

SOUTHWESTERN COMMUNITY COLLEGE

Financial Statements and
Supplementary Information

June 30, 2013

(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	2017
Dennis Davis	Vice President	2017
Jerry Smith	Member	2017
Carol Saxton	Member	2015
Fred Shearer	Member	2015
Vicki Sickels	Member	2015
Zach Gunsolley	Member	2017
Tony Cass	Member	2015
Community College:		
Dr. Barbara Crittenden	President	
Teresa Krejci	Chief Financial Officer and Board Treasurer	
Mary Jo Skarda	Board Secretary	

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Southwestern Community College

Report on the Financial Statements

We have audited the accompanying financial statements of Southwestern Community College, and its aggregate discretely presented component unit as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the College's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the component unit were not audited in accordance with Government Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southwestern Community College and its aggregate discretely presented component unit as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on page 5 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southwestern Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not 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, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of Southwestern Community College's management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2014, on our consideration of Southwestern Community College's internal control over financial reporting and on our tests of 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 in considering Southwestern Community College's internal control over financial reporting and compliance.

Drapen, Smidgrass, Mitchell + Co., P.C.

January 7, 2014

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, 2013. 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 position, a statement of revenues, expenses and changes in net position, 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 \$1.1 million or 6.7%. This was due in part to the Accelerated Career Education (ACE) funding that was used during the year to remodel the 100 bay hallway. Direct Loans and Pell Grants decreased as a result of the decrease in enrollment, however, Tuition and Fees remained relatively level as the tuition rate increased. An extraordinary item is shown for the financial transactions that occurred at the beginning of FY2013 that were 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.

OVERVIEW OF THE FINANCIAL STATEMENTS

Statement of Net Position

The Statement of Net Position 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 position (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 position over time are one indicator of the current financial condition of the College.

	Net Position	
	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current and other assets	\$ 20,070,276	\$ 22,372,769
Capital assets, net of accumulated depreciation	<u>15,125,716</u>	<u>14,755,074</u>
Total assets	<u>\$ 35,195,992</u>	<u>\$ 37,127,843</u>
Current liabilities	\$ 7,329,736	\$ 8,812,161
Noncurrent liabilities	<u>9,508,050</u>	<u>11,105,582</u>
Total liabilities	<u>\$ 16,837,786</u>	<u>\$ 19,917,743</u>
Net position		
Invested in capital assets, net of related debt	\$ 11,430,970	\$ 10,707,703
Restricted		
Expendable		
Cash reserve	103,947	103,947
Other	2,527,580	2,915,247
Unrestricted		
Unrestricted	939,664	957,464
Plant fund	1,168,135	704,356
Auxiliary Enterprises	<u>2,187,910</u>	<u>1,821,383</u>
Total net position	<u>\$ 18,358,206</u>	<u>\$ 17,210,100</u>
Total liabilities and net position	<u>\$ 35,195,992</u>	<u>\$ 37,127,843</u>

The largest portion of the College's net position (62.3%) is invested in capital assets (e.g. land, buildings, and equipment), less the related debt. The restricted portion of the net position (14.3%) consists of resources that are subject to external restrictions. The remaining net position (23.4%) represent \$939,664 in the general unrestricted fund, \$2,187,910 in the auxiliary fund, and \$1,168,135 that is restricted for plant facilities expenses.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. 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 Position

	Year ended <u>June 30, 2013</u>	Year ended <u>June 30, 2012</u>
Operating revenue:		
Tuition and fees (net of scholarship allowances)	\$ 2,761,903	\$ 2,776,892
Federal support	991,903	896,094
Iowa Industrial New Jobs Training Program	1,041,420	738,471
Auxiliary	6,292,114	7,282,915
Other	<u>1,023,165</u>	<u>1,133,682</u>
Total operating revenues	\$ 12,110,505	\$ 12,828,054
Total operating expenses	<u>21,420,543</u>	<u>21,521,935</u>
Operating loss	\$ <u>(9,310,038)</u>	\$ <u>(8,693,881)</u>
Nonoperating revenue (expenses)		
State appropriations	\$ 6,206,179	\$ 4,544,964
Pell grants	2,517,702	2,761,535
Property tax	2,134,276	2,070,457
Investment income	45,639	56,944
Interest on indebtedness	<u>(498,886)</u>	<u>(573,390)</u>
Net nonoperating revenues	<u>\$ 10,404,910</u>	<u>\$ 8,860,510</u>
Extraordinary item		
Insurance recoveries	\$ 2,139,730	\$ 1,752,791
Restoration costs – excluding transfers	<u>(2,086,496)</u>	<u>(1,752,832)</u>
	<u>\$ 53,234</u>	<u>\$ (41)</u>
Change in net position	\$ 1,148,106	\$ 166,588
Net position, beginning of year	<u>17,210,100</u>	<u>17,043,512</u>
Net position, end of year	<u>\$ 18,358,206</u>	<u>\$ 17,210,100</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase of \$1,148,106 in net position at the end of the fiscal year.

For the year ended June 30, 2013, operating and nonoperating revenue increased overall mainly as a net result of the following changes:

Tuition and Fees remained relatively the same as a tuition increase was offset by a decline in credit hours. Many of the community colleges experienced a slight decline in enrollment due to an increase in available jobs in the area.

Federal Support was up slightly due to the receipt of a new statewide Iowa Advanced Manufacturing Grant to help to increase the number of workers in advanced manufacturing occupations.

Iowa Industrial New Jobs Training Program revenue increased mainly due to revenue that was accrued to cover an increase in reimbursements for training expense from companies in some of our newer issuances.

The Auxiliary revenues decreased due to a decrease in Direct Loans as a result of a decrease in enrollment, and a decrease in the average loan amount.

State appropriation increased due to (1) the Accelerated Career Education (ACE) funding that was used during the year, and (2) an increase in State General Aid funding, (3) receipt of the State of Iowa Governor's Science, Technology, Engineering, and Mathematics (STEM) Advisory Council's Regional STEM Hub Grant, and (4) the new Kibbie Grant (Iowa Skilled Workforce Shortage tuition Grant Program).

Pell grants decreased mainly due to a decrease in credit hours from FY2012 to FY2013.

Property tax revenue increased due mainly to an increase of 2.7% in taxable valuations in the area.

Interest on Indebtedness decreased as no new debt was issued during the fiscal year and regular debt service payments reduced existing debt.

An extraordinary item is shown for the financial transactions that occurred at the beginning of FY2013 that were 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> <u>June 30, 2013</u>	<u>Year Ended</u> <u>June 30, 2012</u>
Education and Support:		
Liberal Arts and Sciences	\$ 3,281,816	\$ 2,857,559
Vocational Technical	2,715,350	2,550,625
Adult Education	989,120	1,027,187
Cooperative Services	784,374	324,575
Administration	1,068,051	1,100,382
Student Services	1,138,240	1,110,251
Learning Resources	208,941	204,374
Physical Plant	1,791,271	1,558,845
General Institution	2,086,651	2,177,215
Auxiliary Enterprises	6,484,374	7,734,308
Scholarships and grants	73,118	119,219
Depreciation	<u>799,237</u>	<u>757,395</u>
Total	<u>\$ 21,420,543</u>	<u>\$ 21,521,935</u>

For the year ended June 30, 2013, operating expenses decreased overall mainly as a net result of the following changes:

Liberal Arts and Sciences increased due to the receipt of the State of Iowa Governor's Science, Technology, Engineering, and Mathematics (STEM) Advisory Council's Regional STEM Hub Grant.

