

**SOUTHEASTERN COMMUNITY COLLEGE**

**FINANCIAL STATEMENTS**

**June 30, 2013**

# SOUTHEASTERN COMMUNITY COLLEGE

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## SOUTHEASTERN COMMUNITY COLLEGE

### OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Trustees:		
Mr. David Walker	Chairperson	2013
Ms. Janet Fife-LaFrenz	Vice Chairperson	2015
Mr. Landen Hillyard	Member	2013
Mr. Moudy Nabulsi	Member	2015
Mr. Brian Roth	Member	2015
Community College:		
Dr. Michael Ash	President	
Bill Meck	Board Treasurer	
Sherry Zeller	Board Secretary	

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Southeastern Community College

### Report on the Financial Statements

We have audited the accompanying financial statements of Southeastern Community College (College), West Burlington, Iowa, and its discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the component unit of Southeastern Community College discussed in Note 1, which represents 100 percent of the assets and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based solely on the report 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 from material misstatement. The financial statements of the component unit were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of Southeastern Community College and its discretely presented component unit, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for the Retiree Health Plan information on pages 5 through 14 and 37 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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 information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Southeastern Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the one year ended June 30, 2012 (which are not presented herein) and expressed an unqualified opinion 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.

The supplementary 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with

auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2013, on our consideration of Southeastern Community College's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeastern Community College's internal control over financial reporting and compliance.

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
November 29, 2013

**SOUTHEASTERN COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

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, 2013. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

**Financial Highlights**

**2013:**

- College operating revenues decreased 10.1% or \$2,575,593. The largest areas of change were a decrease in Iowa Industrial New Jobs Training Program funds (\$1,057,780), and miscellaneous revenues (\$907,849).
- College net non-operating revenues decreased .83% or \$153,061.
- The College's net position increased .97% or \$259,575. This is the result of the College's continued investment in capital assets and annual revenue exceeding expenditures.

**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 position increased 3.2% or \$824,445. 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, 2013**

**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 Position, a Statement of Revenues, Expenditures, and Changes in Net Position 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 presents the Schedule of Funding Progress for the Retiree Health Plan.

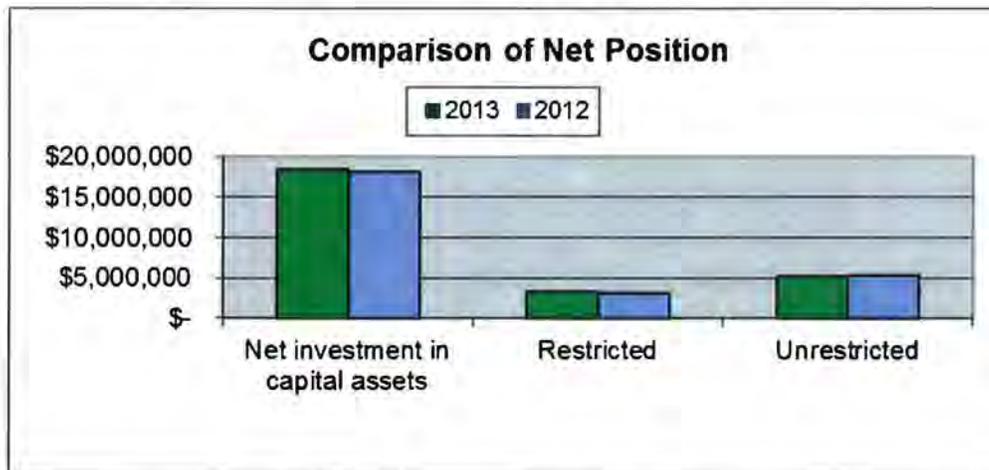
Supplementary Information provides detailed information about the individual funds. The Budgetary Comparison Schedule of Expenditures - Budget to Actual further explains and supports the financial statements with a comparison of the College's budget for the year. The Schedule of Expenditures of Federal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

**Reporting the College's Financial Activities**

**Statement of Net Position:** The statement of net position presents the assets, liabilities, and net position of the College as a whole, as of the end of the fiscal years June 30, 2013 and 2012. The statement of net position 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 position includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities and net position (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 position. 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, 2013**

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
<b>Net position</b>		
Current and other assets	\$ 23,155,734	\$ 23,924,052
Capital assets, net of accumulated depreciation	20,179,802	20,658,546
<b>Total assets</b>	<b>43,335,536</b>	<b>44,582,598</b>
Current liabilities	11,384,165	11,389,678
Noncurrent liabilities	5,057,771	6,558,895
<b>Total liabilities</b>	<b>16,441,936</b>	<b>17,948,573</b>
Net position		
Net investment in capital assets	18,501,749	18,186,489
Restricted	3,207,116	3,185,462
Unrestricted	5,184,735	5,262,074
<b>Total net position</b>	<b>\$ 26,893,600</b>	<b>\$ 26,634,025</b>



Year Ended June 30, 2013: The largest portion of the College's net position (68.8%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net position (11.9%) includes resources that are subject to external restrictions. The remaining net position (19.3%) is the unrestricted net position that can be used to meet the College's obligations as they come due.

**SOUTHEASTERN COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

Year Ended June 30, 2012: The largest portion of the College's net position (68.3%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net position (12.0%) includes resources that are subject to external restrictions. The remaining net position (19.7%) is the unrestricted net position that can be used to meet the College's obligations as they come due.

Statement of Revenues, Expenses, and Changes in Net Position: Changes in total net position as presented in the Statement of Net Position are based on the activity presented in the Statement of Revenues, Expenditures, and Changes in Net Position. The purpose of the statement is to present the revenues earned by the College, both operating and nonoperating, and the expenses incurred by the College, both operating and non-operating, 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/amortization, which allocates the cost of an asset over its expected useful life.

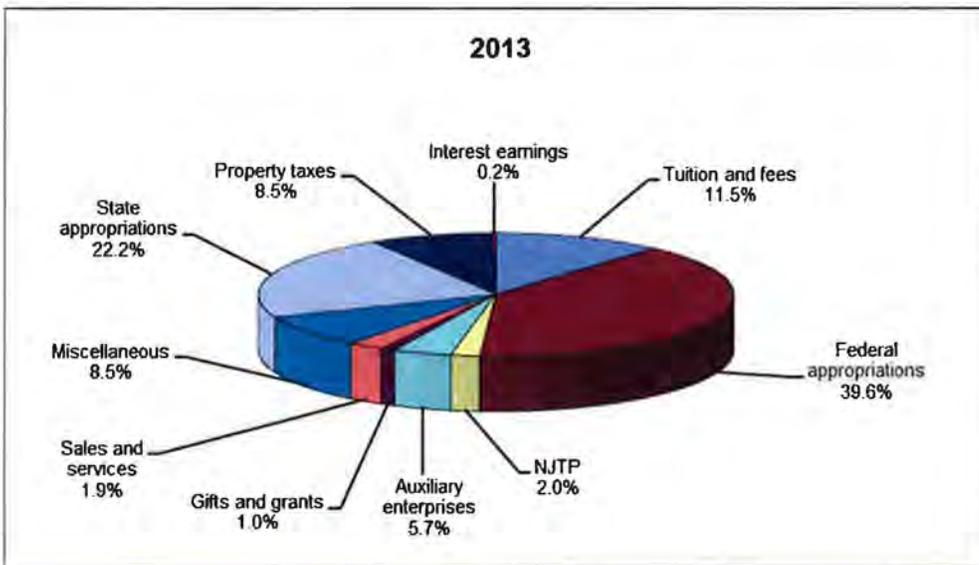
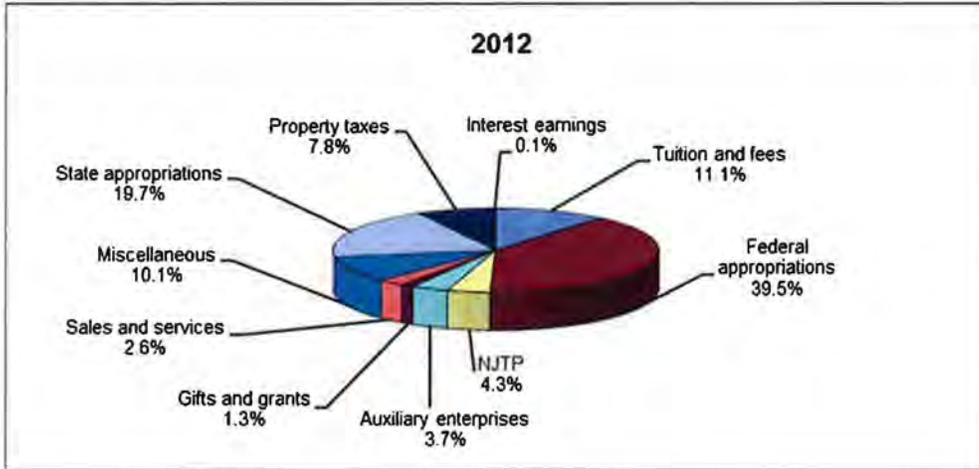
**SOUTHEASTERN COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
<b>Changes in net position</b>		
Operating revenues:		
Tuition and fees	\$ 4,794,019	\$ 4,879,854
Federal appropriations	10,755,336	11,021,181
Iowa Industrial New Jobs Training Program	822,127	1,879,907
Auxiliary	1,664,575	1,640,759
Gifts and grants	430,649	570,005
Sales and services	996,911	1,139,655
Miscellaneous	<u>3,555,903</u>	<u>4,463,752</u>
<b>Total operating revenues</b>	<b>23,019,520</b>	<b>25,595,113</b>
 Total operating expenses	 <u>41,051,663</u>	 <u>43,216,596</u>
 <b>Operating loss</b>	 <u>(18,032,143)</u>	 <u>(17,621,483)</u>
 Non-operating revenues (expenses) and transfers:		
State appropriations	9,289,843	8,679,240
Pell grant	5,747,327	6,421,238
Property taxes	3,553,723	3,429,236
Interest earnings	92,095	51,326
Loss on disposal of capital assets	-	(1,751)
Interest on indebtedness	(370,120)	(113,360)
Transfer to agency fund	<u>(21,150)</u>	<u>(20,001)</u>
<b>Net non-operating revenues and transfers</b>	<b><u>18,291,718</u></b>	<b><u>18,445,928</u></b>
 <b>Change in net position</b>	 <b>259,575</b>	 <b>824,445</b>
 Net position:		
Beginning	<u>26,634,025</u>	<u>25,809,580</u>
Ending	<u>\$ 26,893,600</u>	<u>\$ 26,634,025</u>
 <b>Total revenues, operating and nonoperating</b>	 <b><u>\$ 41,702,508</u></b>	 <b><u>\$ 44,176,153</u></b>
 <b>Total expenses, operating and nonoperating</b>	 <b><u>\$ 41,442,933</u></b>	 <b><u>\$ 43,351,708</u></b>

