

SOUTHWESTERN COMMUNITY COLLEGE

Financial Statements and  
Supplementary Information

June 30, 2012

(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<br>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, 2012, 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 unit of the Community College as discussed in Note 1, which represent 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by us, and our opinion, insofar as it relates to the unit, is based on the separately issued audit reports of the component unit.

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, 2012, 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 January 11, 2013, 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 eight years ended June 30, 2011 (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, Smidgrass, Mickelson + Co., P.C.*

January 11, 2013

## **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, 2012. 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 \$160,000 or 1.0%. This was due in part, by the reduction of over \$2.1 million in long term debt. Enrollment decreased by 5.5% in credit hours. As the economy started to recover, some students who had been laid off were able to return to work. Direct Loans and Pell Grants decreased as a result of the decrease in enrollment. Tuition and fees remained relatively level as the tuition rate increased. An extraordinary item is shown for the financial transactions associated with the insurance proceeds and restoration activities that resulted from a tornado that caused significant damage, mainly to the residence halls, on April 14, 2012. Southwestern Community College acquired 81.5 acres of adjacent land (previously owned by the College) to be used for the agricultural program.

## **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, 2012</u> | <u>June 30, 2011</u> |
| Current and other assets                        | \$ 22,372,769        | \$ 23,205,867        |
| Capital assets, net of accumulated depreciation | <u>14,755,074</u>    | <u>14,896,112</u>    |
| Total assets                                    | <u>\$ 37,127,843</u> | <u>\$ 38,101,979</u> |
| Current liabilities                             | \$ 8,812,161         | \$ 7,787,205         |
| Noncurrent liabilities                          | <u>11,105,582</u>    | <u>13,271,262</u>    |
| Total liabilities                               | <u>\$ 19,917,743</u> | <u>\$ 21,058,467</u> |
| Net assets                                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 10,707,703        | \$ 10,547,370        |
| Restricted                                      |                      |                      |
| Expendable                                      |                      |                      |
| Cash reserve                                    | 103,947              | 103,947              |
| Other   | 2,915,247            | 3,249,173            |
| Unrestricted                                    |                      |                      |
| Unrestricted                                    | 957,464              | 929,816              |
| Plant fund                                      | 704,356              | 430,814              |
| Auxiliary Enterprises                           | <u>1,821,383</u>     | <u>1,782,392</u>     |
| Total net assets                                | <u>\$ 17,210,100</u> | <u>\$ 17,043,512</u> |
| Total liabilities and net assets                | <u>\$ 37,127,843</u> | <u>\$ 38,101,979</u> |

The largest portion of the College's net assets (62.3%) is invested in capital assets (e.g. land, buildings, and equipment), less the related debt. The restricted portion of the net assets (17.5%) consists of resources that are subject to external restrictions. The remaining net assets (20.2%) represent \$957,464 in the general unrestricted fund, \$1,821,383 in the auxiliary fund, and \$704,356 that is restricted for plant facilities expenses.

## Statement of Revenues, Expenses and Changes in Net Assets

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

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

### Changes in Net Assets

|  | Year ended<br><u>June 30, 2012</u> | Year ended<br><u>June 30, 2011</u> |
|--|------------------------------------|------------------------------------|
| Operating revenue:                               |                                    |                                    |
| Tuition and fees (net of scholarship allowances) | \$ 2,776,892                       | \$ 2,703,079                       |
| Federal support                                  | 896,094                            | 1,154,212                          |
| Iowa Industrial New Jobs Training Program        | 738,471                            | 2,746,043                          |
| Auxiliary  | 7,282,915                          | 7,503,614                          |
| Other  | <u>1,133,682</u>                   | <u>1,325,554</u>                   |
| Total operating revenues                         | \$ 12,828,054                      | \$ 15,432,502                      |
| Total operating expenses                         | <u>21,521,935</u>                  | <u>23,343,389</u>                  |
| Operating loss                                   | \$ (8,693,881)                     | \$ (7,910,887)                     |
| Nonoperating revenue (expenses)                  |                                    |                                    |
| State appropriations                             | \$ 4,544,964                       | \$ 4,343,244                       |
| Pell grants                                      | 2,761,535                          | 3,167,409                          |
| Property tax                                     | 2,070,457                          | 1,746,331                          |
| Investment income                                | 56,944                             | 80,317                             |
| Interest on indebtedness                         | <u>(573,390)</u>                   | <u>(623,996)</u>                   |
| Net nonoperating revenues                        | <u>\$ 8,860,510</u>                | <u>\$ 8,713,305</u>                |
| Extraordinary item                               |                                    |                                    |
| Insurance recoveries                             | \$ 1,752,791                       | \$ ---                             |
| Restoration costs                                | <u>(1,752,832)</u>                 | <u>---</u>                         |
|  | \$ (41)                            | \$ ---                             |
| Increase in net assets                           | \$ 166,588                         | \$ 802,418                         |
| Net assets, beginning of year                    | <u>17,043,512</u>                  | <u>16,241,094</u>                  |
| Net assets, end of year                          | <u>\$17,210,100</u>                | <u>\$ 17,043,512</u>               |

The Statement of Revenues, Expenses and Changes in Net Assets reflects an increase of \$166,588 in net assets at the end of the fiscal year.

For the year ended June 30, 2012, operating revenue decreased overall mainly as a net result of the following changes:

Federal Support was reduced, due in part to the elimination of the Federal Tech Prep funding and the Academic Competitiveness Grant. In addition we received a Federal program of study grant in FY2011 that we did not receive in FY2012.

Iowa Industrial New Jobs Training Program revenue decreased mainly due to the fact that the withholding revenue received in FY2012 was more than the FY2012 expenses in the program, therefore the excess revenue was used to reduce the receivable needed in the future.

The Auxiliary revenues decreased mainly due to a decrease in Direct Loans as a result of a decrease in enrollment.

State appropriation increased due to (1) the Accelerated Career Education (ACE) funding that was drawn down and used during the year, and (2) an increase in State General Aid funding.

Pell grants decreased, due in part to a change in the Federal regulations. In FY2011, Pell grants could be awarded up to 200% if the student attended school year-round. In FY2012 the year-round Pell was eliminated.

Property tax revenue increased as a result of the property tax rate increase of 8.7 cents per \$1,000 of assessed valuation.

An extraordinary item is shown for the financial transactions associated with the insurance proceeds and restoration activities that resulted from a tornado that caused significant damage, mainly to the residence halls on April 14, 2012.

### Operating Expenses

|                           | <u>Year Ended</u><br><u>June 30, 2012</u> | <u>Year Ended</u><br><u>June 30, 2011</u> |
|---------------------------|---|---|
| Education and Support:    |   |   |
| Liberal Arts and Sciences | \$ 2,857,559                              | \$ 2,868,882                              |
| Vocational Technical      | 2,550,625                                 | 2,315,009                                 |
| Adult Education           | 1,027,187                                 | 1,116,184                                 |
| Cooperative Services      | 324,575                                   | 1,624,224                                 |
| Administration            | 1,100,382                                 | 1,092,622                                 |
| Student Services          | 1,110,251                                 | 1,096,682                                 |
| Learning Resources        | 204,374                                   | 199,879                                   |
| Physical Plant            | 1,558,845                                 | 2,030,838                                 |
| General Institution       | 2,177,215                                 | 2,046,966                                 |
| Auxiliary Enterprises     | 7,734,308                                 | 7,816,715                                 |
| Scholarships and grants   | 119,219                                   | 381,119                                   |
| Depreciation              | <u>757,395</u>                            | <u>754,269</u>                            |
| Total                     | <u>\$ 21,521,935</u>                      | <u>\$ 23,343,389</u>                      |

For the year ended June 30, 2012, operating expenses decreased as a net result of the following changes:

Vocational Technical expenses increased due to the addition of two new programs: Electrical Technologies and Health Information Technology. In addition, the secondary program expenses were transferred to the General Unrestricted Fund in FY2012 because the Federal Tech Prep funding was eliminated.

Cooperative Services decreased due to the fact that no new bonds for the New Jobs Training Program were issued in FY2012. Most of the prior year bond proceeds were spent in the previous year.

Physical Plant decreased as a result of cost saving measures to reduce the cost of our utilities and maintenance expenses.

Scholarships and Grants decreased as a result of the elimination of year-round Pell grants and the elimination of the Federal Academic Competitiveness Grant.

#### 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</u><br><u>June 30, 2012</u> | <u>Year Ended</u><br><u>June 30, 2011</u> |
|--|---|---|
| Cash provided (used) by:                 |   |   |
| Operating activities                     | \$ (5,782,834)                            | \$ (8,134,961)                            |
| Non-capital financing activities         | 9,352,000                                 | 9,277,019                                 |
| Capital and related financing activities | (3,431,209)                               | (1,411,024)                               |
| Investing activities                     | <u>57,379</u>                             | <u>80,787</u>                             |
| Net increase (decrease) in cash          | \$ 195,336                                | \$ (188,179)                              |
| Cash, beginning of the year              | <u>13,192,202</u>                         | <u>13,380,381</u>                         |
| Cash, end of the year                    | <u>\$13,387,538</u>                       | <u>\$ 13,192,202</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, 2012, the College had approximately \$24.9 million invested in capital assets with an accumulated depreciation of \$10 million. Depreciation charges totaled \$757,395 for the year ended June 30, 2012. Details of capital assets are shown below:

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

|                                | <u>June 30, 2012</u> | <u>June 30, 2011</u> |
|--------------------------------|----------------------|----------------------|
| Land                           | \$ 177,005           | \$ 100,055           |
| Buildings and other structures | 22,727,530           | 22,239,815           |
| Furniture and equipment        | 2,039,181            | 2,158,515            |
| Accumulated depreciation       | <u>(10,188,642)</u>  | <u>(9,602,273)</u>   |
|                                | <u>\$ 14,755,074</u> | <u>\$ 14,896,112</u> |

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

## **DEBT**

At June 30, 2012, the College had \$12.8 million in debt outstanding, a decrease of \$2.1 million from 2011 due to the retirement of debt. The table below summarized these amounts by type.

