

# **Southeastern Community College**

Financial and Compliance Report  
June 30, 2010

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## Southeastern Community College

### Officials

Name	Title	Term Expires
<b>Board of Trustees:</b>		
Landen Hillyard	Chairperson/President	2013
Moudy Nabulsi	Vice Chairperson/Vice President	2011
David Walker	Member	2013
Janet Fife-LaFrenz	Member	2011
Brian Roth	Member	2011
<b>Area school:</b>		
Beverly Simone	President	
Bill Meck	Board Treasurer	
Sherry Zeller	Secretary	



## 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, 2010, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Southeastern Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southeastern Community College and its discretely presented component unit, as of June 30, 2010, 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 21, 2010 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 21, 2010

## **Southeastern Community College**

### **Management's Discussion and Analysis**

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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, 2010. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

#### **Financial Highlights**

##### **2010:**

- College operating revenues increased 32% or \$7,819,994. The largest areas of change were an increase in federal appropriations (\$6,665,106), which included stabilization monies, and an increase in tuition revenue (\$972,975).
- College net non-operating revenues decreased 20.45% or \$2,771,093 as a result of a decrease in state appropriations (\$2,977,580).
- College operating expenses increased 14.9% or \$5,319,081. The largest areas of change were increases in scholarships and grants (\$2,051,168), employee wages and benefits, including early retirement (\$1,503,492), Iowa Community College Online Consortium (\$540,088), Workforce Investment Act (\$449,571) and auxiliary enterprises (\$338,711).
- The College's net assets increased 11.85% or \$2,560,140. This is the result of the College's continued investment in capital assets (\$1,677,981) and annual revenue exceeding expenditures.

##### **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 primarily 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.

#### **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

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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, 2010 and 2009. 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**

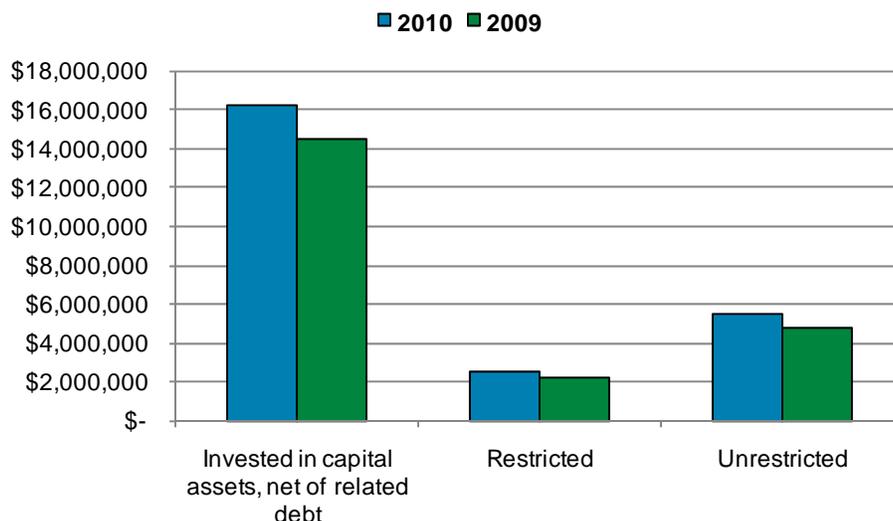
	June 30,	
	2010	2009
Current and other assets	\$ 28,534,286	\$ 24,312,801
Capital assets, net of accumulated depreciation	20,169,819	19,150,752
<b>Total assets</b>	<b>48,704,105</b>	<b>43,463,553</b>
Current liabilities	16,026,035	11,764,634
Noncurrent liabilities	8,518,427	10,099,416
<b>Total liabilities</b>	<b>24,544,462</b>	<b>21,864,050</b>
Net assets:		
Invested in capital assets, net of related debt	16,187,694	14,509,713
Restricted	2,515,602	2,256,480
Unrestricted	5,456,347	4,833,310
<b>Total net assets</b>	<b>\$ 24,159,643</b>	<b>\$ 21,599,503</b>

## Southeastern Community College

### Management's Discussion and Analysis

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#### Comparison of Net Assets



Year Ended June 30, 2010: The largest portion of the College's net assets (67.0%) is 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 (22.6%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

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.

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,	
	2010	2009
Operating revenues:		
Tuition and fees	\$ 6,746,847	\$ 5,773,872
Federal appropriations	17,277,775	10,612,669
Iowa Industrial New Jobs Training Program	753,609	1,015,434
Auxiliary	2,444,956	2,531,949
Gifts, grants and special events	307,427	452,325
Sales and services	640,763	620,904
Miscellaneous	4,238,247	3,582,477
<b>Total operating revenues</b>	<b>32,409,624</b>	<b>24,589,630</b>
 Total operating expenses	 41,089,629	 35,770,548
<b>Operating loss</b>	<b>(8,680,005)</b>	<b>(11,180,918)</b>
 Nonoperating revenues (expenses) and transfers:		
State appropriations	8,113,753	11,091,333
Property taxes	3,189,622	3,010,400
Interest earnings	251,313	224,048
Interest on indebtedness	(294,395)	(291,661)
Transfer to agency fund	(20,148)	(17,400)
<b>Net nonoperating revenues and transfers</b>	<b>11,240,145</b>	<b>14,016,720</b>
 <b>Change in net assets</b>	 2,560,140	 2,835,802
 Net assets:		
Beginning	21,599,503	18,763,701
Ending	<b>\$ 24,159,643</b>	<b>\$ 21,599,503</b>
 Total revenues, operating and nonoperating	 <b>\$ 43,964,312</b>	 <b>\$ 38,915,411</b>
 Total expenses, operating and nonoperating	 <b>\$ 41,404,172</b>	 <b>\$ 36,079,609</b>

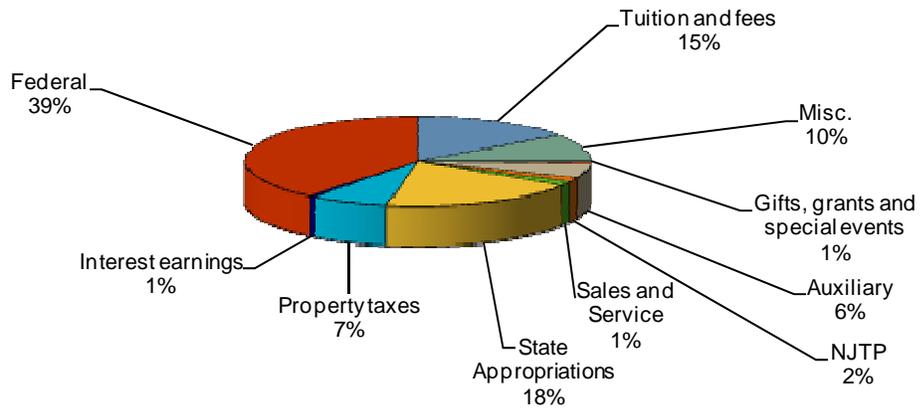
**Southeastern Community College**

**Management's Discussion and Analysis**

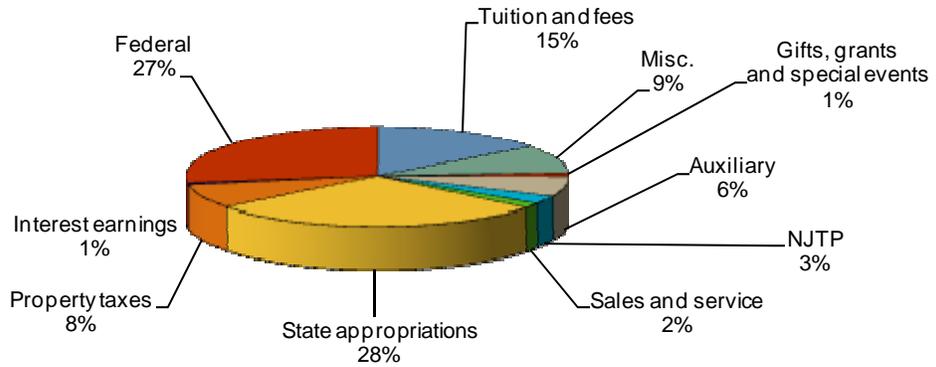
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**Total Revenues by Source**