**SOUTHEASTERN COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**Total Revenue by Source**

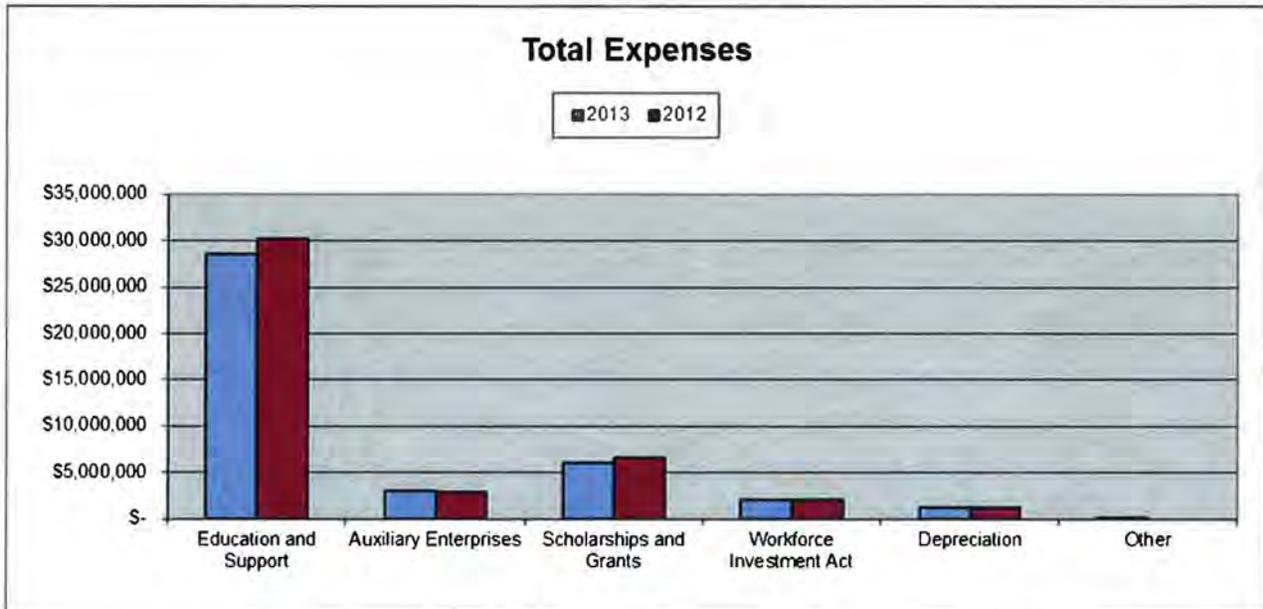
The Statement of Revenues, Expenses, and Changes in Net Position reflects positive years for both 2013 and 2012, with an increase in the net position of \$259,575 and \$824,445, respectively.



**SOUTHEASTERN COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**Operating expenses**

	<b>Year Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
Education and support:		
Liberal arts and sciences	\$ 5,958,572	\$ 5,786,740
Vocational technical	4,235,056	4,584,933
Adult education	1,745,961	1,894,184
Cooperative services	5,245,977	7,698,084
General administration	1,692,391	1,718,528
Student services	2,688,433	2,699,998
Learning resources	385,810	395,338
Physical plant	3,029,436	2,702,173
General institution	3,599,338	2,780,727
Auxiliary enterprises	3,054,979	2,942,543
Scholarships and grants	6,014,245	6,650,219
Workforce Investment Act	2,105,942	2,097,494
Depreciation expense	1,237,513	1,265,635
Other	58,010	-
<b>Total operating expenses</b>	<b>\$ 41,051,663</b>	<b>\$ 43,216,596</b>



**SOUTHEASTERN COMMUNITY COLLEGE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2013**

**Statement of Cash Flows:** The statement of cash flows is an important tool in helping 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 and related financing and investing activities.

**Cash flows**

	<b>Year Ended June 30,</b>	
	<b>2013</b>	<b>2012</b>
Cash provided by (used in):		
Operating activities	\$(16,287,866)	\$(17,919,206)
Non-capital financing activities	17,479,433	17,498,194
Capital and related financing activities	(1,641,760)	(1,637,904)
Investing activities	889,888	1,276,485
<b>Net increase (decrease) in cash</b>	439,695	(782,431)
 Cash:		
Beginning	2,017,677	2,800,108
Ending	\$ 2,457,372	\$ 2,017,677

**Capital assets**

As of June 30, 2013, the College had \$20,179,802 invested in capital assets, net of accumulated depreciation of \$16,003,409. Depreciation charges totaled \$1,237,513 for fiscal year 2013. Details of the capital assets are shown below.

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
Land	\$ 858,541	\$ 858,541
Buildings	25,931,827	25,931,827
Other structures and improvements	3,276,540	3,200,047
Furniture and equipment	6,116,303	5,564,831
<b>Totals</b>	\$ 36,183,211	\$ 35,555,246

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, 2013**

**Debt Service**

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

**Outstanding debt**

	<b>June 30,</b>	
	<b>2013</b>	<b>2012</b>
General obligation, dormitory revenue and school refunding bonds (principal)*	\$ 1,678,053	\$ 2,457,754
Certificates payable (principal)*	4,956,207	5,821,399
Compensated absences	554,206	580,594
Early retirement payable	722,987	712,374
<b>Totals</b>	<b>\$ 7,911,453</b>	<b>\$ 9,572,121</b>

\*Net of discounts on issuance

June 30, 2013: Long-term debt decreased by \$1,660,668 (17.3%) in 2013. New debt of \$365,000 was issued for certificates payable.

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.

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, 2013**

**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 42.0% of unrestricted general operating fund revenues, up from 39.9% in the prior fiscal year. The State economy has improved and the State Legislature has shown a commitment to community colleges. The State has committed to the College an additional \$549,319 in general aid for the fiscal year ending June 30, 2014, an increase of 7.2%. While the state increased commitment is welcome, the College will continue to identify ways to increase revenue and reduce expenditures within the general operating fund. This is a budgetary area that must be continually monitored by the College.
- Tuition Revenue collections in the unrestricted general operating fund were up 1.3% and continue to be the largest source of revenue for the fund, representing 49.5% of the total revenues. It is difficult revenue to predict and budget, and continued tuition rate increases (5.2% for fiscal year 2013) may create hardships. The College continues to be sensitive to these hardships with a tuition rate that is the 12<sup>th</sup> lowest among the 15 state community colleges and \$6.88 per credit hour below the state average.
- Property Tax revenue increased \$124,487 for all funds and total taxable property values increased for the 2013 levy by \$140,568,521 (4.2%). Property tax collections for the unrestricted general operating fund represent 3.8% of total revenues.
- Industrial New Jobs Training (260E) Projects provide valuable resources for area businesses and industries for expansion and training of their labor forces. New training certificates in the amount of \$365,000 were issued with related debt reduced by \$1,240,000. Economic conditions have begun to improve substantially from the downturn of 2008-2010. Several existing employers in Southeast Iowa are making capital investments and adding employees. New industries have located in the region and the economic development entities report good prospect levels. This activity has resulted in increased INJT preliminary agreements in the amounts of \$2,185,000 and \$1,860,000 which are slated to be finalized in the coming months.
- Labor Costs represent 76.5% of the unrestricted general operating fund expenditures, a decrease of 1.5%.
- Student Enrollment decreased 4.5% (3,182 credit hours) from the prior year. Credit hour enrollment for the Fall 2013 term increased 1.7% (523.4 credit hours) over the Fall 2012 term. The College is hopeful this trend will continue.

