

Southeastern Community College

Financial and Compliance Report

06.30.2007

McGladrey & Pullen
Certified Public Accountants

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

Contents

Officials	1
Independent Auditor's Report on the Basic Financial Statements and Supplementary Information	2 – 3
Management's Discussion and Analysis	4 – 12
Basic Financial Statements	
Statement of net assets	13 – 14
Statement of revenues, expenses and changes in net assets	15
Statement of cash flows	16 – 17
Notes to basic financial statements	18 – 30
Supplementary Information	
Required supplementary information, budgetary comparison schedule of expenditures	31
Note to required supplementary information, budgetary reporting	32
Balance sheet	33 – 36
Schedule of revenues, expenditures and changes in fund balances	37 – 38
Unrestricted current funds:	
Education and support	39 – 40
Auxiliary enterprises	41 – 42
Restricted current funds	43 – 44
Schedule of changes in deposits held in custody for others, agency funds	45
Note to supplementary information	46 – 47
Schedule of credit and contact hour enrollment	48
Schedule of credit and contact hours	49
Comparison of taxes and intergovernmental revenues	50
Current fund (unrestricted and restricted) revenue by source	51
Current fund (unrestricted and restricted) expenditures by function	52
Schedule of expenditures of federal awards	53 – 54
Note to schedule of expenditures of federal awards	55
Summary schedule of prior audit findings	56
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	57 – 58
Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	59 – 60
Schedule of findings and questioned costs	61 – 65
Corrective action plan	66

Southeastern Community College

Officials

Name	Title	Term Expires
Board of Trustees:		
Landen Hillyard	Chairperson/President	2007
Brian Roth	Vice Chairperson/Vice President	2008
Jeff Heland	Member	2009
Janet Fife-LaFrenz	Member	2007
Moudy Nabulsi	Member	2008
Area school:		
Beverly Simone	President	
Bill Meck	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, 2007, 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, 2007, 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 November 19, 2007 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 on pages 4 through 12 and the Budgetary Comparison Schedule of Expenditures on page 31 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
November 19, 2007

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, 2007. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

Financial Highlights

2007:

- College operating revenues increased 2.5% or \$500,725. Largest areas of increase were for tuition and fees (\$266,000) and miscellaneous (\$531,564).
- College net nonoperating revenues increased 16.2% or \$1,681,395 as a result of an increase in interest earnings (\$221,669) and state aid and grant revenue (\$1,332,469).
- College operating expenses increased 3.8% or \$1,099,249. Largest increases were in the Iowa Community College Online Consortium and the Industrial New Jobs Training Program (\$1,043,831).
- The College's net assets increased 18.4% or \$2,595,425. This is the result of the College's continued investment in capital assets (\$1,479,671) and annual revenues exceeding expenditures.

2006:

- College operating revenues increased 3.4% or \$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 aid and grant revenue (\$226,807).
- College operating expenses increased 7.3% or \$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.

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, 2007 and 2006. 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.

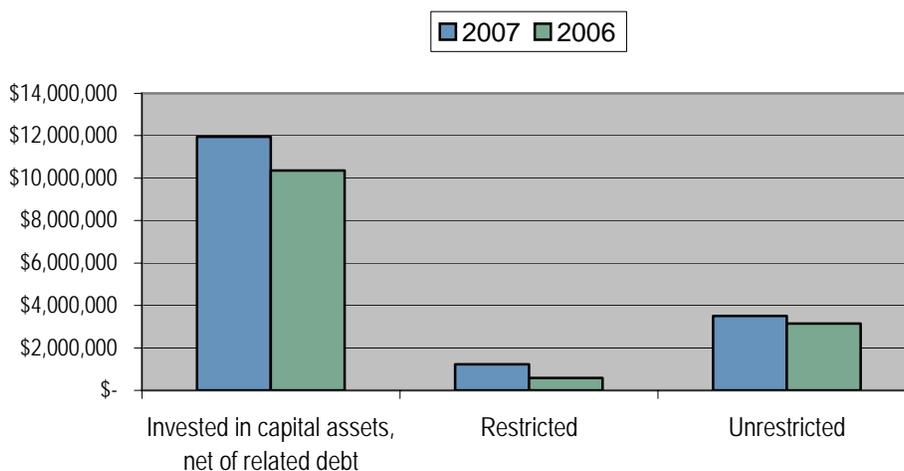
Net Assets

	June 30,	
	2007	2006
Current and other assets	\$ 16,841,330	\$ 15,857,827
Capital assets, net of accumulated depreciation	18,216,262	17,519,983
Total assets	35,057,592	33,377,810
Current liabilities	10,362,437	10,079,497
Noncurrent liabilities	8,019,637	9,218,220
Total liabilities	18,382,074	19,297,717
Net assets:		
Invested in capital assets, net of related debt	11,941,082	10,355,643
Restricted	1,223,823	582,796
Unrestricted	3,510,613	3,141,654
Total net assets	\$ 16,675,518	\$ 14,080,093

Southeastern Community College

Management's Discussion and Analysis

Comparison of Net Assets



Year Ended June 30, 2007: The largest portion of the College's net assets (71.6%) 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 (7.3%) includes resources that are subject to external restrictions. The remaining net assets (21.1%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

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.

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

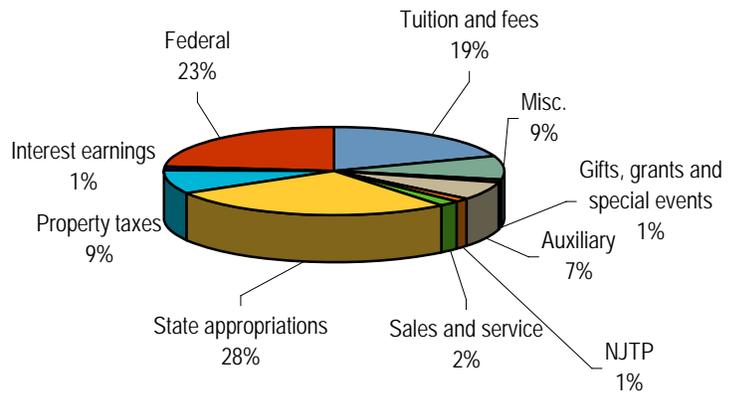
	Year Ended June 30,	
	2007	2006
Operating revenues:		
Tuition and fees	\$ 6,438,103	\$ 6,172,103
Federal appropriations	7,786,163	7,962,351
Iowa Industrial New Jobs Training Program	471,937	628,600
Auxiliary	2,200,836	2,101,050
Gifts, grants and special events	373,999	375,823
Sales and services	654,122	716,072
Miscellaneous	2,857,573	2,326,009
Total operating revenues	<u>20,782,733</u>	<u>20,282,008</u>
Total operating expenses	30,223,508	29,124,259
Operating loss	<u>(9,440,775)</u>	<u>(8,842,251)</u>
Nonoperating revenues (expenses) and transfers:		
State appropriations	9,135,660	7,803,191
Property taxes	2,899,733	2,807,354
Interest earnings	381,438	159,769
Interest on indebtedness	(358,018)	(386,647)
Transfer to agency fund	(22,613)	(28,862)
Net nonoperating revenues and transfers	<u>12,036,200</u>	<u>10,354,805</u>
Change in net assets	2,595,425	1,512,554
Net assets:		
Beginning	14,080,093	12,567,539
Ending	<u>\$ 16,675,518</u>	<u>\$ 14,080,093</u>
Total revenues, operating and nonoperating	<u>\$ 33,199,564</u>	<u>\$ 31,052,322</u>
Total expenses, operating and nonoperating	<u>\$ 30,604,139</u>	<u>\$ 29,539,768</u>

