SOUTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHEAST COMMUNITY COLLEGE AREA
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INDEPENDENT AUDITORS' REPORT

Board of Governors
Southeast Community College Area
Lincoln, Nebraska

We have audited the accompanying statements of net assets of Southeast Community College Area, as of June 30, 2012 and 2011, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the management of Southeast Community College Area. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Southeast Community College Foundation. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Southeast Community College Foundation, is based on the report of the other auditors.

We conducted our audits 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. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Southeast Community College Area as of June 30, 2012 and 2011, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America and the revenue recognition principles adopted by the Nebraska Community College System.

In accordance with Government Auditing Standards, we have also issued our report dated October 10, 2012, on our consideration of Southeast Community College Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeast Community College Area's basic financial statements. The other supplemental information, pages 27 and 28, are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not a required part of the basic financial statements. The other supplemental information, pages 27 and 29, and the schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Dana T Cole + Company, LLP

Lincoln, Nebraska
October 10, 2012

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Southeast Community College Area's annual financial report presents our discussion and analysis of the College's financial performance during the fiscal years ended June 30, 2012. Please read it in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

This report consists of three basic financial statements. The statement of net assets; the statement of revenues, expenses and changes in net assets; and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances.

THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

One of the most important questions asked about the College's finances is, "Is Southeast Community College Area as a whole better off as a result of the year's activities?" The statement of net assets and the statement of revenues, expenses, and changes in net assets report information on the College as a whole and on its activities in a way that helps answer this question. When revenues and other support exceed expenses, the result is an increase in net assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the College's operating results.

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the College's net assets and changes in them. You can think of the College's net assets (the difference between assets and liabilities) as one way to measure the College's financial health, or financial position. Over time, increases or decreases in the College's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as enrollment trends, placement results, program quality, condition of buildings, campus safety and other factors to assess the overall health of the institution.

FIGURE 1
SOUTHEAST COMMUNITY COLLEGE AREA
NET ASSETS
(in thousands of dollars)

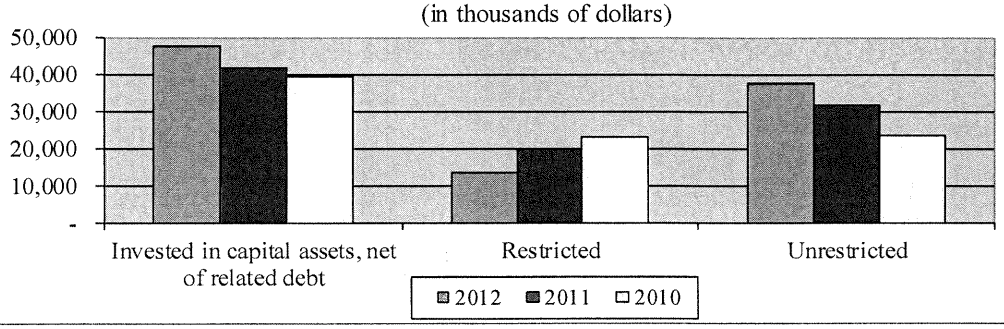


TABLE 1
NET ASSETS
(in thousands of dollars)

	2012	2011	2010
Current assets	54,246	53,714	50,421
Noncurrent assets	1,284	2,870	1,329
Capital assets	47,506	41,642	39,580
Total assets	103,036	98,226	91,330
Current liabilities	3,806	3,960	4,384
Noncurrent liabilities	-	-	-
Total liabilities	3,806	3,960	4,384
Net assets			
Invested in capital assets, net of related debt	47,506	41,642	39,580
Restricted	13,836	20,072	23,058
Unrestricted	37,888	32,552	24,308
Total net assets	99,230	94,266	86,946

Net assets of the College increased by 6.18% ($5,778 thousands) for the fiscal year ended June 30, 2012. The increase in net assets is due to the following factors:

An increase in the unrestricted net assets due to under spending the General Fund budget and the major addition to the Lincoln campus for the V section.

TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
(in thousands of dollars)

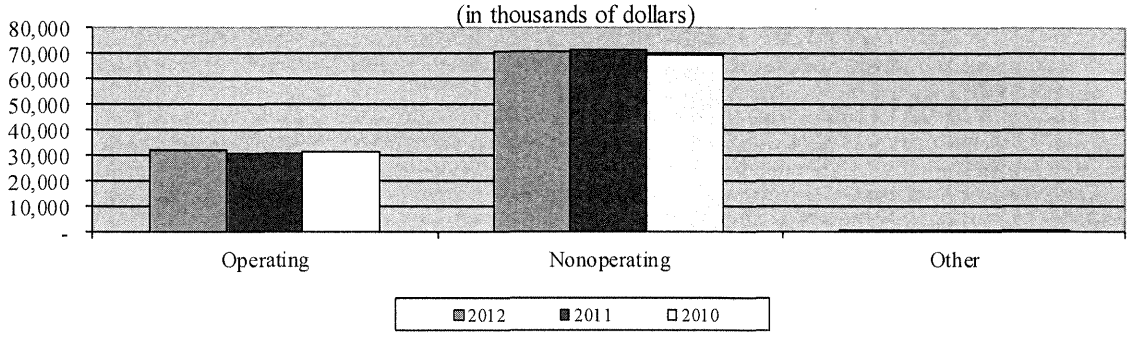
	2012	2011	2010
Operating revenue			
Student tuition and fees	18,947	16,074	16,505
Grants and contracts	2	2	2
Sales educational departments	1,298	1,301	1,153
Auxiliary enterprises	11,022	11,350	11,412
Other	867	2,339	2,245
Total operating revenue	32,136	31,066	31,317

TABLE 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (Continued)
(in thousands of dollars)

	2012	2011	2010
Operating expenses			
Personal services	62,610	60,452	56,721
Operating expenses	29,361	29,755	27,926
Travel	784	618	567
Capital assets not capitalized	2,119	1,237	1,638
Depreciation	3,126	3,015	2,855
Total operating expenses	98,000	95,077	89,707
Net operating loss	(65,864)	(64,011)	(58,390)
Nonoperating revenue			
State aid	24,526	27,133	27,198
Property taxes	23,782	21,901	23,639
Grants and contracts	22,368	22,046	18,159
Investment income	104	185	375
Net nonoperating revenue	70,780	71,265	69,371
Other revenue			
Capital appropriations	1	-	(60)
Capital grants	2	3	1
Gain on disposal of assets	45	63	79
Net other revenue	48	66	20
Increase in net assets	4,964	7,320	11,001
Net Assets			
Net assets, beginning of year	94,266	86,946	75,945
Net assets, end of year	99,230	94,266	86,946

REVENUES

FIGURE 2
SOUTHEAST COMMUNITY COLLEGE AREA
REVENUES
(in thousands of dollars)



Comments regarding revenues are as follows:

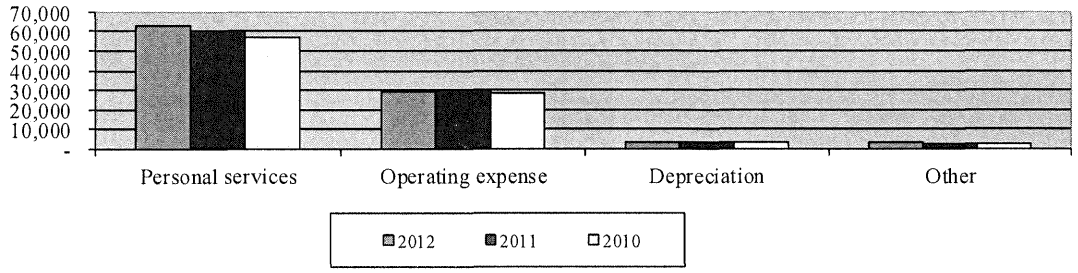
Enrollment decreased by 4.19%. Tuition and fee rates increased by 6.63%. Total tuition and fee income increased by 17.88% due to the John Deere training income being reported as fee income.

Valuations increased by 4.81%. The General Fund levy increased by 4.50% making up part of the 12.67% decrease in the levy last year. There continued to be no CIF or ADA/Hazardous Waste levies. Total property tax revenue increased 8.59%.

Investment income decreased 43.80% because of the continued decrease in interest rates even though funds available for investment increased.

EXPENSES

FIGURE 3
SOUTHEAST COMMUNITY COLLEGE AREA
EXPENSES
(in thousands of dollars)



Comments about expenses are as follows:

Personal services continue to be the primary expenditure category and are 81.69% of General Fund expenditures.