Vocational Technical expenses increased due to expenditures associated with the new statewide Iowa Advanced Manufacturing Grant.

Cooperative Services increased due to an increase in reimbursements for the Iowa Industrial New Jobs Training Program training expenses from companies in some of our newer issuances.

Physical Plant increased as a result of Accelerated Career Education (ACE) funding that was used during the year.

Auxiliary enterprises decreased due to a decrease in Direct Loans as a result of a decrease in enrollment, and a decrease in the average loan amount.

Statement of Cash Flows

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

Cash Flows

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Cash provided (used) by:		
Operating activities	\$ (7,106,124)	\$ (5,782,834)
Non-capital financing activities	10,409,376	9,352,000
Capital and related financing activities	(3,461,640)	(3,431,209)
Investing activities	<u>44,886</u>	<u>57,379</u>
Net increase (decrease) in cash	\$ (113,502)	\$ 195,336
Cash, beginning of the year	<u>13,387,538</u>	<u>13,192,202</u>
Cash, end of the year	<u>\$13,274,036</u>	<u>\$13,387,538</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, 2013, the College had approximately \$25.6 million invested in capital assets with an accumulated depreciation of \$10 million. Depreciation charges totaled \$799,237 for the year ended June 30, 2013. Details of capital assets are shown below:

Capital Assets, Net, at Year End

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Land	\$ 177,613	\$ 177,005
Buildings and other structures	23,271,453	22,727,530
Furniture and equipment	2,150,536	2,039,181
Construction in progress	420,058	---
Accumulated depreciation	<u>(10,893,944)</u>	<u>(10,188,642)</u>
	<u>\$ 15,125,716</u>	<u>\$ 14,755,074</u>

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

DEBT

At June 30, 2013, the College had \$10.6 million in debt outstanding, a decrease of \$2.2 million from 2012 due to the retirement of debt. The table below summarized these amounts by type.

Outstanding Debt

	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Certificates payable	\$ 6,735,000	\$ 8,550,000
Revenue bonds payable	<u>3,867,952</u>	<u>4,231,380</u>
	<u>\$10,602,952</u>	<u>\$12,781,380</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.

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 POSITION
June 30, 2013

ASSETS	
CURRENT ASSETS:	
Cash and deposits	\$ 13,274,036
Receivables:	
Accounts (less allowance of \$369,840)	431,549
Other governments (less allowance of \$100)	618,500
Property taxes:	
Succeeding year	2,217,888
Inventories	425,926
Receivable for cost of Iowa Industrial New Jobs Training Program	2,869,851
Prepaid expenses and deferred charges	232,526
TOTAL CURRENT ASSETS	<u>\$ 20,070,276</u>
 NONCURRENT ASSETS:	
Capital assets:	
Land	\$ 177,613
Buildings	22,101,625
Other structures	1,169,828
Furniture and equipment	2,150,536
Construction in progress	420,058
Accumulated depreciation	(10,893,944)
TOTAL NONCURRENT ASSETS	<u>\$ 15,125,716</u>
 TOTAL ASSETS	 <u><u>\$ 35,195,992</u></u>

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

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$ 440,823
Accrued salaries and benefits	425,500
Early retirement payable	-
Accrued interest	35,581
Deposits held in custody for others	58,757
Deferred revenues:	
Succeeding year property tax	2,217,888
Other	771,277
Due to other governments	1,292,683
Compensated absences	343,359
Bonds payable	368,868
Certificates payable	1,375,000
TOTAL CURRENT LIABILITIES	<u>\$ 7,329,736</u>

NONCURRENT LIABILITIES

Compensated absences	\$ 184,897
Bonds payable	3,499,084
Certificates payable	5,360,000
Net OPEB liability	464,069
TOTAL NONCURRENT LIABILITIES	<u>\$ 9,508,050</u>

TOTAL LIABILITIES	<u>\$ 16,837,786</u>
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NET POSITION

Net invested in capital assets	\$ 11,430,970
Restricted:	
Expendable:	
Cash reserve	103,947
Other	2,527,580
Unrestricted:	
Unrestricted	939,664
Plant fund	1,168,135
Auxiliary enterprises	2,187,910
TOTAL NET POSITION	<u>\$ 18,358,206</u>

TOTAL LIABILITIES AND NET POSITION	<u>\$ 35,195,992</u>
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SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Year Ended June 30, 2013

OPERATING REVENUES:	
Tuition and fees, net of scholarship allowances of \$2,432,279	\$ 2,761,903
Federal support	991,903
Iowa Industrial New Jobs Training Program	1,041,420
Auxiliary enterprises revenue, net of scholarship allowances of \$233,510	6,292,114
Other	1,023,165
TOTAL OPERATING REVENUES	<u>\$ 12,110,505</u>
OPERATING EXPENSES:	
Education and support:	
Liberal arts and science	\$ 3,281,816
Vocational technical	2,715,350
Adult education	989,120
Cooperative services	784,374
Administration	1,068,051
Student services	1,138,240
Learning resources	208,941
Physical plant	1,791,271
General institution	2,086,651
Auxiliary enterprises	6,484,374
Scholarship funds	73,118
Depreciation	799,237
TOTAL EXPENSES	<u>\$ 21,420,543</u>
OPERATING INCOME (LOSS)	<u>\$ (9,310,038)</u>
NONOPERATING REVENUES (EXPENSES):	
State appropriations	\$ 6,206,179
Pell grants	2,517,702
Property tax	2,134,276
Investment income	45,639
Interest on indebtedness	(498,886)
	<u>\$ 10,404,910</u>
EXTRAORDINARY ITEM	
Insurance recoveries	\$ 2,139,730
Restoration costs - excluding transfers	(2,086,496)
	<u>\$ 53,234</u>
CHANGE IN NET POSITION	\$ 1,148,106
NET POSITION, beginning of year	<u>17,210,100</u>
NET POSITION, end of year	<u><u>\$ 18,358,206</u></u>

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

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:	
Tuition and fees	\$ 5,304,625
Federal support	872,658
Iowa Industrial New Jobs Training Program	2,988,090
Payments to employees for salaries and benefits	(10,007,295)
Payments to suppliers for goods and services	(9,257,499)
Scholarships	(2,928,751)
Auxiliary enterprise receipts	2,698,264
Other receipts	3,223,784
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (7,106,124)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:	
State appropriations	\$ 5,827,253
Pell grants	2,517,702
Property tax	2,128,357
Federal direct lending receipts	4,236,457
Federal direct lending disbursements	(4,265,004)
Miscellaneous agency fund receipts	147,908
Miscellaneous agency fund disbursements	(183,297)
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>\$ 10,409,376</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	\$ (770,625)
Principal paid on debt and leases	(2,178,427)
Interest paid on debt and leases	(512,588)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>\$ (3,461,640)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest on investments	<u>\$ 44,886</u>
NET DECREASE IN CASH	\$ (113,502)
CASH, at beginning of year	<u>13,387,538</u>
CASH, at end of year	<u><u>\$ 13,274,036</u></u>

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

SOUTHWESTERN COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
Year Ended June 30, 2013

