES

Schedule 7

	Years ended June 30,			
	2007	2006	2005	2004
Local (property tax)	$ 1,389,249	$ 1,353,627	$ 1,344,373	$ 1,392,807
State	4,768,030	5,331,104	3,875,501	3,950,601
Federal	5,233,353	4,327,710	4,401,610	4,406,650
	$ 11,390,632	$ 11,012,441	$ 9,621,484	$ 9,750,058

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF CREDIT AND CONTACT HOUR ENROLLMENT
Year Ended June 30, 2007

Schedule 8

Category	Credit Hours		
	Eligible For Aid	Not Eligible For Aid	Total
Arts and Sciences	20,114	-	20,114
Vocational Preparatory	12,341	-	12,341
Adult Education	-	-	-
Cooperative Programs	-	-	-
Related Services and Activities	-	-	-
Total	32,455	-	32,455

See accompanying independent auditors' report.

Contact Hours		
Eligible For Aid	Not Eligible For Aid	Total
416,718	-	416,718
358,473	-	358,473
203,478	16,746	220,224
-	-	-
-	-	-
978,669	16,746	995,415

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,			
	2007	2006	2005	2004
REVENUES:				
Tuition and fees	$ 3,950,617	$ 3,563,922	$ 3,463,586	$ 3,278,930
Local support	954,882	929,789	922,035	955,900
State support	4,444,062	4,103,064	3,846,534	3,856,143
Federal support	2,353,645	2,142,266	2,283,856	2,427,397
Sales and services	13,200	22,830	23,195	14,168
Interest income	471,293	298,315	161,168	107,077
Iowa Industrial New Jobs Training Program	1,086,895	1,746,271	1,787,800	1,319,561
Auxiliary enterprises	4,939,817	3,589,941	3,321,929	3,282,299
Other	1,271,826	1,294,288	1,069,938	1,214,497
TOTAL REVENUES	$ 19,486,237	$ 17,690,686	$ 16,880,041	$ 16,455,972
EXPENDITURES:				
Liberal arts and sciences	$ 2,311,045	$ 2,202,344	$ 2,005,705	$ 1,931,031
Vocational technical	2,437,931	2,218,655	2,059,948	2,064,167
Adult education	977,337	1,093,257	1,007,089	872,280
Cooperative services	1,187,057	1,714,891	1,662,095	1,276,389
Administration	1,052,185	957,860	849,145	1,036,138
Student services	918,822	896,524	844,067	822,770
Learning resources	178,529	176,070	163,344	163,478
Physical plant	1,603,026	1,387,590	1,330,505	1,237,972
General institution	1,709,305	1,477,473	1,380,245	1,521,431
Auxiliary enterprises	4,802,322	3,732,687	3,411,459	3,412,622
Scholarships and grants	1,567,571	1,405,713	1,609,192	1,621,117
Interest on indebtedness	352,001	329,088	320,162	214,821
TOTAL EXPENDITURES	$ 19,097,131	$ 17,592,152	$ 16,642,956	$ 16,174,216

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2007

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	$ 26,667	$ -
Federal Work-Study (FWS)	84.033	42,625	-
Federal Pell Grants	84.063	1,370,243	-
Academic Competitiveness Grant	84.375	11,400	-
Federal Direct Student Loan Program - loans disbursed	84.268	-	2,879,708
Student Support Services	84.042A	266,372	-
Educational Talent Search	84.044A	221,580	-
Total direct United States Department of Education		$ 1,938,887	$ 2,879,708
Passed through Iowa Department of Education -			
Vocational Education:			
Basic Grants to States			
Perkins	84.048A	$ 99,364	$ -
Perkins Incentive Grant	84.048A	4,511	
Perkins Post Secondary Basic	84.048A	67,719	
Adult Education - State Grant Program			
ABE Program	84.002	99,169	-
English Literacy & Civics Education	84.002	4,000	-
Teacher Training	84.002	2,307	-
Tech Prep Education	84.243A	74,173	-
Total Iowa Department of Education		$ 351,243	$ -
Passed through Iowa College Aid Commission - State			
State Student Incentive Grants	84.069	$ 35,444	$ -
United States Department of Labor			
Passed through Iowa Department of Education			
Family Literacy Grant	17.267	$ 25,921	$ -
United States Department of Small Business Administration			
Passed through Iowa State University			
SBDC Grant	59.037	$ 2,151	$ -
Total Federal expenditures		$ 2,353,646	$ 2,879,708

*Major federal financial assistance program

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

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, 2007, 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.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
Southwestern Community College:

We have audited the financial statements of Southwestern Community College and the aggregate discretely presented component units as of and for the year ended June 30, 2007, which collectively comprise the College's basic financial statements listed in the table of contents and have issued our report thereon dated December 7, 2007. We conducted our audit in accordance with U.S. auditing standards generally accepted and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southwestern Community College's internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwestern Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Southwestern Community College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Southwestern Community College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Southwestern Community College's financial statements that is more than inconsequential will not be prevented or detected by Southwestern Community College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Southwestern Community College's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we noted other matters involving the internal control over financial reporting that we have reported to management of the College in a separate letter dated December 7, 2007.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2007, 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 7, 2007.

This report is intended solely for the information and use of the management, the audit committee, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Draper, Snodgrass, Mickelson + Co., P.C.

December 7, 2007

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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, 2007. Southwestern Community College's major federal programs are identified in the summary of auditor's results section 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 OMB Circular A-133 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 Southwestern Community College's compliance with those requirements.

In our opinion, 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, 2007.

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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southwestern Community College's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Directors, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Draper, Snodgrass, Mickelson + Co., P.C.

December 7, 2007

Part I: Summary of Auditors' Results

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

b. No significant deficiencies 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 significant deficiencies 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
   CFDA Number – 84.042A Student Support Services
   CFDA Number – 84.044A Educational Talent Search
   CFDA Number – 84.375 Academic Competitiveness Grant

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.

Significant deficiencies:

No matters were reported.

Part III: Findings and Questioned Costs for Federal Awards:

Instances of non-compliance:

No matters were reported.

Significant deficiencies:

No matters were reported.