

SOUTHEASTERN COMMUNITY COLLEGE

FINANCIAL STATEMENTS

June 30, 2012

SOUTHEASTERN COMMUNITY COLLEGE

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SOUTHEASTERN COMMUNITY COLLEGE

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors		
Brian Roth	Chairperson/President	October 2015
David Walker	Vice Chairperson/Vice President	October 2013
Landen Hillyard	Member	October 2013
Janet Fife-LaFrenz	Member	October 2015
Moudy Nabulsi	Member	October 2015
Area School:		
Beverly Simone	President	
Bill Meck	Board Treasurer	
Sherry Zeller	Secretary	

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Southeastern Community College (College), and its aggregate discretely presented component unit as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of the 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 component unit of the College discussed in Note 1, which represents 100% of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those units, is based on 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 financial statements of the component unit were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports 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 aggregate discretely presented component unit at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2012 on our consideration of Southeastern Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southeastern Community College's basic financial statements. The financial statements for the four years ended June 30, 2011 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. The statements and schedules listed in the table of contents as supplementary information, as well as the accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of Southeastern Community College's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
November 30, 2012

**SOUTHEASTERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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, 2012. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

Financial Highlights

2012:

- College operating revenues decreased 2.7% or \$700,947. The largest areas of change were a decrease in federal appropriations (\$1,526,596), and an increase in Iowa Industrial New Jobs Training Program (\$1,048,151).
- College net non-operating revenues decreased 7.9% or \$1,573,834 primarily as a result of a decrease in Pell grant scholarship revenue (\$1,282,611) and state appropriations (\$374,028).
- College operating expenses decreased 3.3% or \$1,463,915. The largest area of change was a decrease in scholarship and grant expenses (\$1,499,684).
- The College's net assets increased 3.2% or \$824,445. This is the result of the College's continued investment in capital assets and annual revenue exceeding expenditures.

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 and annual revenue exceeding expenditures.

**SOUTHEASTERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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.

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 retiree health plan, and the supplementary information provides detailed information about the individual funds of the College.

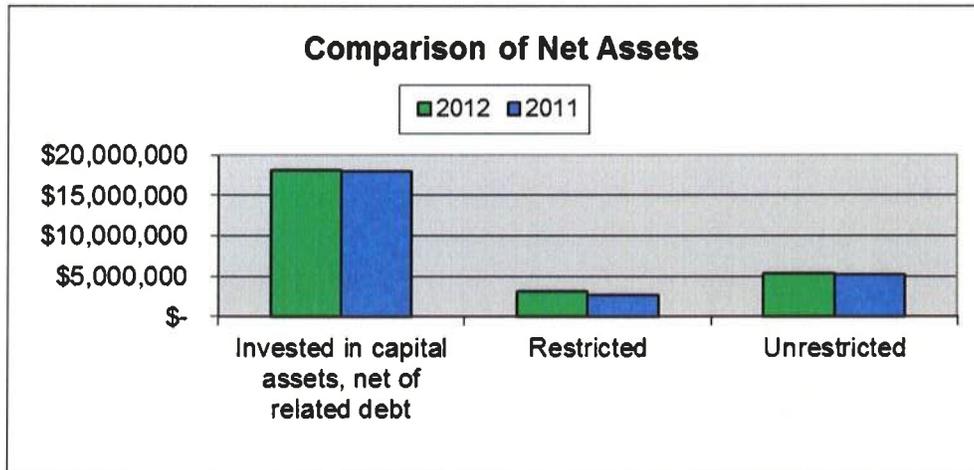
Supplementary Information provides detailed information about the individual funds. The Budgetary Comparison Schedule of Expenditures further explains and supports the financial statements with a comparison of the College's budget for the year. The Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting 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, 2012 and 2011. 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.

**SOUTHEASTERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

	June 30,	
	2012	2011
Net assets		
Current and other assets	\$ 23,924,052	\$ 25,993,376
Capital assets, net of accumulated depreciation	20,658,546	21,165,158
Total assets	44,582,598	47,158,534
Current liabilities	11,389,678	12,864,863
Noncurrent liabilities	6,558,895	8,484,091
Total liabilities	17,948,573	21,348,954
Net assets		
Invested in capital assets, net of related debt	18,186,489	17,927,579
Restricted	3,185,462	2,698,243
Unrestricted	5,262,074	5,183,758
Total net assets	\$ 26,634,025	\$ 25,809,580



Year Ended June 30, 2012: The largest portion of the College's net assets (69.2%) 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 (12.0%) includes resources that are subject to external restrictions. The remaining net assets (19.8%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

**SOUTHEASTERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

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.

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 the 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.

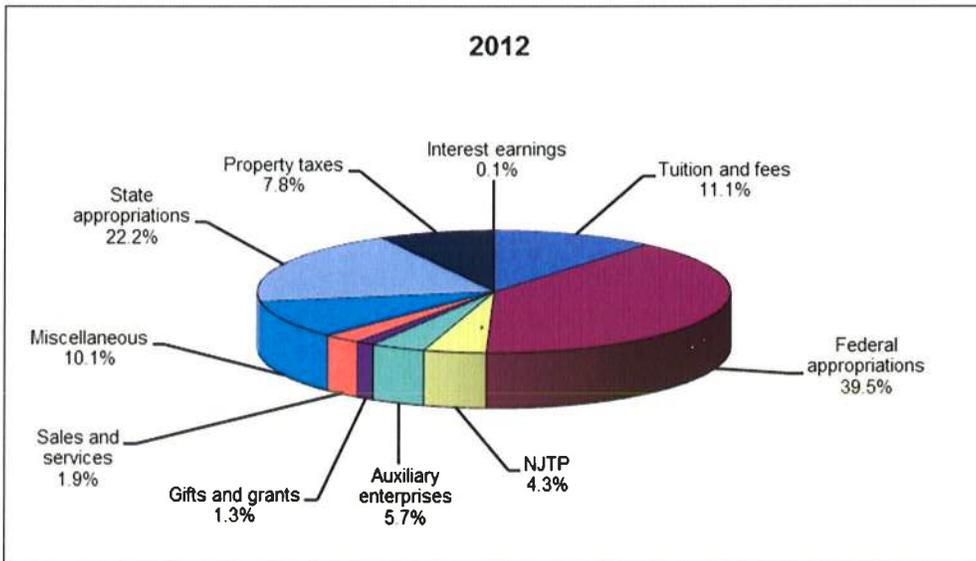
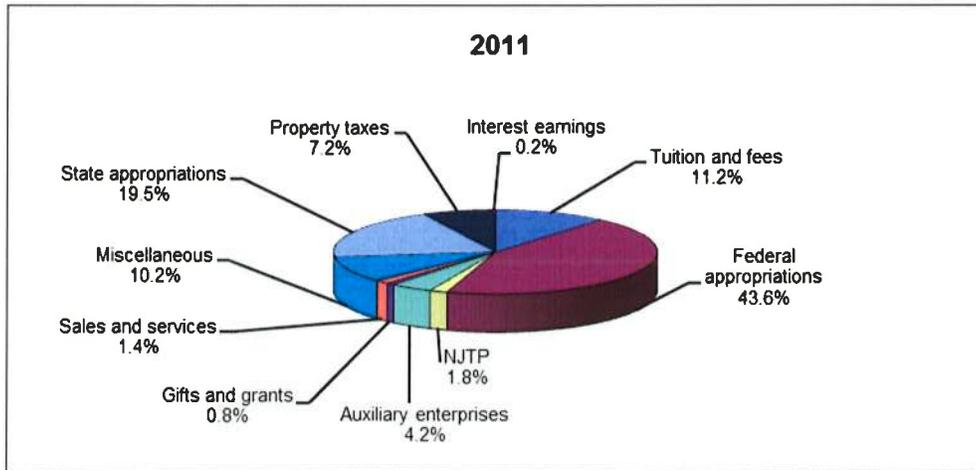
**SOUTHEASTERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

