

**Southwestern Community College**  
**INDEPENDENT AUDITOR'S REPORT**  
**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTARY INFORMATION**

**June 30, 2014**



## TABLE OF CONTENTS

		<u>Page</u>
<b>OFFICIALS</b>		3
<b>INDEPENDENT AUDITOR'S REPORT</b>		4-5
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>		6-12
<b>BASIC FINANCIAL STATEMENTS</b>		13
Statement of net position		14-15
Statement of revenues, expenses and changes in net position		16
Statement of cash flows		17-18
Statement of net assets – cash basis		19
Statement of revenues, expenses and changes in net assets – cash basis		20
Notes to financial statements		21-34
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		35
Schedule of funding progress for the retiree health plan		36
<b>OTHER SUPPLEMENTARY INFORMATION</b>		37
	<b><u>Schedule</u></b>	
Budgetary comparison schedule of expenditures--budget and actual	1	38
Note to budgetary reporting		39
Note to supplementary information		40-41
Assets, liabilities and fund balances	2	42-45
Revenues, expenditures and changes in fund balances	3	46-49
Revenues, expenditures and changes in fund balances--education and support	4	50-51
Revenues, expenditures and changes in fund balances--auxiliary enterprises	5	52
Revenues, expenditures and changes in fund balances--restricted fund	6	53-54
Changes in deposits held in custody for others--agency funds	7	55
Credit and contact hours	8	56
Tax and intergovernmental revenues	9	57-58
Current fund revenues by source and expenditures by function	10	59-60
Schedule of expenditures of federal awards	11	61
Notes to schedule of expenditures of federal awards		62
<b>INDEPENDENT AUDITOR'S 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</b>		63-64
<b>INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133</b>		65-66
<b>SCHEDULE OF FINDINGS</b>		67

**Southwestern Community College  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
<b>Board of Directors</b>		
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
<b>Community College</b>		
Dr. Barbara Crittenden	President	
Teresa Krejci	Chief Financial Officer and Board Treasurer	
Mary Jo Skarda	Board Secretary	



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southwestern Community College  
Creston, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of Southwestern Community College (the College), and its discretely presented component unit as of and for the year ended June 30, 2014, 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 accounting principles generally accepted in the United States of America; 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 opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit of the College discussed in note 1, which represent 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to that unit, is based solely on the report of the other auditors. We conducted our audit in accordance with 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. 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 *Governmental 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southwestern Community College and its discretely presented component unit as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 12, and schedule of funding progress for the retiree health plan on page 35 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 and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The financial statements for the nine years ended June 30, 2013 (none of which are presented herein) were audited by other auditors whose report dated January 7, 2014 stated they expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget 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 other supplementary information is the responsibility of the College's management and is 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 auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2015, on our consideration of the 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 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 the College's internal control over financial reporting and compliance.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
January 27, 2015

## **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, 2014. 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 presents the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information further explains and supports the financial statements with a comparison to the College's budget for the year. Other Supplementary Information also provides detailed information about the individual funds of the College and other information.

### **FINANCIAL HIGHLIGHTS**

Net assets decreased by approximately \$39 thousand or .2%. 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. The College issued approximately \$6.6 million in revenue bonds during the year for the construction of a new student housing facility and to refinance existing debt.

## **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), deferred inflows of resources and net position (assets less liabilities and deferred inflows of resources) 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**

	<b>June 30</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Current and other assets	\$20,009,638	\$20,070,276
Capital assets, net of accumulated depreciation	<u>19,953,442</u>	<u>15,125,716</u>
Total assets	<u>39,963,080</u>	<u>35,195,992</u>
Current liabilities	5,685,183	5,111,848
Noncurrent liabilities	<u>13,698,271</u>	<u>9,508,050</u>
Total liabilities	<u>19,383,454</u>	<u>14,619,898</u>
Deferred inflows of resources	<u>2,260,231</u>	<u>2,217,888</u>
Net position		
Net investment in capital assets	10,545,371	11,430,970
Restricted		
Expendable		
Cash reserve	103,947	103,947
Other	3,057,077	2,527,580
Unrestricted		
Unrestricted	928,150	939,664
Plant fund	1,532,506	1,168,135
Auxiliary enterprises	<u>2,152,344</u>	<u>2,187,910</u>
Total net position	<u>\$18,319,395</u>	<u>\$18,358,206</u>

The largest portion of the College's net position (57.6%) is net investment in capital assets (e.g. land, buildings, and equipment) less the related debt. The restricted portion of the net position (17.3%) consists of resources that are subject to external restrictions. The remaining net position (25.1%) represent \$928,150 in the general unrestricted fund, \$2,152,344 in the auxiliary fund, and \$1,532,506 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, Pell grants 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

	<u>Year ended June 30</u>	
	<u>2014</u>	<u>2013</u>
Operating revenue		
Tuition and fees (net of scholarship allowances)	\$ 2,821,473	\$ 2,761,903
Federal support	1,138,135	991,903
Iowa Industrial New Jobs Training Program	868,798	1,041,420
Auxiliary	5,905,818	6,292,114
Other	<u>963,309</u>	<u>1,023,165</u>
Total operating revenues	11,697,533	12,110,505
Total operating expenses	<u>22,256,939</u>	<u>21,420,543</u>
Operating loss	<u>(10,559,406)</u>	<u>(9,310,038)</u>
Nonoperating revenue (expenses)		
State appropriations	6,392,759	6,206,179
Pell grants	2,300,057	2,517,702
Property tax	2,217,581	2,134,276
Investment income	43,498	45,639
Interest on indebtedness	<u>(433,300)</u>	<u>(498,886)</u>
Net nonoperating revenues	<u>10,520,595</u>	<u>10,404,910</u>
Extraordinary item		
Insurance recoveries	—	2,139,730
Restoration costs – excluding transfers	<u>—</u>	<u>(2,086,496)</u>
	<u>—</u>	<u>53,234</u>
Change in net position	(38,811)	1,148,106
Net position, beginning of year	<u>18,358,206</u>	<u>17,210,100</u>
Net position, end of year	<u>\$18,319,395</u>	<u>\$18,358,206</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a decrease of \$38,811 in net position at the end of the fiscal year.

For the year ended June 30, 2014, 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 decreased mainly due to a decrease 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 FY2013 to FY 2014.

Property tax revenue increased due mainly to an increase of 4.1% in taxable valuations in the area.

Interest on Indebtedness decreased as regular debt service payments reduced existing debt.

## Operating Expenses

	<b>Year ended June 30</b>	
	<b>2014</b>	<b>2013</b>
Education and Support		
Liberal Arts and Sciences	\$ 3,380,179	\$ 3,281,816
Vocational Technical	2,745,134	2,715,350
Adult Education	985,678	989,120
Cooperative Services	141,333	784,374
Administration	1,136,441	1,068,051
Student Services	1,123,736	1,138,240
Learning Resources	226,405	208,941
Physical Plant	3,178,803	1,791,271
General Institution	2,095,651	2,086,651
Auxiliary Enterprises	6,400,944	6,484,374
Scholarships and Grants	8,450	73,118
Depreciation	834,185	799,237
 Total	 \$22,256,939	 \$21,420,543

For the year ended June 30, 2014, operating expenses increased 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 decreased due to a decrease 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</u>	
	<u>2014</u>	<u>2013</u>
Cash provided (used) by		
Operating activities	\$ (8,117,693)	\$ (7,106,124)
Noncapital financing activities	11,202,313	10,409,376
Capital and related financing activities	(1,825,540)	(3,461,640)
Investing activities	<u>44,440</u>	<u>44,886</u>
Net increase (decrease) in cash	1,303,520	(113,502)
Cash, beginning of the year	<u>13,274,036</u>	<u>13,387,538</u>
Cash, end of the year	<u>\$14,577,556</u>	<u>\$13,274,036</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 revenue bonds issued. Cash provided by investing activities includes investment income received.

