

Southeastern Community College

Financial and Compliance Report

06.30.2009

McGladrey & Pullen
Certified Public Accountants

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Southeastern Community College

Officials

Name	Title	Term Expires
Board of Trustees:		
Janet Fife-LaFrenz	Chairperson/President	2011
Jeff Heland	Vice Chairperson/Vice President	2009
Landen Hillyard	Member	2009
Moudy Nabulsi	Member	2011
Brian Roth	Member	2011
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, 2009, 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.

As described in Note 11 of the financial statements, the College has adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*.

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, 2009, 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 December 1, 2009 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, Postretirement Medical Benefit Plan Schedule of Funding Progress on page 33 and the Budgetary Comparison Schedule of Expenditures on pages 34 and 35 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
December 1, 2009

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, 2009. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

Financial Highlights

2009:

- College operating revenues increased 1.4% or \$350,618. The largest areas of change were an increase in federal appropriations (\$1,708,263) and a decrease in the Iowa Industrial New Jobs Training Program (\$1,487,311).
- College net nonoperating revenues increased 14.2% or \$1,744,129 as a result of an increase in state appropriations (\$1,755,720).
- College operating expenses increased 3.9% or \$1,347,128 as a result of an increase in the Workforce Investment Act (\$948,965).
- The College's net assets increased 15.1% or \$2,835,802. This is the result of the College's continued investment in capital assets (\$1,878,165) and annual revenue exceeding expenditures.

2008:

- College operating revenues increased 16.6% or \$3,456,279. The largest areas of increase were for the Iowa Industrial New Jobs Training Program (\$2,030,808) and Federal appropriations (\$1,118,243).
- College net nonoperating revenues increased 2.0% or \$236,391 as a result of an increase in state appropriations (\$199,953).
- College operating expenses increased 13.9% or \$4,199,912. The largest increases were in the Workforce Investment Act (\$761,328) and the Iowa Industrial New Jobs Training Program (\$2,022,691).
- The College's net assets increased 12.5% or \$2,088,183. This is the result of the College's continued investment in capital assets (\$826,199) 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 funding progress of the College's postretirement medical benefit program, 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, 2009 and 2008. 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.

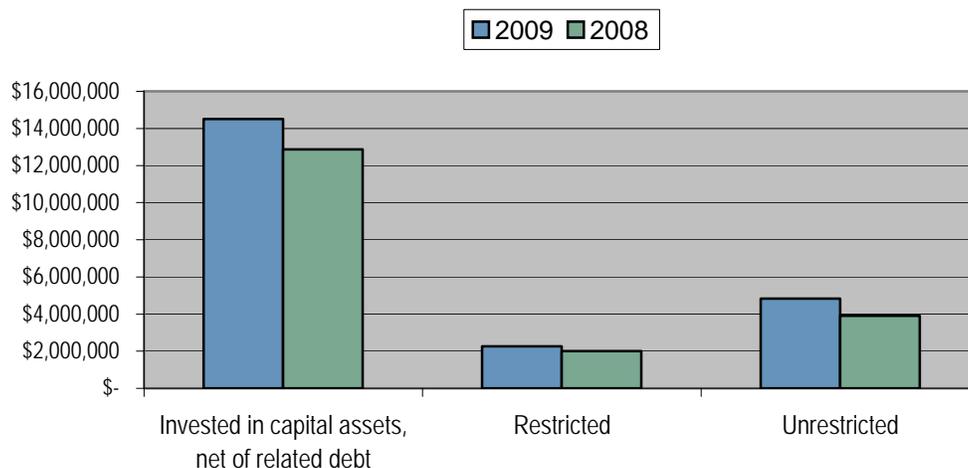
Net Assets

	June 30,	
	2009	2008
Current and other assets	\$ 24,312,801	\$ 20,745,635
Capital assets, net of accumulated depreciation	19,150,752	18,202,802
Total assets	43,463,553	38,948,437
Current liabilities	11,764,634	10,948,697
Noncurrent liabilities	10,099,416	9,236,039
Total liabilities	21,864,050	20,184,736
Net assets:		
Invested in capital assets, net of related debt	14,509,713	12,856,631
Restricted	2,256,480	2,000,680
Unrestricted	4,833,310	3,906,390
Total net assets	\$ 21,599,503	\$ 18,763,701

Southeastern Community College

Management's Discussion and Analysis

Comparison of Net Assets



Year Ended June 30, 2009: The largest portion of the College's net assets (67.2%) 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 (10.4%) includes resources that are subject to external restrictions. The remaining net assets (22.4%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

Year Ended June 30, 2008: The largest portion of the College's net assets (68.5%) 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 (10.7%) includes resources that are subject to external restrictions. The remaining net assets (20.8%) 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

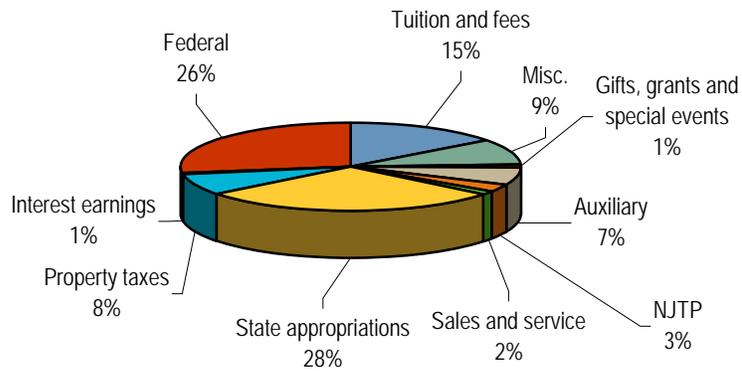
	Year Ended June 30,	
	2009	2008
Operating revenues:		
Tuition and fees	\$ 5,773,872	\$ 6,089,674
Federal appropriations	10,612,669	8,904,406
Iowa Industrial New Jobs Training Program	1,015,434	2,502,745
Auxiliary	2,531,949	2,445,906
Gifts, grants and special events	452,325	436,658
Sales and services	620,904	908,939
Miscellaneous	3,582,477	2,950,684
Total operating revenues	<u>24,589,630</u>	<u>24,239,012</u>
Total operating expenses	35,770,548	34,423,420
Operating loss	<u>(11,180,918)</u>	<u>(10,184,408)</u>
Nonoperating revenues (expenses) and transfers:		
State appropriations	11,091,333	9,335,613
Property taxes	3,010,400	2,929,374
Interest earnings	224,048	353,673
Interest on indebtedness	(291,661)	(326,769)
Transfer to agency fund	(17,400)	(19,300)
Net nonoperating revenues and transfers	<u>14,016,720</u>	<u>12,272,591</u>
Change in net assets	2,835,802	2,088,183
Net assets:		
Beginning	18,763,701	16,675,518
Ending	<u>\$ 21,599,503</u>	<u>\$ 18,763,701</u>
Total revenues, operating and nonoperating	<u>\$ 38,915,411</u>	<u>\$ 36,857,672</u>
Total expenses, operating and nonoperating	<u>\$ 36,079,609</u>	<u>\$ 34,769,489</u>

Southeastern Community College

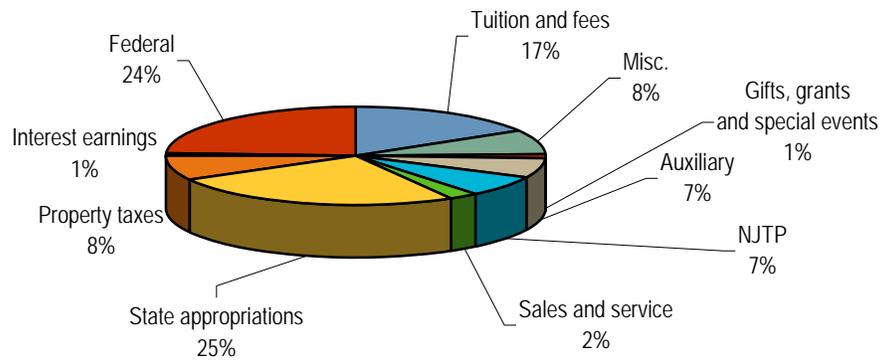
Management's Discussion and Analysis

Total Revenues by Source

2009



2008

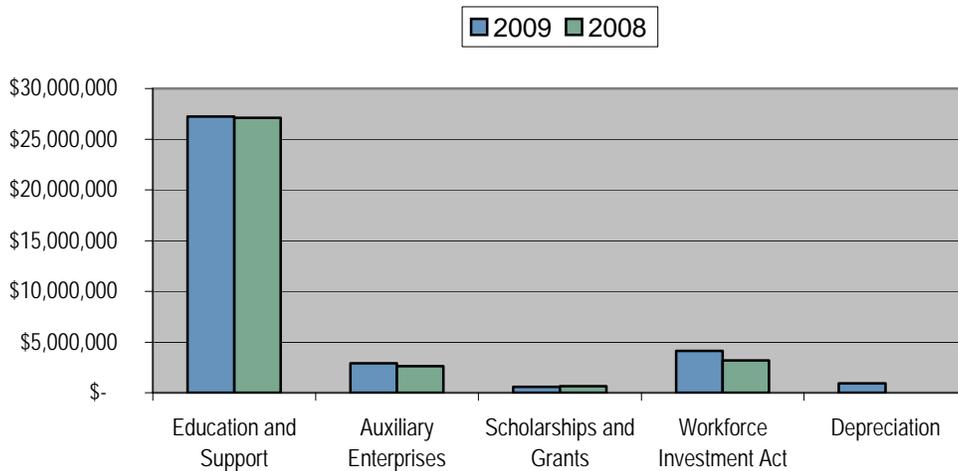


Southeastern Community College

Management's Discussion and Analysis

Operating Expenses

	Year Ended June 30,	
	2009	2008
Education and support:		
Liberal arts and sciences	\$ 4,904,869	\$ 4,700,438
Vocational technical	4,728,860	4,370,132
Adult education	1,964,101	1,917,602
Cooperative services	5,304,949	6,138,515
Administration	1,578,781	1,570,856
Student services	2,770,716	2,448,883
Learning resources	442,900	425,498
Physical plant	2,282,973	2,187,622
General institution	3,249,523	3,182,181
Auxiliary enterprises	2,900,968	2,794,468
Scholarships and grants	580,893	647,193
Workforce Investment Act	4,130,800	3,200,373
Depreciation	930,215	839,659
Total operating expenses	\$ 35,770,548	\$ 34,423,420



Southeastern Community College

Management's Discussion and Analysis

In fiscal year 2009 total revenues increased \$2,057,739 and total expenses increased \$1,310,120. Major fluctuations in revenues and expenses were a result of the following:

- Increased tuition rate (7.5%)
- Iowa Industrial New Jobs Training Program revenue decreased \$1,487,311 (59.4%)
- Federal appropriations increased \$1,708,263 (19.2%)
- State appropriations increased \$1,755,720 (18.8%)
- Sales and services revenue decreased \$288,035 (31.7%)
- Employee wages and benefits, including early retirement, increased \$1,825,514 (9.9%)

In fiscal year 2008 total revenues increased \$3,658,108 and total expenses increased \$4,165,350. Major fluctuations in revenues and expenses were a result of the following:

- Increased tuition rate (4.9%)
- Iowa Industrial New Jobs Training Program revenue increased \$2,030,808 (430.3%)
- Federal appropriations increased \$1,118,243 (14.4%)
- Sales and services revenue increased \$254,817 (39%)
- Services expenditures increased \$2,445,944 (32.9%)
- Employee wages and benefits, including early retirement, increased \$1,362,311 (8.1%)

Debt Service

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

Outstanding Debt

	June 30,	
	2009	2008
General obligation, dormitory revenue and school refunding bonds (Principal)	\$ 4,641,039	\$ 5,354,637
Certificates payable (Principal)	7,175,000	5,330,000
Compensated absences	577,797	554,468
Early retirement payable	689,342	817,865
Total debt	\$ 13,083,178	\$ 12,056,970

June 30, 2009: Long-term debt increased by \$1,026,208 (8.5%) in 2009. New debt in the amount of \$2,580,000 was issued for certificates payable.

