

SOUTHWESTERN COMMUNITY COLLEGE

Financial Statements and  
Supplementary Information

June 30, 2011

(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:		
Kenneth Rech	President	2013
Dennis Davis	Vice President	2013
Jerry Smith	Member	2013
Cindy Cox	Member	2015
Fred Shearer	Member	2015
Vicki Sickels	Member	2013
Susan Lane	Member	2015
Tony Cass	Member	2015
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, 2011, 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, 2011, 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 9, 2011, 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 35 through 36 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, 2010 (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.

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

December 9, 2011

## **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, 2011. 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**

Net assets increased by approximately \$800,000 or 4.9%. Enrollment increased by 6.8% in credit hours. This resulted in an increase in tuition and fee revenue along with an increase in Direct Loans and Pell Grants due to the increase in the number of students. The year was highlighted by the completion of Spartan Hall, a new 75-person residence hall, which opened in the fall of 2010. The cafeteria, seating area, and restrooms in the student center were also completely remodeled. The College issued \$3.52 million in Iowa Industrial New Jobs Training Program Certificates as there continues to be new jobs created in the area and a need for job training.

## **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, 2011</u>	<u>June 30, 2010</u>
Current and other assets	\$ 23,205,867	\$ 21,467,361
Capital assets, net of accumulated depreciation	<u>14,896,112</u>	<u>13,974,591</u>
Total assets	<u>\$ 38,101,979</u>	<u>\$ 35,441,952</u>
Current liabilities	\$ 7,787,205	\$ 7,185,334
Noncurrent liabilities	<u>13,271,262</u>	<u>12,015,524</u>
Total liabilities	<u>\$ 21,058,467</u>	<u>\$ 19,200,858</u>
Net assets		
Invested in capital assets, net of related debt	\$ 10,547,370	\$ 9,342,732
Restricted		
Expendable		
Cash reserve	103,947	103,947
Other	3,249,173	2,663,202
Unrestricted		
Unrestricted	929,816	983,943
Plant fund	430,814	1,403,523
Auxiliary Enterprises	<u>1,782,392</u>	<u>1,743,747</u>
Total net assets	<u>\$ 17,043,512</u>	<u>\$ 16,241,094</u>
Total liabilities and net assets	<u>\$ 38,101,979</u>	<u>\$ 35,441,952</u>

The largest portion of the College's net assets (61.9%) is invested in capital assets (e.g. land, buildings, and equipment), less the related debt. The restricted portion of the net assets (19.7%) consists of resources that are subject to external restrictions. The remaining net assets (18.4%) represent \$929,816 in the general unrestricted fund, \$1,782,392 in the auxiliary fund, and \$430,814 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

	<u>Year ended June 30, 2011</u>	<u>Year ended June 30, 2010</u>
Operating revenue:		
Tuition and fees (net of scholarship allowances)	\$ 2,703,079	\$ 2,593,170
Federal support	1,154,212	1,722,410
Iowa Industrial New Jobs Training Program	2,746,043	636,436
Auxiliary	7,503,614	6,603,021
Other	<u>1,325,554</u>	<u>932,159</u>
Total operating revenues	\$ 15,432,502	\$ 12,487,196
Total operating expenses	<u>23,343,389</u>	<u>20,355,300</u>
Operating loss	\$ <u>(7,910,887)</u>	\$ <u>(7,868,104)</u>
Nonoperating revenue (expenses)		
State appropriations	\$ 4,343,244	\$ 4,793,572
Pell grants	3,167,409	2,787,051
Property tax	1,746,331	1,683,364
Investment income	80,317	103,590
Interest on indebtedness	<u>(623,996)</u>	<u>(532,169)</u>
Net nonoperating revenues	<u>\$ 8,713,305</u>	<u>\$ 8,835,408</u>
Increase in net assets	\$ 802,418	\$ 967,304
Net assets, beginning of year	<u>16,241,094</u>	<u>15,273,790</u>
Net assets, end of year	<u>\$ 17,043,512</u>	<u>\$ 16,241,094</u>

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase of \$802,418 in net assets at the end of the fiscal year.

For the year ended June 30, 2011, operating revenue increased overall mainly as a net result of the following changes:

Iowa Industrial New Jobs Training Program increased mainly due to the issuance of \$3,520,000 of certificates. Revenue was accrued to meet the obligations of each company's outstanding issuance.

The Auxiliary revenues increased mainly due to the operations of our newest residence hall, Spartan Hall, which opened in the fall of 2010, and an increase Direct Loans due to an increase in enrollment.

Pell Grants increased due to an increase in enrollment and due to a change in federal regulations that allowed additional Pell grant funds for eligible students attending school year-round.

State Appropriation decreased mainly due to the Accelerated Career Education (ACE) funding that was received in the year ended June 30, 2010. The ACE funds awarded for the year ended June 30, 2011 have not been spent and will be spent and drawn in future years.

Federal Support decreased due to federal funds received during the year ended June 30, 2010 from the American Recovery and Reinvestment Act that was used to replace the reduction in State General Aid funding.

### Operating Expenses

	<u>Year Ended</u> <u>June 30, 2011</u>	<u>Year Ended</u> <u>June 30, 2010</u>
Education and Support:		
Liberal Arts and Sciences	\$ 2,868,882	\$ 2,587,140
Vocational Technical	2,315,009	2,148,354
Adult Education	1,116,184	1,082,766
Cooperative Services	1,624,224	299,976
Administration	1,092,622	1,388,463
Student Services	1,096,682	1,015,740
Learning Resources	199,879	184,067
Physical Plant	2,030,838	1,505,597
General Institution	2,046,966	2,154,173
Auxiliary Enterprises	7,816,715	6,939,178
Scholarships and grants	381,119	482,872
Depreciation	<u>754,269</u>	<u>566,974</u>
Total	<u>\$ 23,343,389</u>	<u>\$ 20,355,300</u>

For the year ended June 30, 2011, operating expenses increased as a net result of the following changes:

Cooperative Services increased due to the issuance of \$3,520,000 in New Jobs Training Program Certificates. When certificates are issued, the expenses increase to the extent the company requests a reimbursement from the proceeds. As of June 30, 2011, approximately 60% of the new proceeds had been spent.

Physical Plant increased due to the purchase of 6 new fleet vehicles and increased cost of utilities.

The Auxiliary expenses increased mainly due to the operational costs of our newest residence hall, Spartan Hall, which opened in the fall of 2010, and an increase in Direct Loans due to an increase in enrollment.

Depreciation increased due to the first year depreciation for the addition of Spartan Hall and the remodeling of the Student Center for the new cafeteria and seating area.

### 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

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>
Cash provided (used) by:		
Operating activities	\$ (8,134,961)	\$ (5,934,229)
Non-capital financing activities	9,277,019	9,056,689
Capital and related financing activities	(1,411,024)	(2,194,413)
Investing activities	<u>80,787</u>	<u>108,064</u>
Net increase (decrease) in cash	\$ (188,179)	\$ 1,036,111
Cash, beginning of the year	<u>13,380,381</u>	<u>2,344,270</u>
Cash, end of the year	<u>\$13,192,202</u>	<u>\$13,380,381</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, 2011, the College had approximately \$24.5 million invested in capital assets with an accumulated depreciation of \$9.6 million. Depreciation charges totaled \$754,269 for the year ended June 30, 2011. Details of capital assets are shown below:

### **Capital Assets, Net, at Year End**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Land	\$ 100,055	\$ 78,610
Buildings and other structures	22,239,815	17,986,327
Furniture and equipment	2,158,515	2,004,243
Construction in progress	---	2,818,766
Accumulated depreciation	<u>(9,602,273)</u>	<u>(8,913,355)</u>
	<u>\$ 14,896,112</u>	<u>\$ 13,974,591</u>

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

## **DEBT**

At June 30, 2011, the College had \$14.9 million in debt outstanding, an increase of \$1.6 million from 2010 due to the issuance of certificates exceeding the retirement of debt. The table below summarized these amounts by type.