Southeastern Community College

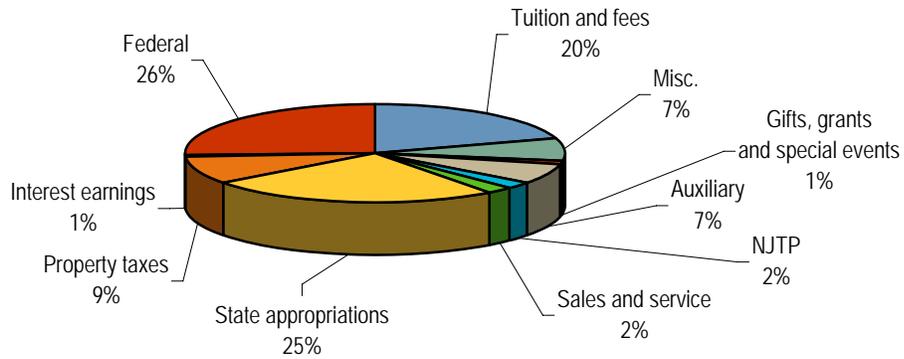
Management's Discussion and Analysis

Total Revenues by Source

2007



2006

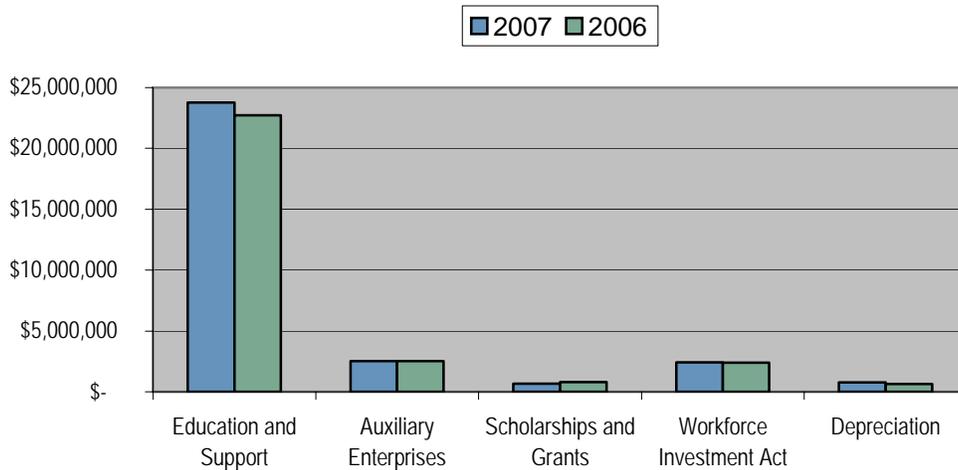


Southeastern Community College

Management's Discussion and Analysis

Operating Expenses

	Year Ended June 30,	
	2007	2006
Education and support:		
Liberal arts and sciences	\$ 4,267,511	\$ 3,547,231
Vocational technical	4,014,139	4,247,614
Adult education	1,961,608	1,716,668
Cooperative services	4,285,909	4,067,679
Administration	1,460,735	1,259,814
Student services	2,298,834	2,332,572
Learning resources	399,358	618,384
Physical plant	1,974,309	1,768,776
General institution	3,115,144	3,161,196
Auxiliary enterprises	2,534,156	2,525,542
Scholarships and grants	689,368	816,577
Workforce Investment Act	2,439,045	2,407,817
Depreciation	783,392	654,389
Total operating expenses	\$ 30,223,508	\$ 29,124,259



Southeastern Community College

Management's Discussion and Analysis

In fiscal year 2007 total revenues increased \$2,147,242 and total expenses increased \$1,064,371. Major fluctuations in revenues and expenses were a result of the following:

- Increased tuition rate (5.2%).
- Tuition revenue increased \$266,000 (4.3%).
- State aid and grant revenue increased \$1,332,469 (17.1%).
- Employee wages and benefits increased \$397,257 (2.4%).
- Services increased \$755,028 (10.9%).

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%).

Debt Service

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

Outstanding Debt

	June 30,	
	2007	2006
General obligation, dormitory revenue and school refunding bonds (Principal)	\$ 6,298,220	\$ 7,197,072
Certificates payable (Principal)	3,435,000	3,785,000
Compensated absences	394,492	346,861
Early retirement payable	866,253	1,270,844
Total debt	\$ 10,993,965	\$ 12,599,777

June 30, 2007: Long-term debt decreased by \$1,605,812 (12.7%) in 2007. New debt in the amount of \$515,000 was issued for certificates payable.

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).

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,	
	2007	2006
Cash provided by (used in):		
Operating activities	\$ (7,584,513)	\$ (7,488,353)
Noncapital financing activities	11,682,681	10,939,971
Capital and related financing activities	(2,736,541)	(4,366,418)
Investing activities	556,073	(1,613,482)
Net increase (decrease) in cash	1,917,700	(2,528,282)
Cash:		
Beginning	775,141	3,303,423
Ending	<u>\$ 2,692,841</u>	<u>\$ 775,141</u>

A major contributing factor to the increase in ending cash balance was the reclassification of money market accounts to cash from investments.

Capital Assets: As of June 30, 2007, the College has \$28,500,363 invested in capital assets. Accumulated depreciation of the assets is \$10,284,101. Depreciation charges totaled \$783,392 for fiscal year 2007. Details of the capital assets are shown below.

Capital Assets

Capital Assets, at Year-End	June 30,	
	2007	2006
Land	\$ 851,980	\$ 851,980
Buildings	22,874,739	21,757,173
Other structures and improvements	1,600,175	1,502,759
Furniture and equipment	3,173,469	3,169,407
Totals	\$ 28,500,363	\$ 27,281,319

The major capital expenditure during fiscal year 2007 was the construction trades building (\$1,062,149). The College owns 420,691 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.

Southeastern Community College

Management's Discussion and Analysis

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:

- ◆ Property Tax revenue increased only \$92,379 and total taxable property values increased for 2008 levy by \$30,623,336 (1.1%). Property tax collections for the unrestricted general operating fund are now less than 4% of total revenues.
- ◆ Tuition Revenue collections in the unrestricted general operating fund were up and continue to be the largest source of revenue for the fund, representing 50% of the total revenues. While it is a significant amount of revenue, it is difficult to predict and budget, and continued tuition rate increases (4.9% for FY08) create hardships for individuals seeking a college education.
- ◆ 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 75% of the unrestricted general operating fund budget.

