

Southwestern Community College

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2015

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**Southwestern Community College
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Board of Directors		
Kenneth Rech	President	2017
Dennis Davis	Vice President	2017
Jerry Smith	Member	2017
Carol Saxton	Member	2019
Fred Shearer	Member	2019
Vicki Sickels	Member	2019
Zach Gunsolley	Member	2017
Tony Cass	Member	2019
Community College		
Dr. Barbara Crittenden	President	
Randy Cook	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, 2015, 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 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 *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the College's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting 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, 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, 2015, 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 than the discretely presented component unit which are in accordance with the cash basis of accounting, which is an other comprehensive basis of accounting.

Emphasis of Matter

As discussed in Note 15 to the financial statements, Southwestern Community College adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. Our opinion was not modified with respect to this matter.

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 schedules of the College's proportionate share of the net pension liability, College contributions, and funding progress for the retiree health plan on pages 39 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which are not presented herein) and expressed an unmodified opinion on those financial statements. The financial statements for the eight 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The 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. In our opinion, based on our audit, the procedures performed as described above, the other supplementary information is fairly stated in all material respects in relation to the basic 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 December 23, 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
December 23, 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, 2015. This information should be read in conjunction with the College's financial statements.

The financial statement presentation provides a comprehensive, entity-wide set of financial statements rather than providing statements for each fund group. Depreciation expense is included in this presentation.

OVERVIEW OF THE ANNUAL FINANCIAL REPORT

The College's annual financial report consists of the following financial statements and other information:

Management's Discussion and Analysis introduces the basic financial statements, presents condensed financial information, and provides an analytical overview of the College's financial activities.

The Basic Financial Statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements net pension liability. Other Supplementary Information provides detailed information about the individual funds of the College and other information.

FINANCIAL HIGHLIGHTS

Operating revenues increased approximately \$600 thousand or 5%, over fiscal year 2014. Tuition and fees increased as a result of slightly higher enrollment and also a tuition rate increase. Federal revenues also increased for Pell Grants for the year.

Operating expenses were approximately \$1.7 million or 8% less in fiscal year 2015 than 2014. Liberal arts and sciences, vocational technical and adult education increased, while cooperative services decreased.

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), deferred outflows of resources, total liabilities (current and noncurrent), and deferred inflows of resources with the difference reported as net position 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	
	June 30	
	<u>2015</u>	<u>2014</u> (as restated)
Current and other assets	\$18,476,387	\$20,009,638
Capital assets, net of accumulated depreciation	<u>21,441,145</u>	<u>19,953,442</u>
Total assets	<u>39,917,532</u>	<u>39,963,080</u>
Deferred outflows of resources	<u>345,809</u>	<u>297,690</u>
Current liabilities	3,934,541	5,685,183
Noncurrent liabilities	<u>14,766,971</u>	<u>16,604,090</u>
Total liabilities	<u>18,701,512</u>	<u>22,289,273</u>
Deferred inflows of resources	<u>3,083,588</u>	<u>2,260,231</u>
Net position		
Net investment in capital assets	12,000,471	10,545,371
Restricted	3,358,293	3,161,024
Unrestricted	603,735	(147,473)
Auxiliary enterprises	<u>2,515,742</u>	<u>2,152,344</u>
Total net position	<u>\$18,478,241</u>	<u>\$15,711,266</u>

The largest portion of the College's net position (64.9%) is invested in capital assets (e.g. land, buildings, and equipment), less the related debt. The restricted portion of the net position (18.2%) consists of resources that are subject to external restrictions. The remaining net position (16.9%) represent the general unrestricted fund, the auxiliary fund, and that designated for plant facilities expenses.

Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$2,608,129 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources related to contributions made after June 30, 2013 but prior to July 1, 2014. Fiscal year 2013 and 2014 financial statement amounts for net pension liabilities, pension expense, deferred outflows of resources and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position presented in 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 earned by the College, operating and nonoperating, and the expenses incurred 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

	Year ended June 30	
	2015	2014
		(Not restated)
Operating revenues		
Tuition and fees (net of scholarship allowances)	\$ 3,257,300	\$ 2,821,473
Federal support	1,468,427	1,138,135
Iowa Industrial New Jobs Training Program	37,029	868,798
Auxiliary	6,600,084	5,905,818
Other	<u>936,668</u>	<u>963,309</u>
Total operating revenues	12,299,508	11,697,533
Total operating expenses	<u>20,562,548</u>	<u>22,256,939</u>
Operating loss	<u>(8,263,040)</u>	<u>(10,559,406)</u>
Nonoperating revenue (expenses)		
State appropriations	6,808,395	6,392,759
Pell grants	2,408,565	2,300,057
Property tax	2,261,345	2,217,581
Investment income	45,769	43,498
Interest on indebtedness	<u>(494,059)</u>	<u>(433,300)</u>
Net nonoperating revenues	<u>11,030,015</u>	<u>10,520,595</u>
Change in net position	2,766,975	(38,811)
Net position, beginning of year (as restated)	<u>15,711,266</u>	<u>15,750,077</u>
Net position, end of year	<u>\$18,478,241</u>	<u>\$15,711,266</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects an increase of \$2,766,975 in net position at the end of the fiscal year.

For the year ended June 30, 2015, operating and nonoperating revenue increased overall mainly as a net result of the following changes:

Tuition and Fees increased with a tuition increase and an increase in credit hours.

Federal Support was up slightly due to the receipt of statewide Information Technology Health Care Utilities and Manufacturing Grant to help 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 increased due to an increase in Direct Loans as a result of an increase in enrollment.

State appropriations increased due to (1) an increase in State General Aid funding, and (2) an increase in funding from the Workplace Learning grant, PACE funding, and GAP program.

Pell Grants increased as a result of an increase in credit hours from FY2014 to FY 2015.

Property tax revenue increased due mainly to an increase of 1.9% in taxable valuations in the area.

Interest on Indebtedness increased as regular debt service payments made during the year.

Operating Expenses

	<u>Year ended June 30</u>	
	<u>2015</u>	<u>2014</u>
Education and Support		
Liberal Arts and Sciences	\$ 3,441,207	\$ 3,380,179
Vocational Technical	3,127,203	2,745,134
Adult Education	1,076,240	985,678
Cooperative Services	26,127	141,333
Administration	1,070,012	1,136,441
Student Services	1,137,217	1,123,736
Learning Resources	208,855	226,405
Physical Plant	482,709	3,178,803
General Institution	2,213,155	2,095,651
Auxiliary Enterprises	6,527,186	6,400,944
Scholarship funds	230,587	8,450
Depreciation	<u>1,022,050</u>	<u>834,185</u>
 Total	 <u>\$20,562,548</u>	 <u>\$22,256,939</u>

For the year ended June 30, 2015, operating expenses decreased overall mainly as a net result of the following changes:

Liberal Arts and Sciences increased due to an increase of expenses related to the online consortium.

Vocational Technical expenses increased due to expenditures associated with the 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 decreased due to the completion of new dormitory construction in the prior year.

Auxiliary enterprises increased due to an increase in Direct Loans as a result of an increase in enrollment.