Total expenditures increased by 3.08% primarily due to the increase in personal services.

THE STATEMENTS OF CASH FLOWS

Another way to assess the financial health of the College is to look at the statements of cash flows. The purpose of the statements of cash flows is to provide relevant information about cash receipts and cash payments made by the College during a fiscal year. The statement also helps users to assess the College's:

Ability to generate future net cash flows
Ability to meet its obligations as they come due
Needs for external financing

TABLE 3
CASH FLOWS
(in thousands of dollars)

	2012	2011	2010
Cash provided (used) by:			
Operating activities	(63,521)	(62,141)	(55,303)
Noncapital financing activities	71,025	71,880	67,971
Capital and related financing activities	(8,943)	(5,007)	(2,153)
Investing activities	182	358	4,239
Net increase (decrease) in cash and cash equivalents	(1,257)	5,090	14,754
Cash and cash equivalents, beginning of year	31,902	26,812	12,058
Cash and cash equivalents, end of year	30,645	31,902	26,812

Comments about cash flow are as follows:

Cash used by operating activities consists of:

Major revenue sources of tuition and fees, auxiliary enterprises income and sales of educational services.

Major expenditures of personal services, operating expenses and scholarship allowances.

The three major components of cash provided by noncapital financing activities are:

State aid
Property taxes for the General Fund and ADA/Hazardous Waste Fund
Nonexchange grants

Cash from investing activities decreased from the June 30, 2011 value due to the purchase of additional investments.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012, the College had $47,506 thousands invested in capital assets, net of accumulated depreciation of $49,779 thousands. Depreciation charges for the fiscal years ended June 30, 2012 and 2011 totaled $3,126 and $3,015 thousands, respectively. Details of capital assets for the fiscal years ended June 30 are as follows:

TABLE 4
CAPITAL ASSETS
(net of depreciation, in thousands of dollars)

	2012	2011	2010
Land	1,674	1,674	1,674
Land improvements	2,270	1,705	1,672
Buildings	38,823	33,868	32,320
Equipment	4,739	4,395	3,914
	47,506	41,642	39,580

Major capital additions completed this year and the source of the resources that funded their acquisition include (in thousands):

Lincoln V section addition from capital improvement funds	5,685
Equipment purchases from general funds and grants	1,905
ESQ HVAC replacement from capital improvement funds	796
Beatrice Eisenhower Hall construction from residence hall funds	335
Entrepreneurship HVAC replacement from capital improvement funds	121
Beatrice Ford Hall HVAC replacement from capital improvement funds	70
Various remodeling and building projects funded from capital improvement funds and residence hall funds	83
	8,995

The College has the following planned capital expenditures for the fiscal year ending June 30, 2013:

Equipment purchases from general funds and grants	2,000
Lincoln completion of V section addition from capital improvement funds	1,899
ESQ second floor remodel from capital improvement funds	1,861
Beatrice completion of Eisenhower Hall from residence hall funds	1,549
Milford completion of Machine Tool addition from capital improvement funds	1,282
Lincoln remodel cafeteria/student service from capital improvement funds	775
Other construction projects funded from capital improvement funds and residence hall funds	1,468
	10,834

More detailed information about the College's capital assets is presented in Note 6 to the financial statements.

Debt

The College does not have any outstanding debt at June 30, 2012 and 2011.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The state does not currently have a formula for the division of state aid between the six community colleges. The amount of state aid available for the six community colleges increased by 1.28% for the fiscal year ending June 30, 2013 and hence the College's share of state for the 6-30-13 fiscal year will increase by 1.28% due to the agreement between the six community colleges for allocating state aid. Valuations increased by 7.53% for next year. In light of this environment, the College Board of Governors has recently taken the following actions:

Decreased the General Fund property tax levy 3.99% to 6.02 cents per $100 of valuation from the previous 6.27 cents and transferred the 0.25 cents to CIF property tax levy.

Tuition and fee rates were increased by 5.74% for the fiscal year beginning July 1, 2012.

