

# **Southeastern Community College**

Financial and Compliance Report  
June 30, 2011

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## Southeastern Community College

### Officials

Name	Title	Term Expires
<b>Board of Trustees:</b>		
Moudy Nabulsi	Chairperson/President	October 2011
Brian Roth	Vice Chairperson/Vice President	October 2011
Landen Hillyard	Member	October 2013
David Walker	Member	October 2013
Janet Fife-LaFrenz	Member	October 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, 2011, 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2011, 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 7, 2011 on our consideration of the Southeastern Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 12 and Postretirement Medical Benefit Plan Schedule of Funding Progress on page 32 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 7, 2011

## **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, 2011. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

#### **Financial Highlights**

##### **2011:**

- College operating revenues increased 4.9% or \$1,590,285. The largest areas of change were an increase in federal appropriations (\$2,973,851), and a decrease in tuition revenue (\$1,529,329).
- College net non-operating revenues increased 9.7% or \$1,090,394 as a result of an increase in state appropriations (\$939,515).
- College operating expenses increased 8.7% or \$3,590,882. The largest areas of change were increases in scholarships and grants (\$5,518,142) and cooperative services (\$1,028,758), and decreases in Workforce Investment Act (\$2,146,855) and general institution (\$976,476).
- The College's net assets increased 6.8% or \$1,649,937. This is the result of the College's continued investment in capital assets (\$1,739,885) and annual revenue exceeding expenditures.

##### **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 19.8% or \$2,776,575 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 (\$2,050,868), 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.

#### **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, 2011 and 2010. 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**

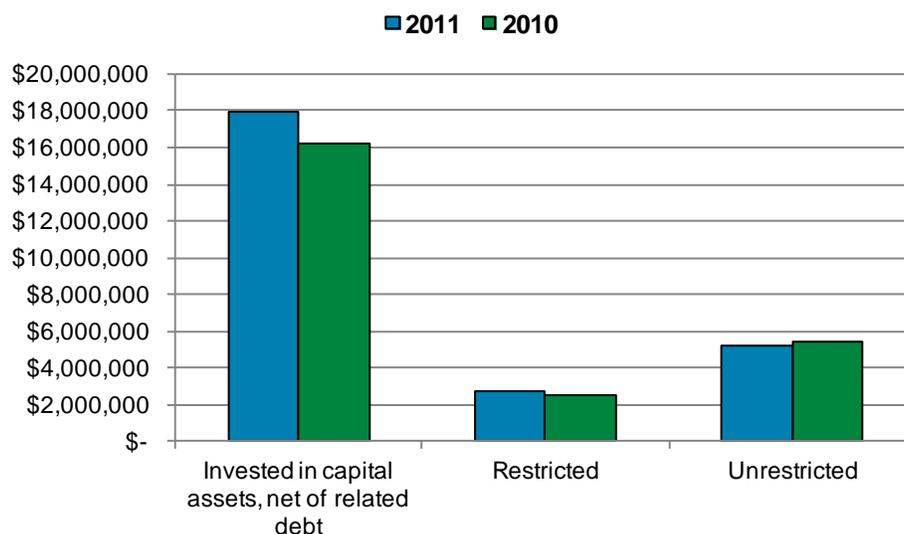
	June 30,	
	2011	2010
Current and other assets	\$ 25,993,376	\$ 28,534,286
Capital assets, net of accumulated depreciation	21,165,158	20,169,819
<b>Total assets</b>	<b>47,158,534</b>	<b>48,704,105</b>
Current liabilities	12,864,863	16,026,035
Noncurrent liabilities	8,484,091	8,518,427
<b>Total liabilities</b>	<b>21,348,954</b>	<b>24,544,462</b>
Net assets:		
Invested in capital assets, net of related debt	17,927,579	16,187,694
Restricted	2,698,243	2,515,602
Unrestricted	5,183,758	5,456,347
<b>Total net assets</b>	<b>\$ 25,809,580</b>	<b>\$ 24,159,643</b>

## Southeastern Community College

### Management's Discussion and Analysis

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#### Comparison of Net Assets



Year Ended June 30, 2011: The largest portion of the College's net assets (69.4%) 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 (10.5%) includes resources that are subject to external restrictions. The remaining net assets (20.1%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

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.

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,	
	2011	2010
Operating revenues:		
Tuition and fees	\$ 5,217,518	\$ 6,746,847
Federal appropriations	20,251,626	17,277,775
Iowa Industrial New Jobs Training Program	831,756	753,609
Auxiliary	1,935,200	2,444,956
Gifts, grants and special events	393,457	307,427
Sales and services	632,260	640,763
Miscellaneous	4,738,092	4,238,247
<b>Total operating revenues</b>	<b>33,999,909</b>	<b>32,409,624</b>
 Total operating expenses	 44,680,511	 41,089,629
<b>Operating loss</b>	<b>(10,680,602)</b>	<b>(8,680,005)</b>
 Nonoperating revenues (expenses) and transfers:		
State appropriations	9,053,268	8,113,753
Property taxes	3,325,887	3,189,622
Interest earnings	84,155	251,313
Interest on indebtedness	(127,396)	(294,395)
Transfer to agency fund	(5,375)	(20,148)
<b>Net nonoperating revenues and transfers</b>	<b>12,330,539</b>	<b>11,240,145</b>
 <b>Change in net assets</b>	 <b>1,649,937</b>	 <b>2,560,140</b>
 Net assets:		
Beginning	24,159,643	21,599,503
Ending	<b>\$ 25,809,580</b>	<b>\$ 24,159,643</b>
 Total revenues, operating and nonoperating	 <b>\$ 46,463,219</b>	 <b>\$ 43,964,312</b>
 Total expenses, operating and nonoperating	 <b>\$ 44,813,282</b>	 <b>\$ 41,404,172</b>

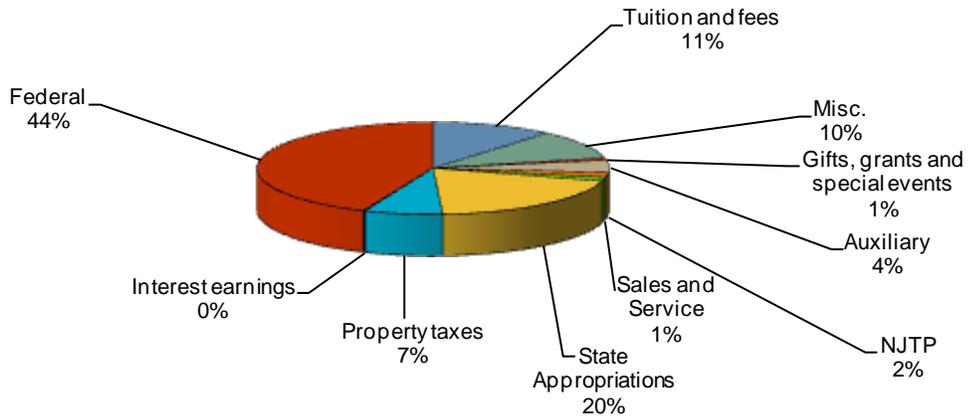
**Southeastern Community College**

**Management's Discussion and Analysis**

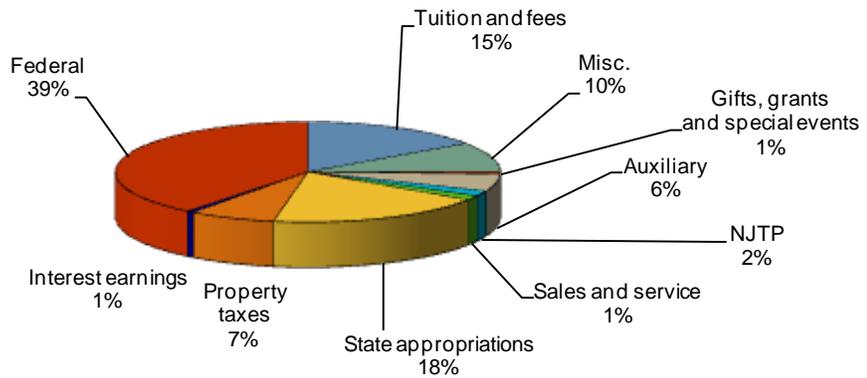
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**Total Revenues by Source**

**2011**



**2010**

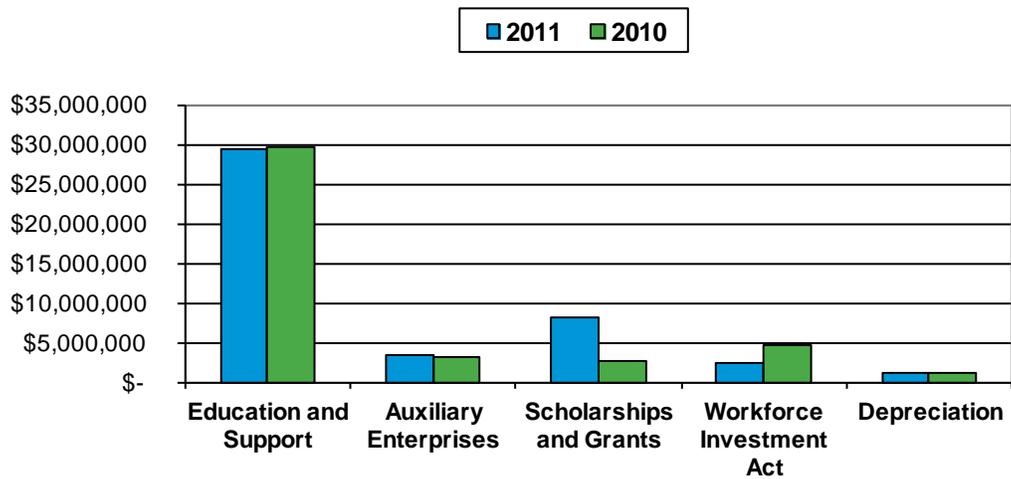


**Southeastern Community College**

**Management's Discussion and Analysis**

***Operating Expenses***

	Year Ended June 30,	
	2011	2010
Education and support:		
Liberal arts and sciences	\$ 5,773,078	\$ 5,594,045
Vocational technical	5,149,592	5,427,972
Adult education	1,632,974	1,866,588
Cooperative services	6,754,083	5,725,325
Administration	1,637,489	1,583,427
Student services	2,582,896	2,590,027
Learning resources	393,897	450,178
Physical plant	2,504,587	2,432,979
General institution	2,953,312	3,929,788
Auxiliary enterprises	3,498,961	3,239,679
Scholarships and grants	8,149,903	2,631,761
Workforce Investment Act	2,433,516	4,580,371
Depreciation	1,216,223	1,037,489
<b>Total operating expenses</b>	<b>\$ 44,680,511</b>	<b>\$ 41,089,629</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,	
	2011	2010
General obligation, dormitory revenue and school refunding bonds (Principal)	\$ 3,237,579	\$ 3,982,125
Certificates payable (Principal)	6,875,000	6,155,000
Compensated absences	553,159	563,179
Early retirement payable	1,187,953	1,440,958
<b>Total debt</b>	<b>\$ 11,853,691</b>	<b>\$ 12,141,262</b>

June 30, 2011: Long-term debt decreased by \$287,571 (2.4%) in 2011. New debt in the amount of \$1,680,000 was issued for certificates payable.