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>2015</u>	<u>2014</u>
Cash provided (used) by		
Operating activities	\$ (6,898,925)	\$ (8,117,693)
Noncapital financing activities	11,393,191	11,202,313
Capital and related financing activities	(6,103,233)	(1,825,540)
Investing activities	<u>45,769</u>	<u>44,440</u>
Net increase (decrease) in cash	(1,563,198)	1,303,520
Cash, beginning of the year	<u>14,577,556</u>	<u>13,274,036</u>
Cash, end of the year	<u>\$13,014,358</u>	<u>\$14,577,556</u>

Cash used by operating activities includes tuition, fees, grants and contracts, net of payment to employees and to suppliers. Cash provided by noncapital 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, and the purchase of capital assets. Cash provided by investing activities includes investment income received.

CAPITAL ASSETS

At June 30, 2015, the College had approximately \$34 million invested in capital assets with an accumulated depreciation of \$12.6 million. Depreciation charges totaled \$1,022,050 for the year ended June 30, 2015. Details of capital assets are shown below:

Capital Assets, Net

	<u>June 30</u>	
	<u>2015</u>	<u>2014</u>
Land	\$ 177,613	\$ 177,613
Buildings and other structures	30,447,411	24,460,885
Furniture and equipment	2,815,811	2,351,359
Construction in progress	590,713	4,648,414
Accumulated depreciation	<u>(12,590,403)</u>	<u>(11,684,829)</u>
	<u>\$21,441,145</u>	<u>\$19,953,442</u>

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

DEBT

At June 30, 2015, the College had \$12.9 million in debt outstanding, a decrease of \$1.1 million from 2014 due to the retirement of \$1.1 million of debt. The table below summarizes these amounts by type.

Outstanding Debt

	June 30	
	2015	2014
Certificates payable	\$ 3,700,000	\$ 4,560,000
Revenue bonds payable	<u>9,169,224</u>	<u>9,408,071</u>
	<u>\$12,869,224</u>	<u>\$13,968,071</u>

More detailed information about the College's outstanding debt is presented in Notes 5 and 6 to the financial statements.

ECONOMIC FACTORS

Southwestern Community College continued to 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.

State aid for fiscal year 2016 will remain constant with the amount for fiscal year 2015.

The College anticipates the current fiscal year (2016) will be much like the last and will maintain a close watch over resources, expenses and opportunities to maintain the College's ability to react to known and unknown issues.

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, 2015

ASSETS

CURRENT ASSETS

Cash and deposits	\$13,014,358
Receivables	
Accounts receivable (less allowance of \$310,321)	146,848
Other governments	763,015
Property taxes, succeeding year	2,313,059
Inventories	436,363
Receivable for Iowa Industrial New Jobs Training Program	1,518,360
Prepaid expenses	<u>284,384</u>
Total current assets	<u>18,476,387</u>

NONCURRENT ASSETS

Capital assets	
Land	177,613
Buildings	29,250,344
Other structures and improvements	1,197,067
Furniture, equipment and vehicles	2,815,811
Construction in progress	590,713
Accumulated depreciation	<u>(12,590,403)</u>
Total noncurrent assets	<u>21,441,145</u>
Total assets	<u>39,917,532</u>

DEFERRED OUTFLOWS OF RESOURCES

Pension related deferred outflows	<u>345,809</u>
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Southwestern Community College
STATEMENT OF NET POSITION (continued)
June 30, 2015

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	615,760
Accrued salaries and benefits	494,027
Accrued interest	38,769
Deposits held in custody for others	72,504
Unearned revenues	730,169
Due to other governments	376,290
Compensated absences	222,730
Bonds payable	489,292
Certificates payable	<u>895,000</u>
Total current liabilities	<u>3,934,541</u>

NONCURRENT LIABILITIES

Compensated absences	327,483
Bonds payable	8,679,932
Certificates payable	2,805,000
Net pension liability	2,020,417
Net OPEB obligation	<u>934,139</u>
Total noncurrent liabilities	<u>14,766,971</u>
Total liabilities	<u>18,701,512</u>

DEFERRED INFLOWS OF RESOURCES

Unavailable property tax revenue	2,313,059
Pension related deferred inflows	<u>770,529</u>
Total deferred inflows of resources	<u>3,083,588</u>

NET POSITION

Net investment in capital assets	12,000,471
Restricted	
Expendable	
Cash reserve	103,947
Other	3,254,346
Unrestricted	
Undesignated	(1,447,941)
Plant fund	2,051,676
Auxiliary enterprises	<u>2,515,742</u>
Total net position	<u>\$18,478,241</u>

Southwestern Community College
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2015

OPERATING REVENUES

Tuition and fees, net of scholarship allowances of \$2,456,978	\$ 3,257,300
Federal support	1,468,427
Iowa Industrial New Jobs Training Program	37,029
Auxiliary enterprises revenue, net of scholarship allowances of \$208,011	6,600,084
Other	936,668
Total operating revenues	<u>12,299,508</u>

OPERATING EXPENSES

Education and support	
Liberal arts and sciences	3,441,207
Vocational technical	3,127,203
Adult education	1,076,240
Cooperative services	26,127
Administration	1,070,012
Student services	1,137,217
Learning resources	208,855
Physical plant	482,709
General institution	2,213,155
Auxiliary enterprises	6,527,186
Scholarship funds	230,587
Depreciation	1,022,050
Total operating expenses	<u>20,562,548</u>

OPERATING (LOSS)

(8,263,040)

NONOPERATING REVENUES (EXPENSES)

State appropriations	6,808,395
Pell grants	2,408,565
Property tax	2,261,345
Investment income	45,769
Interest on indebtedness	(494,059)
Total nonoperating revenues (expenses), net	<u>11,030,015</u>

CHANGE IN NET POSITION

2,766,975

NET POSITION, beginning of year (as restated)

15,711,266

NET POSITION, end of year

\$18,478,241

Southwestern Community College
STATEMENT OF CASH FLOWS
Year ended June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$ 3,310,208
Federal support	977,565
Iowa Industrial New Jobs Training Program (NJTP)	536,959
Payments to employees for salaries and benefits	(10,120,572)
Payments to suppliers for goods and services	(8,906,113)
Scholarships	(230,587)
Auxiliary enterprise receipts	6,600,084
Other receipts	<u>933,531</u>
Net cash used in operating activities	<u>(6,898,925)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	6,740,030
Pell grants	2,408,565
Property tax	2,261,345
Federal direct lending receipts	3,902,240
Federal direct lending disbursements	(3,919,494)
Miscellaneous agency fund receipts	43,568
Miscellaneous agency fund disbursements	<u>(43,063)</u>
Net cash provided by noncapital financing activities	<u>11,393,191</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(4,510,327)
Principal paid on debt	(1,098,847)
Interest paid on debt	<u>(494,059)</u>
Net cash used in capital and related financing activities	<u>(6,103,233)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>45,769</u>
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NET DECREASE IN CASH

(1,563,198)

CASH, beginning of year

14,577,556

CASH, end of year

\$13,014,358

Southwestern Community College
STATEMENT OF CASH FLOWS (continued)
Year ended June 30, 2015

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

Operating loss	<u>\$ (8,263,040)</u>
Adjustments to reconcile operating loss to net cash flows used in operating activities	
Depreciation	1,022,050
Provisions for doubtful accounts	129,700
Loss of disposal of capital assets	23,201
Changes in assets and liabilities	
Accounts receivable	(113,276)
Iowa Industrial New Jobs Training Program receivable	499,930
Due from other governments	(311,632)
Inventories	(36,180)
Prepaid expenses and deferred charges	(57,048)
Deferred outflows	(48,119)
Accounts payable	263,287
Salaries and benefits payable	(6,940)
Due to other governments	(179,230)
Unearned revenues	36,484
Compensated absences	55,831
Accrued interest payable	(3,137)
Net pension liability	(885,402)
OPEB liability	204,067
Deferred inflows	<u>770,529</u>
Total adjustments	<u>1,364,115</u>
Net cash flows used in operating activities	<u>\$ (6,898,925)</u>