	Year Ended June 30,	
	2012	2011
Changes in net assets		
Operating revenues:		
Tuition and fees	\$ 4,879,854	\$ 5,217,518
Federal appropriations	11,021,181	12,547,777
Iowa Industrial New Jobs Training Program	1,879,907	831,756
Auxiliary	1,640,759	1,935,200
Gifts and grants	570,005	393,457
Sales and services	1,139,655	632,260
Miscellaneous	<u>4,463,752</u>	<u>4,738,092</u>
Total operating revenues	25,595,113	26,296,060
 Total operating expenses	<u>43,216,596</u>	<u>44,680,511</u>
Operating loss	<u>(17,621,483)</u>	<u>(18,384,451)</u>
 Nonoperating revenues (expenses) and transfers:		
State appropriations	8,679,240	9,053,268
Pell grant	6,421,238	7,703,849
Property taxes	3,429,236	3,325,887
Interest earnings	51,326	84,155
Loss on disposal of capital assets	(1,751)	-
Interest on indebtedness	(113,360)	(127,396)
Transfer to agency fund	<u>(20,001)</u>	<u>(5,375)</u>
Net nonoperating revenues and transfers	<u>18,445,928</u>	<u>20,034,388</u>
 Change in net assets	824,445	1,649,937
 Net assets:		
Beginning	<u>25,809,580</u>	<u>24,159,643</u>
Ending	<u>\$ 26,634,025</u>	<u>\$ 25,809,580</u>
 Total revenues, operating and nonoperating	<u>\$ 44,528,009</u>	<u>\$ 46,463,219</u>
 Total expenses, operating and nonoperating	<u>\$ 43,703,564</u>	<u>\$ 44,813,282</u>

**SOUTHEASTERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Total Revenue by Source

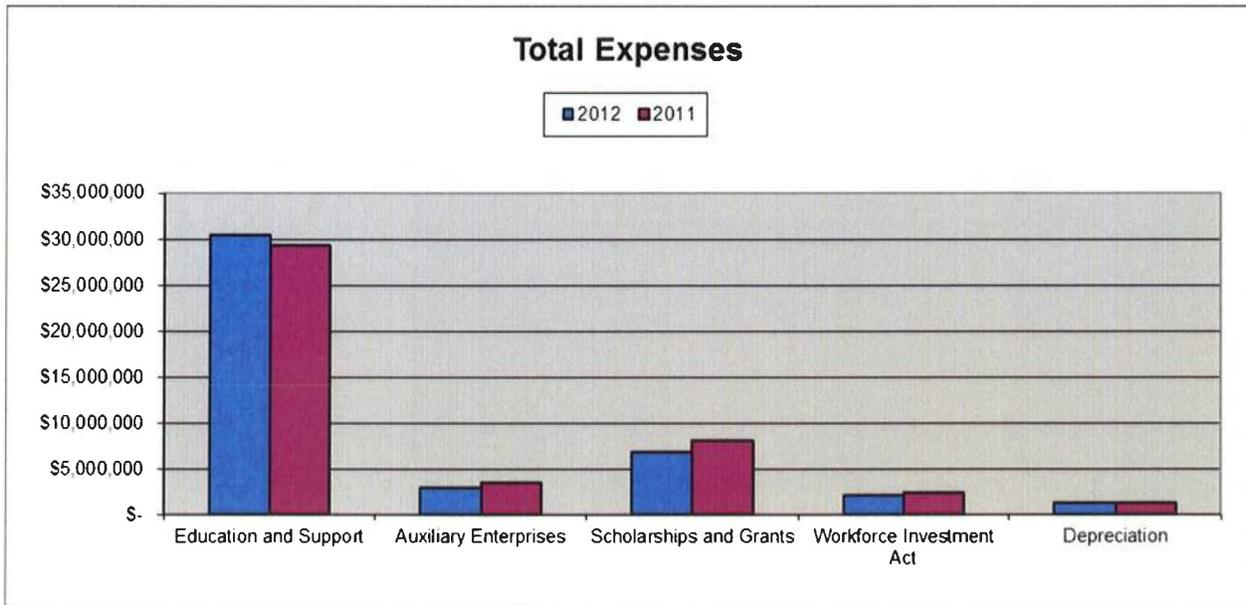
The statement of revenues, expenses, and changes in net assets reflects positive years for both 2012 and 2011, with an increase in the net assets of \$824,445 and \$1,649,937, respectively.



**SOUTHEASTERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Operating expenses

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Education and support:		
Liberal arts and sciences	\$ 5,786,740	\$ 5,773,078
Vocational technical	4,584,933	5,149,592
Adult education	1,894,184	1,632,974
Cooperative services	7,698,084	6,754,083
General administration	1,718,528	1,637,489
Student services	2,699,998	2,582,896
Learning resources	395,338	393,897
Physical plant	2,702,173	2,504,587
General institution	2,780,727	2,953,312
Auxiliary enterprises	2,942,543	3,498,961
Scholarships and grants	6,650,219	8,149,903
Workforce Investment Act	2,097,494	2,433,516
Depreciation expense	1,265,635	1,216,223
Total operating expenses	\$ 43,216,596	\$ 44,680,511



**SOUTHEASTERN COMMUNITY COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2012**

Debt Service

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

Outstanding debt	<u>June 30,</u>	
	<u>2012</u>	<u>2011</u>
General obligation, dormitory revenue and school refunding bonds (principal)	\$ 2,472,058	\$ 3,237,579
Certificates payable (principal)	5,890,000	6,875,000
Compensated absences	580,594	553,159
Early retirement payable	712,374	1,187,953
Totals	<u>\$ 9,655,026</u>	<u>\$ 11,853,691</u>

June 30, 2012: Long-term debt decreased by \$2,198,665 (18.5%) in 2012. No new debt was issued for certificates payable or bonds.

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.

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
June 30, 2012**

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,	
	<u>2012</u>	<u>2011</u>
Cash provided by (used in):		
Operating activities	\$(17,919,206)	\$ (9,663,989)
Noncapital financing activities	17,498,194	13,105,627
Capital and related financing activities	(1,637,904)	(5,700,949)
Investing activities	<u>1,276,485</u>	<u>1,368,077</u>
Net increase decrease	(782,431)	(891,234)
 Cash:		
Beginning	<u>2,800,108</u>	<u>3,691,342</u>
Ending	<u>\$ 2,017,677</u>	<u>\$ 2,800,108</u>

Capital Assets: As of June 30, 2012, the College has \$20,658,546 invested in capital assets, net of accumulated depreciation of \$14,896,700. Depreciation charges totaled \$1,265,635 for fiscal year 2012. Details of the capital assets are shown below.

Capital assets	June 30,	
	<u>2012</u>	<u>2011</u>
Land	\$ 858,541	\$ 858,541
Buildings	25,931,827	25,901,619
Other structures and improvements	3,200,047	2,685,406
Furniture and equipment	<u>5,564,831</u>	<u>5,447,948</u>
Totals	<u>\$ 35,555,246</u>	<u>\$ 34,893,514</u>

The major capital expenditures during fiscal year 2012 were related to a Roadway Project.

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
June 30, 2012**

Economic factors

Southeastern Community College improved its financial position during the current 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 39.9% 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 49.5% of the total revenues. While it is a significant amount of revenue, it is difficult to predict and budget, and continued tuition rate increases (5% for fiscal year 2012) may create hardships for individuals seeking college education.
- Property Tax revenue increased \$103,349 and total taxable property values increased for the 2012 levy by \$135,568,521 (4.1%). Property tax collections for the unrestricted general operating fund represent 3.7% 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 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% of the unrestricted general operating fund expenditures.
- In 2012, credit student enrollment decreased 12.6% (10,179 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.