June 30, 2008: Long-term debt increased by \$1,063,005 (9.7%) in 2008. New debt in the amount of \$2,665,000 was issued for certificates payable.

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,	
	2009	2008
Cash provided by (used in):		
Operating activities	\$ (9,815,965)	\$ (10,401,803)
Noncapital financing activities	15,970,062	14,026,626
Capital and related financing activities	(2,883,424)	(2,096,551)
Investing activities	(4,282,024)	(594,006)
Net increase (decrease) in cash	(1,011,351)	934,266
Cash:		
Beginning	3,627,107	2,692,841
Ending	<u>\$ 2,615,756</u>	<u>\$ 3,627,107</u>

Capital Assets: As of June 30, 2009, the College has \$30,839,187 invested in capital assets. Accumulated depreciation of the assets is \$11,688,435. Depreciation charges totaled \$930,215 for fiscal year 2009. Details of the capital assets are shown below.

Capital Assets

	June 30,	
Capital Assets, at Year-End	2009	2008
Land	\$ 858,541	\$ 851,980
Buildings	24,584,178	23,176,705
Other structures and improvements	1,684,811	1,681,031
Furniture and equipment	3,711,657	3,374,529
Totals	\$ 30,839,187	\$ 29,084,245

The major capital expenditure during fiscal year 2009 was the welding building (\$1,074,477). The College owns 429,091 square feet of building space and 205.2 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. Economic factors and trends that continue to draw a great deal of scrutiny by the College are:

- ◆ State Appropriations consisting primarily of state general aid, represent 43.9% of unrestricted general operating fund revenues. While the State Legislature has shown a commitment to community colleges, the state economy is in a recession causing general aid reductions for fiscal year 2010. The College will be identifying ways to increase revenue and reduce expenditures within the general operating fund to adjust for the decline in state general aid. This is an area of concern that must be continually monitored by the College.
- ◆ Tuition Revenue collections in the unrestricted general operating fund were up and continue to be the largest source of revenue for the fund, representing 49.7% of the total revenues. While it is a significant amount of revenue, it is difficult to predict and budget, and continued tuition rate increases (4.4% for fiscal year 2010) create hardships for individuals seeking a college education.
- ◆ Property Tax revenue increased \$81,026 and total taxable property values increased for 2010 levy by \$152,988,970 (5%). Property tax collections for the unrestricted general operating fund represent 3.3% of total revenues.
- ◆ 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 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 77.6% of the unrestricted general operating fund expenditures.

In 2009 credit student enrollment increased 2.4% (1,782 credit hours) from the prior year.

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, 2009

Assets	Primary Institution	Component Unit - Foundation
Current Assets:		
Cash and investments	\$ 14,878,702	\$ 3,175,231
Restricted certificates of deposit	204,000	-
Receivables:		
Accounts	383,763	-
Due from other governments	2,550,641	-
Property taxes, succeeding year	3,024,693	-
Other	-	33,794
Inventories	407,382	-
Total current assets	21,449,181	3,209,025
Noncurrent Assets:		
Receivables, Iowa Industrial New Jobs Training Program	2,728,958	-
Bond discount and issuance costs	134,662	-
Capital assets:		
Land	858,541	-
Buildings	24,584,178	-
Other structures and improvements	1,684,811	-
Furniture and equipment	3,711,657	-
Accumulated depreciation	(11,688,435)	-
Total noncurrent assets	22,014,372	-
Total assets	\$ 43,463,553	\$ 3,209,025

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Primary Institution	Component Unit - Foundation
Current Liabilities:		
Accounts payable	\$ 2,032,438	\$ 8,594
Salaries and benefits payable	1,195,340	-
Deferred revenue:		
Succeeding year property tax	3,024,693	-
Other	1,769,530	-
Early retirement payable	689,342	-
Compensated absences	577,797	-
Deposits held in custody for others	711,580	-
Certificates payable	1,020,000	-
Bonds payable	743,914	-
Total current liabilities	11,764,634	8,594
Noncurrent Liabilities:		
Other postemployment benefits	47,291	-
Certificates payable	6,155,000	-
Bonds payable	3,897,125	-
Total noncurrent liabilities	10,099,416	-
Total liabilities	21,864,050	8,594
Net Assets:		
Invested in capital assets, net of related debt	14,509,713	-
Restricted for:		
Expendable, scholarships and fellowships	-	403,194
Nonexpendable, scholarships and fellowships	-	2,806,028
Nonexpendable, cash reserve	231,408	-
Expendable other restricted purposes	2,025,072	-
Unrestricted	4,833,310	(8,791)
Total net assets	21,599,503	3,200,431
Total liabilities and net assets	\$ 43,463,553	\$ 3,209,025

Southeastern Community College

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

	Primary Institution	Component Unit - Foundation
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$4,304,711	\$ 5,773,872	\$ -
Federal appropriations	10,612,669	-
Iowa Industrial New Jobs Training Program	1,015,434	-
Gifts, grants and special events	452,325	19,847
Contributions	-	213,016
Sales and services	620,904	-
Auxiliary enterprises revenue, net of scholarship allowances of \$765,525	2,531,949	-
Miscellaneous	3,582,477	38,300
Total operating revenues	24,589,630	271,163
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	4,904,869	-
Vocational technical	4,728,860	-
Adult education	1,964,101	-
Cooperative services	5,304,949	-
Administration	1,578,781	-
Student services	2,770,716	-
Learning resources	442,900	-
Physical plant	2,282,973	-
General institution	3,249,523	-
Auxiliary enterprises	2,900,968	-
Scholarships and grants	580,893	240,135
Workforce Investment Act and Related	4,130,800	-
Depreciation expense	930,215	-
Other	-	67,808
Total operating expenses	35,770,548	307,943
Operating (loss)	(11,180,918)	(36,780)
Nonoperating revenues (expenses):		
State appropriations	11,091,333	-
Property taxes	3,010,400	-
Interest earnings	224,048	(854,324)
Interest on indebtedness	(291,661)	-
Net nonoperating revenues	14,034,120	(854,324)
Transfers to agency fund	(17,400)	-
Change in net assets	2,835,802	(891,104)
Net assets:		
Beginning	18,763,701	4,091,535
Ending	\$ 21,599,503	\$ 3,200,431

See Notes to Basic Financial Statements.

Southeastern Community College

Statement of Cash Flows
Year Ended June 30, 2009

	Primary Institution	Component Unit - Foundation
Cash Flows from Operating Activities:		
Tuition and fees	\$ 5,851,832	\$ -
Federal appropriations	10,579,568	-
Iowa Industrial New Jobs Training Program	1,255,378	-
Payments to employees for salaries and benefits	(19,988,467)	-
Payments to suppliers for goods and services	(14,141,016)	(64,621)
Cash received as contributions	-	216,940
Cash paid for scholarships	(580,893)	(240,135)
Auxiliary enterprise	2,531,949	-
Other receipts	4,675,684	58,147
Net cash (used in) operating activities	(9,815,965)	(29,669)
Cash Flows from Noncapital Financing Activities:		
State appropriations	11,091,333	-
Property taxes	3,010,400	-
Principal paid on certificates payable	(735,000)	-
Proceeds from certificates payable	2,580,000	-
Transfers to agency funds	(17,400)	-
Miscellaneous Agency Fund receipts	604,757	-
Miscellaneous Agency Fund disbursements	(564,028)	-
Net cash provided by noncapital financing activities	15,970,062	-
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(1,878,165)	-
Principal paid on notes and bonds payable	(713,598)	-
Interest paid on long-term debt	(291,661)	-
Net cash (used in) capital and related financing activities	(2,883,424)	-
Cash Flows from Investing Activities:		
Interest on investments	224,048	124,002
Purchase of investments	(4,506,072)	(468,791)
Proceeds from the sale of investments	-	547,791
Net cash provided by (used in) investing activities	(4,282,024)	203,002
Net increase (decrease) in cash	(1,011,351)	173,333
Cash:		
Beginning	3,627,107	144,477
Ending	\$ 2,615,756	\$ 317,810

(Continued)

Southeastern Community College

Statement of Cash Flows (Continued)
Year Ended June 30, 2009

	Primary Institution	Component Unit - Foundation
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating (loss)	\$ (11,180,918)	\$ (36,780)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	930,215	-
Amortization	(121,314)	-
Changes in assets and liabilities:		
(Increase) in due from other governments	(33,101)	-
(Increase) decrease in other receivables	19,978	3,924
Decrease in inventories	18,487	-
Decrease in due from Iowa Industrial New Jobs Training Program	239,944	-
Increase in accounts payable	83,156	3,187
Increase in salaries and benefits payable	170,308	-
Increase in other deferred revenue	77,960	-
Increase in deposits	37,223	-
Increase in compensated absences	23,329	-
(Decrease) in early retirement payable	(128,523)	-
Increase in other postemployment benefits	47,291	-
Total adjustments	1,364,953	7,111
Net cash (used in) operating activities	\$ (9,815,965)	\$ (29,669)

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 political subdivision of the State of Iowa 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, 1500 West Agency Road, 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.

The College has elected not to follow FASB guidance issued subsequent to November 30, 1989.

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, 2009, 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, 2009.