Used by operating activities:	
Operating loss	\$ (9,310,038)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	\$ 799,237
Provisions for doubtful accounts	80,951
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	96,956
(Increase) decrease in NJTP receivable	2,276,511
(Increase) decrease in due from other governments	(502,092)
(increase) decrease in inventories	356,660
(Increase) decrease in prepaid expenses and deferred charges	55,549
Increase (decrease) in accounts payable	(1,144,193)
Increase (decrease) in salaries and benefits	(13,856)
Increase (decrease) in due to other governments	(335,762)
Increase (decrease) in deferred revenues	441,711
Increase (decrease) in compensated absences	42,869
Increase (decrease) in accrued interest payable	(6,538)
Increase (decrease) in other postemployment benefits	55,911
TOTAL ADJUSTMENTS	\$ 2,203,914
NET CASH USED BY OPERATING ACTIVITIES	\$ (7,106,124)

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, 2013

	Foundation Fiscal Year End <u>March 31, 2013</u>
ASSETS	
CURRENT ASSETS:	
Cash and investments	\$ 2,404,894
TOTAL CURRENT ASSETS	<u>\$ 2,404,894</u>
 TOTAL ASSETS	 <u><u>\$ 2,404,894</u></u>
 NET ASSETS	
Restricted:	
Nonexpendable:	
Scholarships and grants	\$ 1,374,459
Expendable:	
Scholarships and grants	464,552
Unrestricted	565,883
TOTAL NET ASSETS	<u>\$ 2,404,894</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,404,894</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, 2013

	Foundation Fiscal Year End March 31, 2013
OPERATING REVENUES:	
Contributions and pledges, net of doubtful accounts of \$0	\$ 378,286
In-kind support	125,383
TOTAL OPERATING REVENUES	<u>\$ 503,669</u>
OPERATING EXPENSES:	
Program expenses	\$ -
Management and general expenses	93,190
Fund raising expenses	30,377
TOTAL OPERATING EXPENSES	<u>\$ 123,567</u>
OPERATING INCOME	<u>\$ 380,102</u>
NONOPERATING REVENUES (EXPENSES):	
Addition to endowments	\$ 43,738
Investment income	67,380
Scholarships and grants to Southwestern Community College and students	(548,817)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>\$ (437,699)</u>
CHANGE IN NET ASSETS	\$ (57,597)
NET ASSETS, beginning of year	<u>2,462,491</u>
NET ASSETS, end of year	<u><u>\$ 2,404,894</u></u>

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

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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.

The College's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

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 unit has 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, 2013

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, 2013, 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 position categories:

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

Restricted Net Position:

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

Expendable - Net position 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 Position: Net position that is 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 position is designated for academic and general programs of the College.

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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

The basic financial statements report information on all of the activities of the College. For the most part, 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 Position

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, 2013

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

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, 2013 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

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

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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, 2013.

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

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

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

Operating and Nonoperating Activities - Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Position, 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.

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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

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 represents the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

Note 2. Cash and Deposits

The College's cash and deposits (certificates of deposit) at June 30, 2013, were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to ensure there will be no loss of public funds.

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

Note 3. Inventories

The College's inventories at June 30, 2013 are as follows:

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3. Inventories (continued)

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 243,022
Livestock	17,575
Crops	17,195
Development/work in progress	<u>148,134</u>
Total	<u>\$ 425,926</u>

Note 4. Capital Assets

Capital assets activity for the year ended June 30, 2013 is as follows:

	<u>Balance Beginning Of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance End Of Year</u>
Capital assets not being depreciated:				
Land	\$ 177,005	\$ 608	\$ ---	\$ 177,613
Construction in progress	<u>---</u>	<u>420,058</u>	<u>---</u>	<u>420,058</u>
Total capital assets not being Depreciated	<u>\$ 177,005</u>	<u>\$ 420,666</u>	<u>\$ ---</u>	<u>\$ 597,671</u>
Capital assets being depreciated:				
Buildings	\$21,637,702	\$ 463,923	\$ ---	\$22,101,625
Other structures and Improvements	1,089,828	80,000	---	1,169,828
Furniture, equipment and Vehicles	<u>2,039,181</u>	<u>225,587</u>	<u>114,232</u>	<u>2,150,536</u>
Total capital assets being Depreciated	<u>\$24,766,711</u>	<u>\$ 769,510</u>	<u>\$ 114,232</u>	<u>\$25,421,989</u>
Less accumulated depreciation for:				
Buildings	\$ 8,057,628	\$ 599,805	\$ ---	\$ 8,657,433
Other structures and Improvements	699,791	54,037	---	753,828
Furniture, equipment and Vehicles	<u>1,431,223</u>	<u>145,394</u>	<u>93,935</u>	<u>1,482,682</u>
Total accumulated depreciation	<u>\$10,188,642</u>	<u>\$ 799,236</u>	<u>\$ 93,935</u>	<u>\$10,893,943</u>
Total capital assets being Depreciated	<u>\$14,578,069</u>	<u>\$ (29,726)</u>	<u>\$ 20,297</u>	<u>\$14,528,046</u>
Capital assets, net	<u>\$14,755,074</u>	<u>\$ 390,940</u>	<u>\$ 20,297</u>	<u>\$15,125,717</u>

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 5. Revenue Bonds Payable

A summary of changes in revenue bonds payable for the year ended June 30, 2013 is as follows:

Balance beginning of year	\$ 4,231,380
Additions	---
Reductions	<u>(363,428)</u>
Balance end of year	<u>\$ 3,867,952</u>
Due within one year	<u>\$ 368,868</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, 2013 bonded indebtedness are as follows:

Year Ended <u>June 30,</u>	Bond Issue of June 1, 2006			
	Interest Rates	Principal	Interest	Total
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	4.80	30,000	16,145	46,145
2019- 2021	4.9-5.0	<u>295,000</u>	<u>39,690</u>	<u>334,690</u>
Total		<u>\$430,000</u>	<u>\$132,906</u>	<u>\$562,906</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, 2013 bonded indebtedness are as follows:

Year Ended <u>June 30,</u>	Bond Issue of August 8, 2006			
	Interest Rates	Principal	Interest	Total
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>\$ 443,508</u>	<u>\$ ---</u>	<u>\$ 443,508</u>

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013 bonded indebtedness are as follows:

Year Ended June 30,	<u>Bond Issue of February 26, 2010</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	0	92,508	---	92,508
2019-2020	0	<u>138,698</u>	<u>---</u>	<u>138,698</u>
Total		<u>\$ 601,238</u>	<u>\$ ---</u>	<u>\$ 601,238</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, 2013 bonded indebtedness are as follows:

Year Ended June 30,	<u>Bond Issue of August 1, 2006</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4.00	7,681	1,196	8,877
2019-2022	4.00	<u>25,707</u>	<u>1,660</u>	<u>27,367</u>
Total		<u>\$ 61,219</u>	<u>\$ 10,530</u>	<u>\$ 71,749</u>

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013 bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue of June 8, 2010			
	Interest Rates	Principal	Interest	Total
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	4.00	5,509	3,581	9,090
2019-2023	4.00	31,100	14,348	45,448
2024-2028	4.00	37,973	7,475	45,448
2029-2030	4.00	<u>17,442</u>	<u>736</u>	<u>18,178</u>
Total		<u>\$111,987</u>	<u>\$42,536</u>	<u>\$154,523</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, 2013 bonded indebtedness are as follows:

Year Ended June 30,	Bond Issue of January 1, 2010			
	Interest Rates	Principal	Interest	Total
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	4.25	115,000	90,163	205,163
2019-2023	4.25-5.00	660,000	367,225	1,027,225
2024-2028	5.00-5.25	830,000	184,163	1,014,163
2029	5.25	<u>190,000</u>	<u>9,975</u>	<u>199,975</u>
Total		<u>\$2,220,000</u>	<u>\$1,056,627</u>	<u>\$3,276,627</u>

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6. New Jobs Training Program Certificates

A summary of changes in certificates payable for the year ended June 30, 2013 is as follows:

Balance beginning of year	\$ 8,550,000
Additions	---
Reductions	<u>(1,815,000)</u>
Balance end of year	<u>\$ 6,735,000</u>
Due within one year	<u>\$ 1,375,000</u>

Pursuant to agreements dated between November 1983 and June 2010, the College issued certificates with current outstanding balances totaling \$8,550,000, with interest rates ranging from 2.297% 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, 2013, were \$1,815,000 of certificates retired and \$0 new certificates issued. Since inception, the College has administered 106 projects, of which 83 have completed the debt service and the remaining 23 are being completed as scheduled. The liability for the certificates is carried in the restricted fund.