Southwestern Community College
Component Unit – Southwestern Community College Education Foundation
STATEMENT OF NET ASSETS-CASH BASIS
June 30, 2015

ASSETS	Foundation Fiscal year end <u>March 31, 2015</u>
CURRENT ASSETS	
Cash and investments	\$ <u>2,523,430</u>
Total assets	\$ <u>2,523,430</u>
NET ASSETS	
Restricted	
Nonexpendable, scholarships and grants	\$1,431,936
Expendable, scholarships and grants	522,635
Unrestricted	<u>568,859</u>
Total net assets	\$ <u>2,523,430</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, 2015

	Foundation Fiscal year end March 31, 2015
OPERATING REVENUES	
Contributions and pledges	\$ 320,407
In-kind support	<u>118,667</u>
Total operating revenues	<u>439,074</u>
OPERATING EXPENSES	
Management and general	61,473
Fund raising	<u>28,259</u>
Total operating expenses	<u>89,732</u>
OPERATING INCOME	<u>349,342</u>
NONOPERATING REVENUES (EXPENSES)	
Addition to endowments	27,185
Investment income	96,634
Scholarships and grants to Southwestern Community College and students	<u>(422,808)</u>
Total nonoperating revenues (expenses)	<u>(298,989)</u>
CHANGE IN NET ASSETS	50,353
NET ASSETS , beginning of year	<u>2,473,077</u>
NET ASSETS , end of year	<u>\$2,523,430</u>

See Notes to Financial Statements.

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 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, 2015, 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, 2015

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 basic financial statements (statement of net position, revenues, expenses and changes in net position, and cash flows) be reported on a consolidated basis and 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, Deferred Outflows of Resources, 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, 2015

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.

Inventories

Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expense at the time individual inventory items are consumed.

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.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts, which offsets the total gross receivables, is calculated based upon historical collection data, specific account analysis and management's judgment.

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, 2015 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets

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

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

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

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

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

Depreciation is computed using the straight-line method over the following estimated useful lives:

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

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

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

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, advanced student tuition, and deferred administrative and training revenue for NJTP projects.

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. These liabilities have been computed based on rates of pay in effect at June 30, 2015.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows of Resources

Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the bookstore and food service.

Tuition and Fees

Tuition and fees revenues are reported net of scholarship allowances, while other payments made directly to students are presented as scholarship and fellowship expenses. The College operates summer sessions during May, June and July. Revenues and expenses 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.

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.

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.

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.

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 CASH AND DEPOSITS

The College's cash and deposits (certificates of deposit) at June 30, 2015, 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 high 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.

At June 30, 2015, the College's cash and deposits are as follows:

Deposits	
Cash	\$11,914,358
Non-negotiable certificates of deposit	<u>1,100,000</u>
Total cash and deposits	<u>\$13,014,358</u>

NOTE 3 INVENTORIES

The College's inventories at June 30, 2015 are as follows:

<u>Type</u>	<u>Amount</u>
Supplies and materials	\$ 229,201
Livestock	22,275
Crops	20,053
Development/work in progress	<u>164,834</u>
Total	<u>\$ 436,363</u>

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 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>4,648,414</u>	<u>1,928,825</u>	<u>(5,986,526)</u>	<u>590,713</u>
Total capital assets not being depreciated	<u>4,826,027</u>	<u>1,928,825</u>	<u>(5,986,526)</u>	<u>768,326</u>
Capital assets being depreciated				
Buildings	23,263,818	5,986,526	—	29,250,344
Other structures and improvements	1,197,067	—	—	1,197,067
Furniture, equipment and vehicles	<u>2,351,359</u>	<u>604,129</u>	<u>(139,677)</u>	<u>2,815,811</u>
Total capital assets being depreciated	<u>26,812,244</u>	<u>6,590,655</u>	<u>(139,677)</u>	<u>33,263,222</u>
Less accumulated depreciation for				
Buildings	9,266,723	766,402	—	10,033,125
Other structures and improvements	800,934	47,106	—	848,040
Furniture, equipment and vehicles	<u>1,617,172</u>	<u>208,542</u>	<u>(116,476)</u>	<u>1,709,238</u>
Total accumulated depreciation	<u>11,684,829</u>	<u>1,022,050</u>	<u>(116,476)</u>	<u>12,590,403</u>
Total capital assets being depreciated	<u>15,127,415</u>	<u>5,568,605</u>	<u>(23,201)</u>	<u>20,672,819</u>
Capital assets, net	<u>\$19,953,442</u>	<u>\$7,497,430</u>	<u>\$(6,009,727)</u>	<u>\$21,441,145</u>

Construction in progress at June 30, 2015 includes costs for design and construction related to classroom remodel and simulation lab. The College has entered into contracts for these projects of approximately \$1,169,000, of which approximately \$565,000 has been completed. Accounts payable at June 30, 2015 includes approximately \$260,000 of the amount completed. Total unpaid contracts at June 30, 2015 were approximately \$604,000.

NOTE 5 REVENUE BONDS PAYABLE

A summary of changes in revenue bonds payable for the year ended June 30, 2015 is as follows:

Balance beginning of year	\$9,408,071
Additions	—
Reductions	<u>(238,847)</u>
Balance end of year	<u>\$9,169,224</u>
Due within one year	<u>\$ 495,514</u>

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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, 2015 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>
2016	0.0%	\$ 140,117	\$ —	\$ 140,117
2017	0.0%	<u>33,166</u>	<u>—</u>	<u>33,166</u>
Total		<u>\$ 173,283</u>	<u>\$ —</u>	<u>\$ 173,283</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, 2015 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>
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>53,899</u>	<u>—</u>	<u>53,899</u>
Total		<u>\$ 423,931</u>	<u>\$ —</u>	<u>\$ 423,931</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, 2015 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>
2016	4.25%	\$ 215,000	\$ 99,512	\$ 314,512
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	5.00%	125,000	80,175	205,175
2021-2025	5.00-5.25%	725,000	300,625	1,025,625
2026-2029	5.25%	<u>710,000</u>	<u>95,288</u>	<u>805,288</u>
Total		<u>\$2,120,000</u>	<u>\$ 845,876</u>	<u>\$2,965,876</u>

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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>
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	0.0%	125,000	—	125,000
2021-2024	0.0%	<u>458,333</u>	<u>—</u>	<u>458,333</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>
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	1.80%	95,000	197,860	292,860
2021-2025	3.00 – 3.25%	925,000	935,300	1,860,300
2026-2030	3.25 – 4.00%	1,800,000	733,213	2,533,213
2031-2034	4.00 – 4.25%	2,410,000	259,962	2,669,962
Premium		<u>112,010</u>	<u>—</u>	<u>112,010</u>
Total		<u>\$5,452,010</u>	<u>\$2,924,165</u>	<u>\$8,376,175</u>

NOTE 6 NEW JOBS TRAINING PROGRAM CERTIFICATES

A summary of changes in certificates payable for the year ended June 30, 2015 is as follows:

Balance beginning of year	\$4,560,000
Additions	—
Reductions	<u>(860,000)</u>
Balance end of year	<u>\$3,700,000</u>
Due within one year	<u>\$ 895,000</u>

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 \$3,700,000, with interest rates ranging from 3.262% to 5.5% 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, 2015, were \$860,000 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>
2016	3.262-5.25%	\$ 895,000	\$ 165,880	\$1,060,880
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>\$3,700,000</u>	<u>\$ 409,205</u>	<u>\$4,109,205</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, 2015:

<u>Year ending June 30</u>	<u>Amount</u>
2016	\$ <u>24,042</u>

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

Plan Description – IPERS membership is mandatory for employees of the College except for those covered by another retirement system. Employees of the College are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, regular members contributed 5.95 percent of pay and the College contributed 8.93 percent for a total rate of 14.88 percent.