In 2007 student enrollment remained level overall with the prior year except for the loss of the cosmetology program. This has presented 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, 2007

Assets	Primary Institution	Component Unit - Foundation
Current Assets:		
Cash and investments	\$ 9,706,036	\$ 4,330,689
Receivables:		
Accounts	359,380	-
Due from other governments	2,072,015	-
Property taxes, succeeding year	2,739,843	-
Other	-	42,992
Inventories	318,755	-
Total current assets	15,196,029	4,373,681
Noncurrent Assets:		
Receivables, Iowa Industrial New Jobs Training Program	1,622,261	-
Bond discount and issuance costs	23,040	-
Capital assets:		
Land	851,980	-
Buildings	22,874,739	-
Other structures and improvements	1,600,175	-
Furniture and equipment	3,173,469	-
Accumulated depreciation	(10,284,101)	-
Total noncurrent assets	19,861,563	-
Total assets	\$ 35,057,592	\$ 4,373,681

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Primary Institution	Component Unit - Foundation
Current Liabilities:		
Accounts payable	\$ 1,525,945	\$ -
Salaries and benefits payable	967,273	-
Deferred revenue:		
Succeeding year property tax	2,739,843	-
Other	1,363,419	-
Early retirement payable	866,253	-
Compensated absences	394,492	-
Deposits held in custody for others	791,629	-
Certificates payable	770,000	-
Bonds payable	943,583	-
Total current liabilities	10,362,437	-
Noncurrent Liabilities:		
Certificates payable	2,665,000	-
Bonds payable	5,354,637	-
Total noncurrent liabilities	8,019,637	-
Total liabilities	18,382,074	-
Net Assets:		
Invested in capital assets, net of related debt	11,941,082	-
Restricted for:		
Scholarships and fellowships	13,426	4,359,892
Cash reserve	231,408	-
Other restricted purposes	978,989	-
Unrestricted	3,510,613	13,789
Total net assets	16,675,518	4,373,681
Total liabilities and net assets	\$ 35,057,592	\$ 4,373,681

Southeastern Community College

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2007

	Primary Institution	Component Unit - Foundation
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$2,848,833	\$ 6,438,103	\$ -
Federal appropriations	7,786,163	-
Iowa Industrial New Jobs Training Program	471,937	-
Gifts, grants and special events	373,999	13,223
Contributions	-	225,251
Sales and services	654,122	-
Auxiliary enterprises revenue, net of scholarship allowances of \$754,834	2,200,836	-
Miscellaneous	2,857,573	52,000
Total operating revenues	20,782,733	290,474
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	4,267,511	-
Vocational technical	4,014,139	-
Adult education	1,961,608	-
Cooperative services	4,285,909	-
Administration	1,460,735	-
Student services	2,298,834	-
Learning resources	399,358	-
Physical plant	1,974,309	-
General institution	3,115,144	-
Auxiliary enterprises	2,534,156	-
Scholarships and grants	689,368	187,842
Workforce Investment Act and Related	2,439,045	-
Depreciation expense	783,392	-
Other	-	68,265
Total operating expenses	30,223,508	256,107
Operating income (loss)	(9,440,775)	34,367
Nonoperating revenues (expenses):		
State appropriations	9,135,660	-
Property taxes	2,899,733	-
Interest earnings	381,438	441,292
Interest on indebtedness	(358,018)	-
Net nonoperating revenues	12,058,813	441,292
Transfers to agency fund	(22,613)	-
Change in net assets	2,595,425	475,659
Net assets:		
Beginning	14,080,093	3,898,022
Ending	\$ 16,675,518	\$ 4,373,681

See Notes to Basic Financial Statements.

Southeastern Community College

Statement of Cash Flows
Year Ended June 30, 2007

	Primary Institution	Component Unit - Foundation
Cash Flows from Operating Activities:		
Tuition and fees	\$ 6,548,052	\$ -
Federal appropriations	7,949,761	-
Iowa Industrial New Jobs Training Program	1,064,220	-
Payments to employees for salaries and benefits	(17,139,289)	-
Payments to suppliers for goods and services	(11,401,825)	(68,265)
Cash received as contributions	-	193,163
Cash paid for scholarships	(689,368)	(187,842)
Auxiliary enterprise	2,200,836	-
Other receipts	3,883,100	65,223
Net cash provided by (used in) operating activities	(7,584,513)	2,279
Cash Flows from Noncapital Financing Activities:		
State appropriations	9,135,660	-
Property taxes	2,899,733	-
Principal paid on certificates payable	(865,000)	-
Proceeds from certificates payable	515,000	-
Transfers to agency funds	(22,613)	-
Miscellaneous Agency Fund receipts	572,855	-
Miscellaneous Agency Fund disbursements	(552,954)	-
Net cash provided by noncapital financing activities	11,682,681	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(1,479,671)	-
Principal paid on notes and bonds payable	(898,852)	-
Interest paid on long-term debt	(358,018)	-
Net cash (used in) capital and related financing activities	(2,736,541)	-
Cash Flows from Investing Activities:		
Interest on investments	381,438	163,846
Purchase of investments	-	(514,000)
Proceeds from the sale of investments	174,635	408,544
Net cash provided by investing activities	556,073	58,390
Net increase in cash	1,917,700	60,669
Cash:		
Beginning	775,141	164,635
Ending	\$ 2,692,841	\$ 225,304

(Continued)

Southeastern Community College

Statement of Cash Flows (Continued)
Year Ended June 30, 2007

	Primary Institution	Component Unit - Foundation
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (9,440,775)	\$ 34,367
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	783,392	-
Amortization	9,692	-
Changes in assets and liabilities:		
Decrease in due from other governments	163,598	-
(Increase) in other receivables	(2,594)	(32,088)
Decrease in inventories	31,209	-
Decrease in due from Iowa New Jobs Training Program	592,283	-
Increase in accounts payable	401,226	-
Increase in salaries and benefits payable	53,003	-
Increase in other deferred revenue	109,949	-
Increase in deposits	71,474	-
Increase in compensated absences	47,621	-
(Decrease) in early retirement payable	(404,591)	-
Total adjustments	1,856,262	(32,088)
Net cash provided by (used in) operating activities	\$ (7,584,513)	\$ 2,279

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. Financial statements can be obtained from Becky Rump at Southeastern Community College, 1015 South Gear Avenue, West Burlington, Iowa 52655.

Southeastern Community College

Notes to Basic Financial Statements

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

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.

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.

Due from other governments: Due from other governments are receivables due from other government agencies.

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, 2007, 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.

Southeastern Community College

Notes to Basic Financial Statements

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

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.

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, 2007.

Deposits held in custody for others: These deposits consist primarily of funds for student organizations and 260 F agreements.

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.

Southeastern Community College

Notes to Basic Financial Statements

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

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.

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.

Southeastern Community College

Notes to Basic Financial Statements

Note 2. Deposits and Investments

As of June 30, 2007, the College's cash and investment balance consist of the following:

Cash	\$ 2,692,841
Certificates of deposit	4,704,000
Investments	2,309,195
	<u>\$ 9,706,036</u>

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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. Funds that are not identified as operating funds may be invested in investments with maturities longer than 397 days; however, all investments shall have maturities that are consistent with the needs and use of the College.

Investment Type	Fair Value	Maturity Dates (Months)			
		Less than 1	1 to 5	6 to 10	10 to 13
Iowa Schools Joint Investment Trust	\$ 2,309,195	\$ 2,309,195	\$ -	\$ -	\$ -

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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.

As of June 30, 2007, the College's investments were rated as follows:

Investment Type	Moody Investor Services
Iowa Schools Joint Investment Trust	Aaa

Southeastern Community College

Notes to Basic Financial Statements

Note 2. Deposits and Investments (Continued)

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. The College did not have any investments in any one issuer that represents 5% or more of total College investments: money market funds and mutual funds are excluded from this consideration given the College doesn't "hold" the underlying investments.