BASIC FINANCIAL STATEMENTS

SOUTHEASTERN COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
June 30, 2012

ASSETS	Primary <u>Institution</u>	Component Unit - <u>Foundation</u>
CURRENT ASSETS		
Cash and investments	\$ 14,333,951	\$ 4,109,434
Restricted certificates of deposit	204,000	-
Receivables:		
Accounts	197,599	-
Due from other governments	2,670,696	-
Property taxes, succeeding year	3,388,809	-
Other	-	34,918
Inventories	525,418	-
Prepaid expenses	53,041	1,569
Total current assets	<u>21,373,514</u>	<u>4,145,921</u>
NONCURRENT ASSETS		
Due from Iowa Industrial New Jobs Training Program	2,460,305	-
Bond discount and issuance costs	90,233	-
Capital assets:		
Land	858,541	-
Buildings	25,931,827	-
Other structures and improvements	3,200,047	-
Furniture and equipment	5,564,831	-
Accumulated depreciation	<u>(14,896,700)</u>	<u>-</u>
Total noncurrent assets	<u>23,209,084</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 44,582,598</u>	<u>\$ 4,145,921</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 1,723,043	\$ 1,654
Salaries and benefits payable	1,066,128	-
Deferred revenue:		
Succeeding year property tax	3,388,809	-
Other	1,331,034	-
Early retirement payable	712,374	-
Compensated absences payable	580,594	-
Deposits held in custody for others	610,843	-
Certificates payable	1,190,000	-
Bonds payable	<u>786,853</u>	<u>-</u>
Total current liabilities	11,389,678	1,654
NONCURRENT LIABILITIES		
Certificates payable	4,700,000	-
Bonds payable	1,685,205	-
Net OPEB liability	<u>173,690</u>	<u>-</u>
Total noncurrent liabilities	<u>6,558,895</u>	<u>-</u>
Total liabilities	<u>17,948,573</u>	<u>1,654</u>
NET ASSETS		
Invested in capital assets, net of related debt	18,186,489	-
Restricted:		
Nonexpendable:		
Scholarships and fellowships	-	3,025,025
Cash reserve	231,408	-
Expendable:		
Scholarships and fellowships	-	820,670
Other restricted purposes	2,954,054	-
Unrestricted	<u>5,262,074</u>	<u>298,572</u>
Total net assets	<u>26,634,025</u>	<u>4,144,267</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 44,582,598</u>	<u>\$ 4,145,921</u>

The accompanying notes are an integral part of the financial statements.

SOUTHEASTERN COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

	<u>Primary Institution</u>	<u>Component Unit - Foundation</u>
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$5,754,758	\$ 4,879,854	\$ -
Federal appropriations	11,021,181	-
Iowa Industrial New Jobs Training Program	1,879,907	-
Gifts and grants	570,005	24,429
Contributions	-	230,460
Sales and services	1,139,655	-
Auxiliary enterprises, net of scholarship allowances of \$1,293,620	1,640,759	-
Miscellaneous	4,463,752	64,500
Total operating revenues	25,595,113	319,389
OPERATING EXPENSES		
Education and support:		
Liberal arts and sciences	5,786,740	-
Vocational technical	4,584,933	-
Adult education	1,894,184	-
Cooperative services	7,698,084	-
General administration	1,718,528	-
Student services	2,699,998	-
Learning resources	395,338	-
Physical plant	2,702,173	-
General institution	2,780,727	-
Auxiliary enterprises	2,942,543	-
Scholarships and grants	6,650,219	113,919
Workforce Investment Act	2,097,494	-
Depreciation expense	1,265,635	-
Other	-	93,222
Total operating expenses	43,216,596	207,141
Operating income (loss)	(17,621,483)	112,248
NONOPERATING REVENUES (EXPENSES):		
State appropriations	8,679,240	-
Pell grant	6,421,238	-
Property taxes	3,429,236	-
Investment earnings	51,326	4,085
Loss on disposal of capital assets	(1,751)	-
Interest on indebtedness	(113,360)	-
Net nonoperating revenues	18,465,929	4,085
Transfers to agency fund	(20,001)	-
Net change in fund balances	824,445	116,333
NET ASSETS:		
Beginning	25,809,580	4,027,934
Ending	\$ 26,634,025	\$ 4,144,267

The accompanying notes are an integral part of the financial statements.

SOUTHEASTERN COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
June 30, 2012

	Primary Institution	Component Unit - Foundation
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	\$ 4,341,752	\$ -
Federal appropriations	11,614,286	-
Iowa Industrial New Jobs Training Program	1,393,215	-
Payments to employees for salaries and benefits	(19,378,292)	-
Payments to suppliers for goods and services	(17,110,983)	(32,865)
Cash received as contributions	-	226,541
Cash paid for scholarships	(6,650,219)	(115,488)
Auxiliary enterprise	1,640,759	-
Other receipts	6,230,276	24,429
Net cash provided by (used in) operating activities	<u>(17,919,206)</u>	<u>102,617</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	8,679,240	-
Pell grant	6,421,238	-
Property taxes	3,429,236	-
Principal paid on certificates payable	(985,000)	-
Transfers to agency funds	(20,001)	-
Miscellaneous Agency Fund receipts	400,678	-
Miscellaneous Agency Fund disbursements	(427,197)	-
Net cash provided by noncapital financing activities	<u>17,498,194</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(759,023)	-
Principal paid on bonds payable	(765,521)	-
Interest paid on bonds payable	(113,360)	-
Net cash used in capital and related financing activities	<u>(1,637,904)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	51,326	(97,540)
Purchase of investments	-	-
Proceeds from the sale of investments	1,225,159	-
Net cash provided by (used in) investing activities	<u>1,276,485</u>	<u>(97,540)</u>
Net increase (decrease) in cash and cash equivalents	(782,431)	5,077
CASH AND CASH EQUIVALENTS		
Beginning	2,800,108	702,957
Ending	<u>\$ 2,017,677</u>	<u>\$ 708,034</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Operating income (loss)	\$ (17,621,483)	\$ 112,248
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:		
Depreciation	1,265,635	-
Loss on disposal of capital assets	(1,751)	-
Amortization	23,270	-
Changes in assets and liabilities:		
(Increase) in due from other governments	593,105	-
(Increase) decrease in other receivables	56,864	(3,919)
(Increase) in inventories	58,199	-
(Increase) in prepaid expenses	(53,041)	-
Decrease in due from Iowa Industrial New Jobs Training Program	(486,692)	-
Increase (decrease) in accounts payable	(780,822)	(4,143)
(Decrease) in salaries and benefits payable	5,541	-
Increase in other deferred revenue	(538,102)	-
(Decrease) in early retirement payable	(475,579)	-
(Decrease) in compensated absences	27,435	-
(Decrease) in deposits payable	(43,442)	-
Increase in OPEB liability	51,657	-
Total adjustments	<u>(297,723)</u>	<u>(8,062)</u>
Net cash provided by (used in) operating activities	<u>\$ (17,919,206)</u>	<u>\$ 104,186</u>

The accompanying notes are an integral part of the financial statements.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF 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 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, *Determining Whether Certain Organizations are Component Units*, 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 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.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 taxes are 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.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Cash and investments: Investments are stated at their 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.

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 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 is levied.

Property tax revenues recognized become due and collectible in September and March of the current fiscal year and are based on January 1, 2010 assessed property valuations for the tax accrual period July 1, 2011 through June 30, 2012 and reflects the tax request contained in the budget certified to the appropriate County Auditor in March 2011.

Due from Iowa Industrial New Jobs Training Program (NJTP): This receivable represents the total amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on NJTP project expenditures incurred through June 30, 2012, plus interest incurred on NJTP certificates, less reimbursements received to date.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from other governments: This asset represents state aid, grants and reimbursements due from the State of Iowa, and grants and reimbursements due from the federal government.

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 repair 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 lives 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, are not material to the College.

Impairment of Long-Lived Assets: The College reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Salaries and benefits payable: Payroll and related expenditures 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 for subsequent use or for payment upon early 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 as of June 30, 2012.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Net assets: Net assets are classified according to restrictions or availability of assets for satisfaction of College obligations. Invested in capital assets, net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the assets. Unspent bond proceeds are not included in this category until used for capital asset purposes. The amount of debt equal to unspent 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. Nonexpendable funds may not be used. All remaining net assets are unrestricted for legal purposes, 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. Nonoperating activities include state appropriations, property tax and interest earnings.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 1 - FINANCIAL REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Scholarship allowances and student aid: Financial aid to students is reported in the financial statements under the alternative method, 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. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

Subsequent Events: Management has evaluated subsequent events through November 30, 2012, the date the financial statements were available to be issued.