### **Outstanding Debt**

|                       | <u>June 30, 2012</u> | <u>June 30, 2011</u> |
|-----------------------|----------------------|----------------------|
| Certificates payable  | \$ 8,550,000         | \$10,420,000         |
| Revenue bonds payable | <u>4,231,380</u>     | <u>4,543,130</u>     |
|                       | <u>\$12,781,380</u>  | <u>\$14,963,130</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 maintain 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, 2013 below the fiscal year 2009 level. The College has managed through these difficult times by controlling expenses and maintaining enrollment. Going forward, as the costs associated with providing quality services increases, the College will be continually challenged to maintain services and minimize 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, 2012

| ASSETS  |               |
|---|---------------|
| CURRENT ASSETS:   |               |
| Cash and deposits   | \$ 13,387,538 |
| Receivables:  |               |
| Accounts (less allowance of \$288,692)                              | 528,505       |
| Other governments (less allowance of \$0)                           | 116,408       |
| Property taxes:   |               |
| Succeeding year   | 2,123,295     |
| Inventories   | 782,586       |
| Receivable for cost of Iowa Industrial New<br>Jobs Training Program | 5,146,362     |
| Prepaid expenses and deferred charges                               | 288,075       |
| TOTAL CURRENT ASSETS  | \$ 22,372,769 |
| NONCURRENT ASSETS:  |               |
| Capital assets:   |               |
| Land  | \$ 177,005    |
| Buildings   | 21,637,702    |
| Other structures  | 1,089,828     |
| Furniture and equipment   | 2,039,181     |
| Accumulated depreciation  | (10,188,642)  |
| TOTAL NONCURRENT ASSETS   | \$ 14,755,074 |
| TOTAL ASSETS  | \$ 37,127,843 |

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

LIABILITIES

CURRENT LIABILITIES:

|                                     |                     |
|-------------------------------------|---------------------|
| Accounts payable                    | \$ 1,585,016        |
| Accrued salaries and benefits       | 439,356             |
| Early retirement payable            | -                   |
| Accrued interest                    | 42,119              |
| Deposits held in custody for others | 57,187              |
| Deferred revenues:                  |                     |
| Succeeding year property tax        | 2,123,295           |
| Other                               | 367,400             |
| Due to other governments            | 1,628,445           |
| Compensated absences                | 390,916             |
| Bonds payable                       | 363,427             |
| Certificates payable                | 1,815,000           |
| TOTAL CURRENT LIABILITIES           | <u>\$ 8,812,161</u> |

NONCURRENT LIABILITIES

|                              |                      |
|------------------------------|----------------------|
| Compensated absences         | \$ 94,471            |
| Bonds payable                | 3,867,953            |
| Certificates payable         | 6,735,000            |
| Net OPEB liability           | 408,158              |
| TOTAL NONCURRENT LIABILITIES | <u>\$ 11,105,582</u> |

|                   |                      |
|-------------------|----------------------|
| TOTAL LIABILITIES | <u>\$ 19,917,743</u> |
|-------------------|----------------------|

NET ASSETS

|   |                      |
|---|----------------------|
| Invested in capital assets, net of related debt | \$ 10,707,703        |
| Restricted:                                     |                      |
| Expendable:                                     |                      |
| Cash reserve                                    | 103,947              |
| Other   | 2,915,247            |
| Unrestricted:                                   |                      |
| Unrestricted                                    | 957,464              |
| Plant fund                                      | 704,356              |
| Auxiliary enterprises                           | 1,821,383            |
| TOTAL NET ASSETS                                | <u>\$ 17,210,100</u> |

|                                  |                      |
|----------------------------------|----------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 37,127,843</u> |
|----------------------------------|----------------------|

SOUTHWESTERN COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
Year Ended June 30, 2012

|  |                              |
|--|------------------------------|
| OPERATING REVENUES:  |                              |
| Tuition and fees, net of scholarship allowances of \$2,542,888               | \$ 2,776,892                 |
| Federal support  | 896,094                      |
| Iowa Industrial New Jobs Training Program                                    | 738,471                      |
| Auxiliary enterprises revenue, net of scholarship allowances<br>of \$368,233 | 7,282,915                    |
| Other  | 1,133,682                    |
| <b>TOTAL OPERATING REVENUES</b>  | <b><u>\$ 12,828,054</u></b>  |
| OPERATING EXPENSES:  |                              |
| Education and support:   |                              |
| Liberal arts and science   | \$ 2,857,559                 |
| Vocational technical   | 2,550,625                    |
| Adult education  | 1,027,187                    |
| Cooperative services   | 324,575                      |
| Administration   | 1,100,382                    |
| Student services   | 1,110,251                    |
| Learning resources   | 204,374                      |
| Physical plant   | 1,558,845                    |
| General institution  | 2,177,215                    |
| Auxiliary enterprises  | 7,734,308                    |
| Scholarships and grants  | 119,219                      |
| Depreciation   | 757,395                      |
| <b>TOTAL EXPENSES</b>  | <b><u>\$ 21,521,935</u></b>  |
| <b>OPERATING INCOME (LOSS)</b>   | <b><u>\$ (8,693,881)</u></b> |
| NONOPERATING REVENUES (EXPENSES):  |                              |
| State appropriations   | \$ 4,544,964                 |
| Pell grants  | 2,761,535                    |
| Property tax   | 2,070,457                    |
| Investment income  | 56,944                       |
| Interest on indebtedness   | (573,390)                    |
|  | <b><u>\$ 8,860,510</u></b>   |
| EXTRAORDINARY ITEM   |                              |
| Insurance recoveries   | \$ 1,752,791                 |
| Restoration costs  | (1,752,832)                  |
|  | <b><u>\$ (41)</u></b>        |
| <b>CHANGE IN NET ASSETS</b>  | <b>\$ 166,588</b>            |
| NET ASSETS, beginning of year  | <u>17,043,512</u>            |
| NET ASSETS, end of year  | <b><u>\$ 17,210,100</u></b>  |

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

SOUTHWESTERN COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2012

|  |                                    |
|--|------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                         |                                    |
| Tuition and fees   | \$ 5,480,468                       |
| Federal support  | 924,918                            |
| Iowa Industrial New Jobs Training Program                            | 839,713                            |
| Payments to employees for salaries and benefits                      | (9,861,376)                        |
| Payments to suppliers for goods and services                         | (5,794,284)                        |
| Scholarships   | (3,080,816)                        |
| Auxiliary enterprise receipts  | 2,723,987                          |
| Other receipts   | 2,984,556                          |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>                         | <b><u>\$ (5,782,834)</u></b>       |
| <br><b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>         |                                    |
| State appropriations   | \$ 4,612,804                       |
| Pell grants  | 2,761,535                          |
| Property tax   | 2,064,386                          |
| Federal direct lending receipts                                      | 5,205,249                          |
| Federal direct lending disbursements                                 | (5,270,579)                        |
| Miscellaneous agency fund receipts                                   | 114,875                            |
| Miscellaneous agency fund disbursements                              | (136,270)                          |
| <b>NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES</b>         | <b><u>\$ 9,352,000</u></b>         |
| <br><b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b> |                                    |
| Acquisition of capital assets  | \$ (670,012)                       |
| Principal paid on debt and leases                                    | (2,174,041)                        |
| Interest paid on debt and leases                                     | (587,156)                          |
| <b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>     | <b><u>\$ (3,431,209)</u></b>       |
| <br><b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                     |                                    |
| Interest on investments  | <u>\$ 57,379</u>                   |
| <b>NET INCREASE IN CASH</b>  | <b>\$ 195,336</b>                  |
| CASH, at beginning of year   | <u>13,192,202</u>                  |
| CASH, at end of year   | <b><u><u>\$ 13,387,538</u></u></b> |

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

SOUTHWESTERN COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
Year Ended June 30, 2012

|   |                |
|---|----------------|
| Used by operating activities:   |                |
| Operating loss  | \$ (8,693,881) |
| Adjustments to reconcile operating loss to net cash used by operating activities: |                |
| Depreciation  | \$ 757,395     |
| Provisions for doubtful accounts  | 59,028         |
| Changes in assets and liabilities:  |                |
| (Increase) decrease in accounts receivable  | 16,157         |
| (Increase) decrease in NJTP receivable  | 678,605        |
| (Increase) decrease in due from other governments                                 | 201,745        |
| (increase) decrease in inventories  | 310,328        |
| (Increase) decrease in prepaid expenses and deferred charges                      | (122,963)      |
| Increase (decrease) in accounts payable   | 1,343,198      |
| Increase (decrease) in salaries and benefits                                      | 75,389         |
| Increase (decrease) in early retirement payable                                   | (871)          |
| Increase (decrease) in due to other governments                                   | (583,434)      |
| Increase (decrease) in deferred revenues  | 120,488        |
| Increase (decrease) in compensated absences                                       | 48,495         |
| Increase (decrease) in accrued interest payable                                   | (6,179)        |
| Increase (decrease) in other postemployment benefits                              | 13,666         |
| TOTAL ADJUSTMENTS   | \$ 2,911,047   |
| NET CASH USED BY OPERATING ACTIVITIES   | \$ (5,782,834) |