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 and amounts where there are limitations imposed on their use through enabling legislation. Restricted net assets include both expendable and nonexpendable funds. Expendable funds may be used by the College for their designated purpose. Unexpendable funds may not be used. 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 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. Cash and Investments

As of June 30, 2009, the College's cash and investments consist of the following:

Cash	\$ 2,615,756
Certificates of deposit	7,500,000
Investments	4,762,946
	<u>14,878,702</u>
Restricted certificates of deposit	204,000
	<u>\$ 15,082,702</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	\$ 4,762,946	\$ 4,762,946	\$ -	\$ -	\$ -

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, 2009, 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, 2009, the carrying amount of the College's deposits, excluding \$2,225 of petty cash, totaled \$10,317,531 with a bank balance of \$10,589,886. The College's deposits as of June 30, 2009 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, 2009 was \$4,762,946.

As of June 30, 2009, the College's Foundation cash balance and investments by category of risk were as follows:

Cash, insured by FDIC	\$ 317,810
Cash, not covered through FDIC or collateralized	-
Investments, debt securities, Category 3	1,730,692
Investment, not categorized, beneficial interest in perpetual trusts and investment in land	1,123,619
Other noncategorized investments	3,110
	<u>\$ 3,175,231</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, 2009 is as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated, land	\$ 851,980	\$ 6,561	\$ -	\$ 858,541
Capital assets being depreciated:				
Buildings	23,176,705	1,407,473	-	24,584,178
Other structures and improvements	1,681,031	3,780	-	1,684,811
Furniture and equipment	3,374,529	460,351	123,223	3,711,657
Total capital assets being depreciated	28,232,265	1,871,604	123,223	29,980,646
Less accumulated depreciation for:				
Buildings	7,419,011	465,880	-	7,884,891
Other structures and improvements	850,993	58,038	-	909,031
Furniture and equipment	2,611,439	406,297	123,223	2,894,513
Total accumulated depreciation	10,881,443	930,215	123,223	11,688,435
Total capital assets being depreciated, net	17,350,822	941,389	-	18,292,211
Total capital assets, net	\$ 18,202,802	\$ 947,950	\$ -	\$ 19,150,752

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, 2009 is as follows:

	Balance June 30, 2008	Additions	Payments	Balance June 30, 2009	Amounts Due Within One Year
Certificates payable (A)	\$ 5,330,000	\$ 2,580,000	\$ 735,000	\$ 7,175,000	\$ 1,020,000
General obligation school bonds, Series 1995 (B)	3,040,000	-	220,000	2,820,000	235,000
Dormitory revenue bonds, Series 2000 (C)	1,494,637	-	88,598	1,406,039	93,914
School refunding bonds, Series 2003 (D)	820,000	-	405,000	415,000	415,000
Compensated absences	554,468	577,797	554,468	577,797	577,797
Early retirement payable	817,865	113,248	241,771	689,342	689,342
Total long-term debt	\$ 12,056,970	\$ 3,271,045	\$ 2,244,837	\$ 13,083,178	\$ 3,031,053

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

- (A) The College has certificates payable with a June 30, 2009 outstanding balance of \$7,175,000, with interest rates ranging from 2.5% to 8.15% 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
2010	\$ 1,020,000	\$ 373,029	\$ 1,393,029
2011	960,000	314,480	1,274,480
2012	880,000	268,058	1,148,058
2013	920,000	225,008	1,145,008
2014	770,000	178,188	948,188
2015 - 2018	2,625,000	331,605	2,956,605
	\$ 7,175,000	\$ 1,690,368	\$ 8,865,368

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) School refunding bonds, Series 2003, at 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:

Year ending June 30:	Principal	Interest	Total
2010	\$ 743,914	\$ 261,949	\$ 1,005,863
2011	354,548	229,731	584,279
2012	835,521	209,095	1,044,616
2013	886,853	160,423	1,047,276
2014	943,564	108,181	1,051,745
2015 - 2019	708,456	182,924	891,380
2020 - 2021	168,183	10,091	178,274
	<u>\$ 4,641,039</u>	<u>\$ 1,162,394</u>	<u>\$ 5,803,433</u>

As of June 30, 2009, \$204,000 is on deposit in a debt service reserve account for the dormitory revenue bonds and included in other restricted purposes net asset on the statement of net assets. 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.

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 4.10% and the College is required to contribute 6.35%. The contribution paid by the College for the year ended June 30, 2009 totaled \$400,314 and the contribution paid by employees totaled \$258,472.

Southeastern Community College

Notes to Basic Financial Statements

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 4.10% of their annual covered salary and the College is required to contribute 6.35% of annual payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$492,496, \$443,178 and \$391,493, 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, 2009 were \$445,466.

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

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, 2009, 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.

Southeastern Community College

Notes to Basic Financial Statements

Note 7. Risk Management Program (Continued)

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 80 projects with 25 currently receiving project funding. Of the remaining 55 projects, 7 have been completed with only the repayment of the certificates left and 48 have been completed and the certificates have been repaid (none of the 48 certificates were repaid during the year).

Note 9. Early Retirement

The College had an Early Retirement Incentive Plan (ERIP) which expired on February 1, 2009.

To have been eligible for ERIP, an employee must be 58 years of age with 15 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 up to \$20,000.
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 two options as to when the cash benefits will be received. The lump-sum payment liability is \$74,694.

The current year cost to the College was \$241,771, including one participant in the health insurance plan. The liability for the participation in the health plan is \$614,648 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 0.17%.

An early retirement plan has been approved for fiscal years 2010 and 2011.

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 \$224,710 during the year ended June 30, 2009, for supplies, maintenance expense, support and scholarship tuition reimbursements. The Foundation owes accounts payable of \$8,594 to the College as of June 30, 2009. The Foundation received \$22,192 in contributions from Southeastern Community College employee payroll withholdings and \$25,777 in refunds from unused scholarships.

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

Checking accounts	\$	257,389
Trust agency accounts, fair market value		1,738,734

The Foundation paid \$6,901 in fees and expenses related to the trust agency accounts.

Note 11. Postretirement Medical Benefit Plan

Plan description: The College sponsors a single-employer other post-employment benefit plan that provides medical benefits to all active (185) and retired employees (27) and their eligible dependents (6). All full-time or regular part-time administrator, faculty, professional service or support staff employees are eligible to participate in the plan. The employee must have terminated service with the College through voluntary early retirement after the age of 58 and have worked for the College for the most recent 15 consecutive years of service.

Medical benefit: The medical benefit is a self-funded medical plan administered by Wellmark Bluecross/Blueshield. Retirees under age 65 pay the same premium for the medical benefit as active employees which results in an implicit subsidy and OPEB liability.

Funding policy: The College establishes and amends contribution requirements. The College pays the single retiree premium until age 65; eligible spouses are required to contribute 100% of the premium. In 2004 there was a special early retirement incentive in which full family coverage was paid by the College until age 65.

The current funding policy of the College is to fund benefits on a pay-as-you-go basis. This arrangement does not qualify as other post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting.

Southeastern Community College

Notes to Basic Financial Statements

Note 11. Postretirement Medical Benefit Plan (Continued)

Annual OPEB cost and net OPEB obligation: The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the District's annual OPEB obligation:

Annual required contribution	\$ 312,101
Contributions and payments made	264,810
Increase in net OPEB obligation	<u>47,291</u>
Net OPEB obligation - July 1, 2008	-
Net OPEB obligation - June 30, 2009	<u>\$ 47,291</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2009 follows. This is the transition year of GASB Statement No. 45.

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 312,101	84.85%	\$ 47,291

Funded status and funding progress: As of June 30, 2009, the plan was 0 percent funded. The College's actuarial accrued liability for benefits was \$3,038,672 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$(3,038,672).

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Southeastern Community College

Notes to Basic Financial Statements

Note 11. Postretirement Medical Benefit Plan (Continued)

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the project unit credit and the entry age normal cost methods were used. The actuarial assumptions included a 3 percent discount rate, an annual health care cost trend rate of 9 percent reduced by decrements of 1 percent annually to an ultimate rate of 5 percent. The UAAL is being amortized as a level dollar amount. The amortization of UAAL is done over a period of 30 years.

Note 12. New and Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several Statements that became effective and were implemented by the College in the current year.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*, issued June 2004. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, of applicable required supplementary information in the financial reports. (See Note 11.)

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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 standard requires the College 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. The College's financial statements were not affected by the adoption of GASB Statement No. 49.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement established consistent standards for the reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The College's financial statements were not affected by the adoption of GASB Statement No. 52.

Southeastern Community College

Notes to Basic Financial Statements

Note 12. New and Pending Pronouncements (Continued)

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:

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 new standard 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 standard 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.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the College beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

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

Note 13. Subsequent Event

On November 12, 2009, the College issued \$2,670,000 in school refunding bonds. The money will be held in escrow until July 1, 2010 at which point the remainder of the 1995 bonds will be paid off.

Southeastern Community College

Required Supplementary Information
 Postretirement Medical Benefit Plan
 Schedule of Funding Progress
 Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio
July 1, 2008	\$ -	\$ 3,038,672	\$ (3,038,672)	- %

Note: Fiscal year 2009 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary information schedule was determined as part of the actuarial valuation as of July 1, 2008. Additional information follows:

- a. The cost method used to determine the ARC is the projected unit credit actuarial cost method.
- b. There are no plan assets.
- c. Economic assumptions are as follows: healthcare cost trend rates of 9% with an ultimate rate of 5%; discount rate of 3%.
- d. The amortization method is level dollar over a period of 30 years.

Southeastern Community College

Required Supplementary Information
 Budgetary Comparison Schedule of Expenditures
 Year Ended June 30, 2009

Funds/Levy	Original Budget	Actual	Variance Between Actual and Amended Budget
Total unrestricted current fund expenditures		\$ 21,155,867	
Total restricted current fund expenditures		18,926,623	
Less:			
Auxiliary enterprise expenditures		2,900,968	
Workforce Investment Act expenditures		4,130,800	
Temporary Assistance for Needy Families		426,524	
Scholarships and grants		<u>5,385,114</u>	
Current funds	\$ 30,728,589	27,239,084	\$ 3,489,505
Plant, bonds and interest	3,246,159	2,664,212	581,947
Total	<u>\$ 33,974,748</u>	<u>\$ 29,903,296</u>	<u>\$ 4,071,452</u>

See Note to Required Supplementary Information.

