

Southeastern Community College

Financial and Compliance Report

06.30.2006

McGladrey & Pullen
Certified Public Accountants

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Southeastern Community College

Officials

Name	Title	Term Expires
Board of Trustees (After September 2005 Election):		
Moudy Nabulsi	Chairperson/President	2008
Landen Hillyard	Vice Chairperson/Vice President	2007
Jeff Heland	Member	2006
Janet Fife-LaFrenz	Member	2007
Brian Roth	Member	2008
Area school:		
Beverly Simone	President	
Dick Springsteen	Board Treasurer	
Sherry Zeller	Secretary	

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Trustees
Southeastern Community College
West Burlington, Iowa

We have audited the accompanying financial statements of the Southeastern Community College, as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Southeastern Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The discretely presented component unit was not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southeastern Community College and its discretely presented component unit, as of June 30, 2006, and the respective changes in financial position and the cash flows where applicable thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated September 22, 2006 on our consideration of the Southeastern Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Budgetary Comparison Schedule of Expenditures are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeastern Community College basic financial statements. The statements and schedules listed on the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Davenport, Iowa
September 22, 2006

Southeastern Community College

Management's Discussion and Analysis

Management of Southeastern Community College provides this Management's Discussion and Analysis of the College's annual financial statements. This narrative overview and analysis of the financial activities of Southeastern Community College is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

Financial Highlights

2006:

- College operating revenues increased 3.4% or approximately \$657,655. Largest areas of increase were for tuition and fees (\$507,684), auxiliary (\$458,804) and miscellaneous (\$590,542).
- College net nonoperating revenues increased 10.2% as a result of an increase in interest earnings (\$534,553) and state appropriations (\$226,807).
- College operating expenses increased 7.3% or approximately \$1,993,812. Largest increases were in Workforce Investment Act, Grow Iowa Values Funds and Iowa Industrial New Jobs Training Program expenditures (\$1,507,946).
- The College's net assets increased 12% or \$1,512,554. This is the result of the College's continued investment in capital assets (\$1,212,924) and annual revenues exceeding expenditures.

2005:

- College operating revenues increased 7.4% or approximately \$1,350,578. Largest areas of increase were for Workforce Investment Act and Department of Labor initiatives (\$1,180,834).
- College net nonoperating revenues decreased 2.0% as a result of a decrease in property tax collections (\$275,251) and interest earnings (\$421,269). Interest earnings were affected by an adjusting entry made for prior year earnings recorded that are no longer anticipated to be needed to satisfy projected INJT obligations.
- College operating expenses decreased 5.2% or approximately \$1,502,801. Largest decreases were in Plant Fund capital project expenditures (\$712,526) and Iowa Industrial New Jobs Training Program expenditures (\$395,538).
- The College's net assets increased 18% or approximately \$1,914,275. This is the result of the College's continued investment in capital assets (\$853,328) and annual revenues exceeding expenditures.

Using This Annual Report

The annual report consists of a series of financial statements and other information, as follows:

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

The basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

Southeastern Community College

Management's Discussion and Analysis

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

Required supplementary information further explains and supports the financial statements with a comparison of the College's budget for the year, and the supplementary information provides detailed information about the individual funds of the College.

Reporting the College's Financial Activities

Statement of Net Assets: The Statement of Net Assets presents the assets, liabilities, and net assets of the College as a whole, as of the end of the fiscal years June 30, 2006 and 2005. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the College to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the College's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

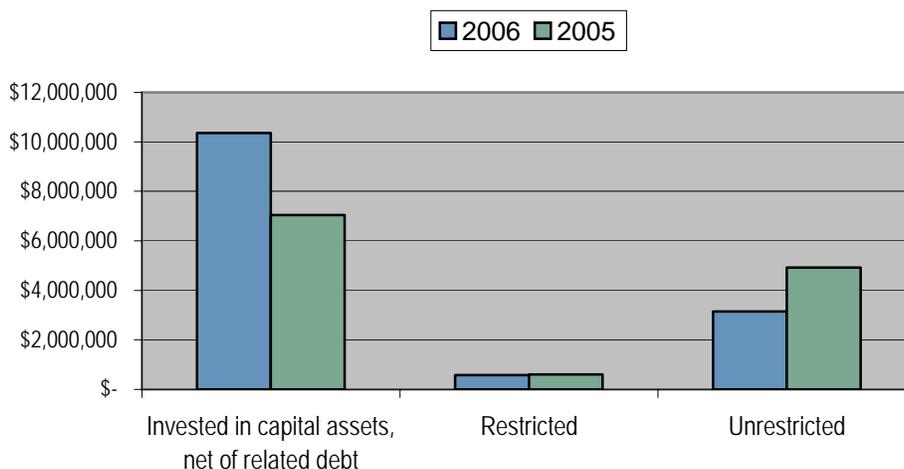
Net Assets

	June 30,	
	2006	2005
Current and other assets	\$ 15,857,827	\$ 16,464,589
Capital assets, net of accumulated depreciation	17,519,983	16,963,989
Total assets	33,377,810	33,428,578
Current liabilities	10,079,497	9,323,967
Noncurrent liabilities	9,218,220	11,537,072
Total liabilities	19,297,717	20,861,039
Net assets:		
Invested in capital assets, net of related debt	10,355,643	7,039,950
Restricted	582,796	601,795
Unrestricted	3,141,654	4,925,794
Total net assets	\$ 14,080,093	\$ 12,567,539

Southeastern Community College

Management's Discussion and Analysis

Comparison of Net Assets



Year Ended June 30, 2006: The largest portion of the College's net assets (73.5%) is the invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (4.1%) includes resources that are subject to external restrictions. The remaining net assets (22.4%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

Year Ended June 30, 2005: The largest portion of the College's net assets (56%) is the invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the invested in capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (4.8%) includes resources that are subject to external restrictions. The remaining net assets (39.2%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

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

In general, a public college, such as Southeastern Community College, will report an operating loss since financial reporting model classifies state appropriations and property taxes as nonoperating revenues. Operating revenues are received for providing goods and services to the various 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.

Southeastern Community College

Management's Discussion and Analysis

Change in Net Assets

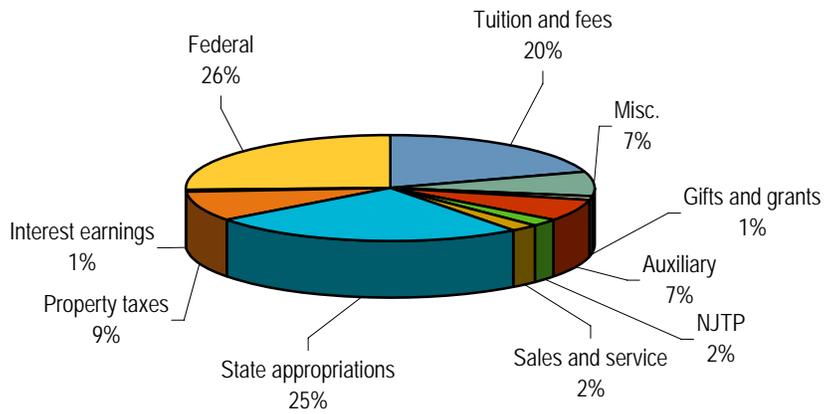
	Year Ended June 30,	
	2006	2005
Operating revenues:		
Tuition and fees	\$ 6,172,103	\$ 5,664,419
Federal appropriations	7,962,351	7,752,529
Iowa Industrial New Jobs Training Program	628,600	1,335,325
Auxiliary	2,101,050	1,642,246
Gifts and grants	375,823	799,895
Sales and services	716,072	694,472
Miscellaneous	2,326,009	1,735,467
Total operating revenues	<u>20,282,008</u>	<u>19,624,353</u>
Total operating expenses	29,124,259	27,130,447
Operating loss	<u>(8,842,251)</u>	<u>(7,506,094)</u>
Nonoperating revenues (expenses) and transfers:		
State appropriations	7,803,191	7,576,384
Property taxes	2,807,354	2,793,589
Interest earnings	159,769	(374,784)
Interest on indebtedness	(386,647)	(555,906)
Transfer to agency fund	(28,862)	(18,914)
Net nonoperating revenues	<u>10,354,805</u>	<u>9,420,369</u>
Change in net assets	1,512,554	1,914,275
Net assets:		
Beginning	12,567,539	10,653,264
Ending	<u>\$ 14,080,093</u>	<u>\$ 12,567,539</u>
Total revenues, operating and nonoperating	<u>\$ 31,052,322</u>	<u>\$ 29,994,326</u>
Total expenses, operating and nonoperating	<u>\$ 29,539,768</u>	<u>\$ 28,080,051</u>

Southeastern Community College

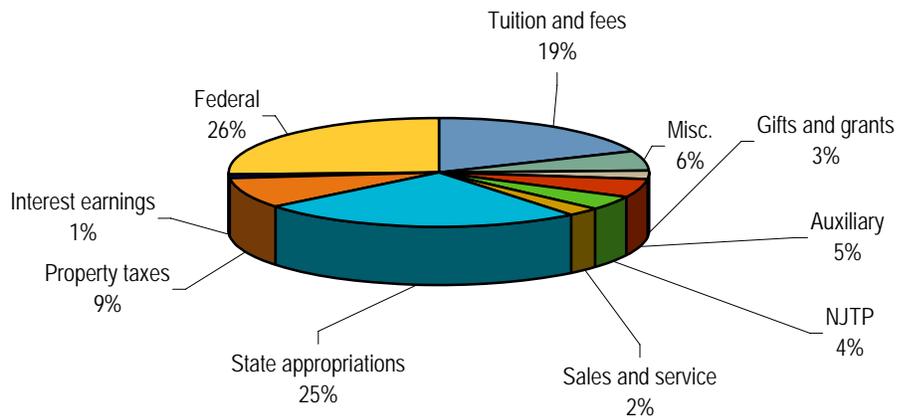
Management's Discussion and Analysis

Total Revenue by Source

2006



2005

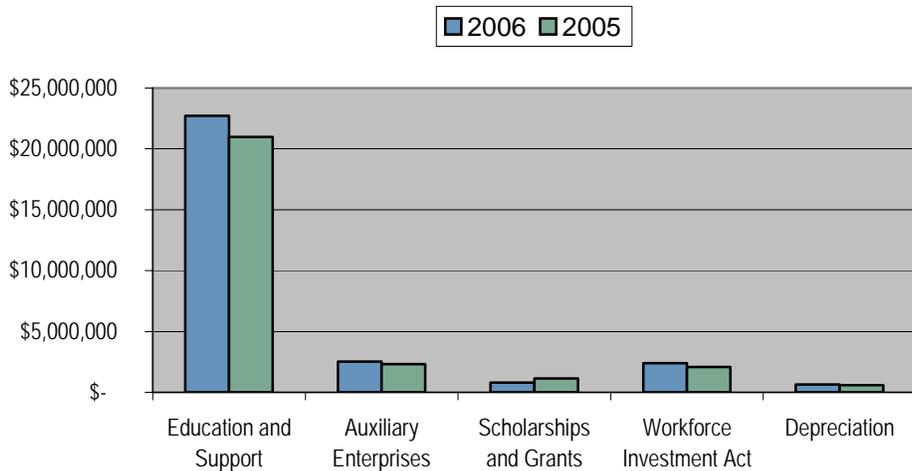


Southeastern Community College

Management's Discussion and Analysis

Operating Expenses

	Year Ended June 30,	
	2006	2005
Education and support:		
Liberal arts and sciences	\$ 3,547,231	\$ 3,280,595
Vocational technical	4,247,614	3,757,895
Adult education	1,716,668	2,028,383
Cooperative services	4,067,679	3,375,877
Administration	1,259,814	1,242,464
Student services	2,332,572	2,077,267
Learning resources	618,384	584,745
Physical plant	1,768,776	1,742,773
General institution	3,161,196	2,896,683
Auxiliary enterprises	2,525,542	2,314,780
Scholarships and grants	816,577	1,142,372
Workforce Investment Act	2,407,817	2,081,382
Depreciation	654,389	605,231
Total operating expenses	\$ 29,124,259	\$ 27,130,447