**2010**



**2009**

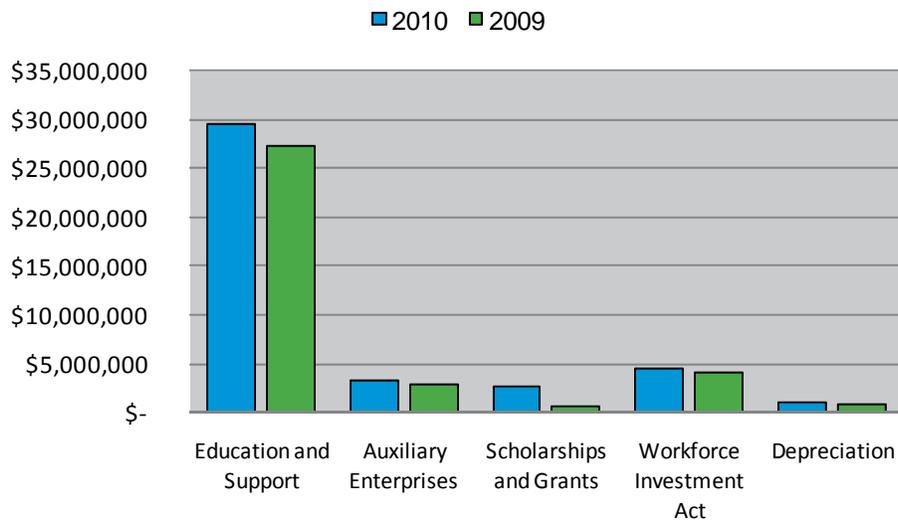


**Southeastern Community College**

**Management's Discussion and Analysis**

***Operating Expenses***

	Year Ended June 30,	
	2010	2009
Education and support:		
Liberal arts and sciences	\$ 5,594,045	\$ 4,904,869
Vocational technical	5,427,972	4,728,860
Adult education	1,866,588	1,964,101
Cooperative services	5,725,325	5,304,949
Administration	1,583,427	1,578,781
Student services	2,590,027	2,770,716
Learning resources	450,178	442,900
Physical plant	2,432,979	2,282,973
General institution	3,929,788	3,249,523
Auxiliary enterprises	3,239,679	2,900,968
Scholarships and grants	2,631,761	580,893
Workforce Investment Act	4,580,371	4,130,800
Depreciation	1,037,489	930,215
<b>Total operating expenses</b>	<b>\$ 41,089,629</b>	<b>\$ 35,770,548</b>



## Southeastern Community College

### Management's Discussion and Analysis

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#### **Debt Service**

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

<b>Outstanding Debt</b>	June 30,	
	2010	2009
General obligation, dormitory revenue and school refunding bonds (Principal)	\$ 3,982,125	\$ 4,641,039
Certificates payable (Principal)	6,155,000	7,175,000
Compensated absences	563,179	577,797
Early retirement payable	1,440,958	689,342
<b>Total debt</b>	<b>\$ 12,141,262</b>	<b>\$ 13,083,178</b>

June 30, 2010: Long-term debt decreased by \$941,917 (7.2%) in 2010. New debt in the amount of \$2,670,000 was issued for general obligation school bonds series 2009 for the purpose of refunding the general obligation school bonds Series 1995. The 1995 bonds remained on the College's books as an accounts payable until the crossover refunding occurred on July 1, 2010.

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.

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,	
	2010	2009
Cash provided by (used in):		
Operating activities	\$ (6,537,596)	\$ (9,815,965)
Noncapital financing activities	10,316,697	15,970,062
Capital and related financing activities	(392,417)	(2,883,424)
Investing activities	(2,311,098)	(4,282,024)
<b>Net increase (decrease) in cash</b>	<b>1,075,586</b>	<b>(1,011,351)</b>
Cash:		
Beginning	2,615,756	3,627,107
Ending	<u>\$ 3,691,342</u>	<u>\$ 2,615,756</u>

Capital Assets: As of June 30, 2010, the college has \$32,831,411 invested in capital assets. Accumulated depreciation of the assets is \$12,661,592. Depreciation charges totaled \$ 1,037,489 for fiscal year 2010. Details of the capital assets are shown below.

#### Capital Assets

	June 30,	
Capital Assets, at Year-End	2010	2009
Land	\$ 858,541	\$ 858,541
Buildings	24,803,009	24,584,178
Other structures and improvements	2,310,525	1,684,811
Furniture and equipment	4,859,336	3,711,657
<b>Totals</b>	<b>\$ 32,831,411</b>	<b>\$ 30,839,187</b>

The major capital expenditures during fiscal year 2010 were related to parking lot improvements, construction of the regional emergency response training center and the purchase of industrial technology program equipment. 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

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#### 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 35.1% of unrestricted general operating fund revenues. While the State Legislature has shown a commitment to community colleges, the state economy is recovering from a recession that caused general aid reductions for fiscal year 2011. The College has been 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 52.6% of the total revenues. While it is a significant amount of revenue, it is difficult to predict and budget, and continued tuition rate increases (5% for fiscal year 2011) create hardships for individuals seeking a college education.
- Property Tax revenue increased \$179,222 and total taxable property values increased for the 2011 levy by \$73,609,581 (2.3%). 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 and slow recovery of the economy, it has become increasingly difficult for area businesses and industries to meet long-term debt obligations for their current 260E projects as well as to issue new debt relating to expanded training needs. This is an area of concern that must be continually monitored by the College.
- Labor Costs continue to increase and represent 78.0% of the unrestricted general operating fund expenditures.
- In 2010 credit student enrollment increased 13.8% (10,429 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, 2010**

<b>Assets</b>	Primary Institution	Component Unit - Foundation
<b>Current Assets:</b>		
Cash and investments	\$ 15,901,646	\$ 3,538,876
Restricted cash and investments	2,615,051	-
Restricted certificates of deposit	204,000	-
<b>Receivables:</b>		
Accounts	388,587	-
Due from other governments	3,175,696	-
Property taxes, succeeding year	3,151,820	-
Other	-	28,296
Inventories	446,458	-
<b>Total current assets</b>	<b>25,883,258</b>	<b>3,567,172</b>
 <b>Noncurrent Assets:</b>		
Receivables, Iowa Industrial New Jobs Training Program	2,514,255	-
Bond discount and issuance costs	136,773	-
<b>Capital assets:</b>		
Land	858,541	-
Buildings	24,803,009	-
Other structures and improvements	2,310,525	-
Furniture and equipment	4,859,336	-
Accumulated depreciation	(12,661,592)	-
<b>Total noncurrent assets</b>	<b>22,820,847</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 48,704,105</b>	<b>\$ 3,567,172</b>

See Notes to Basic Financial Statements.