June 30, 2010: Long-term debt decreased by \$941,916 (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.

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,	
	2011	2010
Cash provided by (used in):		
Operating activities	\$ (9,663,989)	\$ (6,537,596)
Noncapital financing activities	13,105,627	10,316,697
Capital and related financing activities	(5,700,949)	(392,417)
Investing activities	1,368,077	(2,311,098)
<b>Net increase (decrease) in cash</b>	<b>(891,234)</b>	<b>1,075,586</b>
Cash:		
Beginning	3,691,342	2,615,756
Ending	<b>\$ 2,800,108</b>	<b>\$ 3,691,342</b>

Capital Assets: As of June 30, 2011, the college has \$34,893,514 invested in capital assets. Accumulated depreciation of the assets is \$13,728,356. Depreciation charges totaled \$1,216,223 for fiscal year 2011. Details of the capital assets are shown below.

#### **Capital Assets**

Capital Assets, at Year-End	June 30,	
	2011	2010
Land	\$ 858,541	\$ 858,541
Buildings	25,901,619	24,803,009
Other structures and improvements	2,685,406	2,310,525
Furniture and equipment	5,447,948	4,859,336
<b>Totals</b>	<b>\$ 34,893,514</b>	<b>\$ 32,831,411</b>

The major capital expenditures during fiscal year 2011 were related to an addition to building 200 and new bleachers. The College owns 434,468 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 39.0% of unrestricted general operating fund revenues. While the State Legislature has shown a commitment to community colleges, the state economy is still recovering from a recession. The College has been identifying ways to increase revenue and reduce expenditures within the general operating fund to adjust for a possible 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 down, but continue to be the largest source of revenue for the fund, representing 54.7% of the total revenues. While it is a significant amount of revenue, it is difficult to predict and budget, and continued tuition rate increases (7% for fiscal year 2012) may create hardships for individuals seeking a college education.
- Property Tax revenue increased \$136,265 and total taxable property values increased for the 2012 levy by \$88,440,653 (2.7%). Property tax collections for the unrestricted general operating fund represent 3.6% 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 represent 78.1% of the unrestricted general operating fund expenditures.
- In 2011, credit student enrollment decreased 6.2% (5,362 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, 2011**

<b>Assets</b>	Primary Institution	Component Unit - Foundation
<b>Current Assets:</b>		
Cash and investments	\$ 16,341,541	\$ 4,002,732
Restricted certificates of deposit	204,000	-
<b>Receivables:</b>		
Accounts	254,463	-
Due from other governments	3,263,801	-
Property taxes, succeeding year	3,258,838	-
Other	-	30,999
Inventories and prepaid expenses	583,617	-
<b>Total current assets</b>	<b>23,906,260</b>	<b>4,033,731</b>
 <b>Noncurrent Assets:</b>		
Receivables, Iowa Industrial New Jobs Training Program	1,973,613	-
Bond discount and issuance costs	113,503	-
<b>Capital assets:</b>		
Land, nondepreciable	858,541	-
Buildings	25,901,619	-
Other structures and improvements	2,685,406	-
Furniture and equipment	5,447,948	-
Accumulated depreciation	(13,728,356)	-
<b>Total noncurrent assets</b>	<b>23,252,274</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 47,158,534</b>	<b>\$ 4,033,731</b>

See Notes to Basic Financial Statements.

<b>Liabilities and Net Assets</b>	Primary Institution	Component Unit - Foundation
<b>Current Liabilities:</b>		
Accounts payable	\$ 2,503,865	\$ 5,797
Salaries and benefits payable	1,060,587	-
Unearned revenue:		
Succeeding year property tax	3,258,838	-
Other	1,869,136	-
Early retirement payable	1,187,953	-
Compensated absences	553,159	-
Deposits held in custody for others	680,804	-
Certificates payable	985,000	-
Bonds payable	765,521	-
<b>Total current liabilities</b>	<b>12,864,863</b>	<b>5,797</b>
<b>Noncurrent Liabilities:</b>		
Other postemployment benefits	122,033	-
Certificates payable	5,890,000	-
Bonds payable	2,472,058	-
<b>Total noncurrent liabilities</b>	<b>8,484,091</b>	<b>-</b>
<b>Total liabilities</b>	<b>21,348,954</b>	<b>5,797</b>
<b>Net Assets:</b>		
Invested in capital assets, net of related debt	17,927,579	-
Restricted for:		
Expendable, scholarships and fellowships	-	740,831
Nonexpendable, scholarships and fellowships	-	3,006,108
Nonexpendable, cash reserve	231,408	-
Expendable other restricted purposes	2,466,835	-
Unrestricted	5,183,758	280,995
<b>Total net assets</b>	<b>25,809,580</b>	<b>4,027,934</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,158,534</b>	<b>\$ 4,033,731</b>

## Southeastern Community College

### Statement of Revenues, Expenses and Changes in Net Assets Year Ended June 30, 2011

	Primary Institution	Component Unit - Foundation
Revenues:		
Operating revenues:		
Tuition and fees, net of scholarship allowances of \$6,192,531	\$ 5,217,518	\$ -
Federal appropriations	20,251,626	-
Iowa Industrial New Jobs Training Program	831,756	-
Gifts, grants and special events	393,457	44,737
Contributions	-	179,699
Sales and services	632,260	-
Auxiliary enterprises revenue, net of scholarship allowances of \$1,542,926	1,935,200	-
Miscellaneous	4,738,092	63,100
<b>Total operating revenues</b>	<b>33,999,909</b>	<b>287,536</b>
Expenses:		
Operating expenses:		
Education and support:		
Liberal arts and sciences	5,773,078	-
Vocational technical	5,149,592	-
Adult education	1,632,974	-
Cooperative services	6,754,083	-
Administration	1,637,489	-
Student services	2,582,896	-
Learning resources	393,897	-
Physical plant	2,504,587	-
General institution	2,953,312	-
Auxiliary enterprises	3,498,961	-
Scholarships and grants	8,149,903	161,592
Workforce Investment Act and Related	2,433,516	-
Depreciation expense	1,216,223	-
Other	-	101,255
<b>Total operating expenses</b>	<b>44,680,511</b>	<b>262,847</b>
<b>Operating income (loss)</b>	<b>(10,680,602)</b>	<b>24,689</b>
Nonoperating revenues (expenses):		
State appropriations	9,053,268	-
Property taxes	3,325,887	-
Investment earnings	84,155	436,576
Interest on indebtedness	(127,396)	-
<b>Net nonoperating revenues</b>	<b>12,335,914</b>	<b>436,576</b>
Transfers to agency fund	(5,375)	-
<b>Change in net assets</b>	<b>1,649,937</b>	<b>461,265</b>
Net assets:		
Beginning	24,159,643	3,566,669
Ending	<b>\$ 25,809,580</b>	<b>\$ 4,027,934</b>

See Notes to Basic Financial Statements.

**Southeastern Community College**

**Statement of Cash Flows  
Year Ended June 30, 2011**

	Primary Institution	Component Unit - Foundation
<b>Cash Flows from Operating Activities:</b>		
Tuition and fees	\$ 5,477,873	\$ -
Federal appropriations	20,163,521	-
Iowa Industrial New Jobs Training Program	1,372,398	-
Payments to employees for salaries and benefits	(20,071,469)	-
Payments to suppliers for goods and services	(16,289,542)	(32,861)
Cash received as contributions	-	176,996
Cash paid for scholarships	(8,149,903)	(161,592)
Auxiliary enterprise	1,935,200	-
Other receipts	5,897,933	44,737
<b>Net cash provided by (used in) operating activities</b>	<b>(9,663,989)</b>	<b>27,280</b>
<b>Cash Flows from Noncapital Financing Activities:</b>		
State appropriations	9,053,268	-
Property taxes	3,325,887	-
Principal paid on certificates payable	(960,000)	-
Proceeds from certificates payable	1,680,000	-
Transfers to agency funds	(5,375)	-
Miscellaneous Agency Fund receipts	444,252	-
Miscellaneous Agency Fund disbursements	(432,405)	-
<b>Net cash provided by noncapital financing activities</b>	<b>13,105,627</b>	<b>-</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of capital assets	(2,211,562)	-
Principal paid on notes and bonds payable	(3,329,546)	-
Interest paid on long-term debt	(159,841)	-
<b>Net cash (used in) capital and related financing activities</b>	<b>(5,700,949)</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>		
Interest on investments	84,155	110,109
Purchase of investments	-	(460,077)
Proceeds from the sale of investments	1,283,922	463,957
<b>Net cash provided by investing activities</b>	<b>1,368,077</b>	<b>113,989</b>
<b>Net increase (decrease) in cash</b>	<b>(891,234)</b>	<b>141,269</b>
<b>Cash:</b>		
Beginning	3,691,342	561,688
Ending	<b>\$ 2,800,108</b>	<b>\$ 702,957</b>

(Continued)

**Southeastern Community College**

**Statement of Cash Flows (Continued)**  
**Year Ended June 30, 2011**

	Primary Institution	Component Unit - Foundation
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ (10,680,602)	\$ 24,689
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	1,216,223	-
Amortization	23,270	-
Changes in assets and liabilities:		
(Increase) in due from other governments	(88,105)	-
(Increase) decrease in other receivables	134,124	(2,703)
(Increase) in inventories and prepaid expenses	(137,159)	-
Decrease in due from Iowa Industrial New Jobs Training Program	540,642	-
Increase (decrease) in accounts payable	(613,753)	5,294
(Decrease) in salaries and benefits payable	(77,848)	-
Increase in other unearned revenue	260,355	-
(Decrease) in deposits	(14,294)	-
(Decrease) in compensated absences	(10,020)	-
(Decrease) in early retirement payable	(253,005)	-
Increase in other postemployment benefits	36,183	-
<b>Total adjustments</b>	<u>1,016,613</u>	<u>2,591</u>
<b>Net cash provided by (used in) operating activities</b>	<u>\$ (9,663,989)</u>	<u>\$ 27,280</u>

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 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 guidance 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.

The Southeastern Community College Foundation reports under Financial Accounting Standard guidance.

Due from other governments: Due from other governments are receivables for state aid, grants and reimbursements.

Cash and investments: Investments are stated at fair value, except for the investment in the Iowa Schools Joint Investment Trust which is stated 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 value of the position in the trust is the same as the amortized cost 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, 2011, plus interest incurred on NJTP certificates, less reimbursements received to date.

## Southeastern Community College

### Notes to Basic Financial Statements

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

Property tax receivable: Property tax receivable is recognized on the levy or lien date, which is the date that the tax request is certified by the Board of Trustees to the appropriate County Auditor. The succeeding year property tax 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 succeeding year property tax receivable has been recorded, the related revenue is unearned and will not be recognized as revenue until the year for which it was levied.