FINANCIAL CONTACT

The College's financial statements are designed to present users with a general overview of the College's finances and to demonstrate the College's accountability. If you have questions about the report or need additional financial information, contact the College's Vice-President for Administrative Services, Theodore G. Suhr, 301 South 68th Street Place, Lincoln, Nebraska 68510-2449, (402) 323-3414, tsuhr@southeast.edu.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET ASSETS
JUNE 30, 2012 AND 2011

	2012		2011	
	College	Foundation	College	Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	30,645,077	841,238	31,902,480	963,766
Short-term investments	6,501,459	1,177,122	5,024,019	956,397
Property taxes receivable	9,386,620	-	8,820,251	-
Accounts receivable (net)	3,756,301	286,621	4,138,005	368,010
Interest receivable	85,323	29,712	59,567	30,049
Inventories	2,721,971	-	2,622,265	-
Prepaid expense	1,148,972	-	1,147,574	-
Total current assets	54,245,723	2,334,693	53,714,161	2,318,222
Noncurrent Assets				
Deposits with vendors	42,097	-	42,097	-
Pledges receivable	-	150,890	-	432,769
Endowment investments	-	10,817,683	-	9,396,777
Long-term investments	1,064,825	-	2,646,202	-
Prepaid expenses	177,726	-	181,589	-
Capital assets, net	47,505,722	758,562	41,641,987	758,562
Total noncurrent assets	48,790,370	11,727,135	44,511,875	10,588,108
TOTAL ASSETS	103,036,093	14,061,828	98,226,036	12,906,330
LIABILITIES				
Current Liabilities				
Accounts payable	1,892,860	5,324	1,909,140	4,518
Accrued salaries	1,647,421	-	1,654,856	-
Deferred revenue	67,270	16,402	73,642	9,828
Deposits	198,873	-	321,901	-
Total current liabilities	3,806,424	21,726	3,959,539	14,346
TOTAL LIABILITIES	3,806,424	21,726	3,959,539	14,346
NET ASSETS				
Invested in capital assets, net of related debt	47,505,722	758,562	41,641,987	758,562
Restricted for:				
Nonexpendable				
Scholarships and fellowships	-	6,496,711	-	6,236,981
Expendable				
Scholarships and fellowships	-	5,443,134	-	4,683,960
Loans	8,691	-	8,683	-
ADA/hazardous waste	124,528	-	139,033	-
Capital projects	13,702,729	-	19,924,697	-
Unrestricted	37,887,999	1,341,695	32,552,097	1,212,481
TOTAL NET ASSETS	99,229,669	14,040,102	94,266,497	12,891,984

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012		2011	
	College	Foundation	College	Foundation
OPERATING REVENUES				
Student tuition and fees	18,947,227	-	16,073,449	-
Nongovernmental grants and contracts	1,728	-	1,649	-
Sales and services of educational departments	1,298,294	-	1,301,231	-
Auxiliary enterprises	11,021,966	-	11,347,661	-
Other operating income	866,513	212,462	2,339,337	64,303
Total operating revenues	32,135,728	212,462	31,063,327	64,303
OPERATING EXPENSES				
Personal services	62,610,437	131,323	60,452,047	127,883
Operating expenses	29,360,570	1,065,199	29,752,679	932,860
Travel	783,495	-	618,057	-
Capital assets not capitalized	2,119,144	-	1,236,919	-
Depreciation	3,126,324	-	3,015,080	-
Total operating expenses	97,999,970	1,196,522	95,074,782	1,060,743
OPERATING LOSS	(65,864,242)	(984,060)	(64,011,455)	(996,440)
NONOPERATING REVENUES (EXPENSES)				
Governmental appropriations				
State aid	24,526,494	-	27,133,220	-
Property taxes	23,782,017	-	21,900,595	-
Governmental grants and contracts				
Federal	21,547,961	-	21,217,153	-
State	784,396	-	825,198	-
Nongovernmental grants and contracts	35,175	-	3,928	-
Gifts	-	1,431,135	-	1,838,056
Investment income	104,021	701,043	185,115	1,305,994
Net nonoperating revenues (expenses)	70,780,064	2,132,178	71,265,209	3,144,050
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	4,915,822	1,148,118	7,253,754	2,147,610
OTHER REVENUES, EXPENSES, GAINS OR LOSSES				
Capital appropriations	881	-	154	-
Capital grant and gifts	2,100	-	2,895	-
Gain (Loss) on disposal of capital assets	44,369	-	63,388	-
Total other revenues, expenses, gains or losses	47,350	-	66,437	-