<b>Liabilities and Net Assets</b>	Primary Institution	Component Unit - Foundation
<b>Current Liabilities:</b>		
Accounts payable	\$ 5,702,618	\$ 503
Salaries and benefits payable	1,138,435	-
<b>Deferred revenue:</b>		
Succeeding year property tax	3,151,820	-
Other	1,608,781	-
Early retirement payable	1,440,958	-
Compensated absences	563,179	-
Deposits held in custody for others	683,251	-
Interest payable	32,445	-
Certificates payable	960,000	-
Bonds payable	744,548	-
<b>Total current liabilities</b>	<b>16,026,035</b>	<b>503</b>
<b>Noncurrent Liabilities:</b>		
Other postemployment benefits	85,850	-
Certificates payable	5,195,000	-
Bonds payable	3,237,577	-
<b>Total noncurrent liabilities</b>	<b>8,518,427</b>	<b>-</b>
<b>Total liabilities</b>	<b>24,544,462</b>	<b>503</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	16,187,694	-
<b>Restricted for:</b>		
Expendable, scholarships and fellowships	-	645,459
Nonexpendable, scholarships and fellowships	-	2,932,501
Nonexpendable, cash reserve	231,408	-
Expendable other restricted purposes	2,284,194	-
Unrestricted	5,456,347	(11,291)
<b>Total net assets</b>	<b>24,159,643</b>	<b>3,566,669</b>
<b>Total liabilities and net assets</b>	<b>\$ 48,704,105</b>	<b>\$ 3,567,172</b>

## Southeastern Community College

### Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2010

	Primary Institution	Component Unit - Foundation
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$4,854,486	\$ 6,746,847	\$ -
Federal appropriations	17,277,775	-
Iowa Industrial New Jobs Training Program	753,609	-
Gifts, grants and special events	307,427	20,984
Contributions	-	130,216
Sales and services	640,763	-
Auxiliary enterprises revenue, net of scholarship allowances of \$1,317,140	2,444,956	-
Miscellaneous	4,238,247	63,600
<b>Total operating revenues</b>	<b>32,409,624</b>	<b>214,800</b>
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,594,045	-
Vocational technical	5,427,972	-
Adult education	1,866,588	-
Cooperative services	5,725,325	-
Administration	1,583,427	-
Student services	2,590,027	-
Learning resources	450,178	-
Physical plant	2,432,979	-
General institution	3,929,788	-
Auxiliary enterprises	3,239,679	-
Scholarships and grants	2,631,761	91,544
Workforce Investment Act and Related	4,580,371	-
Depreciation expense	1,037,489	-
Other	-	76,256
<b>Total operating expenses</b>	<b>41,089,629</b>	<b>167,800</b>
<b>Operating income (loss)</b>	<b>(8,680,005)</b>	<b>47,000</b>
Nonoperating revenues (expenses):		
State appropriations	8,113,753	-
Property taxes	3,189,622	-
Interest earnings	251,313	319,238
Interest on indebtedness	(294,395)	-
<b>Net nonoperating revenues</b>	<b>11,260,293</b>	<b>319,238</b>
Transfers to agency fund	(20,148)	-
<b>Change in net assets</b>	<b>2,560,140</b>	<b>366,238</b>
Net assets:		
Beginning	21,599,503	3,200,431
Ending	<b>\$ 24,159,643</b>	<b>\$ 3,566,669</b>

See Notes to Basic Financial Statements.

**Southeastern Community College**

**Statement of Cash Flows  
Year Ended June 30, 2010**

	Primary Institution	Component Unit - Foundation
Cash Flows from Operating Activities:		
Tuition and fees	\$ 6,586,098	\$ -
Federal appropriations	16,652,720	-
Iowa Industrial New Jobs Training Program	968,312	-
Payments to employees for salaries and benefits	(20,885,710)	-
Payments to suppliers for goods and services	(14,855,639)	(84,347)
Cash received as contributions	-	135,714
Cash paid for scholarships	(2,629,943)	(91,544)
Auxiliary enterprise	2,444,956	-
Other receipts	5,181,610	84,584
<b>Net cash provided by (used in) operating activities</b>	<b>(6,537,596)</b>	<b>44,407</b>
Cash Flows from Noncapital Financing Activities:		
State appropriations	8,113,753	-
Property taxes	3,189,622	-
Principal paid on certificates payable	(1,020,000)	-
Transfers to agency funds	(20,148)	-
Miscellaneous Agency Fund receipts	553,052	-
Miscellaneous Agency Fund disbursements	(499,582)	-
<b>Net cash provided by noncapital financing activities</b>	<b>10,316,697</b>	<b>-</b>
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(2,056,556)	-
Principal paid on notes and bonds payable	(743,914)	-
Proceeds from the issuance of long-term debt	2,670,000	-
Interest paid on long-term debt	(261,947)	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(392,417)</b>	<b>-</b>
Cash Flows from Investing Activities:		
Interest on investments	251,311	109,509
Purchase of investments	(2,562,409)	(431,393)
Proceeds from the sale of investments	-	521,355
<b>Net cash provided by (used in) investing activities</b>	<b>(2,311,098)</b>	<b>199,471</b>
<b>Net increase in cash</b>	<b>1,075,586</b>	<b>243,878</b>
Cash:		
Beginning	2,615,756	317,810
Ending	<b>\$ 3,691,342</b>	<b>\$ 561,688</b>

(Continued)

**Southeastern Community College**

**Statement of Cash Flows (Continued)**  
**Year Ended June 30, 2010**

	Primary Institution	Component Unit - Foundation
Reconciliation of operating (loss) to net cash (used in) operating activities:		
Operating income (loss)	\$ (8,680,005)	\$ 47,000
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,037,489	-
Amortization	(2,111)	-
Changes in assets and liabilities:		
(Increase) in due from other governments	(625,055)	-
(Increase) decrease in other receivables	(4,827)	5,498
(Increase) in inventories	(39,076)	-
Decrease in due from Iowa Industrial New Jobs Training Program	214,703	-
Increase (decrease) in accounts payable	1,085,180	(8,091)
(Decrease) in salaries and benefits payable	(56,905)	-
(Decrease) in other deferred revenue	(160,749)	-
(Decrease) in deposits	(81,799)	-
(Decrease) in compensated absences	(14,618)	-
Increase in early retirement payable	751,616	-
Increase in other postemployment benefits	38,561	-
<b>Total adjustments</b>	<b>2,142,409</b>	<b>(2,593)</b>
<b>Net cash (used in) operating activities</b>	<b>\$ (6,537,596)</b>	<b>\$ 44,407</b>

See Notes to Basic Financial Statements.

## **Southeastern Community College**

### **Notes to Basic Financial Statements**

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#### **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

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#### 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.

Cash and 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, 2010, 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

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#### 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, 2010.

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

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#### 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 book 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. The amount of debt equal to unspent bond proceeds is also not included. Restricted net assets represent the amounts restricted for specific purposes as required 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 net assets may be used by the College for their designated purpose. Unexpendable funds may not be used. All remaining net assets are unrestricted, but may be designated for specific purposes by the Board of Trustees. 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, 2010, the College's cash and investments consist of the following:

Cash	\$ 3,691,342
Certificates of deposit	5,500,000
Investments	9,325,355
	<u>18,516,697</u>
Restricted certificates of deposit	204,000
	<u>\$ 18,720,697</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	\$ 6,710,304	\$ 6,710,304	\$ -	\$ -	\$ -
U.S. Treasury Note	2,615,051	2,615,051	-	-	-

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

As of June 30, 2010, the College's investments were rated as follows:

Investment Type	Moody's Investor Services
Iowa Schools Joint Investment Trust	Aaa

## Southeastern Community College

### Notes to Basic Financial Statements

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#### Note 2. Cash 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. Investments explicitly guaranteed by the U.S. government, money market funds and mutual funds are excluded from this consideration.

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, 2010, the carrying amount of the College's deposits, excluding \$2,225 of petty cash, totaled \$9,393,118 with a bank balance of \$9,612,282. The College's deposits as of June 30, 2010 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 and a U.S. Treasury note, which are not subject to risk categorization.