The College's contributions to IPERS for the year ended June 30, 2015 were \$299,143.

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the College reported a liability of \$2,020,417 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The College's proportion of the net pension liability was based on the College's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the College's collective proportion was 0.049923 percent, which was a decrease of 0.001398 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the College recognized pension expense of \$151,223. At June 30, 2015, the College reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,958	\$ –
Changes in assumptions	89,166	–
Net difference between projected and actual earnings on pension plan investments	–	770,529
Changes in proportion and difference between College contributions and proportionate share of contributions	(64,458)	–
College contributions subsequent to the measurement date	<u>299,143</u>	<u>–</u>
Totals	<u>\$ 345,809</u>	<u>\$ 770,529</u>

\$299,143 reported as deferred outflows of resources related to pensions resulting from the College contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30</u>	<u>Amount</u>
2016	\$ (181,732)
2017	(181,732)
2018	(181,732)
2019	(181,733)
2020	<u>3,066</u>
Totals	<u>\$ 723,863</u>

There are no non-employer contributing entities at IPERS.

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (continued)

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership groups.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31
Non US Equity	15%	6.76
Private Equity	13%	11.34
Real Estate	8%	3.52
Core Plus Fixed Income	28%	2.06
Credit Opportunities	5%	3.67
TIPS	5%	1.92
Other Real Assets	2%	6.27
Cash	<u>1%</u>	(0.69)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the College will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS) (continued)

Sensitivity of the College's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the College's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the College's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
College's proportionate share of the net pension liability	\$3,817,521	\$2,020,417	\$ 503,475

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

NOTE 9 TEACHERS INSURANCE AND ANNUITY ASSOCIATION – COLLEGE RETIREMENT EQUITIES FUND (TIAA-CREF)

The College 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, 2015, were \$250,733 and \$167,062, respectively.

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 131 active and 9 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits 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, 2015**

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, 2015, the amount actually contributed to the plan and changes in the College's net OPEB obligation:

Annual required contribution	\$ 330,564
Interest on net OPEB obligation	24,296
Adjustment to annual required contribution	<u>(33,146)</u>
Annual OPEB cost	321,714
Contributions made	<u>(191,404)</u>
Increase in net OPEB obligation	130,310
Pension costs – early retirement (Note 11)	263,919
Net OPEB obligation beginning of year	<u>539,910</u>
 Net OPEB obligation end of year	 <u>\$ 934,139</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, 2015.

For the year ended June 30, 2015, the College contributed \$191,404 to the medical plan. Plan members eligible for benefits contributed \$-0- of the premium costs.

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015, are summarized as follows:

<u>Year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2013	<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>
June 30, 2015	<u>\$321,714</u>	<u>59.5%</u>	<u>\$670,220</u>

Funded Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$2.485 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2.485 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$5,500,000 and the ratio of the UAAL to covered payroll was 45.5%. As of June 30, 2015, there were no trust fund assets.

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 for the retiree health plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents 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, 2014 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 and the ultimate medical trend rate is 5%.

Mortality rates are from the RP2014 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Scale T-10 of the Actuary's Pension Handbook.

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, 2015. 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 15th of the month of retirement. Actual early retirement expenditures for the year ended June 30, 2015 totaled \$51,804.

The liability for early retirement included in net OPEB obligation is \$263,919. At June 30, 2015, the potential liability for all employees eligible, is approximately \$774,000.

Southwestern Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 12 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 13 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 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 ACCOUNTING CHANGE/RESTATEMENT

The Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year 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, GASB No 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net Position</u>
Net position July 30, 2014 as previously reported	\$18,319,395
Net pension liability June 30, 2014	(2,905,819)
Deferred outflows of resources related to contributions made after the June 30, 2013 measurement date	<u>297,690</u>
Net position July 1, 2014, as restated	<u>\$15,711,266</u>

REQUIRED SUPPLEMENTARY INFORMATION

Southwestern Community College
SCHEDULE OF COLLEGE'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Required Supplementary Information

	<u>June 30, 2015</u>
College's proportion of the net pension liability	0.049923%
College's proportionate share of the net pension liability	\$2,020
College's covered-employee payroll	\$3,350
College's proportionate share of the net pension liability as a percentage of its covered-employee payroll	60.31%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten-year trend is completed, the College will present information for those years for which information is available.

See accompanying independent auditor's report.

**Southwestern Community College
SCHEDULE OF COLLEGE CONTRIBUTIONS
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)**

Required Supplementary Information

	Year ended June 30									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Statutory required contribution	\$ 299	\$ 298	\$ 288	\$ 257	\$ 222	\$ 204	\$ 201	\$ 176	\$ 156	\$ 154
Contributions in relation to the statutorily required contribution	(299)	(298)	(288)	(257)	(222)	(204)	(201)	(176)	(156)	(154)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
 College's covered-employee payroll	 \$ 3,350	 \$ 3,334	 \$ 3,321	 \$ 3,187	 \$ 3,197	 \$ 3,067	 \$ 3,171	 \$ 2,911	 \$ 2,708	 \$ 2,685
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	8.07%	6.95%	6.65%	6.35%	6.05%	5.75%	5.75%

See accompanying independent auditor's report.

Southwestern Community College
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2015

CHANGES OF BENEFIT TERMS

Legislation passed in 2010 modified benefit terms for current regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

CHANGES OF ASSUMPTIONS

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

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>
2015	July 1, 2014	\$ <u>—</u>	\$ <u>2,485,245</u>	\$ <u>2,485,245</u>	<u>0.0%</u>	\$ <u>5,465,901</u>	<u>45.5%</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, 2015

<u>Funds/Levy</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance between actual and final budget</u>
Unrestricted	\$11,976,000	\$11,151,927	\$ 824,073
Restricted			
Unemployment	10,071	17,690	(7,619)
Insurance and tort	345,356	379,513	(34,157)
Equipment replacement	271,813	175,223	96,590
Early retirement	546,232	176,144	370,088
Other	<u>9,938,528</u>	<u>3,138,662</u>	<u>6,799,866</u>
Total restricted	11,112,000	3,887,232	7,224,768
Plant	<u>2,500,000</u>	<u>2,429,534</u>	<u>70,466</u>
Total operating expenditures	<u>\$25,588,000</u>	<u>\$17,468,693</u>	<u>\$8,119,307</u>

See accompanying independent auditor's report.

Southwestern Community College
NOTE TO BUDGETARY REPORTING
Year ended June 30, 2015

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, 2015, 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, 2015

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 accounts:

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.