The certificates will mature as follows:

Year ending	Interest		Interest	Total
<u>June 30:</u>	<u>Rates</u>	<u>Principal</u>		
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	3.910-5.40%	615,000	62,524	677,524
2019-2020	4.160-4.41%	<u>800,000</u>	<u>53,784</u>	<u>853,784</u>
		<u>\$ 6,735,000</u>	<u>\$ 972,201</u>	<u>\$ 7,707,201</u>

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 2016 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, 2013:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2014	\$ 53,586
2015	53,586
2016	<u>22,277</u>
Total	<u>\$129,449</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 5.78% of their annual covered salary and the College is required to contribute 8.67% of annual payroll. Contribution requirements are established by State Statute. The College's contribution to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$287,924, \$257,170 and \$222,225 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 5.78% and the College is required to contribute 8.67%. The College's and employee's required and actual contributions to TIAA-CREF for the year ended June 30, 2013, were \$168,373 and \$252,559 respectively.

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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 73 projects, with 7 currently receiving project funding. The remaining 66 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, 2013. 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, 2013 totaled \$0.

Note 11. Other Postemployment Benefits (OPEB)

The College implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions during the year ended June 30, 2013.

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, 2013

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, 2013, 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>(195,736)</u>
Increase in net OPEB obligation	\$ 55,911
Net OPEB obligation beginning of year	<u>408,158</u>
 Net OPEB obligation end of year	 <u>\$ 464,069</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, 2013.

For the year ended June 30, 2013, the College contributed \$195,736 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, 2013, 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, 2013	\$251,647	50.0%	\$464,069

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

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, 2013, 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, 2013

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, 2013, 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, 2013, are reported in the current financial statements.

Note 14. Litigation

The College has been named as a defendant in legal actions regarding payment to a sub-contractor by the general contractor for repairs performed by the sub-contractor on College buildings. The sub-contractor claims it is owed an amount pursuant to its sub-contractor agreement with the general contractor. A motion for summary judgment has been filed on behalf of all defendants. The parties involved have been attempting to negotiate a settlement during the process. The final outcome of the action at this time is not known.

Note 15. Subsequent Event

In November 2013, the College Board authorized the sale and issuance of, not to exceed \$10,000,000, Dormitory Revenue Bonds Series 2014 for the construction of a new dormitory on the College campus.

SOUTHWESTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 15. Subsequent Event (continued)

In November 2013, the College Board awarded contracts in the amount of \$721,680 for earthwork and utilities and in the amount of \$142,900 for the footings and foundation work for the dormitory project.

In December 2013, the College Board awarded contracts in the amount of \$587,000 for the framing and windows work and in the amount of \$69,500 for the elevator for the dormitory project.

Management has evaluated subsequent events through January 7, 2014, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)
2009	July 1, 2008	\$ -	\$ 476,230	\$ 476,230
2010	July 1, 2009	\$ -	\$ 552,213	\$ 552,213
2011	July 1, 2010	\$ -	\$ 464,936	\$ 464,936
2012	July 1, 2011	\$ -	\$ 801,140	\$ 801,140
2013	July 1, 2012	\$ -	\$ 870,227	\$ 870,227

See Note 11 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
0.0%	\$ 5,122,972	9.3%
0.0%	\$ 4,855,300	11.4%
0.0%	\$ 4,491,576	10.4%
0.0%	\$ 4,506,796	17.8%
0.0%	\$ 4,765,587	18.3%

SUPPLEMENTARY INFORMATION

SOUTHWESTERN COMMUNITY COLLEGE
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
 BUDGET TO ACTUAL
 Year Ended June 30, 2013

<u>Funds/Levy</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Variance Actual/ Original Budget</u>
Unrestricted	\$ 13,829,000	\$ 11,159,055	\$ 2,669,945
Restricted	\$ 8,669,275	\$ 5,304,311	\$ 3,364,964
Unemployment	20,000	7,175	12,825
Insurance and tort	284,725	285,800	(1,075)
Equipment replacement	170,000	183,418	(13,418)
Total restricted	<u>\$ 9,144,000</u>	<u>\$ 5,780,704</u>	<u>\$ 3,363,296</u>
Plant	\$ 5,894,000	\$ 1,567,071	\$ 4,326,929
Bonds and interest	-	-	-
	<u>\$ 5,894,000</u>	<u>\$ 1,567,071</u>	<u>\$ 4,326,929</u>
Grand total	<u><u>\$ 28,867,000</u></u>	<u><u>\$ 18,506,830</u></u>	<u><u>\$ 10,360,170</u></u>

See accompanying independent auditor's report.

SOUTHWESTERN COMMUNITY COLLEGE
NOTE TO SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
June 30, 2013

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.

SOUTHWESTERN COMMUNITY COLLEGE
NOTE TO SUPPLEMENTARY INFORMATION
June 30, 2013

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, 2013

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, 2013

Schedule 1

	Current Funds	
	Unrestricted	Restricted
ASSETS		
Cash and deposits	\$ 3,315,241	\$ 8,560,886
Receivables:		
Accounts (less allowance of \$369,840)	431,549	-
Other governments (less allowance of \$100)	-	256,442
Property taxes	563,693	1,090,502
Inventories	425,926	-
Receivable for cost of Iowa Industrial New Jobs Training Program	-	2,869,851
Prepaid expenses and deferred charges	228,908	3,618
Capital assets:		
Land	-	-
Buildings	-	-
Other structures	-	-
Furniture and equipment	-	-
Construction in progress	-	-
Accumulated depreciation	-	-
Total assets	\$ 4,965,317	\$ 12,781,299
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 123,436	\$ 168,707
Accrued salaries and benefits	405,009	20,491
Early retirement payable	-	-
Accrued interest	-	24,936
Deposits held in custody for others	26,250	-
Deferred revenues	50,359	320,918
Deferred property tax revenue	563,693	1,090,502
Due to other governments	-	1,292,683
Compensated absences	495,790	32,466
Bonds payable	173,206	-
Certificates payable	-	6,735,000
Net OPEB liability	-	-
Total liabilities	\$ 1,837,743	\$ 9,685,703

See accompanying independent auditor's report.