Property tax revenues recognized become due and collectible in September and March of the current fiscal year and are based on January 1, 2009 assessed property valuations for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax request contained in the budget certified to the appropriate county auditor in March 2010.

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, 2011.

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

## Southeastern Community College

### Notes to Basic Financial Statements

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

Unearned revenue: Unearned 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. Unearned revenue relates primarily to property taxes and to the Iowa NJTP program as the receipt of administrative fees amortized over the ten-year life of each project.

Net assets: Net assets are classified according to restrictions or availability of assets for satisfaction of College obligations. Invested in capital assets, net of related debt represents the net 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 the bookstore, cafeteria, printing services and dormitories.

Summer session: The College operates summer sessions. Revenues and unearned revenue for the summer sessions are recorded based on the length of each session.

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. Federal appropriations revenue consisting primarily of Pell grants, direct loans and federal grants are reported as operating revenue as these funds replace an equal amount of tuition revenue and/or are directly related to the principal operations of the College. 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.

## Southeastern Community College

### Notes to Basic Financial Statements

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

Scholarship allowances and student aid: Financial aid to students is reported in federal appropriations revenue on 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 and are netted against tuition and fees revenue in the financial statements.

#### Note 2. Cash and Investments

As of June 30, 2011, the College's cash and investments consist of the following:

Cash	\$ 2,800,108
Certificates of deposit	5,500,000
Investments	8,041,433
	<hr/>
	16,341,541
Restricted certificates of deposit	204,000
	<hr/>
	<u>\$ 16,545,541</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	\$ 8,041,433	\$ 8,041,433	\$ -	\$ -	\$ -

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.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### Note 2. Cash and Investments (Continued)

The Iowa Schools Joint Investment Trust is valued at an amortized cost of \$8,041,433 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

As of June 30, 2011, the College's investment was rated as follows:

Investment Type	Standard & Poor's
Iowa Schools Joint Investment Trust	AAAm

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 reverse repurchase agreements and 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, 2011, the carrying amount of the College's deposits, excluding \$2,175 of petty cash, totaled \$8,501,933 with a bank balance of \$8,972,365. The College's deposits as of June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund, in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The College invests in the Iowa Schools Joint Investment Trust, which is not subject to risk categorization.

As of June 30, 2011, the College's Foundation cash balance and investments consist of the following:

Cash	\$ 702,957
Investments, debt securities	1,949,961
Investment, beneficial interest in perpetual trusts and investment in land	1,199,814
Real estate, at cost	150,000
	<u>\$ 4,002,732</u>

Investments of the component unit consist principally of mutual funds, common stock and corporate bonds.

**Southeastern Community College**

**Notes to Basic Financial Statements**

**Note 3. Capital Assets**

Capital assets activity for the year ended June 30, 2011 is as follows:

	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets not being depreciated, land	\$ 858,541	\$ -	\$ -	\$ 858,541
Capital assets being depreciated:				
Buildings	24,803,009	1,098,610	-	25,901,619
Other structures and improvements	2,310,525	374,881	-	2,685,406
Furniture and equipment	4,859,336	738,071	149,459	5,447,948
<b>Total capital assets being depreciated</b>	<b>31,972,870</b>	<b>2,211,562</b>	<b>149,459</b>	<b>34,034,973</b>
Less accumulated depreciation for:				
Buildings	8,378,619	498,115	-	8,876,734
Other structures and improvements	968,935	85,800	-	1,054,735
Furniture and equipment	3,314,038	632,308	149,459	3,796,887
<b>Total accumulated depreciation</b>	<b>12,661,592</b>	<b>1,216,223</b>	<b>149,459</b>	<b>13,728,356</b>
<b>Total capital assets being depreciated, net</b>	<b>19,311,278</b>	<b>995,339</b>	<b>-</b>	<b>20,306,617</b>
<b>Total capital assets, net</b>	<b>\$ 20,169,819</b>	<b>\$ 995,339</b>	<b>\$ -</b>	<b>\$ 21,165,158</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, 2011 is as follows:

	Balance June 30, 2010	Additions	Payments	Reclassification	Balance June 30, 2011	Amounts Due Within One Year
Certificates payable (A)	\$ 6,155,000	\$ 1,680,000	\$ 960,000	\$ -	\$ 6,875,000	\$ 985,000
Dormitory revenue bonds, Series 2000 (B)	1,312,125	-	99,546	-	1,212,579	105,521
General obligation school bonds, Series 2009 (C)	2,670,000	-	645,000	-	2,025,000	660,000
Compensated absences	563,179	553,159	563,179	-	553,159	553,159
Early retirement payable	1,440,958	278,491	531,496	-	1,187,953	1,187,953
<b>Total long-term debt</b>	<b>\$ 12,141,262</b>	<b>\$ 2,511,650</b>	<b>\$ 2,799,221</b>	<b>\$ -</b>	<b>\$ 11,853,691</b>	<b>\$ 3,491,633</b>

- (A) The College has certificates payable with a June 30, 2011 outstanding balance of \$6,875,000, with interest rates ranging from 2.0% to 6.25% 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
2012	\$ 985,000	\$ 313,393	\$ 1,298,393
2013	1,190,000	268,243	1,458,243
2014	970,000	216,023	1,186,023
2015	890,000	172,430	1,062,430
2016	825,000	131,033	956,033
2017 - 2021	2,015,000	180,588	2,195,588
	<b>\$ 6,875,000</b>	<b>\$ 1,281,710</b>	<b>\$ 8,156,710</b>

- (B) 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.
- (C) 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.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### Note 4. Long-Term Debt (Continued)

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

The debt service requirements on the bonds are as follows:

Year ending June 30:	Principal	Interest	Total
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	133,218	45,058	178,276
2017-2020	617,745	95,359	713,104
	<u>\$ 3,237,579</u>	<u>\$ 478,440</u>	<u>\$ 3,716,019</u>

As of June 30, 2011, \$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 4.5% and the College is required to contribute 6.95%. The contribution paid by the College for the year ended June 30, 2011 totaled \$425,069 and the contribution paid by employees totaled \$275,226.

#### 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 4.50% of their annual covered salary and the College is required to contribute 6.95% of annual payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$551,785, \$533,888 and \$492,496, respectively, equal to the required contributions for each year.

## **Southeastern Community College**

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

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#### **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, 2011 were \$637,732.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$200,000 per property/liability, \$100,000 for error/omissions and \$200,000 for workers' compensation. The policy limit per occurrence is \$800,000 for property/liability, \$900,000 for errors/omissions and \$150,000 for workers' compensation. Excess insurance for workers' compensation is for statutory limits. Excess for all other lines is \$9,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention of up to \$50,000,000 for boiler and machinery, \$1,000,000 for crime, \$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, 2011, no liability has been recorded by the College. Settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

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

#### **Note 8. New Jobs Training Program**

The College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area XVI in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries that are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered 83 projects with 21 currently receiving project funding. Of the remaining 62 projects, 6 have been completed with only the repayment of the certificates left and 56 have been completed and the certificates have been repaid (3 of the 56 certificates were repaid during the year).

## Southeastern Community College

### Notes to Basic Financial Statements

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

The College had an Early Retirement Incentive Plan (ERIP) which expired on March 28, 2011.

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 incentive:

1. Early Retirement Incentive lump-sum cash severance amount of 50% of the final contract salary up to \$20,000.
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.
3. Accumulated vacation days/hours shall be paid out in one installment, deposited by the College on behalf of the retiree into an annuity account.

Employees who elected early retirement under previous ERIPs received lump-sum cash severances. These employees could elect, with the approval of the College, one of two options as to when the cash benefits would be received. The lump-sum payment liability is \$436,352.

The current year cost to the College was \$278,491, including nine participants in the health insurance plan. The liability for the participation in the health plan is \$751,601 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 0.01%.

An early retirement plan has been approved for fiscal year 2012.

#### **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 Southeastern Community College Foundation paid the College \$168,865 during the year ended June 30, 2011, for supplies, maintenance expense, support and scholarship tuition reimbursements. The Foundation owes accounts payable of \$4,538 to the College as of June 30, 2011. The Foundation received \$19,191 in contributions from Southeastern Community College employee payroll withholdings and \$16,315 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	\$ 479,143
Trust agency accounts, fair market value	2,142,546

The Foundation paid \$7,394 in fees and expenses related to the trust agency accounts.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### 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 (226) and retired employees (34) 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 the voluntary early retirement incentive plan based on the required criteria when the employee retired.

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.

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	\$	362,217
Interest on net OPEB obligation		2,576
Adjustment to annual required contribution		(4,316)
Annual OPEB cost		<u>360,477</u>
Contributions and payments made		<u>324,294</u>
Increase in net OPEB obligation		36,183
Net OPEB obligation - July 1, 2010		85,850
Net OPEB obligation - June 30, 2011	\$	<u><u>122,033</u></u>

## Southeastern Community College

### Notes to Basic Financial Statements

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#### Note 11. Postretirement Medical Benefit Plan (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the two preceding years follows. June 30, 2009 was the transition year of GASB Statement No. 45.

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$ 360,477	89.96%	\$ 122,033
June 30, 2010	312,101	87.65	85,850
June 30, 2009	312,101	84.85	47,291

Funded status and funding progress: As of June 30, 2011, the plan was 0% funded. The College's actuarial accrued liability for benefits was \$3,652,823 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$3,652,823. The covered payroll (annual payroll of active employees covered by the plan) was \$13,676,488 and the ratio of the UAAL to the covered payroll was (26.71)%.

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.

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 includes 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, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3% discount rate, an annual health care cost trend rate of 8% reduced by decrements of 1% annually to an ultimate rate of 4%. The UAAL is being amortized as a level dollar amount. The amortization of UAAL is done over a period of 30 years.

## Southeastern Community College

### Notes to Basic Financial Statements

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#### Note 12. New and Pending Pronouncements

The College implemented the following Governmental Accounting Standards Board (GASB) Statement during the year:

- GASB Statement No. 59, *Financial Instruments Omnibus*. This Statement updates and improves 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 required disclosures were made in the current year financial statements.

As of June 30, 2011, the GASB issued the following statements not yet implemented by the College. This Statement may impact the College as follows:

- GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the College beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.
- GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, issued July 2011, will be effective for the College beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by providing citizens and other users of state and local government financial reports with information about how past transactions will continue to impact a government's financial statements in the future. This Statement provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. This Statement also amends certain provisions of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and related pronouncements to reflect the residual measure in the statement of financial position as net position, rather than net assets.

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

**Southeastern Community College**

**Required Supplementary Information  
Postretirement Medical Benefit Plan  
Schedule of Funding Progress  
Year Ended June 30, 2011**

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b - a) Unfunded AAL	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 3,652,823	\$ (3,652,823)	- %	\$ 13,676,488	(26.71%)
July 1, 2008	-	3,038,672	(3,038,672)	-	14,008,760	(21.69)
July 1, 2008	-	3,038,672	(3,038,672)	-	13,785,678	(22.04)

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, 2010. 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 8% with an ultimate rate of 4%; discount rate of 3%.
- d. The amortization method is level dollar over a period of 30 years.