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, 2012

|   | Foundation<br>Fiscal Year<br>End<br><u>March 31, 2012</u> |
|---|---|
| <b>ASSETS</b>                               |   |
| <b>CURRENT ASSETS:</b>                      |   |
| Cash and investments                        | \$ 2,462,491  |
| <b>TOTAL CURRENT ASSETS</b>                 | <u>\$ 2,462,491</u>                                       |
| <br><b>TOTAL ASSETS</b>                     | <br><u><u>\$ 2,462,491</u></u>                            |
| <br><b>NET ASSETS</b>                       |   |
| Restricted:                                 |   |
| Nonexpendable:                              |   |
| Scholarships and grants                     | \$ 1,331,721  |
| Expendable:                                 |   |
| Scholarships and grants                     | 555,786   |
| Unrestricted                                | 574,984   |
| <b>TOTAL NET ASSETS</b>                     | <u>\$ 2,462,491</u>                                       |
| <br><b>TOTAL LIABILITIES AND NET ASSETS</b> | <br><u><u>\$ 2,462,491</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, 2012

|   | Foundation<br>Fiscal Year<br>End<br>March 31, 2012 |
|---|--|
| OPERATING REVENUES:   |  |
| Contributions and pledges, net of<br>doubtful accounts of \$0             | \$ 368,450   |
| In-kind support   | 124,590  |
| TOTAL OPERATING REVENUES  | <u>\$ 493,040</u>                                  |
| OPERATING EXPENSES:   |  |
| Program expenses  | \$ -   |
| Management and general expenses   | 85,937   |
| Fund raising expenses   | 28,341   |
| TOTAL OPERATING EXPENSES  | <u>\$ 114,278</u>                                  |
| OPERATING INCOME  | <u>\$ 378,762</u>                                  |
| NONOPERATING REVENUES (EXPENSES):   |  |
| Addition to endowments  | \$ 75,797  |
| Investment income   | 70,136   |
| Scholarships and grants to Southwestern<br>Community College and students | (307,097)  |
| TOTAL NON-OPERATING REVENUES (EXPENSES)                                   | <u>\$ (161,164)</u>                                |
| CHANGE IN NET ASSETS  | \$ 217,598   |
| NET ASSETS, beginning of year   | <u>2,244,893</u>                                   |
| NET ASSETS, end of year   | <u><u>\$ 2,462,491</u></u>                         |

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

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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 unit. The component unit discussed below is included in the College's reporting entity because of the significance of its operational or financial relationships with the College. Certain disclosures about the component unit 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, 2012

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

**Discrete Component Unit**

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, 2012, 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.

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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

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.

**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.

SOUTHWESTERN COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

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

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, 2012 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

| <u>Assets</u>                    | <u>Amount</u> |
|----------------------------------|---------------|
| Land, buildings and improvements | \$ 25,000     |
| Equipment and vehicles           | 5,000         |

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

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, 2012.

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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

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

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

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

**Scholarship Allowances and Student Aid**

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

Note 2. Cash and Deposits (continued)

The College's cash and deposits (certificates of deposit) at June 30, 2012, 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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 2. Cash and Deposits (continued)

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, 2012 are as follows:

| <u>Type</u>                  | <u>Amount</u>     |
|------------------------------|-------------------|
| Supplies and materials       | \$ 281,170        |
| Livestock                    | 15,205            |
| Crops                        | 10,901            |
| Development/work in progress | <u>475,310</u>    |
| Total                        | <u>\$ 782,586</u> |

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2012 is as follows:

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 4. Capital Assets (continued)

|  | <u>Balance<br/>Beginning<br/>Of Year</u> | <u>Additions</u>  | <u>Deletions</u>  | <u>Balance<br/>End<br/>Of Year</u> |
|--|--|-------------------|-------------------|------------------------------------|
| Capital assets not being depreciated:      |  |                   |                   |                                    |
| Land                                       | \$ 100,055                               | \$ 76,950         | \$ ---            | \$ 177,005                         |
| Total capital assets not being depreciated | <u>\$ 100,055</u>                        | <u>\$ 76,950</u>  | <u>\$ ---</u>     | <u>\$ 177,005</u>                  |
| Capital assets being depreciated:          |  |                   |                   |                                    |
| Buildings                                  | \$21,211,391                             | \$ 426,311        | \$ ---            | \$ 21,637,702                      |
| Other structures and Improvements          | 1,028,424                                | 61,404            | ---               | 1,089,828                          |
| Furniture, equipment and Vehicles          | <u>2,158,515</u>                         | <u>51,692</u>     | <u>171,026</u>    | <u>2,039,181</u>                   |
| Total capital assets being Depreciated     | <u>\$24,398,330</u>                      | <u>\$ 539,407</u> | <u>\$ 171,026</u> | <u>\$ 24,766,711</u>               |
| Less accumulated depreciation for:         |  |                   |                   |                                    |
| Buildings                                  | \$ 7,484,754                             | \$ 572,874        | \$ ---            | \$ 8,057,628                       |
| Other structures and Improvements          | 651,086                                  | 48,705            | ---               | 699,791                            |
| Furniture, equipment and Vehicles          | <u>1,466,433</u>                         | <u>135,816</u>    | <u>171,026</u>    | <u>1,431,223</u>                   |
| Total accumulated depreciation             | <u>\$ 9,602,273</u>                      | <u>\$ 757,395</u> | <u>\$ 171,206</u> | <u>\$ 10,188,642</u>               |
| Total capital assets being Depreciated     | <u>\$14,796,057</u>                      | <u>\$ 217,988</u> | <u>\$ ---</u>     | <u>\$ 14,578,069</u>               |
| Capital assets, net                        | <u>\$14,896,112</u>                      | <u>\$ 141,038</u> | <u>\$ 171,206</u> | <u>\$ 14,755,074</u>               |

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 5. Revenue Bonds Payable

A summary of changes in revenue bonds payable for the year ended June 30, 2012 is as follows:

|                           |                     |
|---------------------------|---------------------|
| Balance beginning of year | \$ 4,543,130        |
| Additions                 | ---                 |
| Reductions                | <u>(311,750)</u>    |
| Balance end of year       | <u>\$ 4,231,380</u> |
| <br>                      |                     |
| Due within one year       | <u>\$ 363,427</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, 2012 bonded indebtedness are as follows:

| Year Ended<br><u>June 30,</u> | Bond Issue of June 1, 2006 |                  |                  |                  |
|-------------------------------|----------------------------|------------------|------------------|------------------|
|                               | Interest<br><u>Rates</u>   | <u>Principal</u> | <u>Interest</u>  | <u>Total</u>     |
| 2013                          | 4.45                       | \$ 25,000        | \$ 22,080        | \$ 47,080        |
| 2014                          | 4.50                       | 25,000           | 20,968           | 45,968           |
| 2015                          | 4.55                       | 25,000           | 19,843           | 44,843           |
| 2016                          | 4.60                       | 25,000           | 18,705           | 43,705           |
| 2017                          | 4.70                       | 30,000           | 17,555           | 47,555           |
| 2018- 2021                    | 4.8-5.0                    | <u>325,000</u>   | <u>55,835</u>    | <u>380,835</u>   |
| Total                         |                            | <u>\$455,000</u> | <u>\$154,986</u> | <u>\$609,986</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, 2012 bonded indebtedness are as follows:

| Year Ended<br><u>June 30,</u> | Bond Issue of August 8, 2006 |                   |                 |                   |
|-------------------------------|------------------------------|-------------------|-----------------|-------------------|
|                               | Interest<br><u>Rates</u>     | <u>Principal</u>  | <u>Interest</u> | <u>Total</u>      |
| 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>\$ 583,625</u> | <u>\$ ---</u>   | <u>\$ 583,625</u> |

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 5. Revenue Bonds Payable (continued)

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, 2012 bonded indebtedness are as follows:

| Year Ended June 30, | Bond Issue of February 26, 2010 |                   |               |                   |
|---------------------|---------------------------------|-------------------|---------------|-------------------|
|                     | Interest Rates                  | Principal         | Interest      | Total             |
| 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                | 0                               | 92,508            | ---           | 92,508            |
| 2018-2020           | 0                               | <u>231,206</u>    | <u>---</u>    | <u>231,206</u>    |
| Total               |                                 | <u>\$ 693,746</u> | <u>\$ ---</u> | <u>\$ 693,746</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, 2012 bonded indebtedness are as follows:

| Year Ended June 30, | Bond Issue of August 1, 2006 |                  |                  |                  |
|---------------------|------------------------------|------------------|------------------|------------------|
|                     | Interest Rates               | Principal        | Interest         | Total            |
| 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                | 4.00                         | 7,380            | 1,496            | 8,876            |
| 2018-2022           | 4.00                         | <u>33,389</u>    | <u>2,856</u>     | <u>36,245</u>    |
| Total               |                              | <u>\$ 67,510</u> | <u>\$ 13,116</u> | <u>\$ 80,626</u> |

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 5. 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, 2012 bonded indebtedness are as follows:

| Year Ended June 30, | Bond Issue of June 8, 2010 |                  |                 |                  |
|---------------------|----------------------------|------------------|-----------------|------------------|
|                     | Interest Rates             | Principal        | Interest        | Total            |
| 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                | 4.00                       | 5,294            | 3,796           | 9,090            |
| 2018-2022           | 4.00                       | 29,882           | 15,566          | 45,448           |
| 2023-2027           | 4.00                       | 36,487           | 8,961           | 45,448           |
| 2028-2031           | 4.00                       | 25,655           | 1,613           | 27,268           |
| Total               |                            | <u>\$116,499</u> | <u>\$47,113</u> | <u>\$163,612</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, 2012 bonded indebtedness are as follows:

| Year Ended June 30, | Bond Issue of January 1, 2010 |                    |                    |                    |
|---------------------|-------------------------------|--------------------|--------------------|--------------------|
|                     | Interest Rates                | Principal          | Interest           | Total              |
| 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                | 4.25                          | 110,000            | 94,838             | 204,838            |
| 2018-2022           | 4.25-5.00                     | 630,000            | 396,963            | 1,026,963          |
| 2023-2027           | 5.00-5.25                     | 795,000            | 225,163            | 1,020,163          |
| 2028-2029           | 5.25                          | 370,000            | 29,400             | 399,400            |
| Total               |                               | <u>\$2,315,000</u> | <u>\$1,166,062</u> | <u>\$3,481,062</u> |

SOUTHWESTERN COMMUNITY COLLEGE  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2012

Note 6. New Jobs Training Program Certificates

A summary of changes in certificates payable for the year ended June 30, 2012 is as follows:

|                           |                     |
|---------------------------|---------------------|
| Balance beginning of year | \$10,420,000        |
| Additions                 | ---                 |
| Reductions                | <u>(1,870,000)</u>  |
| Balance end of year       | <u>\$ 8,550,000</u> |
| <br>                      |                     |
| Due within one year       | <u>\$ 1,815,000</u> |