## CAPITAL ASSETS

At June 30, 2014, the College had approximately \$31.6 million invested in capital assets with an accumulated depreciation of \$11.7 million. Depreciation charges totaled \$834,185 for the year ended June 30, 2014. Details of capital assets are shown below:

### Capital Assets, Net

	<u>June 30</u>	
	<u>2014</u>	<u>2013</u>
Land	\$ 177,613	\$ 177,613
Buildings and other structures	24,460,885	23,271,453
Furniture and equipment	2,351,359	2,150,536
Construction in progress	4,648,414	420,058
Accumulated depreciation	<u>(11,684,829)</u>	<u>(10,893,944)</u>
	<u>\$19,953,442</u>	<u>\$15,125,716</u>

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

## **DEBT**

At June 30, 2014, the College had \$14 million in debt outstanding, an increase of \$3.4 million from 2013 due to the issuance of \$6.6 million in new debt and retirement of \$3.1 million of debt. The table below summarized these amounts by type.

### **Outstanding Debt**

	<b>June 30</b>	
	<b><u>2014</u></b>	<b><u>2013</u></b>
Certificates payable	\$ 4,560,000	\$ 6,735,000
Revenue bonds payable	<u>9,408,071</u>	<u>3,867,952</u>
	<b><u>\$13,968,071</u></b>	<b><u>\$10,602,952</u></b>

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 continues 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 Street, Creston, Iowa 50801.



**BASIC FINANCIAL STATEMENTS**

**Southwestern Community College**  
**STATEMENT OF NET POSITION**  
**June 30, 2014**

**ASSETS**

**CURRENT ASSETS**

Cash and deposits	\$14,577,556
Receivables	
Accounts receivable (less allowance of \$302,669)	163,427
Other governments	362,615
Property taxes, succeeding year	2,260,231
Inventories	400,183
Receivable for cost of Iowa Industrial New Jobs Training Program	2,018,290
Prepaid expenses and deferred charges	<u>227,336</u>
Total current assets	<u>20,009,638</u>

**NONCURRENT ASSETS**

Capital assets	
Land	177,613
Buildings	23,263,818
Other structures	1,197,067
Furniture and equipment	2,351,359
Construction in progress	4,648,414
Accumulated depreciation	<u>(11,684,829)</u>
Total noncurrent assets	<u>19,953,442</u>

Total assets	<u>39,963,080</u>
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**Southwestern Community College**  
**STATEMENT OF NET POSITION (continued)**  
**June 30, 2014**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable	\$ 1,058,127
Accrued salaries and benefits	500,967
Accrued interest	41,906
Deposits held in custody for others	69,101
Unearned revenues	1,965,308
Due to other governments	555,520
Compensated absences	296,629
Bonds payable	337,625
Certificates payable	<u>860,000</u>
Total current liabilities	<u>5,685,183</u>

**NONCURRENT LIABILITIES**

Compensated absences	197,753
Bonds payable	9,070,446
Certificates payable	3,700,000
Net OPEB obligation	<u>730,072</u>
Total noncurrent liabilities	<u>13,698,271</u>
Total liabilities	<u>19,383,454</u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable property tax revenue	<u>2,260,231</u>
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**NET POSITION**

Net investment in capital assets	10,545,371
Restricted	
Expendable	
Cash reserve	103,947
Other	3,057,077
Unrestricted	
Unrestricted	928,150
Plant fund	1,532,506
Auxiliary enterprises	<u>2,152,344</u>
Total net position	<u>\$18,319,395</u>

**Southwestern Community College**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
Year ended June 30, 2014

**OPERATING REVENUES**

Tuition and fees, net of scholarship allowances of \$2,387,497	\$ 2,821,473
Federal support	1,138,135
Iowa Industrial New Jobs Training Program	868,798
Auxiliary enterprises revenue, net of scholarship allowances of \$570,940	5,905,818
Other	<u>963,309</u>
Total operating revenues	<u>11,697,533</u>

**OPERATING EXPENSES**

Education and support	
Liberal arts and sciences	3,380,179
Vocational technical	2,745,134
Adult education	985,678
Cooperative services	141,333
Administration	1,136,441
Student services	1,123,736
Learning resources	226,405
Physical plant	3,178,803
General institution	2,095,651
Auxiliary enterprises	6,400,944
Scholarship funds	8,450
Depreciation	<u>834,185</u>
Total operating expenses	<u>22,256,939</u>

**OPERATING (LOSS)**

(10,559,406)

**NONOPERATING REVENUES (EXPENSES)**

State appropriations	6,392,759
Pell grants	2,300,057
Property tax	2,217,581
Investment income	43,498
Interest on indebtedness	<u>(433,300)</u>
Total nonoperating revenues (expenses), net	<u>10,520,595</u>

**CHANGE IN NET POSITION**

(38,811)

**NET POSITION, beginning of year**

18,358,206

**NET POSITION, end of year**

\$18,319,395

**Southwestern Community College**  
**STATEMENT OF CASH FLOWS**  
Year ended June 30, 2014

**CASH FLOWS FROM OPERATING ACTIVITIES**

Tuition and fees	\$ 5,254,737
Federal support	1,179,825
Iowa Industrial New Jobs Training Program (NJTP)	964,000
Payments to employees for salaries and benefits	(9,999,256)
Payments to suppliers for goods and services	(6,160,467)
Scholarships	(2,676,811)
Auxiliary enterprise receipts	2,689,446
Other receipts	<u>630,833</u>
Net cash used in operating activities	<u>(8,117,693)</u>

**CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES**

State appropriations	6,752,629
Pell grants	2,300,057
Property tax	2,217,581
Federal direct lending receipts	3,773,513
Federal direct lending disbursements	(3,843,029)
Miscellaneous agency fund receipts	89,096
Miscellaneous agency fund disbursements	<u>(87,534)</u>
Net cash provided by noncapital financing activities	<u>11,202,313</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Acquisition of capital assets	(4,865,042)
Proceeds from sale of bonds	6,615,316
Principal paid on debt	(3,142,673)
Interest paid on debt	<u>(433,141)</u>
Net cash used in capital and related financing activities	<u>(1,825,540)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest on investments	<u>44,440</u>
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**NET INCREASE IN CASH**

1,303,520

**CASH, beginning of year**

13,274,036

**CASH, end of year**

\$14,577,556

**Southwestern Community College**  
**STATEMENT OF CASH FLOWS (continued)**  
**Year ended June 30, 2014**

**RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS  
 USED IN OPERATING ACTIVITIES**

Operating loss	<u>\$(10,559,406)</u>
Adjustments to reconcile operating loss to net cash flows used in operating activities	
Depreciation	834,185
Provisions for doubtful accounts	84,565
Changes in assets and liabilities	
Accounts receivable	147,250
Iowa Industrial New Jobs Training Program receivable	851,562
Due from other governments	376,754
Inventories	25,743
Prepaid expenses and deferred charges	5,190
Accounts payable	617,302
Salaries and benefits payable	75,465
Due to other governments	(737,163)
Unearned revenues	(77,593)
Compensated absences	(33,874)
Accrued interest payable	6,324
Other postemployment benefits	<u>266,003</u>
Total adjustments	<u>2,441,713</u>
Net cash flows used in operating activities	<u>\$ 8,117,693</u>