NOTE 2 - CASH AND INVESTMENTS

As of June 30, 2012, the College's cash and investments consist of the following:

Cash	\$ 2,017,677
Certificates of deposit	5,500,000
Investments	<u>6,816,274</u>
	14,333,951
Restricted certificates of deposit	<u>204,000</u>
Total	<u>\$ 14,537,951</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.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investments. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the 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, no 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.

The Iowa Schools Joint Investment Trust is valued at an amortized cost of \$6,816,274 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

As of June 30, 2012, the College's investment was rated as follows:

<u>Investment Type</u>	<u>Standard & Poor's</u>
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 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.

**SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 2 - CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2012, the carrying amount of the College's deposits excluding \$2,175 of petty cash, totaled \$7,719,502 with a bank balance of \$8,180,731. The College's deposits as of June 30, 2012 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, 2012, the College's Foundation cash balance and investments consist of the following:

Cash	\$ 708,034
Certificates of deposit, at cost	20,000
Investments, other	2,121,579
Investment, beneficial interest in perpetual trusts	1,109,821
Real estate, at cost	<u>150,000</u>
Total	<u>\$ 4,109,434</u>

Investments of the component unit consist principally of mutual funds, debt instruments and common stock.

**SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 858,541	\$ -	\$ -	\$ 858,541
Capital assets being depreciated:				
Buildings	25,901,619	30,208	-	25,931,827
Other structures and improvements	2,685,406	514,641	-	3,200,047
Furniture and equipment	<u>5,447,948</u>	<u>215,925</u>	<u>99,042</u>	<u>5,564,831</u>
Total capital assets being depreciated	<u>34,034,973</u>	<u>760,774</u>	<u>99,042</u>	<u>34,696,705</u>
Less accumulated depreciation for:				
Buildings	8,876,734	518,083	-	9,394,817
Other structures and improvements	1,054,735	90,907	-	1,145,642
Furniture and equipment	<u>3,796,887</u>	<u>656,645</u>	<u>97,291</u>	<u>4,356,241</u>
Total accumulated depreciation	<u>13,728,356</u>	<u>1,265,635</u>	<u>97,291</u>	<u>14,896,700</u>
Total capital assets being depreciated, net	<u>20,306,617</u>	<u>(504,861)</u>	<u>1,751</u>	<u>19,800,005</u>
Total capital assets, net	<u>\$ 21,165,158</u>	<u>\$ (504,861)</u>	<u>\$ 1,751</u>	<u>\$ 20,658,546</u>

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 4 - LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2012</u>	<u>Amount Due Within One Year</u>
Certificates payable (A)	\$ 6,875,000	\$ -	\$ 985,000	\$ 5,890,000	\$ 1,190,000
Dormitory revenue bonds Series 2000 (B)	1,212,579	-	105,521	1,107,058	111,853
General obligation school bonds, Series 2009 (C)	2,025,000	-	660,000	1,365,000	675,000
Compensated Absences	553,159	580,594	553,159	580,594	580,594
Early retirement payable	<u>1,187,953</u>	<u>63,289</u>	<u>538,868</u>	<u>712,374</u>	<u>712,374</u>
Total long-term debt	<u>\$11,853,691</u>	<u>\$ 643,883</u>	<u>\$2,842,548</u>	<u>\$ 9,655,026</u>	<u>\$ 3,269,821</u>

(A) The College has certificates payable with a June 30, 2012 outstanding balance of \$5,890,000, 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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30:			
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	795,000	91,118	886,118
2018-2021	<u>1,220,000</u>	<u>89,470</u>	<u>1,309,470</u>
Total	<u>\$ 5,890,000</u>	<u>\$ 968,317</u>	<u>\$ 6,858,317</u>

(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.

**SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 4 - LONG-TERM DEBT (CONTINUED)

(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.

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30:			
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	141,211	37,065	178,276
2018-2021	<u>476,534</u>	<u>58,294</u>	<u>534,828</u>
Total	<u><u>\$ 2,472,058</u></u>	<u><u>\$ 365,080</u></u>	<u><u>\$ 2,837,138</u></u>

As of June 30, 2012, \$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 (TIAA-CREF)

Southeastern Community 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 5.38% and the College is required to contribute 8.07%. The contribution paid by the College for the year ended June 30, 2012 totaled \$458,651 and the contribution paid by the employees totaled \$305,768.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 6 - IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM

Southeastern Community 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 5.38% of their annual covered salary and the College is required to contribute 8.07% of annual payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$630,728, \$551,785, and \$533,888, respectively, equal to the required contributions for each year.

NOTE 7 - RISK MANAGEMENT PROGRAM

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

The members' annual contributions are to fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund IMPACC's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year. The College's contributions to the risk-sharing pool are recognized as expenditures at the time of payment. The College's total contributions to IMPACC for the year ended June 30, 2012 were \$647,187.

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 and up to \$250,000,000 for other property. Stop gap loss protection is provided above the member's loss fund.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 7 - RISK MANAGEMENT PROGRAM (CONTINUED)

In the event any claim or series of claims exceed the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The College does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2012, 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 PROGRAMS

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 which 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 (0 of the 56 certificates were repaid during the year).

NOTE 9 - EARLY RETIREMENT

The College offered an Early Retirement Incentive Plan (ERIP) to its employees in FY12. Eligible employees must be 55 years of age with 12 or more years of consecutive service with the College. Retirement is to begin at the earlier of the end of the employee's contract or when a suitable replacement is found, if so requested. Participation must have been approved by the administrative office.

SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

NOTE 9 - EARLY RETIREMENT (CONTINUED)

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

1. 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.
2. 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 \$93,215.

The current year cost to the College was \$538,868, including 28 participants in the health insurance plan. The liability for the participation in the health plan is \$619,159 and will be paid over the next 9 years.

**SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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 - Southeastern Community College's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of Southeastern Community College, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table shows the components of Southeastern Community College's annual OPEB cost for the year ended June 30, 2012, the amount actuarially contributed to the plan and changes in Southeastern Community College's net OPEB obligation:

Annual required contribution	\$362,217
Interest on net OPEB obligation	3,661
Adjustment to annual required contribution	<u>(6,135)</u>
Annual OPEB cost	359,743
Contributions and payments made	<u>(308,086)</u>
Increase in net OPEB obligation	51,657
Net OPEB obligation - July 1, 2011	<u>122,033</u>
Net OPEB obligation - June 30, 2012	<u>\$ 173,690</u>

**SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012**

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

The College's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year 2012 and the two preceding years follows.

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2012	\$359,743	86%	\$173,690
June 30, 2011	\$360,477	90%	\$122,033
June 30, 2010	\$312,101	88%	\$85,850

Funded Status and Funding Progress - As of June 30, 2012, 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 \$13,214,144 and the ratio of the UAAL to the covered payroll was (27.64)%.

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 FINANCIAL STATEMENTS
June 30, 2012

NOTE 11 - NEW AND PENDING PRONOUNCEMENTS

As of June 30, 2012, 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 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.

REQUIRED SUPPLEMENTARY INFORMATION

**SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

<u>Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b - a)/c)</u>
2010	July 1, 2008	-	\$3,038,672	\$3,038,672	0.00%	\$14,008,760	21.69%
2011	July 1, 2010	-	\$3,652,823	\$3,652,823	0.00%	\$13,676,488	26.71%
2012	July 1, 2010	-	\$3,652,823	\$3,652,823	0.00%	\$13,214,144	27.64%

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.