**Southeastern Community College**

**Budgetary Comparison Schedule of Expenditures  
Year Ended June 30, 2011**

Funds/Levy	Original Budget	Actual	Variance Between Actual and Amended Budget
Total unrestricted current fund expenditures		\$ 21,596,887	
Total restricted current fund expenditures		30,035,402	
Less:			
Auxiliary enterprise expenditures		3,498,961	
Workforce Investment Act expenditures		2,433,516	
Temporary Assistance for Needy Families		501,232	
Scholarships and grants		<u>15,635,339</u>	
Current funds	\$ 32,371,577	29,563,241	\$ 2,808,336
Plant, bonds and interest	4,110,444	2,614,777	1,495,667
<b>Total</b>	<u>\$ 36,482,021</u>	<u>\$ 32,178,018</u>	<u>\$ 4,304,003</u>

See Note to Budgetary Comparison Schedule of Expenditures.

**Southeastern Community College**

**Note to Budgetary Comparison Schedule of Expenditures  
Year Ended June 30, 2011**

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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, 2011**

<b>Assets</b>	Current Funds	
	Unrestricted	Restricted
<b>Current Assets:</b>		
Cash and investments	\$ 10,946,798	\$ 5,394,743
Restricted certificates of deposit	-	-
Receivables:		
Accounts	199,463	55,000
Due from other governments	3,263,801	-
Property taxes, succeeding year	639,359	1,311,207
Due from other funds	-	4,541,106
Inventories and prepaid expenses	583,617	-
<b>Total current assets</b>	<b>15,633,038</b>	<b>11,302,056</b>
<b>Noncurrent Assets:</b>		
Receivables, Iowa Industrial New Jobs Training Program	-	1,973,613
Bond discount and issuance costs	-	81,055
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>2,054,668</b>
<b>Total assets</b>	<b>\$ 15,633,038</b>	<b>\$ 13,356,724</b>

See Note to Other Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ 16,341,541
204,000	-	-	204,000
-	-	-	254,463
-	-	-	3,263,801
1,308,272	-	-	3,258,838
2,161,006	428,119	(7,130,231)	-
-	-	-	583,617
<u>3,673,278</u>	<u>428,119</u>	<u>(7,130,231)</u>	<u>23,906,260</u>
-	-	-	1,973,613
32,448	-	-	113,503
858,541	-	-	858,541
25,901,619	-	-	25,901,619
2,685,406	-	-	2,685,406
5,447,948	-	-	5,447,948
-	-	(13,728,356)	(13,728,356)
<u>34,925,962</u>	<u>-</u>	<u>(13,728,356)</u>	<u>23,252,274</u>
<u>\$ 38,599,240</u>	<u>\$ 428,119</u>	<u>\$ (20,858,587)</u>	<u>\$ 47,158,534</u>

**Southeastern Community College**

**Balance Sheet**

**June 30, 2011**

<b>Liabilities and Fund Balances</b>	Current Funds	
	Unrestricted	Restricted
Current Liabilities:		
Accounts payable	\$ 2,503,865	\$ -
Salaries and benefits payable	1,060,587	-
Due to other funds	7,130,231	-
Unearned revenue:		
Succeeding year property tax	639,359	1,311,207
Other	780,449	1,083,687
Early retirement payable	-	1,187,953
Compensated absences	378,210	91,479
Deposits held in custody for others	23,000	313,155
Certificates payable	-	985,000
Bonds payable	-	-
<b>Total current liabilities</b>	<b>12,515,701</b>	<b>4,972,481</b>
Noncurrent Liabilities:		
Other postemployment benefits	-	-
Certificates payable	-	5,890,000
Bonds payable	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>5,890,000</b>
<b>Total liabilities</b>	<b>12,515,701</b>	<b>10,862,481</b>
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted for:		
Nonexpendable cash reserve	-	231,408
Expendable other restricted purposes	-	2,262,835
Unrestricted	3,117,337	-
<b>Total fund balances</b>	<b>3,117,337</b>	<b>2,494,243</b>
<b>Total fund balances and liabilities</b>	<b>\$ 15,633,038</b>	<b>\$ 13,356,724</b>

See Note to Other Supplementary Information.

Plant Funds	Agency Funds	Adjustments	Total
\$ -	\$ -	\$ -	\$ 2,503,865
-	-	-	1,060,587
-	-	(7,130,231)	-
1,308,272	-	-	3,258,838
5,000	-	-	1,869,136
-	-	-	1,187,953
-	83,470	-	553,159
-	344,649	-	680,804
-	-	-	985,000
765,521	-	-	765,521
<u>2,078,793</u>	<u>428,119</u>	<u>(7,130,231)</u>	<u>12,864,863</u>
-	-	122,033	122,033
-	-	-	5,890,000
<u>2,472,058</u>	<u>-</u>	<u>-</u>	<u>2,472,058</u>
<u>2,472,058</u>	<u>-</u>	<u>122,033</u>	<u>8,484,091</u>
<u>4,550,851</u>	<u>428,119</u>	<u>(7,008,198)</u>	<u>21,348,954</u>
31,655,935	-	(13,728,356)	17,927,579
-	-	-	231,408
204,000	-	-	2,466,835
2,188,454	-	(122,033)	5,183,758
<u>34,048,389</u>	<u>-</u>	<u>(13,850,389)</u>	<u>25,809,580</u>
<u>\$ 38,599,240</u>	<u>\$ 428,119</u>	<u>\$ (20,858,587)</u>	<u>\$ 47,158,534</u>

**Southeastern Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Year Ended June 30, 2011**

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
Tuition and fees	\$ 9,889,222	\$ 1,520,827
Property taxes	656,702	1,314,055
State appropriations	7,060,186	1,171,403
Federal appropriations	-	20,251,626
Gifts, grants and special events	-	393,457
Sales and services	288,642	263,532
Investment	79,390	15
Iowa Industrial New Jobs Training Program	-	831,756
Miscellaneous	115,066	4,571,529
Increase in plant investment due to retirement of debt	-	-
Increase in plant investment due to plant expenditures	-	-
	<u>18,089,208</u>	<u>30,318,200</u>
Auxiliary enterprises:		
Sales and services	3,259,396	-
Federal appropriations	12,531	-
Miscellaneous	206,199	-
	<u>3,478,126</u>	<u>-</u>
<b>Total revenues</b>	<u>21,567,334</u>	<u>30,318,200</u>
Expenditures:		
Education and support:		
Liberal arts and sciences	4,234,880	1,551,568
Vocational technical	4,099,153	1,279,614
Adult education	851,105	789,634
Cooperative services	1,083,001	5,687,304
Administration	1,432,138	291,871
Student services	1,923,568	740,351
Learning resources	394,381	-
Physical plant	1,833,195	525,800
General institution	2,246,505	1,100,405
<b>Total education and support</b>	<u>18,097,926</u>	<u>11,966,547</u>
Auxiliary enterprises	3,498,961	-
Scholarships and grants	-	15,635,339
Workforce Investment Act and Related	-	2,433,516
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Interest on indebtedness	-	-
Depreciation	-	-
Disposal of plant assets	-	-
<b>Total expenditures</b>	<u>21,596,887</u>	<u>30,035,402</u>
<b>Excess (deficiency) of revenues over expenditures</b>	(29,553)	282,798
Non-mandatory transfers among funds	(150,453)	(100,157)
<b>Net increase (decrease) in fund balances</b>	<u>(180,006)</u>	<u>182,641</u>
Fund balances, beginning of year	3,297,343	2,311,602
Fund balances, end of year	<u>\$ 3,117,337</u>	<u>\$ 2,494,243</u>

See Note to Other Supplementary Information.

Loan Funds	Plant Funds			Adjustment	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ -	\$ -	\$ -	\$ (6,192,531)	\$ 5,217,518
-	656,702	698,428	-	-	3,325,887
-	821,679	-	-	-	9,053,268
-	-	-	-	-	20,251,626
-	-	-	-	-	393,457
-	80,086	-	-	-	632,260
-	2,624	2,126	-	-	84,155
-	-	-	-	-	831,756
-	51,497	-	-	-	4,738,092
-	-	-	744,546	(744,546)	-
-	-	-	2,211,562	(2,211,562)	-
-	1,612,588	700,554	2,956,108	(9,148,639)	44,528,019
-	-	-	-	(1,542,926)	1,716,470
-	-	-	-	-	12,531
-	-	-	-	-	206,199
-	-	-	-	(1,542,926)	1,935,200
-	1,612,588	700,554	2,956,108	(10,691,565)	46,463,219
-	-	-	-	(13,370)	5,773,078
-	-	-	-	(229,175)	5,149,592
-	-	-	-	(7,765)	1,632,974
-	-	-	-	(16,222)	6,754,083
-	-	-	-	(86,520)	1,637,489
-	-	-	-	(81,023)	2,582,896
-	-	-	-	(484)	393,897
-	187,096	11,684	-	(53,188)	2,504,587
-	-	-	-	(393,598)	2,953,312
-	187,096	11,684	-	(881,345)	29,381,908
-	-	-	-	-	3,498,961
-	-	-	-	(7,485,436)	8,149,903
-	-	-	-	-	2,433,516
-	1,544,055	-	-	(1,544,055)	-
-	-	744,546	-	(744,546)	-
-	-	127,396	-	-	127,396
-	-	-	-	1,216,223	1,216,223
-	-	-	149,459	(149,459)	-
-	1,731,151	883,626	149,459	(9,588,618)	44,807,907
-	(118,563)	(183,072)	2,806,649	(1,102,947)	1,655,312
-	149,700	95,535	-	-	(5,375)
-	31,137	(87,537)	2,806,649	(1,102,947)	1,649,937
-	1,961,164	487,690	28,849,286	(12,747,442)	24,159,643
\$ -	\$ 1,992,301	\$ 400,153	\$ 31,655,935	\$ (13,850,389)	\$ 25,809,580

**Southeastern Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Unrestricted Current Funds - Education and Support  
Year Ended June 30, 2011**

	Education			
	Liberal Arts and Science	Vocational Technical	Adult Education	Cooperative Services
<b>Revenues:</b>				
Tuition and fees	\$ 5,914,740	\$ 2,349,937	\$ 632,930	\$ 988,215
Property taxes	-	-	-	-
State appropriations	3,683,313	2,640,866	634,737	-
Sales and services	-	19,788	35,158	-
Investment	-	-	-	-
Miscellaneous	-	33,051	6,486	6,645
	<u>9,598,053</u>	<u>5,043,642</u>	<u>1,309,311</u>	<u>994,860</u>
Allocation of support services revenue	585,162	415,280	142,900	-
<b>Total revenues</b>	<u>10,183,215</u>	<u>5,458,922</u>	<u>1,452,211</u>	<u>994,860</u>
<b>Expenditures:</b>				
Salaries and benefits	4,084,193	3,608,487	584,829	557,776
Services	29,542	227,458	184,967	468,135
Materials and supplies	40,603	108,608	66,386	46,285
Travel	7,587	18,906	14,923	9,580
Expended for plant assets	-	82,865	-	-
Scholarships	-	-	-	-
Miscellaneous	72,955	52,829	-	1,225
	<u>4,234,880</u>	<u>4,099,153</u>	<u>851,105</u>	<u>1,083,001</u>
Allocation of support services expenditures	4,007,327	2,843,880	978,580	-
<b>Total expenditures</b>	<u>8,242,207</u>	<u>6,943,033</u>	<u>1,829,685</u>	<u>1,083,001</u>
<b>Excess (deficiency) of revenues over expenditures</b>	1,941,008	(1,484,111)	(377,474)	(88,141)
Non-mandatory transfers	-	-	69,882	-
<b>Net increase (decrease) in fund balances (deficit)</b>	<u>\$ 1,941,008</u>	<u>\$ (1,484,111)</u>	<u>\$ (307,592)</u>	<u>\$ (88,141)</u>

Fund balance, beginning of year

Fund balance, end of year

See Note to Other Supplementary Information.