**Southwestern Community College**  
**Component Unit – Southwestern Community College Education Foundation**  
**STATEMENT OF NET ASSETS-CASH BASIS**  
**June 30, 2014**

<b>ASSETS</b>	<b>Foundation Fiscal year end <u>March 31, 2014</u></b>
<b>CURRENT ASSETS</b>	
Cash and investments	\$ <u>2,473,077</u>
Total assets	\$ <u>2,473,077</u>
<b>NET ASSETS</b>	
Restricted	
Nonexpendable, scholarships and grants	1,404,751
Expendable, scholarships and grants	493,973
Unrestricted	<u>574,353</u>
Total net assets	\$ <u>2,473,077</u>

**Southwestern Community College**  
**Component Unit – Southwestern Community College Education Foundation**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS-CASH BASIS**  
**Year ended June 30, 2014**

	<b>Foundation Fiscal year end March 31, 2014</b>
<b>OPERATING REVENUES</b>	
Contributions and pledges	\$ 325,845
In-kind support	<u>130,006</u>
Total operating revenues	<u>455,851</u>
<b>OPERATING EXPENSES</b>	
Program	–
Management and general	80,438
Fund raising	<u>37,741</u>
Total operating expenses	<u>118,179</u>
<b>OPERATING INCOME</b>	<u>337,672</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Addition to endowments	30,292
Investment income	90,065
Scholarships and grants to Southwestern Community College and students	<u>(389,846)</u>
Total nonoperating revenues (expenses)	<u>(269,489)</u>
<b>CHANGE IN NET ASSETS</b>	68,183
<b>NET ASSETS</b> , beginning of year	<u>2,404,894</u>
<b>NET ASSETS</b> , end of year	<u>\$2,473,077</u>

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 accounting principles generally accepted in the United States of America 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.

***Component Unit***

Southwestern Community College Education Foundation (the 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 Education Foundation Board of Directors. The Education 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, 2014, 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 accounting principles generally accepted in the United States of America.

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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 net position categories/components:

**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 stipulations. 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.

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.

**Assets, Liabilities, Deferred Inflows of Resources, and Net Position**

**Cash and Deposits**

Deposits (certificates of deposit) are stated at cost.

For the 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, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

**Receivable for Iowa Industrial New Jobs Training Program (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, 2014 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.

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

<b><u>Assets</u></b>	<b><u>Years</u></b>
Buildings and improvements	20-50
Equipment	2-20
Vehicles	3-10

The College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

**Unearned 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. Unearned 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. Unearned revenue consists of unspent grant proceeds, 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, 2014.

**Deferred Inflows of Resources**

Deferred inflows of resources in the statement of net position consist of the succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**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, Pell grants, and interest income.

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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, 2014, 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, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; 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, 2014 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 213,648
Livestock	24,925
Crops	13,586
Development/work in progress	<u>148,024</u>
Total	\$ <u>400,183</u>

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 4 CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2014 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	\$ 177,613	\$ —	\$ —	\$ 177,613
Construction in progress	<u>420,058</u>	<u>4,648,414</u>	<u>420,058</u>	<u>4,648,414</u>
Total capital assets not being depreciated	<u>597,671</u>	<u>4,648,414</u>	<u>420,058</u>	<u>4,826,027</u>
Capital assets being depreciated				
Buildings	22,101,625	1,162,193	—	23,263,818
Other structures and improvements	1,169,828	27,239	—	1,197,067
Furniture, equipment and vehicles	<u>2,150,536</u>	<u>242,826</u>	<u>42,003</u>	<u>2,351,359</u>
Total capital assets being depreciated	<u>25,421,989</u>	<u>1,432,258</u>	<u>42,003</u>	<u>26,812,244</u>
Less accumulated depreciation for				
Buildings	8,657,433	609,290	—	9,266,723
Other structures and improvements	753,828	47,106	—	800,934
Furniture, equipment and vehicles	<u>1,482,682</u>	<u>177,789</u>	<u>43,299</u>	<u>1,617,172</u>
Total accumulated depreciation	<u>10,893,943</u>	<u>834,185</u>	<u>43,299</u>	<u>11,684,829</u>
Total capital assets being depreciated	<u>14,528,046</u>	<u>598,073</u>	<u>(1,296)</u>	<u>15,127,415</u>
Capital assets, net	<u>\$15,125,717</u>	<u>\$5,246,487</u>	<u>\$ 418,762</u>	<u>\$19,953,442</u>

Construction in progress at June 30, 2014 includes costs for design, engineering and construction related to a student housing project. The College has entered into contracts for this project of approximately \$5,160,000 of which approximately \$4,420,000 has been completed. Accounts payable at June 30, 2014 includes approximately \$706,000 of the amount completed. Total unpaid contracts at June 30, 2014 were approximately \$740,000.

**NOTE 5 REVENUE BONDS PAYABLE**

A summary of changes in revenue bonds payable for the year ended June 30, 2014 is as follows:

Balance beginning of year	\$3,867,952
Additions, including premium of \$118,233	6,458,233
Reductions	<u>(918,114)</u>
Balance end of year	<u>\$9,408,071</u>
Due within one year	<u>\$ 337,625</u>

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 5 REVENUE BONDS PAYABLE (continued)**

The College has issued revenue bonds payable for the construction of the student housing as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2014 bonded indebtedness are as follows:

<u>Year ending June 30</u>	<u>Bond Issue of August 8, 2006</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	0.0%	\$ 140,117	\$ —	\$ 140,117
2016	0.0%	140,117	—	140,117
2017	0.0%	<u>33,166</u>	<u>—</u>	<u>33,166</u>
Total		<u>\$ 313,400</u>	<u>\$ —</u>	<u>\$ 313,400</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, 2014 bonded indebtedness are as follows:

<u>Year ending June 30</u>	<u>Bond Issue of February 26, 2010</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	0.0%	\$ 92,508	\$ —	\$ 92,508
2016	0.0%	92,508	—	92,508
2017	0.0%	92,508	—	92,508
2018	0.0%	92,508	—	92,508
2019	0.0%	92,508	—	92,508
2020	0.0%	<u>53,898</u>	<u>—</u>	<u>53,898</u>
Total		<u>\$ 516,438</u>	<u>\$ —</u>	<u>\$ 516,438</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, 2014 bonded indebtedness are as follows:

<u>Year ending June 30</u>	<u>Bond Issue of January 1, 2010</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	4.25%	120,000	85,275	205,275
2020-2024	4.25-5.25%	690,000	335,125	1,025,125
2025-2029	5.00-5.25%	<u>870,000</u>	<u>140,963</u>	<u>1,010,963</u>
Total		<u>\$2,120,000</u>	<u>\$ 949,852</u>	<u>\$3,069,852</u>

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 5 REVENUE BONDS PAYABLE (continued)**

The College has issued revenue bonds payable for the construction of student housing as allowed by Section 250C.56:

<u>Year ending June 30</u>	<u>Bond Issue of February 26, 2014</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	0.0%	\$ —	\$ —	\$ —
2016	0.0%	41,667	—	41,667
2017	0.0%	125,000	—	125,000
2018	0.0%	125,000	—	125,000
2019	0.0%	125,000	—	125,000
2020-2024	0.0%	<u>583,333</u>	<u>—</u>	<u>583,333</u>
Total		<u>\$1,000,000</u>	<u>\$ —</u>	<u>\$1,000,000</u>