### **Outstanding Debt**

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Certificates payable	\$10,420,000	\$ 8,465,000
Contract payable	---	33,000
Revenue bonds payable	<u>4,543,130</u>	<u>4,803,220</u>
	<u>\$14,963,130</u>	<u>\$13,301,220</u>

More detailed information about the College's outstanding debt is presented in Notes 5, 6 and 7 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:

Due to the state of the economy in recent years, State General Aid has fluctuated with significant reductions and little growth leaving the State General Aid funding level for the year ending June 30, 2012 below the fiscal year 2008 level. The College has managed through these difficult times by controlling expenses and maintaining growth in enrollment. Going forward, as the costs associated with providing quality services increases, the College will be continually challenged to maintain services and minimize potential increases in tuition and fees.

Some facilities will require additional investment to maintain and upgrade as needed to meet the technology demands for the classroom.

As the economy begins to recover, Southwestern will serve a key role in helping students gain the skills and knowledge for successful employment and re-employment as the workforce grows.

### **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, 2011

ASSETS	
CURRENT ASSETS:	
Cash and deposits	\$ 13,192,202
Receivables:	
Accounts (less allowance of \$256,883)	544,662
Other governments (less allowance of \$0)	318,153
Property taxes:	
Succeeding year	2,067,857
Inventories	1,092,914
Receivable for cost of Iowa Industrial New Jobs Training Program	5,824,967
Prepaid expenses and deferred charges	165,112
TOTAL CURRENT ASSETS	<u>\$ 23,205,867</u>
NONCURRENT ASSETS:	
Capital assets:	
Land	\$ 100,055
Buildings	21,211,391
Other structures	1,028,424
Furniture and equipment	2,158,515
Accumulated depreciation	(9,602,273)
TOTAL NONCURRENT ASSETS	<u>\$ 14,896,112</u>
TOTAL ASSETS	<u><u>\$ 38,101,979</u></u>

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

## LIABILITIES

### CURRENT LIABILITIES:

Accounts payable	\$ 241,818
Accrued salaries and benefits	363,967
Early retirement payable	871
Accrued interest	48,298
Deposits held in custody for others	55,546
Deferred revenues:	
Succeeding year property tax	2,067,857
Other	273,717
Due to other governments	2,211,879
Compensated absences	349,211
Bonds payable	304,041
Certificates payable	1,870,000
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>\$ 7,787,205</u></b>

### NONCURRENT LIABILITIES

Compensated absences	\$ 87,681
Bonds payable	4,239,089
Certificates payable	8,550,000
Net OPEB liability	394,492
<b>TOTAL NONCURRENT LIABILITIES</b>	<b><u>\$ 13,271,262</u></b>

<b>TOTAL LIABILITIES</b>	<b><u>\$ 21,058,467</u></b>
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### NET ASSETS

Invested in capital assets, net of related debt	\$ 10,547,370
Restricted:	
Expendable:	
Cash reserve	103,947
Other	3,249,173
Unrestricted:	
Unrestricted	929,816
Plant fund	430,814
Auxiliary enterprises	1,782,392
<b>TOTAL NET ASSETS</b>	<b><u>\$ 17,043,512</u></b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u><u>\$ 38,101,979</u></u></b>
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SOUTHWESTERN COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
Year Ended June 30, 2011

OPERATING REVENUES:	
Tuition and fees, net of scholarship allowances of \$2,743,020	\$ 2,703,079
Federal support	1,154,212
Iowa Industrial New Jobs Training Program	2,746,043
Auxiliary enterprises revenue, net of scholarship allowances of \$368,233	7,503,614
Other	1,325,554
TOTAL OPERATING REVENUES	<u>\$ 15,432,502</u>
OPERATING EXPENSES:	
Education and support:	
Liberal arts and science	\$ 2,868,882
Vocational technical	2,315,009
Adult education	1,116,184
Cooperative services	1,624,224
Administration	1,092,622
Student services	1,096,682
Learning resources	199,879
Physical plant	2,030,838
General institution	2,046,966
Auxiliary enterprises	7,816,715
Scholarships and grants	381,119
Depreciation	754,269
TOTAL EXPENSES	<u>\$ 23,343,389</u>
OPERATING INCOME (LOSS)	<u>\$ (7,910,887)</u>
NONOPERATING REVENUES (EXPENSES):	
State appropriations	\$ 4,343,244
Pell grants	3,167,409
Property tax	1,746,331
Investment income	80,317
Interest on indebtedness	(623,996)
	<u>\$ 8,713,305</u>
CHANGE IN NET ASSETS	\$ 802,418
NET ASSETS, beginning of year	<u>16,241,094</u>
NET ASSETS, end of year	<u><u>\$ 17,043,512</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, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	\$ 5,494,571
Federal support	1,096,401
Iowa Industrial New Jobs Training Program	1,939,101
Payments to employees for salaries and benefits	(9,597,275)
Payments to suppliers for goods and services	(8,187,288)
Scholarships	(3,559,399)
Auxiliary enterprise receipts	2,803,274
Other receipts	1,875,654
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (8,134,961)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State appropriations	\$ 4,442,610
Pell grants	3,167,409
Property tax	1,741,006
Federal direct lending receipts	5,452,259
Federal direct lending disbursements	(5,519,901)
Miscellaneous agency fund receipts	366,007
Miscellaneous agency fund disbursements	(372,371)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 9,277,019</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	\$ (2,449,633)
Proceeds from sale New Jobs Training Projects certificates issued	3,520,000
Principal paid on debt and leases	(1,852,283)
Interest paid on debt and leases	(629,108)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (1,411,024)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>\$ 80,787</u>
NET DECREASE IN CASH	\$ (188,179)
CASH, at beginning of year	<u>13,380,381</u>
CASH, at end of year	<u><u>\$ 13,192,202</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, 2011

RECONCILIATION OF OPERATING LOSS TO NET CASH

Used by operating activities:

Operating loss	<u>\$ (7,910,887)</u>
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Adjustments to reconcile operating loss to net cash used by operating activities:

Depreciation	\$ 754,269
Provisions for doubtful accounts	80,382
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(19,419)
(Increase) decrease in NJTP receivable	(1,382,205)
(Increase) decrease in due from other governments	1,679
(increase) decrease in inventories	(193,784)
(Increase) decrease in prepaid expenses and deferred charges	(9,874)
Increase (decrease) in accounts payable	(136,032)
Increase (decrease) in salaries and benefits	28,637
Increase (decrease) in early retirement payable	(85,032)
Increase (decrease) in due to other governments	569,937
Increase (decrease) in deferred revenues	20,829
Increase (decrease) in compensated absences	46,396
Increase (decrease) in accrued interest payable	2,881
Increase (decrease) in other postemployment benefits	<u>97,262</u>

TOTAL ADJUSTMENTS	<u>\$ (224,074)</u>
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NET CASH USED BY OPERATING ACTIVITIES	<u><u>\$ (8,134,961)</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, 2011