Southeastern Community College

Management's Discussion and Analysis

In fiscal year 2006 total revenues increased \$1,057,996, and total expenses increased \$1,459,717. Major fluctuations in revenues and expenses were a result of the following:

- Increased tuition rate (4.3%).
- Tuition revenue increased \$507,684 (9%).
- Employee wages and benefits increased \$1,421,909 (9.4%).
- State appropriations increased \$226,807 (3.0%)

In fiscal year 2005 total revenues increased \$1,520,195, and total expenses decreased \$1,137,037. Major fluctuations in revenues and expenses were a result of the following:

- Decreased enrollment (2%) and increased tuition rate (9.4%).
- Property tax collections decreased \$275,251 (9%).
- Employee wages and benefits increased \$4,141 (.02%).
- Decrease of 51% in Physical Plant expenses as a result of \$1,363,476 prior year classroom addition and remodeling projects completed.
- Industrial New Jobs Training Program revenue increased \$210,918 (18.8%).
- Tuition revenue increased \$172,725 (2%).

Debt Service

A summary of the College's long-term debt is as follows:

Outstanding Debt

	June 30,	
	2006	2005
General obligation, dormitory revenue and school refunding bonds (Principal)	\$ 7,197,072	\$ 9,966,460
Certificates payable (Principal)	3,785,000	3,465,000
Compensated absences	346,861	348,720
Early retirement payable	1,270,844	961,417
Total debt	\$ 12,599,777	\$ 14,741,597

June 30, 2006: Long-term debt decreased by \$2,141,820 (14.5%) in 2006. New debt in the amount of \$1,000,000 was issued for certificates payable. On July 1, 2005 the Series 1990 General Obligation Bonds were called and paid by the proceeds from the School Refunding Bonds issued in 2003 (\$1,885,000).

June 30, 2005: Long-term debt decreased by \$1,598,183 (9.8%) in 2005. New debt in the amount of \$625,000 was issued for certificates payable. On July 1, 2005 the Series 1990 General Obligation Bonds were called and paid by the proceeds from the School Refunding Bonds issued in 2003.

More detailed information about the College's outstanding debt is presented in Note 4 to the basic financial statements.

Southeastern Community College

Management's Discussion and Analysis

Statement of Cash Flows: The Statement of Cash Flows is an important tool in helping the users to assess the College's ability to generate future net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital financing and investing activities.

Cash Flows

	Year Ended June 30,	
	2006	2005
Cash provided by (used in):		
Operating activities	\$ (7,488,353)	\$ (7,868,133)
Noncapital financing activities	10,939,971	9,946,784
Capital and related financing activities	(4,366,417)	(2,297,591)
Investing activities	(1,613,482)	(1,746,877)
Net (decrease) in cash	(2,528,281)	(1,965,817)
Cash:		
Beginning	3,303,423	5,269,240
Ending	<u>\$ 775,142</u>	<u>\$ 3,303,423</u>

A major contributing factor to the 77% decrease in ending cash balance was the repayment of the Series 1990 General Obligation Bonds which were called and paid on July 1, 2005.

Capital Assets: As of June 30, 2006, the College has \$27,281,319 invested in capital assets. Accumulated depreciation of the assets is \$9,761,336. Depreciation charges totaled \$654,389 for fiscal year 2006. Details of the capital assets are shown below.

Capital Assets

Capital Assets, at Year-End	June 30,	
	2006	2005
Land	\$ 851,980	\$ 851,980
Buildings	21,757,173	21,228,344
Other structures and improvements	1,502,759	1,393,000
Furniture and equipment	3,169,407	2,717,718
Totals	\$ 27,281,319	\$ 26,191,042

Major capital expenditures during fiscal year 2006 were the Mt. Pleasant Center (\$317,324) and the CISCO VOIP equipment (\$218,363). The College owns 406,791 square feet of building space and 193.7 acres of land.

More detailed information about the College's capital assets is presented in Note 3 to the basic financial statements.

Economic Factors

Southeastern Community College improved its overall financial position during the fiscal year. While the State Legislature has shown a renewed commitment to Community Colleges and the State economy is showing signs of recovery, it is still a concern for College officials. Economic factors and trends that continue to draw a great deal of scrutiny by the College are:

- ◆ State Appropriations were up \$269,522 for the fiscal year and unrestricted State aid was up \$394,046. This is still \$415,296 and \$47,535 below the respective 2001 funding level.
- ◆ Property Tax revenue increased only \$13,765 and total taxable property values increased for 2007 levy by \$45,586,004 (1.6%). Property tax collections for the unrestricted general operating fund are now less than 4% of total revenues, \$30,740 below the 2001 funding level.
- ◆ Tuition Revenue collections in the unrestricted general operating fund were up and continue to be the largest source of revenue for the fund, representing 51% of the total revenues. While it is a significant amount of revenue, it is difficult to predict and budget, and continued tuition rate increases (5.1% for FY07) create hardships for individuals seeking a college education.
- ◆ Student Enrollment increased by 5% in 2006. With student tuition representing 51% of unrestricted general operating fund revenue, the College must continue to be aggressive in recruiting and retaining students.
- ◆ Industrial New Jobs Training (260E) Projects have provided valuable resources for area businesses and industries for expansion and training of their labor forces. With the downturn of the economy in recent years it has become increasingly difficult for area businesses and industries to meet long-term debt obligations for their 260E projects. This is an area of concern that must be continually monitored by the College.
- ◆ Labor Costs continue to increase and represent 74.7% of the unrestricted general operating fund budget. Labor costs will increase an average of 4.6% for the next two years.

In 2006 the College completed a five year period that saw student enrollment grow by 20%. It is anticipated that beginning in 2007 the student enrollment growth will begin to level. This will present new, unique challenges for the College to assure the resources are available to meet the needs of our students and constituents. With a strong commitment to Strategic Planning and the development of an Educational Plan, Southeastern Community College will be pro active in assuring that the resources will be available to meet future needs.

Contacting the College's Financial Management

This financial report is designed to provide our customers, community taxpayers, 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 Southeastern Community College, 1500 West Agency Road, West Burlington, Iowa 52655.

Southeastern Community College

Statement of Net Assets

June 30, 2006

Assets	Primary Institution	Component Unit - Foundation
Current Assets:		
Cash	\$ 775,141	\$ 164,635
Investments	7,187,830	3,635,484
Receivables:		
Accounts	356,786	-
Due from other governments	2,235,613	-
Property taxes, succeeding year	2,705,217	-
Other	-	97,903
Inventories	349,964	-
Total current assets	13,610,551	3,898,022
 Noncurrent Assets:		
Receivables, Iowa Industrial New Jobs Training Program	2,214,544	-
Bond discount and issuance costs	32,732	-
Capital assets:		
Land	851,980	-
Buildings	21,757,173	-
Other structures and improvements	1,502,759	-
Furniture and equipment	3,169,407	-
Accumulated depreciation	(9,761,336)	-
Total noncurrent assets	19,767,259	-
Total assets	\$ 33,377,810	\$ 3,898,022

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Primary Institution	Component Unit - Foundation
Current Liabilities:		
Accounts payable	\$ 1,124,719	\$ -
Salaries and benefits payable	914,270	-
Deferred revenue:		
Succeeding year property tax	2,705,217	-
Other	1,253,470	-
Early retirement payable	1,270,844	-
Compensated absences	346,871	-
Deposits held in custody for others	700,254	-
Certificates payable	865,000	-
Bonds payable	898,852	-
Total current liabilities	10,079,497	-
Noncurrent Liabilities:		
Certificates payable	2,920,000	-
Bonds payable	6,298,220	-
Total noncurrent liabilities	9,218,220	-
Total liabilities	19,297,717	-
Net Assets:		
Invested in capital assets, net of related debt	10,355,643	-
Restricted for:		
Scholarships and fellowships	13,295	3,888,986
Loans	5,973	-
Cash reserve	231,408	-
Other restricted purposes	332,120	-
Unrestricted	3,141,654	9,036
Total net assets	14,080,093	3,898,022
Total liabilities and net assets	\$ 33,377,810	\$ 3,898,022

Southeastern Community College

Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2006

	Primary Institution	Component Unit - Foundation
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$2,672,437	\$ 6,172,103	\$ -
Federal appropriations	7,962,351	-
Iowa Industrial New Jobs Training Program	628,600	-
Gifts, grants, and special events	375,823	10,717
Contributions	-	394,519
Sales and services	716,072	-
Auxiliary enterprises revenue, net of scholarship allowances of \$695,889	2,101,050	-
Miscellaneous	2,326,009	48,000
Total operating revenues	20,282,008	453,236
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	3,547,231	-
Vocational technical	4,247,614	-
Adult education	1,716,668	-
Cooperative services	4,067,679	-
Administration	1,259,814	-
Student services	2,332,572	-
Learning resources	618,384	-
Physical plant	1,768,776	-
General institution	3,161,196	-
Auxiliary enterprises	2,525,542	-
Scholarships and grants	816,577	233,606
Workforce Investment Act	2,407,817	-
Depreciation expense	654,389	-
Other	-	59,781
Total operating expenses	29,124,259	293,387
Operating income (loss)	(8,842,251)	159,849
Nonoperating revenues (expenses):		
State appropriations	7,803,191	-
Property taxes	2,807,354	-
Interest earnings	159,769	186,809
Interest on indebtedness	(386,647)	-
Net nonoperating revenues	10,383,667	186,809
Transfers to agency fund	(28,862)	-
Change in net assets	1,512,554	346,658
Net assets:		
Beginning	12,567,539	3,551,364
Ending	\$ 14,080,093	\$ 3,898,022

See Notes to Basic Financial Statements.