<u>Year ending June 30</u>	<u>Bond Issue of June 2, 2014</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	1.80%	\$ —	\$ 199,285	\$ 199,285
2016	1.80%	—	199,840	199,840
2017	1.80%	20,000	199,840	219,840
2018	1.80%	45,000	199,480	244,480
2019	1.80%	45,000	198,670	243,670
2020-2024	1.80 – 3.00%	735,000	956,210	1,691,210
2025-2029	3.00 – 4.00%	1,540,000	787,350	2,327,350
2030-2034	4.00 – 4.25%	2,955,000	382,775	3,337,775
Premium		<u>118,233</u>	<u>—</u>	<u>118,233</u>
Total		<u>\$5,458,233</u>	<u>\$3,123,450</u>	<u>\$8,581,683</u>

**NOTE 6 NEW JOBS TRAINING PROGRAM CERTIFICATES**

A summary of changes in certificates payable for the year ended June 30, 2014 is as follows:

Balance beginning of year	\$6,735,000
Additions	—
Reductions	(2,175,000)
Balance end of year	<u>\$4,560,000</u>
Due within one year	<u>\$ 860,000</u>

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 6 NEW JOBS TRAINING PROGRAM CERTIFICATES (continued)**

Pursuant to agreements dated between May 2008 and June 2010, the College issued certificates with current outstanding balances totaling \$4,560,000, with interest rates ranging from 2.747% 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, 2014, were \$2,175,000 of certificates retired and \$-0- new certificates issued. Since inception, the College has administered 106 projects, of which 95 have completed the debt service and the remaining 11 are being completed as scheduled. The liability for the certificates is carried in the restricted fund.

The certificates will mature as follows:

<u>Year ending June 30</u>	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	2.747-6.25%	\$ 860,000	\$ 200,158	\$1,060,158
2016	3.262-5.25%	895,000	159,130	1,054,130
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	4.160%	360,000	34,380	394,380
2020	4.410%	<u>440,000</u>	<u>19,404</u>	<u>459,404</u>
Total		<u>\$4,560,000</u>	<u>\$ 602,613</u>	<u>\$5,162,613</u>

**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 noncancelable lease terms in excess of one year as of June 30, 2014:

<u>Year ending June 30</u>	<u>Amount</u>
2015	\$ 53,226
2016	<u>24,042</u>
Total	<u>\$ 77,268</u>

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the College is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The College's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$297,690, \$287,924 and \$257,170, respectively, equal to the required contributions for each 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 retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement 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 5.95% and the College is required to contribute 8.93%. The College's and employee's required and actual contributions to TIAA-CREF for the year ended June 30, 2014, were \$255,377 and \$170,156, respectively.

**NOTE 9 IOWA SMALL BUSINESS NEW JOBS TRAINING PROGRAM**

The College administers the Iowa Small Business New Jobs Training Program (SBNJTP) in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. Since inception, the College has administered 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 OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description**

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

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

**Funding Policy**

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

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**Annual OPEB Cost and Net OPEB Obligation**

The College's annual OPEB cost is calculated based on the annual required contribution (ARC) of the 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, 2014, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$ 254,982
Interest on net OPEB obligation	20,883
Adjustment to annual required contribution	<u>(24,218)</u>
Annual OPEB cost	251,647
Contributions made	<u>(175,808)</u>
Increase in net OPEB obligation	75,839
Pension costs – early retirement (Note 11)	190,164
Net OPEB obligation beginning of year	<u>464,069</u>
Net OPEB obligation end of year	<u>\$ 730,072</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, 2014.

For the year ended June 30, 2014, the College contributed \$175,808 to the medical plan. Plan members eligible for benefits contributed \$-0- of the premium costs.

**Annual OPEB Cost and Net OPEB Obligation (continued)**

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, 2014, are summarized as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	<u>\$251,647</u>	<u>50.0%</u>	<u>\$408,158</u>
June 30, 2013	<u>\$251,647</u>	<u>50.0%</u>	<u>\$464,069</u>
June 30, 2014	<u>\$251,647</u>	<u>69.9%</u>	<u>\$539,908</u>

**Funded Status and Funding Progress**

As of July 1, 2011, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, 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, 2014, there were no trust fund assets.

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)**

**Actuarial Methods and Assumptions**

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

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

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

As of the July 1, 2011 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes 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.

**NOTE 11 PENSION COSTS – EARLY RETIREMENT**

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, 2014. The application for early retirement is subject to approval by the Board of Directors.

Early retirement benefits are 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 are paid in one payment on or about the 15<sup>th</sup> of the month of retirement. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$-0-.

The liability for early retirement included in OPEB obligation is \$190,164. At June 30, 2014, the potential liability for all employees eligible, is approximately \$597,000.

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**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 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 14 COMMITMENTS AND CONTINGENCIES**

The College is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the College. The statements which may impact the College are as follows:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*, will be effective for the College beginning with its year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the College beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the College beginning with its year ending June 30, 2015. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

**Southwestern Community College**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2014**

**NOTE 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB No. 68*, will be effective for the College beginning with its year ending June 30, 2015. This Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

The College's management has not yet determined the effect these Statements will have on the College's financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Southwestern Community College**  
**SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN**  
(In Thousands)

**Required Supplementary Information**

<u>Fiscal year end June 30</u>	<u>Actuarial valuation date</u>	<u>Actuarial value of assets</u>	<u>Actuarial accrued liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded ratio</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
2009	July 1, 2008	\$ <u>—</u>	\$ <u>476,230</u>	\$ <u>476,230</u>	<u>0.0%</u>	\$ <u>5,122,972</u>	<u>9.3%</u>
2010	July 1, 2009	\$ <u>—</u>	\$ <u>552,213</u>	\$ <u>552,213</u>	<u>0.0%</u>	\$ <u>4,855,300</u>	<u>11.4%</u>
2011	July 1, 2010	\$ <u>—</u>	\$ <u>464,936</u>	\$ <u>464,936</u>	<u>0.0%</u>	\$ <u>4,491,576</u>	<u>10.4%</u>
2012	July 1, 2011	\$ <u>—</u>	\$ <u>801,140</u>	\$ <u>801,140</u>	<u>0.0%</u>	\$ <u>4,506,796</u>	<u>17.8%</u>
2013	July 1, 2011	\$ <u>—</u>	\$ <u>870,227</u>	\$ <u>870,227</u>	<u>0.0%</u>	\$ <u>4,765,587</u>	<u>18.3%</u>
2014	July 1, 2011	\$ <u>—</u>	\$ <u>2,020,000</u>	\$ <u>2,020,000</u>	<u>0.0%</u>	\$ <u>4,834,874</u>	<u>41.8%</u>

See Note 10 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.