Support						
Admini- stration	Student Services	Learning Resources	Physical Plant	General Institution	Total	
\$ 3,400	\$ -	\$ -	\$ -	\$ -	\$ 9,889,222	
656,702	-	-	-	-	656,702	
37,521	-	59,564	4,185	-	7,060,186	
88,009	9,614	3,216	43,638	89,219	288,642	
79,390	-	-	-	-	79,390	
242	-	193	3,500	64,949	115,066	
865,264	9,614	62,973	51,323	154,168	18,089,208	
(865,264)	(9,614)	(62,973)	(51,323)	(154,168)	-	
-	-	-	-	-	18,089,208	
1,180,983	1,459,328	300,769	930,948	1,417,517	14,124,830	
179,879	68,310	945	729,354	533,523	2,422,113	
31,081	32,094	92,651	154,525	185,661	757,894	
40,195	32,445	16	1,465	22,406	147,523	
-	-	-	16,903	67,160	166,928	
-	331,391	-	-	-	331,391	
-	-	-	-	20,238	147,247	
1,432,138	1,923,568	394,381	1,833,195	2,246,505	18,097,926	
(1,432,138)	(1,923,568)	(394,381)	(1,833,195)	(2,246,505)	-	
-	-	-	-	-	18,097,926	
-	-	-	-	-	(8,718)	
-	(1,726)	-	-	(30,950)	37,206	
\$ -	\$ (1,726)	\$ -	\$ -	\$ (30,950)	28,488	
					1,826,754	
					<u>\$ 1,855,242</u>	

**Southeastern Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Unrestricted Current Funds - Auxiliary Enterprises  
Year Ended June 30, 2011**

	Bookstore	Food Services
Revenues:		
Sales and services	\$ 2,361,738	\$ 262,647
Federal appropriations	6,364	6,167
Miscellaneous	-	1,867
<b>Total revenues</b>	<b>2,368,102</b>	<b>270,681</b>
Expenditures:		
Salaries and benefits	167,341	23,124
Services	10,086	190,938
Materials and supplies	7,970	8,037
Cost of goods sold	1,906,832	26,251
Travel	1,030	-
Expended for plant assets	256,851	-
Miscellaneous	6,379	-
<b>Total expenditures</b>	<b>2,356,489</b>	<b>248,350</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>11,613</b>	<b>22,331</b>
Non-mandatory transfers	(128,756)	-
<b>Net increase (decrease) in fund balances</b>	<b>(117,143)</b>	<b>22,331</b>
Fund balance:		
Beginning	728,510	221,520
Ending	<b>\$ 611,367</b>	<b>\$ 243,851</b>

See Note to Other Supplementary Information.

Shop Sales	Printing Services	Dormitories	Athletics	Other	Total
\$ 35,649	\$ 160,901	\$ 215,414	\$ 97,271	\$ 125,776	\$ 3,259,396
-	-	-	-	-	12,531
-	-	5,700	198,632	-	206,199
35,649	160,901	221,114	295,903	125,776	3,478,126
-	120,100	12,018	1,797	3,460	327,840
-	18,177	86,845	51,763	26,475	384,284
-	7,354	50,870	96,937	71,626	242,794
27,983	41,803	-	-	-	2,002,869
-	79	-	148,131	-	149,240
-	-	20,964	-	74,076	351,891
-	-	6,344	27,320	-	40,043
27,983	187,513	177,041	325,948	175,637	3,498,961
7,666	(26,612)	44,073	(30,045)	(49,861)	(20,835)
-	-	(96,148)	30,045	7,200	(187,659)
7,666	(26,612)	(52,075)	-	(42,661)	(208,494)
62,605	86,007	152,067	-	219,880	1,470,589
\$ 70,271	\$ 59,395	\$ 99,992	\$ -	\$ 177,219	\$ 1,262,095

**Southeastern Community College**

**Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Restricted Current Funds  
Year Ended June 30, 2011**

	Scholarships and Grants	Equipment Replacement	Early Retirement	Insurance
<b>Revenues:</b>				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Property taxes	-	291,870	406,874	615,311
State appropriations	148,258	-	-	-
Federal appropriations	15,121,965	-	-	-
Gifts, grants and special events	365,116	-	-	-
Sales and services	-	-	-	-
Investment	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenues</b>	<b>15,635,339</b>	<b>291,870</b>	<b>406,874</b>	<b>615,311</b>
<b>Expenditures:</b>				
Salaries and benefits	7,268	-	278,491	36,794
Services	-	-	-	659,192
Materials and supplies	-	212,690	-	-
Travel	-	-	-	-
Expended for plant assets	-	79,180	-	-
Interest on indebtedness	-	-	-	-
Federal Pell Grant Program	7,703,849	-	-	-
Federal Supplemental Educational Opportunity Grant (FSEOG)	60,500	-	-	-
Other miscellaneous scholarships	7,863,722	-	-	-
Other	-	-	-	-
<b>Total expenditures</b>	<b>15,635,339</b>	<b>291,870</b>	<b>278,491</b>	<b>695,986</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>-</b>	<b>-</b>	<b>128,383</b>	<b>(80,675)</b>
Non-mandatory transfers	-	-	33,000	-
<b>Net increase (decrease) in fund balances (deficit)</b>	<b>-</b>	<b>-</b>	<b>161,383</b>	<b>(80,675)</b>
<b>Fund balance (deficit):</b>				
Beginning	-	-	(1,137,199)	(21,452)
Ending	\$ -	\$ -	\$ (975,816)	\$ (102,127)

See Note to Other 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
\$ -	\$ -	\$ -	\$ -	\$ 1,520,827	\$ -	\$ 1,520,827
-	-	-	-	-	-	1,314,055
-	55,208	4,013	-	963,924	-	1,171,403
-	2,375,561	497,219	-	2,256,881	-	20,251,626
-	-	-	-	28,341	-	393,457
-	2,747	-	-	260,785	-	263,532
-	-	-	-	15	-	15
-	-	-	831,756	-	-	831,756
-	-	-	84,000	4,487,529	-	4,571,529
-	2,433,516	501,232	915,756	9,518,302	-	30,318,200
25,836	1,557,187	370,558	-	3,037,975	-	5,314,109
-	535,997	61,182	636,671	5,470,485	-	7,363,527
-	144,000	26,929	-	244,798	-	628,417
-	73,782	4,945	-	194,431	-	273,158
-	-	-	-	69,510	-	148,690
-	-	-	314,483	-	-	314,483
-	-	-	-	-	-	7,703,849
-	-	-	-	-	-	60,500
-	-	-	-	117,918	-	7,981,640
-	122,550	37,618	-	86,861	-	247,029
25,836	2,433,516	501,232	951,154	9,221,978	-	30,035,402
(25,836)	-	-	(35,398)	296,324	-	282,798
-	-	-	35,398	(168,555)	-	(100,157)
(25,836)	-	-	-	127,769	-	182,641
49,249	-	-	-	3,189,596	231,408	2,311,602
\$ 23,413	\$ -	\$ -	\$ -	\$ 3,317,365	\$ 231,408	\$ 2,494,243

**Southeastern Community College**

**Schedule of Changes in Deposits Held in Custody for Others -  
Agency Funds  
Year Ended June 30, 2011**

	Retraining 260F	Student Organizations and Other	Total
Balance, beginning of year	\$ 146,572	\$ 186,230	\$ 332,802
Receipts and other additions:			
Fees	-	61,000	61,000
State support	96,047	-	96,047
Federal support	-	-	-
Sales and services	-	14,027	14,027
Transfers	-	5,375	5,375
Other	-	267,803	267,803
	<u>96,047</u>	<u>348,205</u>	<u>444,252</u>
Disbursements and other deductions:			
Salaries and benefits	-	112,188	112,188
Services	93,802	46,411	140,213
Materials and supplies	-	97,346	97,346
Travel	-	69,023	69,023
Other	-	13,635	13,635
	<u>93,802</u>	<u>338,603</u>	<u>432,405</u>
Balance, end of year	<u>\$ 148,817</u>	<u>\$ 195,832</u>	<u>\$ 344,649</u>

See Note to Other Supplementary Information.

## Southeastern Community College

### Note to Other Supplementary Information Year Ended June 30, 2011

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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.

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.