Plant funds					
Unexpended	Retirement of Indebtedness	Investment In Plant	Agency Funds	Adjustments	Total
\$ 1,363,360	\$ -	\$ -	\$ 34,549	\$ -	\$ 13,274,036
-	-	-	-	-	431,549
362,013	-	-	45	-	618,500
563,693	-	-	-	-	2,217,888
-	-	-	-	-	425,926
-	-	-	-	-	2,869,851
-	-	-	-	-	232,526
-	-	177,613	-	-	177,613
-	-	22,101,625	-	-	22,101,625
-	-	1,169,828	-	-	1,169,828
-	-	2,150,536	-	-	2,150,536
-	-	420,058	-	-	420,058
-	-	-	-	(10,893,944)	(10,893,944)
<u>\$ 2,289,066</u>	<u>\$ -</u>	<u>\$ 26,019,660</u>	<u>\$ 34,594</u>	<u>\$ (10,893,944)</u>	<u>\$ 35,195,992</u>
\$ 146,593	\$ -	\$ -	\$ 2,087	\$ -	\$ 440,823
-	-	-	-	-	425,500
-	-	-	-	-	-
10,645	-	-	-	-	35,581
-	-	-	32,507	-	58,757
400,000	-	-	-	-	771,277
563,693	-	-	-	-	2,217,888
-	-	-	-	-	1,292,683
-	-	-	-	-	528,256
-	-	3,694,746	-	-	3,867,952
-	-	-	-	-	6,735,000
-	-	-	-	464,069	464,069
<u>\$ 1,120,931</u>	<u>\$ -</u>	<u>\$ 3,694,746</u>	<u>\$ 34,594</u>	<u>\$ 464,069</u>	<u>\$ 16,837,786</u>

SOUTHWESTERN COMMUNITY COLLEGE
BALANCE SHEET
June 30, 2013

Schedule 1
(continued)

	Current Funds	
	Unrestricted	Restricted
Fund balances:		
Invested in capital assets, net of related debt		
Restricted:	\$ -	\$ -
Expendable:		
Cash reserve	-	103,947
Other	-	2,991,649
Unrestricted	939,664	-
Auxiliary enterprises	2,187,910	-
Total fund balances	\$ 3,127,574	\$ 3,095,596
Total liabilities and fund balances	\$ 4,965,317	\$ 12,781,299

See accompanying independent auditor's report.

Plant funds					
<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment In Plant</u>	<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
\$ -	\$ -	\$ 22,324,914	\$ -	\$ (10,893,944)	\$ 11,430,970
-	-	-	-	-	103,947
-	-	-	-	(464,069)	2,527,580
1,168,135	-	-	-	-	2,107,799
-	-	-	-	-	2,187,910
<u>\$ 1,168,135</u>	<u>\$ -</u>	<u>\$ 22,324,914</u>	<u>\$ -</u>	<u>\$ (11,358,013)</u>	<u>\$ 18,358,206</u>
<u>\$ 2,289,066</u>	<u>\$ -</u>	<u>\$ 26,019,660</u>	<u>\$ 34,594</u>	<u>\$ (10,893,944)</u>	<u>\$ 35,195,992</u>

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2013

Schedule 2

	Current Funds	
	Unrestricted	Restricted
REVENUES:		
General:		
Tuition and fees	\$ 5,297,135	\$ 10,482
Local support	542,646	1,048,984
State support	4,247,137	955,464
Federal support	224,472	3,285,133
Sales and services	46,085	-
Interest income	44,967	672
Iowa Industrial New Jobs Training Program	-	1,041,420
Increase in plant investment due to plant expenditures	-	-
Increase in plant investment due to retirement of debt	-	-
Other	493,888	490,292
	\$ 10,896,330	\$ 6,832,447
Auxiliary enterprises:		
Student fees	\$ -	\$ -
State support	10,492	-
Federal support	4,236,457	-
Sales and services	2,080,905	-
Other	593,900	-
	\$ 6,921,754	\$ -
TOTAL REVENUES	\$ 17,818,084	\$ 6,832,447
EXPENDITURES:		
Education and support:		
Liberal arts and sciences	\$ 2,787,957	\$ 550,056
Vocational technical	2,599,792	185,574
Adult education	672,270	353,825
Cooperative services	-	784,374
Administration	903,362	233,153
Student services	1,182,270	-
Learning resources	208,908	-
Physical plant	1,595,912	239,226
General institution	1,208,584	980,315
Total education and support	\$ 11,159,055	\$ 3,326,523

See accompanying independent auditor's report.

Unexpended	Plant funds		Adjustments	Total
	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ -	\$ -	\$ (2,545,714)	\$ 2,761,903
542,646	-	-	-	2,134,276
1,003,578	-	-	-	6,206,179
-	-	-	-	3,509,605
-	-	-	(1,300)	44,785
-	-	-	-	45,639
-	-	-	-	1,041,420
-	-	1,190,176	(1,190,176)	-
-	-	352,625	(352,625)	-
-	-	-	(5,800)	978,380
<u>\$ 1,546,224</u>	<u>\$ -</u>	<u>\$ 1,542,801</u>	<u>\$ (4,095,615)</u>	<u>\$ 16,722,187</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	10,492
-	-	-	-	4,236,457
-	-	-	(320,909)	1,759,996
-	-	-	(308,731)	285,169
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (629,640)</u>	<u>\$ 6,292,114</u>
<u>\$ 1,546,224</u>	<u>\$ -</u>	<u>\$ 1,542,801</u>	<u>\$ (4,725,255)</u>	<u>\$ 23,014,301</u>
\$ -	\$ -	\$ -	\$ (56,197)	\$ 3,281,816
-	-	-	(70,016)	2,715,350
-	-	-	(36,975)	989,120
-	-	-	-	784,374
-	-	-	(68,464)	1,068,051
-	-	-	(44,030)	1,138,240
-	-	-	33	208,941
322,311	800	-	(366,978)	1,791,271
-	-	-	(102,248)	2,086,651
<u>\$ 322,311</u>	<u>\$ 800</u>	<u>\$ -</u>	<u>\$ (744,875)</u>	<u>\$ 14,063,814</u>

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
Year Ended June 30, 2013

Schedule 2
(continued)

	Current Funds	
	Unrestricted	Restricted
Auxiliary enterprises	6,609,999	-
Scholarship funds	-	2,738,906
Retirement of indebtedness	-	-
Interest on indebtedness	-	367,685
Plant asset acquisitions	-	-
Proceeds from sale of bonds	-	-
Disposal of plant assets	-	-
Depreciation	-	-
TOTAL EXPENDITURES	\$ 17,769,054	\$ 6,433,114
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 49,030	\$ 399,333
EXTRAORDINARY ITEM		
Insurance recoveries	\$ -	\$ 2,139,730
Restoration costs - excluding transfers	-	(2,086,496)
	\$ -	\$ 53,234
NET	\$ 49,030	\$ 452,567
TRANSFERS	299,697	(784,323)
NET	\$ 348,727	\$ (331,756)
FUND BALANCE, beginning of year	2,778,847	3,427,352
FUND BALANCE, end of year	\$ 3,127,574	\$ 3,095,596

See accompanying independent auditor's report.