**OTHER SUPPLEMENTARY INFORMATION**

**Southwestern Community College**  
**BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL**  
**Year ended June 30, 2014**

<u>Funds/Levy</u>	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance between actual and amended budget</u>
Unrestricted	\$14,100,000	\$14,100,000	\$11,201,009	\$ 2,898,991
Restricted				
Unemployment	10,000	10,000	2,551	7,449
Insurance and tort	307,770	307,770	301,603	6,167
Equipment replacement	170,000	170,000	190,531	(20,531)
Other	<u>8,835,230</u>	<u>8,835,230</u>	<u>3,124,996</u>	<u>5,710,234</u>
Total restricted	<u>9,323,000</u>	<u>9,323,000</u>	<u>3,619,681</u>	<u>5,703,319</u>
**Plant	6,010,000	10,010,000	6,390,483	3,619,517
Bonds and interest	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating expenditures	<u>\$29,433,000</u>	<u>\$33,433,000</u>	<u>\$21,211,173</u>	<u>\$12,221,827</u>

\*\*The College amended the original Plant Fund budget on March 11, 2014.

**Southwestern Community College**  
**NOTE TO BUDGETARY REPORTING**  
**Year ended June 30, 2014**

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the College on a basis consistent with accounting principles generally accepted in the United States of America. 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.

For the year ended June 30, 2014, the College's expenditures did not exceed the amount budgeted.

See accompanying independent auditor's report.

**Southwestern Community College**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**June 30, 2014**

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 Education 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 agency for others. Agency Funds' assets equal liabilities.

See accompanying independent auditor's report.

**Southwestern Community College**  
**NOTE TO SUPPLEMENTARY INFORMATION**  
**June 30, 2014**

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.

See accompanying independent auditor's report.

**Southwestern Community College**  
**ASSETS, LIABILITIES AND FUND BALANCES**  
**June 30, 2014**

	<u>Current Funds</u>		<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
<b>ASSETS</b>					
Cash and deposits	\$3,394,617	\$ 7,241,248	\$3,905,578	\$ —	\$ —
Receivables					
Accounts (less allowance of \$302,669)	163,232	—	—	—	—
Other governments	121,067	241,548	—	—	—
Property taxes	574,873	1,110,485	574,873	—	—
Inventories	400,183	—	—	—	—
Receivable for cost of Iowa Industrial New Jobs Training Program	—	2,018,290	—	—	—
Prepaid expenses and deferred charges	223,684	3,652	—	—	—
Capital assets					
Land	—	—	—	—	177,613
Buildings	—	—	—	—	23,263,818
Other structures	—	—	—	—	1,197,067
Furniture and equipment	—	—	—	—	2,351,359
Construction in progress	—	—	—	—	4,648,414
Accumulated depreciation	—	—	—	—	—
 Total assets	 <u>\$4,877,656</u>	 <u>\$10,615,223</u>	 <u>\$4,480,451</u>	 <u>\$ —</u>	 <u>\$31,638,271</u>

See accompanying independent auditor's report.

Schedule 2

<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
\$ 36,113	\$ -	\$14,577,556
195	-	163,427
-	-	362,615
-	-	2,260,231
-	-	400,183
-	-	2,018,290
-	-	227,336
-	-	177,613
-	-	23,263,818
-	-	1,197,067
-	-	2,351,359
-	-	4,648,414
-	(11,684,829)	(11,684,829)
<u>\$ 36,308</u>	<u>\$(11,684,829)</u>	<u>\$39,963,080</u>

See accompanying independent auditor's report.

**Southwestern Community College**  
**ASSETS, LIABILITIES AND FUND BALANCES (continued)**  
**June 30, 2014**

<b>LIABILITIES AND FUND BALANCES</b>	<b>Current Funds</b>		<b>Plant Funds</b>		
	<b>Unrestricted</b>	<b>Restricted</b>	<b>Unexpended</b>	<b>Retirement of Indebtedness</b>	<b>Investment in Plant</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 188,544	\$ 68,169	\$ 800,907	\$ —	\$ —
Accrued salaries and benefits	476,694	24,273	—	—	—
Accrued interest	—	16,680	25,226	—	—
Deposits held in custody for others	33,300	—	—	—	—
Unearned revenues	53,044	365,325	1,546,939	—	—
Due to other governments	—	555,520	—	—	—
Compensated absences	470,707	23,675	—	—	—
Bonds payable	—	—	—	—	9,408,071
Certificates payable	—	4,560,000	—	—	—
Net OPEB obligation	—	—	—	—	—
Total liabilities	<u>1,222,289</u>	<u>5,613,642</u>	<u>2,373,072</u>	<u>—</u>	<u>9,408,071</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property tax revenue	<u>574,873</u>	<u>1,110,485</u>	<u>574,873</u>	<u>—</u>	<u>—</u>
<b>FUND BALANCES</b>					
Net investment in capital assets	—	—	—	—	22,230,200
Restricted					
Expendable					
Cash reserve	—	103,947	—	—	—
Other	—	3,787,149	—	—	—
Unrestricted	928,150	—	1,532,506	—	—
Auxiliary enterprises	<u>2,152,344</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total fund balances	<u>3,080,494</u>	<u>3,891,096</u>	<u>1,532,506</u>	<u>—</u>	<u>22,230,200</u>
Total liabilities and fund balances	<u>\$4,877,656</u>	<u>\$10,615,223</u>	<u>\$4,480,451</u>	<u>\$ —</u>	<u>\$31,638,271</u>

See accompanying independent auditor's report.

Schedule 2 (continued)

<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
\$ 507	\$ -	\$ 1,058,127
-	-	500,967
-	-	41,906
35,801	-	69,101
-	-	1,965,308
-	-	555,520
-	-	494,382
-	-	9,408,071
-	-	4,560,000
-	<u>730,072</u>	<u>730,072</u>
<u>36,308</u>	<u>730,072</u>	<u>19,383,454</u>
<u>-</u>	<u>-</u>	<u>2,260,231</u>
-	(11,684,829)	10,545,371
-	-	103,947
-	(730,072)	3,057,077
-	-	2,460,656
-	-	<u>2,152,344</u>
<u>-</u>	<u>(12,414,901)</u>	<u>18,319,395</u>
<u>\$ 36,308</u>	<u>\$(11,684,829)</u>	<u>\$39,963,080</u>

See accompanying independent auditor's report.

**Southwestern Community College**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
Year ended June 30, 2014

	Current Funds		Plant Funds		
	Unrestricted	Restricted	Unexpended	Retirement of Indebtedness	Investment in Plant
<b>REVENUES</b>					
General					
Tuition and fees	\$ 5,201,480	\$ 7,490	\$ —	\$ —	\$ —
Local support	563,647	1,090,287	563,647	—	—
State support	4,538,380	1,317,649	536,730	—	—
Federal support	212,701	3,225,491	—	—	—
Sales and services	18,298	—	—	—	—
Interest income	42,958	540	—	—	—
Iowa Industrial New Jobs Training Program	—	868,798	—	—	—
Increase in plant investment due to plant expenditures	—	—	—	—	5,660,617
Increase in plan investment due to retirement of debt	—	—	—	—	744,906
Proceeds from sale of bonds	—	—	5,068,377	—	—
Other	446,440	503,671	—	—	—
Total general revenues	<u>11,023,904</u>	<u>7,013,926</u>	<u>6,168,754</u>	<u>—</u>	<u>6,405,523</u>
Auxiliary enterprises					
Student fees	14,342	—	—	—	—
State support	13,545	—	—	—	—
Federal support	3,773,513	—	—	—	—
Sales and services	1,995,845	—	—	—	—
Other	679,513	—	—	—	—
Total auxiliary revenues	<u>6,476,758</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total revenues	<u>17,500,662</u>	<u>7,013,926</u>	<u>6,168,754</u>	<u>—</u>	<u>6,405,523</u>
<b>EXPENDITURES</b>					
Education and support					
Liberal arts and sciences	2,739,345	634,207	—	—	—
Vocational technical	2,528,177	255,561	—	—	—
Adult education	621,281	385,376	—	—	—
Cooperative services	—	141,374	—	—	—
Administration	920,965	244,145	—	—	—
Student services	1,140,147	—	—	—	—
Learning resources	221,389	—	—	—	—
Physical plant	1,758,402	265,556	219,493	600	—
General institution	1,271,303	907,800	—	—	—
Total education and support	<u>11,201,009</u>	<u>2,834,019</u>	<u>219,493</u>	<u>600</u>	<u>—</u>
Auxiliary enterprises					
Scholarship funds	6,446,113	—	—	—	—
Retirement of indebtedness	—	2,526,184	—	—	—
Interest on indebtedness	—	—	—	744,906	—
Plant asset acquisitions	—	290,977	—	142,323	—
Proceeds from sale of bonds	—	—	5,283,161	—	—
Disposal of plant assets	—	—	—	—	6,340,000
Depreciation	—	—	—	—	42,003
Total expenditures	<u>17,647,122</u>	<u>5,651,180</u>	<u>5,502,654</u>	<u>887,829</u>	<u>6,382,003</u>