**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 POSITION**  
June 30, 2013

<b>ASSETS</b>	<u>Primary Institution</u>	<u>Component Unit - Foundation</u>
<b>CURRENT ASSETS</b>		
Cash and investments	\$ 13,975,853	\$ 4,389,647
Restricted certificates of deposit	204,000	-
Receivables:		
Accounts	272,674	-
Due from other governments	2,477,518	-
Property taxes, succeeding year	3,501,695	-
Other	-	2,472,990
Inventories	514,076	-
Prepaid expenses	17,634	1,621
Total current assets	<u>20,963,450</u>	<u>6,864,258</u>
<b>NONCURRENT ASSETS</b>		
Due from Iowa Industrial New Jobs Training Program	2,188,620	-
Deferred charges - bond issuance costs	3,664	-
Capital assets:		
Land	858,541	-
Buildings	25,931,827	-
Other structures and improvements	3,276,540	-
Furniture and equipment	6,116,303	-
Accumulated depreciation	(16,003,409)	-
Total noncurrent assets	<u>22,372,086</u>	<u>-</u>
<b>Total assets</b>	<u>43,335,536</u>	<u>6,864,258</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	1,537,564	-
Salaries and benefits payable	1,020,686	-
Deferred revenue:		
Succeeding year property tax	3,501,695	-
Other	1,597,578	-
Early retirement payable	722,987	-
Compensated absences payable	554,206	-
Deposits held in custody for others	635,885	-
Certificates payable	1,005,000	-
Bonds payable	808,564	-
Total current liabilities	<u>11,384,165</u>	<u>-</u>
<b>NONCURRENT LIABILITIES</b>		
Certificates payable, net of discount	3,951,207	-
Bonds payable, net of discount	869,489	-
Net OPEB liability	237,075	-
Total noncurrent liabilities	<u>5,057,771</u>	<u>-</u>
Total liabilities	<u>16,441,936</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	18,501,749	-
Restricted:		
Nonexpendable:		
Scholarships and fellowships	-	3,167,932
Cash reserve	231,408	-
Expendable:		
Scholarships and fellowships	-	3,397,721
Other restricted purposes	2,975,708	-
Unrestricted	5,184,735	298,605
Total net position	<u>\$ 26,893,600</u>	<u>\$ 6,864,258</u>

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

**SOUTHEASTERN COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Year Ended June 30, 2013**

	Primary Institution	Component Unit - Foundation
<b>OPERATING REVENUES</b>		
Tuition and fees, net of scholarship allowances of \$5,690,197	\$ 4,794,019	\$ -
Federal appropriations	10,755,336	-
Iowa Industrial New Jobs Training Program	822,127	-
Gifts and grants	430,649	30,541
Contributions	-	2,699,556
Sales and services	996,911	-
Auxiliary enterprises, net of scholarship allowances of \$1,211,033	1,664,575	-
Miscellaneous	3,555,903	66,100
Total operating revenues	<u>23,019,520</u>	<u>2,796,197</u>
<b>OPERATING EXPENSES</b>		
Education and support:		
Liberal arts and sciences	5,958,572	-
Vocational technical	4,235,056	-
Adult education	1,745,961	-
Cooperative services	5,245,977	-
General administration	1,692,391	-
Student services	2,688,433	-
Learning resources	385,810	-
Physical plant	3,029,436	-
General institution	3,599,338	-
Auxiliary enterprises	3,054,979	-
Scholarships and grants	6,014,245	251,516
Workforce Investment Act	2,105,942	-
Depreciation expense	1,237,513	-
Other	58,010	93,337
Total operating expenses	<u>41,051,663</u>	<u>344,853</u>
Operating income (loss)	<u>(18,032,143)</u>	<u>2,451,344</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
State appropriations	9,289,843	-
Pell grant	5,747,327	-
Property taxes	3,553,723	-
Investment earnings	92,095	268,647
Interest on indebtedness	(370,120)	-
Net non-operating revenues	<u>18,312,868</u>	<u>268,647</u>
Transfers to agency fund	<u>(21,150)</u>	<u>-</u>
Change in net position	259,575	2,719,991
<b>NET POSITION:</b>		
Beginning	<u>26,634,025</u>	<u>4,144,267</u>
Ending	<u>\$ 26,893,800</u>	<u>\$ 6,864,258</u>

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

**SOUTHEASTERN COMMUNITY COLLEGE**  
**STATEMENT OF CASH FLOWS**  
**June 30, 2013**

	Primary Institution	Component Unit - Foundation
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	\$ 5,060,563	\$ -
Federal appropriations	10,948,514	-
Iowa Industrial New Jobs Training Program	1,093,812	-
Payments to employees for salaries and benefits	(19,478,010)	-
Payments to suppliers for goods and services	(14,488,423)	(28,891)
Cash received as contributions	-	261,484
Cash paid for scholarships	(6,014,245)	(251,568)
Auxiliary enterprises	1,664,575	-
Other receipts	4,925,348	30,541
Net cash provided by (used in) operating activities	<u>(16,287,866)</u>	<u>11,566</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State appropriations	9,289,843	-
Pell grant	5,747,327	-
Property taxes	3,553,723	-
Principal paid on certificates payable	(1,240,000)	-
Interest paid on certificates payable	(273,982)	-
Proceeds from certificates payable	365,000	-
Transfers to agency funds	(21,150)	-
Miscellaneous Agency Fund receipts	537,033	-
Miscellaneous Agency Fund disbursements	(478,361)	-
Net cash provided by noncapital financing activities	<u>17,479,433</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	(758,769)	-
Principal paid on bonds payable	(786,853)	-
Interest paid on bonds payable	(96,138)	-
Net cash used in capital and related financing activities	<u>(1,641,760)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest on investments	92,095	268,647
Purchase of investments	-	(481,025)
Proceeds from the sale of investments	797,793	-
Net cash provided by (used in) investing activities	<u>889,888</u>	<u>(212,378)</u>
Net increase (decrease) in cash and cash equivalents	439,695	(200,812)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning	2,017,677	708,034
Ending	<u>\$ 2,457,372</u>	<u>\$ 507,222</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>		
Operating income (loss)	\$ (18,032,143)	\$ 2,451,344
Adjustments to reconcile operating income (loss) to net cash provided by (used) in operating activities:		
Depreciation	1,237,513	-
Amortization of bond issuance costs	3,664	-
Changes in assets and liabilities:		
Decrease in due from other governments	193,178	-
(Increase) in other receivables	(58,115)	(2,438,072)
Decrease in inventories	11,342	-
(Increase) Decrease in prepaid expenses	35,407	(52)
Decrease in due from Iowa Industrial New Jobs Training Program	271,685	-
(Decrease) in accounts payable	(185,479)	(1,654)
(Decrease) in salaries and benefits payable	(45,442)	-
Increase in other deferred revenue	266,544	-
Increase in early retirement payable	10,613	-
(Decrease) in compensated absences	(26,388)	-
(Decrease) in deposits payable	(33,630)	-
Increase in OPEB liability	63,385	-
Total adjustments	<u>1,744,277</u>	<u>(2,439,778)</u>
Net cash provided by (used in) operating activities	<u>\$ (16,287,866)</u>	<u>\$ 11,566</u>

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

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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.

**Financial Reporting Entity**

For financial reporting purposes, Southeastern Community College has included all funds, organizations, agencies, boards, commissions and authorities. The College has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the College are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the College.

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.

These financial statements present Southeastern Community College (the primary government) and its component unit. The component unit discussed below is included in the College's reporting entity because of the significance of its operational or financial relationship with the College. Certain disclosures about the component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the College.

**Discrete Component Unit**

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, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Southeastern Community College Foundation is a legally separate, tax-exempt foundation 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.

The Foundation is a non-profit organization which reports under accounting standards established by the Financial Accounting Standards Board (FASB). The Foundations financial statements were prepared in accordance with the provisions of FASB No. 117, Financial Statements of Not-for-Profit Organizations. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation financial information in the College's financial reporting for these differences. The Foundation reports net assets, which is equivalent to net position reported by the College.

The College's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**Basis of Presentation**

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following net position (previously referred to as net assets) categories/components:

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation/amortization and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position:

Nonexpendable - Net position subject to externally imposed stipulations that they be maintained permanently by the College.

Expendable - Net position whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Position - Net position not subject to externally imposed situations. Resources may be designated for specific purposes by action of management or by the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net position is designated for academic and general programs of the College.