As of June 30, 2010, the College's Foundation cash balance and investments by category of risk were as follows:

Cash, insured by FDIC	\$	250,000
Cash, not covered through FDIC or collateralized		311,688
Investments, debt securities, not collateralized		1,764,592
Investment, beneficial interest in perpetual trusts and investment in land, not categorized		1,059,486
Real estate, at cost		150,000
Artwork, at cost		3,110
		<u>\$ 3,538,876</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, 2010 is as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated, land	\$ 858,541	\$ -	\$ -	\$ 858,541
Capital assets being depreciated:				
Buildings	24,584,178	218,831	-	24,803,009
Other structures and improvements	1,684,811	625,714	-	2,310,525
Furniture and equipment	3,711,657	1,212,011	64,332	4,859,336
<b>Total capital assets being depreciated</b>	<b>29,980,646</b>	<b>2,056,556</b>	<b>64,332</b>	<b>31,972,870</b>
Less accumulated depreciation for:				
Buildings	7,884,891	493,728	-	8,378,619
Other structures and improvements	909,031	59,904	-	968,935
Furniture and equipment	2,894,513	483,857	64,332	3,314,038
<b>Total accumulated depreciation</b>	<b>11,688,435</b>	<b>1,037,489</b>	<b>64,332</b>	<b>12,661,592</b>
<b>Total capital assets being depreciated, net</b>	<b>18,292,211</b>	<b>1,019,067</b>	<b>-</b>	<b>19,311,278</b>
<b>Total capital assets, net</b>	<b>\$ 19,150,752</b>	<b>\$ 1,019,067</b>	<b>\$ -</b>	<b>\$ 20,169,819</b>

## 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, 2010 is as follows:

	Balance June 30, 2009	Additions	Payments	Reclassification	Balance June 30, 2010	Amounts Due Within One Year
Certificates payable (A)	\$ 7,175,000	\$ -	\$ 1,020,000	\$ -	\$ 6,155,000	\$ 960,000
General obligation school bonds, Series 1995 (B)	2,820,000	-	235,000	2,585,000	-	-
Dormitory revenue bonds, Series 2000 (C)	1,406,039	-	93,914	-	1,312,125	99,548
School refunding bonds, Series 2003 (D)	415,000	-	415,000	-	-	-
General obligation school bonds, Series 2009 (E)	-	2,670,000	-	-	2,670,000	645,000
Compensated absences	577,797	563,179	577,797	-	563,179	563,179
Early retirement payable	689,342	997,264	245,648	-	1,440,958	1,440,958
<b>Total long-term debt</b>	<b>\$ 13,083,178</b>	<b>\$ 4,230,443</b>	<b>\$ 2,587,359</b>	<b>\$ 2,585,000</b>	<b>\$ 12,141,262</b>	<b>\$ 3,708,685</b>

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

- (A) The College has certificates payable with a June 30, 2010 outstanding balance of \$6,155,000, 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
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	720,000	138,595	858,595
2016 - 2018	1,905,000	193,010	2,098,010
	<b>\$ 6,155,000</b>	<b>\$ 1,317,339</b>	<b>\$ 7,472,339</b>

## Southeastern Community College

### Notes to Basic Financial Statements

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#### 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 bond proceeds were used for the acquisition of equipment and various construction projects. The amount due on July 1, 2010 was reclassified to accounts payable.
- (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 was paid-in-full during 2010.
- (E) General obligation refunding bonds, Series 2009 rates ranging from 1.25% to 2.35%. Interest is due semiannually and principal is due in varying amounts through 2014. The bond proceeds were used for the purpose of the crossover advance refunding of a portion of the Southeastern Community College School Bonds, Series 1995.

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

The debt service requirements on the bonds are as follows:

	Principal	Interest	Total
Year ending June 30:			
2011	\$ 744,548	\$ 127,395	\$ 871,943
2012	765,521	113,360	878,881
2013	786,853	96,138	882,991
2014	808,564	75,927	884,491
2015	125,678	52,598	178,276
2016-2020	750,961	140,417	891,378
	<u>\$ 3,982,125</u>	<u>\$ 605,835</u>	<u>\$ 4,587,960</u>

As of June 30, 2010, \$204,000 is on deposit in a debt service reserve account for the dormitory revenue bonds and included in restricted certificates of deposit 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 4.3% and the College is required to contribute 6.65%. The contribution paid by the College for the year ended June 30, 2010 totaled \$416,710 and the contribution paid by employees totaled \$269,449.

## **Southeastern Community College**

### **Notes to Basic Financial Statements**

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#### **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 4.30% of their annual covered salary and the College is required to contribute 6.65% of annual payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$533,888, \$492,496 and \$443,178, 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, 2010 were \$514,877.

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 \$300,000 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 \$100,000,000 for boiler and machinery, \$1,000,000 for crime, \$1,000,000 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, 2010, 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

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#### **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 22 currently receiving project funding. Of the remaining 58 projects, 5 have been completed with only the repayment of the certificates left and 53 have been completed and the certificates have been repaid (5 of the 53 certificates were repaid during the year).

#### **Note 9. Early Retirement**

The College had an Early Retirement Incentive Plan (ERIP) which expired on December 3, 2009.

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

An employee approved for participation in the program would have received the following incentives:

1. Early Retirement Incentive lump-sum cash severance amount of 50% of the final contract salary up to \$30,000.
2. The cost of 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 \$548,239.

The current year cost to the College was \$997,264, including ten participants in the health insurance plan. The liability for the participation in the health plan is \$892,719 and will be paid over the next 10 years. The liability was calculated using the College's share of health premiums to estimate costs and was discounted at 0.17%.

An early retirement plan has been approved for fiscal year 2011.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### 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 \$120,918 during the year ended June 30, 2010, for supplies, maintenance expense, support and scholarship tuition reimbursements. The Foundation owes accounts payable of \$503 to the College as of June 30, 2010. The Foundation received \$23,216 in contributions from Southeastern Community College employee payroll withholdings and \$9,939 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	\$	324,080
Trust agency accounts, fair market value		1,910,195

The Foundation paid \$7,616 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 55 and have worked for the College for the most recent 10 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	<u>273,542</u>
Increase in net OPEB obligation	38,559
Net OPEB obligation - July 1, 2009	<u>47,291</u>
Net OPEB obligation - June 30, 2010	<u><u>\$ 85,850</u></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 2010 follows.

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 312,101	87.65%	\$ 85,850

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

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#### 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 College implemented the following Governmental Accounting Standards Board (GASB) Statements during the year:

- GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new Statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This Statement provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. This Statement had no effect to the College.
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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. This Statement had no effect on the College.

The College implemented the following Governmental Accounting Standards Board (GASB) Statement during the year ended June 30, 2009:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other Than Pensions*. This Statement established standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities of assets, note disclosures, and of applicable required supplementary information in the financial reports.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### **Note 12. New and Pending Pronouncements (Continued)**

As of June 30, 2010, the GASB issued the following statement not yet implemented by the College. This Statement may impact the College as follows:

- GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the College beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investment and for External Investment Pools*. The College's management has not yet determined the effect this Statement will have on the College's financial statements.

#### **Note 13. Subsequent Event**

Subsequent to June 30, 2010, the College entered into a contract for approximately \$850,000 to complete a 5,400 square foot expansion to an existing facility for College programs.

**Southeastern Community College**

**Required Supplementary Information  
Postretirement Medical Benefit Plan  
Schedule of Funding Progress  
Year Ended June 30, 2010**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b - a) Unfunded AAL	(a/b) 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, 2010**

Funds/Levy	Original Budget	Actual	Variance Between Actual and Amended Budget
Total unrestricted current fund expenditures		\$ 21,358,076	
Total restricted current fund expenditures		25,769,856	
Less:			
Auxiliary enterprise expenditures		3,239,679	
Workforce Investment Act expenditures		4,580,371	
Temporary Assistance for Needy Families		427,869	
Scholarships and grants		<u>8,486,992</u>	
Current funds	\$ 31,942,952	30,393,021	\$ 1,549,931
Plant, bonds and interest	2,931,764	2,152,141	779,623
<b>Total</b>	<u>\$ 34,874,716</u>	<u>\$ 32,545,162</u>	<u>\$ 2,329,554</u>

See Note to Required Supplementary Information.