See accompanying independent auditor's report.

Schedule 3

<u>Adjustments</u>	<u>Total</u>
\$ (2,387,497)	\$ 2,821,473
–	2,217,581
–	6,392,759
–	3,438,192
–	18,298
–	43,498
–	868,798
(5,660,617)	–
(744,906)	–
(5,068,377)	–
(5,100)	945,011
<u>(13,866,497)</u>	<u>16,745,610</u>
–	14,342
–	13,545
–	3,773,513
(283,554)	1,712,291
<u>(287,386)</u>	<u>392,127</u>
<u>(570,940)</u>	<u>5,905,818</u>
<u>(14,437,437)</u>	<u>22,651,428</u>
6,627	3,380,179
(38,604)	2,745,134
(20,979)	985,678
(41)	141,333
(28,669)	1,136,441
(16,411)	1,123,736
5,016	226,405
934,752	3,178,803
<u>(83,452)</u>	<u>2,095,651</u>
758,239	15,013,360
(45,169)	6,400,944
(2,517,734)	8,450
(744,906)	–
–	433,300
(5,283,161)	–
(6,340,000)	–
(42,003)	–
834,185	834,185
<u>(13,380,549)</u>	<u>22,690,239</u>

**Southwestern Community College**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)**  
**Year ended June 30, 2014**

	<u>Current Funds</u>		<u>Plant Funds</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(146,460)	1,362,746	666,100	(887,829)	23,520
<b>TRANSFERS</b>	<u>99,380</u>	<u>(567,246)</u>	<u>(301,729)</u>	<u>887,829</u>	<u>(118,234)</u>
<b>NET</b>	(47,080)	795,500	364,371	-	(94,714)
<b>FUND BALANCE, beginning of year</b>	<u>3,127,574</u>	<u>3,095,596</u>	<u>1,168,135</u>	<u>-</u>	<u>22,324,914</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 3,080,494</u>	<u>\$3,891,096</u>	<u>\$1,532,506</u>	<u>\$ -</u>	<u>\$22,230,200</u>

See accompanying independent auditor's report.

Schedule 3 (continued)

<u>Adjustments</u>	<u>Total</u>
(1,056,888)	(38,811)
<u>—</u>	<u>—</u>
(1,056,888)	(38,811)
<u>(11,358,013)</u>	<u>18,358,206</u>
<u>\$(12,414,901)</u>	<u>\$18,319,395</u>

See accompanying independent auditor's report.

**Southwestern Community College**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – UNRESTRICTED FUND**  
**EDUCATION AND SUPPORT**  
**Year ended June 30, 2014**

	<b>Education</b>		
	<b>Liberal Arts Sciences</b>	<b>Vocational Technical</b>	<b>Adult Education</b>
<b>REVENUES</b>			
Tuition and fees	\$3,387,591	\$1,537,061	\$ 266,102
Local support	–	–	–
State support	2,234,912	1,559,311	744,131
Federal support	–	97,833	80,977
Sales and services	–	528	–
Interest income	–	–	–
Other	<u>22,068</u>	<u>110,065</u>	<u>27,115</u>
	5,644,571	3,304,798	1,118,325
Allocation of support services revenues	<u>395,224</u>	<u>411,798</u>	<u>149,190</u>
Total revenues	<u>\$6,039,795</u>	<u>\$3,716,596</u>	<u>\$1,267,515</u>
<b>EXPENDITURES</b>			
Salaries and benefits	\$2,516,477	\$2,122,379	\$ 509,483
Services	99,506	155,579	67,986
Materials and supplies	48,191	190,314	22,292
Travel	10,433	30,497	9,169
Expended for plant assets	–	29,408	–
Purchases for resale	–	–	12,351
Scholarship funds	–	–	–
Other	<u>64,738</u>	<u>–</u>	<u>–</u>
	2,739,345	2,528,177	621,281
Allocation of support services expenditures	<u>2,195,657</u>	<u>2,287,731</u>	<u>828,819</u>
Total expenditures	<u>\$4,935,002</u>	<u>\$4,815,908</u>	<u>\$1,450,100</u>
<b>TRANSFERS AMONG FUNDS</b>			
<b>NET INCREASE (DECREASE) IN FUND BALANCE</b>			
<b>FUND BALANCE, beginning of year</b>			
<b>FUND BALANCE, end of year</b>			

See accompanying independent auditor's report.

<b>Support</b>					
<b>General Administration</b>	<b>Student Services</b>	<b>Learning Resources</b>	<b>Physical Plant</b>	<b>General Institution</b>	<b>Total</b>
\$ -	\$ 10,725	\$ -	\$ -	\$ -	\$ 5,201,479
563,647	-	-	-	-	563,647
-	-	25	-	-	4,538,379
-	33,891	-	-	-	212,701
-	-	-	17,770	-	18,298
42,961	-	-	-	-	42,961
<u>22,176</u>	<u>10,465</u>	<u>-</u>	<u>194</u>	<u>254,357</u>	<u>446,440</u>
628,784	55,081	25	17,964	254,357	11,023,905
<u>(628,784)</u>	<u>(55,081)</u>	<u>(25)</u>	<u>(17,964)</u>	<u>(254,357)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,023,905</u>
\$ 700,688	\$ 970,693	\$ 137,309	\$ 837,471	\$ 660,467	\$ 8,454,967
158,161	102,619	54,194	813,470	338,423	1,789,938
18,683	57,349	29,350	104,124	46,155	516,458
9,850	9,486	536	3,337	15,750	89,058
-	-	-	-	96,903	126,311
-	-	-	-	-	12,351
16,258	-	-	-	102,534	118,792
<u>17,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,071</u>	<u>93,134</u>
920,965	1,140,147	221,389	1,758,402	1,271,303	11,201,009
<u>(920,965)</u>	<u>(1,140,147)</u>	<u>(221,389)</u>	<u>(1,758,402)</u>	<u>(1,271,303)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	11,201,009
					<u>165,590</u>
					(11,514)
					<u>939,664</u>
					<u>\$ 928,150</u>

See accompanying independent auditor's report.