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

GASB Statement No. 35 also requires the Statements of Net Position, Revenues, Expenditures and Changes in Net Position and Cash Flows be reported on a consolidated basis. These basic financial statements 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.

**Assets, Liabilities and Net Position**

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.

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.

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.

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property tax revenues recognized become due and collectible in September and March of the current fiscal year and are based on January 1, 2011 assessed property valuations for the tax accrual period July 1, 2012 through June 30, 2013 and reflects the tax request contained in the budget certified to the appropriate County Auditor in March 2012.

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, 2013, plus interest incurred on NJTP certificates, less reimbursements received to date.

Bond issuance costs - Bond issuance costs are deferred and amortized over the life of the bonds using the effective interest method.

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.

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

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, 2013.

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 during May, June and July. Revenues and unearned revenue for the summer sessions are recorded based on the length of each session.

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

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 non-operating activities - Operating activities, as reported in the Statement of Revenues, Expenses, and Changes in Net Position, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, Pell grants, property tax and interest earnings.

**SOUTHEASTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 1 - 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 29, 2013, the date the financial statements were available to be issued.

**NOTE 2 - CASH AND INVESTMENTS**

As of June 30, 2013, the College's cash and investments consist of the following:

Cash	\$ 2,457,372
Certificates of deposit	5,503,889
Investments	<u>6,014,592</u>
	13,975,853
Restricted certificates of deposit	<u>204,000</u>
<b>Total</b>	<b><u>\$ 14,179,853</u></b>

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, 2013**

**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 \$6,014,592 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

As of June 30, 2013, the College's investment was rated as follows:

<u>Investment Type</u>	<u>Standard &amp; 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, 2013**

**NOTE 2 - CASH AND INVESTMENTS (CONTINUED)**

As of June 30, 2013, the carrying amount of the College's deposits excluding \$2,271 of petty cash, totaled \$8,162,990 with a bank balance of \$8,572,707. The College's deposits as of June 30, 2013 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, 2013, the College's Foundation cash balance and investments consist of the following:

Cash	\$ 507,222
Certificates of deposit, at cost	20,000
Investments, other	2,539,378
Investment, beneficial interest in perpetual trusts	1,173,047
Real estate, at cost	<u>150,000</u>
<b>Total</b>	<b><u>\$ 4,389,647</u></b>

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

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 3 - CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2013 is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 858,541	\$ -	\$ -	\$ 858,541
Capital assets being depreciated:				
Buildings	25,931,827	-	-	25,931,827
Other structures and improvements	3,200,047	76,493	-	3,276,540
Furniture and equipment	<u>5,564,831</u>	<u>682,276</u>	<u>130,804</u>	<u>6,116,303</u>
<b>Total capital assets being depreciated</b>	<u>34,696,705</u>	<u>758,769</u>	<u>130,804</u>	<u>35,324,670</u>
Less accumulated depreciation for:				
Buildings	9,394,817	518,636	-	9,913,453
Other structures and improvements	1,145,642	109,805	-	1,255,447
Furniture and equipment	<u>4,356,241</u>	<u>609,072</u>	<u>130,804</u>	<u>4,834,509</u>
<b>Total accumulated depreciation</b>	<u>14,896,700</u>	<u>1,237,513</u>	<u>130,804</u>	<u>16,003,409</u>
<b>Total capital assets being depreciated, net</b>	<u>19,800,005</u>	<u>(478,744)</u>	<u>-</u>	<u>19,321,261</u>
<b>Total capital assets, net</b>	<u>\$20,658,546</u>	<u>\$ (478,744)</u>	<u>\$ -</u>	<u>\$20,179,802</u>

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**NOTE 4 - LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2013</u>	<u>Amount Due Within One Year</u>
Certificates payable (A)	\$ 5,890,000	\$ 365,000	\$1,240,000	\$ 5,015,000	\$ 1,005,000
Dormitory revenue bonds (B)	1,107,058	-	111,853	995,205	118,564
General obligation bonds (C)	1,365,000	-	675,000	690,000	690,000
Less discounts	82,905	-	16,960	65,945	-
Compensated absences	580,594	554,206	580,594	554,206	554,206
Early retirement payable	<u>712,374</u>	<u>275,467</u>	<u>264,854</u>	<u>722,987</u>	<u>722,987</u>
<b>Total long-term debt</b>	<b><u>\$ 9,572,121</u></b>	<b><u>\$ 1,194,673</u></b>	<b><u>\$2,855,341</u></b>	<b><u>\$ 7,911,453</u></b>	<b><u>\$ 3,090,757</u></b>

- (A) The College has certificates payable with a June 30, 2013 outstanding balance of \$5,015,000, with interest rates ranging from 2.0% to 6.25% per annum and bond discounts totaling \$58,793. 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:			
2014	\$ 1,005,000	\$ 222,410	\$ 1,227,410
2015	925,000	178,468	1,103,468
2016	860,000	136,720	996,720
2017	830,000	96,192	926,192
2018	740,000	55,752	795,752
2019-2022	<u>655,000</u>	<u>47,804</u>	<u>702,804</u>
<b>Total</b>	<b><u>\$ 5,015,000</u></b>	<b><u>\$ 737,346</u></b>	<b><u>\$ 5,752,346</u></b>

- (B) Dormitory Revenue refunding bonds, Series 2000, at 6%. Interest is due semiannually and principal is due annually in varying amounts through 2020. The proceeds of the bonds were used for the construction of college apartments.

**SOUTHEASTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**NOTE 4 - LONG-TERM DEBT (CONTINUED)**

- (C) General obligation refunding bonds, Series 2009 rates ranging from 1.25% to 2.35% and a bond discount totaling \$7,152. 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:			
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	149,684	28,592	178,276
2019-2022	<u>326,850</u>	<u>29,702</u>	<u>356,552</u>
<b>Total</b>	<u>\$ 1,685,205</u>	<u>\$ 268,942</u>	<u>\$ 1,954,147</u>

As of June 30, 2013, \$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 position. 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 5.78% and the College is required to contribute 8.67%. The contribution paid by the College for the year ended June 30, 2013 totaled \$489,833 and the contribution paid by employees totaled \$326,555.

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**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 5.78% of their annual covered salary and the College is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$702,538, \$630,728, and \$551,785, respectively, equal to the required contributions for each year.

**NOTE 7 - RISK MANAGEMENT PROGRAM**

The College is a member of the Insurance Management Program for Area Community Colleges (IMPACC) as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a risk-sharing pool whose members include Iowa Community Colleges. The Program 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 College Board legal liability, workers' compensation and employers liability, crime insurance and fiduciary bonds, boiler and machinery, foreign travel and identity theft insurance coverage for its member colleges. There have been no reductions in insurance coverage from prior years.

Each members' annual contributions to the Program 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, 2013 were \$672,183.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$200,000 per property/liability, \$100,000 for error/omissions, and \$200,000 for workers' compensation. The policy limit per occurrence is \$800,000 for property/liability, \$900,000 for errors/omissions, and \$300,000 for workers' compensation. Excess insurance for workers' compensation is for statutory limits. Excess for all other lines is \$9,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention of up to \$100,000,000 for boiler and machinery 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, 2013**

**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, 2013, 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 from the Program. 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.

**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 that are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered 84 projects with 19 currently receiving project funding. Of the remaining 65 projects, 4 have been completed with only the repayment of the certificates left and 61 have been completed and the certificates have been repaid (5 of the 61 certificates were repaid during the year).

**NOTE 9 - EARLY RETIREMENT**

The College offered an Early Retirement Incentive Plan (ERIP) to its employees in fiscal year 2013. Eligible employees must be 55 years of age with 10 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, 2013**

**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 \$122,800.

The current year cost to the College was \$264,854, including 29 participants in the health insurance plan. The liability for the participation in the health plan is \$600,187 and will be paid over the next 9 years.

**SOUTHEASTERN COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2013**

**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 (217) and retired employees (30) and their eligible dependents (3). 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, 2013, the amount actuarially contributed to the plan and changes in Southeastern Community College's net OPEB obligation:

Annual required contribution	\$358,205
Interest on net OPEB obligation	2,605
Adjustment to annual required contribution	<u>(7,179)</u>
Annual OPEB cost	353,631
Contributions and payments made	<u>(290,246)</u>
Increase in net OPEB obligation	63,385
Net OPEB obligation - July 1, 2012	<u>173,690</u>
Net OPEB obligation - June 30, 2013	<u>\$ 237,075</u>

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**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 2013 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, 2013	\$353,631	82%	\$237,075
June 30, 2012	\$359,743	86%	\$173,690
June 30, 2011	\$360,477	90%	\$122,033

Funded Status and Funding Progress - As of June 30, 2013, the plan was 0% funded. The College's actuarial accrued liability for benefits was \$3,842,643 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$3,842,643. The covered payroll (annual payroll of active employees covered by the plan) was \$13,005,305 and the ratio of the UAAL to the covered payroll was (29.55%).