Southeastern Community College

Statement of Cash Flows
Year Ended June 30, 2006

	Primary Institution	Component Unit - Foundation
Cash Flows from Operating Activities:		
Tuition and fees	\$ 6,758,033	\$ -
Federal appropriations	7,679,852	-
Iowa Industrial New Jobs Training Program	645,324	-
Payments to employees for salaries and benefits	(16,083,083)	-
Payments to suppliers for goods and services	(11,171,966)	(65,262)
Cash received as contributions	-	326,676
Cash paid for scholarships	(816,577)	(233,606)
Auxiliary enterprise	2,101,050	-
Other receipts	3,399,014	58,717
Net cash provided by (used in) operating activities	(7,488,353)	86,525
Cash Flows from Noncapital Financing Activities:		
State appropriations	7,803,191	-
Property taxes	2,807,354	-
Principal paid on certificates payable	(680,000)	-
Proceeds from certificates payable	1,000,000	-
Transfers to agency funds	(28,862)	-
Miscellaneous Agency Fund receipts	560,421	-
Miscellaneous Agency Fund disbursements	(522,133)	-
Net cash provided by noncapital financing activities	10,939,971	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(1,212,924)	-
Loss on the disposal of capital assets	2,541	-
Principal paid on notes and bonds payable	(2,769,388)	-
Interest paid on long-term debt	(386,647)	-
Net cash (used in) capital and related financing activities	(4,366,418)	-
Cash Flows from Investing Activities:		
Interest on investments	159,769	158,480
Purchase of investments	(1,773,251)	(615,987)
Proceeds from the sale of investments	-	312,975
Net cash (used in) investing activities	(1,613,482)	(144,532)
Net (decrease) in cash	(2,528,282)	(58,007)
Cash:		
Beginning	3,303,423	222,642
Ending	\$ 775,141	\$ 164,635

(Continued)

Southeastern Community College

Statement of Cash Flows (Continued)
Year Ended June 30, 2006

	Primary Institution	Component Unit - Foundation
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (8,842,251)	\$ 159,849
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	654,389	-
Amortization	9,690	-
Changes in assets and liabilities:		
(Increase) in due from other governments	(282,499)	-
(Increase) in other receivables	(18,890)	(67,843)
Decrease in inventories	14,999	-
Decrease in due from Iowa New Jobs Training Program	16,724	-
(Decrease) in accounts payable	(71,406)	(5,481)
Increase in salaries and benefits payable	65,767	-
Increase in other deferred revenue	585,930	-
Increase in deposits	71,622	-
(Decrease) in compensated absences	(1,855)	-
Increase in early retirement payable	309,427	-
Total adjustments	1,353,898	(73,324)
Net cash provided by (used in) operating activities	\$ (7,488,353)	\$ 86,525

See Notes to Basic Financial Statements.

Southeastern Community College

Notes to Basic Financial Statements

Note 1. Financial Reporting Entity and Significant Accounting Policies

Financial reporting entity:

Southeastern Community College (College) is a publicly supported post-secondary two-year institution established under the provisions of Chapter 260C of the Code of Iowa.

In fulfilling the responsibilities assigned to it by law, Southeastern Community College offers a comprehensive educational program and support services to serve local and state needs. The College offers career education, adult education and college parallel courses as its curriculum. In addition, the College acts as an agency for the State of Iowa in connection with the Workforce Investment Act. Southeastern Community College maintains campuses in West Burlington, Mt. Pleasant, Fort Madison and Keokuk and has its administrative offices in West Burlington.

Southeastern Community College is a municipal corporation governed by a Board of Trustees, which is elected by the public and has the exclusive responsibility and accountability for the decisions it makes. The College has the statutory authority to adopt its own budget, to levy taxes, and to issue bonded debt without the approval of another government. It has the right to sue and be sued, and has the right to buy, sell, lease or mortgage property in its own name.

Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, the GASB issued Statement No. 39, which sets forth additional criteria to determine whether certain organizations for which the College is not financially accountable should be reported as component units based on the nature and significance of their relationship with the College. These criteria include 1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the College, its component units, or its constituents; 2) the College being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the College; and 3) the economic resources received or held by an individual organization that the College is entitled to, or has the ability to otherwise access, are significant to the College.

The College is considered to be a primary government and has included Southeastern Community College Foundation as a component unit in their basic financial statements due to the nature of their relationship with the College.

The Southeastern Community College Foundation is a non-profit corporation which is governed by a Board of Directors, the majority of which are appointed by the Board of Trustees of the College. The Foundation's purpose is to support the College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment and services. The Foundation operates on a June 30 fiscal year-end.

Significant accounting policies:

Financial statement presentation: The basic financial statements (i.e., the statements of net assets, revenues, expenses and changes in net assets, and cash flows) 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.

Southeastern Community College

Notes to Basic Financial Statements

Note 1. Financial Reporting Entity and Significant Accounting Policies (Continued)

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.

Accounting standards: The College is applying all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB Pronouncements.

Investments: Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost, which approximates fair value. The Iowa Schools Joint Investment Trust is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Inventories: Inventories are stated at the lower of cost (first-in, first-out) or market, and consist primarily of bookstore inventories held for resale.

Iowa Industrial New Jobs Training Program (NJTP) receivable: This receivable represents the total amount to be remitted to the College for training projects entered into between the College and employers under provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on NJTP project expenditures incurred through June 30, 2006, plus interest incurred on NJTP certificates, less reimbursements received to date.

Property taxes: Property tax receivable is recognized on the levy or lien date, which is the date that the tax request is certified by the Board of Trustees to the appropriate County Auditor. The receivable represents taxes certified by the Board of Trustees 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 Trustees is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it was levied.

Capital assets: Capital assets, which include land, buildings, other structures and improvements and furniture and equipment 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 repairs 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 \$5,000 and estimated useful life in excess of one year.

Southeastern Community College

Notes to Basic Financial Statements

Note 1. Financial Reporting Entity and Significant Accounting Policies (Continued)

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

	<u>Years</u>
Buildings	50
Other structures and improvements	25
Furniture and equipment	3 - 5

The College does not capitalize or depreciate their library book collection. This collection is unencumbered, held for public education, protected, cared for, and preserved and the proceeds from the sale of library books, if any, is not material to the College.

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.

Compensated absences: College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as a liability. These liabilities have been computed based on rates of pay in effect at June 30, 2006.

Accrued interest payable: Interest on long-term bonded indebtedness is recorded as a liability when the interest is payable.

Deferred revenue: Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose restriction. Deferred revenue relates primarily to property taxes and to the Iowa NJTP program as the receipt of administrative fees amortized over the ten-year life of each project.

Net assets: Net assets are classified according to restrictions or availability of assets for satisfaction of College obligations. Invested in capital assets, net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the assets. Unspent bond proceeds are not included in this category until used for capital asset purposes. Restricted net assets represent the amounts segregated for specific purposes as allowed by the Code of Iowa, bond covenants, donors, or outside agencies. All remaining net assets are unrestricted for legal purposes, but may be designated for specific purposes. The College first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Bond premiums, discounts, and issuance costs: Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using a method that approximates the effective interest method.

Auxiliary enterprises revenues and expenses: Auxiliary enterprises revenues and expenses primarily represent revenues generated and expenses associated with bookstore, cafeteria, printing and dormitories.

Summer session: The College operates summer sessions. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year.

Southeastern Community College

Notes to Basic Financial Statements

Note 1. Financial Reporting Entity and Significant Accounting Policies (Continued)

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

Operating and nonoperating activities: Operating activities, as reported in the statement of revenues, expenses, and changes in net assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include state appropriations, property taxes and interest earnings.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Scholarship allowances and student aid: Financial aid to students is reported in the financial statements, 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 revenue. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Note 2. Deposits and Investments

Interest rate risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the College's investment policy limits operating funds portfolio to maturities of less than 397 days.

Investment Type	Fair Value	Maturity Dates (Months)			
		Less than 1	1 to 5	6 to 10	10 to 13
Iowa Schools Joint Investment Trust	\$ 1,964,184	\$ 1,964,184	-	-	-

Credit risk: The College is authorized by statute to invest public funds in obligations of the U.S. government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts. However, the College's investment policy additionally limits investments in commercial paper to obligations that mature within 270 days and that is rated within the two highest classifications, as established by at least one of the standard rating services, with no more than 5% at the time of purchase placed in the second highest classification. At the time of purchase not more than 10% of the investment portfolio can be in these investments and no more than 5% of the investment portfolio can be invested in the securities of a single issuer.

Southeastern Community College

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

As of June 30, 2006, the College's investments were rated as follows:

Investment Type	Moody Investor Services
Iowa Schools Joint Investment Trust	Aaa

Concentration of credit risk: The College's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The College's investment policy seeks to provide safety of the principal, maintain the necessary liquidity to match expected liabilities, and obtain a reasonable rate of return. The policy allows for investments of up to 100% in interest bearing savings, money market and checking accounts, certificates of deposits, repurchase agreements, money market mutual funds, bonds, notes, certificates of indebtedness, treasury bills or other securities issued by the United States of America, its agencies and allowable instrumentalities; up to 10% in prime bankers' acceptances; and up to 10% in commercial paper. The policy does not allow the College to invest in futures or options.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. It is the College's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.

As of June 30, 2006, the carrying amount of the College's deposits excluding \$4,667 of petty cash totaled \$5,994,120, with a bank balance of \$6,458,290. The College's deposits as of June 30, 2006 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 depositories to ensure there will be no loss of public funds.

The College invests in the Iowa Schools Joint Investment Trust, which is not subject to risk categorization. The balance as of June 30, 2006 was \$1,964,184.

As of June 30, 2006, the College's Foundation cash balance and investments by category of risk were as follows:

Cash, insured by FDIC	\$ 100,000
Cash, collateralized by state sinking fund	64,635
Investments, debt securities, Category 3	1,831,291
Investment, not categorized, beneficial interest in perpetual trusts and investment in land	1,800,783
Other noncategorized investments	3,410
	<u>\$ 3,800,119</u>

Investments of the component unit consist principally of U.S. government obligations, mutual funds, common stock and corporate bonds. Disclosures for interest rate risk, credit risk, concentration of credit risk and custodial credit risk for the Foundation are not available.