Schedules 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 schedule of revenues, expenditures and changes in fund balances is a schedule 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
BALANCE SHEET – ALL FUNDS
June 30, 2015

	<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>
ASSETS					
Cash and deposits	\$3,912,143	\$ 6,682,432	\$2,383,165	\$ –	\$ –
Receivables					
Accounts (less allowance of \$310,321)	146,808	–	–	–	–
Other governments	19,515	743,500	–	–	–
Property taxes	586,255	1,140,549	586,255	–	–
Inventories	436,363	–	–	–	–
Receivable for cost of Iowa Industrial New Jobs Training Program	–	1,518,360	–	–	–
Prepaid expenses and deferred charges	271,584	12,800	–	–	–
Capital assets					
Land	–	–	–	–	177,613
Buildings	–	–	–	–	29,250,344
Other structures	–	–	–	–	1,197,067
Furniture and equipment	–	–	–	–	2,815,811
Construction in progress	–	–	–	–	590,713
Accumulated depreciation	–	–	–	–	(12,590,403)
Total assets	5,372,668	10,097,641	2,969,420	–	21,441,145
DEFERRED OUTFLOWS OF RESOURCES					
Pension related deferred outflows	–	–	–	–	–
Total assets and deferred outflows of resources	<u>\$5,372,668</u>	<u>\$10,097,641</u>	<u>\$2,969,420</u>	<u>\$ –</u>	<u>\$21,441,145</u>

See accompanying independent auditor's report.

Schedule 2

<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
\$ 36,618	\$ -	\$13,014,358
40	-	146,848
-	-	763,015
-	-	2,313,059
-	-	436,363
-	-	1,518,360
-	-	284,384
-	-	177,613
-	-	29,250,344
-	-	1,197,067
-	-	2,815,811
-	-	590,713
-	-	<u>(12,590,403)</u>
36,658	-	39,917,532
<u>-</u>	<u>345,809</u>	<u>345,809</u>
<u>\$ 36,658</u>	<u>\$ 345,809</u>	<u>\$40,263,341</u>

See accompanying independent auditor's report.

Southwestern Community College
BALANCE SHEET – ALL FUNDS (continued)
June 30, 2015

	<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>
LIABILITIES					
Accounts payable	\$ 196,467	\$ 112,146	\$ 306,543	\$ –	\$ –
Accrued salaries and benefits	457,738	36,289	–	–	–
Accrued interest	–	13,823	24,946	–	–
Deposits held in custody for others	36,450	–	–	–	–
Unearned revenues	81,249	377,470	–	–	271,450
Due to other governments	–	376,290	–	–	–
Compensated absences	501,571	48,642	–	–	–
Bonds payable	–	–	–	–	9,169,224
Certificates payable	–	3,700,000	–	–	–
Net pension liability	–	–	–	–	–
Net OPEB obligation	–	–	–	–	–
Total liabilities	<u>1,273,475</u>	<u>4,664,660</u>	<u>331,489</u>	<u>–</u>	<u>9,440,674</u>
DEFERRED INFLOWS OF RESOURCES					
Property tax revenue	586,255	1,140,549	586,255	–	–
Pension related deferred inflows	–	–	–	–	–
Total deferred inflows of resources	<u>586,255</u>	<u>1,140,549</u>	<u>586,255</u>	<u>–</u>	<u>–</u>
FUND BALANCES					
Net investment in capital assets	–	–	–	–	12,000,471
Restricted					
Expendable					
Cash reserve	–	103,947	–	–	–
Other	–	4,188,485	–	–	–
Unrestricted	997,196	–	2,051,676	–	–
Auxiliary enterprises	<u>2,515,742</u>	–	–	–	–
Total fund balances	<u>3,512,938</u>	<u>4,292,432</u>	<u>2,051,676</u>	<u>–</u>	<u>12,000,471</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$5,372,668</u>	<u>\$10,097,641</u>	<u>\$2,969,420</u>	<u>\$–</u>	<u>\$21,441,145</u>

See accompanying independent auditor's report.

Schedule 2 (continued)

<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
\$ 604	\$ -	\$ 615,760
-	-	494,027
-	-	38,769
36,054	-	72,504
-	-	730,169
-	-	376,290
-	-	550,213
-	-	9,169,224
-	-	3,700,000
-	2,020,417	2,020,417
-	<u>934,139</u>	<u>934,139</u>
<u>36,658</u>	<u>2,954,556</u>	<u>18,701,512</u>
-	-	2,313,059
-	<u>770,529</u>	<u>770,529</u>
-	<u>770,529</u>	<u>3,083,588</u>
-	-	12,000,471
-	-	103,947
-	(934,139)	3,254,346
-	(2,445,137)	603,735
-	-	<u>2,515,742</u>
-	<u>(3,379,276)</u>	<u>18,478,241</u>
<u>\$ 36,658</u>	<u>\$ 345,809</u>	<u>\$40,263,341</u>

See accompanying independent auditor's report.

Southwestern Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 2015

	Current Funds		Plant Funds		
	Unrestricted	Restricted	Unexpended	Retirement of Indebtedness	Investment in Plant
REVENUES					
General					
Tuition and fees	\$ 5,713,798	\$ 480	\$ -	\$ -	\$ -
Local support	575,228	1,110,889	575,228	-	-
State support	4,691,216	1,708,796	408,383	-	-
Federal support	31,569	3,845,423	-	-	-
Sales and services	13,858	-	-	-	-
Interest income	45,371	369	29	-	-
Iowa Industrial New Jobs Training Program	-	37,029	-	-	-
Increase in plant investment due to plant expenditures	-	-	-	-	2,532,954
Increase in plan investment due to retirement of debt	-	-	-	-	232,625
Proceeds from sale of bonds	-	-	1,271,623	-	-
Other	451,189	419,785	57,900	-	-
Total general revenues	<u>11,522,229</u>	<u>7,122,771</u>	<u>2,313,163</u>	<u>-</u>	<u>2,765,579</u>
Auxiliary enterprises					
Student fees	31,026	-	-	-	-
State support	21,924	-	-	-	-
Federal support	3,902,240	-	-	-	-
Sales and services	2,639,142	-	-	-	-
Other	566,040	-	-	-	-
Total auxiliary revenues	<u>7,160,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	<u>18,682,601</u>	<u>7,122,771</u>	<u>2,313,163</u>	<u>-</u>	<u>2,765,579</u>
EXPENDITURES					
Education and support					
Liberal arts and sciences	2,886,006	593,062	-	-	-
Vocational technical	2,337,733	860,562	-	-	-
Adult education	528,786	627,300	-	-	-
Cooperative services	-	26,127	-	-	-
Administration	895,220	236,650	-	-	-
Student services	1,181,342	-	-	-	-
Learning resources	208,735	-	-	-	-
Physical plant	1,812,227	339,610	170,151	-	-
General institution	1,301,878	1,006,620	-	-	-
Total education and support	<u>11,151,927</u>	<u>3,689,931</u>	<u>170,151</u>	<u>-</u>	<u>-</u>
Auxiliary enterprises					
Scholarship funds	-	2,748,321	-	-	-
Retirement of indebtedness	-	-	-	232,625	-
Interest on indebtedness	-	197,301	-	296,758	-
Plant asset acquisitions	-	-	1,730,000	-	-
Proceeds from sale of bonds	-	-	-	-	-
Disposal of plant assets	-	-	-	-	23,201
Depreciation	-	-	-	-	1,022,050
Total expenditures	<u>17,965,726</u>	<u>6,635,553</u>	<u>1,900,151</u>	<u>529,383</u>	<u>1,045,251</u>

See accompanying independent auditor's report.