	Foundation Fiscal Year End <u>March 31, 2011</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash and investments	\$ 2,244,893
<b>TOTAL CURRENT ASSETS</b>	<u>\$ 2,244,893</u>
 <b>TOTAL ASSETS</b>	 <u><u>\$ 2,244,893</u></u>
 <b>NET ASSETS</b>	
Restricted:	
Nonexpendable:	
Scholarships and grants	\$ 1,255,924
Expendable:	
Scholarships and grants	417,402
Unrestricted	571,567
<b>TOTAL NET ASSETS</b>	<u>\$ 2,244,893</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	 <u><u>\$ 2,244,893</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, 2011

ASSETS	
CURRENT ASSETS:	
Cash and deposits	<u>\$ -</u>
TOTAL CURRENT ASSETS	<u>\$ -</u>
NONCURRENT ASSETS:	
Capital assets:	
Land	<u>\$ -</u>
Investment in direct financing lease	<u>-</u>
TOTAL NONCURRENT ASSETS	<u>\$ -</u>
TOTAL ASSETS	<u><u>\$ -</u></u>
LIABILITIES	
CURRENT LIABILITIES:	
Notes payable	<u>\$ -</u>
TOTAL CURRENT LIABILITIES	<u>\$ -</u>
TOTAL LIABILITIES	<u>\$ -</u>
NET ASSETS	
Unrestricted	<u>\$ -</u>
TOTAL NET ASSETS	<u>\$ -</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ -</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 NET ASSETS  
COMPONENTS UNIT -  
SOUTHWESTERN COMMUNITY COLLEGE EDUCATION FOUNDATION  
Year Ended June 30, 2011

	Foundation Fiscal Year End <u>March 31, 2011</u>
OPERATING REVENUES:	
Contributions and pledges, net of doubtful accounts of \$0	\$ 283,390
In-kind support	107,563
TOTAL OPERATING REVENUES	<u>\$ 390,953</u>
OPERATING EXPENSES:	
Program expenses	\$ -
Management and general expenses	76,896
Fund raising expenses	23,573
TOTAL OPERATING EXPENSES	<u>\$ 100,469</u>
OPERATING INCOME	<u>\$ 290,484</u>
NONOPERATING REVENUES (EXPENSES):	
Addition to endowments	\$ 66,733
Investment income	69,667
Scholarships and grants to Southwestern Community College and students	(331,741)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ (195,341)</u>
CHANGE IN NET ASSETS	\$ 95,143
NET ASSETS, beginning of year	<u>2,149,750</u>
NET ASSETS, end of year	<u><u>\$ 2,244,893</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 NET ASSETS  
COMPONENTS UNIT -  
SOUTHWESTERN COMMUNITY COLLEGE FOUNDATION  
Year Ended June 30, 2011

OPERATING REVENUES:	
Rental income	\$ 1,750
Miscellaneous	38
TOTAL OPERATING REVENUES	<u>\$ 1,788</u>
OPERATING EXPENSES:	
Program expenses	\$ 41,875
Management and general expenses	1,500
TOTAL OPERATING EXPENSES	<u>\$ 43,375</u>
OPERATING PROFIT	<u>\$ (41,587)</u>
NONOPERATING REVENUES (EXPENSES):	
Investment income	\$ -
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ -</u>
CHANGE IN NET ASSETS	\$ (41,587)
NET ASSETS, beginning of year	<u>41,587</u>
NET ASSETS, end of year	<u><u>\$ -</u></u>

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

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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, 2011

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 received are used for the benefit of Southwestern Community College. As of June 30, 2011, the Foundation was dissolved and all remaining assets consisting of \$21,945 of land and \$19,596 in cash were transferred to the 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, 2011, 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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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.

The College applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedures.

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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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

**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.

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 March 15 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, 2011 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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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

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.

<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 computed based on rates of pay in effect at June 30, 2011.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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

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

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, 2011

Note 2. Cash and Deposits

The College's cash and deposits (certificates of deposit) at June 30, 2011, 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, 2011 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 247,953
Livestock	23,155
Crops	17,340
Development/work in progress	<u>804,466</u>
Total	<u>\$1,092,914</u>

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2011 is as follows:

	<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	\$ 21,445	\$ ---	\$ 100,055
Construction in progress	<u>2,818,766</u>	<u>---</u>	<u>2,818,766</u>	<u>---</u>
Total capital assets not being Depreciated	<u>\$ 2,897,376</u>	<u>\$ 21,445</u>	<u>\$2,818,766</u>	<u>\$ 100,055</u>
Capital assets being depreciated:				
Buildings	\$17,011,468	\$ 4,199,923	\$ ---	\$ 21,211,391
Other structures and Improvements	974,859	53,565	---	1,028,424
Furniture, equipment and Vehicles	<u>2,004,243</u>	<u>219,623</u>	<u>65,351</u>	<u>2,158,515</u>
Total capital assets being Depreciated	<u>\$19,990,570</u>	<u>\$ 4,473,111</u>	<u>\$ 65,351</u>	<u>\$ 24,398,330</u>
Less accumulated depreciation for:				
Buildings	\$ 6,912,789	\$ 571,965	\$ ---	\$ 7,484,754
Other structures and Improvements	606,337	44,749	---	651,086
Furniture, equipment and Vehicles	<u>1,394,229</u>	<u>137,555</u>	<u>65,351</u>	<u>1,466,433</u>
Total accumulated depreciation	<u>\$ 8,913,355</u>	<u>\$ 754,269</u>	<u>\$ 65,351</u>	<u>\$ 9,602,273</u>
Total capital assets being Depreciated	<u>\$11,077,215</u>	<u>\$ 3,718,842</u>	<u>\$ ---</u>	<u>\$ 14,796,057</u>
Capital assets, net	<u>\$13,974,591</u>	<u>\$ 3,740,287</u>	<u>\$2,818,766</u>	<u>\$ 14,896,112</u>

SOUTHWESTERN COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2011

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. The contract was paid in full during the fiscal year ended June 30, 2011, and the Foundation conveyed the portion of the addition to the College for \$1.

Note 6. Revenue Bonds Payable

A summary of changes in revenue bonds payable for the year ended June 30, 2011 is as follows:

Balance beginning of year	\$ 4,803,220
Additions	---
Reductions	<u>(260,090)</u>
Balance end of year	<u>\$ 4,543,130</u>
 Due within one year	 <u>\$ 304,041</u>

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, 2011 bonded indebtedness are as follows:

Year Ended	Bond Issue of June 1, 2006			
<u>June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	4.35	\$ 20,000	\$ 22,960	\$ 42,960
2013	4.40	25,000	22,080	47,080
2014	4.45	25,000	20,968	45,968
2015	4.50	25,000	19,843	44,843
2016	4.55	25,000	18,705	43,705
2017- 2021	4.6-5.0	<u>355,000</u>	<u>73,390</u>	<u>428,390</u>
Total		<u>\$475,000</u>	<u>\$177,946</u>	<u>\$652,946</u>

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, 2011 bonded indebtedness are as follows:

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 6. Revenue Bonds Payable (continued)

Year Ended <u>June 30,</u>	<u>Bond Issue of August 8, 2006</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	0	\$ 140,117	\$ ---	\$ 140,117
2013	0	140,117	---	140,117
2014	0	140,117	---	140,117
2015	0	140,117	---	140,117
2016	0	140,117	---	140,117
2017	0	<u>23,157</u>	<u>---</u>	<u>23,157</u>
Total		<u>\$ 723,742</u>	<u>\$ ---</u>	<u>\$ 723,742</u>

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, 2011 bonded indebtedness are as follows:

Year Ended <u>June 30,</u>	<u>Bond Issue of February 26, 2010</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	0	\$ 38,545	\$ ---	\$ 38,545
2013	0	92,508	---	92,508
2014	0	92,508	---	92,508
2015	0	92,508	---	92,508
2016	0	92,508	---	92,508
2017-2020	0	<u>331,423</u>	<u>---</u>	<u>331,423</u>
Total		<u>\$ 740,000</u>	<u>\$ ---</u>	<u>\$ 740,000</u>

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, 2011 bonded indebtedness are as follows:

Year Ended <u>June 30,</u>	<u>Bond Issue of August 1, 2006</u>			
	Interest <u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	4.00	\$ 6,044	\$ 2,832	\$ 8,876
2013	4.00	6,290	2,586	8,876
2014	4.00	6,547	2,330	8,877
2015	4.00	6,813	2,063	8,876
2016	4.00	7,091	1,785	8,876
2017-2021	4.00	40,032	4,350	44,382
2022	4.00	<u>737</u>	<u>2</u>	<u>739</u>
Total		<u>\$ 73,554</u>	<u>\$ 15,948</u>	<u>\$ 89,502</u>

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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, 2011 bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue of June 8, 2010			
	Interest Rates	Principal	Interest	Total
2012	4.00	\$ 4,335	\$ 4,754	\$ 9,089
2013	4.00	4,512	4,577	9,089
2014	4.00	4,696	4,394	9,090
2015	4.00	4,887	4,202	9,089
2016	4.00	5,086	4,004	9,090
2017-2021	4.00	28,713	16,735	45,448
2022-2026	4.00	35,058	10,390	45,448
2027-2031	4.00	33,547	2,811	36,358
Total		<u>\$120,834</u>	<u>\$51,867</u>	<u>\$172,701</u>

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, 2011 bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue of January 1, 2010			
	Interest Rates	Principal	Interest	Total
2012	2.80	\$ 95,000	\$ 112,095	\$ 207,095
2013	2.80	95,000	109,435	204,435
2014	2.80	100,000	106,775	206,775
2015	4.25	105,000	103,975	208,975
2016	4.25	110,000	99,513	209,513
2017-2021	4.25-5.00	600,000	424,375	1,024,375
2022-2026	5.00-5.25	760,000	263,975	1,023,975
2027-2029	5.25	545,000	58,013	603,013
Total		<u>\$2,410,000</u>	<u>\$1,278,156</u>	<u>\$3,688,156</u>

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 7. New Jobs Training Program Certificates

A summary of changes in certificates payable for the year ended June 30, 2011 is as follows:

Balance beginning of year	\$ 8,465,000
Additions	3,520,000
Reductions	<u>(1,565,000)</u>
Balance end of year	<u>\$10,420,000</u>
Due within one year	<u>\$ 1,870,000</u>

Pursuant to agreements dated between November 1983 and June 2011, the College issued certificates with current outstanding balances totaling \$10,420,000, with interest rates ranging from 1.428% to 6.25% 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, 2011, were \$1,565,000 of certificates retired and \$3,520,000 new certificates issued. Since inception, the College has administered 106 projects, with 16 currently receiving project funding. Of the remaining 90 projects, 58 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>
2012	1.428-5.95%	\$ 1,870,000	\$ 444,513	\$ 2,314,513
2013	1.777-6.05%	1,815,000	373,908	2,188,908
2014	2.297-6.15%	1,375,000	299,233	1,674,233
2015	2.747-6.25%	1,195,000	240,783	1,435,783
2016	3.262-5.50%	1,360,000	188,860	1,548,860
2017-2020	3.910-5.40%	<u>2,805,000</u>	<u>243,325</u>	<u>3,048,325</u>
		<u>\$10,420,000</u>	<u>\$1,790,622</u>	<u>\$12,210,622</u>

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

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 4.50% of their annual covered salary and the College is required to contribute 6.95% of annual payroll. Contribution requirements are established by State Statute. The College's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$222,225, \$203,942 and \$201,338 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 4.50% and the College is required to contribute 6.95%. The College's and employee's required and actual contributions to TIAA-CREF for the year ended June 30, 2011, were \$187,821 and \$121,611 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 64 projects, with 4 currently receiving project funding. The remaining 60 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, 2011

Note 10. Termination Benefits

The College offered a voluntary early retirement plan to its employees. Eligible employees must have completed at least ten years of full-time service to the College and must have reached the age of fifty-five on or before June 30, 2011. The application for early retirement is subject to approval by the Board of Directors.

Early retirement benefits were equal to 65-75% of the employee's regular contractual salary (not to exceed \$50,000) in effect during the employee's last year of employment, with a maximum retirement benefit of \$37,500.

Early retirement benefits were paid in one payment on or about the 15th of the month of retirement. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$0.

Note 11. Other Postemployment Benefits (OPEB)

The College implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2011.

Plan Description – The College operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 150 active and 13 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the College. The College currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The College's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Community College, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 11. Other Postemployment Benefits (OPEB) (continued)

The following table shows the components of the College's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$ 242,022
Interest on net OPEB obligation	---
Adjustment to annual required contribution	---
Annual OPEB cost	\$ 242,022
Contributions made	(144,760)
Increase in net OPEB obligation	\$ 97,262
Net OPEB obligation beginning of year	297,230
 Net OPEB obligation end of year	 \$ 394,492

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

For the year ended June 30, 2011, the College contributed \$144,760 to the medical plan. Plan members eligible for benefits contributed \$0 of the premium costs.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011, are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2011	\$242,022	50.0%	\$394,492

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$1.648 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1.648 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,000,000 and the ratio of the UAAL to covered payroll was 27.5%. As of June 30, 2011, there were no trust fund assets.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 11. Other Postemployment Benefits (OPEB) (continued)

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the College's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$1,156 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2011

Note 12. 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.

Note 13. Subsequent Event

Management has evaluated subsequent events through December 9, 2011, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWESTERN COMMUNITY COLLEGE  
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES  
 BUDGET TO ACTUAL  
 Year Ended June 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION

<u>Funds/Levy</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Actual/ Original Budget</u>
Unrestricted	\$ 12,905,000	\$ 10,972,634	\$ 1,932,366
Restricted	\$ 7,999,275	\$ 3,844,531	\$ 4,154,744
Unemployment	15,000	17,223	(2,223)
Insurance and tort	275,725	329,891	(54,166)
Equipment replacement	220,000	209,553	10,447
Total restricted	<u>\$ 8,510,000</u>	<u>\$ 4,401,198</u>	<u>\$ 4,108,802</u>
Plant	\$ 5,500,000	\$ 2,035,549	\$ 3,464,451
Bonds and interest	-	-	-
	<u>\$ 5,500,000</u>	<u>\$ 2,035,549</u>	<u>\$ 3,464,451</u>
 Grand total	 <u><u>\$ 26,915,000</u></u>	 <u><u>\$ 17,409,381</u></u>	 <u><u>\$ 9,505,619</u></u>

See accompanying independent auditor's report.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY REPORTING

June 30, 2011

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, 2011

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, 2011

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, 2011

Schedule 1

	Current Funds	
	Unrestricted	Restricted
<b>ASSETS</b>		
Cash and deposits	\$ 2,106,201	\$ 10,550,102
Receivables:		
Accounts (less allowance of \$256,883)	544,662	-
Other governments (less allowance of \$0)	-	279,643
Property taxes	526,844	1,014,169
Inventories	1,092,914	-
Receivable for cost of Iowa Industrial New Jobs Training Program	-	5,824,967
Prepaid expenses and deferred charges	164,262	850
Capital assets:		
Land	-	-
Buildings	-	-
Other structures	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
<b>Total assets</b>	<b>\$ 4,434,883</b>	<b>\$ 17,669,731</b>
<b>LIABILITIES AND FUND BALANCES</b>		
Liabilities:		
Accounts payable	\$ 152,507	\$ 53,906
Accrued salaries and benefits	349,699	14,268
Early retirement payable	-	871
Accrued interest	-	37,043
Deposits held in custody for others	23,250	-
Deferred revenues	66,388	142,690
Deferred property tax revenue	526,844	1,014,169
Due to other governments	-	2,211,879
Compensated absences	409,599	27,293
Bonds payable	194,388	-
Certificates payable	-	10,420,000
Net OPEB liability	-	-
<b>Total liabilities</b>	<b>\$ 1,722,675</b>	<b>\$ 13,922,119</b>

See accompanying independent auditor's report.