**Southwestern Community College**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – UNRESTRICTED FUND**  
**AUXILIARY ENTERPRISES**  
**Year ended June 30, 2014**

	<u>Financial Aid</u>	<u>Bookstore</u>	<u>Inter- department Charges</u>	<u>Independent Housing</u>	<u>Other</u>	<u>Total</u>
<b>REVENUES</b>						
Student fees	\$ –	\$ –	\$ –	\$ –	\$ 14,342	\$ 14,342
State support	–	–	–	–	13,545	13,545
Federal support	3,773,513	–	–	–	–	3,773,513
Sales and services	–	787,649	13,295	984,626	210,275	1,995,845
Other	<u>69,516</u>	<u>–</u>	<u>168,366</u>	<u>24,046</u>	<u>417,585</u>	<u>679,513</u>
Total revenues	<u>3,843,029</u>	<u>787,649</u>	<u>181,661</u>	<u>1,008,672</u>	<u>655,747</u>	<u>6,476,758</u>
<b>EXPENDITURES</b>						
Salaries	–	96,848	73,433	130,471	102,473	403,225
Services	–	7,963	101,333	49,901	552,553	711,750
Materials and supplies	–	1,390	6,349	14,268	400,618	422,625
Travel	–	96	–	33	78,584	78,713
Expended for plant assets	–	–	–	–	52,081	52,081
Purchases for resale	–	573,105	11,000	–	52,104	636,209
Other	<u>3,843,029</u>	<u>111,464</u>	<u>–</u>	<u>179,362</u>	<u>7,655</u>	<u>4,141,510</u>
Total expenditures	<u>3,843,029</u>	<u>790,866</u>	<u>192,115</u>	<u>374,035</u>	<u>1,246,068</u>	<u>6,446,113</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	–	(3,217)	(10,454)	634,637	(590,321)	30,645
<b>TRANSFERS</b>	<u>–</u>	<u>(1,500)</u>	<u>(285,890)</u>	<u>(583,864)</u>	<u>805,043</u>	<u>(66,211)</u>
<b>NET INCREASE (DECREASE)</b>	–	(4,717)	(296,344)	50,773	214,722	(35,566)
<b>FUND BALANCE, beginning of year</b>	<u>–</u>	<u>621,683</u>	<u>416,753</u>	<u>81,704</u>	<u>1,067,770</u>	<u>2,187,910</u>
<b>FUND BALANCE, end of year</b>	<u>\$ –</u>	<u>\$ 616,966</u>	<u>\$ 120,409</u>	<u>\$ 132,477</u>	<u>\$1,282,492</u>	<u>\$2,152,344</u>

See accompanying independent auditor's report.

**Southwestern Community College**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – RESTRICTED FUND**  
**Year ended June 30, 2014**

	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Unemployment Compensation</u>	<u>Early Retirement</u>	<u>Housing</u>
<b>REVENUES</b>					
Tuition and fees	\$ –	\$ –	\$ –	\$ –	\$ –
Local support	250,505	199,813	9,988	350,157	–
State support	–	–	–	–	–
Federal support	–	–	–	–	–
Interest income	–	–	–	–	–
Iowa Industrial New Jobs Training Program	–	–	–	–	–
Other	–	41,570	–	–	–
Total revenues	<u>250,505</u>	<u>241,383</u>	<u>9,988</u>	<u>350,157</u>	<u>–</u>
<b>EXPENDITURES</b>					
Salaries and benefits	–	68,426	2,551	116,263	–
Services	32,109	195,745	–	–	–
Materials and supplies	134,384	1,384	–	–	–
Travel	–	–	–	–	–
Expended for plant assets	24,038	–	–	–	–
Interest on indebtedness	–	–	–	–	–
Scholarship funds	–	–	–	–	–
Other	–	–	–	–	–
Total expenditures	<u>190,531</u>	<u>265,555</u>	<u>2,551</u>	<u>116,263</u>	<u>–</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	59,974	(24,172)	7,437	233,894	–
<b>TRANSFERS</b>	<u>(109,606)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>147,826</u>
<b>NET INCREASE (DECREASE)</b>	(49,632)	(24,172)	7,437	233,894	147,826
<b>FUND BALANCE, beginning of year</b>	<u>299,784</u>	<u>414,159</u>	<u>38,167</u>	<u>805,914</u>	<u>573,554</u>
<b>FUND BALANCE, end of year</b>	<u>\$ 250,152</u>	<u>\$ 389,987</u>	<u>\$ 45,604</u>	<u>\$1,039,808</u>	<u>\$ 721,380</u>

See accompanying independent auditor's report.

<b>New Industrial New Jobs Training Program</b>	<b>Standby</b>	<b>Tort</b>	<b>Scholarship</b>	<b>Miscellaneous</b>	<b>Total</b>
\$ -	\$ -	\$ -	\$ -	\$ 7,490	\$ 7,490
-	219,956	59,868	-	-	1,090,287
-	-	-	203,452	1,114,197	1,317,649
-	-	-	2,322,732	902,759	3,225,491
539	-	-	-	-	539
868,798	-	-	-	-	868,798
-	-	-	-	462,101	503,671
<u>869,337</u>	<u>219,956</u>	<u>59,868</u>	<u>2,526,184</u>	<u>2,486,547</u>	<u>7,013,925</u>
-	-	-	-	987,436	1,174,676
141,334	-	36,048	-	718,308	1,123,544
-	-	-	-	202,425	338,193
-	-	-	-	49,310	49,310
-	-	-	-	78,554	102,592
290,977	-	-	-	-	290,977
-	-	-	2,526,184	-	2,526,184
-	-	-	-	45,703	45,703
<u>432,311</u>	<u>-</u>	<u>36,048</u>	<u>2,526,184</u>	<u>2,081,736</u>	<u>5,651,179</u>
437,026	219,956	23,820	-	404,811	1,362,746
<u>(437,026)</u>	<u>150,610</u>	<u>-</u>	<u>-</u>	<u>(319,050)</u>	<u>(567,246)</u>
-	370,566	23,820	-	85,761	795,500
-	36,830	327,440	-	599,748	3,095,596
<u>\$ -</u>	<u>\$ 407,396</u>	<u>\$ 351,260</u>	<u>\$ -</u>	<u>\$ 685,509</u>	<u>\$3,891,096</u>

See accompanying independent auditor's report.

**Southwestern Community College**  
**CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS - AGENCY FUNDS**  
Year ended June 30, 2014

**ADDITIONS**

State support	\$ 50,200
Sales and services	4,034
Other	<u>35,012</u>
Total additions	89,246

**DEDUCTIONS**

Salaries and benefits	233
Services	52,885
Materials and supplies	21,418
Travel	3,916
Other	<u>7,500</u>
Total deductions	85,952

**TRANSFERS AMONG FUNDS**

—

**NET INCREASE**

3,294

**BALANCE**, beginning of year

32,507

**BALANCE**, end of year

\$ 35,801

See accompanying independent auditor's report.

**Southwestern Community College**  
**CREDIT AND CONTACT HOURS**  
 Year ended June 30, 2014

<u>Category</u>	<u>Credit Hours</u>			<u>Contact Hours</u>		
	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>
Arts and Sciences	18,153	-	18,153	364,209	-	364,209
Vocational Education - Preparatory	13,162	-	13,162	379,482	-	379,482
Adult Education	-	-	-	136,848	634	137,482
Related Services and Activities	-	-	-	-	-	-
Totals	<u>31,315</u>	<u>-</u>	<u>31,315</u>	<u>880,539</u>	<u>634</u>	<u>881,173</u>

See accompanying independent auditor's report.