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 for the Retiree Health Plan, 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, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 1.5% discount rate, an annual health care cost trend rate of 8% reduced by increments of 1% annually to an ultimate rate of 3%. 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, 2013**

**NOTE 11 - NEW AND PENDING PRONOUNCEMENTS**

As of June 30, 2013, the GASB issued the following statements not yet implemented by the College. These Statements may impact the College as follows:

- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, issued March of 2012, will be effective for the College beginning with its year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this Statement will improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting.
  
- GASB Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*, issued June 2012, will be effective for the College beginning with its year ending June 30, 2014. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions.

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%
2013	July 1, 2012	-	\$3,842,643	\$3,842,643	0.00%	\$13,005,305	29.55%

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, 2012. 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: health care cost trend rates of 8% with an ultimate rate of 3%; discount rate of 1.5%.
- d) The amortization method is level dollar over a period of 30 years.

## SUPPLEMENTARY INFORMATION

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTE TO OTHER SUPPLEMENTARY INFORMATION**  
**Year Ended June 30, 2013**

Supplementary information of the College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenue and expenditures. The various fund groups and their designated purposes are as follows:

Current Funds - The Current 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 and consist of the following:

Unrestricted Fund - The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the College.

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.

Restricted Fund - The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

Loan Funds - The Loan Funds are used to account for loans to students, and are financed primarily by the federal government.

Plant Funds - The Plant Funds are used to account for transactions relating to investment in the College properties, and consist of the following self-balancing accounts:

Unexpended - This account is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of Indebtedness - This account is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

Investment in Plant - This account 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. Agency Funds' assets equal liabilities.

The Budgetary Comparison Schedule of Expenditures - Budget to Actual provides a comparison of the budget to actual expenditures for those funds and/or levies required to be budgeted. Since the College uses Business Type Activities reporting, this budgetary comparison information is included as supplementary information.

Schedules presented in supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The schedule of revenues, expenditures and changes in fund balances is a schedule 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.

**SOUTHEASTERN COMMUNITY COLLEGE  
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES -  
BUDGET TO ACTUAL  
Year Ended June 30, 2013**

<u>Funds/Levy</u>	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Total Unrestricted Current Fund expenditures		\$ 21,839,505	
Total Restricted Current Fund expenditures		25,194,708	
Less:			
Auxiliary Enterprise expenditures		3,054,979	
Workforce Investment Act expenditures		2,105,942	
Temporary Assistance for Needy Families		700,409	
Scholarships and Grants		<u>12,915,474</u>	
 Total Current Funds	 \$ 34,655,188	 28,257,409	 \$ 6,397,779
 Plant, Bonds and Interest	 <u>4,133,191</u>	 <u>1,745,539</u>	 <u>2,387,652</u>
 <b>Total</b>	 <b><u>\$ 38,788,379</u></b>	 <b><u>\$ 30,002,948</u></b>	 <b><u>\$ 8,785,431</u></b>

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 Improvement Act accounts, Temporary Assistance for Needy Families, Scholarships and Grants Account, Loan Funds and Agency Funds.

For the year ended June 30, 2013, the College's expenditures did not exceed the amount budgeted.

See accompanying independent auditor's report.

**SOUTHEASTERN COMMUNITY COLLEGE**  
**BALANCE SHEET**  
**June 30, 2013**

	Current Funds	
	Unrestricted	Restricted
<b>ASSETS</b>		
Cash and investments	\$ 10,602,759	\$ 3,373,094
Restricted certificates of deposit	-	-
Receivables:		
Accounts	272,674	-
Due from other governments	2,477,518	-
Property taxes, succeeding year	690,212	1,443,991
Due from other funds	-	4,222,049
Inventories	514,076	-
Prepaid expenses	17,634	-
Due from Iowa Industrial New Jobs Training Program	-	2,188,620
Deferred charges - bond issuance costs	-	-
Capital assets:		
Land	-	-
Buildings	-	-
Other structures and improvements	-	-
Furniture and equipment	-	-
Accumulated depreciation	-	-
	-	-
<b>TOTAL ASSETS</b>	<b>\$ 14,574,873</b>	<b>\$ 11,227,754</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 1,537,564	\$ -
Salaries and benefits payable	1,020,686	-
Due to other funds	7,473,505	-
Deferred revenue:		
Succeeding year property tax	690,212	1,443,991
Other	418,289	779,289
Early retirement payable	-	722,987
Compensated absences payable	402,549	82,580
Deposits held in custody for others	19,500	239,584
Certificates payable, net of discount	-	4,956,207
Bonds payable, net of discount	-	-
Net OPEB liability	-	-
Total liabilities	11,562,305	8,224,638
<b>FUND BALANCES</b>		
Net investment in capital assets	-	-
Restricted for:		
Nonexpendable cash reserve	-	231,408
Expendable other restricted purposes	-	2,771,708
Unrestricted	1,906,649	-
Auxiliary enterprises	1,105,919	-
Total fund balances	3,012,568	3,003,116
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,574,873</b>	<b>\$ 11,227,754</b>

See accompanying independent auditor's report.

<u>Plant Funds</u>	<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 13,975,853
204,000	-	-	204,000
-	-	-	272,674
-	-	-	2,477,518
1,367,492	-	-	3,501,695
2,805,578	445,878	(7,473,505)	-
-	-	-	514,076
-	-	-	17,634
-	-	-	2,188,620
3,664	-	-	3,664
858,541	-	-	858,541
25,931,827	-	-	25,931,827
3,276,540	-	-	3,276,540
6,116,303	-	-	6,116,303
-	-	(16,003,409)	(16,003,409)
<u>\$ 40,563,945</u>	<u>\$ 445,878</u>	<u>\$ (23,476,914)</u>	<u>\$ 43,335,536</u>

\$ -	\$ -	\$ -	\$ 1,537,564
-	-	-	1,020,686
-	-	(7,473,505)	-
1,367,492	-	-	3,501,695
400,000	-	-	1,597,578
-	-	-	722,987
-	69,077	-	554,206
-	376,801	-	635,885
-	-	-	4,956,207
1,678,053	-	-	1,678,053
-	-	237,075	237,075
<u>3,445,545</u>	<u>445,878</u>	<u>(7,236,430)</u>	<u>16,441,936</u>

34,505,158	-	(16,003,409)	18,501,749
-	-	-	231,408
204,000	-	-	2,975,708
2,409,242	-	(237,075)	4,078,816
-	-	-	1,105,919
<u>37,118,400</u>	<u>-</u>	<u>(16,240,484)</u>	<u>26,893,600</u>
<u>\$ 40,563,945</u>	<u>\$ 445,878</u>	<u>\$ (23,476,914)</u>	<u>\$ 43,335,536</u>

**SOUTHEASTERN COMMUNITY COLLEGE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
June 30, 2013

	<b>Current Funds</b>	
	<u>Unrestricted</u>	<u>Restricted</u>
<b>REVENUES</b>		
General:		
Tuition and fees	\$ 9,130,272	\$ 1,353,944
Property taxes	699,556	1,449,332
State appropriations	7,746,478	1,338,473
Federal appropriations	-	16,502,663
Gifts and grants	-	430,649
Sales and services	699,877	211,601
Interest on investments	31,161	59,832
Iowa Industrial New Jobs Training Program	-	822,127
Increase in plant investment due to plant expenditures	-	-
Increase in plant investment due to retirement of debt	-	-
Miscellaneous	130,289	3,424,614
	<u>18,437,633</u>	<u>25,593,235</u>
Auxiliary enterprises:		
Sales and services	2,868,943	-
Federal appropriations	12,510	-
Miscellaneous	206,170	-
	<u>3,087,623</u>	<u>-</u>
<b>Total revenues</b>	<u>21,525,256</u>	<u>25,593,235</u>
<b>EXPENDITURES</b>		
Education and support:		
Liberal arts and sciences	4,426,346	1,540,916
Vocational technical	3,891,499	538,829
Adult education	870,055	886,538
Cooperative services	1,275,529	3,983,463
Administration	1,513,782	310,908
Student services	2,088,418	664,383
Learning resources	386,131	-
Physical plant	1,942,036	660,878
General institution	2,390,730	1,313,395
<b>Total education and support</b>	<u>18,784,526</u>	<u>9,899,310</u>
Auxiliary enterprises	3,054,979	-
Scholarships and grants	-	12,915,474
Workforce Investment Act	-	2,105,942
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Interest on indebtedness	-	273,982
Disposal of plant assets	-	-
Depreciation expense	-	-
<b>Total expenditures</b>	<u>21,839,505</u>	<u>25,194,708</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(314,249)</u>	<u>398,527</u>
<b>TRANSFERS:</b>		
Non-mandatory transfers	<u>177,858</u>	<u>(376,873)</u>
<b>Net change in fund balances</b>	<u>(136,391)</u>	<u>21,654</u>
<b>FUND BALANCES</b>		
Beginning	<u>3,148,959</u>	<u>2,981,462</u>
Ending	<u>\$ 3,012,568</u>	<u>\$ 3,003,116</u>

See accompanying independent auditor's report.