Unexpended	Plant funds		Agency Funds	Adjustments	Total
	Retirement of Indebtedness	Investment In Plant			
\$ 447,564	\$ -	\$ -	\$ 88,335	\$ -	\$ 13,192,202
-	-	-	-	-	544,662
13,450	-	-	25,060	-	318,153
526,844	-	-	-	-	2,067,857
-	-	-	-	-	1,092,914
-	-	-	-	-	5,824,967
-	-	-	-	-	165,112
-	-	100,055	-	-	100,055
-	-	21,211,391	-	-	21,211,391
-	-	1,028,424	-	-	1,028,424
-	-	2,158,515	-	-	2,158,515
-	-	-	-	(9,602,273)	(9,602,273)
<u>\$ 987,858</u>	<u>\$ -</u>	<u>\$ 24,498,385</u>	<u>\$ 113,395</u>	<u>\$ (9,602,273)</u>	<u>\$ 38,101,979</u>
\$ 18,945	\$ -	\$ -	\$ 16,460	\$ -	\$ 241,818
-	-	-	-	-	363,967
-	-	-	-	-	871
11,255	-	-	-	-	48,298
-	-	-	32,296	-	55,546
-	-	-	64,639	-	273,717
526,844	-	-	-	-	2,067,857
-	-	-	-	-	2,211,879
-	-	-	-	-	436,892
-	-	4,348,742	-	-	4,543,130
-	-	-	-	-	10,420,000
-	-	-	-	394,492	394,492
<u>\$ 557,044</u>	<u>\$ -</u>	<u>\$ 4,348,742</u>	<u>\$ 113,395</u>	<u>\$ 394,492</u>	<u>\$ 21,058,467</u>

SOUTHWESTERN COMMUNITY COLLEGE  
BALANCE SHEET  
June 30, 2011

Schedule 1  
(continued)

	Current Funds	
	Unrestricted	Restricted
Fund balances:		
Invested in capital assets, net of related debt		
Restricted:	\$ -	\$ -
Expendable:		
Cash reserve	-	103,947
Other	-	3,643,665
Unrestricted	929,816	-
Auxiliary enterprises	1,782,392	-
Total fund balances	\$ 2,712,208	\$ 3,747,612
Total liabilities and fund balances	\$ 4,434,883	\$ 17,669,731

See accompanying independent auditor's report.

Plant funds					
Unexpended	Retirement of Indebtedness	Investment In Plant	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ 20,149,643	\$ -	\$ (9,602,273)	\$ 10,547,370
-	-	-	-	-	103,947
-	-	-	-	(394,492)	3,249,173
430,814	-	-	-	-	1,360,630
-	-	-	-	-	1,782,392
<u>\$ 430,814</u>	<u>\$ -</u>	<u>\$ 20,149,643</u>	<u>\$ -</u>	<u>\$ (9,996,765)</u>	<u>\$ 17,043,512</u>
<u>\$ 987,858</u>	<u>\$ -</u>	<u>\$ 24,498,385</u>	<u>\$ 113,395</u>	<u>\$ (9,602,273)</u>	<u>\$ 38,101,979</u>

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2011

Schedule 2

	Current Funds	
	Unrestricted	Restricted
REVENUES:		
General:		
Tuition and fees	\$ 5,561,338	\$ 1,422
Local support	497,927	750,477
State support	3,879,387	401,188
Federal support	245,648	4,075,973
Sales and services	15,878	-
Interest income	79,517	800
Iowa Industrial New Jobs Training Program	-	2,746,043
Increase in plant investment due to plant expenditures	-	-
Increase in plant investment due to retirement of debt	-	-
Other	678,959	1,192,263
	\$ 10,958,654	\$ 9,168,166
Auxiliary enterprises:		
Student fees	\$ -	\$ -
State support	9,240	-
Federal support	5,452,259	-
Sales and services	2,165,943	-
Other	625,954	-
	\$ 8,253,396	\$ -
<b>TOTAL REVENUES</b>	<b>\$ 19,212,050</b>	<b>\$ 9,168,166</b>
EXPENDITURES:		
Education and support:		
Liberal arts and sciences	\$ 2,901,109	\$ -
Vocational technical	2,209,925	171,865
Adult education	714,034	431,312
Cooperative services	16,693	2,259,546
Administration	842,662	321,354
Student services	1,145,531	-
Learning resources	200,121	-
Physical plant	1,726,231	285,237
General institution	1,216,328	931,884
Total education and support	\$ 10,972,634	\$ 4,401,198

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>		
\$ -	\$ -	\$ -	\$ (2,859,681)	\$ 2,703,079
76,647	421,280	-	-	1,746,331
62,669	-	-	-	4,343,244
-	-	-	-	4,321,621
-	-	-	-	15,878
-	-	-	-	80,317
-	-	-	-	2,746,043
-	-	1,675,790	(1,675,790)	-
-	-	283,117	(283,117)	-
96,146	-	-	(657,692)	1,309,676
<u>\$ 235,462</u>	<u>\$ 421,280</u>	<u>\$ 1,958,907</u>	<u>\$ (5,476,280)</u>	<u>\$ 17,266,189</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	9,240
-	-	-	-	5,452,259
-	-	-	(455,238)	1,710,705
-	-	-	(294,544)	331,410
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (749,782)</u>	<u>\$ 7,503,614</u>
<u>\$ 235,462</u>	<u>\$ 421,280</u>	<u>\$ 1,958,907</u>	<u>\$ (6,226,062)</u>	<u>\$ 24,769,803</u>
\$ -	\$ -	\$ -	\$ (32,227)	\$ 2,868,882
-	-	-	(66,781)	2,315,009
-	-	-	(29,162)	1,116,184
-	-	-	(652,015)	1,624,224
-	-	-	(71,394)	1,092,622
-	-	-	(48,849)	1,096,682
-	-	-	(242)	199,879
127,142	-	-	(107,772)	2,030,838
-	-	-	(101,246)	2,046,966
<u>\$ 127,142</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,109,688)</u>	<u>\$ 14,391,286</u>

SOUTHWESTERN COMMUNITY COLLEGE  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 Year Ended June 30, 2011

Schedule 2  
 (continued)

	Current Funds	
	Unrestricted	Restricted
Auxiliary enterprises	7,954,330	-
Scholarships and grants	97,103	3,395,269
Retirement of indebtedness	-	-
Interest on indebtedness	-	485,833
Plant asset acquisitions	-	-
Proceeds from sale of bonds	-	-
Disposal of plant assets	-	-
Depreciation	-	-
TOTAL EXPENDITURES	\$ 19,024,067	\$ 8,282,300
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 187,983	\$ 885,866
TRANSFERS	(203,465)	(202,633)
NET	\$ (15,482)	\$ 683,233
FUND BALANCE, beginning of year	2,727,690	3,064,379
FUND BALANCE, end of year	\$ 2,712,208	\$ 3,747,612

See accompanying independent auditor's report.