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, 2007, the carrying amount of the College's deposits, excluding \$1,825 of petty cash, totaled \$7,395,016 with a bank balance of \$7,954,630. The College's deposits as of June 30, 2007 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, 2007 was \$2,309,195.

As of June 30, 2007, the College's Foundation cash balance and investments by category of risk were as follows:

Cash, insured by FDIC	\$	100,000
Cash, not covered through FDIC or collateralized		125,304
Investments, debt securities, Category 3		2,048,403
Investment, not categorized, beneficial interest in perpetual trusts and investment in land		2,053,572
Other noncategorized investments		3,410
	\$	<u>4,330,689</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, 2007 is as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated, land	\$ 851,980	\$ -	\$ -	\$ 851,980
Capital assets being depreciated:				
Buildings	21,757,173	1,117,566	-	22,874,739
Other structures and improvements	1,502,759	97,416	-	1,600,175
Furniture and equipment	3,169,407	264,689	260,627	3,173,469
Total capital assets being depreciated	26,429,339	1,479,671	260,627	27,648,383
Less accumulated depreciation for:				
Buildings	6,523,050	437,669	-	6,960,719
Other structures and improvements	743,382	51,518	-	794,900
Furniture and equipment	2,494,904	294,205	260,627	2,528,482
Total accumulated depreciation	9,761,336	783,392	260,627	10,284,101
Total capital assets being depreciated, net	16,668,003	696,279	-	17,364,282
Total capital assets, net	\$ 17,519,983	\$ 696,279	\$ -	\$ 18,216,262

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, 2007 is as follows:

	Balance June 30, 2006	Additions	Payments	Balance June 30, 2007	Amounts Due Within One Year
Certificates payable (A)	\$ 3,785,000	\$ 515,000	\$ 865,000	\$ 3,435,000	\$ 770,000
General obligation school bonds, Series 1995 (B)	3,435,000	-	190,000	3,245,000	205,000
Dormitory revenue bonds, Series 2000 (C)	1,657,072	-	78,852	1,578,220	83,583
General obligation capital loan notes, Series 2003 (D)	500,000	-	245,000	255,000	255,000
School refunding bonds, Series 2003 (E)	1,605,000	-	385,000	1,220,000	400,000
Compensated absences	346,861	394,492	346,861	394,492	394,492
Early retirement payable	1,270,844	216,686	621,277	866,253	866,253
Total long-term debt	\$ 12,599,777	\$ 1,126,178	\$ 2,731,990	\$ 10,993,965	\$ 2,974,328

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

- (A) The College has certificates payable with a June 30, 2007 outstanding balance of \$3,435,000, with interest rates ranging from 3.7% to 8.0% 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
2008	\$ 770,000	\$ 188,148	\$ 958,148
2009	485,000	146,263	631,263
2010	450,000	119,655	569,655
2011	435,000	95,265	530,265
2012	380,000	72,523	452,523
2013 - 2016	915,000	102,491	1,017,491
	\$ 3,435,000	\$ 724,345	\$ 4,159,345

Southeastern Community College

Notes to Basic Financial Statements

Note 4. Long-Term Debt (Continued)

- (B) 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.
- (C) 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.
- (D) 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.
- (E) 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 underlying capital assets that the proceeds were used for.

The debt service requirements on the bonds are as follows:

	Principal	Interest	Total
Year ending June 30:			
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	835,521	209,095	1,044,616
2013 - 2017	2,230,524	403,325	2,633,849
2018 - 2021	476,532	58,294	534,826
	\$ 6,298,220	\$ 1,780,822	\$ 8,079,042

As of June 30, 2007, \$204,000 is on deposit in a debt service reserve account for the dormitory revenue bonds and reflected as an other restricted purposes 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, 2007 totaled \$329,324 and the contribution paid by employees totaled \$211,913.

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, 2007, 2006 and 2005 were \$391,493, \$368,890 and \$331,196, respectively, equal to the required contributions for each year.

Note 7. Risk Management Program

The College is a member of 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, 2007 were \$329,626.

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 \$9,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention of up to \$50,000,000 for boiler and machinery, \$1,000,000 for crime, \$2,000,000 for crime related to IMPACC, 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, 2007, 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 73 projects with 21 currently receiving project funding. Of the remaining 52 projects, 6 have been completed with only the repayment of the certificates left and 46 have been completed and the certificates have been repaid (one of the forty-six certificates was repaid during the year).

Note 9. Early Retirement

The College had an Early Retirement Incentive Plan (ERIP) which expired on February 1, 2007.

To have been eligible for ERIP, an employee must have been 55 years of age with 10 or more years of consecutive service with the College. Retirement was 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 have been approved by the administrative office.

An employee approved for participation in the program would have received 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 could 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 \$77,242.

The current year cost to the College was \$216,686, including one participant in the health insurance plan. The liability for the participation in the health plan is \$789,011 and will be paid over the next 9 years. The liability was calculated using the College's share of health premiums to estimate costs and was discounted at 4.55%.

Southeastern Community College

Notes to Basic Financial Statements

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 \$205,990 during the year ended June 30, 2007, for supplies, maintenance expense, support and scholarship tuition reimbursements. The Foundation received \$15,907 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	\$	202,714
Trust agency accounts, fair market value		1,996,295

The Foundation paid \$6,413 in fees and expenses related to the trust agency accounts.

Note 11. New Pronouncements

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 supersedes 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.

Southeastern Community College

Notes to Basic Financial Statements

Note 11. New Pronouncements (Continued)

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the College beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This Statement requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27, issued May 2007, will be effective for the College beginning with its year ending June 30, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the College beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The Statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This Statement provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

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, 2007

Funds/Levy	Original Budget	Actual	Variance Between Actual and Amended Budget
Total unrestricted current fund expenditures		\$ 19,079,079	
Total restricted current fund expenditures		14,157,640	
Less:			
Auxiliary enterprise expenditures		2,534,156	
Workforce Investment Act expenditures		2,439,045	
Temporary Assistance for Needy Families		428,304	
Scholarships and grants		<u>4,010,338</u>	
Current funds	\$ 25,847,413	23,824,876	\$ 2,022,537
Plant, bonds and interest	2,674,768	2,543,605	131,163
Total	<u>\$ 28,522,181</u>	<u>\$ 26,368,481</u>	<u>\$ 2,153,700</u>

See Note to Required Supplementary Information.

Southeastern Community College

**Note to Required Supplementary Information
Budgetary Reporting
Year Ended June 30, 2007**

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, Temporary Assistance for Needy Families, scholarships and grants account, Loan Funds and Agency Funds.