Loan Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment in Plant		
\$ -	\$ -	\$ -	\$ -	\$ (5,690,197)	\$ 4,794,019
-	699,556	705,279	-	-	3,553,723
-	204,892	-	-	-	9,289,843
-	-	-	-	-	16,502,663
-	-	-	-	-	430,649
-	85,433	-	-	-	996,911
-	291	811	-	-	92,095
-	-	-	-	-	822,127
-	-	-	758,769	(758,769)	-
-	-	-	786,853	(786,853)	-
-	1,000	-	-	-	3,555,903
-	991,172	706,090	1,545,622	(7,235,819)	40,037,933
-	-	-	-	(1,423,048)	1,445,895
-	-	-	-	-	12,510
-	-	-	-	-	206,170
-	-	-	-	(1,423,048)	1,664,575
-	991,172	706,090	1,545,622	(8,658,867)	41,702,508
-	-	-	-	(8,690)	5,958,572
-	-	-	-	(195,272)	4,235,056
-	-	-	-	(10,632)	1,745,961
-	-	-	-	(13,015)	5,245,977
-	-	-	-	(132,299)	1,692,391
-	-	-	-	(64,368)	2,688,433
-	-	-	-	(321)	385,810
-	553,131	11,716	-	(138,325)	3,029,436
-	-	-	-	(104,787)	3,599,338
-	553,131	11,716	-	(667,709)	28,580,974
-	-	-	-	-	3,054,979
-	-	-	-	(6,901,229)	6,014,245
-	-	-	-	-	2,105,942
-	297,701	-	-	(239,691)	58,010
-	-	786,853	-	(786,853)	-
-	-	96,138	-	-	370,120
-	-	-	130,804	(130,804)	-
-	-	-	-	1,237,513	1,237,513
-	850,832	894,707	130,804	(7,488,773)	41,421,783
-	140,340	(188,617)	1,414,818	(1,170,094)	280,725
-	-	177,865	-	-	(21,150)
-	140,340	(10,752)	1,414,818	(1,170,094)	259,575
-	2,101,469	389,336	33,083,189	(15,070,390)	26,634,025
\$ -	\$ 2,241,809	\$ 378,584	\$ 34,498,007	\$ (16,240,484)	\$ 26,893,600

**SOUTHEASTERN COMMUNITY COLLEGE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**UNRESTRICTED CURRENT FUNDS**  
**EDUCATION AND SUPPORT**  
**Year Ended June 30, 2013**

	<u>Education</u>			
	<u>Liberal Arts and Sciences</u>	<u>Vocational Technical</u>	<u>Adult Education</u>	<u>Cooperative Services</u>
<b>REVENUES</b>				
Tuition and fees	\$ 5,633,576	\$ 1,943,719	\$ 751,370	\$ 797,607
Property taxes	-	-	-	-
State appropriations	4,214,482	2,605,316	848,192	-
Sales and services	-	-	117,753	364,787
Interest on investments	-	-	-	-
Miscellaneous	384	48,372	-	7,530
Total revenues	<u>9,848,442</u>	<u>4,597,407</u>	<u>1,717,315</u>	<u>1,169,924</u>
<b>EXPENDITURES</b>				
Salaries and benefits	4,274,537	3,281,977	621,011	639,534
Services	30,123	234,225	132,398	608,706
Materials and supplies	47,117	167,011	108,935	17,204
Travel	10,068	14,182	7,711	10,085
Plant asset acquisitions	-	151,103	-	-
Scholarships	-	-	-	-
Miscellaneous	64,501	43,001	-	-
Total expenditures	<u>4,426,346</u>	<u>3,891,499</u>	<u>870,055</u>	<u>1,275,529</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	5,422,096	705,908	847,260	(105,605)
<b>TRANSFERS:</b>				
Non-mandatory transfers	-	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 5,422,096</u>	<u>\$ 705,908</u>	<u>\$ 847,260</u>	<u>\$ (105,605)</u>
<b>FUND BALANCES</b>				
Beginning				
Ending				

See accompanying independent auditor's report.

<b>Support</b>					
<b>General Admini- stration</b>	<b>Student Services</b>	<b>Learning Resources</b>	<b>Physical Plant</b>	<b>General Institution</b>	<b>Total</b>
\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ 9,130,272
699,556	-	-	-	-	699,556
21,087	-	57,401	-	-	7,746,478
43,699	70,760	1,281	26,744	74,853	699,877
31,161	-	-	-	-	31,161
10,710	11,804	188	5,853	45,448	130,289
<u>810,213</u>	<u>82,564</u>	<u>58,870</u>	<u>32,597</u>	<u>120,301</u>	<u>18,437,633</u>
1,139,021	1,527,814	314,436	988,487	1,583,408	14,370,225
281,434	112,031	988	785,111	695,410	2,880,426
25,229	44,345	69,376	156,419	78,068	713,704
66,898	8,700	1,331	778	25,943	145,696
-	-	-	11,241	-	162,344
-	395,528	-	-	-	395,528
1,200	-	-	-	7,901	116,603
<u>1,513,782</u>	<u>2,088,418</u>	<u>386,131</u>	<u>1,942,036</u>	<u>2,390,730</u>	<u>18,784,526</u>
(703,569)	(2,005,854)	(327,261)	(1,909,439)	(2,270,429)	(346,893)
-	(288)	-	-	376,011	375,723
<u>\$ (703,569)</u>	<u>\$ (2,006,142)</u>	<u>\$ (327,261)</u>	<u>\$ (1,909,439)</u>	<u>\$ (1,894,418)</u>	28,830
					1,877,819
					<u>\$ 1,906,649</u>

**SOUTHEASTERN COMMUNITY COLLEGE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**UNRESTRICTED CURRENT FUNDS**  
**AUXILIARY ENTERPRISES**  
**Year Ended June 30, 2013**

	<u>Bookstore</u>	<u>Food Services</u>	<u>Shop Sales</u>
<b>REVENUES</b>			
Sales and services	\$ 1,974,809	\$ 274,797	\$ 25,283
Federal appropriations	6,698	5,812	-
Miscellaneous	-	-	-
Total revenues	<u>1,981,507</u>	<u>280,609</u>	<u>25,283</u>
<b>EXPENDITURES</b>			
Salaries and benefits	179,536	25,720	-
Services	15,862	252,617	-
Materials and supplies	5,972	9,487	-
Cost of goods sold	1,720,109	26,179	24,601
Travel	1,682	135	-
Plant asset acquisitions	3,256	53,884	-
Miscellaneous	12,735	-	-
Total expenditures	<u>1,939,152</u>	<u>368,022</u>	<u>24,601</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	42,355	(87,413)	682
<b>TRANSFERS:</b>			
Non-mandatory transfers	<u>(97,865)</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	(55,510)	(87,413)	682
<b>FUND BALANCES</b>			
Beginning	<u>668,605</u>	<u>263,732</u>	<u>74,452</u>
Ending	<u>\$ 613,095</u>	<u>\$ 176,319</u>	<u>\$ 75,134</u>

See accompanying independent auditor's report.

<u>Printing Services</u>	<u>Dormitories</u>	<u>Athletics</u>	<u>Other</u>	<u>Total</u>
\$ 124,421	\$ 222,031	\$ 98,590	\$ 149,012	\$ 2,868,943
-	-	-	-	12,510
-	10,675	195,495	-	206,170
<u>124,421</u>	<u>232,706</u>	<u>294,085</u>	<u>149,012</u>	<u>3,087,623</u>
105,584	37,952	1,669	3,522	353,983
-	104,118	36,190	37,569	446,356
3,732	26,265	91,027	78,621	215,104
25,358	-	-	-	1,796,247
47	-	126,229	-	128,093
-	15,208	-	-	72,348
-	7,044	23,069	-	42,848
<u>134,721</u>	<u>190,587</u>	<u>278,184</u>	<u>119,712</u>	<u>3,054,979</u>
(10,300)	42,119	15,901	29,300	32,644
-	(96,176)	(3,824)	-	(197,865)
(10,300)	(54,057)	12,077	29,300	(165,221)
<u>10,300</u>	<u>65,564</u>	<u>-</u>	<u>188,487</u>	<u>1,271,140</u>
<u>\$ -</u>	<u>\$ 11,507</u>	<u>\$ 12,077</u>	<u>\$ 217,787</u>	<u>\$ 1,105,919</u>

**SOUTHEASTERN COMMUNITY COLLEGE**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**RESTRICTED CURRENT FUNDS**  
**Year Ended June 30, 2013**

	<u>Scholarships and Grants</u>	<u>Equipment Replacement</u>	<u>Early Retirement</u>	<u>Insurance</u>
<b>REVENUES</b>				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Property taxes	-	310,908	349,808	751,115
State appropriations	354,171	-	-	-
Federal appropriations	12,131,724	-	-	-
Gifts and grants	429,579	-	-	-
Sales and services	-	-	-	-
Interest on investments	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues	<u>12,915,474</u>	<u>310,908</u>	<u>349,808</u>	<u>751,115</u>
<b>EXPENDITURES</b>				
Salaries and benefits	5,940	-	269,011	42,119
Services	-	-	-	704,784
Materials and supplies	-	183,036	-	-
Travel	-	-	-	-
Expended for plant assets	-	127,872	-	-
Interest on indebtedness	-	-	-	-
Federal Pell Grant Program	5,747,327	-	-	-
Federal Supplemental Educational Opportunity Grant (SEOG)	68,413	-	-	-
Other miscellaneous scholarships	7,093,794	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	<u>12,915,474</u>	<u>310,908</u>	<u>269,011</u>	<u>746,903</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	-	-	80,797	4,212
<b>TRANSFERS:</b>				
Non-mandatory transfers	-	-	-	-
Net change in fund balances (deficits)	-	-	80,797	4,212
<b>FUND BALANCES (DEFICITS)</b>				
Beginning	-	-	(646,152)	(114,700)
Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (565,355)</u>	<u>\$ (110,488)</u>

See accompanying independent auditor's report.