Southeastern Community College

**Note to Required Supplementary Information
Budgetary Reporting
Year Ended June 30, 2009**

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, 2009

Assets	Current Funds	
	Unrestricted	Restricted
Current Assets:		
Cash and investments	\$ 9,888,467	\$ 4,990,235
Restricted certificates of deposit	-	-
Receivables:		
Accounts	320,384	63,379
Due from other governments	2,550,641	-
Property taxes, succeeding year	604,315	1,030,023
Due from other funds	-	3,678,752
Inventories	407,382	-
Total current assets	13,771,189	9,762,389
Noncurrent Assets:		
Receivables, Iowa Industrial New Jobs Training Program	-	2,728,958
Bond discount and issuance costs	-	105,963
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
Total noncurrent assets	-	2,834,921
Total assets	\$ 13,771,189	\$ 12,597,310

See Note to Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ 14,878,702
204,000	-	-	204,000
-	-	-	383,763
-	-	-	2,550,641
1,390,355	-	-	3,024,693
1,951,364	368,024	(5,998,140)	-
-	-	-	407,382
<u>3,545,719</u>	<u>368,024</u>	<u>(5,998,140)</u>	<u>21,449,181</u>
-	-	-	2,728,958
28,699	-	-	134,662
858,541	-	-	858,541
24,584,178	-	-	24,584,178
1,684,811	-	-	1,684,811
3,711,657	-	-	3,711,657
-	-	(11,688,435)	(11,688,435)
<u>30,867,886</u>	<u>-</u>	<u>(11,688,435)</u>	<u>22,014,372</u>
<u>\$ 34,413,605</u>	<u>\$ 368,024</u>	<u>\$ (17,686,575)</u>	<u>\$ 43,463,553</u>

Southeastern Community College

Balance Sheet
June 30, 2009

Liabilities and Fund Balances	Current Funds	
	Unrestricted	Restricted
Current Liabilities:		
Accounts payable	\$ 2,032,438	\$ -
Salaries and benefits payable	1,195,340	-
Due to other funds	5,998,140	-
Deferred revenue:		
Succeeding year property tax	604,315	1,030,024
Other	628,504	1,141,026
Early retirement payable	-	689,342
Compensated absences	395,915	93,190
Deposits held in custody for others	16,000	416,248
Certificates payable	-	1,020,000
Bonds payable	-	-
Total current liabilities	10,870,652	4,389,830
Noncurrent Liabilities:		
Other postemployment benefits	-	-
Certificates payable	-	6,155,000
Bonds payable	-	-
Total noncurrent liabilities	-	6,155,000
Total liabilities	10,870,652	10,544,830
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted for:		
Nonexpendable cash reserve	-	231,408
Expendable other restricted purposes	-	1,821,072
Unrestricted	2,900,537	-
Total fund balances	2,900,537	2,052,480
Total fund balances and liabilities	\$ 13,771,189	\$ 12,597,310

See Note to Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ 2,032,438
-	-	-	1,195,340
-	-	(5,998,140)	-
1,390,354	-	-	3,024,693
-	-	-	1,769,530
-	-	-	689,342
-	88,692	-	577,797
-	279,332	-	711,580
-	-	-	1,020,000
743,914	-	-	743,914
<u>2,134,268</u>	<u>368,024</u>	<u>(5,998,140)</u>	<u>11,764,634</u>
-	-	47,291	47,291
-	-	-	6,155,000
<u>3,897,125</u>	<u>-</u>	<u>-</u>	<u>3,897,125</u>
<u>3,897,125</u>	<u>-</u>	<u>47,291</u>	<u>10,099,416</u>
<u>6,031,393</u>	<u>368,024</u>	<u>(5,950,849)</u>	<u>21,864,050</u>
26,198,148	-	(11,688,435)	14,509,713
-	-	-	231,408
204,000	-	-	2,025,072
1,980,064	-	(47,291)	4,833,310
<u>28,382,212</u>	<u>-</u>	<u>(11,735,726)</u>	<u>21,599,503</u>
<u>\$ 34,413,605</u>	<u>\$ 368,024</u>	<u>\$ (17,686,575)</u>	<u>\$ 43,463,553</u>

Southeastern Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
Tuition and fees	\$ 9,222,052	\$ 856,531
Property taxes	613,840	952,188
State appropriations	8,141,466	1,459,964
Federal appropriations	-	10,612,669
Gifts, grants and special events	-	452,325
Sales and services	209,733	306,709
Interest	184,139	-
Iowa Industrial New Jobs Training Program	-	1,015,434
Miscellaneous	182,752	3,366,806
Increase in plant investment due to retirement of debt	-	-
Increase in plant investment due to plant expenditures	-	-
	<u>18,553,982</u>	<u>19,022,626</u>
Auxiliary enterprises:		
Sales and services	3,079,365	-
Federal appropriations	6,528	-
Miscellaneous	211,581	-
	<u>3,297,474</u>	<u>-</u>
Total revenues	<u>21,851,456</u>	<u>19,022,626</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	4,101,710	830,988
Vocational technical	4,166,528	780,854
Adult education	1,086,790	921,888
Cooperative services	803,622	4,510,858
Administration	1,505,769	90,936
Student services	1,888,240	946,182
Learning resources	443,177	-
Physical plant	1,805,253	328,724
General institution	2,453,810	1,000,279
Total education and support	<u>18,254,899</u>	<u>9,410,709</u>
Auxiliary enterprises	2,900,968	-
Scholarships and grants	-	5,385,114
Workforce Investment Act and Related	-	4,130,800
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Interest on indebtedness	-	-
Depreciation	-	-
Disposal of plant assets	-	-
Total expenditures	<u>21,155,867</u>	<u>18,926,623</u>
Excess (deficiency) of revenues over expenditures	695,589	96,003
Non-mandatory transfers among funds	(418,560)	159,797
Net increase (decrease) in fund balances (deficit)	<u>277,029</u>	<u>255,800</u>
Fund balances (deficit), beginning of year	2,623,508	1,796,680
Fund balances (deficit), end of year	<u>\$ 2,900,537</u>	<u>\$ 2,052,480</u>

See Note to Supplementary Information.

Loan Funds	Plant Funds			Adjustment	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ -	\$ -	\$ -	\$ (4,304,711)	\$ 5,773,872
-	578,141	866,231	-	-	3,010,400
-	1,489,903	-	-	-	11,091,333
-	-	-	-	-	10,612,669
-	-	-	-	-	452,325
-	104,462	-	-	-	620,904
-	6,063	33,846	-	-	224,048
-	-	-	-	-	1,015,434
-	32,919	-	-	-	3,582,477
-	-	-	713,598	(713,598)	-
-	-	-	1,878,165	(1,878,165)	-
-	2,211,488	900,077	2,591,763	(6,896,474)	36,383,462
-	-	-	-	(765,525)	2,313,840
-	-	-	-	-	6,528
-	-	-	-	-	211,581
-	-	-	-	(765,525)	2,531,949
-	2,211,488	900,077	2,591,763	(7,661,999)	38,915,411
-	-	-	-	(27,829)	4,904,869
-	-	-	-	(218,522)	4,728,860
-	-	-	-	(44,577)	1,964,101
-	-	-	-	(9,531)	5,304,949
-	-	-	-	(17,924)	1,578,781
-	-	-	-	(63,706)	2,770,716
-	-	-	-	(277)	442,900
-	157,066	14,098	-	(22,168)	2,282,973
-	-	-	-	(204,566)	3,249,523
-	157,066	14,098	-	(609,100)	27,227,672
-	-	-	-	-	2,900,968
-	-	-	-	(4,804,221)	580,893
-	-	-	-	-	4,130,800
-	1,487,789	-	-	(1,487,789)	-
-	-	713,598	-	(713,598)	-
-	-	291,661	-	-	291,661
-	-	-	-	930,215	930,215
-	-	-	123,223	(123,223)	-
-	1,644,855	1,019,357	123,223	(6,807,716)	36,062,209
-	566,633	(119,280)	2,468,540	(854,283)	2,853,202
-	61,363	180,000	-	-	(17,400)
-	627,996	60,720	2,468,540	(854,283)	2,835,802
-	3,963,335	(2,451,528)	23,713,149	(10,881,443)	18,763,701
\$ -	\$ 4,591,331	\$ (2,390,808)	\$ 26,181,689	\$ (11,735,726)	\$ 21,599,503

Southeastern Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Unrestricted Current Funds - Education and Support
 Year Ended June 30, 2009

	Education			
	Liberal Arts and Science	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
Tuition and fees	\$ 5,212,165	\$ 2,210,711	\$ 1,057,693	\$ 738,933
Property taxes	-	-	-	-
State appropriations	4,062,733	2,947,473	968,857	-
Sales and services	-	-	39,717	-
Interest	-	-	-	-
Miscellaneous	2,904	84,528	23,331	5,754
	<u>9,277,802</u>	<u>5,242,712</u>	<u>2,089,598</u>	<u>744,687</u>
Allocation of support services revenue	635,848	351,690	211,645	-
Total revenues	<u>9,913,650</u>	<u>5,594,402</u>	<u>2,301,243</u>	<u>744,687</u>
Expenditures:				
Salaries and benefits	4,012,143	3,624,205	708,788	424,577
Services	50,245	246,564	247,765	336,451
Materials and supplies	32,054	196,952	106,551	30,131
Travel	7,268	19,815	23,686	11,151
Expended for plant assets	-	78,992	-	-
Scholarships	-	-	-	-
Miscellaneous	-	-	-	1,312
	<u>4,101,710</u>	<u>4,166,528</u>	<u>1,086,790</u>	<u>803,622</u>
Allocation of support services expenditures	4,292,910	2,374,424	1,428,915	-
Total expenditures	<u>8,394,620</u>	<u>6,540,952</u>	<u>2,515,705</u>	<u>803,622</u>
Excess (deficiency) of revenues over expenditures	1,519,030	(946,550)	(214,462)	(58,935)
Non-mandatory transfers	-	-	13,770	-
Net increase (decrease) in fund balances (deficit)	<u>\$ 1,519,030</u>	<u>\$ (946,550)</u>	<u>\$ (200,692)</u>	<u>\$ (58,935)</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
\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,222,052
613,840	-	-	-	-	-	613,840
67,201	-	95,202	-	-	-	8,141,466
44,795	6,403	2,395	25,340	91,083	-	209,733
184,139	-	-	-	-	-	184,139
11,676	-	161	4,611	49,787	-	182,752
<u>924,201</u>	<u>6,403</u>	<u>97,758</u>	<u>29,951</u>	<u>140,870</u>	<u>-</u>	<u>18,553,982</u>
(924,201)	(6,403)	(97,758)	(29,951)	(140,870)	-	-
-	-	-	-	-	-	<u>18,553,982</u>
1,247,818	1,468,017	347,981	932,503	1,413,382	-	14,179,414
184,078	58,384	1,070	687,013	665,963	-	2,477,533
24,027	34,953	93,459	179,815	235,105	-	933,047
47,587	27,421	667	506	16,448	-	154,549
-	-	-	5,416	36,594	-	121,002
-	296,316	-	-	-	-	296,316
2,259	3,149	-	-	86,318	-	93,038
<u>1,505,769</u>	<u>1,888,240</u>	<u>443,177</u>	<u>1,805,253</u>	<u>2,453,810</u>	<u>-</u>	<u>18,254,899</u>
(1,505,769)	(1,888,240)	(443,177)	(1,805,253)	(2,453,810)	-	-
-	-	-	-	-	-	<u>18,254,899</u>
-	-	-	-	-	-	299,083
-	(2,030)	-	-	(197,046)	-	(185,306)
<u>\$ -</u>	<u>\$ (2,030)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (197,046)</u>	<u>\$ -</u>	<u>113,777</u>
						1,638,588
						<u>\$ 1,752,365</u>

Southeastern Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Unrestricted Current Funds - Auxiliary Enterprises
 Year Ended June 30, 2009

	Bookstore	Food Services
Revenues:		
Sales and services	\$ 2,152,559	\$ 250,385
Federal appropriations	3,746	2,782
Miscellaneous	-	2,690
Total revenues	2,156,305	255,857
Expenditures:		
Salaries and benefits	169,196	9,645
Services	10,615	189,000
Materials and supplies	6,073	16,785
Cost of goods sold	1,749,280	14,460
Travel	5,136	-
Expended for plant assets	-	-
Miscellaneous	4,431	-
Total expenditures	1,944,731	229,890
Excess (deficiency) of revenues over expenditures	211,574	25,967
Non-mandatory transfers	(100,000)	-
Net increase (decrease) in fund balances	111,574	25,967
Fund balance:		
Beginning	410,937	164,312
Ending	\$ 522,511	\$ 190,279

See Note to Supplementary Information.