**Southeastern Community College**

**Note to Required Supplementary Information  
Budgetary Reporting  
Year Ended June 30, 2010**

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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, 2010**

<b>Assets</b>	<b>Current Funds</b>	
	<b>Unrestricted</b>	<b>Restricted</b>
<b>Current Assets:</b>		
Cash and investments	\$ 11,472,741	\$ 4,428,905
Restricted cash and investments	-	-
Restricted certificates of deposit	-	-
Receivables:		
Accounts	320,301	65,142
Due from other governments	3,175,696	-
Property taxes, succeeding year	621,626	1,247,029
Due from other funds	-	4,195,946
Inventories	446,458	-
<b>Total current assets</b>	<b>16,036,822</b>	<b>9,937,022</b>
<b>Noncurrent Assets:</b>		
Receivables, Iowa Industrial New Jobs Training Program	-	2,514,255
Bond discount and issuance costs	-	93,509
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>2,607,764</b>
<b>Total assets</b>	<b>\$ 16,036,822</b>	<b>\$ 12,544,786</b>

See Note to Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ 15,901,646
2,615,051	-	-	2,615,051
204,000	-	-	204,000
3,144	-	-	388,587
-	-	-	3,175,696
1,283,165	-	-	3,151,820
2,200,840	437,123	(6,833,909)	-
-	-	-	446,458
<u>6,306,200</u>	<u>437,123</u>	<u>(6,833,909)</u>	<u>25,883,258</u>
-	-	-	2,514,255
43,264	-	-	136,773
858,541	-	-	858,541
24,803,009	-	-	24,803,009
2,310,525	-	-	2,310,525
4,859,336	-	-	4,859,336
-	-	(12,661,592)	(12,661,592)
<u>32,874,675</u>	<u>-</u>	<u>(12,661,592)</u>	<u>22,820,847</u>
<u>\$ 39,180,875</u>	<u>\$ 437,123</u>	<u>\$ (19,495,501)</u>	<u>\$ 48,704,105</u>

**Southeastern Community College**

**Balance Sheet  
June 30, 2010**

<b>Liabilities and Fund Balances</b>	Current Funds	
	Unrestricted	Restricted
Current Liabilities:		
Accounts payable	\$ 3,117,618	\$ -
Salaries and benefits payable	1,138,435	-
Due to other funds	6,833,909	-
Deferred revenue:		
Succeeding year property tax	621,626	1,247,029
Other	636,357	972,424
Early retirement payable	-	1,440,958
Compensated absences	372,534	86,324
Deposits held in custody for others	19,000	331,449
Interest payable	-	-
Certificates payable	-	960,000
Bonds payable	-	-
<b>Total current liabilities</b>	<b>12,739,479</b>	<b>5,038,184</b>
Noncurrent Liabilities:		
Other postemployment benefits	-	-
Certificates payable	-	5,195,000
Bonds payable	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>5,195,000</b>
<b>Total liabilities</b>	<b>12,739,479</b>	<b>10,233,184</b>
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted for:		
Nonexpendable cash reserve	-	231,408
Expendable other restricted purposes	-	2,080,194
Unrestricted	3,297,343	-
<b>Total fund balances</b>	<b>3,297,343</b>	<b>2,311,602</b>
<b>Total fund balances and liabilities</b>	<b>\$ 16,036,822</b>	<b>\$ 12,544,786</b>

See Note to Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ 2,585,000	\$ -	\$ -	\$ 5,702,618
-	-	-	1,138,435
-	-	(6,833,909)	-
1,283,165	-	-	3,151,820
-	-	-	1,608,781
-	-	-	1,440,958
-	104,321	-	563,179
-	332,802	-	683,251
32,445	-	-	32,445
-	-	-	960,000
744,548	-	-	744,548
<u>4,645,158</u>	<u>437,123</u>	<u>(6,833,909)</u>	<u>16,026,035</u>
-	-	85,850	85,850
-	-	-	5,195,000
<u>3,237,577</u>	<u>-</u>	<u>-</u>	<u>3,237,577</u>
<u>3,237,577</u>	<u>-</u>	<u>85,850</u>	<u>8,518,427</u>
<u>7,882,735</u>	<u>437,123</u>	<u>(6,748,059)</u>	<u>24,544,462</u>
28,849,286	-	(12,661,592)	16,187,694
-	-	-	231,408
204,000	-	-	2,284,194
2,244,854	-	(85,850)	5,456,347
<u>31,298,140</u>	<u>-</u>	<u>(12,747,442)</u>	<u>24,159,643</u>
<u>\$ 39,180,875</u>	<u>\$ 437,123</u>	<u>\$ (19,495,501)</u>	<u>\$ 48,704,105</u>

**Southeastern Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2010**

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
Tuition and fees	\$ 10,008,563	\$ 1,592,770
Property taxes	637,815	1,085,635
State appropriations	6,683,620	1,430,133
Federal appropriations	1,158,405	16,119,370
Gifts, grants and special events	-	307,427
Sales and services	265,355	267,684
Interest	144,414	90,234
Iowa Industrial New Jobs Training Program	-	753,609
Miscellaneous	145,448	4,047,885
Increase in plant investment due to retirement of debt	-	-
Increase in plant investment due to plant expenditures	-	-
	<u>19,043,620</u>	<u>25,694,747</u>
Auxiliary enterprises:		
Sales and services	3,539,262	-
Federal appropriations	12,969	-
Miscellaneous	209,865	-
	<u>3,762,096</u>	<u>-</u>
<b>Total revenues</b>	<u>22,805,716</u>	<u>25,694,747</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	4,126,810	1,486,066
Vocational technical	4,197,426	2,204,782
Adult education	1,076,530	900,755
Cooperative services	884,744	4,850,811
Administration	1,364,527	280,592
Student services	1,860,891	782,610
Learning resources	451,327	-
Physical plant	1,775,973	399,601
General institution	2,380,169	1,797,276
<b>Total education and support</b>	<u>18,118,397</u>	<u>12,702,493</u>
Auxiliary enterprises	3,239,679	-
Scholarships and grants	-	8,486,992
Workforce Investment Act and Related	-	4,580,371
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Interest on indebtedness	-	-
Depreciation	-	-
Disposal of plant assets	-	-
<b>Total expenditures</b>	<u>21,358,076</u>	<u>25,769,856</u>
<b>Excess (deficiency) of revenues over expenditures</b>	1,447,640	(75,109)
Non-mandatory transfers among funds	(1,050,834)	334,231
<b>Net increase (decrease) in fund balances</b>	<u>396,806</u>	<u>259,122</u>
Fund balances, beginning of year	2,900,537	2,052,480
Fund balances, end of year	<u>\$ 3,297,343</u>	<u>\$ 2,311,602</u>

See Note to Supplementary Information.