<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>
\$ -	\$ -	\$ -	\$ -	\$ 1,353,944	\$ -	\$ 1,353,944
37,501	-	-	-	-	-	1,449,332
-	-	-	-	984,302	-	1,338,473
-	2,105,942	700,409	-	1,564,588	-	16,502,663
-	-	-	-	1,070	-	430,649
-	-	-	-	211,601	-	211,601
-	-	-	-	59,832	-	59,832
-	-	-	822,127	-	-	822,127
-	-	-	-	3,424,614	-	3,424,614
<u>37,501</u>	<u>2,105,942</u>	<u>700,409</u>	<u>822,127</u>	<u>7,599,951</u>	<u>-</u>	<u>25,593,235</u>
49,987	1,244,122	444,038	-	2,700,753	-	4,755,970
-	647,584	121,648	548,145	3,890,867	-	5,913,028
-	73,873	85,950	-	257,408	-	600,267
-	38,006	4,292	-	170,951	-	213,249
-	-	-	-	156,513	-	284,385
-	-	-	273,982	-	-	273,982
-	-	-	-	-	-	5,747,327
-	-	-	-	-	-	68,413
-	-	-	-	54,438	-	7,148,232
-	102,357	44,481	-	43,017	-	189,855
<u>49,987</u>	<u>2,105,942</u>	<u>700,409</u>	<u>822,127</u>	<u>7,273,947</u>	<u>-</u>	<u>25,194,708</u>
(12,486)	-	-	-	326,004	-	398,527
-	-	-	-	(376,873)	-	(376,873)
(12,486)	-	-	-	(50,869)	-	21,654
(6,963)	-	-	-	3,517,869	231,408	2,981,462
<u>\$ (19,449)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,467,000</u>	<u>\$ 231,408</u>	<u>\$ 3,003,116</u>

**SOUTHEASTERN COMMUNITY COLLEGE**  
**SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS -**  
**AGENCY FUNDS**  
**Year Ended June 30, 2013**

	<b>Iowa Industrial New Jobs Retraining 260F</b>	<b>Student Organizations and Other</b>	<b>Total</b>
<b>BALANCE, BEGINNING</b>	\$ 130,794	\$ 187,335	\$ 318,129
Additions:			
Fees	-	52,500	52,500
State appropriations	125,091	-	125,091
Sales and services	-	22,770	22,770
Transfers	1,150	20,000	21,150
Other	-	315,522	315,522
Total additions	<u>126,241</u>	<u>410,792</u>	<u>537,033</u>
Deductions:			
Salaries and benefits	-	151,037	151,037
Services	107,749	41,663	149,412
Materials and supplies	-	92,835	92,835
Travel	-	70,982	70,982
Other	-	14,095	14,095
Total deductions	<u>107,749</u>	<u>370,612</u>	<u>478,361</u>
<b>BALANCE, ENDING</b>	<u>\$ 149,286</u>	<u>\$ 227,515</u>	<u>\$ 376,801</u>

**SOUTHEASTERN COMMUNITY COLLEGE  
SCHEDULE OF CREDIT AND CONTACT HOUR ENROLLMENT  
Year Ended June 30, 2013**

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	45,672	-	45,672	901,148	-	901,148
Vocational education	21,850	-	21,850	560,995	-	560,995
Adult/continuing education	-	-	-	173,404	93,355 *	266,759
	<u>67,522</u>	<u>-</u>	<u>67,522</u>	<u>1,635,547</u>	<u>93,355</u>	<u>1,728,902</u>

\* Includes 240 hour adjustment of 6,975 hours.

See accompanying independent auditor's report.

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

Category	Arts and Sciences	Vocational Education	Adult Education/ Continuing Education	Cooperative Programs/ Services	Related Services and Activities	Total
2013:						
Total contact hours	901,148	560,995	266,759	-	-	1,728,902
Total credit hours	45,672	21,850	-	-	-	67,522
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

See accompanying independent auditor's report.

**SOUTHEASTERN COMMUNITY COLLEGE**  
**SCHEDULE OF TAX AND INTERGOVERNMENTAL REVENUES**  
**Last Six Years**

	<u>Year Ended June 30,</u>					
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Local (property tax)	\$ 3,553,723	\$ 3,429,236	\$ 3,325,887	\$ 3,189,622	\$ 3,010,400	\$ 2,929,374
State	9,289,843	8,679,240	9,053,268	8,113,753	11,091,333	9,335,613
Federal	<u>16,502,663</u>	<u>17,442,419</u>	<u>20,251,626</u>	<u>17,277,775</u>	<u>10,612,669</u>	<u>8,904,405</u>
<b>Total</b>	<u>\$ 29,346,229</u>	<u>\$ 29,550,895</u>	<u>\$ 32,630,781</u>	<u>\$ 28,581,150</u>	<u>\$ 24,714,402</u>	<u>\$ 21,169,393</u>

See accompanying independent auditor's report.

**SOUTHEASTERN COMMUNITY COLLEGE**  
**SCHEDULE OF CURRENT FUND (UNRESTRICTED AND RESTRICTED)**  
**REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION**  
**Last Six Years**

	Year Ended June 30,					
	2013	2012	2011	2010	2009	2008
<b>Revenues:</b>						
Tuition and fees	\$ 10,484,216	\$ 10,634,612	\$ 11,410,049	\$ 11,601,333	\$ 10,078,563	\$ 9,579,850
Property taxes	2,148,888	2,053,592	1,970,757	1,723,450	1,566,028	1,504,318
State appropriations	9,084,951	8,315,455	8,231,589	8,113,753	9,601,430	9,115,730
Federal appropriations	16,502,663	17,442,419	20,251,626	17,277,775	10,612,669	8,904,406
Gifts and grants	430,649	570,005	393,457	-	-	-
Sales and services	911,478	1,057,288	552,174	-	-	-
Interest on investments	90,993	49,959	79,405	234,648	184,139	273,362
Iowa Industrial New Jobs Training Program	822,127	1,879,907	831,756	753,609	1,015,434	2,502,745
Miscellaneous	3,554,903	4,453,102	4,686,595	5,033,799	4,518,325	4,207,230
Auxiliary enterprises	3,087,623	3,149,156	3,478,126	3,762,096	3,297,474	3,140,521
<b>Total</b>	<b>\$ 47,118,491</b>	<b>\$ 49,605,495</b>	<b>\$ 51,885,534</b>	<b>\$ 48,500,463</b>	<b>\$ 40,874,082</b>	<b>\$ 39,226,162</b>
<b>Expenditures:</b>						
Liberal arts and sciences	\$ 5,967,262	\$ 5,795,438	\$ 5,786,448	\$ 5,612,876	\$ 4,932,698	\$ 4,748,850
Vocational technical	4,430,328	4,606,702	5,378,767	6,402,208	4,947,382	4,601,181
Adult education	1,756,593	1,902,158	1,640,739	1,977,285	2,008,678	1,963,972
Cooperative services	5,258,992	7,401,245	6,455,819	5,362,526	5,314,480	6,151,410
Administration	1,824,690	1,785,418	1,724,009	1,645,119	1,296,055	1,279,433
Student services	2,752,801	2,755,837	2,663,919	2,643,501	2,834,422	2,523,385
Learning resources	388,131	395,872	394,381	451,327	443,177	426,644
Physical plant	2,602,914	2,313,301	2,358,995	2,175,574	2,133,977	1,992,399
General institution	3,704,125	2,881,088	3,346,910	4,177,445	3,454,089	3,353,569
Auxiliary enterprises	3,054,979	2,942,543	3,498,961	3,239,679	2,900,968	2,794,468
Scholarships and grants	12,915,474	13,698,587	15,635,339	8,486,992	5,385,114	4,621,665
Workforce Investment Act	2,105,942	2,097,494	2,433,516	4,580,371	4,130,800	3,200,373
Interest on indebtedness	273,982	313,393	314,486	373,029	300,650	301,722
<b>Total</b>	<b>\$ 47,034,213</b>	<b>\$ 48,889,086</b>	<b>\$ 51,632,289</b>	<b>\$ 47,127,932</b>	<b>\$ 40,082,490</b>	<b>\$ 37,959,071</b>

See accompanying independent auditor's report.