Southeastern Community College

Notes to Basic Financial Statements

Note 3. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated, land	\$ 851,980	\$ -	\$ -	\$ 851,980
Capital assets being depreciated:				
Buildings	21,228,344	528,829	-	21,757,173
Other structures and improvements	1,393,000	109,759	-	1,502,759
Furniture and equipment	2,717,718	574,336	122,647	3,169,407
Total capital assets being depreciated	25,339,062	1,212,924	122,647	26,429,339
Less accumulated depreciation for:				
Buildings	6,093,195	429,855	-	6,523,050
Other structures and improvements	694,384	48,998	-	743,382
Furniture and equipment	2,439,474	175,536	120,106	2,494,904
Total accumulated depreciation	9,227,053	654,389	120,106	9,761,336
Total capital assets being depreciated, net	16,112,009	558,535	2,541	16,668,003
Total capital assets, net	\$ 16,963,989	\$ 558,535	\$ 2,541	\$ 17,519,983

Southeastern Community College

Notes to Basic Financial Statements

Note 4. Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Additions	Payments	Balance June 30, 2006	Amounts Due Within One Year
Certificates payable (A)	\$ 3,465,000	\$ 1,000,000	\$ 680,000	\$ 3,785,000	\$ 865,000
General obligation school bonds, Series 1990 (B)	1,885,000	-	1,885,000	-	-
General obligation school bonds, Series 1995 (C)	3,625,000	-	190,000	3,435,000	190,000
Dormitory revenue bonds, Series 2000 (D)	1,731,460	-	74,388	1,657,072	78,852
General obligation capital loan notes, Series 2003 (E)	740,000	-	240,000	500,000	245,000
School refunding bonds, Series 2003 (F)	1,985,000	-	380,000	1,605,000	385,000
Compensated absences	348,720	346,861	348,720	346,861	346,861
Early retirement payable	961,417	592,605	283,178	1,270,844	1,270,844
Total long-term debt	\$ 14,741,597	\$ 1,939,466	\$ 4,081,286	\$ 12,599,777	\$ 3,381,557

Compensated absences and early retirement are generally liquidated with unrestricted and restricted funds.

- (A) The College has certificates payable with a June 30, 2006 outstanding balance of \$3,785,000, with interest rates ranging from 3.1% to 7.95% per annum. These certificates were issued to finance the development and training costs relative to implementing Chapter 260E of the 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 to or are expanding their operations within the State of Iowa. Interest on the certificates is due semiannually, while the principal matures annually. The certificates are to be retired from the proceeds of withholding taxes, incremental property taxes and in the case of default, from standby property taxes collected.

The annual debt service requirements on the certificates are as follows:

Year ending June 30:	Principal	Interest	Total
2007	\$ 865,000	\$ 204,408	\$ 1,069,408
2008	685,000	159,040	844,040
2009	430,000	121,703	551,703
2010	405,000	98,065	503,065
2011	390,000	76,128	466,128
2012	340,000	55,883	395,883
2013	365,000	37,708	402,708
2014	185,000	17,543	202,543
2015	120,000	6,960	126,960
	\$ 3,785,000	\$ 777,438	\$ 4,562,438

Southeastern Community College

Notes to Basic Financial Statements

Note 4. Long-Term Debt (Continued)

- (B) General obligation bonds, Series 1990. The proceeds of the bond issue were used for various construction projects of the College.
- During fiscal year 2004, the College issued \$1,985,000 of General Obligation Refunding Bonds in a crossover refunding to be used to refund in advance the 2006 through 2010 maturities of the College's Series 1990 General Obligation Bonds. On July 1, 2005, the Series 1990 General Obligation Bonds were called and paid by the proceeds from the Series 2003 School Refunding Bonds that were held in escrow.
- (C) General obligation bonds, Series 1995, rates ranging from 5.6% to 5.875%. Interest is due semiannually and principal is due in varying amounts through 2015. The bonds proceeds were used for the acquisition of equipment and various construction projects.
- (D) Dormitory revenue refunding bonds, Series 2000, at 6%. Interest is due semiannually and principal is due annually in varying amounts through 2020. The proceeds of the bonds were used for the construction of college apartments.
- (E) General obligation capital loan notes, Series 2003, rates ranging from 1.65% to 3.10%. Interest is due semiannually and principal is due in varying amounts through 2008. The proceeds of the bonds were used for the acquisition of buildings and equipment and various construction projects.
- (F) School refunding bonds, Series 2003, rates ranging from 2% to 3.15%. Interest is due semiannually and principal is due in varying amounts through 2010.

Collateral on the bonds payable is the underlining capital assets that the proceeds were used for.

The debt service requirements on the bonds are as follows:

Year ending June 30:	Principal	Interest	Total
2007	\$ 898,852	\$ 358,017	\$ 1,256,869
2008	943,583	326,768	1,270,351
2009	713,598	291,660	1,005,258
2010	743,914	261,949	1,005,863
2011	354,548	229,731	584,279
2012 - 2016	2,924,832	575,355	3,500,187
2017 - 2021	617,745	95,359	713,104
	\$ 7,197,072	\$ 2,138,839	\$ 9,335,911

As of June 30, 2006, \$204,000 is on deposit in a debt service reserve account for the dormitory revenue bonds and reflected as a restricted net asset. This amount meets the requirements of the bond resolution, which specifies that the College maintain certain minimum amounts in this account until the bonds are retired.

Southeastern Community College

Notes to Basic Financial Statements

Note 5. Teachers Insurance and Annuity Association - College Retirement Equities Fund

The College contributes to the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) retirement program which is a defined contribution plan. TIAA 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 3.70% and the College is required to contribute 5.75%. The contribution paid by the College for the year ended June 30, 2006 totaled \$311,829 and the contribution paid by employees totaled \$199,777.

Note 6. Iowa Public Employees Retirement System

The College contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$368,890, \$331,196 and \$323,679, respectively, equal to the required contributions for each year.

Note 7. Risk Management Program

The College is a member in the Insurance Management Program for Area Community Colleges (IMPACC) as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a risk-sharing pool whose members include Iowa Community Colleges. IMPACC was incorporated in May 1988 for the purpose of managing and funding insurance for its members and to provide general liabilities, automobile liability, automobile physical damage, public official bonds, property and inland marine, errors and omissions and School Board legal liability, workers' compensation and employers liability, crime insurance, fiduciary bonds, and boiler and machinery insurance coverage for its member colleges. There have been no reductions in insurance coverage from prior years.

The members' annual contributions are to fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund IMPACC's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year. The College's contributions to the risk-sharing pool are recognized as expenditures at the time of payment. The College's total contributions to IMPACC for the year ended June 30, 2006 were \$300,394.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$200,000 per property/liability, \$100,000 for error/omissions and \$200,000 for workers' compensation. The policy limit per occurrence is \$800,000 for property/liability, \$900,000 for errors/omissions and \$150,000 for workers' compensation. Excess insurance for workers' compensation is for statutory limits. Excess for all other lines is \$10,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention of up to \$50,000,000 for boiler and machinery and up to \$250,000,000 for other property. Stop gap loss protection is provided above the member's loss fund.

Southeastern Community College

Notes to Basic Financial Statements

Note 7. Risk Management Program (Continued)

In the event any claim or series of claims exceed the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2006, no liability has been recorded by the College. Settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

Members agree to continue membership for a period of not less than three full years. After such period, a member who has given sufficient notice, in compliance with the bylaws, may withdraw. Upon withdrawal, payments for all claims and claims expenses for the years of membership continue until all claims for those years are settled.

The College also carries commercial insurance purchased from other insurers for coverage associated with the Workforce Investment Act and for employee health claims. Settled claims have not exceeded the insurance coverage in any of the past three fiscal years.

Note 8. New Jobs Training Program

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XVI in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries that are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered 69 projects with 17 currently receiving project funding. Of the remaining 52 projects, 7 have been completed with only the repayment of the certificates left and 45 have been completed and the certificates have been repaid (none of the 45 certificates were repaid during the year).

Note 9. Contingent Liability, Early Retirement

The College approved an Early Retirement Incentive Plan (ERIP) effective December 12, 2005. The plan expires on February 1, 2007.

To be eligible for ERIP, an employee must be 55 years of age with 10 or more years of consecutive service with the College. Retirement is to begin at the earlier of the end of the employee's contract or when a suitable replacement is found, if so requested. Participation must be approved by the administrative office.

An employee approved for participation in the program will receive the following incentives:

1. Early Retirement Incentive lump-sum cash severance amount of 50% of the final contract salary.
2. The employee's single \$250 deductible health insurance premium at the time of retirement shall be paid on a monthly basis until the retired employee becomes Medicare eligible or until their death.

The employee may elect, with the approval of the College, one of three options as to when the cash benefits will be received. The lump-sum payment liability is \$349,995.

The current year cost to the College was \$592,605, including 7 participants in the health insurance plan. The liability for the participation in the health plan is \$920,849 and will be paid over the next 10 years. The liability was calculated using the College's share of health premiums to estimate costs and was discounted at 4.69%.

Southeastern Community College

Notes to Basic Financial Statements

Note 9. Contingent Liability, Early Retirement (Continued)

As of June 30, 2006, the potential liability of the College, if all eligible employees accepted early retirement, is approximately \$1,462,000.

Note 10. Related Organization and Related Party Transactions

The College, with the Des Moines County Fair Association and Des Moines County, has voluntarily created a Chapter 28E agreement whose purpose is to construct, maintain and operate a facility on a 10-acre tract of land within the boundaries of the West Burlington campus. The College's contribution to the agreement represents \$1,506,000 of facilities which the College shares with the parties to the agreement. The College has full use of the facilities except during the county fair. The assets consist primarily of the constructed facilities. The joint venture provides its own current operating support.

The Southeastern Community College Foundation paid the College \$272,694 during the year ended June 30, 2006, for supplies, maintenance expense, support and scholarship tuition reimbursements. The Foundation received \$16,178 in contributions from Southeastern Community College employee payroll withholdings.

Four of the Foundation's directors are officers with local banks. The Foundation has balances with the banks as follows:

Checking accounts	\$	142,395
Trust agency accounts, fair market value		1,781,027

The Foundation paid \$4,816 in fees and expenses related to the trust agency accounts.

Note 11. Subsequent Events and Contingencies

The Board of Directors approved a contract for the design and build of the ACE Construction Technology building on July 10, 2006 in the amount of \$830,000.

Note 12. New Pronouncements

For the year ended June 30, 2006, the College implemented the following Governmental Accounting Standards Board (GASB) Statements:

Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

Statement No. 46, Net Assets Restricted by Enabling Legislation, an amendment of GASB 35. This Statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation.