Schedule 3

<u>Adjustments</u>	<u>Total</u>
\$(2,456,978)	\$ 3,257,300
-	2,261,345
-	6,808,395
-	3,876,992
-	13,858
-	45,769
-	37,029
(2,532,954)	-
(232,625)	-
(1,271,623)	-
<u>(6,064)</u>	<u>922,810</u>
<u>(6,500,244)</u>	<u>17,223,498</u>
-	31,026
-	21,924
-	3,902,240
(284,854)	2,354,288
<u>(275,434)</u>	<u>290,606</u>
<u>(560,288)</u>	<u>6,600,084</u>
<u>(7,060,532)</u>	<u>23,823,582</u>
(37,861)	3,441,207
(71,092)	3,127,203
(79,846)	1,076,240
-	26,127
(61,858)	1,070,012
(44,125)	1,137,217
120	208,855
(1,839,279)	482,709
<u>(95,343)</u>	<u>2,213,155</u>
<u>(2,229,284)</u>	<u>12,782,725</u>
(286,613)	6,527,186
(2,517,734)	230,587
(232,625)	-
-	494,059
(1,730,000)	-
-	-
(23,201)	-
<u>-</u>	<u>1,022,050</u>
<u>(7,019,457)</u>	<u>21,056,607</u>

Southwestern Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
Year ended June 30, 2015

	<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>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 716,875	\$ 487,218	\$ 413,012	\$ (529,383)	\$ 1,720,328
TRANSFERS	<u>(284,431)</u>	<u>(85,882)</u>	<u>106,158</u>	<u>529,383</u>	<u>(265,228)</u>
NET	432,444	401,336	519,170	-	1,455,100
FUND BALANCE, beginning of year	<u>3,080,494</u>	<u>3,891,096</u>	<u>1,532,506</u>	<u>-</u>	<u>10,545,371</u>
FUND BALANCE, end of year	<u>\$3,512,938</u>	<u>\$4,292,432</u>	<u>\$2,051,676</u>	<u>\$ -</u>	<u>\$12,000,471</u>

See accompanying independent auditor's report.

Schedule 3 (continued)

<u>Adjustments</u>	<u>Total</u>
\$ (41,075)	\$ 2,766,975
<u>—</u>	<u>—</u>
(41,075)	2,766,975
<u>(3,338,201)</u>	<u>15,711,266</u>
<u>\$(3,379,276)</u>	<u>\$18,478,241</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, 2015

	<u>Education</u>		
	<u>Liberal Arts Sciences</u>	<u>Vocational Technical</u>	<u>Adult Education</u>
REVENUES			
Tuition and fees	\$3,718,414	\$1,678,115	\$ 306,086
Local support	–	–	–
State support	2,155,180	1,676,101	855,417
Federal support	–	–	–
Sales and services	–	51	–
Interest income	–	–	–
Other	<u>71,358</u>	<u>86,557</u>	<u>22,198</u>
	5,044,952	3,440,824	1,183,701
Allocation of support services revenues	<u>439,219</u>	<u>361,760</u>	<u>151,773</u>
Total revenues	<u>\$6,384,171</u>	<u>\$3,802,584</u>	<u>\$1,335,474</u>
EXPENDITURES			
Salaries and benefits	\$2,577,448	\$2,027,793	\$ 390,115
Services	154,346	121,400	88,862
Materials and supplies	52,895	124,522	35,903
Travel	11,827	23,812	5,141
Expended for plant assets	–	–	–
Purchases for resale	–	–	8,765
Scholarship funds	–	–	–
Other	<u>89,490</u>	<u>40,206</u>	<u>–</u>
	2,886,006	2,337,733	528,786
Allocation of support services expenditures	<u>2,489,123</u>	<u>2,050,154</u>	<u>860,125</u>
Total expenditures	<u>\$5,375,129</u>	<u>\$4,387,887</u>	<u>\$1,388,911</u>
TRANSFERS AMONG FUNDS			
NET INCREASE IN FUND BALANCE			
FUND BALANCE , beginning of year			
FUND BALANCE , end of year			

See accompanying independent auditor's report.

Support					
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Total
\$ -	\$ 11,183	\$ -	\$ -	\$ -	\$ 5,713,798
575,228	-	-	-	-	575,228
4,518	-	-	-	-	4,691,216
-	31,569	-	-	-	31,569
-	-	-	13,807	-	13,858
45,371	-	-	-	-	45,371
<u>30,377</u>	<u>13,012</u>	<u>1,177</u>	<u>1,914</u>	<u>224,596</u>	<u>451,189</u>
655,494	55,764	1,177	15,721	224,596	11,522,229
<u>(655,494)</u>	<u>(55,764)</u>	<u>(1,177)</u>	<u>(15,721)</u>	<u>(224,596)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,522,229</u>
\$ 668,528	\$ 997,051	\$ 127,164	\$ 858,948	\$ 647,429	\$ 8,294,476
148,380	101,932	53,721	810,726	378,929	1,858,296
12,504	67,641	27,760	109,932	100,238	531,395
7,392	14,718	90	3,326	30,763	97,069
-	-	-	29,295	17,643	46,938
-	-	-	-	-	8,765
40,033	-	-	-	116,076	156,109
<u>18,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,800</u>	<u>158,879</u>
895,220	1,181,342	208,735	1,812,227	1,301,878	11,151,927
<u>(895,220)</u>	<u>(1,181,342)</u>	<u>(208,735)</u>	<u>(1,812,227)</u>	<u>(1,301,878)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	11,151,927
					<u>(301,256)</u>
					69,046
					<u>928,150</u>
					<u>\$ 997,196</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, 2015

	<u>Financial Aid</u>	<u>Bookstore</u>	<u>Inter- department Charges</u>	<u>Independent Housing</u>	<u>Other</u>	<u>Total</u>
REVENUES						
Student fees	\$ –	\$ 31,026	\$ –	\$ –	\$ –	\$ 31,026
State support	–	–	–	–	21,924	21,924
Federal support	3,902,240	–	–	–	–	3,902,240
Sales and services	–	846,735	19,538	1,544,648	228,221	2,639,142
Other	17,254	–	159,648	22,440	366,698	566,040
Total revenues	<u>3,919,494</u>	<u>877,761</u>	<u>179,186</u>	<u>1,567,088</u>	<u>616,843</u>	<u>7,160,372</u>
EXPENDITURES						
Salaries	–	75,520	77,791	197,794	82,773	433,878
Services	–	6,225	93,776	59,108	656,852	815,961
Materials and supplies	–	1,320	6,224	176,447	327,206	511,197
Travel	–	91	269	115	65,525	56,000
Expended for plant assets	–	–	25,560	–	191,380	216,940
Purchases for resale	–	664,105	23,792	–	36,752	724,649
Other	3,919,494	111,469	–	11	14,200	4,045,174
Total expenditures	<u>3,919,494</u>	<u>858,730</u>	<u>227,412</u>	<u>433,475</u>	<u>1,374,688</u>	<u>6,813,799</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	–	19,031	(48,226)	1,133,613	(757,845)	346,573
TRANSFERS	–	–	142,945	(1,012,149)	886,029	16,825
NET INCREASE	–	19,031	94,719	121,464	128,184	363,398
FUND BALANCE, beginning of year	–	616,966	120,409	132,477	1,282,492	2,152,344
FUND BALANCE, end of year	<u>\$ –</u>	<u>\$ 635,997</u>	<u>\$ 215,128</u>	<u>\$ 253,941</u>	<u>\$1,410,676</u>	<u>\$2,515,742</u>

See accompanying independent auditor's report.