Pursuant to agreements dated between November 1983 and June 2012, the College issued certificates with current outstanding balances totaling \$8,550,000, with interest rates ranging from 1.777% 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, 2012, were \$1,870,000 of certificates retired and \$0 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:

| Year ending<br><u>June 30:</u> | <u>Interest<br/>Rates</u> | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u>        |
|--------------------------------|---------------------------|---------------------|--------------------|---------------------|
| 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                           | 3.462-5.50%               | 1,390,000           | 127,017            | 1,517,017           |
| 2018-2020                      | 3.910-5.40%               | <u>1,415,000</u>    | <u>116,308</u>     | <u>1,531,308</u>    |
|                                |                           | <u>\$ 8,550,000</u> | <u>\$1,346,109</u> | <u>\$ 9,896,109</u> |

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

Note 7. Operating Lease

The College has leased various units of equipment for use of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire in 2013 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require a payment of normal maintenance and insurance on the properties. In most cases, management expects the leases will be renewed or replaced by other leases. The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2012:

| <u>Year Ending</u><br><u>June 30,</u> | <u>Amount</u>   |
|---------------------------------------|-----------------|
| 2013                                  | <u>\$40,011</u> |
| Total                                 | <u>\$40,011</u> |

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 5.38% of their annual covered salary and the College is required to contribute 8.07% of annual payroll. Contribution requirements are established by State Statute. The College's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$257,170, \$222,225 and \$203,942 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 5.38% and the College is required to contribute 8.07%. The College's and employee's required and actual contributions to TIAA-CREF for the year ended June 30, 2012, were \$158,782 and \$238,173 respectively.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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 69 projects, with 5 currently receiving project funding. The remaining 64 projects have either completed their debt service or had their debt forgiven by the State. The College is not carrying a liability relating to these projects.

Note 10. 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, 2012. 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, 2012 totaled \$63,672.

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, 2012.

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.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

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.

The following table shows the components of the College’s annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the College’s net OPEB obligation:

|  |                   |
|--|-------------------|
| Annual required contribution               | \$ 251,647        |
| Interest on net OPEB obligation            | ---               |
| Adjustment to annual required contribution | ---               |
| Annual OPEB cost                           | \$ 251,647        |
| Contributions made                         | <u>(237,981)</u>  |
| Increase in net OPEB obligation            | \$ 13,666         |
| Net OPEB obligation beginning of year      | <u>394,492</u>    |
| <br>                                       |                   |
| Net OPEB obligation end of year            | <u>\$ 408,158</u> |

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, 2012.

For the year ended June 30, 2012, the College contributed \$237,981 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, 2012, 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, 2012     | \$251,647               | 50.0%   | \$408,158                  |

SOUTHWESTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2012

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

Funded Status and Funding Progress – As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$2.020 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.020 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,800,000 and the ratio of the UAAL to covered payroll was 41.8%. As of June 30, 2012, there were no trust fund assets

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, 2011 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, 2009 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2009.

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 3% 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, 2012

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. Impairment of Capital Assets

A capital asset is considered impaired when its service has declined significantly and unexpectedly. The College has evaluated events or changes in circumstances that may have affected the College's assets and has determined that impairment of capital assets did occur. In April 2012 several structures, including student housing, were damaged by a tornado and were not in a usable condition. The repairs of the damaged structures and College grounds were completed over the summer of 2012. As of June 30, 2012, repairs were started, however the structures were not in a usable condition and still impaired for their intended uses. The structures were restored to their original condition prior to the damage incurred from the tornado and the cost of the restoration was covered by insurance. The restoration costs and insurance recovery amounts as of June 30, 2012, are reported in the current financial statements.

Note 14. Subsequent Event

In October 2013, the College Board awarded a contract for Phase I improvements to the Instructional Center in the amount of \$388,300.

Management has evaluated subsequent events through January 11, 2013, 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, 2012

REQUIRED SUPPLEMENTARY INFORMATION

| <u>Funds/Levy</u>     | <u>Original<br/>Budget</u> | <u>Actual</u>        | <u>Variance<br/>Actual/<br/>Original<br/>Budget</u> |
|-----------------------|----------------------------|----------------------|---|
| Unrestricted          | \$ 13,555,000              | \$ 11,120,479        | \$ 2,434,521  |
| Restricted            | \$ 8,436,275               | \$ 1,826,686         | \$ 6,609,589  |
| Unemployment          | 20,000                     | 6,496                | 13,504  |
| Insurance and tort    | 273,725                    | 315,099              | (41,374)  |
| Equipment replacement | 220,000                    | 201,021              | 18,979  |
| Total restricted      | <u>\$ 8,950,000</u>        | <u>\$ 2,349,302</u>  | <u>\$ 6,600,698</u>                                 |
| Plant                 | \$ 5,920,000               | \$ 874,460           | \$ 5,045,540  |
| Bonds and interest    | -                          | -                    | -   |
|                       | <u>\$ 5,920,000</u>        | <u>\$ 874,460</u>    | <u>\$ 5,045,540</u>                                 |
| Grand total           | <u>\$ 28,425,000</u>       | <u>\$ 14,344,241</u> | <u>\$ 14,080,759</u>                                |

See accompanying independent auditor's report.

SOUTHWESTERN COMMUNITY COLLEGE  
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION –  
BUDGETARY REPORTING  
June 30, 2012

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, 2012

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, 2012

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, 2012

Schedule 1

|   | Current Funds       |                      |
|---|---------------------|----------------------|
|   | Unrestricted        | Restricted           |
| <b>ASSETS</b>   |                     |                      |
| Cash and deposits   | \$ 2,536,219        | \$ 10,089,426        |
| Receivables:  |                     |                      |
| Accounts (less allowance of \$288,692)                              | 528,505             | -                    |
| Other governments (less allowance of \$0)                           | -                   | 83,740               |
| Property taxes  | 541,357             | 1,040,581            |
| Inventories   | 782,586             | -                    |
| Receivable for cost of Iowa Industrial<br>New Jobs Training Program | -                   | 5,146,362            |
| Prepaid expenses and deferred charges                               | 239,728             | 48,347               |
| Capital assets:   |                     |                      |
| Land  | -                   | -                    |
| Buildings   | -                   | -                    |
| Other structures  | -                   | -                    |
| Furniture and equipment   | -                   | -                    |
| Accumulated depreciation  | -                   | -                    |
| <b>Total assets</b>   | <b>\$ 4,628,395</b> | <b>\$ 16,408,456</b> |
| <b>LIABILITIES AND FUND BALANCES</b>                                |                     |                      |
| Liabilities:  |                     |                      |
| Accounts payable  | \$ 160,008          | \$ 1,415,584         |
| Accrued salaries and benefits                                       | 425,300             | 14,056               |
| Early retirement payable  | -                   | -                    |
| Accrued interest  | -                   | 31,159               |
| Deposits held in custody for others                                 | 25,200              | -                    |
| Deferred revenues   | 56,485              | 273,081              |
| Deferred property tax revenue                                       | 541,357             | 1,040,581            |
| Due to other governments  | -                   | 1,628,445            |
| Compensated absences  | 457,189             | 28,198               |
| Bonds payable   | 184,009             | -                    |
| Certificates payable  | -                   | 8,550,000            |
| Net OPEB liability  | -                   | -                    |
| <b>Total liabilities</b>  | <b>\$ 1,849,548</b> | <b>\$ 12,981,104</b> |

See accompanying independent auditor's report.

| Unexpended          | Plant funds                |                      | Agency Funds     | Adjustments            | Total                |
|---------------------|----------------------------|----------------------|------------------|------------------------|----------------------|
|                     | Retirement of Indebtedness | Investment In Plant  |                  |                        |                      |
| \$ 691,954          | \$ -                       | \$ -                 | \$ 69,939        | \$ -                   | \$ 13,387,538        |
| -                   | -                          | -                    | -                | -                      | 528,505              |
| 32,653              | -                          | -                    | 15               | -                      | 116,408              |
| 541,357             | -                          | -                    | -                | -                      | 2,123,295            |
| -                   | -                          | -                    | -                | -                      | 782,586              |
| -                   | -                          | -                    | -                | -                      | 5,146,362            |
| -                   | -                          | -                    | -                | -                      | 288,075              |
| -                   | -                          | 177,005              | -                | -                      | 177,005              |
| -                   | -                          | 21,637,702           | -                | -                      | 21,637,702           |
| -                   | -                          | 1,089,828            | -                | -                      | 1,089,828            |
| -                   | -                          | 2,039,181            | -                | -                      | 2,039,181            |
| -                   | -                          | -                    | -                | (10,188,642)           | (10,188,642)         |
| <u>\$ 1,265,964</u> | <u>\$ -</u>                | <u>\$ 24,943,716</u> | <u>\$ 69,954</u> | <u>\$ (10,188,642)</u> | <u>\$ 37,127,843</u> |
| \$ 9,291            | \$ -                       | \$ -                 | \$ 133           | \$ -                   | \$ 1,585,016         |
| -                   | -                          | -                    | -                | -                      | 439,356              |
| -                   | -                          | -                    | -                | -                      | -                    |
| 10,960              | -                          | -                    | -                | -                      | 42,119               |
| -                   | -                          | -                    | 31,987           | -                      | 57,187               |
| -                   | -                          | -                    | 37,834           | -                      | 367,400              |
| 541,357             | -                          | -                    | -                | -                      | 2,123,295            |
| -                   | -                          | -                    | -                | -                      | 1,628,445            |
| -                   | -                          | -                    | -                | -                      | 485,387              |
| -                   | -                          | 4,047,371            | -                | -                      | 4,231,380            |
| -                   | -                          | -                    | -                | -                      | 8,550,000            |
| -                   | -                          | -                    | -                | 408,158                | 408,158              |
| <u>\$ 561,608</u>   | <u>\$ -</u>                | <u>\$ 4,047,371</u>  | <u>\$ 69,954</u> | <u>\$ 408,158</u>      | <u>\$ 19,917,743</u> |