**Southwestern Community College**  
**TAX AND INTERGOVERNMENTAL REVENUES**  
For the last ten years

	<b>Year ended June 30</b>			
	<b><u>2014</u></b>	<b><u>2013</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Local (property tax)	\$ 2,217,581	\$ 2,134,276	\$ 2,070,457	\$ 1,746,331
State	6,406,304	6,216,671	4,550,377	4,430,439
Federal	<u>7,211,705</u>	<u>7,746,062</u>	<u>8,862,878</u>	<u>9,773,880</u>
Total	<u>\$15,835,590</u>	<u>\$16,097,009</u>	<u>\$15,483,712</u>	<u>\$15,950,650</u>

See accompanying independent auditor's report.

<b>Year ended June 30</b>					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 1,683,364	\$ 1,604,758	\$ 1,407,183	\$ 1,389,249	\$ 1,353,627	\$ 1,344,373
4,855,323	5,303,587	5,145,043	4,768,030	5,331,104	3,875,501
<u>9,740,162</u>	<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>\$16,278,849</u>	<u>\$13,264,693</u>	<u>\$12,516,700</u>	<u>\$11,390,632</u>	<u>\$11,012,441</u>	<u>\$ 9,621,484</u>

See accompanying independent auditor's report.

**Southwestern Community College  
CURRENT FUND REVENUES BY SOURCE AND  
EXPENDITURES BY FUNCTION**

	<b>Year ended June 30</b>			
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>REVENUES</b>				
Tuition and fees	\$ 5,208,970	\$ 5,337,677	\$ 5,439,480	\$ 5,562,760
Local support	1,653,934	1,591,630	1,543,667	1,248,404
State support	5,856,029	5,202,601	4,346,983	4,280,575
Federal support	3,438,192	3,509,605	3,657,629	4,321,621
Sales and services	18,298	46,078	17,318	15,878
Interest income	43,498	45,639	56,944	80,317
Iowa Industrial New Jobs Training Program	868,798	1,041,420	738,471	2,746,043
Auxiliary enterprises	6,476,758	6,921,754	7,917,757	8,253,396
Other	<u>950,111</u>	<u>954,051</u>	<u>1,117,251</u>	<u>1,871,222</u>
Total revenues	<u>\$24,514,588</u>	<u>\$24,650,455</u>	<u>\$24,835,500</u>	<u>\$28,380,216</u>
<b>EXPENDITURES</b>				
Liberal arts and sciences	\$ 3,373,552	\$ 2,787,957	\$ 2,902,902	\$ 2,901,109
Vocational technical	2,783,738	2,785,366	2,638,969	2,381,790
Adult education	1,006,657	1,026,019	1,064,255	1,145,346
Cooperative services	141,374	784,374	324,789	2,276,239
Administration	1,165,110	1,136,515	1,171,493	1,164,016
Student services	1,140,147	1,182,270	1,159,183	1,145,531
Learning resources	221,389	208,908	204,097	200,121
Physical plant	2,023,958	1,835,138	1,719,697	2,011,468
General institution	2,179,103	2,621,852	2,284,396	2,148,212
Auxiliary enterprises	6,446,113	6,609,999	7,756,883	7,954,330
Scholarships and grants	2,526,184	2,856,009	3,004,980	3,492,372
Interest on indebtedness	<u>290,977</u>	<u>367,685</u>	<u>438,630</u>	<u>485,833</u>
Total expenditures	<u>\$23,298,302</u>	<u>\$24,202,092</u>	<u>\$24,670,274</u>	<u>\$27,306,367</u>

See accompanying independent auditor's report.

Year ended June 30					
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 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>\$23,936,216</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>

See accompanying independent auditor's report.

**Southwestern Community College**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year ended June 30, 2014

<u>Federal grantor/pass-through grant/program name</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>	<u>New Loans and New Loans Guarantees</u>
<b>UNITED STATES DEPARTMENT OF EDUCATION</b>			
<b>Student Financial Aid – Cluster*</b>			
<b>Direct</b>			
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	\$ 22,675	\$ –
Federal Work-Study Program (FWS)	84.033	30,691	–
Federal Pell Grant Program	84.063	2,303,257	–
Federal Direct Student Loan Program, loans disbursed	84.268	–	<u>3,773,513</u>
Total Student Financial Aid Cluster		<u>2,356,623</u>	<u>3,773,513</u>
<b>Federal Trio Cluster</b>			
Student Support Services Program	84.042A	269,918	–
Educational Talent Search	84.044A	<u>225,295</u>	–
Total Federal Trio Cluster		<u>495,213</u>	–
Total Direct		<u>2,851,836</u>	<u>3,773,513</u>
<b>Indirect</b>			
<i>Passed Through Iowa Department of Education</i>			
Vocational Education			
Basic Grants to States			
Perkins			
	84.048A	157,530	–
Adult Education - State Grant Program			
ABE Program			
	84.002	74,484	–
ABE Technology			
	84.002	3,194	–
English Literacy & Civics Education			
	84.002	4,410	–
Teacher Training			
	84.002	<u>2,083</u>	–
Total Iowa Department of Education		241,701	–
<b>UNITED STATES DEPARTMENT OF AGRICULTURE – RURAL DEVELOPMENT</b>			
SBDC – Rural Business Enterprise Grant	10.769	5,355	–
<b>UNITED STATES DEPARTMENT OF LABOR</b>			
<i>Passed Through Iowa Department of Education</i>			
I-AM Consortium Grant	17.282	280,709	–
<b>UNITED STATES DEPARTMENT OF SMALL BUSINESS ADMINISTRATION</b>			
<i>Passed Through Iowa State University</i>			
SBDC Grant	59.037	<u>58,592</u>	–
Total Federal expenditures		<u>\$3,438,193</u>	<u>\$3,773,513</u>

\*Major federal financial assistance program

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

**Southwestern Community College**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year ended June 30, 2014**

**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.





**INDEPENDENT AUDITOR'S 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***

Board of Directors  
Southwestern Community College  
Creston, Iowa

We have audited, in accordance with 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 (the College), and its discretely presented component unit as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated January 27, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the College's financial statements are free from 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, 2014, 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.

### **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 College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
DENMAN & COMPANY, LLP

West Des Moines, Iowa  
January 27, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Directors  
Southwestern Community College  
Creston, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Southwestern Community College's (the College) 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 the College's major federal program for the year ended June 30, 2014. The College's major federal program is identified in the summary of the independent auditor's results section of the accompanying schedule of findings.

***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 the College's major federal program 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 noncompliance 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 the 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 the major federal program. However, our audit does not provide a legal determination of the College's compliance.

***Opinion on Major Federal Program***

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

Management of the 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 the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major 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 the 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.

*Denman & Company, LLP*

**DENMAN & COMPANY, LLP**

West Des Moines, Iowa  
January 27, 2015

**Southwestern Community College**  
**SCHEDULE OF FINDINGS**  
**Year ended June 30, 2014**

**Part I—Summary of the Independent Auditor's Results**

- (a) An unmodified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the 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) The major program was as follows:
  - Student financial aid cluster
    - CFDA Number 84.007 Federal Supplemental Educational Opportunity Grant (SEOG)
    - CFDA Number 84.033 Federal Work-Study Program (FWS)
    - CFDA Number 84.063 Federal Pell Grant Program
    - CFDA Number 84.268 Federal Direct Student Loan Program
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Southwestern Community College qualified as a low-risk auditee.

**Part II—Findings Relating to the Financial Statements Reported in Accordance with  
*Government Auditing Standards***

NONE

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

NONE