Shop Sales	Printing Services	Dormitories	Athletics	Other	Total
\$ 31,004	\$ 190,797	\$ 233,463	\$ 103,443	\$ 117,714	\$ 3,079,365
-	-	-	-	-	6,528
-	-	7,065	201,826	-	211,581
31,004	190,797	240,528	305,269	117,714	3,297,474
-	115,853	11,400	16,848	-	322,942
-	13,500	76,461	55,058	26,260	370,894
4,247	4,812	26,098	108,286	27,652	193,953
24,257	34,571	-	-	-	1,822,568
-	35	-	127,965	-	133,136
-	-	-	-	51,819	51,819
-	-	1,225	-	-	5,656
28,504	168,771	115,184	308,157	105,731	2,900,968
2,500	22,026	125,344	(2,888)	11,983	396,506
-	-	(100,138)	2,888	(36,004)	(233,254)
2,500	22,026	25,206	-	(24,021)	163,252
54,577	70,761	59,344	-	224,989	984,920
\$ 57,077	\$ 92,787	\$ 84,550	\$ -	\$ 200,968	\$ 1,148,172

Southeastern Community College

Schedule of Revenues, Expenditures and Changes in Fund Balances -
 Restricted Current Funds
 Year Ended June 30, 2009

	Scholarships and Grants	Equipment Replacement	Early Retirement	Insurance
Revenues:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Property taxes	-	90,935	339,824	521,429
State appropriations	244,899	-	-	-
Federal appropriations	4,700,915	-	-	-
Gifts, grants and special events	439,300	-	-	-
Sales and services	-	-	-	-
Interest	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	5,385,114	90,935	339,824	521,429
Expenditures:				
Salaries and benefits	-	-	113,248	41,910
Services	-	-	-	448,641
Materials and supplies	-	79,975	-	-
Travel	-	-	-	-
Expended for plant assets	-	10,960	-	-
Interest on indebtedness	-	-	-	-
Federal Pell Grant Program	4,566,377	-	-	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	83,655	-	-	-
Other miscellaneous scholarships	735,082	-	-	-
Other	-	-	-	-
Total expenditures	5,385,114	90,935	113,248	490,551
Excess (deficiency) of revenues over expenditures	-	-	226,576	30,878
Non-mandatory transfers	-	-	(103,419)	-
Net increase (decrease) in fund balances (deficit)	-	-	123,157	30,878
Fund balance (deficit):				
Beginning	-	-	(538,573)	(48,761)
Ending	\$ -	\$ -	\$ (415,416)	\$ (17,883)

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
\$ -	\$ -	\$ -	\$ -	\$ 856,531	\$ -	\$ 856,531
-	-	-	-	-	-	952,188
-	53,934	-	-	1,161,131	-	1,459,964
-	4,067,333	426,524	-	1,417,897	-	10,612,669
-	-	-	-	13,025	-	452,325
-	9,498	-	-	297,211	-	306,709
-	-	-	-	-	-	-
-	-	-	1,015,434	-	-	1,015,434
-	35	-	-	3,366,771	-	3,366,806
-	4,130,800	426,524	1,015,434	7,112,566	-	19,022,626
3,101	2,478,412	329,754	-	2,632,091	-	5,598,516
-	1,155,723	37,424	714,784	3,969,233	-	6,325,805
-	183,505	15,953	-	247,300	-	526,733
-	185,243	6,509	-	141,305	-	333,057
-	-	-	-	199,980	-	210,940
-	-	-	300,650	-	-	300,650
-	-	-	-	-	-	4,566,377
-	-	-	-	-	-	83,655
-	-	-	-	29,019	-	764,101
-	127,917	36,884	-	51,988	-	216,789
3,101	4,130,800	426,524	1,015,434	7,270,916	-	18,926,623
(3,101)	-	-	-	(158,350)	-	96,003
-	-	-	-	263,216	-	159,797
(3,101)	-	-	-	104,866	-	255,800
66,960	-	-	-	2,085,646	231,408	1,796,680
\$ 63,859	\$ -	\$ -	\$ -	\$ 2,190,512	\$ 231,408	\$ 2,052,480

Southeastern Community College

Schedule of Changes in Deposits Held in Custody for Others -
 Agency Funds
 Year Ended June 30, 2009

	Retraining 260F	Student Organizations and Other	Total
Balance, beginning of year	\$ 135,952	\$ 102,651	\$ 238,603
Receipts and other additions:			
Fees	-	65,129	65,129
State support	231,499	-	231,499
Federal support	-	-	-
Sales and services	-	25,856	25,856
Transfers	-	17,251	17,251
Other	-	265,022	265,022
	<u>231,499</u>	<u>373,258</u>	<u>604,757</u>
Disbursements and other deductions:			
Salaries and benefits	-	123,091	123,091
Services	211,291	54,036	265,327
Materials and supplies	-	89,170	89,170
Travel	-	60,587	60,587
Other	-	25,853	25,853
	<u>211,291</u>	<u>352,737</u>	<u>564,028</u>
Balance, end of year	<u>\$ 156,160</u>	<u>\$ 123,172</u>	<u>\$ 279,332</u>

See Note to Supplementary Information.

Southeastern Community College

Note to Supplementary Information Year Ended June 30, 2009

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, 2009

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, 2009

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	52,859	-	52,859	1,068,914	-	1,068,914
Vocational preparatory	22,957	-	22,957	591,220	-	591,220
Adult/continuing education	-	-	-	220,035	135,758 *	355,793
Related services and activities	-	-	-	-	-	-
	<u>75,816</u>	<u>-</u>	<u>75,816</u>	<u>1,880,169</u>	<u>135,758</u>	<u>2,015,927</u>

*Includes 240 hour adjustment of 5,400 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
2009:						
Total contact hours	1,068,914	591,220	355,793	-	-	2,015,927
Total credit hours	52,859	22,957	-	-	-	75,816
2008:						
Total contact hours	948,948	669,081	401,641	-	-	2,019,670
Total credit hours	48,406	25,628	-	-	-	74,034
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

Southeastern Community College

Comparison of Taxes and Intergovernmental Revenues
Last Four Years

	Year Ended June 30,			
	2009	2008	2007	2006
Local (property tax)	\$ 3,010,400	\$ 2,929,374	\$ 2,899,733	\$ 2,807,354
State	11,091,333	9,335,613	9,135,660	7,803,191
Federal	10,612,669	8,904,406	7,786,163	7,962,351
	<u>\$ 24,714,402</u>	<u>\$ 21,169,393</u>	<u>\$ 19,821,556</u>	<u>\$ 18,572,896</u>

Southeastern Community College

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

	Year Ended June 30,			
	2009	2008	2007	2006
State appropriations	\$ 9,601,430	\$ 9,115,730	\$ 8,276,936	\$ 7,692,200
Tuition and fees	10,078,583	9,579,850	9,286,936	8,844,540
Property tax	1,566,028	1,504,318	1,489,779	1,405,496
Federal appropriations	10,612,669	8,904,406	7,786,163	7,962,351
Interest earnings	184,139	273,362	279,687	136,304
Iowa Industrial New Jobs Training Program	1,015,434	2,502,745	471,937	628,600
Auxiliary enterprises	3,297,474	3,140,521	2,955,670	2,796,939
Miscellaneous	4,518,325	4,207,230	3,812,651	3,343,192
	<u>\$ 40,874,082</u>	<u>\$ 39,228,162</u>	<u>\$ 34,359,759</u>	<u>\$ 32,809,622</u>

Southeastern Community College

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

	Year Ended June 30,			
	2009	2008	2007	2006
Liberal arts and sciences	\$ 4,932,698	\$ 4,748,850	\$ 4,307,439	\$ 3,583,822
Vocational technical	4,947,382	4,601,181	4,174,372	4,382,452
Adult education	2,008,678	1,963,972	2,036,308	1,776,190
Cooperative services	5,314,480	6,151,410	4,295,150	4,077,353
Administration	1,596,705	1,581,155	1,467,948	1,298,971
Student services	2,834,422	2,523,385	2,362,246	2,387,332
Learning resources	443,177	426,644	400,773	630,224
Physical plant	2,133,977	1,992,399	1,976,755	1,624,963
General institution	3,454,089	3,353,569	3,232,189	3,530,279
Auxiliary enterprises	2,900,968	2,794,468	2,534,156	2,525,542
Scholarships and grants	5,385,114	4,621,665	4,010,338	4,013,649
Workforce Investment Act	4,130,800	3,200,373	2,439,045	2,407,817
	<u>\$ 40,082,490</u>	<u>\$ 37,959,071</u>	<u>\$ 33,236,719</u>	<u>\$ 32,238,594</u>

Southeastern Community College

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

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 (FSEOG)	84.007		\$ 83,655	\$ -
Federal Family Education Loans (FFEL)	84.032		-	6,331,092
Federal Work-Study Program (FWS)	84.033		97,284	-
Federal Pell Grant Program	84.063		4,574,517	-
Federal Academic Competitiveness Grant Program	84.375		42,625	-
Total Student Financial Assistance Cluster			4,798,081	6,331,092
TRIO-Student Support Services	84.042A		344,370	-
TRIO-Upward Bound	84.047A		237,009	-
Total TRIO Cluster			581,379	-
Title III - Higher Education Institutional Aid	84.031A		223,602	-
Indirect:				
Passed through Iowa Department of Education:				
Vocational Education - Basic Grants to States:				
Carl Perkins	84.048A	6805010000	225,101	-
WWW.NL	84.048A	6805010000	26,235	-
Perkins Corrections	84.048A	N/A	3,997	-
Math in CTE Grant	84.048	N/A	6,431	-
			261,764	-
Tech-Prep Education	84.243A	N/A	65,723	-
Adult Education - State Grant Program	84.002	N/A	144,107	-
			471,594	-
Passed through Iowa Department of Corrections,				
Title I Program for Neglected and Delinquent Children	84.013A	N/A	16,388	-
Total U.S. Department of Education			6,091,044	6,331,092
U.S. Department of Agriculture:				
Passed through Iowa Department of Education				
State Administrative Grants of Food Stamp Program	10.559	N/A	2,496	-
Small Business Administration:				
Passed through Iowa State University				
Small Business Development Center	59.037	N/A	\$ 108,272	\$ -