SOUTHWESTERN COMMUNITY COLLEGE  
BALANCE SHEET  
June 30, 2012

Schedule 1  
(continued)

|   | Current Funds |               |
|---|---------------|---------------|
|   | Unrestricted  | Restricted    |
| Fund balances:                                  |               |               |
| Invested in capital assets, net of related debt |               |               |
| Restricted:                                     | \$ -          | \$ -          |
| Expendable:                                     |               |               |
| Cash reserve                                    | -             | 103,947       |
| Other   | -             | 3,323,405     |
| Unrestricted                                    | 957,464       | -             |
| Auxiliary enterprises                           | 1,821,383     | -             |
| Total fund balances                             | \$ 2,778,847  | \$ 3,427,352  |
| Total liabilities and fund balances             | \$ 4,628,395  | \$ 16,408,456 |

See accompanying independent auditor's report.

| <u>Unexpended</u>          | <u>Plant funds</u>                    |                                | <u>Agency<br/>Funds</u> | <u>Adjustments</u>            | <u>Total</u>                |
|----------------------------|---------------------------------------|--------------------------------|-------------------------|-------------------------------|-----------------------------|
|                            | <u>Retirement of<br/>Indebtedness</u> | <u>Investment<br/>In Plant</u> |                         |                               |                             |
| \$ -                       | \$ -                                  | \$ 20,896,345                  | \$ -                    | \$ (10,188,642)               | \$ 10,707,703               |
| -                          | -                                     | -                              | -                       | -                             | 103,947                     |
| -                          | -                                     | -                              | -                       | (408,158)                     | 2,915,247                   |
| 704,356                    | -                                     | -                              | -                       | -                             | 1,661,820                   |
| -                          | -                                     | -                              | -                       | -                             | 1,821,383                   |
| <u>\$ 704,356</u>          | <u>\$ -</u>                           | <u>\$ 20,896,345</u>           | <u>\$ -</u>             | <u>\$ (10,596,800)</u>        | <u>\$ 17,210,100</u>        |
| <u><u>\$ 1,265,964</u></u> | <u><u>\$ -</u></u>                    | <u><u>\$ 24,943,716</u></u>    | <u><u>\$ 69,954</u></u> | <u><u>\$ (10,188,642)</u></u> | <u><u>\$ 37,127,843</u></u> |

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2012

Schedule 2

|   | Current Funds        |                     |
|---|----------------------|---------------------|
|   | Unrestricted         | Restricted          |
| <b>REVENUES:</b>  |                      |                     |
| General:  |                      |                     |
| Tuition and fees  | \$ 5,438,166         | \$ 1,314            |
| Local support   | 526,790              | 1,016,877           |
| State support   | 3,986,666            | 360,317             |
| Federal support   | 243,166              | 3,414,463           |
| Sales and services  | 17,318               | -                   |
| Interest income   | 56,167               | 777                 |
| Iowa Industrial New Jobs<br>Training Program              | -                    | 738,471             |
| Increase in plant investment<br>due to plant expenditures | -                    | -                   |
| Increase in plant investment<br>due to retirement of debt | -                    | -                   |
| Other   | 629,060              | 488,191             |
|   | \$ 10,897,333        | \$ 6,020,410        |
| Auxiliary enterprises:                                    |                      |                     |
| Student fees  | \$ -                 | \$ -                |
| State support   | 5,413                | -                   |
| Federal support   | 5,205,249            | -                   |
| Sales and services  | 2,011,000            | -                   |
| Other   | 696,095              | -                   |
|   | \$ 7,917,757         | \$ -                |
| <b>TOTAL REVENUES</b>                                     | <b>\$ 18,815,090</b> | <b>\$ 6,020,410</b> |
| <b>EXPENDITURES:</b>                                      |                      |                     |
| Education and support:                                    |                      |                     |
| Liberal arts and sciences                                 | \$ 2,902,902         | \$ -                |
| Vocational technical                                      | 2,576,356            | 62,613              |
| Adult education   | 698,759              | 365,496             |
| Cooperative services                                      | -                    | 324,789             |
| Administration  | 879,830              | 291,663             |
| Student services  | 1,159,183            | -                   |
| Learning resources  | 204,097              | -                   |
| Physical plant  | 1,518,417            | 201,280             |
| General institution                                       | 1,180,935            | 1,103,461           |
| Total education and support                               | \$ 11,120,479        | \$ 2,349,302        |

See accompanying independent auditor's report.

| Unexpended        | Plant funds                   |                        | Adjustments           | Total                |
|-------------------|-------------------------------|------------------------|-----------------------|----------------------|
|                   | Retirement of<br>Indebtedness | Investment<br>In Plant |                       |                      |
| \$ -              | \$ -                          | \$ -                   | \$ (2,662,588)        | \$ 2,776,892         |
| 90,659            | 436,131                       | -                      | -                     | 2,070,457            |
| 197,981           | -                             | -                      | -                     | 4,544,964            |
| -                 | -                             | -                      | -                     | 3,657,629            |
| -                 | -                             | -                      | -                     | 17,318               |
| -                 | -                             | -                      | -                     | 56,944               |
| -                 | -                             | -                      | -                     | 738,471              |
| -                 | -                             | 616,356                | (616,356)             | -                    |
| -                 | -                             | 301,371                | (301,371)             | -                    |
| 4,425             | -                             | -                      | (5,312)               | 1,116,364            |
| <u>\$ 293,065</u> | <u>\$ 436,131</u>             | <u>\$ 917,727</u>      | <u>\$ (3,585,627)</u> | <u>\$ 14,979,039</u> |
| \$ -              | \$ -                          | \$ -                   | \$ -                  | \$ -                 |
| -                 | -                             | -                      | -                     | 5,413                |
| -                 | -                             | -                      | -                     | 5,205,249            |
| -                 | -                             | -                      | (341,398)             | 1,669,602            |
| -                 | -                             | -                      | (293,444)             | 402,651              |
| <u>\$ -</u>       | <u>\$ -</u>                   | <u>\$ -</u>            | <u>\$ (634,842)</u>   | <u>\$ 7,282,915</u>  |
| <u>\$ 293,065</u> | <u>\$ 436,131</u>             | <u>\$ 917,727</u>      | <u>\$ (4,220,469)</u> | <u>\$ 22,261,954</u> |
| \$ -              | \$ -                          | \$ -                   | \$ (45,343)           | \$ 2,857,559         |
| -                 | -                             | -                      | (88,344)              | 2,550,625            |
| -                 | -                             | -                      | (37,068)              | 1,027,187            |
| -                 | -                             | -                      | (214)                 | 324,575              |
| -                 | -                             | -                      | (71,111)              | 1,100,382            |
| -                 | -                             | -                      | (48,932)              | 1,110,251            |
| -                 | -                             | -                      | 277                   | 204,374              |
| 117,050           | -                             | -                      | (277,902)             | 1,558,845            |
| -                 | -                             | -                      | (107,181)             | 2,177,215            |
| <u>\$ 117,050</u> | <u>\$ -</u>                   | <u>\$ -</u>            | <u>\$ (675,818)</u>   | <u>\$ 12,911,013</u> |

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
Year Ended June 30, 2012

Schedule 2  
(continued)

|  | Current Funds        |                     |
|--|----------------------|---------------------|
|  | Unrestricted         | Restricted          |
| Auxiliary enterprises  | 7,756,883            | -                   |
| Scholarships and grants  | 97,103               | 2,907,877           |
| Retirement of indebtedness   | -                    | -                   |
| Interest on indebtedness   | -                    | 438,630             |
| Plant asset acquisitions   | -                    | -                   |
| Proceeds from sale of bonds  | -                    | -                   |
| Disposal of plant assets   | -                    | -                   |
| Depreciation   | -                    | -                   |
| <b>TOTAL EXPENDITURES</b>  | <b>\$ 18,974,465</b> | <b>\$ 5,695,809</b> |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <b>\$ (159,375)</b>  | <b>\$ 324,601</b>   |
| <b>EXTRAORDINARY ITEM</b>  |                      |                     |
| Insurance recoveries   | \$ -                 | \$ 1,752,791        |
| Restoration costs  | -                    | (1,752,832)         |
|  | <b>\$ -</b>          | <b>\$ (41)</b>      |
| <b>NET</b>   | <b>\$ (159,375)</b>  | <b>\$ 324,560</b>   |
| <b>TRANSFERS</b>   | <b>226,014</b>       | <b>(644,820)</b>    |
| <b>NET</b>   | <b>\$ 66,639</b>     | <b>\$ (320,260)</b> |
| <b>FUND BALANCE, beginning of year</b>                               | <b>2,712,208</b>     | <b>3,747,612</b>    |
| <b>FUND BALANCE, end of year</b>                                     | <b>\$ 2,778,847</b>  | <b>\$ 3,427,352</b> |

See accompanying independent auditor's report.