SUPPLEMENTARY INFORMATION

SOUTHEASTERN COMMUNITY COLLEGE
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
Year Ended June 30, 2012

<u>Funds/Levy</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Unrestricted Current Fund expenditures		\$ 21,119,501	
Total Restricted Current Fund expenditures		27,769,585	
Less:			
Auxiliary Enterprise expenditures		2,942,543	
Workforce Investment Act expenditures		2,097,494	
Temporary Assistance for Needy Families		312,275	
Scholarships and Grants		<u>13,698,597</u>	
 Total Current Funds	 \$ 34,390,537	 29,838,177	 \$ 4,552,360
Plant, Bonds and Interest	4,129,281	1,913,029	2,216,252
 Total	 <u>\$ 38,519,818</u>	 <u>\$ 31,751,206</u>	 <u>\$ 6,768,612</u>

See Note to Budgetary Comparison Schedule of Expenditures

SOUTHEASTERN COMMUNITY COLLEGE
NOTE TO BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
Year Ended June 30, 2012

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, 2012

	Current Funds	
	Unrestricted	Restricted
ASSETS		
Cash and investments	\$ 10,424,584	\$ 3,909,367
Restricted certificates of deposit	-	-
Receivables:		
Accounts	197,599	-
Due from other governments	2,670,696	-
Property taxes, succeeding year	667,197	1,380,949
Due from other funds	-	4,401,648
Inventories	525,418	-
Prepaid expenses	53,041	-
Due from Iowa Industrial New Jobs Training Program	-	2,460,305
Bond discount and issuance costs	-	68,601
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
	<u>\$ 14,538,535</u>	<u>\$ 12,220,870</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 1,723,043	\$ -
Salaries and benefits payable	1,066,128	-
Due to other funds	7,063,188	-
Deferred revenue:		
Succeeding year property tax	667,197	1,380,949
Other	438,102	892,932
Early retirement payable	-	712,374
Compensated absences payable	418,418	83,939
Deposits held in custody for others	13,500	279,214
Certificates payable	-	5,890,000
Bonds payable	-	-
Net OPEB liability	-	-
Total liabilities	<u>11,389,576</u>	<u>9,239,408</u>
FUND BALANCES		
Invested in capital assets, net of related debt	-	-
Restricted for:		
Nonexpendable cash reserve	-	231,408
Expendable other restricted purposes	-	2,750,054
Unrestricted	3,148,959	-
Total fund balances	<u>3,148,959</u>	<u>2,981,462</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,538,535</u>	<u>\$ 12,220,870</u>

<u>Plant Funds</u>	<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 14,333,951
204,000	-	-	204,000
-	-	-	197,599
-	-	-	2,670,696
1,340,663	-	-	3,388,809
2,265,174	396,366	(7,063,188)	-
-	-	-	525,418
-	-	-	53,041
-	-	-	2,460,305
21,632	-	-	90,233
858,541	-	-	858,541
25,931,827	-	-	25,931,827
3,200,047	-	-	3,200,047
5,564,831	-	-	5,564,831
-	-	(14,896,700)	(14,896,700)
<u>\$ 39,386,715</u>	<u>\$ 396,366</u>	<u>\$ (21,959,888)</u>	<u>\$ 44,582,598</u>
\$ -	\$ -	\$ -	\$ 1,723,043
-	-	-	1,066,128
-	-	(7,063,188)	-
1,340,663	-	-	3,388,809
-	-	-	1,331,034
-	-	-	712,374
-	78,237	-	580,594
-	318,129	-	610,843
-	-	-	5,890,000
2,472,058	-	-	2,472,058
-	-	173,690	173,690
<u>3,812,721</u>	<u>396,366</u>	<u>(6,889,498)</u>	<u>17,948,573</u>
33,083,189	-	(14,896,700)	18,186,489
-	-	-	231,408
204,000	-	-	2,954,054
2,286,805	-	(173,690)	5,262,074
<u>35,573,994</u>	<u>-</u>	<u>(15,070,390)</u>	<u>26,634,025</u>
<u>\$ 39,386,715</u>	<u>\$ 396,366</u>	<u>\$ (21,959,888)</u>	<u>\$ 44,582,598</u>

SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
June 30, 2012

	Current Funds	
	Unrestricted	Restricted
REVENUES		
General:		
Tuition and fees	\$ 9,019,278	\$ 1,615,334
Property taxes	673,274	1,380,318
State appropriations	7,251,135	1,064,320
Federal appropriations	-	17,442,419
Gifts and grants	-	570,005
Sales and services	755,373	301,915
Interest on investments	49,959	-
Iowa Industrial New Jobs Training Program	-	1,879,907
Increase in plant investment due to plant expenditures	-	-
Increase in plant investment due to retirement of debt	-	-
Miscellaneous	139,437	4,313,665
	17,888,456	28,567,883
Auxiliary enterprises:		
Sales and services	2,922,077	-
Federal appropriations	14,214	-
Miscellaneous	212,865	-
	3,149,156	-
Total revenues	21,037,612	28,567,883
EXPENDITURES		
Education and support:		
Liberal arts and sciences	4,277,573	1,517,865
Vocational technical	3,918,957	687,745
Adult education	1,083,895	818,263
Cooperative services	1,162,191	6,552,447
Administration	1,486,185	299,233
Student services	1,938,149	817,688
Learning resources	395,872	-
Physical plant	1,775,577	537,724
General institution	2,138,559	742,529
Total education and support	18,176,958	11,973,494
Auxiliary enterprises	2,942,543	-
Scholarships and grants	-	13,698,597
Workforce Investment Act	-	2,097,494
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Interest on indebtedness	-	-
Disposal of plant assets	-	-
Depreciation expense	-	-
Total expenditures	21,119,501	27,769,585
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(81,889)	798,298
TRANSFERS:		
Non-mandatory transfers	113,511	(311,079)
Net change in fund balances	31,622	487,219
FUND BALANCES		
Beginning	3,117,337	2,494,243
Ending	\$ 3,148,959	\$ 2,981,462

Loan Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment in Plant		
\$ -	\$ -	\$ -	\$ -	\$ (5,754,758)	\$ 4,879,854
-	673,274	702,370	-	-	3,429,236
-	363,785	-	-	-	8,679,240
-	-	-	-	-	17,442,419
-	-	-	-	-	570,005
-	82,367	-	-	-	1,139,655
-	259	1,108	-	-	51,326
-	-	-	-	-	1,879,907
-	-	-	760,775	(760,775)	-
-	-	-	765,521	(765,521)	-
-	10,650	-	-	-	4,463,752
-	<u>1,130,335</u>	<u>703,478</u>	<u>1,526,296</u>	<u>(7,281,054)</u>	<u>42,535,394</u>
-	-	-	-	(1,508,397)	1,413,680
-	-	-	-	-	14,214
-	-	-	-	-	212,865
-	-	-	-	<u>(1,508,397)</u>	<u>1,640,759</u>
-	<u>1,130,335</u>	<u>703,478</u>	<u>1,526,296</u>	<u>(8,789,451)</u>	<u>44,176,153</u>
-	-	-	-	(8,698)	5,786,740
-	-	-	-	(21,769)	4,584,933
-	-	-	-	(7,974)	1,894,184
-	-	-	-	(16,554)	7,698,084
-	-	-	-	(66,890)	1,718,528
-	-	-	-	(55,839)	2,699,998
-	-	-	-	(534)	395,338
-	420,939	11,716	-	(43,783)	2,702,173
-	-	-	-	<u>(100,361)</u>	<u>2,780,727</u>
-	<u>420,939</u>	<u>11,716</u>	-	<u>(322,402)</u>	<u>30,260,705</u>
-	-	-	-	-	2,942,543
-	-	-	-	(7,048,378)	6,650,219
-	-	-	-	-	2,097,494
-	601,493	-	-	(601,493)	-
-	-	765,521	-	(765,521)	-
-	-	113,360	-	-	113,360
-	-	-	99,042	(97,291)	1,751
-	-	-	-	<u>1,265,635</u>	<u>1,265,635</u>
-	<u>1,022,432</u>	<u>890,597</u>	<u>99,042</u>	<u>(7,569,450)</u>	<u>43,331,707</u>
-	107,903	(187,119)	1,427,254	(1,220,001)	844,446
-	1,265	176,302	-	-	(20,001)
-	109,168	(10,817)	1,427,254	(1,220,001)	824,445
-	<u>1,992,301</u>	<u>400,153</u>	<u>31,655,935</u>	<u>(13,850,389)</u>	<u>25,809,580</u>
\$ -	\$ <u>2,101,469</u>	\$ <u>389,336</u>	\$ <u>33,083,189</u>	\$ <u>(15,070,390)</u>	\$ <u>26,634,025</u>

SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
UNRESTRICTED CURRENT FUNDS
EDUCATION AND SUPPORT
Year Ended June 30, 2012