Plant funds				
Unexpended	Retirement of Indebtedness	Investment In Plant	Adjustments	Total
-	-	-	(137,615)	7,816,715
-	-	-	(3,111,253)	381,119
-	283,117	-	(283,117)	-
-	138,163	-	-	623,996
1,487,127	-	-	(1,487,127)	-
-	-	-	-	-
-	-	65,351	(65,351)	-
-	-	-	754,269	754,269
<u>\$ 1,614,269</u>	<u>\$ 421,280</u>	<u>\$ 65,351</u>	<u>\$ (5,439,882)</u>	<u>\$ 23,967,385</u>
\$ (1,378,807)	\$ -	\$ 1,893,556	\$ (786,180)	\$ 802,418
<u>406,098</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ (972,709)	\$ -	\$ 1,893,556	\$ (786,180)	\$ 802,418
<u>1,403,523</u>	<u>-</u>	<u>18,256,087</u>	<u>(9,210,585)</u>	<u>16,241,094</u>
<u>\$ 430,814</u>	<u>\$ -</u>	<u>\$ 20,149,643</u>	<u>\$ (9,996,765)</u>	<u>\$ 17,043,512</u>

SOUTHWESTERN COMMUNITY COLLEGE  
UNRESTRICTED FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION AND SUPPORT  
Year Ended June 30, 2011

Schedule 3

	Education		
	Liberal Arts and Science	Vocational Technical	Adult Education
REVENUES AND OTHER ADDITIONS:			
Tuition and fees	\$ 3,733,792	\$ 1,509,038	\$ 316,064
Local support	-	-	-
State support	1,651,051	1,344,148	884,188
Federal support	-	95,334	92,055
Sales and services	-	350	-
Interest income	-	-	-
Other	236,386	95,196	134,032
	<u>\$ 5,621,229</u>	<u>\$ 3,044,066</u>	<u>\$ 1,426,339</u>
Allocation of support services revenues (1)	<u>423,576</u>	<u>283,585</u>	<u>159,756</u>
TOTAL REVENUE AND OTHER ADDITIONS	<u><u>\$ 6,044,805</u></u>	<u><u>\$ 3,327,651</u></u>	<u><u>\$ 1,586,095</u></u>
EXPENDITURES:			
Salaries and benefits	\$ 2,619,043	\$ 1,883,138	\$ 500,284
Services	130,458	113,965	130,826
Materials and supplies	64,127	174,763	54,931
Travel	8,359	30,710	9,653
Expended for plant assets	-	7,349	-
Purchases for resale	-	-	18,340
Scholarships and grants	-	-	-
Other	79,122	-	-
	<u>\$ 2,901,109</u>	<u>\$ 2,209,925</u>	<u>\$ 714,034</u>
Allocation of support services expenditures (1)	<u>2,554,391</u>	<u>1,710,170</u>	<u>963,415</u>
TOTAL EXPENDITURES & OTHER DEDUCTIONS	<u><u>\$ 5,455,500</u></u>	<u><u>\$ 3,920,095</u></u>	<u><u>\$ 1,677,449</u></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	Learning Resources	Physical Plant	General Institution	Education and Support Total
\$ -	\$ 2,144	\$ 300	\$ -	\$ -	\$ -	\$ 5,561,338
-	497,927	-	-	-	-	497,927
-	-	-	-	-	-	3,879,387
-	-	58,259	-	-	-	245,648
-	-	850	-	14,678	-	15,878
-	79,517	-	-	-	-	79,517
103	14,694	17,985	-	2,643	177,920	678,959
<u>\$ 103</u>	<u>\$ 594,282</u>	<u>\$ 77,394</u>	<u>\$ -</u>	<u>\$ 17,321</u>	<u>\$ 177,920</u>	<u>\$ 10,958,654</u>
-	(594,282)	(77,394)	-	(17,321)	(177,920)	-
<u>\$ 103</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,958,654</u>
\$ 15,896	\$ 608,641	\$ 930,567	\$ 120,027	\$ 765,230	\$ 611,090	\$ 8,053,916
489	140,814	105,757	52,120	825,780	366,116	1,866,325
308	18,589	81,548	27,974	124,547	202,352	749,139
-	6,179	27,659	-	4,789	14,219	101,568
-	-	-	-	5,885	12,351	25,585
-	-	-	-	-	-	18,340
-	-	-	-	-	97,103	97,103
-	68,439	-	-	-	10,200	157,761
<u>\$ 16,693</u>	<u>\$ 842,662</u>	<u>\$ 1,145,531</u>	<u>\$ 200,121</u>	<u>\$ 1,726,231</u>	<u>\$ 1,313,431</u>	<u>\$ 11,069,737</u>
-	(842,662)	(1,145,531)	(200,121)	(1,726,231)	(1,313,431)	-
<u>\$ 16,693</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,069,737</u>
						56,956
						\$ (54,127)
						983,943
						<u>\$ 929,816</u>

SOUTHWESTERN COMMUNITY COLLEGE  
UNRESTRICTED FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
AUXILIARY ENTERPRISES  
Year Ended June 30, 2011

Schedule 4

	Financial Aid	Bookstore
REVENUES:		
Student fees	\$ -	\$ -
State support	-	-
Federal support	5,452,259	-
Sales and services	-	1,039,058
Other income	67,642	2,398
TOTAL REVENUES	\$ 5,519,901	\$ 1,041,456
EXPENDITURES:		
Salaries and benefits	\$ -	\$ 85,740
Services	-	7,620
Materials and supplies	-	2,149
Travel	-	83
Expended for plant assets	-	-
Purchases for resale	-	764,733
Other	5,519,901	75,000
TOTAL EXPENDITURES	\$ 5,519,901	\$ 935,325
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ 106,131
TRANSFERS	-	-
NET INCREASE (DECREASE)	\$ -	\$ 106,131
FUND BALANCE, at beginning of year	-	401,158
FUND BALANCES, at end of year	\$ -	\$ 507,289

See accompanying independent auditors' report.

Interdepartment Charges	Housing	Other	Total
\$ -	\$ -	\$ -	\$ -
-	-	9,240	9,240
-	-	-	5,452,259
-	877,176	249,709	2,165,943
299,582	37,226	219,106	625,954
<u>\$ 299,582</u>	<u>\$ 914,402</u>	<u>\$ 478,055</u>	<u>\$ 8,253,396</u>
\$ 125,148	\$ 89,546	\$ 49,577	\$ 350,011
118,398	40,952	468,482	635,452
40,562	109,933	217,571	370,215
3,369	2	36,517	39,971
88,500	-	-	88,500
27,643	-	62,519	854,895
-	17,966	2,419	5,615,286
<u>\$ 403,620</u>	<u>\$ 258,399</u>	<u>\$ 837,085</u>	<u>\$ 7,954,330</u>
\$ (104,038)	\$ 656,003	\$ (359,030)	\$ 299,066
106,008	(761,953)	395,524	(260,421)
\$ 1,970	\$ (105,950)	\$ 36,494	\$ 38,645
398,432	191,487	752,670	1,743,747
<u>\$ 400,402</u>	<u>\$ 85,537</u>	<u>\$ 789,164</u>	<u>\$ 1,782,392</u>