Loan Funds	Plant Funds			Adjustment	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ -	\$ -	\$ -	\$ (4,854,486)	\$ 6,746,847
-	637,815	828,357	-	-	3,189,622
-	-	-	-	-	8,113,753
-	-	-	-	-	17,277,775
-	-	-	-	-	307,427
-	107,724	-	-	-	640,763
-	9,698	6,967	-	-	251,313
-	-	-	-	-	753,609
-	44,914	-	-	-	4,238,247
-	-	-	743,914	(743,914)	-
-	-	-	2,056,557	(2,056,557)	-
-	800,151	835,324	2,800,471	(7,654,957)	41,519,356
-	-	-	-	(1,317,140)	2,222,122
-	-	-	-	-	12,969
-	-	-	-	-	209,865
-	-	-	-	(1,317,140)	2,444,956
-	800,151	835,324	2,800,471	(8,972,097)	43,964,312
-	-	-	-	(18,831)	5,594,045
-	-	-	-	(974,236)	5,427,972
-	-	-	-	(110,697)	1,866,588
-	-	-	-	(10,230)	5,725,325
-	-	-	-	(61,692)	1,583,427
-	-	-	-	(53,474)	2,590,027
-	-	-	-	(1,149)	450,178
-	217,992	37,434	-	1,979	2,432,979
-	-	-	-	(247,657)	3,929,788
-	217,992	37,434	-	(1,475,987)	29,600,329
-	-	-	-	-	3,239,679
-	-	-	-	(5,855,231)	2,631,761
-	-	-	-	-	4,580,371
-	858,406	-	-	(858,406)	-
-	-	743,914	-	(743,914)	-
-	-	294,395	-	-	294,395
-	-	-	-	1,037,489	1,037,489
-	-	-	64,332	(64,332)	-
-	1,076,398	1,075,743	64,332	(7,960,381)	41,384,024
-	(276,247)	(240,419)	2,736,139	(1,011,716)	2,580,288
-	588,300	108,155	-	-	(20,148)
-	312,053	(132,264)	2,736,139	(1,011,716)	2,560,140
-	1,649,111	619,954	26,113,147	(11,735,726)	21,599,503
\$ -	\$ 1,961,164	\$ 487,690	\$ 28,849,286	\$ (12,747,442)	\$ 24,159,643

**Southeastern Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Unrestricted Current Funds - Education and Support  
Year Ended June 30, 2010**

	Education			
	Liberal Arts and Science	Vocational Technical	Adult Education	Cooperative Services
<b>Revenues:</b>				
Tuition and fees	\$ 5,646,623	\$ 2,617,067	\$ 908,374	\$ 834,299
Property taxes	-	-	-	-
State appropriations	3,351,326	2,497,067	739,823	-
Federal appropriations	-	121,057	4,445	-
Sales and services	-	-	26,886	-
Interest	-	-	-	-
Miscellaneous	2,404	95,242	18,459	6,045
	<u>9,000,353</u>	<u>5,330,433</u>	<u>1,697,987</u>	<u>840,344</u>
<b>Allocation of support services</b>				
revenue	1,100,743	738,230	335,530	-
<b>Total revenues</b>	<u>10,101,096</u>	<u>6,068,663</u>	<u>2,033,517</u>	<u>840,344</u>
<b>Expenditures:</b>				
Salaries and benefits	4,051,659	3,587,472	699,882	460,029
Services	33,908	229,721	166,067	382,276
Materials and supplies	35,551	143,752	123,395	31,304
Travel	5,692	13,935	21,618	9,869
Expended for plant assets	-	222,546	65,568	-
Scholarships	-	-	-	-
Miscellaneous	-	-	-	1,266
	<u>4,126,810</u>	<u>4,197,426</u>	<u>1,076,530</u>	<u>884,744</u>
<b>Allocation of support</b>				
services expenditures	3,965,033	2,659,212	1,208,642	-
<b>Total expenditures</b>	<u>8,091,843</u>	<u>6,856,638</u>	<u>2,285,172</u>	<u>884,744</u>
<b>Excess (deficiency) of</b>				
<b>revenues over</b>				
<b>expenditures</b>				
	2,009,253	(787,975)	(251,655)	(44,400)
<b>Non-mandatory transfers</b>				
	-	-	20,416	-
<b>Net increase (decrease)</b>				
<b>in fund balances (deficit)</b>				
	<u>\$ 2,009,253</u>	<u>\$ (787,975)</u>	<u>\$ (231,239)</u>	<u>\$ (44,400)</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
\$ 2,200	\$ -	\$ -	\$ -	\$ -	\$	10,008,563
637,815	-	-	-	-		637,815
36,219	-	59,185	-	-		6,683,620
1,020,444	12,459	-	-	-		1,158,405
110,324	8,647	2,365	25,193	91,940		265,355
144,414	-	-	-	-		144,414
8,130	331	241	11,753	2,843		145,448
<u>1,959,546</u>	<u>21,437</u>	<u>61,791</u>	<u>36,946</u>	<u>94,783</u>		<u>19,043,620</u>
(1,959,546)	(21,437)	(61,791)	(36,946)	(94,783)		-
-	-	-	-	-		<u>19,043,620</u>
1,120,254	1,487,682	357,131	983,440	1,378,428		14,125,977
193,601	62,597	1,084	644,657	522,453		2,236,364
24,369	38,443	92,364	147,691	214,481		851,350
25,593	18,094	748	185	27,200		122,934
-	-	-	-	102,577		390,691
-	254,075	-	-	-		254,075
710	-	-	-	135,030		137,006
<u>1,364,527</u>	<u>1,860,891</u>	<u>451,327</u>	<u>1,775,973</u>	<u>2,380,169</u>		<u>18,118,397</u>
(1,364,527)	(1,860,891)	(451,327)	(1,775,973)	(2,380,169)		-
-	-	-	-	-		<u>18,118,397</u>
-	-	-	-	-		925,223
-	-	-	-	(871,250)		(850,834)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (871,250)</u>		<u>74,389</u>
						<u>1,752,365</u>
						<u>\$ 1,826,754</u>

**Southeastern Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Unrestricted Current Funds - Auxiliary Enterprises  
Year Ended June 30, 2010**

	Bookstore	Food Services
Revenues:		
Sales and services	\$ 2,563,311	\$ 268,455
Federal appropriations	7,588	5,381
Miscellaneous	-	1,984
<b>Total revenues</b>	<b>2,570,899</b>	<b>275,820</b>
Expenditures:		
Salaries and benefits	165,497	20,588
Services	12,272	196,523
Materials and supplies	7,403	2,569
Cost of goods sold	2,080,578	24,899
Travel	573	-
Expended for plant assets	-	-
Miscellaneous	6,805	-
<b>Total expenditures</b>	<b>2,273,128</b>	<b>244,579</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>297,771</b>	<b>31,241</b>
Non-mandatory transfers	(91,772)	-
<b>Net increase (decrease) in fund balances</b>	<b>205,999</b>	<b>31,241</b>
Fund balance:		
Beginning	522,511	190,279
Ending	<b>\$ 728,510</b>	<b>\$ 221,520</b>

See Note to Supplementary Information.

Shop Sales	Printing Services	Dormitories	Athletics	Other	Total
\$ 26,005	\$ 187,234	\$ 274,675	\$ 118,990	\$ 100,592	\$ 3,539,262
-	-	-	-	-	12,969
-	-	4,015	203,866	-	209,865
26,005	187,234	278,690	322,856	100,592	3,762,096
-	121,586	11,685	7,318	3,163	329,837
-	23,239	74,173	47,033	25,000	378,240
-	8,032	22,669	96,555	53,517	190,745
20,477	41,157	-	-	-	2,167,111
-	-	-	129,926	-	130,499
-	-	-	-	-	-
-	-	2,646	33,796	-	43,247
20,477	194,014	111,173	314,628	81,680	3,239,679
5,528	(6,780)	167,517	8,228	18,912	522,417
-	-	(100,000)	(8,228)	-	(200,000)
5,528	(6,780)	67,517	-	18,912	322,417
57,077	92,787	84,550	-	200,968	1,148,172
\$ 62,605	\$ 86,007	\$ 152,067	\$ -	\$ 219,880	\$ 1,470,589