**Southeastern Community College**

**Note to Other Supplementary Information  
Year Ended June 30, 2011**

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**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, 2011**

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	52,283	-	52,283	1,036,326	-	1,036,326
Vocational preparatory	28,600	-	28,600	735,450	-	735,450
Adult/continuing education	-	-	-	164,220	88,849 *	253,069
Related services and activities	-	-	-	-	-	-
	<u>80,883</u>	<u>-</u>	<u>80,883</u>	<u>1,935,996</u>	<u>88,849</u>	<u>2,024,845</u>

\*Includes 240 hour adjustment of 3,180 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
2011:						
Total contact hours	1,036,326	735,450	253,069	-	-	2,024,845
Total credit hours	52,283	28,600	-	-	-	80,883
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

**Southeastern Community College**

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

	Year Ended June 30,			
	2011	2010	2009	2008
Local (property tax)	\$ 3,325,887	\$ 3,189,622	\$ 3,010,400	\$ 2,929,374
State	9,053,268	8,113,753	11,091,333	9,335,613
Federal	20,251,626	17,277,775	10,612,669	8,904,406
	<b>\$ 32,630,781</b>	<b>\$ 28,581,150</b>	<b>\$ 24,714,402</b>	<b>\$ 21,169,393</b>

**Southeastern Community College**

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

	Year Ended June 30,			
	2011	2010	2009	2008
State appropriations	<b>\$ 8,231,589</b>	\$ 8,113,753	\$ 9,601,430	\$ 9,115,730
Tuition and fees	<b>11,410,049</b>	11,601,333	10,078,583	9,579,850
Property tax	<b>1,970,757</b>	1,723,450	1,566,028	1,504,318
Federal appropriations	<b>20,251,626</b>	17,277,775	10,612,669	8,904,406
Interest earnings	<b>79,405</b>	234,648	184,139	273,362
Iowa Industrial New Jobs Training Program	<b>831,756</b>	753,609	1,015,434	2,502,745
Auxiliary enterprises	<b>3,478,126</b>	3,762,096	3,297,474	3,140,521
Miscellaneous	<b>5,632,226</b>	5,033,799	4,518,325	4,207,230
	<b><u>\$ 51,885,534</u></b>	<u>\$ 48,500,463</u>	<u>\$ 40,874,082</u>	<u>\$ 39,228,162</u>

**Southeastern Community College**

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

	Year Ended June 30,			
	2011	2010	2009	2008
Liberal arts and sciences	\$ 5,786,448	\$ 5,612,876	\$ 4,932,698	\$ 4,748,850
Vocational technical	5,378,767	6,402,208	4,947,382	4,601,181
Adult education	1,640,739	1,977,285	2,008,678	1,963,972
Cooperative services	6,770,305	5,735,555	5,314,480	6,151,410
Administration	1,724,009	1,645,119	1,596,705	1,581,155
Student services	2,663,919	2,643,501	2,834,422	2,523,385
Learning resources	394,381	451,327	443,177	426,644
Physical plant	2,358,995	2,175,574	2,133,977	1,992,399
General institution	3,346,910	4,177,445	3,454,089	3,353,569
Auxiliary enterprises	3,498,961	3,239,679	2,900,968	2,794,468
Scholarships and grants	15,635,339	8,486,992	5,385,114	4,621,665
Workforce Investment Act	2,433,516	4,580,371	4,130,800	3,200,373
	<b>\$ 51,632,289</b>	<b>\$ 47,127,932</b>	<b>\$ 40,082,490</b>	<b>\$ 37,959,071</b>

**Southeastern Community College**

**Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

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	\$ 65,500	\$ -
Federal Direct Student Loans (FDL)	84.268	N/A	-	7,291,881
Federal Work-Study Program (FWS)	84.033	N/A	109,453	-
Federal Pell Grant Program	84.063	N/A	7,714,989	-
Federal Academic Competitiveness Grant Program	84.375	N/A	54,297	-
<b>Total Student Financial Assistance Cluster</b>			<u>7,944,239</u>	<u>7,291,881</u>
TRIO-Student Support Services	84.042A	N/A	365,524	-
TRIO-Upward Bound	84.047A	N/A	235,102	-
<b>Total TRIO Cluster</b>			<u>600,626</u>	<u>-</u>
Title III - Higher Education Institutional Aid	84.031A	N/A	435,592	-
Indirect Programs:				
Passed through Iowa Department of Education:				
Vocational Education - Basic Grants to States:				
Carl Perkins	84.048A	6805010000	211,778	-
WWW.NL	84.048A	6805010000	24,503	-
Perkins Corrections	84.048A	N/A	8,951	-
Program of Study Technical Skill Attainment				
Assessment Grant	84.048	N/A	20,000	-
Tech-Prep Education	84.243	N/A	65,755	-
Adult Education - State Grant Program	84.002	N/A	123,262	-
			<u>454,249</u>	<u>-</u>
Passed through Iowa Department of Corrections,				
Title I Program for Neglected and Delinquent Children	84.013A	N/A	14,052	-
<b>Total U.S. Department of Education</b>			<u>9,448,758</u>	<u>7,291,881</u>
<b>U.S. Department of Agriculture:</b>				
Passed through Iowa Department of Education,				
State Administrative Grants of Food Stamp Program	10.559	N/A	2,831	-
<b>Small Business Administration:</b>				
Passed through Iowa State University,				
Small Business Development Center	59.037	N/A	\$ 93,850	\$ -

(Continued)

**Southeastern Community College**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2011**

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	\$ 54,210	\$ -
ARRA - WIA YouthBuild	17.274	N/A	283,963	-
WIA Community Based Job Training	17.269	N/A	227,641	-
Indirect Programs:				
Passed through Iowa Department of Workforce Development:				
Workforce Investment Act (WIA) - Work Incentives Grants	17.266	7-W-16-FR-0	25,754	-
Workforce Investment Act (WIA) - Adult Program	17.258	7-W-16-FR-0	651,116	-
Workforce Investment Act (WIA) - Youth Activities	17.259	7-W-16-FR-0	914,698	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	7-W-16-FR-0	42,318	-
Workforce Investment Act (WIA) - Dislocated Workers	17.278	7-W-16-FR-0	440,764	-
Workforce Investment Act (WIA) - Dislocated Workers - EPJ	17.260	7-W-16-FR-0	65,158	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-FR-9F-0-01	18,740	-
Workforce Investment Act (WIA) - Dislocated Workers	17.260	9-W-PF-RR-0-14	28,857	-
<b>Total Workforce Investment Act Cluster</b>			<b>2,187,405</b>	-
ARRA - Passed through Iowa Department of Workforce Development:				
ARRA - Workforce Investment Act (WIA) - Dislocated Workers - SESP	17.275	11-I-PF-EG-0-06	27,167	-
ARRA - Workforce Investment Act (WIA) - Work Incentive Grants	17.266	7-W-16-FR-0	59,486	-
ARRA - Workforce Investment Act (WIA) - Dislocated Workers	17.260	11-W-FR-P1-0-16	6,168	-
<b>Total ARRA Workforce Investment Act Cluster</b>			<b>92,821</b>	-
Passed through Iowa Department of Workforce Development:				
Trade Adjustment Assistance Workers	17.245	7-W-16-FR-0	5,034	-
Employment Service (Wagner Peysen)	17.207	7-W-16-FR-0	6,053	-
Re-employment	17.207	7-W-16-FR-0	10,576	-
ARRA - Employment Service (Wagner Peysen) - CRC	17.207	7-W-16-FR-0	45,188	-
Unemployment Insurance	17.225	7-W-16-FR-0	20,635	-
Employment and Training Administration Pilots, Demonstrations, and Research Projects - New Iowan Center	17.261	7-W-16-FR-0	5,546	-
Veterans' Employment Program, DVOP	17.801	7-W-16-FR-0	3,399	-
Passed through Iowa Department of Veterans' Affairs,				
Veterans' Employment Program	17.802	N/A	1,446	-
Passed through Iowa Department of Education,				
WIA Incentive Grants - Adult Literacy (ALWI)	17.267	N/A	43,871	-
<b>Total U.S. Department of Labor</b>			<b>2,987,788</b>	-
<b>National Science Foundation:</b>				
NSF S-Stem Grant	47.076	N/A	\$ 35,435	\$ -

(Continued)

**Southeastern Community College**

**Schedule of Expenditures of Federal Awards (Continued)  
Year Ended June 30, 2011**

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>				
Indirect Programs:				
Passed through Iowa Department of Workforce Development:				
ARRA - Temporary Assistance for Needy Families,				
Summer Youth - Emergency Fund	93.714	10-W-16-TE-0	\$ 72,537	\$ -
Temporary Assistance for Needy Families	93.558	7-W-16-FR-0	38,701	-
Temporary Assistance for Needy Families	93.558	9-W-16-FN-0	385,981	-
<b>Total U.S. Department of Health and Human Services</b>			497,219	-
<b>Corporation for National Service:</b>				
Americorps Recovery	94.006	N/A	4,170	-
Indirect program, passed through Iowa Department of Workforce Development, Americorps - YouthBuild	94.006	11-W-PF-YB-0-04	9,526	-
<b>Total Corporation for National Service</b>			13,696	-
<b>Total federal awards expended</b>			<b>\$ 13,079,577</b>	<b>\$ 7,291,881</b>

See Note to Schedule of Expenditures of Federal Awards.

**Southeastern Community College**

**Note to Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2011**

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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, 2011**

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Comment Number	Comment	Corrective Action Plan
<b>Statutory Reporting:</b>		
IV-I-10	Misclassification of credit and contact hours.	Uncorrected. See current year finding and corrective action plan at IV-I-11.



**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, 2011, and have issued our report thereon dated December 7, 2011. 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**

Management of Southeastern Community College is responsible for establishing and maintaining effective 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, 2011 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.

We noted certain matters that we reported to management of Southeastern Community College in a separate letter dated December 7, 2011.

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 7, 2011



**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 *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on Southeastern Community College's major federal programs for the year ended June 30, 2011. 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying *Schedule of Findings and Questioned Costs* as item 11-III-A.

**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.

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 Southeastern Community 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 7, 2011

**Southeastern Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

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**I. Summary of 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)
84.268	Federal Direct Student Loans (FDL)
84.033	Federal Work-Study Program (FWS)
84.063	Federal Pell Grant Program
84.375	Federal Academic Competitiveness Grant Program
17.274	WIA YouthBuild
17.274	ARRA-WIA YouthBuild

Dollar threshold used to distinguish between type A and type B programs \$ 611,144

Auditee qualified as low-risk auditee?  Yes  No

**Southeastern Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

---

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

(A) Internal Control

None reported.

(B) Compliance Findings

None reported.

**III. Findings and Questioned Costs for Federal Awards**

(A) Internal Control

None reported.

(B) Compliance Findings

**11-III-A**

**U.S. Department of Education  
Student Financial Assistance Cluster  
Federal Pell Grant Program (CFDA 84.063)  
Federal Award Year: 2010-2011**

Finding: The College underawarded Pell to a student.

Criteria: Per 34 CFR 690.63(a)(1) & (b)(1), a student's Federal Pell Grant for a payment period is calculated using various criteria including enrollment status.

Condition: The College did not use the proper Cost of Attendance row on the 2010-2011 Pell Tables to determine the student's Pell award.

Questioned Costs: The student was under awarded Pell by \$338.

Context: Of the 53 students tested, the College did not properly calculate the Pell award amount for one student.

Effect: Noncompliance with federal regulations.

Cause: Clerical error involving student's enrollment status and registration date.

Recommendation: We recommend the College implement a file review process to ensure that all awards are properly calculated.

Response and Corrective Action Plan: The College will investigate the error and make every effort to correct future award calculations.

**Southeastern Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

---

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

IV-A-11 Certified Budget

Expenditures during the year ended June 30, 2011 did not exceed the amounts budgeted in total.

IV-B-11 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-11 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-11 Business Transactions

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

IV-E-11 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-11 Board Minutes

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

IV-G-11 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-11 Deposits and Investments

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

**Southeastern Community College**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011**

---

IV-I-11 Credit and Contact Hours

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

<u>Category</u>	<u>Credit Hours Reported</u>	<u>Total Per Supporting Documentation</u>	<u>Difference</u>	<u>Contact Hours Reported</u>	<u>Total Per Supporting Documentation</u>	<u>Difference</u>
Adult/Continuing Education - Business, Management, Marketing and Related Support Services	N/A	N/A	N/A	35	40	(5)
Health Professions and Related Clinical Sciences	N/A	N/A	N/A	13	11	2

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.