Plant funds				
Unexpended	Retirement of Indebtedness	Investment In Plant	Adjustments	Total
-	-	-	(125,625)	6,484,374
-	-	-	(2,665,788)	73,118
-	352,625	-	(352,625)	-
-	131,201	-	-	498,886
760,134	-	-	(760,134)	-
-	-	-	-	-
-	-	114,232	(114,232)	-
-	-	-	799,237	799,237
<u>\$ 1,082,445</u>	<u>\$ 484,626</u>	<u>\$ 114,232</u>	<u>\$ (3,964,042)</u>	<u>\$ 21,919,429</u>
<u>\$ 463,779</u>	<u>\$ (484,626)</u>	<u>\$ 1,428,569</u>	<u>\$ (761,213)</u>	<u>\$ 1,094,872</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,139,730
-	-	-	-	(2,086,496)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,234</u>
\$ 463,779	\$ (484,626)	\$ 1,428,569	\$ (761,213)	\$ 1,148,106
-	484,626	-	-	-
\$ 463,779	\$ -	\$ 1,428,569	\$ (761,213)	\$ 1,148,106
704,356	-	20,896,345	(10,596,800)	17,210,100
<u>\$ 1,168,135</u>	<u>\$ -</u>	<u>\$ 22,324,914</u>	<u>\$ (11,358,013)</u>	<u>\$ 18,358,206</u>

SOUTHWESTERN COMMUNITY COLLEGE
UNRESTRICTED FUNDS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
EDUCATION AND SUPPORT
Year Ended June 30, 2013

Schedule 3

	Education		
	Liberal Arts and Science	Vocational Technical	Adult Education
REVENUES AND OTHER ADDITIONS:			
Tuition and fees	\$ 3,430,990	\$ 1,585,190	\$ 272,195
Local support	-	-	-
State support	2,083,687	1,397,631	765,801
Federal support	-	100,243	86,070
Sales and services	-	484	-
Interest income	-	-	-
Other	119,050	81,332	50,256
	<u>\$ 5,633,727</u>	<u>\$ 3,164,880</u>	<u>\$ 1,174,322</u>
Allocation of support services revenues (1)	<u>423,531</u>	<u>329,149</u>	<u>170,721</u>
TOTAL REVENUE AND OTHER ADDITIONS	<u><u>\$ 6,057,258</u></u>	<u><u>\$ 3,494,029</u></u>	<u><u>\$ 1,345,043</u></u>
EXPENDITURES:			
Salaries and benefits	\$ 2,510,848	\$ 2,204,942	\$ 530,082
Services	99,229	136,501	93,469
Materials and supplies	56,774	197,909	26,784
Travel	16,953	31,890	9,838
Expended for plant assets	-	28,550	-
Purchases for resale	-	-	12,097
Scholarship funds	-	-	-
Other	104,153	-	-
	<u>\$ 2,787,957</u>	<u>\$ 2,599,792</u>	<u>\$ 672,270</u>
Allocation of support services expenditures (1)	<u>2,338,746</u>	<u>1,817,569</u>	<u>942,721</u>
TOTAL EXPENDITURES & OTHER DEDUCTIONS	<u><u>\$ 5,126,703</u></u>	<u><u>\$ 4,417,361</u></u>	<u><u>\$ 1,614,991</u></u>
TRANSFERS AMONG FUNDS - additions (deductions)			
NET INCREASE			
FUND BALANCES, at beginning of year			
FUND BALANCES, at end of year			

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

See accompanying independent auditors' report.

Support

Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Education and Support Total
\$ -	\$ (60)	\$ 8,820	\$ -	\$ -	\$ -	\$ 5,297,135
-	542,646	-	-	-	-	542,646
-	-	-	18	-	-	4,247,137
-	-	38,159	-	-	-	224,472
-	-	48	-	27,187	18,366	46,085
-	44,967	-	-	-	-	44,967
-	28,047	13,053	364	(7)	201,793	493,888
<u>\$ -</u>	<u>\$ 615,600</u>	<u>\$ 60,080</u>	<u>\$ 382</u>	<u>\$ 27,180</u>	<u>\$ 220,159</u>	<u>\$ 10,896,330</u>
-	(615,600)	(60,080)	(382)	(27,180)	(220,159)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,896,330</u>
\$ -	\$ 675,923	\$ 1,021,761	\$ 130,161	\$ 796,074	\$ 640,032	\$ 8,509,823
-	148,149	88,870	53,665	703,561	359,606	1,683,050
-	11,895	63,513	24,836	93,531	52,761	528,003
-	7,020	8,126	246	2,746	14,407	91,226
-	-	-	-	-	13,875	42,425
-	-	-	-	-	-	12,097
-	41,433	-	-	-	117,103	158,536
-	18,942	-	-	-	10,800	133,895
<u>\$ -</u>	<u>\$ 903,362</u>	<u>\$ 1,182,270</u>	<u>\$ 208,908</u>	<u>\$ 1,595,912</u>	<u>\$ 1,208,584</u>	<u>\$ 11,159,055</u>
-	(903,362)	(1,182,270)	(208,908)	(1,595,912)	(1,208,584)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,159,055</u>
						244,925
						\$ (17,800)
						957,464
						<u>\$ 939,664</u>

UNRESTRICTED FUNDS
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 AUXILIARY ENTERPRISES
 Year Ended June 30, 2013

Schedule 4

	Financial Aid	Bookstore
REVENUES:		
Student fees	\$ -	\$ -
State support	-	-
Federal support	4,236,457	-
Sales and services	-	906,710
Other income	28,547	1,181
TOTAL REVENUES	\$ 4,265,004	\$ 907,891
EXPENDITURES:		
Salaries and benefits	\$ -	\$ 96,193
Services	-	10,242
Materials and supplies	-	1,094
Travel	-	184
Expended for plant assets	-	-
Purchases for resale	-	662,281
Other	4,265,004	111,469
TOTAL EXPENDITURES	\$ 4,265,004	\$ 881,463
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ -	\$ 26,428
TRANSFERS	-	-
NET INCREASE (DECREASE)	\$ -	\$ 26,428
FUND BALANCE, at beginning of year	-	595,255
FUND BALANCES, at end of year	\$ -	\$ 621,683

See accompanying independent auditors' report.

<u>Interdepartment Charges</u>	<u>Housing</u>	<u>Other</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -
-	-	10,492	10,492
-	-	-	4,236,457
19,166	978,489	176,540	2,080,905
284,408	16,125	263,639	593,900
<u>\$ 303,574</u>	<u>\$ 994,614</u>	<u>\$ 450,671</u>	<u>\$ 6,921,754</u>
\$ 117,672	\$ 86,984	\$ 43,499	\$ 344,348
122,287	44,962	600,426	777,917
49,392	9,544	167,485	227,515
5,321	136	49,958	55,599
50,121	-	7,750	57,871
29,541	-	53,109	744,931
-	17,966	7,379	4,401,818
<u>\$ 374,334</u>	<u>\$ 159,592</u>	<u>\$ 929,606</u>	<u>\$ 6,609,999</u>
\$ (70,760)	\$ 835,022	\$ (478,935)	\$ 311,755
70,433	(803,240)	787,579	54,772
\$ (327)	\$ 31,782	\$ 308,644	\$ 366,527
417,080	49,922	759,126	1,821,383
<u>\$ 416,753</u>	<u>\$ 81,704</u>	<u>\$ 1,067,770</u>	<u>\$ 2,187,910</u>

SOUTHWESTERN COMMUNITY COLLEGE
RESTRICTED FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year Ended June 30, 2013