**Southeastern Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Restricted Current Funds  
Year Ended June 30, 2010**

	Scholarships and Grants	Equipment Replacement	Early Retirement	Insurance
<b>Revenues:</b>				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Property taxes	-	280,592	230,481	574,562
State appropriations	215,453	-	-	-
Federal appropriations	7,974,654	-	-	-
Gifts, grants and special events	296,885	-	-	-
Sales and services	-	-	-	-
Interest	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>8,486,992</b>	<b>280,592</b>	<b>230,481</b>	<b>574,562</b>
<b>Expenditures:</b>				
Salaries and benefits	-	-	997,264	44,840
Services	-	-	-	533,291
Materials and supplies	-	227,240	-	-
Travel	-	-	-	-
Expended for plant assets	-	53,352	-	-
Interest on indebtedness	-	-	-	-
Federal Pell Grant Program	7,839,722	-	-	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	74,000	-	-	-
Other miscellaneous scholarships	573,270	-	-	-
Other	-	-	-	-
<b>Total expenditures</b>	<b>8,486,992</b>	<b>280,592</b>	<b>997,264</b>	<b>578,131</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>(766,783)</b>	<b>(3,569)</b>
Non-mandatory transfers	-	-	45,000	-
<b>Net increase (decrease) in fund balances (deficit)</b>	<b>-</b>	<b>-</b>	<b>(721,783)</b>	<b>(3,569)</b>
<b>Fund balance (deficit):</b>				
Beginning	-	-	(415,416)	(17,883)
Ending	\$ -	\$ -	\$ (1,137,199)	\$ (21,452)

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
\$ -	\$ -	\$ -	\$ -	\$ 1,592,770	\$ -	\$ 1,592,770
-	-	-	-	-	-	1,085,635
-	58,683	1,349	-	1,154,648	-	1,430,133
-	4,512,180	426,520	-	3,206,016	-	16,119,370
-	-	-	-	10,542	-	307,427
-	9,510	-	-	258,174	-	267,684
-	-	-	-	90,234	-	90,234
-	-	-	753,609	-	-	753,609
-	-	-	-	4,047,885	-	4,047,885
-	4,580,373	427,869	753,609	10,360,269	-	25,694,747
14,610	2,535,756	331,813	-	3,233,607	-	7,157,890
-	1,581,597	34,452	412,177	4,820,191	-	7,381,708
-	149,997	21,451	-	435,581	-	834,269
-	181,855	5,003	-	155,334	-	342,192
-	-	-	-	754,108	-	807,460
-	-	-	373,029	-	-	373,029
-	-	-	-	-	-	7,839,722
-	-	-	-	-	-	74,000
-	-	-	-	111,898	-	685,168
-	131,168	35,150	-	108,100	-	274,418
14,610	4,580,373	427,869	785,206	9,618,819	-	25,769,856
(14,610)	-	-	(31,597)	741,450	-	(75,109)
-	-	-	31,597	257,634	-	334,231
(14,610)	-	-	-	999,084	-	259,122
63,859	-	-	-	2,190,512	231,408	2,052,480
\$ 49,249	\$ -	\$ -	\$ -	\$ 3,189,596	\$ 231,408	\$ 2,311,602

**Southeastern Community College**

**Schedule of Changes in Deposits Held in Custody for Others -  
Agency Funds  
Year Ended June 30, 2010**

	Retraining 260F	Student Organizations and Other	Total
Balance, beginning of year	\$ 156,160	\$ 123,172	\$ 279,332
Receipts and other additions:			
Fees	-	65,945	65,945
State support	120,276	-	120,276
Federal support	-	-	-
Sales and services	-	94,563	94,563
Transfers	-	20,000	20,000
Other	-	252,268	252,268
	<u>120,276</u>	<u>432,776</u>	<u>553,052</u>
Disbursements and other deductions:			
Salaries and benefits	-	177,865	177,865
Services	129,864	41,106	170,970
Materials and supplies	-	87,472	87,472
Travel	-	56,672	56,672
Other	-	6,603	6,603
	<u>129,864</u>	<u>369,718</u>	<u>499,582</u>
Balance, end of year	<u>\$ 146,572</u>	<u>\$ 186,230</u>	<u>\$ 332,802</u>

See Note to Supplementary Information.

## Southeastern Community College

### Note to Supplementary Information Year Ended June 30, 2010

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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, 2010**

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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, 2010**

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	56,756	-	56,756	1,128,281	-	1,128,281
Vocational preparatory	29,489	-	29,489	756,700	-	756,700
Adult/continuing education	-	-	-	222,512	121,416 *	343,928
Related services and activities	-	-	-	-	-	-
	<u>86,245</u>	<u>-</u>	<u>86,245</u>	<u>2,107,493</u>	<u>121,416</u>	<u>2,228,909</u>

\*Includes 240 hour adjustment of 6,360 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
2010:						
Total contact hours	1,128,281	756,700	343,928	-	-	2,228,909
Total credit hours	56,756	29,489	-	-	-	86,245
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

**Southeastern Community College**

**Comparison of Taxes and Intergovernmental Revenues  
Last Four Years**

	Year Ended June 30,			
	2010	2009	2008	2007
Local (property tax)	\$ 3,189,622	\$ 3,010,400	\$ 2,929,374	\$ 2,899,733
State	8,113,753	11,091,333	9,335,613	9,135,660
Federal	17,277,775	10,612,669	8,904,406	7,786,163
	<b>\$ 28,581,150</b>	<b>\$ 24,714,402</b>	<b>\$ 21,169,393</b>	<b>\$ 19,821,556</b>

**Southeastern Community College**

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

	Year Ended June 30,			
	2010	2009	2008	2007
State appropriations	\$ 8,113,753	\$ 9,601,430	\$ 9,115,730	\$ 8,276,936
Tuition and fees	11,601,333	10,078,583	9,579,850	9,286,936
Property tax	1,723,450	1,566,028	1,504,318	1,489,779
Federal appropriations	17,277,775	10,612,669	8,904,406	7,786,163
Interest earnings	234,648	184,139	273,362	279,687
Iowa Industrial New Jobs Training Program	753,609	1,015,434	2,502,745	471,937
Auxiliary enterprises	3,762,096	3,297,474	3,140,521	2,955,670
Miscellaneous	5,033,799	4,518,325	4,207,230	3,812,651
	<b>\$ 48,500,463</b>	<b>\$ 40,874,082</b>	<b>\$ 39,228,162</b>	<b>\$ 34,359,759</b>

**Southeastern Community College**

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

	Year Ended June 30,			
	2010	2009	2008	2007
Liberal arts and sciences	\$ 5,612,876	\$ 4,932,698	\$ 4,748,850	\$ 4,307,439
Vocational technical	6,402,208	4,947,382	4,601,181	4,174,372
Adult education	1,977,285	2,008,678	1,963,972	2,036,308
Cooperative services	5,735,555	5,314,480	6,151,410	4,295,150
Administration	1,645,119	1,596,705	1,581,155	1,467,948
Student services	2,643,501	2,834,422	2,523,385	2,362,246
Learning resources	451,327	443,177	426,644	400,773
Physical plant	2,175,574	2,133,977	1,992,399	1,976,755
General institution	4,177,445	3,454,089	3,353,569	3,232,189
Auxiliary enterprises	3,239,679	2,900,968	2,794,468	2,534,156
Scholarships and grants	8,486,992	5,385,114	4,621,665	4,010,338
Workforce Investment Act	4,580,371	4,130,800	3,200,373	2,439,045
	<b>\$ 47,127,932</b>	<b>\$ 40,082,490</b>	<b>\$ 37,959,071</b>	<b>\$ 33,236,719</b>