	<u>Education</u>			
	<u>Liberal Arts and Sciences</u>	<u>Vocational Technical</u>	<u>Adult Education</u>	<u>Cooperative Services</u>
REVENUES				
Tuition and fees	\$ 5,541,998	\$ 1,992,619	\$ 745,406	\$ 736,155
Property taxes	-	-	-	-
State appropriations	3,869,321	2,579,548	723,054	-
Sales and services	-	554	197,694	364,054
Interest on investments	-	-	-	-
Miscellaneous	-	39,348	8,514	3,795
	<u>9,411,319</u>	<u>4,612,069</u>	<u>1,674,668</u>	<u>1,104,004</u>
EXPENDITURES				
Salaries and benefits	4,136,081	3,351,052	740,506	615,425
Services	23,804	215,131	191,756	515,771
Materials and supplies	39,145	288,365	129,366	21,515
Travel	9,744	16,600	22,267	9,480
Plant asset acquisitions	-	-	-	-
Scholarships	-	-	-	-
Miscellaneous	68,799	47,809	-	-
	<u>4,277,573</u>	<u>3,918,957</u>	<u>1,083,895</u>	<u>1,162,191</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,133,746	693,112	590,773	(58,187)
TRANSFERS:				
Non-mandatory transfers	-	-	333,487	-
NET CHANGE IN FUND BALANCES	<u>\$ 5,133,746</u>	<u>\$ 693,112</u>	<u>\$ 924,260</u>	<u>\$ (58,187)</u>
FUND BALANCES				
Beginning				
Ending				

See accompanying independent auditor's report

<u>Support</u>					
<u>General Admini- stration</u>	<u>Student Services</u>	<u>Learning Resources</u>	<u>Physical Plant</u>	<u>General Institution</u>	<u>Total</u>
\$ 3,100	\$ -	\$ -	\$ -	\$ -	\$ 9,019,278
673,274	-	-	-	-	673,274
22,470	-	56,742	-	-	7,251,135
81,611	9,685	1,665	29,997	70,113	755,373
49,959	-	-	-	-	49,959
8,063	947	111	15,422	63,237	139,437
<u>838,477</u>	<u>10,632</u>	<u>58,518</u>	<u>45,419</u>	<u>133,350</u>	<u>17,888,456</u>
1,207,328	1,461,460	305,583	951,266	1,416,327	14,185,028
211,476	69,462	715	635,763	578,120	2,441,998
24,077	23,734	89,558	160,230	99,568	875,558
43,304	8,563	16	624	24,796	135,394
-	-	-	27,694	10,253	37,947
-	374,930	-	-	-	374,930
-	-	-	-	9,495	126,103
<u>1,486,185</u>	<u>1,938,149</u>	<u>395,872</u>	<u>1,775,577</u>	<u>2,138,559</u>	<u>18,176,958</u>
(647,708)	(1,927,517)	(337,354)	(1,730,158)	(2,005,209)	(288,502)
-	(408)	-	-	(22,000)	311,079
<u>\$ (647,708)</u>	<u>\$ (1,927,925)</u>	<u>\$ (337,354)</u>	<u>\$ (1,730,158)</u>	<u>\$ (2,027,209)</u>	22,577
					1,855,242
					<u>\$ 1,877,819</u>

SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
UNRESTRICTED CURRENT FUNDS
AUXILIARY ENTERPRISES
Year Ended June 30, 2012

	<u>Bookstore</u>	<u>Food Services</u>	<u>Shop Sales</u>
REVENUES			
Sales and services	\$ 2,121,537	\$ 280,210	\$ 28,567
Federal appropriations	7,444	6,770	-
Miscellaneous	-	1,382	-
Total revenues	<u>2,128,981</u>	<u>288,362</u>	<u>28,567</u>
EXPENDITURES			
Salaries and benefits	176,659	23,623	-
Services	11,850	207,226	-
Materials and supplies	8,748	13,712	-
Cost of goods sold	1,716,963	23,920	24,386
Travel	993	-	-
Plant asset acquisitions	-	-	-
Miscellaneous	8,016	-	-
Total expenditures	<u>1,923,229</u>	<u>268,481</u>	<u>24,386</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	205,752	19,881	4,181
TRANSFERS:			
Non-mandatory transfers	<u>(148,514)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	57,238	19,881	4,181
FUND BALANCES			
Beginning	<u>611,367</u>	<u>243,851</u>	<u>70,271</u>
Ending	<u>\$ 668,605</u>	<u>\$ 263,732</u>	<u>\$ 74,452</u>

<u>Printing Services</u>	<u>Dormitories</u>	<u>Athletics</u>	<u>Other</u>	<u>Total</u>
\$ 110,689	\$ 176,378	\$ 62,622	\$ 142,074	\$ 2,922,077
-	-	-	-	14,214
-	16,524	194,959	-	212,865
<u>110,689</u>	<u>192,902</u>	<u>257,581</u>	<u>142,074</u>	<u>3,149,156</u>
126,033	12,457	977	3,494	343,243
-	87,568	48,310	25,000	379,954
8,797	29,637	86,910	84,001	231,805
24,930	-	-	-	1,790,199
24	-	132,407	112	133,536
-	-	-	18,199	18,199
-	100	37,491	-	45,607
<u>159,784</u>	<u>129,762</u>	<u>306,095</u>	<u>130,806</u>	<u>2,942,543</u>
(49,095)	63,140	(48,514)	11,268	206,613
-	(97,568)	48,514	-	(197,568)
(49,095)	(34,428)	-	11,268	9,045
<u>59,395</u>	<u>99,992</u>	<u>-</u>	<u>177,219</u>	<u>1,262,095</u>
<u>\$ 10,300</u>	<u>\$ 65,564</u>	<u>\$ -</u>	<u>\$ 188,487</u>	<u>\$ 1,271,140</u>

SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
RESTRICTED CURRENT FUNDS
Year Ended June 30, 2012

	<u>Scholarships and Grants</u>	<u>Equipment Replacement</u>	<u>Early Retirement</u>	<u>Insurance</u>
REVENUES				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Property taxes	-	299,233	379,487	701,598
State appropriations	167,054	-	-	-
Federal appropriations	13,210,550	-	-	-
Gifts and grants	320,993	-	-	-
Sales and services	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>13,698,597</u>	<u>299,233</u>	<u>379,487</u>	<u>701,598</u>
EXPENDITURES				
Salaries and benefits	7,459	-	49,823	41,446
Services	-	-	-	672,725
Materials and supplies	-	237,117	-	-
Travel	-	-	-	-
Expended for plant assets	-	62,116	-	-
Interest on indebtedness	-	-	-	-
Federal Pell Grant Program	6,421,238	-	-	-
Federal Supplemental Educational Opportunity Grant (SEOG)	67,460	-	-	-
Other miscellaneous scholarships	7,202,440	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	<u>13,698,597</u>	<u>299,233</u>	<u>49,823</u>	<u>714,171</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	329,664	(12,573)
TRANSFERS:				
Non-mandatory transfers	-	-	-	-
Net change in fund balances	-	-	329,664	(12,573)
FUND BALANCES				
Beginning	-	-	(975,816)	(102,127)
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (646,152)</u>	<u>\$ (114,700)</u>