**Southeastern Community College**

**Corrective Action Plan  
Year Ended June 30, 2011**

Comment Number	Comment	Corrective Action Plan	Contact Person	Initial Date of Communication	Anticipated Date of Completion
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**Findings and Questioned Costs:**

**Compliance over Federal Awards:**

III-I-11	Miscalculation of Pell award	See corrective action plan at II-III-A.	Ean Freels, Financial Aid Director	June 2011	June 2012
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**Statutory Reporting:**

IV-I-11	Misclassification of credit and contact hours.	See corrective action plan at IV-I-11.	Phil Thomas, Vice President for Teaching & Learning	June 2002	June 2012
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# Southeastern Community College

## Report to the Board of Trustees

December 7, 2011



McGladrey & Pullen, LLP  
Certified Public Accountants



December 7, 2011

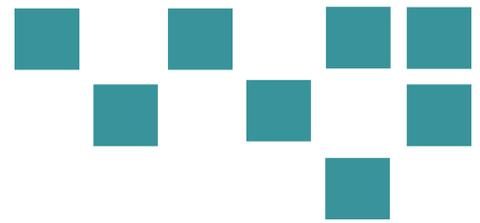
Southeastern Community College  
1500 West Agency Road  
PO Box 180  
West Burlington, Iowa

Attention: Board of Trustees

We are pleased to present this report related to our audit of the financial statements of Southeastern Community College for the year ended June 30, 2011. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Southeastern Community College's financial and compliance reporting process.

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

*McGladrey & Pullen, LLP*



# Contents

**Required Communications** ..... 1 – 2

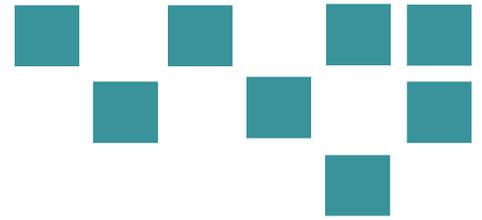
    Summary of Accounting Estimates..... 3

**Exhibit A – Significant Written Communications between Management and Our Firm**

    Arrangement Letter

    Representation Letter

    Written Communications on Accounting, Auditing or Operational Matters (Management Letter)



# Required Communications

Auditing guidance requires the auditor to communicate certain matters to keep those charged with governance adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. The following summarizes these communications:

Area	Comments
<b>Auditor's Responsibility Under Professional Standards</b>	Our responsibility under auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> issued by the Comptroller General of the United States and provisions of OMB Circular A-133 and OMB's <i>Compliance Supplement</i> have been described to you in our arrangement letter dated June 8, 2011.
<b>Accounting Practices</b>	<b>Adoption of, or Change in, Accounting Policies</b> Management has the ultimate responsibility for the appropriateness of the accounting policies used by the College. In the current year the College adopted the following Governmental Accounting Standards Board (GASB) statement:  GASB Statement No. 59, <i>Financial Instruments Omnibus</i> . This Statement updates and improves 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, <i>Accounting and Financial Reporting for Derivative Instruments</i> , and applying the reporting provisions for interest-earning investment contracts of GASB 31, <i>Accounting and Financial Reporting for Certain Investment and for External Investment Pools</i> . The adoption of this statement required additional disclosures for the College.
	<b>Significant or Unusual Transactions</b> We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.
	<b>Alternative Treatments Discussed with Management</b> We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit period.

Area	Comments
<b>Management’s Judgments and Accounting Estimates</b>	Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached “Summary of Accounting Estimates.”
<b>Financial Statement Disclosures</b>	<p>We would like to highlight the following financial statement disclosure included for the year ended June 30, 2011:</p> <ul style="list-style-type: none"> <li>• <u>Accounting policies and pending accounting pronouncements</u>: Professional standards require disclosure of accounting policies for which there are several acceptable alternatives and certain other required disclosures. Please refer to Note 1 and Note 12 of the financial statements for a summary of these policies.</li> </ul>
<b>Audit Adjustments</b>	There were no audit adjustments made to the original trial balance presented to us to begin our audit.
<b>Disagreements with Management</b>	We encountered no disagreements with management over the application of significant accounting principles, the basis for management’s judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
<b>Consultations with Other Accountants</b>	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
<b>Significant Issues Discussed with Management</b>	No significant issues arising from the audit were discussed or were the subject of correspondence with management.
<b>Difficulties Encountered in Performing the Audit</b>	We did not encounter any difficulties in dealing with management during the audit.
<b>Significant Written Communications Between Management and Our Firm</b>	Copies of significant written communications between our firm and the management of the College are attached as Exhibit A.

# Southeastern Community College

## Summary of Accounting Estimates

### Year Ended June 30, 2011

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the College's June 30, 2011, financial statements.

Area	Accounting Policy	Estimation Process	Comments
<b>Early Retirement Accrual</b>	The College recognizes a liability for the employees that have elected early retirement under the early retirement plan.	The accrual for early retirement is determined based on the lump-sum cash payments owed to retirees, plus the discounted College's share of health premiums until the retiree reaches age 65. The accrual is determined by the number of months until age 65, times the health insurance deductible discounted back at a rate of 0.01%.	We tested the underlying data and we believe management's estimate is reasonable.
<b>Depreciable Life of Capital Assets</b>	The depreciable life of capital assets is set at the estimated useful life of the related asset.	The determination is made at the time the asset is placed into service and involves various judgments and assumptions, including resale value of used equipment, estimated useful life and prior experience.	We believe the estimates and process used by Southeastern Community College are reasonable.
<b>Other Postemployment Benefit Plan</b>	In accordance with GASB Statement No. 45, the College records and reports a liability for other postemployment benefits.	Accounting and disclosures for other postemployment benefit plans is based upon numerous assumptions and estimates, including the interest rate used to determine the present value of liabilities and certain employee-related factors. The College relies on the actuarial computed net other postemployment benefit obligation based on data provided by the College of turnover retirement age and mortality. These factors and the estimated discount rate and rate of return are based upon historical and general market data. Management reviews the actuarial results.	We obtained and reviewed the College's actuarial calculation report, including the assumptions and concluded that management's estimates are reasonable.

# **Exhibit A – Significant Written Communications between Management and Our Firm**

June 8, 2011

Board of Trustees  
Southeastern Community College  
1015 South Gear Avenue  
P.O. Drawer F  
West Burlington, Iowa 52665

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

This letter is to explain our understanding of the arrangements for the services we are to perform for Southeastern Community College for the year ending June 30, 2011. We ask that you either confirm or amend this understanding.

#### **Audit Services**

We will perform an audit of Southeastern Community College's basic financial statements as of and for the year ending June 30, 2011. We understand that these financial statements will be prepared in accordance with accounting principles generally accepted in the United States of America. The objective of an audit of financial statements is to express an opinion on those statements.

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

We will also perform the audit of Southeastern Community College as of June 30, 2011 so as to satisfy the audit requirements imposed by the Single Audit Act and the U.S. Office of Management and Budget (OMB) Circular No. A-133.

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

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

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

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

- A report on the fairness of the presentation of the College's schedule of expenditures of federal awards for the year ending June 30, 2011.
- Report(s) on internal control related to the financial statements and major programs. These reports will describe the scope of testing of internal control and the results of our tests of internal controls.
- Report(s) on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements and any noncompliance which could have a direct and material effect, as defined by OMB Circular A-133, on each major program.
- A schedule of findings and questioned costs.
- Form SF-SAC Data Collection Form will be prepared. The responsibility we are to take for the material included in this form will be the same as that we assume for other supplementary information accompanying the financial statements.
- We will also perform an examination of the College's schedule of credit/contact hour enrollment for the year ended June 30, 2011.

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

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

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

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

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

#### **Southeastern Community College's Responsibilities**

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

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

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

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

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

Southeastern Community College agrees that it will not associate us with any public or private securities offering without first obtaining our consent. Therefore, the College agrees to contact us before it includes our reports or otherwise makes reference to us, in any public or private securities offering. We may conclude that we are not otherwise associated with the proposed offering and that our association with the proposed offering is not necessary, providing the College agrees to clearly indicate that we are not associated with the contents of the official statement or memorandum. The College agrees that the following disclosure will be prominently displayed in the official statement or memorandum:

*McGladrey & Pullen, LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey & Pullen, LLP also has not performed any procedures relating to this official statement or memorandum.*

Our association with an official statement is a matter for which separate arrangements will be necessary. Southeastern Community College agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing, and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the College seeks such consent, we will be under no obligation to grant such consent or approval.

Because McGladrey & Pullen, LLP will rely on Southeastern Community College and its management and Board of Trustees to discharge the forgoing responsibilities, Southeastern Community College holds harmless and releases McGladrey & Pullen, LLP, its partners and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of Southeastern Community College's management which has caused, in any respect, McGladrey & Pullen, LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

#### **Southeastern Community College's Records and Assistance**

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

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

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

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In addition, we may provide financial information you have provided to us in connection with this engagement to RSM McGladrey Inc. for purposes of creating benchmarking data to be used by McGladrey & Pullen, LLP and RSM McGladrey Inc. professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

#### **Fees, Costs and Access to Audit Documentation**

Our fees are based upon the time required by the individuals assigned to the engagement, plus direct expenses. Interim billings will be submitted as work progresses and as expenses are incurred. Billings are due upon submission. Our fee for the services described in the letter will not exceed \$65,800, unless the scope of the engagement is changed, the assistance which the College has agreed to furnish is not provided, or unexpected conditions are encountered, in which case we will discuss the situation with you before proceeding. We have estimated our fees assuming we will receive a complete workpaper package at the beginning of the engagement and that we will receive full assistance from you and your accounting staff. Past due workpapers will be considered out-of-scope and billed separately. All other provisions of this letter will survive any fee adjustment.

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

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

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

You have requested we assist you with the preparation of the basic financial statements and provide certain other related services, including proposing adjusting journal entries.

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

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

#### **Claim Resolution**

Southeastern Community College and McGladrey & Pullen, LLP agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by McGladrey & Pullen, LLP or the date of this arrangement letter if no report has been issued. Southeastern Community College waives any claim for punitive damages. McGladrey & Pullen, LLP's liability for all claims, damages and costs of Southeastern Community College arising from this engagement is limited to the amount of fees paid by Southeastern Community College to McGladrey & Pullen, LLP for the services rendered under this arrangement letter.

This letter constitutes the complete and exclusive statement of agreement between McGladrey & Pullen, LLP and Southeastern Community College, superseding all proposals, oral or written, and all other communication, with respect to the terms of the engagement between the parties.