| Plant funds         |                               |                        |                        |                      |
|---------------------|-------------------------------|------------------------|------------------------|----------------------|
| Unexpended          | Retirement of<br>Indebtedness | Investment<br>In Plant | Adjustments            | Total                |
| -                   | -                             | -                      | (22,575)               | 7,734,308            |
| -                   | -                             | -                      | (2,885,761)            | 119,219              |
| -                   | 301,371                       | -                      | (301,371)              | -                    |
| -                   | 134,760                       | -                      | -                      | 573,390              |
| 321,279             | -                             | -                      | (321,279)              | -                    |
| -                   | -                             | -                      | -                      | -                    |
| -                   | -                             | 171,025                | (171,025)              | -                    |
| -                   | -                             | -                      | 757,395                | 757,395              |
| <u>\$ 438,329</u>   | <u>\$ 436,131</u>             | <u>\$ 171,025</u>      | <u>\$ (3,620,434)</u>  | <u>\$ 22,095,325</u> |
| <u>\$ (145,264)</u> | <u>\$ -</u>                   | <u>\$ 746,702</u>      | <u>\$ (600,035)</u>    | <u>\$ 166,629</u>    |
| \$ -                | \$ -                          | \$ -                   | \$ -                   | \$ 1,752,791         |
| -                   | -                             | -                      | -                      | (1,752,832)          |
| <u>\$ -</u>         | <u>\$ -</u>                   | <u>\$ -</u>            | <u>\$ -</u>            | <u>\$ (41)</u>       |
| \$ (145,264)        | \$ -                          | \$ 746,702             | \$ (600,035)           | \$ 166,588           |
| 418,806             | -                             | -                      | -                      | -                    |
| \$ 273,542          | \$ -                          | \$ 746,702             | \$ (600,035)           | \$ 166,588           |
| 430,814             | -                             | 20,149,643             | (9,996,765)            | 17,043,512           |
| <u>\$ 704,356</u>   | <u>\$ -</u>                   | <u>\$ 20,896,345</u>   | <u>\$ (10,596,800)</u> | <u>\$ 17,210,100</u> |

SOUTHWESTERN COMMUNITY COLLEGE  
UNRESTRICTED FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
EDUCATION AND SUPPORT  
Year Ended June 30, 2012

Schedule 3

|   | Education                      |                            |                            |
|---|--------------------------------|----------------------------|----------------------------|
|   | Liberal<br>Arts and<br>Science | Vocational<br>Technical    | Adult<br>Education         |
| <b>REVENUES AND OTHER ADDITIONS:</b>                  |                                |                            |                            |
| Tuition and fees                                      | \$ 3,615,147                   | \$ 1,529,057               | \$ 291,062                 |
| Local support   | -                              | -                          | -                          |
| State support   | 1,897,075                      | 1,290,901                  | 798,690                    |
| Federal support                                       | -                              | 112,548                    | 89,393                     |
| Sales and services                                    | -                              | 1,017                      | -                          |
| Interest income                                       | -                              | -                          | -                          |
| Other   | 170,501                        | 66,866                     | 150,302                    |
|   | <u>\$ 5,682,723</u>            | <u>\$ 3,000,389</u>        | <u>\$ 1,329,447</u>        |
| Allocation of support services<br>revenues (1)        | 434,253                        | 302,536                    | 147,985                    |
| <b>TOTAL REVENUE AND OTHER ADDITIONS</b>              | <u><u>\$ 6,116,976</u></u>     | <u><u>\$ 3,302,925</u></u> | <u><u>\$ 1,477,432</u></u> |
| <b>EXPENDITURES:</b>                                  |                                |                            |                            |
| Salaries and benefits                                 | \$ 2,644,501                   | \$ 2,192,323               | \$ 536,428                 |
| Services  | 112,910                        | 150,215                    | 84,482                     |
| Materials and supplies                                | 61,882                         | 195,210                    | 51,925                     |
| Travel  | 10,259                         | 38,608                     | 10,345                     |
| Expended for plant assets                             | -                              | -                          | -                          |
| Purchases for resale                                  | -                              | -                          | 15,579                     |
| Scholarships and grants                               | -                              | -                          | -                          |
| Other   | 73,350                         | -                          | -                          |
|   | <u>\$ 2,902,902</u>            | <u>\$ 2,576,356</u>        | <u>\$ 698,759</u>          |
| Allocation of support services<br>expenditures (1)    | 2,473,449                      | 1,723,210                  | 842,906                    |
| <b>TOTAL EXPENDITURES &amp; OTHER DEDUCTIONS</b>      | <u><u>\$ 5,376,351</u></u>     | <u><u>\$ 4,299,566</u></u> | <u><u>\$ 1,541,665</u></u> |
| <b>TRANSFERS AMONG FUNDS - additions (deductions)</b> |                                |                            |                            |
| <b>NET INCREASE</b>                                   |                                |                            |                            |
| <b>FUND BALANCES, at beginning of year</b>            |                                |                            |                            |
| <b>FUND BALANCES, at end of year</b>                  |                                |                            |                            |

(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<br>Services | General<br>Administration | Student<br>Services | Learning<br>Resources | Physical<br>Plant | General<br>Institution | Education<br>and Support<br>Total |
|-------------------------|---------------------------|---------------------|-----------------------|-------------------|------------------------|-----------------------------------|
| \$ -                    | \$ 2,440                  | \$ 460              | \$ -                  | \$ -              | \$ -                   | \$ 5,438,166                      |
| -                       | 526,790                   | -                   | -                     | -                 | -                      | 526,790                           |
| -                       | -                         | -                   | -                     | -                 | -                      | 3,986,666                         |
| -                       | -                         | 41,225              | -                     | -                 | -                      | 243,166                           |
| -                       | -                         | 622                 | -                     | 15,679            | -                      | 17,318                            |
| -                       | 56,167                    | -                   | -                     | -                 | -                      | 56,167                            |
| -                       | 38,799                    | 16,507              | -                     | 1,730             | 184,355                | 629,060                           |
| \$ -                    | \$ 624,196                | \$ 58,814           | \$ -                  | \$ 17,409         | \$ 184,355             | \$ 10,897,333                     |
| -                       | (624,196)                 | (58,814)            | -                     | (17,409)          | (184,355)              | -                                 |
| \$ -                    | \$ -                      | \$ -                | \$ -                  | \$ -              | \$ -                   | \$ 10,897,333                     |
| \$ -                    | \$ 646,100                | \$ 942,127          | \$ 124,595            | \$ 796,238        | \$ 628,568             | \$ 8,510,880                      |
| -                       | 146,493                   | 124,638             | 50,483                | 635,371           | 386,880                | 1,691,472                         |
| -                       | 13,884                    | 69,125              | 29,019                | 83,904            | 119,037                | 623,986                           |
| -                       | 7,304                     | 23,293              | -                     | 2,904             | 18,574                 | 111,287                           |
| -                       | -                         | -                   | -                     | -                 | 10,146                 | 10,146                            |
| -                       | -                         | -                   | -                     | -                 | -                      | 15,579                            |
| -                       | -                         | -                   | -                     | -                 | 97,103                 | 97,103                            |
| -                       | 66,049                    | -                   | -                     | -                 | 17,730                 | 157,129                           |
| \$ -                    | \$ 879,830                | \$ 1,159,183        | \$ 204,097            | \$ 1,518,417      | \$ 1,278,038           | \$ 11,217,582                     |
| -                       | (879,830)                 | (1,159,183)         | (204,097)             | (1,518,417)       | (1,278,038)            | -                                 |
| \$ -                    | \$ -                      | \$ -                | \$ -                  | \$ -              | \$ -                   | \$ 11,217,582                     |
|                         |                           |                     |                       |                   |                        | 347,897                           |
|                         |                           |                     |                       |                   |                        | \$ 27,648                         |
|                         |                           |                     |                       |                   |                        | 929,816                           |
|                         |                           |                     |                       |                   |                        | \$ 957,464                        |

SOUTHWESTERN COMMUNITY COLLEGE  
UNRESTRICTED FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
AUXILIARY ENTERPRISES  
Year Ended June 30, 2012

Schedule 4

|  | Financial<br>Aid | Bookstore    |
|--|------------------|--------------|
| REVENUES:  |                  |              |
| Student fees   | \$ -             | \$ -         |
| State support  | -                | -            |
| Federal support  | 5,205,249        | -            |
| Sales and services   | -                | 1,007,492    |
| Other income   | 65,330           | 3,241        |
| TOTAL REVENUES   | \$ 5,270,579     | \$ 1,010,733 |
| EXPENDITURES:  |                  |              |
| Salaries and benefits  | \$ -             | \$ 90,901    |
| Services   | -                | 10,027       |
| Materials and supplies                                       | -                | 2,448        |
| Travel   | -                | 276          |
| Expended for plant assets                                    | -                | -            |
| Purchases for resale   | -                | 707,346      |
| Other  | 5,270,579        | 111,769      |
| TOTAL EXPENDITURES   | \$ 5,270,579     | \$ 922,767   |
| EXCESS (DEFICIENCY) OF REVENUES<br>OVER (UNDER) EXPENDITURES | \$ -             | \$ 87,966    |
| TRANSFERS  | -                | -            |
| NET INCREASE (DECREASE)                                      | \$ -             | \$ 87,966    |
| FUND BALANCE, at beginning of year                           | -                | 507,289      |
| FUND BALANCES, at end of year                                | \$ -             | \$ 595,255   |

See accompanying independent auditors' report.

| <u>Interdepartment<br/>Charges</u> | <u>Housing</u>    | <u>Other</u>        | <u>Total</u>        |
|------------------------------------|-------------------|---------------------|---------------------|
| \$ -                               | \$ -              | \$ -                | \$ -                |
| -                                  | -                 | 5,413               | 5,413               |
| -                                  | -                 | -                   | 5,205,249           |
| -                                  | 916,782           | 86,726              | 2,011,000           |
| <u>297,672</u>                     | <u>22,036</u>     | <u>307,816</u>      | <u>696,095</u>      |
| <u>\$ 297,672</u>                  | <u>\$ 938,818</u> | <u>\$ 399,955</u>   | <u>\$ 7,917,757</u> |
| \$ 119,698                         | \$ 95,214         | \$ 45,587           | \$ 351,400          |
| 131,229                            | 46,221            | 698,386             | 885,863             |
| 46,737                             | 9,286             | 189,163             | 247,634             |
| 4,179                              | 4                 | 51,774              | 56,233              |
| 24,700                             | -                 | 20,549              | 45,249              |
| 9,339                              | -                 | 45,180              | 761,865             |
| -                                  | 17,966            | 8,325               | 5,408,639           |
| <u>\$ 335,882</u>                  | <u>\$ 168,691</u> | <u>\$ 1,058,964</u> | <u>\$ 7,756,883</u> |
| \$ (38,210)                        | \$ 770,127        | \$ (659,009)        | \$ 160,874          |
| <u>54,888</u>                      | <u>(805,742)</u>  | <u>628,971</u>      | <u>(121,883)</u>    |
| \$ 16,678                          | \$ (35,615)       | \$ (30,038)         | \$ 38,991           |
| <u>400,402</u>                     | <u>85,537</u>     | <u>789,164</u>      | <u>1,782,392</u>    |
| <u>\$ 417,080</u>                  | <u>\$ 49,922</u>  | <u>\$ 759,126</u>   | <u>\$ 1,821,383</u> |