Southeastern Community College

Balance Sheet

June 30, 2007

Assets	Current Funds	
	Unrestricted	Restricted
Current Assets:		
Cash and investments	\$ 6,962,678	\$ 2,539,358
Receivables:		
Accounts	316,151	43,229
Due from other governments	2,052,015	20,000
Property taxes, succeeding year	552,270	852,978
Due from other funds	-	2,143,175
Inventories	318,755	-
Total current assets	10,201,869	5,598,740
Noncurrent Assets:		
Receivables, Iowa Industrial New Jobs Training Program	-	1,622,261
Bond discount and issuance costs	-	-
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
Total noncurrent assets	-	1,622,261
Total assets	\$ 10,201,869	\$ 7,221,001

See Note to Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ 204,000	\$ -	\$ -	\$ 9,706,036
-	-	-	359,380
-	-	-	2,072,015
1,334,595	-	-	2,739,843
1,530,040	367,765	(4,040,980)	-
-	-	-	318,755
<u>3,068,635</u>	<u>367,765</u>	<u>(4,040,980)</u>	<u>15,196,029</u>
-	-	-	1,622,261
23,040	-	-	23,040
851,980	-	-	851,980
22,874,739	-	-	22,874,739
1,600,175	-	-	1,600,175
3,173,469	-	-	3,173,469
-	-	(10,284,101)	(10,284,101)
<u>28,523,403</u>	<u>-</u>	<u>(10,284,101)</u>	<u>19,861,563</u>
<u>\$ 31,592,038</u>	<u>\$ 367,765</u>	<u>\$ (14,325,081)</u>	<u>\$ 35,057,592</u>

Southeastern Community College

Balance Sheet

June 30, 2007

Liabilities and Fund Balances	Current Funds	
	Unrestricted	Restricted
Current Liabilities:		
Accounts payable	\$ 1,525,945	\$ -
Salaries and benefits payable	967,273	-
Due to other funds	4,040,980	-
Deferred revenue:		
Succeeding year property tax	552,270	852,978
Other	444,621	568,797
Early retirement payable	-	866,253
Compensated absences	323,056	56,335
Deposits held in custody for others	17,150	421,815
Certificates payable	-	770,000
Bonds payable	-	-
Total current liabilities	7,871,295	3,536,178
Noncurrent Liabilities:		
Certificates payable	-	2,665,000
Bonds payable	-	-
Total noncurrent liabilities	-	2,665,000
Total liabilities	7,871,295	6,201,178
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted for:		
Scholarships and fellowships	-	13,426
Loans	-	-
Cash reserve	-	231,408
Other restricted purposes	-	774,989
Unrestricted	2,330,574	-
Total fund balances	2,330,574	1,019,823
Total fund balances and liabilities	\$ 10,201,869	\$ 7,221,001

See Note to Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ 1,525,945
-	-	-	967,273
-	-	(4,040,980)	-
1,334,595	-	-	2,739,843
350,001	-	-	1,363,419
-	-	-	866,253
-	15,101	-	394,492
-	352,664	-	791,629
-	-	-	770,000
943,583	-	-	943,583
<u>2,628,179</u>	<u>367,765</u>	<u>(4,040,980)</u>	<u>10,362,437</u>
-	-	-	2,665,000
<u>5,354,637</u>	<u>-</u>	<u>-</u>	<u>5,354,637</u>
<u>5,354,637</u>	<u>-</u>	<u>-</u>	<u>8,019,637</u>
<u>7,982,816</u>	<u>367,765</u>	<u>(4,040,980)</u>	<u>18,382,074</u>
22,225,183	-	(10,284,101)	11,941,082
-	-	-	13,426
-	-	-	-
-	-	-	231,408
204,000	-	-	978,989
1,180,039	-	-	3,510,613
<u>23,609,222</u>	<u>-</u>	<u>(10,284,101)</u>	<u>16,675,518</u>
<u>\$ 31,592,038</u>	<u>\$ 367,765</u>	<u>\$ (14,325,081)</u>	<u>\$ 35,057,592</u>

Southeastern Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2007

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
Tuition and fees	\$ 8,504,696	\$ 782,240
Property taxes	586,137	903,642
State appropriations	7,202,530	1,074,406
Federal appropriations	-	7,786,163
Gifts, grants and special events	-	373,999
Sales and services	286,350	294,729
Interest	284,207	(4,520)
Iowa Industrial New Jobs Training Program	-	471,937
Miscellaneous	103,684	2,753,889
Increase in plant investment due to retirement of debt	-	-
Increase in plant investment due to plant expenditures	-	-
	<u>16,967,604</u>	<u>14,436,485</u>
Auxiliary enterprises:		
Sales and services	2,768,769	-
Federal appropriations	11,099	-
Miscellaneous	175,802	-
	<u>2,955,670</u>	<u>-</u>
Total revenues	<u>19,923,274</u>	<u>14,436,485</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	3,711,621	595,818
Vocational technical	3,566,527	607,845
Adult education	1,161,105	875,203
Cooperative services	943,599	3,351,551
Administration	1,379,771	88,177
Student services	1,449,227	913,019
Learning resources	400,773	-
Physical plant	1,746,557	230,198
General institution	2,185,743	1,046,446
Total education and support	<u>16,544,923</u>	<u>7,708,257</u>
Auxiliary enterprises	2,534,156	-
Scholarships and grants	-	4,010,338
Workforce Investment Act and Related	-	2,439,045
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Interest on indebtedness	-	-
Depreciation	-	-
Disposal of plant assets	-	-
Total expenditures	<u>19,079,079</u>	<u>14,157,640</u>
Excess (deficiency) of revenues over expenditures	844,195	278,845
Non-mandatory transfers among funds	(564,796)	368,155
Net increase (decrease) in fund balances (deficit)	<u>279,399</u>	<u>647,000</u>
Fund balances (deficit), beginning of year	2,051,175	372,823
Fund balances (deficit), end of year	<u>\$ 2,330,574</u>	<u>\$ 1,019,823</u>

See Note to Supplementary Information.

Loan Funds	Plant Funds			Adjustment	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ -	\$ -	\$ -	\$ (2,848,833)	\$ 6,438,103
-	548,191	861,763	-	-	2,899,733
-	858,724	-	-	-	9,135,660
-	-	-	-	-	7,786,163
-	-	-	-	-	373,999
-	73,043	-	-	-	654,122
-	26,567	75,184	-	-	381,438
-	-	-	-	-	471,937
-	-	-	-	-	2,857,573
-	-	-	898,852	(898,852)	-
-	-	-	1,479,671	(1,479,671)	-
-	1,506,525	936,947	2,378,523	(5,227,356)	30,998,728
-	-	-	-	(754,834)	2,013,935
-	-	-	-	-	11,099
-	-	-	-	-	175,802
-	-	-	-	(754,834)	2,200,836
-	1,506,525	936,947	2,378,523	(5,982,190)	33,199,564
-	-	-	-	(39,928)	4,267,511
-	-	-	-	(160,233)	4,014,139
-	-	-	-	(74,700)	1,961,608
-	-	-	-	(9,241)	4,285,909
-	-	-	-	(7,213)	1,460,735
-	-	-	-	(63,412)	2,298,834
-	-	-	-	(1,415)	399,358
-	5,052	10,956	-	(18,454)	1,974,309
-	-	-	-	(117,045)	3,115,144
-	5,052	10,956	-	(491,641)	23,777,547
-	-	-	-	-	2,534,156
-	-	-	-	(3,320,970)	689,368
-	-	-	-	-	2,439,045
-	1,270,727	-	-	(1,270,727)	-
-	-	898,852	-	(898,852)	-
-	-	358,018	-	-	358,018
-	-	-	-	783,392	783,392
-	-	-	260,627	(260,627)	-
-	1,275,779	1,267,826	260,627	(5,459,425)	30,581,526
-	230,746	(330,879)	2,117,896	(522,765)	2,618,038
(5,973)	-	180,001	-	-	(22,613)
(5,973)	230,746	(150,878)	2,117,896	(522,765)	2,595,425
5,973	3,468,087	(2,124,417)	20,067,788	(9,761,336)	14,080,093
\$ -	\$ 3,698,833	\$ (2,275,295)	\$ 22,185,684	\$ (10,284,101)	\$ 16,675,518