Schedule 5

	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Unemployment compensation</u>	<u>Early Retirement</u>
REVENUES:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Local support	241,173	180,504	10,015	350,988
State support	-	-	-	-
Federal support	-	-	-	-
Interest income	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Other	-	37,881	-	-
TOTAL REVENUES	<u>\$ 241,173</u>	<u>\$ 218,385</u>	<u>\$ 10,015</u>	<u>\$ 350,988</u>
EXPENDITURES:				
Salaries and benefits	\$ -	\$ 54,867	\$ 7,175	\$ 198,065
Services	36,195	184,269	-	-
Materials and supplies	130,839	90	-	-
Travel	-	-	-	-
Expended for plant assets	16,384	-	-	-
Interest on indebtedness	-	-	-	-
Scholarship funds	-	-	-	-
Other	-	-	-	-
TOTAL EXPENDITURES	<u>\$ 183,418</u>	<u>\$ 239,226</u>	<u>\$ 7,175</u>	<u>\$ 198,065</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 57,755</u>	<u>\$ (20,841)</u>	<u>\$ 2,840</u>	<u>\$ 152,923</u>
EXTRAORDINARY ITEM				
Insurance recovery	\$ -	\$ 2,139,730	\$ -	\$ -
Restoration costs - excluding transfers	-	2,086,496	-	-
	<u>\$ -</u>	<u>\$ 53,234</u>	<u>\$ -</u>	<u>\$ -</u>
NET	<u>\$ 57,755</u>	<u>\$ 32,393</u>	<u>\$ 2,840</u>	<u>\$ 152,923</u>
TRANSFERS	<u>-</u>	<u>(52,606)</u>	<u>-</u>	<u>(32,859)</u>
NET INCREASE (DECREASE)	<u>\$ 57,755</u>	<u>\$ (20,213)</u>	<u>\$ 2,840</u>	<u>\$ 120,064</u>
FUND BALANCES, at beginning of year	<u>242,029</u>	<u>434,372</u>	<u>35,327</u>	<u>685,850</u>
FUND BALANCES, at end of year	<u><u>\$ 299,784</u></u>	<u><u>\$ 414,159</u></u>	<u><u>\$ 38,167</u></u>	<u><u>\$ 805,914</u></u>

See accompanying independent auditors' report.

	Iowa Industrial New Jobs Training Program						
Housing		Standby	Tort	Scholarship	Miscellaneous	Total	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,482	\$ 10,482	
-	5,920	210,254	50,130	-	-	1,048,984	
-	-	-	-	198,155	757,309	955,464	
-	-	-	-	2,540,751	744,382	3,285,133	
-	672	-	-	-	-	672	
-	1,041,420	-	-	-	-	1,041,420	
-	-	-	-	-	452,411	490,292	
<u>\$ -</u>	<u>\$ 1,048,012</u>	<u>\$ 210,254</u>	<u>\$ 50,130</u>	<u>\$ 2,738,906</u>	<u>\$ 1,964,584</u>	<u>\$ 6,832,447</u>	
\$ -	\$ -	\$ -	\$ 1,087	\$ -	\$ 918,178	\$ 1,179,372	
-	784,374	-	45,487	-	587,319	1,637,644	
-	-	-	-	-	156,513	287,442	
-	-	-	-	-	57,512	57,512	
-	-	-	-	-	107,297	123,681	
-	367,685	-	-	-	-	367,685	
-	-	-	-	2,738,906	22,766	2,761,672	
-	-	-	-	-	18,106	18,106	
<u>\$ -</u>	<u>\$ 1,152,059</u>	<u>\$ -</u>	<u>\$ 46,574</u>	<u>\$ 2,738,906</u>	<u>\$ 1,867,691</u>	<u>\$ 6,433,114</u>	
\$ -	\$ (104,047)	\$ 210,254	\$ 3,556	\$ -	\$ 96,893	\$ 399,333	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,139,730	
-	-	-	-	-	-	(2,086,496)	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,234</u>	
\$ -	\$ (104,047)	\$ 210,254	\$ 3,556	\$ -	\$ 96,893	\$ 452,567	
315	104,047	(445,080)	-	-	(358,140)	(784,323)	
\$ 315	\$ -	\$ (234,826)	\$ 3,556	\$ -	\$ (261,247)	\$ (331,756)	
573,239	-	271,656	323,884	-	860,995	3,427,352	
<u>\$ 573,554</u>	<u>\$ -</u>	<u>\$ 36,830</u>	<u>\$ 327,440</u>	<u>\$ -</u>	<u>\$ 599,748</u>	<u>\$ 3,095,596</u>	

SOUTHWESTERN COMMUNITY COLLEGE
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
 Year Ended June 30, 2013

	Schedule 6
Additions:	
State support	\$ 136,350
Sales and services	6,844
Other	<u>42,577</u>
	<u>\$ 185,771</u>
Deductions:	
Services	\$ 153,461
Materials and supplies	21,241
Travel	3,049
Other	<u>7,500</u>
	<u>\$ 185,251</u>
Transfers among funds	<u>\$ -</u>
Net increase	\$ 520
Deposits held in custody for others at beginning of year	<u>31,987</u>
Deposits held in custody for others at end of year	<u><u>\$ 32,507</u></u>

See accompanying independent auditors' report.

SOUTHWESTERN COMMUNITY COLLEGE
 SCHEDULE OF TAXES AND INTERGOVERNMENTAL REVENUES
 FOR THE LAST NINE YEARS

Schedule 7

	Years ended June 30,			
	2013	2012	2011	2010
Local (property tax)	\$ 2,134,276	\$ 2,070,457	\$ 1,746,331	\$ 1,683,364
State	6,216,671	4,550,377	4,430,439	4,855,323
Federal	7,746,062	8,862,878	9,773,880	9,740,162
	\$16,097,009	\$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><u>\$13,264,693</u></u>	<u><u>\$12,516,700</u></u>	<u><u>\$11,390,632</u></u>	<u><u>\$11,012,441</u></u>	<u><u>\$9,621,484</u></u>

SOUTHWESTERN COMMUNITY COLLEGE
 SCHEDULE OF CREDIT AND CONTACT HOUR ENROLLMENT
 Year Ended June 30, 2013

Schedule 8

Category	Credit Hours		Total
	Eligible For Aid	Not Eligible For Aid	
Arts and Sciences	22,259	-	22,259
Vocational Preparatory	12,211	-	12,211
Adult Education	-	-	-
Cooperative Programs	-	-	-
Related Services and Activities	-	-	-
Total	34,470	-	34,470

See accompanying independent auditors' report.

Contact Hours

<u>Eligible For Aid</u>	<u>Not Eligible For Aid</u>	<u>Total</u>
446,324	-	446,324
346,863	-	346,863
177,592	2,316	179,908
-	-	-
-	-	-
<u>970,779</u>	<u>2,316</u>	<u>973,095</u>

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

Schedule 9

	Years Ended June 30,		
	2013	2012	2011
REVENUES:			
Tuition and fees	\$ 5,337,677	\$ 5,439,480	\$ 5,562,760
Local support	1,591,630	1,543,667	1,248,404
State support	5,202,601	4,346,983	4,280,575
Federal support	3,509,605	3,657,629	4,321,621
Sales and services	46,078	17,318	15,878
Interest income	45,639	56,944	80,317
Iowa Industrial New Jobs Training Program	1,041,420	738,471	2,746,043
Auxiliary enterprises	6,921,754	7,917,757	8,253,396
Other	954,051	1,117,251	1,871,222
TOTAL REVENUES	\$ 24,650,455	\$ 24,835,500	\$ 28,380,216
EXPENDITURES:			
Liberal arts and sciences	\$ 2,787,957	\$ 2,902,902	\$ 2,901,109
Vocational technical	2,785,366	2,638,969	2,381,790
Adult education	1,026,019	1,064,255	1,145,346
Cooperative services	784,374	324,789	2,276,239
Administration	1,136,515	1,171,493	1,164,016
Student services	1,182,270	1,159,183	1,145,531
Learning resources	208,908	204,097	200,121
Physical plant	1,835,138	1,719,697	2,011,468
General institution	2,621,852	2,284,396	2,148,212
Auxiliary enterprises	6,609,999	7,756,883	7,954,330
Scholarships and grants	2,856,009	3,004,980	3,492,372
Interest on indebtedness	367,685	438,630	485,833
TOTAL EXPENDITURES	\$ 24,202,092	\$ 24,670,274	\$ 27,306,367

See accompanying independent auditors' report.