<u>Unemployment Compensation</u>	<u>Workforce Investment Act</u>	<u>Temporary Assistance for Needy Families</u>	<u>Iowa Industrial New Jobs Training Program</u>	<u>Other</u>	<u>Cash Reserve</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,615,334	\$ -	\$ 1,615,334
-	-	-	-	-	-	1,380,318
-	13,495	-	-	883,771	-	1,064,320
-	2,083,999	312,275	-	1,835,595	-	17,442,419
-	-	-	-	249,012	-	570,005
-	-	-	-	301,915	-	301,915
-	-	-	1,879,907	-	-	1,879,907
-	-	-	-	4,313,665	-	4,313,665
-	<u>2,097,494</u>	<u>312,275</u>	<u>1,879,907</u>	<u>9,199,292</u>	-	<u>28,567,883</u>
30,376	1,217,601	257,784	-	2,854,586	-	4,459,075
-	646,913	16,584	1,566,514	5,115,112	-	8,017,848
-	91,708	9,968	-	276,817	-	615,610
-	42,681	2,232	-	220,083	-	264,996
-	-	-	-	41,020	-	103,136
-	-	-	313,393	-	-	313,393
-	-	-	-	-	-	6,421,238
-	-	-	-	-	-	67,460
-	-	-	-	99,545	-	7,301,985
-	98,591	25,707	-	80,546	-	204,844
<u>30,376</u>	<u>2,097,494</u>	<u>312,275</u>	<u>1,879,907</u>	<u>8,687,709</u>	-	<u>27,769,585</u>
(30,376)	-	-	-	511,583	-	798,298
-	-	-	-	(311,079)	-	(311,079)
(30,376)	-	-	-	200,504	-	487,219
23,413	-	-	-	3,317,365	231,408	2,494,243
<u>\$ (6,963)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,517,869</u>	<u>\$ 231,408</u>	<u>\$ 2,981,462</u>

SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF CHANGES IN ASSETS HELD IN CUSTODY FOR OTHERS -
AGENCY FUNDS
Year Ended June 30, 2012

	Iowa Industrial New Jobs Retraining <u>260F</u>	Student Organizations and Other	<u>Total</u>
BALANCE, BEGINNING	\$ 148,821	\$ 195,827	\$ 344,648
Additions:			
Fees	-	56,950	56,950
State appropriations	65,883	-	65,883
Sales and services	-	12,436	12,436
Transfers	-	20,001	20,001
Other	-	245,408	245,408
Total additions	<u>65,883</u>	<u>334,795</u>	<u>400,678</u>
Deductions:			
Salaries and benefits	-	132,103	132,103
Services	83,910	36,545	120,455
Materials and supplies	-	105,723	105,723
Travel	-	56,748	56,748
Other	-	12,168	12,168
Total deductions	<u>83,910</u>	<u>343,287</u>	<u>427,197</u>
BALANCE, ENDING	<u>\$ 130,794</u>	<u>\$ 187,335</u>	<u>\$ 318,129</u>

SOUTHEASTERN COMMUNITY COLLEGE
NOTE TO OTHER SUPPLEMENTARY INFORMATION
Year Ended June 30, 2012

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 balance 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 resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions are accounted for and reported by fund group. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

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

The College utilizes the following fund groups:

Current Funds:

These funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the College.

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

The Education and Support subgroup of the Unrestricted Current Funds accounts for the general operations of the College. All property taxes and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating costs, 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 sales to students, staff, and/or institutional departments, and which are supplemental to the educational and general objectives of the College.

SOUTHEASTERN COMMUNITY COLLEGE
NOTE TO OTHER SUPPLEMENTARY INFORMATION
Year Ended June 30, 2012

Restricted: The Restricted Current Funds are used to account for amounts received which are subject to restrictions made by donors or outside groups.

The Scholarships 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.

Loan Funds:

These funds are used to account for student loan transactions.

Plant Funds:

Plant funds account for transactions relating to 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:

The Agency Funds are used to account for assets held by the College in a custodial capacity or as an agent for others. Transactions of Agency 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, 2012

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	46,882	-	46,882	926,939	-	926,939
Vocational education	23,822	-	23,822	616,301	-	616,301
Adult/continuing education	-	-	-	166,312	92,925 *	259,237
	<u>70,704</u>	<u>-</u>	<u>70,704</u>	<u>1,709,552</u>	<u>92,925</u>	<u>1,802,477</u>

* Includes 240 hour adjustment of 3,560 hours.

**SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF CREDIT AND CONTACT HOURS
LAST FIVE YEARS**

<u>Category</u>	<u>Arts and Sciences</u>	<u>Vocational Education</u>	<u>Adult Education/ Continuing Education</u>	<u>Cooperative Programs/ Services</u>	<u>Related Services and Activities</u>	<u>Total</u>
2012:						
Total contact hours	926,939	616,301	259,237	-	-	1,802,477
Total credit hours	46,882	23,822	-	-	-	70,704
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

**SOUTHEASTERN COMMUNITY COLLEGE
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES
Last Five Years**

	Year Ended June 30,				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Local (property tax)	\$ 3,429,236	\$ 3,325,887	\$ 3,189,622	\$ 3,010,400	\$ 2,929,374
State	8,679,240	9,053,268	8,113,753	11,091,333	9,335,613
Federal	17,442,419	20,251,626	17,277,775	10,612,669	8,904,406
Total	\$ 29,550,895	\$ 32,630,781	\$ 28,581,150	\$ 24,714,402	\$ 21,169,393

SOUTHEASTERN COMMUNITY COLLEGE
CURRENT FUND (UNRESTRICTED AND RESTRICTED) REVENUES BY SOURCE
AND EXPENDITURES BY FUNCTION
Last Five Years

	Year Ended June 30,				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:					
Tuition and fees	\$ 10,634,612	\$ 11,410,049	\$ 11,601,333	\$ 10,078,583	\$ 9,579,850
Property taxes	2,053,592	1,970,757	1,723,450	1,566,028	1,504,318
State appropriations	8,315,455	8,231,589	8,113,753	9,601,430	9,115,730
Federal appropriations	17,442,419	20,251,626	17,277,775	10,612,669	8,904,406
Gifts and grants	570,005	393,457	-	-	-
Sales and services	1,057,288	552,174	-	-	-
Interest on investments	49,959	79,405	234,648	184,139	273,362
Iowa Industrial New Jobs Training Program	1,879,907	831,756	753,609	1,015,434	2,502,745
Miscellaneous	4,453,102	4,686,595	5,033,799	4,518,325	4,207,230
Auxiliary enterprises	3,149,156	3,478,126	3,762,096	3,297,474	3,140,521
Total	\$ 49,605,495	\$ 51,885,534	\$ 48,500,463	\$ 40,874,082	\$ 39,228,162
Expenditures:					
Liberal arts and sciences	\$ 5,795,438	\$ 5,786,448	\$ 5,612,876	\$ 4,932,698	\$ 4,748,850
Vocational technical	4,606,702	5,378,767	6,402,208	4,947,382	4,601,181
Adult education	1,902,158	1,640,739	1,977,285	2,008,678	1,963,972
Cooperative services	7,714,638	6,770,305	5,735,555	5,314,480	6,151,410
Administration	1,785,418	1,724,009	1,645,119	1,596,705	1,581,155
Student services	2,755,837	2,663,919	2,643,501	2,834,422	2,523,385
Learning resources	395,872	394,381	451,327	443,177	426,644
Physical plant	2,313,301	2,358,995	2,175,574	2,133,977	1,992,399
General institution	2,881,088	3,346,910	4,177,445	3,454,089	3,353,569
Auxiliary enterprises	2,942,543	3,498,961	3,239,679	2,900,968	2,794,468
Scholarships and grants	13,698,597	15,635,339	8,486,992	5,385,114	4,621,665
Workforce Investment Act	2,097,494	2,433,516	4,580,371	4,130,800	3,200,373
Total	\$ 48,889,086	\$ 51,632,289	\$ 47,127,932	\$ 40,082,490	\$ 37,959,071

SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
U.S. Department of Education:				
Direct Programs:				
Student Financial Assistance:				
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	N/A	\$ 76,359	\$ -
Federal Direct Student Loans (FDL)	84.268	N/A	-	6,714,394
Federal Work-Study Program (FWS)	84.033	N/A	110,521	-
Federal Pell Grant Program	84.063	N/A	6,431,438	-
Total Student Financial Assistance Cluster			<u>6,618,318</u>	<u>6,714,394</u>
TRIO-Student Support Services	84.042A	N/A	351,019	-
TRIO-Upward Bound	84.047A	N/A	258,835	-
Total TRIO Cluster			<u>609,854</u>	<u>-</u>
Title III - Higher Education Institutional Aid	84.031A	N/A	397,938	-
Indirect Programs				
Passed through Iowa Department of Corrections:				
Title I - State Agency Program for Neglected and Delinquent Children and Youth	84.013A	N/A	12,624	-
Perkins Corrections	84.048A	N/A	8,376	-
			<u>21,000</u>	<u>-</u>
Passed through Iowa Department of Education:				
Career and Technical Education - Basic Grants to State: Carl Perkins	84.048A	6805010000	234,455	-
Adult Education - Basic Grants to States	84.002	N/A	132,916	-
			<u>367,371</u>	<u>-</u>
Total U.S. Department of Education			<u>8,014,481</u>	<u>6,714,394</u>
U.S. Department of Agriculture				
Passed through Iowa Department of Education,				
Summer Food Service Program for Children	10.559	N/A	7,077	-
Team Nutrition Grants	10.574	N/A	343	-
Total U.S. Department of Agriculture			<u>7,420</u>	<u>-</u>
U.S. Department of Labor:				
Direct Programs				
WIA YouthBuild	17.274	N/A	114,546	-
WIA Community Based Job Training	17.269	N/A	125,545	-
Indirect Programs				
Passed through Iowa Department of Workforce Development:				
Workforce Investment Act (WIA) - Work Incentive Grants	Admin	7-W-16-FR-0	46,766	-
Workforce Investment Act (WIA) - Adult Programs	17.258	7-W-16-FR-0	541,121	-
Workforce Investment Act (WIA) - Youth Activities	17.259	7-W-16-FR-0	713,798	-
Workforce Investment Act (WIA) - Dislocated Workers	17.278	7-W-16-FR-0	326,447	-
Workforce Investment Act (WIA) - Administration	17.258, 17.259, 17.278	7-W-16-FR-0	205,666	-
Total Workforce Investment Act Cluster			<u>1,833,798</u>	<u>-</u>
ARRA - Passed through Iowa Department of Workforce Development				
ARRA - Workforce Investment Act (WIA) - Dislocated Workers - SESP	17.275	11-I-PF-EG-0-06	156,358	-
ARRA - Workforce Investment Act (WIA) - Dislocated Workers	17.260	11-W-FR-P1-0-16	72,342	-
Total ARRA Workforce Investment Act Cluster			<u>228,700</u>	<u>-</u>

SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2012

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
Passed through Iowa Department of Workforce Development:				
Trade Adjustment Assistance	17.245	7-W-16-FR-0	1,398	-
Employment Service (Wagner Peyser)	17.207	7-W-16-FR-0	3,318	-
Unemployment Insurance	17.225	7-W-16-FR-0	12,601	-
Employment and Training Administration Pilots, Demonstrations, and Research Projects - New Iowan Center	17.261	7-W-16-FR-0	139	-
Disabled Veterans' Outreach Program, DVOP	17.801	7-W-16-FR-0	805	-
Passed through Iowa Department of Veterans' Affairs, Veterans' Employment Program	17.802	N/A	2,589	-
Passed through Iowa Department of Education, WIA Incentive Grants - Adult Literacy (ALWI)	17.267	N/A	30,162	-
Total U.S. Department of Labor			<u>2,353,601</u>	-
National Science Foundation:				
Education and Human Resources	47.076	N/A	58,644	-
Small Business Administration:				
Passed through Iowa State University Small Business Development Centers	59.037	N/A	53,611	-
U.S. Department of Health and Human Services:				
Indirect Programs				
Passed through Iowa Department of Workforce Development				
Temporary Assistance for Needy Families	93.558	7-W-16-FR-0	9,325	-
Temporary Assistance for Needy Families	93.558	9-W-16-FN-0	302,950	-
Ticket to Work	93.768	7-W-16-FR-0	3,242	-
Total U.S. Department of Health and Human Services			<u>315,517</u>	-
Total federal awards expended			<u>\$ 10,803,274</u>	<u>\$ 6,714,394</u>

See Note to Schedule of Expenditures of Federal Awards.

**SOUTHEASTERN COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2012**

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, 2012**

<u>Comment No.</u>	<u>Condition</u>	<u>Corrective Action Plan</u>
Statutory Reporting: IV-1-11	Misclassification of credit and contact hours	Resolved

**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 accompanying financial statements of Southeastern Community College as of and for the year ended June 30, 2012, which collectively comprise Southeastern Community College's basic financial statements, listed in the table of contents, and have issued our report thereon dated November 30, 2012. We did not audit the financial statements of the component unit of Southeastern Community College. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to those units, is based on 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.

Internal Control Over Financial Reporting

The 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 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity'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 a 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 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*.

Iowa State Statutory Requirements

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statement of the College as identified in Part IV of the accompanying Schedule of Findings and Questioned Costs. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, management, 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.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
November 30, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of Southeastern Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Southeastern Community College major federal programs for the year ended June 30, 2012. Southeastern Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements 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 of 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, 2012.

Internal Control Over Compliance

The management of Southeastern Community College is responsible for establishing and maintaining effective internal control over compliance with the 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 the 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 the entity'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 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the officials, management, 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.

Winkel, Parker & Foster, CPA PC

Clinton, Iowa
November 30, 2012

**SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Part I - Summary of Independent Auditor's Results:

Financial Statements

Type of auditor's report issued: Unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified that are not
 considered to be material weaknesses? yes x none reported
- Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes x no
- Significant deficiency(ies) identified that are not
 considered to be material weakness(es)? yes x none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>Student Financial Aid Cluster:</u>
<u>84.007</u>	<u>Federal Supplemental Educational Opportunity Grants (FSEOG)</u>
<u>84.033</u>	<u>Federal Work-Study Program (FWS)</u>
<u>84.063</u>	<u>Federal Pell Grant Program</u>
<u>84.268</u>	<u>Federal Direct Student Loans</u>
	<u>TRIO Cluster:</u>
<u>84.042A</u>	<u>TRIO-Student Support Services</u>
<u>84.047A</u>	<u>TRIO-Upward Bound</u>
<u>84.031A</u>	<u>Title III - Higher Education Institutional Aid</u>

**SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Identification of major programs (continued):

	<u>WIA Cluster:</u>
<u>17.258</u>	<u>Workforce Investment Act (WIA) - Adult Programs</u>
<u>17.259</u>	<u>Workforce Investment Act (WIA) - Youth Activities</u>
<u>17.278</u>	<u>Workforce Investment Act (WIA) - Dislocated Workers</u>
<u>93.558</u>	<u>Temporary Assistance for Needy Families</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? x yes no

Part II: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

No matters were reported

INSTANCES OF NONCOMPLIANCE:

No matters were reported

**SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NONCOMPLIANCE:

No matters were reported

SIGNIFICANT DEFICIENCIES:

No matters were reported

**SOUTHEASTERN COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012**

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-12 Certified budget - Expenditures for the year ended June 30, 2012 did not exceed amounts budgeted in total.
- IV-B-12 Questionable expenditures - No expenditures we believe did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-12 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-12 Business transactions - No business transactions between the College and College officials or employees were noted.
- IV-E-12 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 ensure the coverage is adequate for current operations.
- IV-F-12 Board minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-12 Publication - The College published a statement showing all receipts and disbursements 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-12 Deposits and investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the College's investment policy were noted.
- IV-I-12 Credit/Contact Hours - Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College, except for an overstatement of 11 adult/continuing education contact hours.

Recommendation - The College should develop procedures to ensure the report submitted to the Iowa Department of Education is supported by detailed records.

Response - The College will continue to monitor credit/contact hours to ensure all reports submitted are supported by the College's detailed records.

Conclusion - Response accepted.

**SOUTHEASTERN COMMUNITY COLLEGE
CORRECTIVE ACTION PLAN
Year Ended June 30, 2012**

<u>Comment Number</u>	<u>Comment Title</u>	<u>Corrective Action Plan</u>	<u>Contact Person, Title, Phone Number</u>	<u>Anticipated Date of Completion</u>
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N/A

December 10, 2012

To the Board of Trustees
Southeastern Community College

We have audited the financial statements of Southeastern Community College for the year ended June 30, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 11, 2012. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Southeastern Community College are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant accounting estimates of financial data which would be particularly sensitive and require substantial judgments by management.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures and corrected by management that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 30, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Trustees and management of Southeastern Community College and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Winkel, Parker & Foster, CPA PC

Winkel, Parker & Foster, CPA PC