**Southeastern Community College**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2010**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
<b>U.S. Department of Education:</b>				
Direct Programs:				
Student Financial Assistance:				
Federal Supplemental Educational Opportunity Grants (FSEOG)				
	84.007	N/A	\$ 76,838	\$ -
Federal Family Education Loans (FFEL)				
	84.032	N/A	-	7,380,057
Federal Work-Study Program (FWS)				
	84.033	N/A	126,723	-
Federal Pell Grant Program				
	84.063	N/A	7,850,867	-
Federal Academic Competitiveness Grant Program				
	84.375	N/A	48,026	-
<b>Total Student Financial Assistance Cluster</b>			8,102,454	7,380,057
TRIO-Student Support Services				
	84.042A	N/A	373,661	-
TRIO-Upward Bound				
	84.047A	N/A	252,773	-
<b>Total TRIO Cluster</b>			626,434	-
Title III - Higher Education Institutional Aid				
	84.031A	N/A	399,956	-
Indirect Programs:				
Passed through Iowa Department of Education:				
Vocational Education - Basic Grants to States:				
Carl Perkins				
	84.048	6805010000	231,072	-
WWW.NL				
	84.048A	6805010000	25,185	-
Perkins Corrections				
	84.048A	N/A	5,595	-
Program of Study Technical Skill Attainment				
Assessment Grant				
	84.048	N/A	9,973	-
Math in CTE Grant				
	84.048	N/A	3,247	-
Minority, Gender, and Biotech Grants				
	84.243	N/A	9,621	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Education				
State Aid				
	84.394	N/A	1,020,444	-
ARRA - State Fiscal Stabilization Fund (SFSF) - Government				
Services CC Salaries				
	84.397	N/A	110,438	-
Tech-Prep Education				
	84.243	N/A	65,822	-
Adult Education - State Grant Program				
	84.002	N/A	132,624	-
			1,614,021	-
Passed through Iowa Department of Corrections,				
Title I Program for Neglected and Delinquent Children				
	84.013A	N/A	13,252	-
<b>Total U.S. Department of Education</b>			10,756,117	7,380,057
<b>U.S. Department of Agriculture:</b>				
Passed through Iowa Department of Education				
State Administrative Grants of Food Stamp Program				
	10.559	N/A	8,361	-
<b>Small Business Administration:</b>				
Passed through Iowa State University				
Small Business Development Center				
	59.037	N/A	\$ 86,101	\$ -

(Continued)

**Southeastern Community College**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2010**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
<b>U.S. Department of Labor:</b>				
Direct Programs:				
WIA YouthBuild	17.274	N/A	\$ 288,388	\$ -
WIA Community Based Job Training	17.269	N/A	1,167,222	-
Indirect Programs:				
Passed through Iowa Department of Workforce Development:				
Workforce Investment Act (WIA) - Adult Program	17.258	7-W-16-FR-0	585,919	-
Workforce Investment Act (WIA) - Youth Activities	17.259	7-W-16-FR-0	747,319	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	7-W-16-FR-0	632,999	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	8-W-FR-P7-0-01	462	-
Workforce Investment Act (WIA) - Dislocated Workers - EPJ	17.260	7-W-16-FR-0	850,354	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-FR-9F-0-01	94,411	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-PF-RR-0-14	51,399	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-PF-RR-0-35	3,641	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	10-W-PF-RR-0-02	485	-
<b>Total Workforce Investment Act Cluster</b>			2,966,989	-
ARRA - Passed through Iowa Department of Workforce Development:				
ARRA - Workforce Investment Act (WIA) - Adult Program	17.258	7-W-16-FR-0	343,708	-
ARRA - Workforce Investment Act (WIA) - Youth Activities	17.259	7-W-16-FR-0	750,928	-
ARRA - Workforce Investment Act (WIA) - Dislocated Workers	17.260	7-W-16-FR-0	361,302	-
<b>Total ARRA Workforce Investment Act Cluster</b>			1,455,938	-
Trade Adjustment Assistance Workers	17.245	1-W-16-FR-0	6,213	-
Employment Service (Wagner Peyser)	17.207	1-W-16-FR-0	6,524	-
Re-employment	17.207	1-W-16-FR-0	16,933	-
Unemployment Insurance	17.225	1-W-16-FR-0	24,785	-
Employment and Training Administration Pilots, Demonstrations, and Research Projects - New Iowan Center	17.261	1-W-16-FR-0	5,375	-
Work Incentives Grant (Disability Navigator)	17.266	10-W-PF-DN-0-0	25,383	-
Veterans' Employment Program, DVOP	17.801	1-W-16-FR-0	4,040	-
Passed through Iowa Department of Veterans' Affairs, Veterans' Employment Program	17.802	N/A	1,705	-
Passed through Iowa Department of Education:				
Mine Health and Safety Grant	17.600	N/A	1,000	-
WIA Incentive Grants - Adult Literacy (ALWI)	17.267	N/A	8,204	-
<b>Total U.S. Department of Labor</b>			5,978,699	-
<b>National Science Foundation:</b>				
NSF S-Stem Grant	47.076	N/A	\$ 1,773	\$ -

(Continued)

**Southeastern Community College**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2010**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
<b>U.S. Department of Health and Human Services:</b>				
Direct Programs:				
Health Care and Other Facilities	93.887	N/A	\$ 117,810	\$ -
Indirect Programs:				
Passed through Iowa Department of Workforce Development:				
Temporary Assistance for Needy Families, Summer Youth - ARRA - Emergency Fund	93.714	10-W-16-TE-0	17,417	-
Temporary Assistance for Needy Families	93.558	7-W-16-FR-0	33,858	-
Temporary Assistance for Needy Families	93.558	9-W-16-FN-0	376,594	-
Passed through the University of Iowa:				
Area Health Education Centers Infrastructure Development Awards	93.824	N/A	8,020	-
			<u>435,889</u>	-
<b>Total U.S. Department of Health and Human Services</b>			<u>553,699</u>	-
<b>Corporation for National Service:</b>				
Americorps Recovery	94.006	N/A	1,818	-
<b>Total federal awards expended</b>			<u>\$ 17,386,568</u>	<u>\$ 7,380,057</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, 2010**

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**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, 2010**

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Comment Number	Comment	Corrective Action Plan
<b>Statutory Reporting:</b>		
IV-I-09	Misclassification of contact hours.	Uncorrected. See current year finding and corrective action plan at IV-I-10.



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

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, 2010, and have issued our report thereon dated December 21, 2010. 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.

**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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

**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, 2010 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 21, 2010



**Independent Auditor's Report  
on Compliance with Requirements that Could Have a  
Direct and Material Effect on Each Major Program,  
Internal Control over Compliance in Accordance with  
OMB Circular A-133 and on the Schedule of  
Expenditures of Federal Awards**

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

**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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

**Internal Control Over Compliance**

Management of Southeastern Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Southeastern Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 21, 2010

**Southeastern Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

**I. Summary of Independent Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?

Yes  No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  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
17.269	WIA - Community Based Job Training
84.394	State Fiscal Stabilization Fund (SFSF) - Education
84.397	State Fiscal Stabilization Fund (SFSF) - Government Services CC Salaries

Dollar threshold used to distinguish between type A and type B programs \$ 742,969

Auditee qualified as low-risk auditee?  Yes  No

**Southeastern Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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**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.

**IV. Other Findings Related to Required Statutory Reporting**

IV-A-10 Certified Budget

Expenditures during the year ended June 30, 2010 did not exceed the amounts budgeted in total.

IV-B-10 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-10 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-10 Business Transactions

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

IV-E-10 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-10 Board Minutes

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

**Southeastern Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2010**

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IV-G-10 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-10 Deposits and Investments

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

IV-I-10 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:

Category	Credit Hours Reported	Total Per Supporting Documentation	Difference	Contact Hours Reported	Total Per Supporting Documentation	Difference
Adult/Continuing Education - Security and Protective Services	N/A	N/A	N/A	18	7	11
Adult/Continuing Education - Business, Management, Marketing and Related Support Services	N/A	N/A	N/A	13	7	6
Arts and Sciences Education	2	4	(2)	53	99	(46)

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, 2010**

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
<b>Statutory Reporting:</b>					
IV-I-10	Misclassification of credit and contact hours.	See corrective action plan at IV-I-10.	Phil Thomas, Vice President for Teaching & Learning	June 2002	June 2011