SOUTHWESTERN COMMUNITY COLLEGE  
RESTRICTED FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2011

Schedule 5

	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Unemployment compensation</u>	<u>Early Retirement</u>
<b>REVENUES:</b>				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Local support	221,300	180,351	-	174,092
State support	-	-	-	-
Federal support	-	-	-	-
Interest income	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Other	500	123,292	-	-
<b>TOTAL REVENUES</b>	<u>\$ 221,800</u>	<u>\$ 303,643</u>	<u>\$ -</u>	<u>\$ 174,092</u>
<b>EXPENDITURES:</b>				
Salaries and benefits	\$ -	\$ 54,884	\$ 17,223	\$ 151,276
Services	48,836	210,583	-	-
Materials and supplies	149,692	19,652	-	-
Travel	-	-	-	-
Expended for plant assets	11,025	-	-	-
Interest on indebtedness	-	-	-	-
Scholarships and grants	-	-	-	-
Other	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<u>\$ 209,553</u>	<u>\$ 285,119</u>	<u>\$ 17,223</u>	<u>\$ 151,276</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 12,247</u>	<u>\$ 18,524</u>	<u>\$ (17,223)</u>	<u>\$ 22,816</u>
<b>TRANSFERS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE)</b>	<u>\$ 12,247</u>	<u>\$ 18,524</u>	<u>\$ (17,223)</u>	<u>\$ 22,816</u>
<b>FUND BALANCES, at beginning of year</b>	<u>196,677</u>	<u>397,512</u>	<u>49,212</u>	<u>546,473</u>
<b>FUND BALANCES, at end of year</b>	<u><u>\$ 208,924</u></u>	<u><u>\$ 416,036</u></u>	<u><u>\$ 31,989</u></u>	<u><u>\$ 569,289</u></u>

See accompanying independent auditors' report.

	Iowa Industrial New Jobs Training Program						
<u>Housing</u>		<u>Standby</u>	<u>Tort</u>	<u>Scholarship</u>	<u>Miscellaneous</u>	<u>Total</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,422	\$ 1,422	
-	5,326	119,496	49,912	-	-	750,477	
-	-	-	-	92,525	308,663	401,188	
-	-	-	-	3,302,744	773,229	4,075,973	
-	800	-	-	-	-	800	
-	2,746,043	-	-	-	-	2,746,043	
-	-	-	-	-	1,068,471	1,192,263	
<u>\$ -</u>	<u>\$ 2,752,169</u>	<u>\$ 119,496</u>	<u>\$ 49,912</u>	<u>\$ 3,395,269</u>	<u>\$ 2,151,785</u>	<u>\$ 9,168,166</u>	
\$ -	\$ -	\$ -	\$ 940	\$ -	\$ 956,815	\$ 1,181,138	
-	2,255,155	-	43,832	-	176,241	2,734,647	
-	-	-	-	-	182,755	352,099	
-	-	-	-	-	41,255	41,255	
-	-	-	-	-	45,258	56,283	
-	485,833	-	-	-	-	485,833	
-	-	-	-	3,395,269	16,000	3,411,269	
-	-	-	-	-	19,776	19,776	
<u>\$ -</u>	<u>\$ 2,740,988</u>	<u>\$ -</u>	<u>\$ 44,772</u>	<u>\$ 3,395,269</u>	<u>\$ 1,438,100</u>	<u>\$ 8,282,300</u>	
\$ -	\$ 11,181	\$ 119,496	\$ 5,140	\$ -	\$ 713,685	\$ 885,866	
<u>57,816</u>	<u>(11,181)</u>	<u>11,181</u>	<u>-</u>	<u>-</u>	<u>(260,449)</u>	<u>(202,633)</u>	
\$ 57,816	\$ -	\$ 130,677	\$ 5,140	\$ -	\$ 453,236	\$ 683,233	
<u>451,695</u>	<u>-</u>	<u>159,014</u>	<u>372,530</u>	<u>-</u>	<u>891,266</u>	<u>3,064,379</u>	
<u>\$ 509,511</u>	<u>\$ -</u>	<u>\$ 289,691</u>	<u>\$ 377,670</u>	<u>\$ -</u>	<u>\$ 1,344,502</u>	<u>\$ 3,747,612</u>	

SOUTHWESTERN COMMUNITY COLLEGE  
 AGENCY FUNDS  
 SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS  
 Year Ended June 30, 2011

	Schedule 6
Additions:	
State support	\$ 77,955
Sales and services	59,979
Other	<u>234,113</u>
	<u>\$ 372,047</u>
Deductions:	
Services	\$ 342,419
Materials and supplies	27,161
Travel	3,100
Other	<u>300</u>
	<u>\$ 372,980</u>
Transfers among funds	<u>\$ -</u>
Net decrease	\$ (933)
Deposits held in custody for others at beginning of year	<u>33,229</u>
Deposits held in custody for others at end of year	<u><u>\$ 32,296</u></u>

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF TAXES AND INTERGOVERNMENTAL REVENUES

Schedule 7

	Years ended June 30,		
	2011	2010	2009
Local (property tax)	\$ 1,746,331	\$ 1,683,364	\$ 1,604,758
State	4,430,439	4,855,323	5,303,587
Federal	9,773,880	9,740,162	6,356,348
	\$ 15,950,650	\$ 16,278,849	\$ 13,264,693

See accompanying independent auditors' report.

Years ended June 30,

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,407,183	\$ 1,389,249	\$ 1,353,627	\$ 1,344,373
5,145,043	4,768,030	5,331,104	3,875,501
<u>5,964,474</u>	<u>5,233,353</u>	<u>4,327,710</u>	<u>4,401,610</u>
<u>\$ 12,516,700</u>	<u>\$ 11,390,632</u>	<u>\$ 11,012,441</u>	<u>\$ 9,621,484</u>

SOUTHWESTERN COMMUNITY COLLEGE  
 SCHEDULE OF CREDIT AND CONTACT HOUR ENROLLMENT  
 Year Ended June 30, 2011

Schedule 8

Category	Credit Hours		Total
	Eligible For Aid	Not Eligible For Aid	
Arts and Sciences	25,380	-	25,380
Vocational Preparatory	13,702	-	13,702
Adult Education	-	-	-
Cooperative Programs	-	-	-
Related Services and Activities	-	-	-
Total	39,082	-	39,082

See accompanying independent auditors' report.

Contact Hours

<u>Eligible For Aid</u>	<u>Not Eligible For Aid</u>	<u>Total</u>
525,283	-	525,283
351,678	-	351,678
193,580	4,536	198,116
-	-	-
-	-	-
<u>1,070,541</u>	<u>4,536</u>	<u>1,075,077</u>

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

Schedule 9

	Years Ended June 30,		
	2011	2010	2009
<b>REVENUES:</b>			
Tuition and fees	\$ 5,562,760	\$ 5,114,531	\$ 4,396,328
Local support	1,248,404	1,201,432	1,145,201
State support	4,280,575	4,131,813	4,879,155
Federal support	4,321,621	4,509,461	2,558,624
Sales and services	15,878	14,009	15,421
Interest income	80,317	103,590	192,019
Iowa Industrial New Jobs Training Program	2,746,043	636,436	1,770,047
Auxiliary enterprises	8,253,396	7,294,657	5,633,636
Other	1,871,222	930,727	1,476,519
<b>TOTAL REVENUES</b>	<b>\$ 28,380,216</b>	<b>\$ 23,936,656</b>	<b>\$ 22,066,950</b>
<b>EXPENDITURES:</b>			
Liberal arts and sciences	\$ 2,901,109	\$ 2,604,414	\$ 2,475,714
Vocational technical	2,381,790	2,218,555	2,502,122
Adult education	1,145,346	1,112,841	1,133,533
Cooperative services	2,276,239	300,412	1,498,619
Administration	1,164,016	1,433,718	1,096,379
Student services	1,145,531	1,070,077	1,033,133
Learning resources	200,121	183,773	175,022
Physical plant	2,011,468	1,712,758	1,893,631
General institution	2,148,212	2,280,486	1,900,130
Auxiliary enterprises	7,954,330	7,029,021	5,620,448
Scholarships and grants	3,492,372	3,199,830	1,678,502
Interest on indebtedness	485,833	458,521	484,883
<b>TOTAL EXPENDITURES</b>	<b>\$ 27,306,367</b>	<b>\$ 23,604,406</b>	<b>\$ 21,492,116</b>

See accompanying independent auditors' report.