Southeastern Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Unrestricted Current Funds - Education and Support
 Year Ended June 30, 2007

	Education			
	Liberal Arts and Science	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
Tuition and fees	\$ 3,756,689	\$ 2,971,148	\$ 1,133,416	\$ 640,318
Property taxes	-	-	-	-
State appropriations	2,707,675	3,063,947	1,358,978	-
Sales and services	-	-	104,908	-
Interest	-	-	-	-
Miscellaneous	5,187	8,488	57,868	5,080
	<u>6,469,551</u>	<u>6,043,583</u>	<u>2,655,170</u>	<u>645,398</u>
Allocation of support services revenue	446,293	494,974	212,635	-
Total revenues	<u>6,915,844</u>	<u>6,538,557</u>	<u>2,867,805</u>	<u>645,398</u>
Expenditures:				
Salaries and benefits	3,602,141	3,108,566	535,340	322,309
Services	53,646	210,691	443,052	281,993
Materials and supplies	42,059	103,803	160,024	38,346
Travel	8,675	22,931	22,689	9,940
Expended for plant assets	5,100	120,536	-	-
Scholarships	-	-	-	289,595
Miscellaneous	-	-	-	1,416
	<u>3,711,621</u>	<u>3,566,527</u>	<u>1,161,105</u>	<u>943,599</u>
Allocation of support services expenditures	2,770,063	3,072,220	1,319,788	-
Total expenditures	<u>6,481,684</u>	<u>6,638,747</u>	<u>2,480,893</u>	<u>943,599</u>
Excess (deficiency) of revenues over expenditures	434,160	(100,190)	386,912	(298,201)
Non-mandatory transfers	-	-	-	(23,925)
Net increase (decrease) in fund balances	<u>\$ 434,160</u>	<u>\$ (100,190)</u>	<u>\$ 386,912</u>	<u>\$ (322,126)</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
\$ 3,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,504,696
586,137	-	-	-	-	-	586,137
-	-	69,025	-	2,905	-	7,202,530
63,049	4,194	4,732	28,489	80,978	-	286,350
284,207	-	-	-	-	-	284,207
10,501	538	422	3,071	12,529	-	103,684
947,019	4,732	74,179	31,560	96,412	-	16,967,604
(947,019)	(4,732)	(74,179)	(31,560)	(96,412)	-	-
-	-	-	-	-	-	16,967,604
1,125,282	1,330,337	308,148	817,046	1,258,156	-	12,407,325
169,923	51,911	1,165	624,226	570,380	-	2,406,987
28,426	37,344	91,085	286,482	193,534	-	981,103
43,914	20,331	375	561	26,098	-	155,514
-	-	-	18,242	28,340	-	172,218
-	-	-	-	-	-	289,595
12,226	9,304	-	-	109,235	-	132,181
1,379,771	1,449,227	400,773	1,746,557	2,185,743	-	16,544,923
(1,379,771)	(1,449,227)	(400,773)	(1,746,557)	(2,185,743)	-	-
-	-	-	-	-	-	16,544,923
-	-	-	-	-	-	422,681
-	(3,166)	-	-	(341,365)	-	(368,456)
\$ -	\$ (3,166)	\$ -	\$ -	\$ (341,365)	-	54,225
						1,501,486
						<u>\$ 1,555,711</u>

Southeastern Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Unrestricted Current Funds - Auxiliary Enterprises
 Year Ended June 30, 2007

	Bookstore	Food Services
Revenues:		
Sales and services	\$ 1,955,332	\$ 219,556
Federal appropriations	8,104	2,995
Miscellaneous	-	299
Total revenues	1,963,436	222,850
Expenditures:		
Salaries and benefits	174,052	14,904
Services	7,878	132,361
Materials and supplies	8,671	3,132
Cost of goods sold	1,472,326	21,301
Travel	5,150	503
Expended for plant assets	-	-
Miscellaneous	4,610	1,089
Total expenditures	1,672,687	173,290
Excess (deficiency) of revenues over expenditures	290,749	49,560
Non-mandatory transfers	(142,843)	-
Net increase (decrease) in fund balances	147,906	49,560
Fund balance:		
Beginning	189,213	66,511
Ending	\$ 337,119	\$ 116,071

See Note to Supplementary Information.

Shop Sales	Printing Services	Dormitories	Athletics	Other	Total
\$ 40,386	\$ 148,131	\$ 212,182	\$ 93,001	\$ 100,181	\$ 2,768,769
-	-	-	-	-	11,099
-	-	11,189	162,016	2,298	175,802
40,386	148,131	223,371	255,017	102,479	2,955,670
-	103,338	8,505	9,183	14,774	324,756
-	7,930	65,960	34,158	-	248,287
50	8,992	70,264	81,445	40,613	213,167
30,797	38,413	-	-	-	1,562,837
-	-	524	132,982	30	139,189
-	11,400	-	-	-	11,400
-	-	2,522	26,299	-	34,520
30,847	170,073	147,775	284,067	55,417	2,534,156
9,539	(21,942)	75,596	(29,050)	47,062	421,514
-	-	(73,365)	16,872	2,996	(196,340)
9,539	(21,942)	2,231	(12,178)	50,058	225,174
44,756	78,988	16,956	14,146	139,119	549,689
\$ 54,295	\$ 57,046	\$ 19,187	\$ 1,968	\$ 189,177	\$ 774,863

Southeastern Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Restricted Current Funds
 Year Ended June 30, 2007

	Scholarships and Grants	Equipment Replacement	Early Retirement	Insurance
Revenues:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Property taxes	-	86,633	440,855	375,413
State appropriations	196,586	-	-	-
Federal appropriations	3,449,753	-	-	-
Gifts, grants and special events	363,999	-	-	-
Sales and services	-	-	-	-
Interest	131	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	4,010,469	86,633	440,855	375,413
Expenditures:				
Salaries and benefits	-	-	116,687	46,276
Services	-	-	-	316,446
Materials and supplies	-	86,633	-	2,000
Travel	-	-	-	-
Expended for plant assets	-	-	-	-
Interest on indebtedness	-	-	-	-
Federal Pell Grant Program	3,333,051	-	-	-
Supplemental Educational Opportunity Grant (SEOG)	85,750	-	-	-
Other miscellaneous scholarships	591,537	-	-	-
Other	-	-	-	-
Total expenditures	4,010,338	86,633	116,687	364,722
Excess (deficiency) of revenues over expenditures	131	-	324,168	10,691
Non-mandatory transfers	-	-	93,898	-
Net increase (decrease) in fund balances (deficit)	131	-	418,066	10,691
Fund balance (deficit):				
Beginning	13,295	-	(1,269,693)	(9,445)
Ending	\$ 13,426	\$ -	\$ (851,627)	\$ 1,246