(Continued)

Southeastern Community College

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

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	\$ 611,308	\$ -
Workforce Investment Act (WIA) - Youth Activities	17.259	7-W-16-FR-0	846,317	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	7-W-16-FR-0	523,958	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	8-W-FR-P7-0-01	170,949	-
Workforce Investment Act (WIA) - Dislocated Workers- EPJ	17.260	7-W-16-FR-0	1,590,766	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-FR-9F-0-01	67,028	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-PF-RR-0-04	8,800	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-PF-RR-0-06	2,998	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-PF-RR-0-12	2,200	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-PF-RR-0-14	17,190	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-PF-RR-0-28	6,500	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-PF-RR-0-35	5,500	-
Total Workforce Investment Act Cluster			<u>3,853,514</u>	<u>-</u>
ARRA - Passed through Iowa Department of Workforce Development:				
ARRA - Workforce Investment Act (WIA) - Adult Program	17.258	7-W-16-FR-0	5,225	-
ARRA - Workforce Investment Act (WIA) - Youth Activities	17.259	7-W-16-FR-0	176,394	-
ARRA - Workforce Investment Act (WIA) - Dislocated Workers	17.260	7-W-16-FR-0	3,468	-
Total ARRA Workforce Investment Act Cluster			<u>185,087</u>	<u>-</u>
Trade Adjustment Assistance Workers	17.245	1-W-16-FR-0	5,703	-
Employment Service (Wagner Peyser)	17.207	1-W-16-FR-0	6,630	-
Unemployment Insurance	17.225	1-W-16-FR-0	4,819	-
Employment and Training Administration Pilots, Demonstrations, and Research Projects - New Iowan Center	17.261	1-W-16-FR-0	7,257	-
Veterans' Employment Program, DVOP	17.801	1-W-16-FR-0	4,321	-
Passed through Iowa Department of Veterans' Affairs, Veterans' Employment Program	17.802	N/A	1,400	-
Passed through Iowa Department of Education:				
Mine Health and Safety Grant	17.600	N/A	1,661	-
WIA Incentive Grants - Family Literacy	17.267	N/A	19,929	-
Direct, WIA Community Based Job Training	17.269	N/A	17,738	-
Total U.S. Department of Labor			<u>4,108,059</u>	<u>-</u>
U.S. Department of Health and Human Services:				
Passed through Iowa Department of Workforce Development, Temporary Assistance for Needy Families	93.558	1-W-16-FR-0 9-W-16-FN-0	426,524	-
Total federal awards expended			<u>\$ 10,736,395</u>	<u>\$ 6,331,092</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, 2009

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, 2009

Comment Number	Comment	Corrective Action Plan
Compliance Findings:		
08-III-A	No documentation of exit counseling for Federal Family Education Loan.	Corrected.
Statutory Reporting:		
IV-I-08	Misclassification of contact hours.	Uncorrected. See current year finding and corrective action plan at IV-I-09.

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, 2009, and have issued our report thereon dated December 1, 2009. 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 an immaterial instance of noncompliance that is 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, 2009 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.

Southeastern Community College's response to the finding identified in our audit is 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
December 1, 2009

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, 2009. 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, 2009.

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.

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
December 1, 2009

Southeastern Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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 (FSEOG)
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
17.258	Workforce Investment Act (WIA) - Adult Program
17.259	Workforce Investment Act (WIA) - Youth Activities
17.260	Workforce Investment Act (WIA) - Dislocated Workers
17.258	ARRA - Workforce Investment Act (WIA) - Adult Program
17.259	ARRA - Workforce Investment Act (WIA) - Youth Activities
17.260	ARRA - Workforce Investment Act (WIA) - Dislocated Workers

Dollar threshold used to distinguish between type A and type B programs \$ 512,028

Auditee qualified as low-risk auditee? Yes No

Southeastern Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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

None reported.

Southeastern Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

IV. Other Findings Related to Required Statutory Reporting

IV-A-08 Certified Budget

Expenditures during the year ended June 30, 2009 did not exceed the amounts budgeted in total.

IV-B-08 Questionable Disbursements

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

IV-C-08 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-D-08 Business Transactions

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

IV-E-08 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-F-08 Board Minutes

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

IV-G-08 Publication

The College published a statement showing the receipt and disbursement of all funds, 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-H-08 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.

Southeastern Community College

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

IV-I-09 Credit and Contact Hours

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

<u>Category</u>	<u>Credit Hours Reported</u>	<u>Total Per Supporting Documentation</u>	<u>Difference</u>	<u>Contact Hours Reported</u>	<u>Total Per Supporting Documentation</u>	<u>Difference</u>
Adult/Continuing Education - Business, Management, Marketing and Related Support Services	N/A	N/A	N/A	14	11	3
Arts and Sciences Education	1	2	(1)	18	26	(8)
Career and Technical Education	2	1	1	53	40	13

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

Response: The College will investigate the discrepancies and make every effort to correct future credit and contact hour reporting.

Conclusion: Response accepted.

Southeastern Community College

Corrective Action Plan
Year Ended June 30, 2009

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
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Statutory Reporting:

IV-I-09	Misclassification of credit and contact hours.	See corrective action plan at IV-I-09.	Verlyn Fick, Vice President for Teaching and Learning	June 2002	June 2010
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Southeastern Community College

Report to the Board of Trustees

12.01.2009

McGladrey & Pullen
Certified Public Accountants

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

McGladrey & Pullen

Certified Public Accountants

December 1, 2009

Board of Trustees
Southeastern Community College
1500 West Agency Road
PO Box 180
West Burlington, Iowa

Attention: Landen Hillyard

We are pleased to present this report related to our audit of the financial statements of Southeastern Community College for the year ended June 30, 2009. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Southeastern Community College's financial reporting process.

This report is intended solely for the information and use of the Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Southeastern Community College.

McGladrey & Pullen, LLP

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Required Communications

Statement on Auditing Standards No. 114 requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications:

Area	Comments
Auditor's Responsibility Under Professional Standards	Our responsibility under auditing standards generally accepted in the United States of America, <i>Government Auditing Standards</i> issued by the Comptroller General of the United States; the provisions of the Single Audit Act; OMB Circular A-133 and OMB's <i>Compliance Supplement</i> have been described to you in our arrangement letter dated April 24, 2009.
Accounting Practices	Adoption of, or Change in, Accounting Policies Management has the ultimate responsibility for the appropriateness of the accounting policies used by the College. In the current year the College adopted the following Governmental Accounting Standards Board (GASB) Statements: <ul style="list-style-type: none"><li data-bbox="716 989 1425 1247">• GASB Statement No. 45, <i>Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions</i>, 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. These disclosures are contained in Note 11 to the financial statements.<li data-bbox="716 1283 1425 1583">• GASB Statement No. 49, <i>Accounting and Financial Reporting for Pollution Remediation Obligations</i>, addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations. This standard requires the College to estimate the components of expected pollution remediation and either accrue the appropriate liability or capitalize when goods and services are acquired. This statement had no effect on the financial statements of the College.<li data-bbox="716 1619 1425 1782">• GASB Statement No. 52, <i>Land and Other Real Estate Held as Investments by Endowments</i>, establishes consistent standards for the reporting of land and other real estate held as investments. This statement had no effect on the financial statements of the College.

Area	Comments
	<p>Significant or Unusual Transactions</p> <p>We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.</p> <p>Alternative Treatments Discussed with Management</p> <p>We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.</p>
Management’s Judgments and Significant Accounting Estimates	<p>Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached “Summary of Significant Accounting Estimates”.</p>
Financial Statement Disclosures	<p>We would like to highlight the following financial statement disclosures included for the year ended June 30, 2009:</p> <ul style="list-style-type: none"> • <u>Accounting policies</u>: Professional standards require disclosure of accounting policies for which there are several acceptable alternatives and certain other required disclosures, such as revenue recognition. Please refer to Note 1 of the financial statements for a summary of these policies.
Audit Adjustments	<p>One audit adjustment was recorded by Southeastern Community College. The adjustment was to record land acquired of \$6,561.</p>
Disagreements with Management	<p>We encountered no disagreements with management over the application of significant accounting principles, the basis for management’s judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.</p>
Accounting Pronouncements	<p>Please refer to Note 12 of the financial statements for new accounting pronouncements that have been recently issued that may affect the College’s financial reporting in future periods.</p>
Consultations with Other Accountants	<p>We are not aware of any consultations management had with other accountants about accounting or auditing matters.</p>
Significant Issues Discussed with Management	<p>No significant issues arising from the audit were discussed or were the subject of correspondence with management.</p>
Difficulties Encountered in Performing the Audit	<p>We did not encounter any difficulties in dealing with management during the audit.</p>

Area	Comments
Certain Written Communications Between Management and Our Firm	Copies of certain written communications between our firm and the management of the College are attached as Exhibit A.

Southeastern Community College

Summary of Significant Accounting Estimates Year Ended June 30, 2009

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to compute and record these accounting estimates. The following describes the significant accounting estimates reflected in the College's June 30, 2009 financial statements:

Area	Accounting Policy	Estimation Process	Comments
Early Retirement Accrual	The accrual is based on employees approved for participation in the plan and the deductible health insurance premium at the time of retirement.	The accrual is determined by the number of months until age 65, times the health insurance deductible discounted back at a rate of 0.17%	We analyzed Southeastern Community College's methodology and believe it is appropriate.
Depreciable Life of Capital Assets	The depreciable life of capital assets is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions, including resale value of used equipment, estimated useful life and prior experience.	We believe the estimates and process used by Southeastern Community College is appropriate.
Other Postemployment Benefits Assumptions	OPEB accounting and disclosure is based on numerous assumptions and estimates, including the expected rate of investment return on retirement plan assets, interest rate used to determine present value of liabilities, certain employee-related factors and health care trend rate.	The College relies on the actuarial computed net pension obligation based on data provided by the College of turnover, retirement age, health care trend rate and mortality. These factors and anticipated discount rate and rate of return are based upon historical and general market data. Management reviews the actuarial results.	We tested the information provided to the actuary for completeness. We reviewed the assumptions used by the actuary. Based on our work, we believe the process used by management is appropriate.