Southeastern Community College

Notes to Basic Financial Statements

Note 12. New Pronouncements (Continued)

Statement No. 47, *Accounting for Termination Benefits*. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees and the amount can be estimated.

These Statements had no effect on the College as of June 30, 2006.

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

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, issued April 2004, will be effective for the College beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supercedes existing guidance.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*, issued June 2004, will be effective for the College beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and if applicable, required supplementary information in the financial reports.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the College beginning with its year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

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

Southeastern Community College

Required Supplementary Information
 Budgetary Comparison Schedule of Expenditures
 Year Ended June 30, 2006

Funds/Levy	Original Budget	Amended and Final Budget	Actual	Variance Between Actual and Amended Budget
Total unrestricted current fund expenditures			\$ 17,950,888	
Total restricted current fund expenditures			14,287,706	
Less:				
Auxiliary enterprise expenditures			2,525,542	
Workforce Investment Act expenditures			2,407,817	
Scholarships and grants			<u>4,013,649</u>	
Current funds	\$ 24,231,621	\$ 24,405,810	23,291,586	\$ 1,114,224
Plant, bonds and interest	2,291,842	4,895,245	3,968,561	926,684
Total	<u>\$ 26,523,463</u>	<u>\$ 29,301,055</u>	<u>\$ 27,260,147</u>	<u>\$ 2,040,908</u>

See Note to Required Supplementary Information.

Southeastern Community College

Note to Required Supplementary Information
Budgetary Reporting
Year Ended June 30, 2006

The Board of Trustees 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 Trustees 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 statutory 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, Workforce Investment Act accounts, scholarships and grants account, Loan Funds, and Agency Funds.

The general, plant, bonds and interest fund budgets were amended to reflect increased state aid, the use of ACE funds and the use of fund balance for projects and refunding 1990 bonds. Increases were \$174,189, \$717,803 and \$1,885,600, respectively.

Southeastern Community College

Balance Sheet

June 30, 2006

Assets	Current Funds	
	Unrestricted	Restricted
Cash	\$ 25,975	\$ 545,166
Investments	5,535,845	1,651,985
Receivables:		
Accounts	332,290	24,496
Due from other governments	2,205,613	30,000
Property taxes, succeeding year	545,076	844,370
Due from other funds	-	2,041,921
Inventories	349,964	-
Total current assets	8,994,763	5,137,938
Noncurrent Assets:		
Receivables, Iowa Industrial New Jobs Training Program	-	2,214,544
Bond discount and issuance costs	-	-
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
Total noncurrent assets	-	2,214,544
Total assets	\$ 8,994,763	\$ 7,352,482

See Note to Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ 204,000	\$ -	\$ -	\$ 775,141
-	-	-	-	7,187,830
-	-	-	-	356,786
-	-	-	-	2,235,613
-	1,315,771	-	-	2,705,217
5,973	1,090,479	337,391	(3,475,764)	-
-	-	-	-	349,964
5,973	2,610,250	337,391	(3,475,764)	13,610,551
-	-	-	-	2,214,544
-	32,732	-	-	32,732
-	851,980	-	-	851,980
-	21,757,173	-	-	21,757,173
-	1,502,759	-	-	1,502,759
-	3,169,407	-	-	3,169,407
-	-	-	(9,761,336)	(9,761,336)
-	27,314,051	-	(9,761,336)	19,767,259
\$ 5,973	\$ 29,924,301	\$ 337,391	\$ (13,237,100)	\$ 33,377,810

Southeastern Community College

Balance Sheet

June 30, 2006

Liabilities and Net Assets	Current Funds	
	Unrestricted	Restricted
Current Liabilities:		
Accounts payable	\$ 1,124,719	\$ -
Salaries and benefits payable	914,270	-
Due to other funds	3,475,764	-
Deferred revenue:		
Succeeding year property tax	545,076	844,370
Other	577,295	676,175
Early retirement payable	-	1,270,844
Compensated absences	287,214	55,029
Deposits held in custody for others	19,250	348,241
Certificates payable	-	865,000
Bonds payable	-	-
Total current liabilities	6,943,588	4,059,659
Noncurrent Liabilities:		
Certificates payable	-	2,920,000
Bonds payable	-	-
Total noncurrent liabilities	-	2,920,000
Total liabilities	6,943,588	6,979,659
Net Assets:		
Invested in capital assets, net of related debt	-	-
Restricted for:		
Scholarships and fellowships	-	13,295
Loans	-	-
Cash reserve	-	231,408
Other restricted purposes	-	128,120
Unrestricted	2,051,175	-
Total net assets	2,051,175	372,823
Total net assets and liabilities	\$ 8,994,763	\$ 7,352,482

See Note to Supplementary Information.

Loan Funds	Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,124,719
-	-	-	-	914,270
-	-	-	(3,475,764)	-
-	1,315,771	-	-	2,705,217
-	-	-	-	1,253,470
-	-	-	-	1,270,844
-	-	4,628	-	346,871
-	-	332,763	-	700,254
-	-	-	-	865,000
-	898,852	-	-	898,852
-	2,214,623	337,391	(3,475,764)	10,079,497
-	-	-	-	2,920,000
-	6,298,220	-	-	6,298,220
-	6,298,220	-	-	9,218,220
-	8,512,843	337,391	(3,475,764)	19,297,717
-	20,116,979	-	(9,761,336)	10,355,643
-	-	-	-	13,295
5,973	-	-	-	5,973
-	-	-	-	231,408
-	204,000	-	-	332,120
-	1,090,479	-	-	3,141,654
5,973	21,411,458	-	(9,761,336)	14,080,093
\$ 5,973	\$ 29,924,301	\$ 337,391	\$ (13,237,100)	\$ 33,377,810

Southeastern Community College

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2006

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
Tuition and fees	\$ 8,264,022	\$ 580,518
Property taxes	570,323	835,173
State appropriations	6,811,875	880,325
Federal appropriations	-	7,962,351
Gifts and grants	-	375,823
Sales and services	273,251	371,222
Interest	125,880	10,424
Iowa Industrial New Jobs Training Program	11,638	616,962
Miscellaneous	178,418	2,144,478
Increase in plant investment due to retirement of debt	-	-
Increase in plant investment due to plant expenditures	-	-
	<u>16,235,407</u>	<u>13,777,276</u>
Auxiliary enterprises:		
Sales and services	2,580,594	-
Federal appropriations	7,527	-
Miscellaneous	208,818	-
	<u>2,796,939</u>	<u>-</u>
Total revenues	<u>19,032,346</u>	<u>13,777,276</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	3,550,851	32,971
Vocational technical	3,495,606	886,846
Adult education	1,112,394	663,796
Cooperative services	911,906	3,165,447
Administration	1,180,248	118,723
Student services	1,443,564	943,768
Learning resources	630,224	-
Physical plant	1,408,312	216,651
General institution	1,692,241	1,838,038
Total education and support	<u>15,425,346</u>	<u>7,866,240</u>
Auxiliary enterprises	2,525,542	-
Scholarships and grants	-	4,013,649
Workforce Investment Act and related	-	2,407,817
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Interest on indebtedness	-	-
Depreciation	-	-
Disposal of plant assets	-	-
Total expenditures	<u>17,950,888</u>	<u>14,287,706</u>
Excess (deficiency) of revenues over expenditures	1,081,458	(510,430)
Non-mandatory transfers among funds	(825,293)	491,431
Net increase (decrease) in fund balances (deficit)	<u>256,165</u>	<u>(18,999)</u>
Fund balances (deficit), beginning of year	1,795,010	391,822
Fund balances (deficit), end of year	<u>\$ 2,051,175</u>	<u>\$ 372,823</u>

See Note to Supplementary Information.

Loan Funds	Plant Funds			Adjustment	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ -	\$ -	\$ -	\$ (2,672,437)	\$ 6,172,103
-	536,609	865,249	-	-	2,807,354
-	110,991	-	-	-	7,803,191
-	-	-	-	-	7,962,351
-	-	-	-	-	375,823
-	71,599	-	-	-	716,072
-	17,417	6,048	-	-	159,769
-	-	-	-	-	628,600
-	3,113	-	-	-	2,326,009
-	-	-	2,769,388	(2,769,388)	-
-	-	-	1,212,924	(1,212,924)	-
-	739,729	871,297	3,982,312	(6,654,749)	28,951,272
-	-	-	-	(695,889)	1,884,705
-	-	-	-	-	7,527
-	-	-	-	-	208,818
-	-	-	-	(695,889)	2,101,050
-	739,729	871,297	3,982,312	(7,350,638)	31,052,322
-	-	-	-	(36,591)	3,547,231
-	-	-	-	(134,838)	4,247,614
-	-	-	-	(59,522)	1,716,668
-	-	-	-	(9,674)	4,067,679
-	-	-	-	(39,157)	1,259,814
-	-	-	-	(54,760)	2,332,572
-	-	-	-	(11,840)	618,384
-	133,253	11,141	-	(581)	1,768,776
-	-	-	-	(369,083)	3,161,196
-	133,253	11,141	-	(716,046)	22,719,934
-	-	-	-	-	2,525,542
-	-	-	-	(3,197,072)	816,577
-	-	-	-	-	2,407,817
-	668,132	-	-	(668,132)	-
-	-	2,769,388	-	(2,769,388)	-
-	-	386,647	-	-	386,647
-	-	-	-	654,389	654,389
-	-	-	120,106	(120,106)	-
-	801,385	3,167,176	120,106	(6,816,355)	29,510,906
-	(61,656)	(2,295,879)	3,862,206	(534,283)	1,541,416
-	125,000	180,000	-	-	(28,862)
-	63,344	(2,115,879)	3,862,206	(534,283)	1,512,554
5,973	3,404,743	(8,538)	16,205,582	(9,227,053)	12,567,539
\$ 5,973	\$ 3,468,087	\$ (2,124,417)	\$ 20,067,788	\$ (9,761,336)	\$ 14,080,093

Southeastern Community College

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Unrestricted Current Funds - Education and Support
 Year Ended June 30, 2006

	Education			
	Liberal Arts and Science	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
Tuition and fees	\$ 3,207,250	\$ 3,317,973	\$ 1,146,685	\$ 592,114
Property taxes	-	-	-	-
State appropriations	2,625,932	3,299,249	814,453	-
Sales and services	-	-	81,711	17,815
Interest	-	-	-	-
Miscellaneous	10,520	21,638	78,594	-
	<u>5,843,702</u>	<u>6,638,860</u>	<u>2,121,443</u>	<u>609,929</u>
Allocation of support services revenue	375,437	483,247	162,789	-
Total revenues	<u>6,219,139</u>	<u>7,122,107</u>	<u>2,284,232</u>	<u>609,929</u>
Expenditures:				
Salaries and benefits	3,449,024	2,819,188	573,228	316,616
Services	55,776	417,422	355,258	284,693
Materials and supplies	37,898	140,543	136,793	38,986
Travel	8,153	23,772	47,115	5,870
Expended for plant assets	-	94,681	-	-
Scholarships	-	-	-	264,235
Miscellaneous	-	-	-	1,506
	<u>3,550,851</u>	<u>3,495,606</u>	<u>1,112,394</u>	<u>911,906</u>
Allocation of support services expenditures	2,335,598	3,006,280	1,012,711	-
Total expenditures	<u>5,886,449</u>	<u>6,501,886</u>	<u>2,125,105</u>	<u>911,906</u>
Excess (deficiency) of revenues over expenditures	332,690	620,221	159,127	(301,977)
Non-mandatory transfers	(2,787)	-	3,234	(17,046)
Net increase (decrease) in fund balances	<u>\$ 329,903</u>	<u>\$ 620,221</u>	<u>\$ 162,361</u>	<u>\$ (319,023)</u>

Fund balance, beginning of year
 Fund balance, end of year

See Note to Supplementary Information.