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
\$ -	\$ -	\$ -	\$ -	\$ 782,240	\$ -	\$ 782,240
741	-	-	-	-	-	903,642
-	54,158	-	-	823,662	-	1,074,406
-	2,330,242	428,304	-	1,577,864	-	7,786,163
-	-	-	-	10,000	-	373,999
-	54,645	-	-	240,084	-	294,729
-	-	-	(4,651)	-	-	(4,520)
-	-	-	471,937	-	-	471,937
-	-	-	-	2,753,889	-	2,753,889
741	2,439,045	428,304	467,286	6,187,739	-	14,436,485
17,411	1,307,097	333,750	-	2,282,020	-	4,103,241
-	775,819	27,195	245,895	3,421,315	-	4,786,670
-	117,848	15,567	-	232,853	-	454,901
-	133,363	10,624	-	173,114	-	317,101
-	-	-	-	25,318	-	25,318
-	-	-	221,391	-	-	221,391
-	-	-	-	-	-	3,333,051
-	-	-	-	-	-	85,750
-	-	-	-	30,525	-	622,062
-	104,918	41,168	-	62,069	-	208,155
17,411	2,439,045	428,304	467,286	6,227,214	-	14,157,640
(16,670)	-	-	-	(39,475)	-	278,845
-	-	-	-	274,257	-	368,155
(16,670)	-	-	-	234,782	-	647,000
99,040	-	-	-	1,308,218	231,408	372,823
\$ 82,370	\$ -	\$ -	\$ -	\$ 1,543,000	\$ 231,408	\$ 1,019,823

Southeastern Community College

Schedule of Changes in Deposits Held in Custody for Others -
Agency Funds
Year Ended June 30, 2007

	Retraining 260F	Student Organizations and Other	Total
Balance, beginning of year	\$ 171,422	\$ 161,341	\$ 332,763
Receipts and other additions:			
Fees	-	56,518	56,518
State support	208,254	-	208,254
Federal support	-	1,650	1,650
Sales and services	-	12,151	12,151
Transfers	-	22,613	22,613
Other	-	271,669	271,669
	<u>208,254</u>	<u>364,601</u>	<u>572,855</u>
Disbursements and other deductions:			
Salaries and benefits	-	125,599	125,599
Services	182,346	71,546	253,892
Materials and supplies	-	79,496	79,496
Travel	-	86,437	86,437
Other	-	7,530	7,530
	<u>182,346</u>	<u>370,608</u>	<u>552,954</u>
Balance, end of year	<u>\$ 197,330</u>	<u>\$ 155,334</u>	<u>\$ 352,664</u>

See Note to Supplementary Information.

Southeastern Community College

Note to Supplementary Information Year Ended June 30, 2007

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 revenues derived from investments, receivables and the like, are 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, 2007

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, 2007

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	39,386	-	39,386	758,783	-	758,783
Vocational preparatory	33,974	-	33,974	841,551	-	841,551
Adult/continuing education	-	-	-	216,337	145,183 *	361,520
Related services and activities	-	-	-	-	-	-
	<u>73,360</u>	<u>-</u>	<u>73,360</u>	<u>1,816,671</u>	<u>145,183</u>	<u>1,961,854</u>

*Includes 240 hour adjustment of 5,880 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
2007:						
Total contact hours	758,783	841,551	361,520	-	-	1,961,854
Total credit hours	39,386	33,974	-	-	-	73,360
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

Southeastern Community College

Comparison of Taxes and Intergovernmental Revenues
Last Four Years

	Year Ended June 30,			
	2007	2006	2005	2004
Local (property tax)	\$ 2,899,733	\$ 2,807,354	\$ 2,793,589	\$ 3,068,840
State	9,135,660	7,803,191	7,576,384	7,085,031
Federal	7,786,163	7,962,351	7,752,529	6,982,845
	<u>\$ 19,821,556</u>	<u>\$ 18,572,896</u>	<u>\$ 18,122,502</u>	<u>\$ 17,136,716</u>

Southeastern Community College

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

	Year Ended June 30,			
	2007	2006	2005	2004
State appropriations	\$ 8,276,936	\$ 7,692,200	\$ 7,199,884	\$ 6,902,558
Tuition and fees	9,286,936	8,844,540	8,692,065	8,519,340
Property tax	1,489,779	1,405,496	1,395,231	1,585,201
Federal appropriations	7,786,163	7,962,351	7,752,529	6,982,845
Interest earnings	279,687	136,304	(626,257)	(43,411)
Iowa Industrial New Jobs Training Program	471,937	628,600	1,335,325	1,124,406
Auxiliary enterprises	2,955,670	2,796,939	2,598,301	2,608,691
Miscellaneous	3,812,651	3,343,192	3,193,330	2,875,931
	<u>\$ 34,359,759</u>	<u>\$ 32,809,622</u>	<u>\$ 31,540,408</u>	<u>\$ 30,555,561</u>

Southeastern Community College

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

	Year Ended June 30,			
	2007	2006	2005	2004
Liberal arts and sciences	\$ 4,307,439	\$ 3,583,822	\$ 3,324,922	\$ 3,369,257
Vocational technical	4,174,372	4,382,452	3,806,028	3,464,655
Adult education	2,036,308	1,776,190	2,070,514	1,934,620
Cooperative services	4,295,150	4,077,353	3,384,328	3,635,751
Administration	1,467,948	1,298,971	1,250,425	1,397,932
Student services	2,362,246	2,387,332	2,119,893	1,998,806
Learning resources	400,773	630,224	586,739	577,602
Physical plant	1,976,755	1,624,963	1,560,164	1,370,982
General institution	3,232,189	3,530,279	2,981,124	3,723,699
Auxiliary enterprises	2,534,156	2,525,542	2,314,780	2,375,671
Scholarships and grants	4,010,338	4,013,649	4,870,351	4,928,401
Workforce Investment Act	2,439,045	2,407,817	2,081,382	1,850,071
	<u>\$ 33,236,719</u>	<u>\$ 32,238,594</u>	<u>\$ 30,350,650</u>	<u>\$ 30,627,447</u>

Southeastern Community College

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

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		\$ 85,750	\$ -
Federal Family Education Loans (FFEL)	84.032		-	4,069,046
Federal Work Study Program (FWS)	84.033		88,643	-
Federal Pell Grant Program	84.063		3,340,216	-
Federal Academic Competitiveness Grant Program	84.375		18,150	-
Total Student Financial Assistance Cluster			3,532,759	4,069,046
TRIO-Student Support Services	84.042		361,782	-
TRIO-Talent Search	84.044		203,807	-
TRIO-Upward Bound	84.047		244,488	-
Total TRIO Cluster			810,077	-
Passed through Iowa Department of Education:				
Vocational Education - Basic Grants to States:				
Carl Perkins	84.048A	6805010000	284,941	-
WWW.NL	84.048A	6805020000	28,335	-
Perkins Corrections	84.048A	71307	10,000	-
Minority, Gender and Biotech Grants	84.048A	N/A	10,716	-
			333,992	-
Tech-Prep Education	84.243A	6806010000	65,712	-
Adult Education - State Grant Program	84.002	6806010000	215,430	-
Teacher Quality Enhancement Grants	84.336A	111707	6,977	-
			622,111	-
Passed through Iowa Department of Corrections,				
Title I Program for Neglected and Delinquent Children	84.013A	N/A	20,000	-
Total U.S. Department of Education			4,984,947	4,069,046
U.S. Department of Agriculture:				
Passed through Iowa Department of Education				
Summer Foods Program	10.559	N/A	4,889	-
Small Business Administration:				
Passed through Iowa State University	59.037	N/A	\$ 32,177	\$ -

(Continued)