Years Ended June 30,

2010	2009	2008	2007	2006	2005
\$ 5,114,531	\$ 4,396,328	\$ 4,233,461	\$ 3,950,617	\$ 3,563,922	\$ 3,463,586
1,201,432	1,145,201	967,858	954,882	929,789	922,035
4,131,813	4,879,155	4,740,345	4,444,062	4,103,064	3,846,534
4,509,461	2,558,624	2,416,166	2,353,645	2,142,266	2,283,856
14,009	15,421	11,841	13,200	22,830	23,195
103,590	192,019	470,851	471,293	298,315	161,168
636,436	1,770,047	3,694,980	1,086,895	1,746,271	1,787,800
7,294,657	5,633,636	5,438,215	4,939,817	3,589,941	3,321,929
930,727	1,476,519	1,801,373	1,271,826	1,294,288	1,069,938
<u>\$ 23,936,656</u>	<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>
\$ 2,604,414	\$ 2,475,714	\$ 2,346,106	\$ 2,311,045	\$ 2,202,344	\$ 2,005,705
2,218,555	2,502,122	2,529,890	2,437,931	2,218,655	2,059,948
1,112,841	1,133,533	1,072,814	977,337	1,093,257	1,007,089
300,412	1,498,619	3,178,788	1,187,057	1,714,891	1,662,095
1,433,718	1,096,379	1,219,854	1,052,185	957,860	849,145
1,070,077	1,033,133	1,002,107	918,822	896,524	844,067
183,773	175,022	183,177	178,529	176,070	163,344
1,712,758	1,893,631	1,788,008	1,603,026	1,387,590	1,330,505
2,280,486	1,900,130	1,685,752	1,709,305	1,477,473	1,380,245
7,029,021	5,620,448	5,416,755	4,802,322	3,732,687	3,411,459
3,199,830	1,678,502	1,662,349	1,567,571	1,405,713	1,609,192
458,521	484,883	377,837	352,001	329,088	320,162
<u>\$ 23,604,406</u>	<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, 2013

Federal grantor/pass-through grant/program name	Federal CFDA Number	Total Federal Expenditures	Schedule 10 New Loans and New Loans Guarantees
United States Department of Education:			
Student financial assistance cluster:*			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 23,050	\$ -
Federal Work-Study (FWS)	84.033	34,644	-
Federal Pell Grants	84.063	2,521,217	-
Federal Direct Student Loan Program - loans disbursed	84.268	-	4,236,457
Total Student Financial Assistance Cluster		\$ 2,578,911	\$ 4,236,457
Trio Cluster:*			
Student Support Services	84.042A	\$ 264,434	\$ -
Educational Talent Search	84.044A	216,988	-
Total Trio Cluster		\$ 481,422	\$ -
TOTAL DIRECT		\$ 3,060,333	\$ 4,236,457
Passed through Iowa Department of Education -			
Vocational Education:			
Basic Grants to States			
Perkins	84.048A	\$ 155,857	\$ -
Adult Education - State Grant Program			
ABE Program	84.002	79,200	-
ABE Technology	84.002	3,358	-
English Literacy & Civics Education	84.002	3,095	-
Teacher Training	84.002	3,775	-
Total Iowa Department of Education		\$ 245,285	\$ -

SOUTHWESTERN COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2013

<u>Federal grantor/pass-through grant/program name</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>	<u>Schedule 10 (continued) New Loans and New Loans Guarantees</u>
United States Department of Agriculture - Rural Development Passed through Iowa State University SBDC - Rural Business Enterprise Grant	10.769	\$ 14,518	\$ -
Total United States Department of Agriculture		\$ 14,518	\$ -
United States Department of Labor Passed through Iowa Department of Education I-AM Consortium Grant	17.282	\$ 140,939	\$ -
Total United States Department of Labor		\$ 140,939	\$ -
United States Department of Small Business Administration Passed through Iowa State University SBDC Grant	59.037	\$ 48,531	\$ -
Total Federal expenditures		\$ 3,509,606	\$ 4,236,457

*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, 2013

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Southwestern Community College and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of Southwestern Community College, and the aggregate discretely presented component unit as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Southwestern Community College's basic financial statements, and have issued our report thereon dated January 7, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southwestern Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Southwestern Community College's internal control.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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, 2013, 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 7, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

January 7, 2014

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

Report on Compliance for Each Major Federal Program

We have audited Southwestern Community College's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Southwestern Community College's major federal programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southwestern Community College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Southwestern Community College's compliance.

Opinion on Each Major Federal Program

In our opinion, Southwestern Community College, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Southwestern Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southwestern Community College's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses, or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Drapen, Smidgrasso, Mitchellson + Co., P.C.

January 7, 2014

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Part I: Summary of Auditors' Results

- a. An unmodified 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 unmodified 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
 - Trio - cluster
 - CFDA Number – 84.042A Student Support Services
 - CFDA Number – 84.044A Education Talent Search
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Southwestern Community College did qualify as a low-risk auditee.

Part II: Findings Relating to the General Purpose Financial Statements

Instances of non-compliance:

No matters were reported.

Significant deficiencies:

No matters were reported.

SOUTHWESTERN COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

Part III: Findings and Questioned Costs for Federal Awards:

Instances of non-compliance:

No matters were reported.

Significant deficiencies:

No matters were reported.

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

CERTIFIED PUBLIC ACCOUNTANTS

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MEMBERS - IOWA SOCIETY OF CPAs
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309 EAST MONTGOMERY STREET
CRESTON, IOWA 50801

January 7, 2014

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, 2013, in accordance with U.S. generally accepted auditing standards, we considered the College's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

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

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

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

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

Sincerely,

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

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

SOUTHWESTERN COMMUNITY COLLEGE
MANAGEMENT LETTER MEMORANDUM

A. Required Information for the State of Iowa

The following comments about the College's operations for the year ended June 30, 2013, 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, 2013. 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, 2013.
- (B) Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- (C) Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- (D) Travel Expense – No expenditures of Southwestern Community College money for travel expenses of spouses of Southwestern Community College officials or employees were noted. No travel advances to Southwestern Community College officials or employees were noted.
- (E) Business Transactions – No business transactions between Southwestern Community College and Southwestern Community College officials or employees were noted.
- (F) Bond Coverage – Surety bond coverage of Southwestern Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- (G) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (H) Publication – The College published a statement of receipts and disbursements of all funds, including the names of all persons, firms or corporations to which disbursements were made as required by Chapter 260C.14 (12) of the Code of Iowa.
- (I) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.

- (J) Credit/Contact Hours – Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College, except for an overstatement of 3.60 contact hours, as shown below:

	<u>Reported</u>	<u>Total Per Supporting Documentation</u>	<u>Difference</u>
Adult Education/ Continuing Education: Contact Hours: Eligible for Aid	177,592.44	177,588.84	3.60

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

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

Conclusion – Response accepted.