Support						
Admini- stration	Student Services	Learning Resources	Physical Plant	General Institution		Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,264,022
570,323	-	-	-	-	-	570,323
-	-	72,241	-	-	-	6,811,875
67,718	4,754	4,741	20,506	76,006	-	273,251
125,880	-	-	-	-	-	125,880
12,978	295	328	1,938	63,765	-	190,056
<u>776,899</u>	<u>5,049</u>	<u>77,310</u>	<u>22,444</u>	<u>139,771</u>	-	<u>16,235,407</u>
(776,899)	(5,049)	(77,310)	(22,444)	(139,771)	-	-
-	-	-	-	-	-	<u>16,235,407</u>
960,844	1,286,399	458,600	766,058	898,936	-	11,528,893
136,002	49,518	42,790	538,701	550,723	-	2,430,883
25,721	63,225	114,722	103,364	127,213	-	788,465
44,041	39,187	4,889	189	28,279	-	201,495
-	-	9,223	-	7,404	-	111,308
-	-	-	-	-	-	264,235
13,640	5,235	-	-	79,686	-	100,067
<u>1,180,248</u>	<u>1,443,564</u>	<u>630,224</u>	<u>1,408,312</u>	<u>1,692,241</u>	-	<u>15,425,346</u>
(1,180,248)	(1,443,564)	(630,224)	(1,408,312)	(1,692,241)	-	-
-	-	-	-	-	-	<u>15,425,346</u>
-	-	-	-	-	-	810,061
-	(2,690)	-	-	(596,696)	-	(615,985)
<u>\$ -</u>	<u>\$ (2,690)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (596,696)</u>	-	<u>194,076</u>
						1,307,410
						<u>\$ 1,501,486</u>

Southeastern Community College

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Unrestricted Current Funds - Auxiliary Enterprises
 Year Ended June 30, 2006

	Bookstore	Food Services
Revenues:		
Sales and services	\$ 1,811,399	\$ 202,936
Federal appropriations	4,662	2,865
Miscellaneous	-	-
Total revenues	1,816,061	205,801
Expenditures:		
Salaries and benefits	162,451	14,223
Services	8,449	114,311
Materials and supplies	5,977	7,965
Cost of goods sold	1,417,121	19,012
Travel	6,134	160
Expended for plant assets	-	65,134
Miscellaneous	4,388	247
Total expenditures	1,604,520	221,052
Excess (deficiency) of revenues over expenditures	211,541	(15,251)
Non-mandatory transfers	(172,055)	-
Net increase (decrease) in fund balances	39,486	(15,251)
Fund balance:		
Beginning	149,727	81,762
Ending	\$ 189,213	\$ 66,511

See Note to Supplementary Information.

Shop Sales	Printing Services	Dormitories	Athletics	Other	Total
\$ 51,451	\$ 142,297	\$ 190,377	\$ 87,292	\$ 94,842	\$ 2,580,594
-	-	-	-	-	7,527
-	-	90,269	116,302	2,247	208,818
51,451	142,297	280,646	203,594	97,089	2,796,939
	100,051	11,564	17,840	12,995	319,124
-	-	62,140	36,763	-	221,663
249	3,867	80,581	89,742	37,939	226,320
47,156	35,058	-	-	-	1,518,347
-	-	17	123,677	44	130,032
-	-	-	-	32,007	97,141
-	-	1,400	6,880	-	12,915
47,405	138,976	155,702	274,902	82,985	2,525,542
4,046	3,321	124,944	(71,308)	14,104	271,397
-	-	(100,000)	62,747	-	(209,308)
4,046	3,321	24,944	(8,561)	14,104	62,089
40,710	75,667	(7,988)	22,707	125,015	487,600
\$ 44,756	\$ 78,988	\$ 16,956	\$ 14,146	\$ 139,119	\$ 549,689

Southeastern Community College

Schedule of Revenues, Expenditures, and Changes in Fund Balances -
 Restricted Current Funds
 Year Ended June 30, 2006

	Scholarships and Grants	Equipment Replacement	Early Retirement	Insurance
Revenues:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Property taxes	-	84,489	426,573	283,944
State appropriations	112,610	-	-	-
Federal appropriations	3,538,466	-	-	-
Gifts and grants	362,573	-	-	-
Sales and services	-	-	-	-
Interest	82	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	-	-	-	49,809
Total revenues	4,013,731	84,489	426,573	333,753
Expenditures:				
Salaries and benefits	-	-	592,605	95,680
Services	-	-	-	303,621
Materials and supplies	-	88,292	-	-
Travel	-	-	-	-
Expended for plant assets	-	30,444	-	-
Interest on indebtedness	-	-	-	-
Federal Pell Grant Program	3,444,417	-	-	-
Supplemental Educational Opportunity Grant (SEOG)	85,250	-	-	-
Other miscellaneous scholarships	483,982	-	-	-
Other	-	-	-	-
Total expenditures	4,013,649	118,736	592,605	399,301
Excess (deficiency) of revenues over expenditures	82	(34,247)	(166,032)	(65,548)
Non-mandatory transfers	-	-	100,000	-
Net increase (decrease) in fund balances (deficit)	82	(34,247)	(66,032)	(65,548)
Fund balance (deficit):				
Beginning	13,213	34,247	(1,203,661)	56,103
Ending	\$ 13,295	\$ -	\$ (1,269,693)	\$ (9,445)

See Note to Supplementary Information.

Unemploy- ment Compensation	Workforce Investment Act and Related	Temporary Assistance for Needy Families	Iowa Industrial New Jobs Training Program	Other	Cash Reserve	Total
\$ -	\$ -	\$ -	\$ -	\$ 580,518	\$ -	\$ 580,518
40,167	-	-	-	-	-	835,173
-	31,153	-	-	736,562	-	880,325
-	2,327,748	413,942	-	1,682,195	-	7,962,351
-	-	-	-	13,250	-	375,823
-	48,916	-	-	322,306	-	371,222
-	-	-	10,342	-	-	10,424
-	-	-	616,962	-	-	616,962
-	-	-	-	2,094,669	-	2,144,478
40,167	2,407,817	413,942	627,304	5,429,500	-	13,777,276
14,461	1,362,009	315,118	-	2,228,532	-	4,608,405
-	729,431	30,493	420,977	2,604,439	-	4,088,961
-	92,597	12,831	-	299,402	-	493,122
-	127,422	11,482	-	161,662	-	300,566
-	-	-	-	305,886	-	336,330
-	-	-	206,327	-	-	206,327
-	-	-	-	-	-	3,444,417
-	-	-	-	-	-	85,250
-	-	-	-	32,971	-	516,953
-	96,358	44,018	-	66,999	-	207,375
14,461	2,407,817	413,942	627,304	5,699,891	-	14,287,706
25,706	-	-	-	(270,391)	-	(510,430)
-	-	-	-	391,431	-	491,431
25,706	-	-	-	121,040	-	(18,999)
73,334	-	-	-	1,187,178	231,408	391,822
\$ 99,040	\$ -	\$ -	\$ -	\$ 1,308,218	\$ 231,408	\$ 372,823

Southeastern Community College

Schedule of Changes in Deposits Held in Custody for Others -
Agency Funds
Year Ended June 30, 2006

	Retraining 260F	Student Organizations	Total
Balance, beginning of year	\$ 102,688	\$ 191,787	\$ 294,475
Receipts and other additions:			
Fees	-	67,350	67,350
State support	206,981	-	206,981
Federal support	-	2,994	2,994
Sales and services	-	9,053	9,053
Other	-	274,043	274,043
	<u>206,981</u>	<u>353,440</u>	<u>560,421</u>
Disbursements and other deductions:			
Salaries and benefits	-	107,242	107,242
Services	138,247	61,054	199,301
Materials and supplies	-	88,513	88,513
Transfers	-	2,978	2,978
Travel	-	116,676	116,676
Other	-	7,423	7,423
	<u>138,247</u>	<u>383,886</u>	<u>522,133</u>
Balance, end of year	<u>\$ 171,422</u>	<u>\$ 161,341</u>	<u>\$ 332,763</u>

See Note to Supplementary Information.

Southeastern Community College

Note to Supplementary Information Year Ended June 30, 2006

Statements presented in the supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting, except for depreciation. The schedule of revenues, expenditures and changes in fund balances is the statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses. In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions are accounted for and reported by fund group. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary revenue derived from investments, receivables, and the like, is accounted for in the fund owning such assets.

The College utilizes the following fund groups:

Current funds:

These 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.

Unrestricted: These current funds are available for any legally authorized purpose and are used to account for the revenue and expenditures of activities not provided for in other funds.

The education and support subgroup of the unrestricted current funds account for the general operations of the College. All property taxes and other revenue that are not allocated by law or contractual agreement, to some other fund, are accounted for in the subgroup. From this subgroup are paid the general operating expenses, the fixed charges and the expenditures for plant assets that are not paid from other funds.

The auxiliary enterprises subgroup accounts for activities which are intended to provide non-instructional services for sale to students, staff, and/or institutional departments, and which are supplemental to the educational and general objectives of the College.

Restricted: These current funds are used to account for amounts received which are subject to restrictions made by donors or outside agencies.

The scholarship and grants subgroup of the restricted current funds account for resources available for awards to students which are not in payment of services rendered to the College and which will not require repayment to the College.