Years Ended June 30,

2008	2007	2006	2005
\$ 4,233,461	\$ 3,950,617	\$ 3,563,922	\$ 3,463,586
967,858	954,882	929,789	922,035
4,740,345	4,444,062	4,103,064	3,846,534
2,416,166	2,353,645	2,142,266	2,283,856
11,841	13,200	22,830	23,195
470,851	471,293	298,315	161,168
3,694,980	1,086,895	1,746,271	1,787,800
5,438,215	4,939,817	3,589,941	3,321,929
1,801,373	1,271,826	1,294,288	1,069,938
<u>\$ 23,775,090</u>	<u>\$ 19,486,237</u>	<u>\$ 17,690,686</u>	<u>\$ 16,880,041</u>
\$ 2,346,106	\$ 2,311,045	\$ 2,202,344	\$ 2,005,705
2,529,890	2,437,931	2,218,655	2,059,948
1,072,814	977,337	1,093,257	1,007,089
3,178,788	1,187,057	1,714,891	1,662,095
1,219,854	1,052,185	957,860	849,145
1,002,107	918,822	896,524	844,067
183,177	178,529	176,070	163,344
1,788,008	1,603,026	1,387,590	1,330,505
1,685,752	1,709,305	1,477,473	1,380,245
5,416,755	4,802,322	3,732,687	3,411,459
1,662,349	1,567,571	1,405,713	1,609,192
377,837	352,001	329,088	320,162
<u>\$ 22,463,437</u>	<u>\$ 19,097,131</u>	<u>\$ 17,592,152</u>	<u>\$ 16,642,956</u>

SOUTHWESTERN COMMUNITY COLLEGE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2011

Schedule 10

<u>Federal grantor/pass-through grant/program name</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>	<u>New Loans and New Loans Guarantees</u>
United States Department of Education:			
Student financial assistance cluster:*			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 44,348	\$ -
Federal Work-Study (FWS)	84.033	52,022	-
Federal Pell Grants	84.063	3,171,534	-
Federal Direct Student Loan Program - loans disbursed	84.268	-	5,452,259
Academic Competitiveness Grant	84.375	64,013	-
Total Student Financial Assistance Cluster		\$ 3,331,917	\$ 5,452,259
Trio Cluster			
Student Support Services	84.042A	\$ 260,805	\$ -
Educational Talent Search	84.044A	236,119	-
Total Trio Cluster		\$ 496,924	\$ -
United States Department of Agriculture:			
Rural Development:			
SBDC Rural Business Enterprise Grant	10.769	\$ 22,226	\$ -
<b>TOTAL DIRECT</b>		<b>\$ 3,851,067</b>	<b>\$ 5,452,259</b>
Passed through Iowa Department of Education -			
Vocational Education:			
Basic Grants to States			
Perkins	84.048A	\$ 151,852	\$ -
Adult Education - State Grant Program			
ABE Program	84.002	85,000	-
English Literacy & Civics Education	84.002	2,452	-
Teacher Training	84.002	4,603	-
Business Program of Study	84.048	29,592	-
Tech Prep Education	84.243A	73,027	-
Total Iowa Department of Education		\$ 346,526	\$ -

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2011

Schedule 10  
(continued)

Federal grantor/pass-through grant/program name	Federal CFDA Number	Total Federal Expenditures	New Loans and New Loans Guarantees
United States Department of Labor Passed through Iowa Department of Education ALWI - Literacy in Workplace	17.267	\$ 29,074	\$ -
Total United States Department of Labor		\$ 29,074	\$ -
United States Department of Small Business Administration Passed through Iowa State University SBDC Grant	59.037	\$ 65,871	\$ -
Total Federal expenditures		\$ 4,292,538	\$ 5,452,259

\*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, 2011

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, 2011, 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.

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, 2011, which collectively comprise the College's basic financial statements listed in the table of contents and have issued our report thereon dated December 9, 2011. 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 our 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 the Southwestern Community College's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

## 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, 2011, 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 9, 2011.

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.

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

December 9, 2011

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, 2011. 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, 2011.

## 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.

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

December 9, 2011

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

**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 – 84.375 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.

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2011

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

Instances of non-compliance:

No matters were reported.

Significant deficiencies:

No matters were reported.

DRAPER, SNODGRASS, MIKKELSEN & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS - IOWA SOCIETY OF CPAs  
AMERICAN INSTITUTE OF CPAs

309 EAST MONTGOMERY STREET  
CRESTON, IOWA 50801

December 9, 2011

To the Board of Directors  
Southwestern Community College  
Creston, Iowa

In planning and performing our audit of the financial statements of the Southwestern Community College, for the year ended June 30, 2011, in accordance with U.S. generally accepted auditing standards, we considered the College's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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 a combination of control deficiencies, that adversely affects the 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 likelihood that a misstatement of the College's financial statements that is more than inconsequential will not be prevented or detected by the College's internal control.

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

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

This communication is intended solely for the information and use of management, the finance committee, the College council, and others within the College, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Draper, Snodgrass, Mikkelsen & Co., P.C.*

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

SOUTHWESTERN COMMUNITY COLLEGE  
MANAGEMENT LETTER MEMORANDUM

A. Required Information for the State of Iowa

The following comments about the College's operations for the year ended June 30, 2011, are based exclusively on the knowledge obtained from procedures performed during our audit of the financial statements of the College for the year ended June 30, 2011. Since our audit was based on tests and samples, not all transactions which might have an impact on the comments were necessarily examined. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

- (A) Official Depositories – Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2011.
- (B) Certified Budget – Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- (C) Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- (D) Travel Expense – No expenditures of Southwestern Community College money for travel expenses of spouses of Southwestern Community College officials or employees were noted. No travel advances to Southwestern Community College officials or employees were noted.
- (E) Business Transactions – No business transactions between Southwestern Community College and Southwestern Community College officials or employees were noted.
- (F) Bond Coverage – Surety bond coverage of Southwestern Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (G) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (H) Publication – The College published a statement of receipts and disbursements of all funds, including the names of all persons, firms or corporations to which disbursements were made as required by Chapter 260C.14 (12) of the Code of Iowa.
- (I) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.

(J) Credit/Contact Hours – Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College, except for an overstatement of 312 contact hours, as shown below:

	<u>Reported</u>	<u>Total Per Supporting Documentation</u>	<u>Difference</u>
Adult Education/ Continuing Education: Contact Hours: Eligible for Aid	193,580.22	193,268.22	312.00

Recommendation – The College should develop procedures to ensure the report submitted to the Iowa Department of Education is supported by detailed records.

Response – The College will continue to monitor credit/contact hours to ensure all reports submitted are supported by the College’s detailed records.

Conclusion – Response accepted.