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

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

#### **McGladrey & Pullen, LLP**

  
Michelle Horaney, Partner

Enclosures

Confirmed on behalf of Southeastern Community College:

  
\_\_\_\_\_  
June 9, 20 11

# Southeastern Community College

## Attachment A

	Federal CFDA Number
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007
Federal Family Education Loans	84.032
Federal Work-Study Program (FWS)	84.033
Federal Pell Grant Program	84.063
TRIO-Student Support Services	84.042A
TRIO-Upward Bound	84.047A
Vocational Education - Carl Perkins	84.048
Vocational Education - <a href="http://www.nl">www.nl</a>	84.048A
Tech-Prep Education	84.243
Adult Education - State Grant Program	84.002
Title 1 Program for Neglected and Delinquent Children	84.013A
State Administrative Grants of Food Stamp Program	10.559
Veterans' Employment Program, DVOP	17.801
Veterans' Employment Program	17.802
Workforce Investment Act (WIA) - Adult Program	17.258
Workforce Investment Act (WIA) - Youth Activities	17.259
Workforce Investment Act (WIA) - Dislocated Workers	17.260
Temporary Assistance for Needy Families	93.558
Small Business Development Center	59.037
Mine Health and Safety Grants	17.600
WIA Incentive Grant - Adult Literacy	17.267
Federal Academic Competitiveness Grant	84.375
Trade Adjustment Assistance Workers	17.245
Employment and Training Administration - New Iowan Center - Pilots, Demonstrations & Research Project	17.261
Math-in-Career and Technical Education Grant	84.243
Higher Education - Institutional Aid (Title III)	84.031A
Workforce Investment Act (WIA) - Adult Programs Stimulus	17.258
Workforce Investment Act (WIA) - Youth Activities Stimulus	17.259
Workforce Investment Act (WIA) - Dislocated Workers Stimulus	17.260
Employer Service Program (Wagner Peyser)	17.207
Unemployment Insurance	17.225
WIA Community Based Job Training Grant	17.269
Vocational Education - Perkins Corrections	84.048A
Program of Study Technical Skill Attainment Assessment Grant	84.048
Math in CTE Grant	84.048
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Aid	84.394
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services CCSAP	84.397
Workforce Investment Act (WIA) - Youth Build	17.274
Workforce Investment Act Dislocated Workers - EPJ	17.260
Re-Employment	17.207
Work Incentives Grant (Disability Navigator)	17.266
NSF S - Stem Grant	47.076
Health Care and Other Facilities	93.887
ARRA - Temporary Assistance for Needy Families, Summer Youth - Emergency Fund	93.714
Area Health Education Centers Infrastructure Development Awards	93.824
Americorps Recovery	94.006
Federal Direct Loans	84.268
Postsecondary Education Scholarships for Veteran's Dependents	84.408
Workforce Investment Act (WIA) - Community Based Job Training	17.269



December 7, 2011

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

In connection with your audit of the basic financial statements of Southeastern Community College as of and for the year ended June 30, 2011, we confirm that we are responsible for the fair presentation in the financial statements of financial position, changes in financial position, and cash flows in conformity with accounting principles generally accepted in the United States of America.

We confirm to the best of our knowledge and belief, as of December 7, 2011, the following representations made to you during your audit:

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

- c. All communications from grantors, lenders, other funding sources, or regulatory agencies concerning noncompliance with:
    - (i) Statutory, regulatory or contractual provisions or requirements.
    - (ii) Financial reporting practices that could have a material effect on the financial statements.
7. We have no knowledge of fraud or suspected fraud affecting the entity involving:
  - a. Management.
  - b. Employees who have significant roles in the internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
8. We acknowledge our responsibility for the design and implementation of programs and controls to provide reasonable assurance that fraud is prevented and detected.
9. We have no knowledge of any allegations of fraud or suspected fraud affecting Southeastern Community College received in communications from employees, former employees, analysts, regulators or others.
10. We are aware of no significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the entity's ability to record, process, summarize and report financial data.
11. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
12. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
13. The following have been properly recorded and/or disclosed in the financial statements:
  - a. Related-party transactions, including those with component units for which Southeastern Community College is accountable as defined in Section 2100 of the Governmental Accounting Standards Board's Codification of Governmental Accounting and Financial Reporting Standards, and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements, and guarantees, all of which have been recorded in accordance with the economic substance of the transaction and appropriately classified and reported.
  - b. Security agreements in effect under the Uniform Commercial Code.
  - c. Any other liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
  - d. The fair value of investments.
  - e. Debt issue provisions.
  - f. All significant estimates and material concentrations known to management which are required to be disclosed in accordance with the AICPA's Statement of Position No. 94-6, *Disclosure of Certain Significant Risks and Uncertainties*. Significant estimates are estimates at the statement of net assets date which could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply or markets for which events could occur which would significantly disrupt normal finances within the next year.

- g. Risk financing activities.
  - h. The effect on the financial statements of GASB Statement Nos. 57, 60, 61, 62, 63 and 64 which have been issued, but which we have not yet adopted.
  - i. Deposits and investment securities category of custodial credit risk, interest rate risk, credit risk and concentration of credit risk.
  - j. Restrictions on cash balances.
14. We are responsible for making the accounting estimates included in the financial statements. Those estimates reflect our judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of action we expect to take. In that regard, adequate provisions have been made:
- a. To reduce receivables to their estimated net collectable amounts.
  - b. For risk retention, including uninsured losses or loss retentions (deductibles) attributable to events occurring through June 30, 2011 and/or for expected retroactive insurance premium adjustments applicable to periods through June 30, 2011.
  - c. For pension obligations, post-retirement benefits other than pensions, and deferred compensation agreements attributable to employee services rendered through June 30, 2011.
15. There are no:
- a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
  - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Federal Environmental Protection Agency or any equivalent state agencies in connection with any environmental contamination.
  - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
  - d. Guarantees, whether written or oral, under which the College is contingently liable.
  - e. Arrangements with financial institutions involving compensating balances.
  - f. Line of credit or similar arrangements.
  - g. Agreements to repurchase assets previously sold.
  - h. Material amounts of contractual obligations for construction or purchase of real property or equipment not included in the liabilities or encumbrances recorded on the books.
  - i. Liabilities which are subordinated in any way to any other actual or possible liabilities.
  - j. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
  - k. Leases or material amounts of rental obligations under long-term leases.
  - l. Derivative financial instruments.
  - m. Special or extraordinary items.

- n. Arbitrage rebate liabilities.
  - o. Impairment of capital assets.
  - p. Obsolete, damaged or excess inventories.
  - q. Investments, intangibles or other assets which have permanently declined in value.
  - r. Material losses to be sustained in the fulfillment of, or from the inability to fulfill, any service commitments.
  - s. Material losses to be sustained as a result of purchase commitments.
  - t. Environmental cleanup obligations.
  - u. Authorized but unissued bonds or notes.
16. There are no unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed in accordance with Statement of Financial Accounting Standards No. 5 and/or GASB Statement No. 10.
17. We have no direct or indirect, legal or moral, obligation for any debt of any organization, public or private that is not disclosed in the financial statement.
18. We have satisfactory title to all owned assets.
19. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
20. Net asset components invested in capital assets, net of related debt, restricted, and unrestricted are properly classified and, when applicable, approved.
21. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
22. Revenues are appropriately classified.
23. Capital assets, including infrastructure assets, are properly capitalized, reported and depreciated.
24. Required supplementary information is properly measured and presented.
25. Pell grants and direct loans, which are included in federal appropriations revenue on the financial statements, are classified as operating revenue as the Pell grants and direct loans replace an amount of tuition revenue for a student. As tuition is revenue from the principal educational operations, we believe that the Pell grants and direct loans are appropriately classified as operating revenue. We also believe that the funds expended for federal grants are properly included in operating revenue as these federal grants support programs that are directly related to the principal ongoing operations of the College.
26. We have reviewed, approved and are responsible for overseeing the preparation and completion of the basic financial statements and related notes.

In connection with your audit, conducted in accordance with *Government Auditing Standards*, we confirm:

27. We are responsible for:
- a. Compliance with the laws, regulations and provisions of contracts and grant agreements applicable to Southeastern Community College.
  - b. Establishing and maintaining effective internal control over financial reporting.

28. We have identified and disclosed to you:
  - a. All laws, regulations and provisions of contracts and grant agreements that have a direct and material effect on the determinations of financial statement amounts or other financial data significant to audit objectives.
  - b. Violations (and possible violations) of laws, regulations and provisions of contracts and grant agreements whose effects should be considered for disclosure in the auditor's report on noncompliance.
29. We have a process to track the status of audit findings and recommendations.
30. We have identified for you previous audits, attestation engagements, performance audits, or other studies related to the objectives of the audit being undertaken and the corrective action taken to address significant findings and recommendations.
31. We have provided you with our views on your reported findings, conclusions and recommendations, as well as our planned corrective actions for the report.
32. We have reviewed, approved and take full responsibility for the financial statements and related notes and acknowledge the auditor's role in the preparation of this information.
33. We have reviewed, approved and take full responsibility for all GASB 35 adjustments and an acknowledgement of the auditor's role in the preparation of the adjustments.

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

34. We are responsible for complying, and we have complied, with the requirements of OMB Circular A-133.
35. We are responsible for understanding and complying with the requirements of laws, regulations and the provisions of contracts and grant agreements related to each of our federal programs.
36. We have prepared the schedule of expenditures of federal awards in accordance with Circular A-133 and have included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance.
37. We are responsible for establishing and maintaining, and we have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that Southeastern Community College is managing federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on our federal programs.
38. We have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
39. We have provided you our interpretations of any compliance requirements that are subject to varying interpretations.
40. We have made available all contracts and grant agreements (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
41. We have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of federal awards.

42. We have charged costs to federal awards in accordance with applicable cost principles.
43. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
44. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
45. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
46. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by Circular A-133.
47. We have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
48. We have accurately completed the appropriate sections of the data collection form.
49. We have disclosed to you any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of your audit.
50. We are responsible for taking corrective action on audit findings of the compliance audit.
51. There is not any known noncompliance occurring subsequent to the period for which compliance is audited.
52. There are no changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by us with regard to significant deficiencies, including material weaknesses in internal control over compliance, have occurred subsequent to the date as of which compliance is audited.

No events or transactions have occurred subsequent to the statement of net assets date that would require adjustment to, or disclosure in, the financial statements.

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

**Southeastern Community College**



Beverly S. Simone, President



Bill Meck, Board Treasurer



Annette Peterson, Controllor



Ean Freels, Student Financial Aid Director



Beverly Simone, President  
Bill Meck, Board Treasurer  
Southeastern Community College  
West Burlington, Iowa

In connection with our audit of the financial statements of Southeastern Community College as of and for the year ended June 30, 2011, we identified deficiencies in internal control over financial reporting (control deficiencies).

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Certain control deficiencies that have been previously communicated to you, in writing, by us or by others within your organization are not repeated herein.

Following is a description of an other identified control deficiency that we determined did not constitute a significant deficiency or material weakness:

During student financial aid testing, we noted two instances out of thirty-four students tested where the loan disbursement date submitted to Common Origination and Disbursement did not agree to the disbursement date on the student's account per the Datatel system. The OMB A-133 Compliance Supplement requires that the disbursement date entered into the Common Origination and Disbursement files agree to the date the funds were made available to students.

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

*McGladrey & Pullen, LLP*

Davenport, Iowa  
December 7, 2011