Southeastern Community College

Note to Supplementary Information Year Ended June 30, 2006

The College has agreements with various businesses under the Iowa Industrial New Jobs Training Program (NJTP). The College administers the program, with the revenues and expenditures being restricted by the state for use in this program. The College is accounting for the activity of the NJTP in the restricted current funds.

Loan funds:

These funds are used to account for student loan transactions.

Plant funds:

Plant funds account for the transactions related to the investment in physical properties and consist of the following self-balancing subfunds:

Unexpended - This subfund is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of indebtedness - This subfund is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

Investment in plant - This subfund is used to account for the excess of the carrying value of plant assets over the related liabilities.

Agency funds:

These funds are used to account for assets held by the College as custodian or fiscal agent for others. Accordingly, the transactions of these funds do not affect the schedule of revenues, expenditures and changes in fund balances.

Southeastern Community College

Schedule of Credit and Contact Hour Enrollment
Year Ended June 30, 2006

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	38,051	-	38,051	739,597	-	739,597
Vocational preparatory	37,166	-	37,166	951,977	-	951,977
Adult/continuing education	-	-	-	213,857	106,832 *	320,689
Related services and activities	-	-	-	-	-	-
	<u>75,217</u>	<u>-</u>	<u>75,217</u>	<u>1,905,431</u>	<u>106,832</u>	<u>2,012,263</u>

*Includes 240 hour adjustment of 8,700 hours.

Southeastern Community College

Schedule of Credit and Contact Hours
Last Five Years

	Arts and Sciences	Vocational Education	Adult Education/ Continuing Education	Cooperative Programs/ Services	Related Services and Activities	Total
2006:						
Total contact hours	739,597	951,977	320,689	-	-	2,012,263
Total credit hours	38,051	37,166	-	-	-	75,217
2005:						
Total contact hours	722,726	989,758	211,526	-	75,721	1,999,731
Total credit hours	37,697	37,460	-	-	-	75,157
2004:						
Total contact hours	750,862	977,300	243,306	-	75,772	2,047,240
Total credit hours	38,968	37,719	-	-	-	76,687
2003:						
Total contact hours	781,813	918,831	253,058	-	132,191	2,085,893
Total credit hours	39,664	34,968	-	-	-	74,632
2002:						
Total contact hours	728,081	890,058	292,871	-	146,469	2,057,479
Total credit hours	37,303	34,187	-	-	-	71,490

Southeastern Community College

Comparison of Taxes and Intergovernmental Revenues
Last Four Years

	Year Ended June 30,			
	2006	2005	2004	2003
Local (property tax)	\$ 2,807,354	\$ 2,793,589	\$ 3,068,840	\$ 3,340,799
State	7,803,191	7,576,384	7,085,031	7,055,982
Federal	7,962,351	7,752,529	6,982,845	6,792,838
	<u>\$ 18,572,896</u>	<u>\$ 18,122,502</u>	<u>\$ 17,136,716</u>	<u>\$ 17,189,619</u>

Southeastern Community College

Current Fund (Unrestricted and Restricted) Revenue by Source
Last Four Years

	Year Ended June 30,			
	2006	2005	2004	2003
State appropriations	\$ 7,692,200	\$ 7,199,884	\$ 6,902,558	\$ 6,889,315
Tuition and fees	8,844,540	8,692,065	8,519,340	7,540,213
Property tax	1,405,496	1,395,231	1,585,201	1,829,534
Federal appropriations	7,962,351	7,752,529	6,982,845	6,792,838
Interest earnings	136,304	(626,257)	(43,411)	182,227
Iowa Industrial New Jobs Training Program	628,600	1,335,325	1,124,406	479,913
Auxiliary enterprises	2,796,939	2,598,301	2,608,691	2,480,653
Miscellaneous	3,343,192	3,193,330	2,875,931	2,283,838
	<u>\$ 32,809,622</u>	<u>\$ 31,540,408</u>	<u>\$ 30,555,561</u>	<u>\$ 28,478,531</u>

Southeastern Community College

Current Fund (Unrestricted and Restricted) Expenditures by Function
Last Four Years

	Year Ended June 30,			
	2006	2005	2004	2003
Liberal arts and sciences	\$ 3,583,822	\$ 3,324,922	\$ 3,369,257	\$ 3,162,599
Vocational technical	4,382,452	3,806,028	3,464,655	3,509,506
Adult education	1,776,190	2,070,514	1,934,620	1,732,573
Cooperative services	4,077,353	3,384,328	3,635,751	2,719,261
Administration	1,298,971	1,250,425	1,397,932	1,511,720
Student services	2,387,332	2,119,893	1,998,806	1,949,628
Learning resources	630,224	586,739	577,602	580,175
Physical plant	1,624,963	1,560,164	1,370,982	1,209,787
General institution	3,530,279	2,981,124	3,723,699	2,202,684
Auxiliary enterprises	2,525,542	2,314,780	2,375,671	2,264,833
Scholarships and grants	4,013,649	4,870,351	4,928,401	4,523,246
Workforce Investment Act	2,407,817	2,081,382	1,850,071	1,484,087
	<u>\$ 32,238,594</u>	<u>\$ 30,350,650</u>	<u>\$ 30,627,447</u>	<u>\$ 26,850,099</u>

Southeastern Community College

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
U.S. Department of Education:				
Direct Programs:				
Student Financial Assistance:				
Federal Supplemental Educational Opportunity				
Grants (SEOG)	84.007		\$ 85,250	\$ -
Federal Family Education Loans (FFEL)	84.032		-	3,906,789
Federal Work Study Program (FWS)	84.033		95,359	-
Federal Pell Grant Program	84.063		3,451,892	-
Total Student Financial Assistance Cluster			3,632,501	3,906,789
TRIO-Student Support Services	84.042A		373,321	-
TRIO-Talent Search	84.044A		252,755	-
TRIO-Upward Bound	84.047A		249,745	-
Total TRIO Cluster			875,821	-
Passed through Iowa Department of Education:				
Vocational Education - Basic Grants to States:				
Carl Perkins	84.048A	6805010000	287,803	-
WWW.NL	84.048A	6805020000	29,796	-
Minority, Gender, Biotech Grants	84.048A	N/A	10,687	-
			328,286	-
Tech-Prep Education	84.243A	6806010000	65,499	-
Adult Education - State Grant Program	84.002	6806010000	238,856	-
			632,641	-
Total U.S. Department of Education			5,140,963	3,906,789
U.S. Department of Agriculture:				
Passed through Iowa Department of Education				
Summer Foods Program	10.559	1-W-16-FR-0	4,369	-
Bureau of Educational & Cultural Affairs (Direct):				
NAFSA: Association of International Educators Cooperative				
Grants Program	19.420	N/A	2,000	-
Small Business Administration:				
Passed through Iowa State University				
	59.037	N/A	\$ 42,715	\$ -

(Continued)

Southeastern Community College

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2006

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
U.S. Department of Labor:				
Passed through Iowa Department of Workforce Development:				
Workforce Investment Act (WIA) - Adult Program	17.258	1-W-16-FR-0	\$ 692,433	\$ -
Workforce Investment Act (WIA) - Youth Activities	17.259	1-W-16-FR-0	765,210	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	1-W-16-FR-0	505,900	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	5-W-PF-RR-0-13	398	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	6-W-FR-P6-0-01	46,471	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	5-W-FR-P5-0-04	218,146	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	5-W-PF-RR-0-14	3,321	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	6-W-PF-RR-0-01	969	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	6-W-PF-RR-0-02	3,054	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	6-W-PF-RR-0-03	5,950	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	6-W-PF-RR-0-05	1,515	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	6-W-PF-RR-0-06	35,143	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	6-W-PF-RR-0-09	5,363	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	1-W-16-FR-0	4,507	-
Total Workforce Investment Act Cluster			2,288,380	-
Employment Service	17.207	1-W-16-FR-0	12,039	-
Unemployment Insurance	17.225	1-W-16-FR-0	9,634	-
Trade Adjustment Assistance Workers	17.245	1-W-16-FR-0	4,870	-
Work Incentives Grant (Disability Navigator)	17.266	1-W-16-FR-0	3,000	-
Veterans' Employment Program, DVOP	17.801	1-W-16-FR-0	5,999	-
Passed through Iowa Department of Veterans' Affairs, Veterans' Employment Program	17.802	N/A	1,136	-
Passed through Iowa Department of Education:				
Mine Health and Safety Grant	17.600	N/A	2,625	-
WIA Incentive Grants	17.267	58806	12,747	-
Total U.S. Department of Labor			2,340,430	-
U.S. Department of Health and Human Services:				
Passed through Iowa Department of Workforce Development, Temporary Assistance for Needy Families	93.558	1-W-16-FR-0	413,942	-
U.S. Department of Corrections:				
Passed through Iowa Department of Corrections, Title I Corrections	84.013A	N/A	26,000	-
Federal Mediation and Conciliation Service:				
Passed through Iowa Department of Workforce Development, Labor Management Cooperation	34.002	1-W-16-FR-0	3,827	-
Library of Congress:				
Direct Program, Women as Leaders - Open World Russian Leadership Program	42.XXX	N/A	5,700	-
Total federal awards expended			\$ 7,979,946	\$ 3,906,789

See Note to Schedule of Expenditures of Federal Awards.

Southeastern Community College

Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southeastern 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.

Southeastern Community College

**Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006**

Comment Number	Comment	Corrective Action Plan
Compliance Findings:		
05-III-A	Untimely Title IV refunds	Uncorrected. See similar finding at 06-III-C.
05-III-B	Calculation for return of Title IV funds was not calculated.	Corrected.
Statutory Reporting:		
IV-J-05	Misclassification of contract hours	Uncorrected. See similar finding at IV-J-06.

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Trustees
Southeastern Community College
West Burlington, Iowa

We have audited the financial statements of Southeastern Community College as of and for the year ended June 30, 2006, and have issued our report thereon dated September 22, 2006. 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. We did not audit the financial statements of the discretely presented component unit which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the reports of the other auditors.

The discretely presented component unit's financial statements were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not extend to the discretely presented component unit.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which we have reported to management of the College in a separate letter dated September 22, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeastern Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

McGladrey & Pullen, LLP is a member firm of RSM International – an affiliation of separate and independent legal entities.

Comments involving statutory and other legal matters about Southeastern Community College's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of Southeastern Community College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
September 22, 2006

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees
Southeastern Community College
West Burlington, Iowa

Scope of this Report

Southeastern Community College's basic financial statements include the financial statements of Southeastern Community College Foundation, a discretely presented component unit, which was audited by other auditors. We did not audit the compliance with the requirements of laws, regulations, contracts and grants of the discretely presented component unit, and accordingly, this report does not extend to the discretely presented component unit.