Southwestern Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – RESTRICTED FUND
Year ended June 30, 2015

	<u>Equipment Replacement</u>	<u>Insurance</u>	<u>Unemployment Compensation</u>	<u>Early Retirement</u>	<u>Housing</u>
REVENUES					
Tuition and fees	\$ –	\$ –	\$ –	\$ –	\$ –
Local support	255,651	249,473	9,705	493,274	–
State support	2,008	1,965	363	3,890	–
Federal support	–	–	–	–	–
Interest income	–	–	–	–	49
Iowa Industrial New Jobs Training Program	–	–	–	–	–
Other	–	<u>77,490</u>	–	–	–
Total revenues	<u>257,659</u>	<u>328,928</u>	<u>10,068</u>	<u>497,164</u>	<u>49</u>
EXPENDITURES					
Salaries and benefits	–	67,396	17,690	176,144	–
Services	31,728	276,312	–	–	–
Materials and supplies	143,495	–	–	–	–
Travel	–	–	–	–	–
Expended for plant assets	–	–	–	–	–
Interest on indebtedness	–	–	–	–	–
Scholarship funds	–	–	–	–	–
Other	–	–	–	–	–
Total expenditures	<u>175,223</u>	<u>343,708</u>	<u>17,690</u>	<u>176,144</u>	<u>–</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	82,436	(14,780)	(7,622)	321,020	49
TRANSFERS	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(183)</u>
NET INCREASE (DECREASE)	82,436	(14,780)	(7,622)	321,020	(134)
FUND BALANCE, beginning of year	<u>250,152</u>	<u>389,987</u>	<u>45,604</u>	<u>1,039,808</u>	<u>721,380</u>
FUND BALANCE, end of year	<u>\$ 332,588</u>	<u>\$ 375,207</u>	<u>\$ 37,982</u>	<u>\$1,360,828</u>	<u>\$ 721,246</u>

See accompanying independent auditor's report.

New Industrial New Jobs Training Program	Standby	Tort	Scholarship	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ 480	\$ 480
-	3,280	99,506	-	-	1,110,889
-	-	786	318,199	1,381,585	1,708,796
-	-	-	2,430,122	1,415,301	3,845,423
319	-	-	-	1	369
37,029	-	-	-	-	37,029
-	-	-	-	342,295	419,785
<u>37,348</u>	<u>3,280</u>	<u>100,292</u>	<u>2,748,321</u>	<u>3,139,662</u>	<u>7,122,771</u>
-	-	-	-	1,220,954	1,482,184
-	-	35,805	-	741,774	1,085,619
-	-	-	-	293,137	436,632
-	-	-	-	65,836	65,836
-	-	-	-	511,877	511,877
197,301	-	-	-	-	197,301
-	-	-	2,748,321	-	2,748,321
-	-	-	-	107,783	107,783
<u>197,301</u>	<u>-</u>	<u>35,805</u>	<u>2,748,321</u>	<u>2,941,361</u>	<u>6,635,553</u>
(159,953)	3,280	64,487	-	198,301	487,218
<u>159,953</u>	<u>(159,953)</u>	<u>-</u>	<u>-</u>	<u>(85,699)</u>	<u>(85,882)</u>
-	(156,673)	64,487	-	112,602	401,336
-	407,396	351,260	-	685,509	3,891,096
<u>\$ -</u>	<u>\$ 250,723</u>	<u>\$ 415,747</u>	<u>\$ -</u>	<u>\$ 798,111</u>	<u>\$4,292,432</u>

See accompanying independent auditor's report.

Southwestern Community College
CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS - AGENCY FUNDS
Year ended June 30, 2015

ADDITIONS

Sales and services	\$ 5,953
Other	<u>37,460</u>
Total additions	<u>43,413</u>

DEDUCTIONS

Services	13,003
Materials and supplies	26,927
Travel	<u>3,230</u>
Total deductions	<u>43,160</u>

NET INCREASE

253

Deposits held in custody for others at beginning of year	<u>35,801</u>
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Deposits held in custody for others at end of year	<u>\$ 36,054</u>
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See accompanying independent auditor's report.

Southwestern Community College
CREDIT AND CONTACT HOURS
 Year ended June 30, 2015

<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	20,795	-	20,795	422,094	-	422,094
Vocational Education - Preparatory	13,298	-	13,298	347,656	-	347,656
Adult Education	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,514</u>	<u>5,304</u>	<u>145,818</u>
Totals	<u>34,093</u>	<u>-</u>	<u>34,093</u>	<u>910,264</u>	<u>5,304</u>	<u>915,568</u>

See accompanying independent auditor's report.

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

	Year ended June 30			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Local (property tax)	\$ 2,261,345	\$ 2,217,581	\$ 2,134,276	\$ 2,070,457
State	6,830,319	6,406,304	6,216,671	4,550,377
Federal	<u>7,779,232</u>	<u>7,211,705</u>	<u>7,746,062</u>	<u>8,862,878</u>
Total	<u>\$16,870,896</u>	<u>\$15,835,590</u>	<u>\$16,097,009</u>	<u>\$15,483,712</u>

See accompanying independent auditor's report.

Year ended June 30					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,746,331	\$ 1,683,364	\$ 1,604,758	\$ 1,407,183	\$ 1,389,249	\$ 1,353,627
4,430,439	4,855,323	5,303,587	5,145,043	4,768,030	5,331,104
<u>9,773,880</u>	<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>\$15,950,650</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>

See accompanying independent auditor's report.

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

	Year ended June 30			
	2015	2014	2013	2012
REVENUES				
Tuition and fees	\$ 5,714,278	\$ 5,208,970	\$ 5,337,677	\$ 5,439,480
Local support	1,686,117	1,653,934	1,591,630	1,543,667
State support	6,400,012	5,856,029	5,202,601	4,346,983
Federal support	3,876,992	3,438,192	3,509,605	3,657,629
Sales and services	13,858	18,298	46,078	17,318
Interest income	45,740	43,498	45,639	56,944
Iowa Industrial New Jobs Training Program	37,029	868,798	1,041,420	738,471
Auxiliary enterprises	7,160,372	6,476,758	6,921,754	7,917,757
Other	<u>870,974</u>	<u>950,111</u>	<u>954,051</u>	<u>1,117,251</u>
Total revenues	<u>\$25,805,372</u>	<u>\$24,514,588</u>	<u>\$24,650,455</u>	<u>\$24,835,500</u>
EXPENDITURES				
Liberal arts and sciences	\$ 3,479,068	\$ 3,373,552	\$ 2,787,957	\$ 2,902,902
Vocational technical	3,198,295	2,783,738	2,785,366	2,638,969
Adult education	1,156,086	1,006,657	1,026,019	1,064,255
Cooperative services	26,127	141,374	784,374	324,789
Administration	1,131,870	1,165,110	1,136,515	1,171,493
Student services	1,181,342	1,140,147	1,182,270	1,159,183
Learning resources	208,735	221,389	208,908	204,097
Physical plant	2,151,837	2,023,958	1,835,138	1,719,697
General institution	2,308,498	2,179,103	2,621,852	2,284,396
Auxiliary enterprises	6,813,799	6,446,113	6,609,999	7,756,883
Scholarships and grants	2,748,321	2,526,184	2,856,009	3,004,980
Interest on indebtedness	<u>197,301</u>	<u>290,977</u>	<u>367,685</u>	<u>438,630</u>
Total expenditures	<u>\$24,601,279</u>	<u>\$23,298,302</u>	<u>\$24,202,092</u>	<u>\$24,670,274</u>

See accompanying independent auditor's report.