SOUTHWESTERN COMMUNITY COLLEGE  
 RESTRICTED FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2012

Schedule 5

|  | <u>Equipment<br/>Replacement</u> | <u>Insurance</u>         | <u>Unemployment<br/>compensation</u> | <u>Early<br/>Retirement</u> |
|--|----------------------------------|--------------------------|--------------------------------------|-----------------------------|
| <b>REVENUES:</b>   |                                  |                          |                                      |                             |
| Tuition and fees   | \$ -                             | \$ -                     | \$ -                                 | \$ -                        |
| Local support  | 234,126                          | 180,136                  | 9,834                                | 347,602                     |
| State support  | -                                | -                        | -                                    | -                           |
| Federal support  | -                                | -                        | -                                    | -                           |
| Interest income  | -                                | -                        | -                                    | -                           |
| Iowa Industrial New Jobs<br>Training Program                         | -                                | -                        | -                                    | -                           |
| Other  | -                                | 42,697                   | -                                    | -                           |
| <b>TOTAL REVENUES</b>  | <u>\$ 234,126</u>                | <u>\$ 222,833</u>        | <u>\$ 9,834</u>                      | <u>\$ 347,602</u>           |
| <b>EXPENDITURES:</b>   |                                  |                          |                                      |                             |
| Salaries and benefits  | \$ -                             | \$ 54,616                | \$ 6,496                             | \$ 231,041                  |
| Services   | 41,049                           | 132,159                  | -                                    | -                           |
| Materials and supplies   | 151,549                          | 5,157                    | -                                    | -                           |
| Travel   | -                                | -                        | -                                    | -                           |
| Expended for plant assets  | 8,423                            | 9,348                    | -                                    | -                           |
| Interest on indebtedness   | -                                | -                        | -                                    | -                           |
| Scholarships and grants  | -                                | -                        | -                                    | -                           |
| Other  | -                                | -                        | -                                    | -                           |
| <b>TOTAL EXPENDITURES</b>  | <u>\$ 201,021</u>                | <u>\$ 201,280</u>        | <u>\$ 6,496</u>                      | <u>\$ 231,041</u>           |
| <b>EXCESS (DEFICIENCY) OF REVENUES<br/>OVER (UNDER) EXPENDITURES</b> | <u>\$ 33,105</u>                 | <u>\$ 21,553</u>         | <u>\$ 3,338</u>                      | <u>\$ 116,561</u>           |
| <b>EXTRAORDINARY ITEM</b>  |                                  |                          |                                      |                             |
| Insurance recovery   | \$ -                             | \$ 1,752,791             | \$ -                                 | \$ -                        |
| Restoration costs  | -                                | (1,752,832)              | -                                    | -                           |
|  | <u>\$ -</u>                      | <u>\$ (41)</u>           | <u>\$ -</u>                          | <u>\$ -</u>                 |
| <b>NET</b>   | <u>\$ 33,105</u>                 | <u>\$ 21,512</u>         | <u>\$ 3,338</u>                      | <u>\$ 116,561</u>           |
| <b>TRANSFERS</b>   | <u>-</u>                         | <u>(3,176)</u>           | <u>-</u>                             | <u>-</u>                    |
| <b>NET INCREASE (DECREASE)</b>                                       | <u>\$ 33,105</u>                 | <u>\$ 18,336</u>         | <u>\$ 3,338</u>                      | <u>\$ 116,561</u>           |
| <b>FUND BALANCES, at beginning<br/>of year</b>                       | <u>208,924</u>                   | <u>416,036</u>           | <u>31,989</u>                        | <u>569,289</u>              |
| <b>FUND BALANCES, at end of year</b>                                 | <u><u>\$ 242,029</u></u>         | <u><u>\$ 434,372</u></u> | <u><u>\$ 35,327</u></u>              | <u><u>\$ 685,850</u></u>    |

See accompanying independent auditors' report.

|                   | Iowa<br>Industrial<br>New Jobs<br>Training<br>Program | Standby            | Tort               | Scholarship         | Miscellaneous       | Total               |
|-------------------|---|--------------------|--------------------|---------------------|---------------------|---------------------|
| \$ -              | \$ -  | \$ -               | \$ -               | \$ -                | \$ 1,314            | \$ 1,314            |
| -                 | 6,071   | 189,075            | 50,033             | -                   | -                   | 1,016,877           |
| -                 | -   | -                  | -                  | 120,801             | 239,516             | 360,317             |
| -                 | -   | -                  | -                  | 2,787,076           | 627,387             | 3,414,463           |
| -                 | 777   | -                  | -                  | -                   | -                   | 777                 |
| -                 | 738,471   | -                  | -                  | -                   | -                   | 738,471             |
| -                 | -   | -                  | 10,000             | -                   | 435,494             | 488,191             |
| <u>\$ -</u>       | <u>\$ 745,319</u>                                     | <u>\$ 189,075</u>  | <u>\$ 60,033</u>   | <u>\$ 2,907,877</u> | <u>\$ 1,303,711</u> | <u>\$ 6,020,410</u> |
| \$ -              | \$ -  | \$ -               | \$ 1,946           | \$ -                | \$ 815,347          | \$ 1,109,446        |
| -                 | 324,789   | -                  | 111,873            | -                   | 211,573             | 821,443             |
| -                 | -   | -                  | -                  | -                   | 150,791             | 307,497             |
| -                 | -   | -                  | -                  | -                   | 41,514              | 41,514              |
| -                 | -   | -                  | -                  | -                   | 8,423               | 26,194              |
| -                 | 438,630   | -                  | -                  | -                   | -                   | 438,630             |
| -                 | -   | -                  | -                  | 2,907,877           | 25,000              | 2,932,877           |
| -                 | -   | -                  | -                  | -                   | 18,208              | 18,208              |
| <u>\$ -</u>       | <u>\$ 763,419</u>                                     | <u>\$ -</u>        | <u>\$ 113,819</u>  | <u>\$ 2,907,877</u> | <u>\$ 1,270,856</u> | <u>\$ 5,695,809</u> |
| \$ -              | \$ (18,100)   | \$ 189,075         | \$ (53,786)        | \$ -                | \$ 32,855           | \$ 324,601          |
| \$ -              | \$ -  | \$ -               | \$ -               | \$ -                | \$ -                | \$ 1,752,791        |
| -                 | -   | -                  | -                  | -                   | -                   | (1,752,832)         |
| <u>\$ -</u>       | <u>\$ -</u>   | <u>\$ -</u>        | <u>\$ -</u>        | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ (41)</u>      |
| \$ -              | \$ (18,100)   | \$ 189,075         | \$ (53,786)        | \$ -                | \$ 32,855           | \$ 324,560          |
| 63,728            | 18,100  | (207,110)          | -                  | -                   | (516,362)           | (644,820)           |
| <u>\$ 63,728</u>  | <u>\$ -</u>   | <u>\$ (18,035)</u> | <u>\$ (53,786)</u> | <u>\$ -</u>         | <u>\$ (483,507)</u> | <u>\$ (320,260)</u> |
| 509,511           | -   | 289,691            | 377,670            | -                   | 1,344,502           | 3,747,612           |
| <u>\$ 573,239</u> | <u>\$ -</u>   | <u>\$ 271,656</u>  | <u>\$ 323,884</u>  | <u>\$ -</u>         | <u>\$ 860,995</u>   | <u>\$ 3,427,352</u> |

SOUTHWESTERN COMMUNITY COLLEGE  
 AGENCY FUNDS  
 SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS  
 Year Ended June 30, 2012

|  | Schedule 6        |
|--|-------------------|
| Additions:   |                   |
| State support  | \$ 56,500         |
| Sales and services                                       | 6,642             |
| Other  | 53,492            |
|  | <u>\$ 116,634</u> |
| Deductions:  |                   |
| Services   | \$ 84,736         |
| Materials and supplies                                   | 27,498            |
| Travel   | 4,709             |
|  | <u>\$ 116,943</u> |
| Transfers among funds                                    | <u>\$ -</u>       |
| Net decrease   | \$ (309)          |
| Deposits held in custody for others at beginning of year | <u>32,296</u>     |
| Deposits held in custody for others at end of year       | <u>\$ 31,987</u>  |

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF TAXES AND INTERGOVERNMENTAL REVENUES

Schedule 7

|                      | Years ended June 30, |               |               |
|----------------------|----------------------|---------------|---------------|
|                      | 2012                 | 2011          | 2010          |
| Local (property tax) | \$ 2,070,457         | \$ 1,746,331  | \$ 1,683,364  |
| State                | 4,550,377            | 4,430,439     | 4,855,323     |
| Federal              | 8,862,878            | 9,773,880     | 9,740,162     |
|                      | \$ 15,483,712        | \$ 15,950,650 | \$ 16,278,849 |

See accompanying independent auditors' report.

Years ended June 30,

| <u>2009</u>          | <u>2008</u>          | <u>2007</u>          | <u>2006</u>          | <u>2005</u>         |
|----------------------|----------------------|----------------------|----------------------|---------------------|
| \$ 1,604,758         | \$ 1,407,183         | \$ 1,389,249         | \$ 1,353,627         | \$ 1,344,373        |
| 5,303,587            | 5,145,043            | 4,768,030            | 5,331,104            | 3,875,501           |
| <u>6,356,348</u>     | <u>5,964,474</u>     | <u>5,233,353</u>     | <u>4,327,710</u>     | <u>4,401,610</u>    |
| <u>\$ 13,264,693</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, 2012

Schedule 8

| <u>Category</u>                 | <u>Credit Hours</u>         |                                 | <u>Total</u>  |
|---------------------------------|-----------------------------|---------------------------------|---------------|
|                                 | <u>Eligible<br/>For Aid</u> | <u>Not Eligible<br/>For Aid</u> |               |
| Arts and Sciences               | 24,837                      | -                               | 24,837        |
| Vocational Preparatory          | 12,074                      | -                               | 12,074        |
| Adult Education                 | -                           | -                               | -             |
| Cooperative Programs            | -                           | -                               | -             |
| Related Services and Activities | -                           | -                               | -             |
| Total                           | <u>36,911</u>               | <u>-</u>                        | <u>36,911</u> |

See accompanying independent auditors' report.