Southeastern Community College

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2007

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	7-W-16-FR-0	\$ 671,115	\$ -
Workforce Investment Act (WIA) - Youth Activities	17.259	7-W-16-FR-0	752,201	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	7-W-16-FR-0	469,260	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	6-W-FR-P6-0-01	58,827	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	5-W-FR-P5-0-04	266,283	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	7-W-PF-RR-0-01	3,446	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	7-W-PF-RR-0-10	56	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	6-W-PF-RR-0-06	91,309	-
Total Workforce Investment Act Cluster			<u>2,312,497</u>	-
Trade Adjustment Assistance Workers	17.245	1-W-16-FR-0	9,407	-
Employment and Training Administration Pilots, Demonstrations, and Research Projects - New Iowan Center	17.261	1-W-16-FR-0	827	-
Work Incentives Grant (Disability Navigator)	17.266	1-W-16-FR-0	1,442	-
Veterans' Employment Program, DVOP	17.801	1-W-16-FR-0	6,070	-
Passed through Iowa Department of Veterans' Affairs, Veterans' Employment Program	17.802	N/A	935	-
Passed through Iowa Department of Education:				
Mine Health and Safety Grant	17.600	N/A	1,600	-
WIA Incentive Grants	17.267	N/A	47,273	-
Total U.S. Department of Labor			<u>2,380,051</u>	-
U.S. Department of Health and Human Services:				
Passed through Iowa Department of Workforce Development, Temporary Assistance for Needy Families	93.558	7-W-16-FR-0	428,304	-
Library of Congress:				
Direct Program, Women as Leaders - Open World Russian Leadership Program	42.XXX	N/A	1,868	-
Total federal awards expended			<u>\$ 7,832,236</u>	<u>\$ 4,069,046</u>

See Note to Schedule of Expenditures of Federal Awards.

Southeastern Community College

Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2007

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, 2007

Comment Number	Comment	Corrective Action Plan
Compliance Findings:		
06-III-A	Early Title IV disbursements to first-time borrowers.	Corrected.
06-III-B	Underpayment of one Federal Work Study student.	Corrected.
06-III-C	Early Title IV refunds.	Corrected.
06-III-D	Incorrect calculation for return of Title IV funds.	Corrected.
Statutory Reporting:		
IV-A-06	One certificate of deposit held at bank not Board approved.	Corrected.
IV-I-06	One certificate of deposit did not meet statutory time deposit rate requirement.	Corrected.
IV-J-06	Misclassification of contact hours.	Uncorrected. See current year finding and corrective action plan at IV-J-07.

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, 2007, and have issued our report thereon dated November 19, 2007. 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 Southeastern Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southeastern Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southeastern Community College's internal control over financial reporting.

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

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

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

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

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.

Comments involving statutory and other legal matters about Southeastern Community College's operations for the year ended June 30, 2007 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
November 19, 2007

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, 2007. 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, 2007. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 07-III-A.

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 but, not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeastern Community College's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by any entity's internal control.

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

Southeastern Community College's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the College's response and, accordingly, we express no opinion on it.

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
November 19, 2007

Southeastern Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

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
- Significant deficiency 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
- Significant deficiency 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
84.375	Federal Academic Competitiveness Grant Program
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs

\$ 357,038

Auditee qualified as low-risk auditee? Yes No

Southeastern Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

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

(A) Significant Deficiencies in Internal Control

None reported.

(B) Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

(A) Significant Deficiencies in Internal Control

None reported.

(B) Compliance Findings

07-III-A

U.S. Department of Education

Student Financial Assistance Cluster

Federal Family Education Loans (CFDA 84.032)

Federal Award Year: 2006-2007

Finding: Southeastern Community College transmitted student status changes for unofficial withdraws to the National Student Clearinghouse after 60 days of the determination of withdrawal.

Condition: Southeastern Community College is not transmitting status changes for unofficial withdraws within 60 days.

Criteria: Per 34 CFR 682.610(c), the College must notify the guarantee agency or lender within 30 days unless it expects to submit its next student status confirmation report to the Secretary or guarantee agency within the next 60 days.

Effect: Noncompliance with the above established criteria could result in potential loss of federal funds.

Questioned costs: None

Prevalence: Two of the five unofficial withdrawals tested were not reported as withdrawn within 60 days. As it was the College's policy to not report unofficial withdraws if they occurred within the last two weeks of the semester, it is believed to be prevalent in the entire population.

Recommendation: We recommend that Southeastern Community College review the process used to transmit withdrawal dates to the National Student Clearinghouse to ensure that all unofficial withdrawals are properly reported.

Response and corrective action plan: Students who unofficially withdraw from a term (and are student loan borrowers) are reported to have withdrawn to the National Student Clearinghouse within 60 days of the determination of withdrawal. The Financial Aid Office has incorporated additional verification of notification measures utilizing the electronic response records provided by the National Student Clearinghouse.

Southeastern Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

IV. Other Findings Related to Required Statutory Reporting

IV-A-07 Official Depositories

Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2007, except for the following:

Finding: The College exceeded the limit established by the Board-approved resolution naming depositories at one bank during the fiscal year.

Recommendation: We suggest the College monitor the balances at all financial institutions to ensure the balances are in compliance with the resolution naming depositories and the related limits.

Response: The resolution has been corrected.

Conclusion: Response is accepted.

IV-B-07 Certified Budget

Disbursements during the year ended June 30, 2007 did not exceed the amounts budgeted in total.

IV-C-07 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-07 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-07 Business Transactions

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

IV-F-07 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-07 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, 2007

IV-H-07 Publication

The College published a statement showing all receipts and disbursements of all funds for fiscal year 2007, 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-07 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.

IV-J-07 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	6	7	(1)
Adult/Continuing Education - State Recognized Programs	1	7	(6)

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.

IV-K-07 Public Improvements

For public improvements, with estimated total cost exceeding the competitive bid threshold established by Chapter 26.3, the College followed the public hearing and bidding requirements of Chapter 26.2 through 26.13 of the Code of Iowa, except for the following:

Finding: Southeastern Community College published a notice for sealed bids for a proposed public improvement on March 13, 2007 and March 20, 2007, 17 and 10 days prior to the date for filing bids of March 30, 2007. The notice is to be published more than 20 but not more than 45 days before the date for filing bids.

Southeastern Community College

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2007

Recommendation: We recommend that Southeastern Community College review the Code of Iowa to ensure proper compliance with bidding requirements.

Response: The College has documented the change in bidding requirements outlined in the Code of Iowa.

Conclusion: Response accepted.

Southeastern Community College

Corrective Action Plan
Year Ended June 30, 2007

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
Compliance Findings:					
07-III-A	Untimely withdrawal date transmission to the National Student Clearinghouse	See corrective action plan at 07-III-A.	Gwen Scholer, Student Financial Aid Director	September 2007	June 2008
Statutory Reporting:					
IV-A-07	The limit established for the official depositories by the Board of Trustees was exceeded at one bank.	See corrective action plan at IV-A-07.	Bill Meck, Vice President for Administrative Services	September 2007	June 2008
IV-J-07	Misclassification of contact hours.	See corrective action plan at IV-J-07.	Verlyn Fick, Vice President for Teaching and Learning	June 2002	June 2008
IV-K-07	Notice for bids on one public improvement project was not published timely.	See corrective action plan at IV-K-07.	Bill Meck, Vice President for Administrative Services	September 2007	June 2008