**SOUTHEASTERN COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
 June 30, 2013

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
<b>U.S. Department of Education:</b>				
Direct Programs:				
Student Financial Assistance Cluster:				
Federal Supplemental Educational Opportunity Grants	84.007	N/A	\$ 68,413	\$ -
Federal Work-Study Program	84.033	N/A	90,036	-
Federal Pell Grant Program	84.063	N/A	5,747,327	-
Federal Direct Student Loans	84.268	N/A	-	6,321,961
<b>Total Student Financial Assistance Cluster</b>			<u>5,905,776</u>	<u>6,321,961</u>
Trio Cluster:				
TRIO_Student Support Services	84.042A	N/A	355,462	-
TRIO-Upward Bound	84.047A	N/A	213,340	-
<b>Total TRIO Cluster</b>			<u>569,802</u>	<u>-</u>
Higher Education_Institutional Aid - Title III	84.031A	N/A	445,222	-
Indirect Programs:				
Passed through Iowa Department of Corrections:				
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013A	N/A	18,541	-
Career and Technical Education--Basic Grants to States-Carl Perkins	84.048A	N/A	8,647	-
			<u>27,188</u>	<u>-</u>
Passed through Iowa Department of Education:				
Career and Technical Education--Basic Grants to States-Carl Perkins	84.048A	6805010000	229,779	-
Adult Education - Basic Grants to States	84.002	N/A	130,342	-
			<u>360,121</u>	<u>-</u>
<b>Total U.S. Department of Education</b>			<u>7,308,109</u>	<u>6,321,961</u>
<b>U.S. Department of Agriculture:</b>				
Indirect Programs:				
Passed through Iowa Department of Education:				
Summer Food Service Program for Children	10.559	N/A	3,233	-
<b>U.S. Department of Labor:</b>				
Direct Programs:				
WIA YouthBuild	17.274	N/A	7,996	-
Indirect Programs:				
Passed through Iowa Workforce Development:				
Employment Service/Wagner-Peyser Funded Activities	17.207	13-W-PF-DE-0-04	25,443	-
Workforce Investment Act (WIA) Cluster:				
WIA Adult Program	17.258	13-W-16-FR-0	821,069	-
WIA Youth Activities	17.259	13-W-16-FR-0	775,483	-
WIA Dislocated Worker Formula Grants	17.278	13-W-16-FR-0	225,767	-
WIA Dislocated Worker Formula Grants	17.278	13-W-PF-RR-0-04	16,015	-
WIA Administration	17.258, 17.259, 17.278	13-W-16-FR-0	207,760	-
<b>Total Workforce Investment Act Cluster</b>			<u>2,046,094</u>	<u>-</u>
Trade Adjustment Assistance	17.245	13-W-16-FR-0	8,400	-
ARRA - Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors				
	17.275	11-I-PF-EG-0-06	24,490	-

**SOUTHEASTERN COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**June 30, 2013**

Federal Grantor/ Pass-Through Grantor/Program Name	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	New Loans
Passed through Des Moines Area Community College: Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	N/A	\$ 31,934	\$ -
Passed through Iowa Department of Veterans' Affairs: Veterans' Employment Program	17.802	N/A	1,595	-
<b>Total U.S. Department of Labor</b>			<u>2,145,952</u>	<u>-</u>
<b>National Science Foundation:</b>				
Direct Programs:				
Education and Human Resources	47.076	N/A	33,400	-
<b>Small Business Administration:</b>				
Indirect Programs:				
Passed through Iowa State University: Small Business Development Centers	59.037	N/A	57,162	-
<b>U.S. Department of Health and Human Services:</b>				
Indirect Programs:				
Passed through Iowa Workforce Development:				
Temporary Assistance for Needy Families	93.558	13-16-PF-H3-05	661,521	-
Temporary Assistance for Needy Families	93.558	9-W-16-FN-0	38,888	-
Medicaid Infrastructure Grants To Support the Competitive Employment of People with Disabilities	93.768	13-W-16-FR-0	1,515	-
<b>Total U.S. Department of Health and Human Services</b>			<u>701,924</u>	<u>-</u>
<b>Corporation for National and Community Service:</b>				
Direct Programs:				
AmeriCorps	94.006	N/A	3,828	-
<b>Total federal awards expended</b>			<u>\$ 10,253,608</u>	<u>\$ 6,321,961</u>

See Note to Schedule of Expenditures of Federal Awards.

See accompanying independent auditor's report.

**SOUTHEASTERN COMMUNITY COLLEGE**  
**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2013**

**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.

See accompanying independent auditor's report.

**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

We have audited, in accordance with the 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, the financial statements of Southeastern Community College, West Burlington, Iowa, and the discretely presented component unit, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 29, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southeastern Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeastern Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of Southeastern Community College's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southeastern Community College's financial statements are free from 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, 2013 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.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
November 29, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY  
OMB CIRCULAR A-133**

To the Board of Trustees  
Southeastern Community College

**Report on Compliance for Each Major Federal Program**

We have audited Southeastern Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Southeastern Community College's major federal programs for the year ended June 30, 2013. Southeastern Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Southeastern Community College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Southeastern Community College's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Southeastern Community College, complied, in all material respects, with the types of 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, 2013.

### ***Other Matter***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item III-A-13. Our opinion on each major federal program is not modified with respect to this matter.

Southeastern Community College's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Southeastern Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of Southeastern Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Southeastern Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeastern Community College's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item III-A-13 to be a significant deficiency.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Southeastern Community College's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Southeastern Community College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Winkel, Parker & Foster, CPA PC*

Clinton, Iowa  
November 29, 2013

**SOUTHEASTERN COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013**

**Part I - Summary of Independent Auditor's Results:**

**Financial Statements**

Type of auditor's report issued: Unmodified 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)?              x   yes               none reported

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

Unmodified opinion

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>WIA Cluster:</u>
<u>17.258</u>	<u>WIA Adult Program</u>
<u>17.259</u>	<u>WIA Youth Activities</u>
<u>17.278</u>	<u>WIA Dislocated Worker Formula Grants</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>

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

Auditee qualified as low-risk auditee?                      x   yes               no

**SOUTHEASTERN COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013**

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL 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, 2013**

**Part III: Findings and Questioned Costs for Federal Awards**

**INSTANCES OF NONCOMPLIANCE AND INTERNAL CONTROL DEFICIENCIES:**

CFDA Number 17.258: WIA Adult Program  
Federal Award Year: 2013  
Department of Education  
Passed through Iowa Workforce Development

III-A-13 Noncompliance with Eligibility Requirements

Criteria - According to Title 20 of the Code of Federal Regulations sections 663.240 and 663.310, before receiving training services, an adult or dislocated worker must have received one intensive service, been determined to be unable to obtain or retain employment through intensive services and have met all of the following requirements: 1) Had an interview, evaluation or assessment and determined to be in need of training services and have the skills and qualifications to successfully complete the selected training program. 2) Selected a training service linked to the employment opportunities, and was unable to obtain grant assistance from other sources, including federal programs, to pay the costs of the training.

Condition - The College did not complete a Financial Needs Determination Form in order to properly document that the participant was unable to pay for training services or obtain grant assistance from other sources, including federal programs, to pay the costs of the training.

Effect - The College did not document compliance with Title 20 of the Code of Federal Regulations.

Cause - The participant file was not reviewed to ensure all required documents were completed.

Recommendation - We recommend that the College implement procedures to ensure that participant files are reviewed and that all required documentation is included.

Response - The College will implement procedures to ensure that all required documents are included in participant files.

Conclusion - Response accepted.

**SOUTHEASTERN COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013**

**Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-13 Certified budget - Expenditures for the year ended June 30, 2013 did not exceed amount budgeted.
- IV-B-13 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-13 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-13 Business transactions - No business transactions between the College and College officials or employees were noted.
- IV-E-13 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-13 Board minutes - No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-13 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-13 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-13 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.

**SOUTHEASTERN COMMUNITY COLLEGE  
CORRECTIVE ACTION PLAN  
Year Ended June 30, 2013**

**Finding III-A-13**

**Condition:**

The College did not complete a Financial Needs Determination Form in order to properly document that the participant was unable to pay for training services or obtain grant assistance from other sources, including federal programs, to pay the costs of the training.

**Corrective Action Plan:**

The College will implement procedures to ensure that all required documents are included in participant files.

**Anticipated Completion Date:**

Immediately

**Contact Person Responsible for Corrective Action:**

Robert Ryan, Financial/Special Projects Coordinator