**Exhibit A - Certain Written Communications Between Management
and Our Firm**

McGladrey & Pullen

Certified Public Accountants

McGladrey & Pullen, LLP

201 N. Harrison St., Ste. 300, Davenport, IA 52801-1999

☎ 563.888.4140 ☎ 563.324.6939

www.mcgladrey.com

April 24, 2009

Board of Trustees
Southeastern Community College
1015 South Gear Avenue
P.O. Drawer F
West Burlington, Iowa 52655

Attention: Mr. Bill Meck, Vice President for Administrative Services

This letter is to explain our understanding of the arrangements for the services we are to perform for Southeastern Community College for the year ending June 30, 2009. We ask that you either confirm or amend this understanding.

Audit Services

We will perform an audit of Southeastern Community College's governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information as of and for the year ending June 30, 2009 which collectively comprise the basic financial statements. We understand that these financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

We are responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management with the oversight of the Board of Trustees are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

We will also perform the audit of the Southeastern Community College as of June 30, 2009 so as to satisfy the audit requirements imposed by the Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular No. A -133.

We will conduct the audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions of the Single Audit Act, OMB Circular A-133, and OMB's *Compliance Supplement*. Those standards, circulars, supplements or guides require that we plan and perform the audit to obtain reasonable rather than absolute, assurance about whether the financial statements are free of material misstatement whether caused by error or fraud. Accordingly, a material misstatement may remain undetected. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

An audit of financial statements also includes obtaining an understanding of the entity and its environment, including its internal control, sufficient to assess the risks of material misstatement of the financial statements, and to design the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate to management and the Board of Trustees any significant deficiencies or material weaknesses that become known to us during the course of the audit.

We will also communicate to the Board of Trustees (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements, (b) any fraud, illegal acts, violations of provisions of contracts or grant agreements, and abuse that come to our attention (unless they are clearly inconsequential), (c) any disagreements with management and other serious difficulties encountered in performing the audit and (d) various matters related to the entity's accounting policies and financial statements.

In addition to our report on the College's financial statements, we will also issue the following reports or types of reports:

- A report on the fairness of the presentation of the College's schedule of expenditures of federal awards for the year ending June 30, 2009.
- Report(s) on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.
- Report(s) on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect as defined by OMB Circular A-133 on each major program.
- A schedule of findings and questioned costs.
- Form SF-SAC Data Collection Form will be prepared. The responsibility we are to take for the material included in this form will be the same as that we assume for other supplementary information accompanying the financial statements.

We will also perform an examination of the College's schedule of credit/contact hour enrollment for the year ending June 30, 2009.

The funds that you have told us are maintained by the College and that are to be included as part of our audit are listed below:

- Current operating funds:
 - Unrestricted fund
 - Restricted fund
- Loan fund
- Plant fund
- Agency fund

The federal financial assistance programs that you have told us that the College participates in and that are to be included as part of the single audit are enclosed as Attachment A.

The component unit whose financial statements you have told us are to be included as part of the College's basic financial statements is Southeastern Community College Foundation.

Our report on internal control will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards and circular identified above. Our report(s) on compliance will address material errors, fraud, abuse, violations of compliance requirements, and other responsibilities imposed by state and federal statutes and regulations and assumed by contracts; and any state or federal grant, entitlement of loan program questioned costs of which we become aware, consistent with requirements of the standards and circulars identified above.

Southeastern Community College's Responsibilities

Management is responsible for the financial statements, including the selection and application of accounting policies, adjusting the financial statements to correct material misstatements, and for making all financial records and related information available to us. Management is responsible for providing us with a written management representation letter confirming certain representations made during the course of our audit of the financial statements and affirming to us that it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole and to the opinion units of the financial statements.

Management is responsible for establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge.

Management is responsible for identifying and ensuring that the entity complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud could have a material effect on the financial statements. Management is also responsible for informing us of its knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, analysts, regulators or others.

Management is also responsible for (a) making us aware of significant vendor relationships where the vendor is responsible for program compliance, (b) following up and taking corrective action on audit findings, including the preparation of a summary schedule of prior audit findings, and a corrective action plan and (c) report distribution including submitting the reporting package(s).

The Board of Trustees is responsible for informing us of its views about the risks of fraud within the entity, and its knowledge of any fraud or suspected fraud affecting the entity.

Southeastern Community College agrees that our report on the financial statements will not be included in an official statement or other document involved with the sale of debt instruments without our prior consent. Additionally, if Southeastern Community College intends to publish or otherwise reproduce the financial statements and/or make reference to us or our audit, you agree to provide us with printer's proofs or a master for our review and consent before reproduction and/or release occurs. You also agree to provide us with a copy of the final reproduced material for our consent before it is distributed or released. Our fees for any additional services that may be required under our quality assurance systems as a result of the above will be established with you at the time such services are determined to be necessary. In the event our auditor/client relationship has been terminated when the College seeks such consent, we will be under no obligation to grant such consent or approval.

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client. Accordingly, Southeastern Community College agrees it will compensate McGladrey & Pullen, LLP for any additional costs incurred as a result of the employment of a partner or professional employee of McGladrey & Pullen, LLP.

During the course of our engagement, we may accumulate records containing data that should be reflected in the College's books and records. The College will determine that all such data, if necessary, will be so reflected. Accordingly, the College will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by the College's personnel, including the preparation of schedules and analyses of accounts, has been discussed and coordinated with you. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

Other Terms of our Engagement

Southeastern Community College hereby indemnifies McGladrey & Pullen, LLP and its partners and employees and holds them harmless from all claims, liabilities, losses and costs arising in circumstances where there has been a known misrepresentation by a member of Southeastern Community College's management, regardless of whether such person was acting in Southeastern Community College's interest. This indemnification will survive termination of this letter.

It is agreed by Southeastern Community College and McGladrey & Pullen, LLP or any successors in interest that no claim arising out of services rendered pursuant to this agreement by or on behalf of Southeastern Community College shall be asserted more than two years after the date of the last audit report issued by McGladrey & Pullen, LLP.

Our fees are based on the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission.

The total fee will not exceed \$63,880, unless the scope of the engagement is changed, the assistance which the College has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. We have estimated our fees assuming we will receive a complete workpaper package at the beginning of the engagement and that we will receive full assistance from you and your accounting staff. Past due workpapers will be considered out-of-scope and billed separately. All other provisions of this letter will survive any fee adjustment.

In the event we are requested or authorized by Southeastern Community College or are required by Southeastern Community College or are required by government regulation, subpoena or other legal process to produce our documents or our personnel as witnesses with respect to our engagements for Southeastern Community College, Southeastern Community College will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The working papers for this engagement are the property of McGladrey & Pullen, LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staffs, and the U.S. Government Accountability Office shall have access to the audit working papers upon their request; and that we shall maintain the working papers for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested workpapers will be provided under the supervision of McGladrey & Pullen, LLP audit personnel and at a location designated by our firm.

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others.

If circumstances arise relating to the conditions of your records, the availability of appropriate audit evidence or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, misappropriation of assets, or noncompliance which in our professional judgment prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawal from the engagement.

We will propose adjusting journal entries and assist in drafting the basic financial statements.

The two overarching principles of the independence standards of the *Government Auditing Standards* issued by the Comptroller General of the United States provide that management is responsible for the substantive outcomes of the works, and therefore, has a responsibility and is able to make any informed judgment on the results of the services described above. Accordingly, the Southeastern Community College agrees to the following:

- Bill Meck, Vice President for Administrative Services will be accountable and responsible for overseeing the adjusting journal entries and preparation of the basic financial statements.
- Southeastern Community College will establish and monitor the performance of the adjusting journal entries and preparation of the basic financial statements to ensure that they meet management's objectives.
- Southeastern Community College will make any decisions that involve management functions related to the adjusting journal entries and preparation of the basic financial statements and accepts full responsibility for such decisions.
- Southeastern Community College will evaluate the adequacy of services performed and any findings that result.

In connection with compliance with the Health Insurance Portability and Accountability Act (HIPAA):

- A. McGladrey & Pullen, LLP agrees not to use or disclose Protected Health Information (as defined in 45 CFR 160.103) other than as permitted or required by this arrangement letter (the "Agreement"); as required by operation of law; or as required by auditing standards or accounting principles.
- B. McGladrey & Pullen, LLP agrees to use appropriate safeguards to prevent use or disclosure of the Protected Health Information other than as provided for by this Agreement. The firm agrees to implement administrative, physical and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of electronic Protected Health Information that it creates, receives, maintains or transmits.
- C. McGladrey & Pullen, LLP agrees to report to Southeastern Community College any use or disclosure of the Protected Health Information not provided for by this Agreement and/or any Security Incident (as defined in 45 CFR 164.304) of which it becomes aware.

- D. McGladrey & Pullen, LLP agrees to ensure that any agent, including a subcontractor, to whom it provides Protected Health Information received from, or created or received by McGladrey & Pullen, LLP on behalf of Southeastern Community College agrees to the same restrictions and conditions that apply through this Agreement to McGladrey & Pullen, LLP with respect to such information. Moreover, the firm agrees to ensure that any such agent or subcontractor to whom it provides electronic Protected Health Information agrees to implement reasonable and appropriate safeguards to protect it.
- E. Southeastern Community College shall not request McGladrey & Pullen, LLP to use or disclose Protected Health Information in any manner that would not be permissible under the Privacy Rule if done by Southeastern Community College.
- F. McGladrey & Pullen, LLP may use and disclose Protected Health Information (a) for the proper management and administration of its business under this contract, (b) to provide Data Aggregation Services relating to the Health Care Operations of Southeastern Community College and (c) to report violations of law to appropriate federal and state authorities, all as provided in the Privacy Rule.
- G. McGladrey & Pullen, LLP agrees to document such disclosures of Protected Health Information made by McGladrey & Pullen, LLP and information related to such disclosures as would be required for Southeastern Community College to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with the Privacy Rule. McGladrey & Pullen, LLP further agrees to provide Southeastern Community College or an individual, upon request, with such information to permit Southeastern Community College to respond to a request by an individual for an accounting of disclosures of Protected Health Information in accordance with 45 CFR Sec. 164.528.
- H. At no time will McGladrey & Pullen, LLP have possession and/or control of Southeastern Community College's patients' 'Designated Record Sets' or any copies thereof. The Protected Health Information created or maintained by McGladrey & Pullen, LLP is not part of the patient's Designated Record Set and is, therefore, not subject to the Privacy Rule's patient access or amendment rights. Consequently, 45 CFR Parts 164.524 and 164.526 and, therefore, 45 CFR Part 164.504(e)(2)(ii) subparts (E) and (F) are not applicable to McGladrey & Pullen, LLP.
- I. McGladrey & Pullen, LLP agrees to make its internal practices, books and records, including policies and procedures and Protected Health Information, relating to the use and disclosures of Protected Health Information received from Southeastern Community College available to Southeastern Community College or the Secretary of the U.S. Department of Health and Human Services or his or her designee promptly for purposes of determining the Southeastern Community College's compliance with the Privacy Regulations.
- J. Term and Termination
 - a. The Term of this Agreement regarding Protected Health Information shall be effective as of April 24, 2009, and shall terminate when all of the Protected Health Information provided by Southeastern Community College to McGladrey & Pullen, LLP, or received by McGladrey & Pullen, LLP on behalf of Southeastern Community College, is destroyed. If it is infeasible to destroy Protected Health Information, protections of this contract are extended to such information, in accordance with the termination provisions in this Section.
 - b. Termination for Cause. Upon Southeastern Community College's knowledge of a material breach by McGladrey & Pullen, LLP, Southeastern Community College shall either:
 - i. Provide an opportunity for McGladrey & Pullen, LLP to cure the breach or end the violation and terminate this agreement if McGladrey & Pullen, LLP does not cure the breach or end the violation within the time specified by Southeastern Community College,