Contact Hours

| <u>Eligible<br/>For Aid</u> | <u>Not Eligible<br/>For Aid</u> | <u>Total</u>     |
|-----------------------------|---------------------------------|------------------|
| 500,951                     | -                               | 500,951          |
| 349,004                     | -                               | 349,004          |
| 167,192                     | 3,522                           | 170,714          |
| -                           | -                               | -                |
| -                           | -                               | -                |
| <u>1,017,147</u>            | <u>3,522</u>                    | <u>1,020,669</u> |

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

Schedule 9

|  | Years Ended June 30, |                      |                      |
|--|----------------------|----------------------|----------------------|
|  | 2012                 | 2011                 | 2010                 |
| REVENUES:                                    |                      |                      |                      |
| Tuition and fees                             | \$ 5,439,480         | \$ 5,562,760         | \$ 5,114,531         |
| Local support                                | 1,543,667            | 1,248,404            | 1,201,432            |
| State support                                | 4,346,983            | 4,280,575            | 4,131,813            |
| Federal support                              | 3,657,629            | 4,321,621            | 4,509,461            |
| Sales and services                           | 17,318               | 15,878               | 14,009               |
| Interest income                              | 56,944               | 80,317               | 103,590              |
| Iowa Industrial New Jobs<br>Training Program | 738,471              | 2,746,043            | 636,436              |
| Auxiliary enterprises                        | 7,917,757            | 8,253,396            | 7,294,657            |
| Other  | 1,117,251            | 1,871,222            | 930,727              |
|  | <u>\$ 24,835,500</u> | <u>\$ 28,380,216</u> | <u>\$ 23,936,656</u> |
| TOTAL REVENUES                               |                      |                      |                      |
| EXPENDITURES:                                |                      |                      |                      |
| Liberal arts and sciences                    | \$ 2,902,902         | \$ 2,901,109         | \$ 2,604,414         |
| Vocational technical                         | 2,638,969            | 2,381,790            | 2,218,555            |
| Adult education                              | 1,064,255            | 1,145,346            | 1,112,841            |
| Cooperative services                         | 324,789              | 2,276,239            | 300,412              |
| Administration                               | 1,171,493            | 1,164,016            | 1,433,718            |
| Student services                             | 1,159,183            | 1,145,531            | 1,070,077            |
| Learning resources                           | 204,097              | 200,121              | 183,773              |
| Physical plant                               | 1,719,697            | 2,011,468            | 1,712,758            |
| General institution                          | 2,284,396            | 2,148,212            | 2,280,486            |
| Auxiliary enterprises                        | 7,756,883            | 7,954,330            | 7,029,021            |
| Scholarships and grants                      | 3,004,980            | 3,492,372            | 3,199,830            |
| Interest on indebtedness                     | 438,630              | 485,833              | 458,521              |
|  | <u>\$ 24,670,274</u> | <u>\$ 27,306,367</u> | <u>\$ 23,604,406</u> |
| TOTAL EXPENDITURES                           |                      |                      |                      |

See accompanying independent auditors' report.

Years Ended June 30,

| 2009                 | 2008                 | 2007                 | 2006                | 2005                |
|----------------------|----------------------|----------------------|---------------------|---------------------|
| \$ 4,396,328         | \$ 4,233,461         | \$ 3,950,617         | \$ 3,563,922        | \$ 3,463,586        |
| 1,145,201            | 967,858              | 954,882              | 929,789             | 922,035             |
| 4,879,155            | 4,740,345            | 4,444,062            | 4,103,064           | 3,846,534           |
| 2,558,624            | 2,416,166            | 2,353,645            | 2,142,266           | 2,283,856           |
| 15,421               | 11,841               | 13,200               | 22,830              | 23,195              |
| 192,019              | 470,851              | 471,293              | 298,315             | 161,168             |
| 1,770,047            | 3,694,980            | 1,086,895            | 1,746,271           | 1,787,800           |
| 5,633,636            | 5,438,215            | 4,939,817            | 3,589,941           | 3,321,929           |
| 1,476,519            | 1,801,373            | 1,271,826            | 1,294,288           | 1,069,938           |
| <u>\$ 22,066,950</u> | <u>\$ 23,775,090</u> | <u>\$ 19,486,237</u> | <u>\$17,690,686</u> | <u>\$16,880,041</u> |
| \$ 2,475,714         | \$ 2,346,106         | \$ 2,311,045         | \$ 2,202,344        | \$ 2,005,705        |
| 2,502,122            | 2,529,890            | 2,437,931            | 2,218,655           | 2,059,948           |
| 1,133,533            | 1,072,814            | 977,337              | 1,093,257           | 1,007,089           |
| 1,498,619            | 3,178,788            | 1,187,057            | 1,714,891           | 1,662,095           |
| 1,096,379            | 1,219,854            | 1,052,185            | 957,860             | 849,145             |
| 1,033,133            | 1,002,107            | 918,822              | 896,524             | 844,067             |
| 175,022              | 183,177              | 178,529              | 176,070             | 163,344             |
| 1,893,631            | 1,788,008            | 1,603,026            | 1,387,590           | 1,330,505           |
| 1,900,130            | 1,685,752            | 1,709,305            | 1,477,473           | 1,380,245           |
| 5,620,448            | 5,416,755            | 4,802,322            | 3,732,687           | 3,411,459           |
| 1,678,502            | 1,662,349            | 1,567,571            | 1,405,713           | 1,609,192           |
| 484,883              | 377,837              | 352,001              | 329,088             | 320,162             |
| <u>\$ 21,492,116</u> | <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, 2012

Schedule 10

| Federal grantor/pass-through grant/program name                        | Federal<br>CFDA<br>Number | Total<br>Federal<br>Expenditures | New Loans<br>and New<br>Loans<br>Guarantees |
|--|---------------------------|----------------------------------|---|
| United States Department of Education:                                 |                           |                                  |   |
| Student financial assistance cluster:*                                 |                           |                                  |   |
| Federal Supplemental Educational Opportunity<br>Grants (FSEOG)         | 84.007                    | \$ 25,541                        | \$ -  |
| Federal Work-Study (FWS)   | 84.033                    | 36,975                           | -   |
| Federal Pell Grants  | 84.063                    | 2,765,785                        | -   |
| Federal Direct Student Loan Program - loans disbursed                  | 84.268                    | -                                | 5,205,249                                   |
| Total Student Financial Assistance Cluster                             |                           | \$ 2,828,301                     | \$ 5,205,249                                |
| Trio Cluster   |                           |                                  |   |
| Student Support Services   | 84.042A                   | \$ 260,811                       | \$ -  |
| Educational Talent Search  | 84.044A                   | 228,999                          | -   |
| Total Trio Cluster   |                           | \$ 489,810                       | \$ -  |
| TOTAL DIRECT   |                           | \$ 3,318,111                     | \$ 5,205,249                                |
| Passed through Iowa Department of Education -<br>Vocational Education: |                           |                                  |   |
| Basic Grants to States   |                           |                                  |   |
| Perkins  | 84.048A                   | \$ 169,647                       | \$ -  |
| Adult Education - State Grant Program                                  |                           |                                  |   |
| ABE Program  | 84.002                    | 82,500                           | -   |
| English Literacy & Civics Education                                    | 84.002                    | 2,814                            | -   |
| Teacher Training   | 84.002                    | 4,079                            | -   |
| Total Iowa Department of Education                                     |                           | \$ 259,040                       | \$ -  |

SOUTHWESTERN COMMUNITY COLLEGE  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2012

| <u>Federal grantor/pass-through grant/program name</u>   | <u>Federal<br/>CFDA<br/>Number</u> | <u>Total<br/>Federal<br/>Expenditures</u> | <u>Schedule 10<br/>(continued)<br/><br/>New Loans<br/>and New<br/>Loans<br/>Guarantees</u> |
|--|------------------------------------|---|--|
| United States Department of Labor<br>Passed through Iowa Department of Education<br>ALWI - Literacy in Workplace | 17.267                             | \$ 23,488                                 | \$ -   |
| Total United States Department of Labor  |                                    | \$ 23,488                                 | \$ -   |
| United States Department of Small Business Administration<br>Passed through Iowa State University<br>SBDC Grant  | 59.037                             | \$ 56,989                                 | \$ -   |
| Total Federal expenditures   |                                    | \$ 3,657,628                              | \$ 5,205,249   |

\*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, 2012

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, 2012, 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, 2012, which collectively comprise the College's basic financial statements listed in the table of contents and have issued our report thereon dated January 11, 2013. 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, 2012, 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 January 11, 2013.

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.*

January 11, 2013

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, 2012. 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, 2012.

## 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, Mitchell & Co., P.C.*

January 11, 2013

SOUTHWESTERN COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2012

**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
- 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, 2012

**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

MEMBERS - IOWA SOCIETY OF CPAs  
AMERICAN INSTITUTE OF CPAs

FAX (641) 782-8423

PHONE (641) 782-8421 — P.O. Box 71  
309 EAST MONTGOMERY STREET  
CRESTON, IOWA 50801

January 11, 2013

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, 2012, 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.

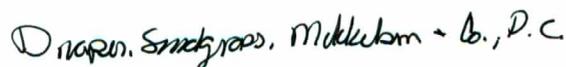
A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control 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.

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, 2012, 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, 2012. 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, 2012.
- (B) Certified Budget – Expenditures for the year ended June 30, 2012, 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.