Year ended June 30					
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 5,562,760	\$ 5,114,531	\$ 4,396,328	\$ 4,233,461	\$ 3,950,617	\$ 3,563,922
1,248,404	1,201,432	1,145,201	967,858	954,882	929,789
4,280,575	4,131,813	4,879,155	4,740,345	4,444,062	4,103,064
4,321,621	4,509,461	2,558,624	2,416,166	2,353,645	2,142,266
15,878	14,009	15,421	11,841	13,200	22,830
80,317	103,590	192,019	470,851	471,293	298,315
2,746,043	636,436	1,770,047	3,694,980	1,086,895	1,746,271
8,253,396	7,294,657	5,633,636	5,438,215	4,939,817	3,589,941
<u>1,871,222</u>	<u>930,727</u>	<u>1,476,519</u>	<u>1,801,373</u>	<u>1,271,826</u>	<u>1,294,288</u>
<u>\$28,380,216</u>	<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>
\$ 2,901,109	\$ 2,604,414	\$ 2,475,714	\$ 2,346,106	\$ 2,311,045	\$ 2,202,344
2,381,790	2,218,555	2,502,122	2,529,890	2,437,931	2,218,655
1,145,346	1,112,841	1,133,533	1,072,814	977,337	1,093,257
2,276,239	300,412	1,498,619	3,178,788	1,187,057	1,714,891
1,164,016	1,433,718	1,096,379	1,219,854	1,052,185	957,860
1,145,531	1,070,077	1,033,133	1,002,107	918,822	896,524
200,121	183,773	175,022	183,177	178,529	176,070
2,011,468	1,712,758	1,893,631	1,788,008	1,603,026	1,387,590
2,148,212	2,280,486	1,900,130	1,685,752	1,709,305	1,477,473
7,954,330	7,029,021	5,620,448	5,416,755	4,802,322	3,732,687
3,492,372	3,199,830	1,678,502	1,662,349	1,567,571	1,405,713
<u>485,833</u>	<u>458,521</u>	<u>484,883</u>	<u>377,837</u>	<u>352,001</u>	<u>329,088</u>
<u>\$27,306,367</u>	<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>

See accompanying independent auditor's report.

Southwestern Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2015

<u>Federal grantor/pass-through grant/program name</u>	<u>Federal CFDA Number</u>	<u>Total Federal Expenditures</u>	<u>New Loans and New Loans Guarantees</u>
UNITED STATES DEPARTMENT OF EDUCATION			
Student Financial Aid – Cluster*			
Direct			
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	\$ 21,557	\$ –
Federal Work-Study Program (FWS)	84.033	28,349	–
Federal Pell Grant Program	84.063	2,411,785	–
Federal Direct Student Loan Program, loans disbursed	84.268	–	<u>3,902,240</u>
Total Student Financial Aid Cluster		<u>2,461,691</u>	<u>3,902,240</u>
Federal Trio Cluster			
Student Support Services Program	84.042A	250,105	–
Educational Talent Search	84.044A	<u>230,122</u>	–
Total Federal Trio Cluster		<u>480,227</u>	–
Total Direct		<u>2,941,918</u>	<u>3,902,240</u>
Indirect			
<i>Passed Through Iowa Department of Education</i>			
Vocational Education			
Basic Grants to States			
Perkins	84.048A	<u>154,632</u>	–
Adult Education – State Grant Program			
ABE Program	84.002	81,173	–
ABE Technology	84.002	3,152	–
English Literacy & Civics Education	84.002	3,741	–
Teacher Training	84.002	<u>2,813</u>	–
Total Adult Education – State Grant Program		<u>90,879</u>	–
Total Iowa Department of Education		<u>245,511</u>	–
Total United States Department of Education		<u>3,187,429</u>	<u>3,902,240</u>
UNITED STATES DEPARTMENT OF AGRICULTURE – RURAL DEVELOPMENT			
SBDC – Rural Business Enterprise Grant	10.769	<u>6,820</u>	–
UNITED STATES DEPARTMENT OF LABOR			
<i>Passed Through Des Moines Area Community College</i>			
I-AM Consortium Grant*	17.282	209,420	–
<i>Passed Through Hawkeye Community College</i>			
I-HUM Consortium Grant*	17.282	<u>435,196</u>	–
Total United States Department of Labor		<u>644,616</u>	–
UNITED STATES DEPARTMENT OF SMALL BUSINESS ADMINISTRATION			
<i>Passed Through Iowa State University</i>			
SBDC Grant	59.037	<u>38,126</u>	–
Total Federal expenditures		<u>\$3,876,991</u>	<u>\$3,902,240</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, 2015

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.

NOTE 2 STUDENT FINANCIAL ASSISTANCE

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the College under this program at June 30, 2015.

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, 2015, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 23, 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*.

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
December 23, 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 each of the College's major federal programs for the year ended June 30, 2015. The College's major federal programs are 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 grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each 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 each of its major federal programs for the year ended June 30, 2015.

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 audit procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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

West Des Moines, Iowa
December 23, 2015

Southwestern Community College
SCHEDULE OF FINDINGS
Year ended June 30, 2015

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 programs were disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) Major programs were as follows:
 - Student financial assistance 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 84.007 Federal Direct Student Loan Program
 - CFDA Number 17.282 I-AM Consortium Grant and I-HUM Consortium Grant
- (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



CONFIDENTIAL

Board of Directors
Southwestern Community College
Creston, Iowa

We have audited the financial statements of Southwestern Community College (the College) for the year ended June 30, 2015, and have issued our report thereon dated December 23, 2015. In planning and performing our audit of the financial statements of the College, we have considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. An audit does not include examining the effectiveness of internal control and does not provide assurance on internal control.

During our audit, we noted certain matters that are presented for your consideration. These comments have all been discussed with the appropriate members of management and are summarized as follows:

REQUIRED STATUTORY REPORTING FOR THE STATE OF IOWA

The following comments about the College's operations for the year ended June 30, 2015 are based exclusively on the knowledge obtained from procedures performed during our audit of the financial statements of the College for the year ended June 30, 2015. Since our audit was based on tests and samples, not all transactions which might have an impact on the comments were necessarily examined. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

1. Certified Budget

The College did not exceed its budget for the year ended June 30, 2015.

2. Questionable Disbursements

No expenditures that did not meet the requirements of public purpose, as defined in the Attorney General's opinion dated April 25, 1979, were noted.

3. Travel Expense

No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

4. Business Transactions

No business transactions between the College and College officials or employees were noted.

5. Bond Coverage

Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

6. Board Minutes

No transactions were found that we believe should have been approved in the Board minutes but were not.

7. Publication of Receipts and Disbursements

The College published a statement of receipts and disbursements of all funds of the College, including the names of all persons, firms or corporations to which disbursements were made, as required by Chapter 260C.14(12) of the Iowa Code.

8. Deposits and Investments

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.

9. Credit and Contact Hours

Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.

This report is intended solely for the information and use of the College and all applicable federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
December 23, 2015