- ii. Immediately terminate this Agreement, if McGladrey & Pullen, LLP has breached a material term of this Agreement and cure is not possible; or
 - iii. If neither termination nor cure are feasible, Southeastern Community College shall report the violation to the Secretary of the Department of Health & Human Services.
- c. Effect of Termination.
- i. Except as provided in paragraph (ii) of this section, upon termination of this Agreement, for any reason, McGladrey & Pullen, LLP shall destroy all Protected Health Information received from Southeastern Community College, or received by McGladrey & Pullen, LLP on behalf of Southeastern Community College in accordance with their audit record retention policy. This provision shall apply to Protected Health Information that is in the possession of subcontractors or agents of McGladrey & Pullen, LLP. McGladrey & Pullen, LLP shall retain no copies of the Protected Health Information beyond their normal retention period as required for their compliance with applicable professional standards.
 - ii. In the event that McGladrey & Pullen, LLP determines that destroying the Protected Health Information is infeasible, we shall provide to Southeastern Community College notification of the conditions that make return or destruction infeasible. Upon any notice that destruction of Protected Health Information is infeasible, McGladrey & Pullen, LLP shall extend the protections of this Agreement to such Protected Health Information and limit further uses and disclosures of such Protected Health Information to those purposes that make destruction infeasible, for so long as McGladrey & Pullen, LLP maintains such Protected Health Information. This letter constitutes the complete and exclusive statement of agreement between McGladrey & Pullen, LLP and Southeastern Community College, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report and applicable letter of comment has been provided to you, for your information.

If this letter defines the arrangements as you understand them, please sign and date the enclosed copy, and return it to us. We appreciate your business.

McGladrey & Pullen, LLP


Michelle Horaney, Director

Confirmed on behalf of Southeastern Community College:



 _____, 2009

Southeastern Community College

Attachment A

	Federal CFDA Number
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007
Federal Family Education Loans	84.032
Federal Work-Study Program (FWS)	84.033
Federal Pell Grant Program	84.063
Student Support Services	84.042A
Talent Search	84.044A
Upward Bound	84.047A
Vocational Education - Carl Perkins	84.048A
Vocational Education - <u>www.nl</u>	84.048A
Tech-Prep Education	84.243A
Adult Education - State Grant Program, Adult Basic Education	84.002
Higher Education - Institutional Aid (Title I)	84.013A
Summer Food Program	10.559
Veterans' Employment Program, DVOP	17.801
Veterans' Employment Program	17.802
Workforce Investment Act (WIA) - Adult Programs	17.258
Workforce Investment Act (WIA) - Youth Activities	17.259
Workforce Investment Act (WIA) - Dislocated Workers	17.260
Temporary Assistance for Needy Families	93.558
Women as Leaders - Open World Russian Leadership Program	42.XXX
Small Business Administration	59.037
Mine Health and Safety Grants	17.600
WIA Incentive Grant - Family Literacy	17.267
Academic Competitiveness Grant (ACG)	84.375
Trade Adjustment Assistance Workers	17.245
New Iowan Center (WIA Pilots, Demonstrations & Research Project)	17.261
Teacher Quality Enhancement Grant (Polycom)	84.336A
Math-in-Career and Technical education Grant	84.243
Title III Grant	84.031A
Workforce Investment Act (WIA) - Adult Programs Stimulus	17.258
Workforce Investment Act (WIA) - Youth Activities Stimulus	17.259
Workforce Investment Act (WIA) - Dislocated workers Stimulus	17.260
Employer Service Program (Wagner Pysere)	17.207
Unemployment Insurance Program	17.225
WIA Community Based Job Training Grant	17.269
Perkins Corrections	84.048A

AP
10/2/09



December 1, 2009

McGladrey & Pullen, LLP
201 North Harrison Street, Suite 300
Davenport, Iowa 52801

In connection with your audit of the basic financial statements of Southeastern Community College as of and for the year ended June 30, 2009, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of December 1, 2009 the following representations made to you during your audit.

1. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America.
2. We have identified for you all organizations that are a part of this reporting entity or with which we have a relationship, as these organizations are defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, that are:
 - a. Component units.
 - b. Other organizations for which the nature and significance of their relationship with Southeastern Community College are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
 - c. Jointly governed organizations in which we participated.
3. We have identified for you all of our identifiable business-type activities.
4. We have properly classified all funds and activities.
5. We are responsible for compliance with laws and regulations applicable to Southeastern Community College including adopting, approving and amending budgets.
6. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts including legal and contractual provisions for reporting specific activities in separate funds.
7. We have made available to you:
 - a. All financial records and related data of all funds and activities, including those of all special funds, programs, departments, projects, activities, etc., in existence at any time during the period covered by your audit.
 - b. All minutes of the meetings of the governing board and committees of board members or summaries of actions of recent meetings for which minutes have not yet been prepared.

- c. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
 - (i) Statutory, regulatory or contractual provisions or requirements.
 - (ii) Financial reporting practices that could have a material effect on the financial statements.
8. We have no knowledge of fraud or suspected fraud affecting the entity involving:
 - a. Management or employees who have significant roles in the internal control.
 - b. Others where the fraud could have a material effect on the financial statements.
9. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting Southeastern Community College received in communications from employees, former employees, analysts, regulators or others.
11. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize and report financial data.
12. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
13. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
14. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Related-party transactions, including those with component units for which Southeastern Community College is accountable as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
 - b. Security agreements in effect under the Uniform Commercial Code.
 - c. The fair value of investments.
 - d. Debt issue provisions.
 - e. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the balance sheet date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets for which events could occur which would significantly disrupt normal finances within the next year.
 - f. Risk financing activities.
 - g. The effect on the financial statements of GASB Statement Nos. 51 and 53 which have been issued, but which we have not yet adopted.

- h. The effect on the financial statements of GASB Statement Nos. 45, 49 and 52 which have been issued and adopted by the College for the year ended June 30, 2009. We believe the standards have been appropriately adopted.
 - i. Deposits and investment securities category of custodial credit risk.
 - j. Restrictions on cash balances.
 - k. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
15. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made.
- a. To reduce receivables to their estimated net collectable amounts.
 - b. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2009 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2009.
 - c. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through June 30, 2009.
16. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
 - d. Guarantees, whether written or oral, under which the College is contingently liable.
 - e. Arrangements with financial institutions involving compensating balances.
 - f. Line of credit or similar arrangements.
 - g. Agreements to repurchase assets previously sold.
 - h. Material contractual obligations for construction and purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
 - i. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - j. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - k. Material leases or material amounts of rental obligations under long-term leases.

- l. Derivative financial instruments.
 - m. Special and extraordinary items.
 - n. Arbitrage rebate liabilities.
 - o. Impairments of capital assets.
 - p. Obsolete, damaged or excess inventories.
 - q. Investments, intangibles, and other assets which have permanently declined in value.
 - r. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
 - s. Material losses to be sustained as a result of purchase commitments.
 - t. Environmental cleanup obligations.
 - u. Authorized but unissued bonds and/or notes.
17. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No.5 and/or GASB Statement No.10.
18. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
19. We have satisfactory title to all owned assets.
20. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
21. Net asset components (invested in capital assets, net of related debt; restricted expendable; restricted nonexpendable; and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
22. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
23. Revenues are appropriately classified.
24. Capital assets, including infrastructure assets, are properly capitalized, reported and depreciated.
25. Required supplementary information is properly measured and presented.
26. We are responsible for and have reviewed and approved the proposed adjustment to the trial balance identified during the audit, which is included in the schedule of posted adjustments and will post the adjustment accordingly. This adjustment is attached as Appendix A.
- In connection with your audit, conducted in accordance with Government Auditing Standards, we confirm:
27. We are responsible for:
- a. Compliance with the laws, regulations and provisions of contracts and grant agreements applicable to Southeastern Community College.
 - b. Establishing and maintaining effective internal control over financial reporting.

28. We have identified and disclosed to you:
 - a. All laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
 - b. There are no violations (and possible violations) of laws, regulations, and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor repository or noncompliance.
29. We have a process to track the status of audit findings and recommendations.
30. We have identified for you previous financial audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
31. We have provided you with our views on your reported findings, conclusions, and recommendations, as well as our planned corrective actions for the report.
32. We have reviewed, approved, and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.

In connection with your audit of federal awards conducted in accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, we confirm:

33. We are responsible for complying, and have complied, with the requirements of Circular A-133.
34. We have identified the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance.
35. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that Southeastern Community College is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
36. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of Southeastern Community College's federal programs and have complied, in all material respects, with those requirements.
37. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
38. We have provided you with our interpretations of any compliance requirements that have varying interpretations.
39. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence that has taken place with federal agencies or pass-through entities related to federal programs.
40. There are no amounts questioned and no known noncompliance with the requirements of federal awards, including those resulting from other audits or program reviews.
41. We have charged costs to federal awards in accordance with applicable cost principles.

42. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
43. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
44. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
45. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
46. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
47. We have accurately completed the appropriate sections of the data collection form.
48. We have disclosed any known noncompliance occurring subsequent to the period for which compliance is audited.
49. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies (including material weaknesses), have occurred subsequent of the date as of which compliance is audited.

No events or transactions, other than those disclosed in the financial statements, have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial statements.

During the course of your audit, you may have accumulated records containing data which should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Southeastern Community College



Beverly S. Simone, President



Bill Meck, Board Treasurer



Annette Peterson, Controller



Gwen Scholer, Student Financial Aid Director

Southeastern Community College

Appendix A

McGladrey & Pullen, LLP
10/22/2009 3:10PM

Southeastern Community College
Journal Entries Report : Adjusting Entries
June 30, 2009

Page: 1
Prepared by: CZ
Reviewed by:

Entry #	Status	Account/Code	Description	Workpaper	Debit	Credit	
AJE 1	Posted	07-00-00-00690-19100	Investment In Plant Sub Fund :	UV-1	6,560.82		
		07-00-00-00690-31200	Investment In Plant Sub Fund :			6,560.82	
		To record asset of land acquired in current year					
TOTALS					6,560.82	6,560.82	