Compliance

We have audited the compliance of Southeastern Community College with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended June 30, 2006. The Southeastern Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southeastern Community College's management. Our responsibility is to express an opinion on the Southeastern Community College's compliance based on our audit.

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 Southeastern Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Southeastern Community College's compliance with those requirements.

In our opinion, Southeastern Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Items 06-III-A, 06-III-B, 06-III-C, and 06-III-D.

Internal Control Over Compliance

The management of Southeastern Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southeastern Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Davenport, Iowa
September 22, 2006

Southeastern Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be a material weakness? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes No
- Reportable condition identified that is not considered to be a material weakness? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program
84.007	Federal Supplemental Educational Opportunity Grants (SEOG)
84.032	Federal Family Education Loans (FFEL)
84.033	Federal Work Study Program (FWS)
84.063	Federal Pell Grant Program
17.258	Workforce Investment Act - Adult
17.259	Workforce Investment Act - Youth
17.260	Workforce Investment Act - Dislocated
84.048A	Vocational Education

Dollar threshold used to distinguish between type A and type B programs \$ 356,602

Auditee qualified as low-risk auditee? Yes No

Southeastern Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

(A) Reportable Conditions in Internal Control

The audit of the basic financial statements of Southeastern Community College as of and for the year ended June 30, 2006 disclosed no matters involving internal control over financial reporting and its operations that are considered to be material weaknesses.

(B) Compliance Findings

The audit disclosed no instances of noncompliance which are material to the basic financial statements of Southeastern Community College as of and for the year ended June 30, 2006.

III. Findings and Questioned Costs for Federal Awards

06-III-A

Student Financial Assistance Cluster

Federal Family Education Loans (CFDA 84.032)

Federal Award Year: 2006

U.S. Department of Education

Finding: The College disbursed FFEL funds to first-year, first-time borrowers prior to 30 days after the start of the semester.

Condition: The College is not disbursing FFEL funds according to the timeline requirements.

Criteria: Per 34 CFR 682.604, a school may not release the first installment of a Stafford loan for endorsement to a student who is enrolled in the first year of an undergraduate program of study and who has not previously received a Stafford loan until 30 days after the first day of the student's program of study.

Cause: The College changed administrative software systems.

Effect: There was a violation of this regulation.

Questioned Cost: None

Prevalence: Of the eighteen students tested for FFEL, ten were first-year, first-time borrowers. Funds were disbursed 29 days after the start of the semester for five of these first-year, first-time borrowers.

Recommendation: We recommend that the College disburse FFEL funds based on time requirements.

Response and Corrective Action Plan: This condition was isolated to the fall term of 2005. The Financial Aid Officer has obtained a more thorough understanding of a new software system implemented prior to the beginning of the fall 2005 term. New policies and procedures have been put in place concerning the operation of the new software system that will not allow the posting of student loan funds to a first-time borrower's account prior to the 30 day regulation.

Southeastern Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

06-III-B

Student Financial Assistance Cluster
Federal Work Study (CFDA 84.033)
Federal Award Year: 2006

U.S. Department of Education

Finding: The College underpaid one student in the Federal Work Study Program.

Condition: The College did not pay one student in the Federal Work Study Program properly.

Criteria: Per CFR 34, CFR 675.16(a)(10), the institution is responsible for ensuring that the student is paid for work performed.

Cause: One student was underpaid for 3.25 hours.

Effect: Student was not properly paid for her time.

Questioned Costs: The student was underpaid \$21.13.

Prevalence: Of the five students tested for Federal Work Study, one student had her wages calculated incorrectly.

Recommendation: We recommend that the supervisor and an individual in the financial aid office recalculate the hours on all Federal Work Study timecards.

Response and Corrective Action Plan: The identified student has been paid for the 3.25 hours. Work Study timecards are now being reviewed by a financial aid office staff member prior to the calculation of student earnings.

06-III-C

Student Financial Assistance Cluster
Federal Family Education Loans (CFDA 84.032)
Federal Work Study Program (CFDA 84.033)
Federal Pell Grant Program (CFDA 84.063)
Federal Supplemental Education Opportunity Grants (CFDA 84.007)
Federal Award Year: 2006

U.S. Department of Education

Finding: The College did not determine a student unofficially withdrew within 30 days of the end of the term and then did not return Title IV funds within 30 days of the determination that the student withdrew.

Condition: The College is not determining withdrawals and returning Title IV funds within the proper time frame for students in the Cosmetology Program.

Southeastern Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

Criteria: Per 34 CFR 668.22 (j), an institution must determine the withdrawal date for a student who withdraws without providing notification to the institution no later than 30 days after the end of the earlier of the (1) payment period or period of enrollment, (2) academic year in which the student withdrew, or (3) educational program in which the student withdrew and an institution must return the amount of Title IV funds for which it is responsible as soon as possible but no later than 30 days after the date of the institution's determination that the student withdrew.

Cause: The College does not have a system in place to monitor this requirement for the Cosmetology Program.

Effect: There was a violation of this regulation.

Question Costs: None

Prevalence: Of the twenty-five students tested, one student's withdrawal was not determined within 30 days of the end of the term and the refund calculated was not returned within 30 days of the determination of the withdrawal. There is not a system in place to identify unofficial withdrawals from the Cosmetology Program and track the return of Title IV funds. Based upon this, believe this error is isolated to withdrawals from the Cosmetology Program.

Recommendation: We recommend the unofficial withdrawal listing be prepared and reviewed within the 30 days of the end of the term and that refunds are tracked for all withdrawals.

Response and Corrective Action Plan: Student attendance within the cosmetology program is measured via clock hours. The number of clock hours attended by a student is reported on a monthly basis to the College by a contracted third party. Due to a communication error, the clock hours attended by the identified student was not being provided by the third party in a timely manner. Once the issue was resolved, the return of Title IV funds was calculated.

The College has recomunicated the standards set forth for the providing of clock hours by the third party as outlined in a formal contract. Additional review procedures have been implemented by the Financial Aid Office to ensure clock hours are being reported in a timely manner.

Southeastern Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

06-III-D

Student Financial Assistance Cluster
Federal Family Education Loans (CFDA 84.032)
Federal Supplemental Education Opportunity Grants (CFDA 84.007)
Federal Work Study Program (CFDA 84.033)
Federal Pell Grant Program (CFDA 84.063)
Federal Award Year: 2006

U.S. Department of Education

Finding: The College is using the incorrect number of calendar days when calculating the number of days in the payment period and period of enrollment.

Condition: The College is not using the correct days when calculating the percentage of Title IV aid earned.

Criteria: Per 34 CFR 668.22(f), the percentage of the period completed is determined by dividing the number of calendar days completed in the payment period or period of enrollment by the total number of calendar days in the payment period or period of enrollment.

Cause: The College experienced an input error in the system utilized for Title IV refund calculations.

Effect: There was a violation of the regulation.

Questioned Costs: Of the twenty-five students tested for refunds, four student's refunds were incorrectly calculated. The incorrect refunds tested totaled \$2,241.72. The actual amount that should have been refunded was \$2,259.48. Therefore, the College in total under refunded by \$17.76.

Prevalence: The College did not use the correct number of days completed for one student in the Fall semester and did not use the correct number of days in the enrollment period for any of the Fall semester refunds.

Recommendation: We recommend the College check the calculations periodically throughout the year.

Response and Corrective Action Plan: The condition noted was isolated to a limited number of students who officially withdrew during the beginning of the fall 2005 term. The number of calendar days in the enrollment period was corrected to reflect the term ending on December 16, 2005, rather than December 17, 2005. The College has implemented additional oversight of the Title IV Return calculation process in order to ensure its accuracy.

Southeastern Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

IV. Other Findings Related to Required Statutory Reporting

IV-A-06 Official Depositories

Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006, except for the following:

Finding: The College had one certificate of deposit with a bank not listed on the Board-approved resolution naming depositories.

Recommendation: We suggest the College updates the resolution naming depositories and when opening new accounts or certificates of deposit, ensure the financial institution is listed.

Response: The resolution has been corrected.

Conclusion: Response is accepted

IV-B-06 Certified Budget

Disbursements during the year ended June 30, 2006 did not exceed the amounts budgeted in total.

IV-C-06 Questionable Expenditures

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

IV-D-06 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.

IV-E-06 Business Transactions

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

IV-F-06 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 insure the coverage is adequate for current operations.

IV-G-06 Board Minutes

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

Southeastern Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2006

IV-H-06 Publication

The College published a statement showing all receipts and disbursements of all funds for fiscal year 2006, including the names of all persons, firms, or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

IV-I-06 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, with the following exception:

Finding: The College had one certificate of deposit as of June 30, 2006 that did not meet the statutory time deposit rate requirements.

Recommendation: We suggest the College implement internal procedures to review rates on time deposits to ensure they meet state guidelines.

Response: The rate was corrected by the financial institution.

Conclusion: Response is accepted.

IV-J-06 Credit/Contact Hours

Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College except for the misclassification of contact hours, as shown below:

	Contact Hours Reported	Total per Supporting Documentation	Difference
Adult/Continuing Education - Health Professions and Related Clinical Sciences	49	53	(4)
Adult/Continuing Education - Transportation and Materials Moving	176	104	72

Recommendation: The College should verify that the number of contact hours reported for each non-credit course agrees to the class schedule.

Response: The College will investigate the discrepancies, which appear to be in the continuing education department.

Conclusion: Response accepted.

Southeastern Community College

Corrective Action Plan
Year Ended June 30, 2006

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
Compliance Findings:					
06-III-A	Early Title IV disbursements to first-time borrowers.	See corrective action plan at 06-III-A.	Gwen Scholar, Student Financial Aid Director	September 2006	June 2007
06-III-B	Underpayment of one Federal Work Study student.	See corrective action plan at 06-III-B.	Gwen Scholar, Student Financial Aid Director	September 2006	June 2007
06-III-C	Early Title IV refunds.	See corrective action plan at 06-III-C.	Gwen Scholar, Student Financial Aid Director	June 2004	June 2007
06-III-D	Incorrect calculation for return of Title IV funds.	See corrective action plan at 06-III-D.	Gwen Scholar, Student Financial Aid Director	September 2006	June 2007
Statutory Reporting:					
IV-A-06	One certificate of deposit held at bank was not Board approved.	See corrective action plan at IV-A-06.	Dick Springsteen, Vice President for Administrative Services	September 2006	June 2007
IV-I-06	One certificate of deposit did not meet statutory time deposit rate requirement.	See corrective action plan at IV-I-06.	Dick Springsteen, Vice President for Administrative Services	September 2006	June 2007
IV-J-06	Misclassification of contract hours.	See corrective action plan at IV-J-06.	Annette Peterson, Controller	June 2002	June 2007