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012		2011	
	College	Foundation	College	Foundation
INCREASE IN NET ASSETS	4,963,172	1,148,118	7,320,191	2,147,610
NET ASSETS, beginning of year	94,266,497	12,891,984	86,946,306	10,744,374
NET ASSETS, end of year	99,229,669	14,040,102	94,266,497	12,891,984

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	27,492,687	25,254,047
Grants and contracts	815,741	1,648
Payments for personal services	(62,788,624)	(60,580,390)
Payments for operating expenses	(32,376,728)	(32,258,103)
Payments for scholarship allowances	(10,541,166)	(10,637,772)
Sales and services of educational	1,298,294	1,301,231
Auxiliary enterprises charges	11,712,215	12,439,149
Other receipts (payments)	866,513	2,339,337
Net cash used in operating activities	(63,521,068)	(62,140,853)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State aid appropriations	24,526,494	27,133,220
Property taxes - General Fund and ADA/Hazardous Waste	23,215,868	22,920,162
Gifts and grants for other than capital purposes	23,282,031	21,827,213
Student loans receipts	33,408,135	35,929,780
Student loans disbursements	(33,408,135)	(35,929,780)
Net cash provided by noncapital financing activities	71,024,393	71,880,595
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Property taxes - Capital Improvement Fund	661	2,917
Capital grants and gifts	2,100	2,895
Proceeds from sale of capital assets	49,758	63,991
Purchases of capital assets	(8,995,448)	(5,077,212)
Net cash used in capital financing activities	(8,942,929)	(5,007,409)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,028,059	5,865,710
Interest on investments	78,265	465,370
Purchase of investments	(3,924,123)	(5,972,727)
Net cash provided by investing activities	182,201	358,353
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,257,403)	5,090,686
CASH AND CASH EQUIVALENTS, beginning of year	31,902,480	26,811,794
CASH AND CASH EQUIVALENTS, end of year	30,645,077	31,902,480

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	(65,864,242)	(64,011,455)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expenses	3,126,324	3,015,080
Changes in assets and liabilities:		
Accounts receivable (net)	(539,167)	(398,196)
Inventories	(99,706)	(143,549)
Prepaid expense	2,466	(127,720)
Accounts payable	(16,280)	(608,431)
Accrued salaries	(7,435)	128,344
Deposits	(123,028)	5,074
Net cash used in operating activities	(63,521,068)	(62,140,853)
NONCASH TRANSACTIONS		
Equipment	-	-
Capital lease	-	-

See accompanying notes to financial statements.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southeast Community College Area was established July 1, 1973 by legislative action. The Area encompasses the 15 counties of southeast Nebraska. An eleven member Board of Governors is the College's governing body and establishes the policies and procedures by which the College is governed.

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity." An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Southeast Community College is not a component unit of another primary government reporting entity.

The Southeast Community College Education Foundation (Foundation) is a legally separate, tax-exempt component unit of Southeast Community College. The Foundation acts primarily as a fundraising organization to provide support to the College. The Foundation is governed by a 10 member Board. No members of the Board are members of the College or the College Board. Although the college does not control the timing or amounts of receipts from the Foundation, the majority of the resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Complete financial statements for the Foundation can be obtained from the Administrative Office at 301 South 68th Street Place, Lincoln, Nebraska 68510.

Basis of Accounting

The financial statements are reported 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. All significant intrafund transactions have been eliminated. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting", the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting (Continued)

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB ASC 958-205, "Financial Reporting for 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's financial information in the College's financial reporting entity for these differences.

Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

Pursuant to the provisions of GASB Statement No. 34, "Basic Financial Statements Management's Discussion and Analysis for State and Local Governments", as amended by GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities" the full scope of the College's activities is considered to be a single business-type activity (BTA) and, accordingly, is reported within a single column in the basic financial statements.

Budgets

Budgets are prepared on the same basis of accounting except that capital assets acquired are recorded as expenses and depreciation is not recorded.

Cash and Cash Equivalents

Cash equivalents include highly liquid temporary investments with original maturities of three months or less, readily convertible to known amounts of cash.

Investments

Investments are reported at fair value.

Receivables

Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are valued at the lower-of-cost or market value as determined by the first-in, first-out (FIFO) method with the exception of parts inventories, which are stated at replacement value.

Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of $2,500 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Building improvements	20 years
Building content replacements	10 years
Office furniture	10 years
Instructional equipment	7 years
Office equipment	3 years
Vehicles	3 years

Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

Compensated Absences

Vacation and personal leave meet the criteria in GASB Statement No. 16 and are included in accrued compensated absences. The criteria for accruing compensated absences are met when employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employee through paid time off or some other means, such as cash at termination or retirement.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt
This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Assets - Nonexpendable
Nonexpendable restricted net assets include endowments and similar type assets whose use is limited by donors or other outside sources and, as a condition of the gift, the principal is to be maintained in perpetuity.

Restricted Net Assets - Expendable
Expendable restricted net assets include resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Assets
Unrestricted net assets include resources derived from student tuition and fees, state aid, property taxes, sales and services, unrestricted gifts, and interest income.

Restricted and unrestricted resources are tracked using a fund accounting system and are spent in accordance with established fund authorities. Fund authorities provide rules for the fund activity and are separately established for restricted and unrestricted activities. When both restricted and unrestricted funds are available for expenditure, the decision for funding is transactional based within the departmental management system in place at the College.

Scholarship Allowances

Student tuition and fees revenues and certain other revenues from College charges are reported net of scholarship allowances in the accompanying statement of revenues, expenses, and changes in net assets. The scholarship allowance is the difference between the actual charge for goods and services provided by the College and the amount that is paid by students or by third parties on the students' behalf. Student financial assistance grants, such as Pell grants, and other federal, state or nongovernmental programs, are recorded as either operating or nonoperating revenues in the accompanying statement of revenues, expenses, and changes in net assets. To the extent that revenues from these programs are used to satisfy tuition, fees, and other charges, the College has recorded them as scholarship allowances.

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting." Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of revenues, expenses and changes in net assets.

Encumbrance Accounting

The College uses an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the fiscal year. Encumbrances do not constitute expenses or liabilities and are not reflected in these financial statements.

Restricted/Unrestricted Resource Priority

If both restricted and unrestricted resources are available to finance a program, restricted resources are used first unless the restricted resources require unrestricted resources to be used first.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

The College can invest, after proper consideration of the requirements for the availability of money, funds of the College in securities the nature of which individuals of prudence, discretion and intelligence acquire or retain in dealing with the property of another.

NOTE 2. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest risk rates.

Credit Risk

In accordance with the College's investment policy, funds may be invested, within certain limits, in FDIC insured banks, U.S. Treasury and federal agencies, and certificates of deposit issued by FDIC insured banks.

Custodial Credit Risk - Deposits

As of June 30, 2012 and 2011, the College's bank balance of $41,172,942 and $42,194,690, respectively, was exposed to custodial credit risk as follows:

	2012	2011
Insured	2,642,496	2,916,616
Uninsured and collateralized	38,530,446	39,158,982
Uninsured and uncollateralized	-	119,092
	41,172,942	42,194,690

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of a failure of the counter party, the College will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The College has no custodial credit risk in its investment portfolio.

Concentration of Credit Risk

The College had no investment in any one issuer greater than five percent of its overall investments.

Investments at June 30, 2012 and 2011 are summarized as follows:

Investment Type	2012 Fair Value	2011 Fair Value
POAA note receivable	163,000	163,000
LPS note receivable	-	6,002
Certificates of deposit	7,403,284	7,501,219
	7,566,284	7,670,221

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2012 were due December 31, 2011 and became delinquent in April to September of 2012. Property tax revenues based on the assessed valuation and the levy set are recognized in the current fiscal year even though part of the property tax revenue is not delinquent or collected until the following fiscal year.

Property taxes are recognized net of the county collection fee of 1%. The assessed valuation and levies in cents per $100 of assessed valuation for the fiscal years ended June 30, 2012 and 2011 were as follows:

	2012	2011
Assessed valuation	38,370,425,405	36,609,931,428
Levy in cents per $100 of assessed valuation		
General Fund	6.27	6.00
Capital Improvement Fund	-	-
	6.27	6.00

The amount of property tax receivable at June 30 was as follows:

	2012	2011
General Fund	9,386,219	8,820,070
Capital Improvement Fund	401	181
ADA/Hazardous Waste Fund	-	-
Total	9,386,620	8,820,251

The following amounts, which are included in the property tax receivable amount, were held as cash by County Treasurers at June 30:

	2012	2011
General Fund	367,453	304,921
Capital Improvement Fund	362	58
ADA/Hazardous Waste Fund	-	-
Total	367,815	304,979

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2012	2011
Federal nonexchange grants	1,103,350	2,024,221
Tuition and fees	4,063,252	3,539,216
Other	39,699	124,568
	5,206,301	5,688,005
Allowance for uncollectible accounts	(1,450,000)	(1,550,000)
Total accounts receivable, net	3,756,301	4,138,005

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2012	2011
Books and supplies	2,497,140	2,380,035
Parts	133,846	150,285
Livestock and grain	90,985	91,945
	2,721,971	2,622,265

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2012 was as follows:

	June 30, 2011	Additions	Deletions	June 30, 2012
Capital assets not being depreciated				
Land	1,674,000	-	-	1,674,000
Construction in progress	784,875	6,787,119	52,760	7,519,234
Total	2,458,875	6,787,119	52,760	9,193,234
Capital assets being depreciated				
Land improvements	2,775,895	-	-	2,775,895
Buildings	60,945,305	355,554	-	61,300,859
Leasehold improvements	29,651	-	-	29,651
Equipment	24,382,753	1,905,536	2,303,166	23,985,123
Total	88,133,604	2,261,090	2,303,166	88,091,528
Less accumulated depreciation				
Land improvements	1,177,380	79,700	-	1,257,080
Buildings	27,764,479	1,490,454	-	29,254,933
Leasehold improvements	20,385	741	-	21,126
Equipment	19,988,248	1,555,429	2,297,776	19,245,901
Total	48,950,492	3,126,324	2,297,776	49,779,040
Capital assets, net	41,641,987	5,921,885	58,150	47,505,722

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	June 30, 2010	Additions	Deletions	June 30, 2011
Capital assets not being depreciated				
Land	1,674,000	-	-	1,674,000
Construction in progress	94,843	784,875	94,843	784,875
Total	1,768,843	784,875	94,843	2,458,875

NOTE 6. CAPITAL ASSETS (Continued)

	June 30, 2010	Additions	Deletions	June 30, 2011
Capital assets being depreciated				
Land improvements	2,775,895	-	-	2,775,895
Buildings	58,543,681	2,401,624	-	60,945,305
Leasehold improvements	29,651	-	-	29,651
Equipment	22,706,697	1,985,556	309,500	24,382,753
	84,055,924	4,387,180	309,500	88,133,604
Less accumulated depreciation				
Land improvements	1,103,008	74,372	-	1,177,380
Buildings	26,329,007	1,435,472	-	27,764,479
Leasehold improvements	19,644	741	-	20,385
Equipment	18,792,650	1,504,495	308,897	19,988,248
Total	46,244,309	3,015,080	308,897	48,950,492
Capital assets, net	39,580,458	2,156,975	95,446	41,641,987

NOTE 7. ACCRUED SALARIES

Accrued salaries for the fiscal years ended June 30, 2012 and 2011 were composed of the following:

	2012	2011
Accrued salaries	629,724	668,745
Accrued compensated absences	1,017,697	986,111
	1,647,421	1,654,856

NOTE 8. SCHOLARSHIP ALLOWANCES

Scholarship allowances consist of the following:

1. Tuition waivers, institutional
2. Tuition waivers, statutory (reserves and war orphan)
3. Grant funds (PELL, SEOG, NSG) credited to student accounts to offset tuition, fees, room and board, and bookstore charges
4. Residence hall rental waiver for residence hall assistants

Scholarship allowances for fiscal years ended June 30 were as follows:

	2012	2011
Tuition and fees	8,421,767	8,529,288
Room and board	637,568	641,136
Bookstore	406,174	454,411
	9,465,509	9,624,835

NOTE 9. EXPENSES BY FUNCTIONAL CATEGORY

Expenses for the financial statements are presented by natural classification (personnel services, operating expense, travel and expensed capital assets). Both NACUBO and GASB have suggested that for historical purposes expenses also be presented by functional classifications.

Expenses by functional classification for the fiscal year ended June 30 are as follows:

	2012	2011
Education and general:		
Instruction	46,728,748	44,329,263
Academic support	6,729,417	6,373,652
Student services	3,652,333	3,478,543
Institutional support	11,715,614	11,640,711
Physical plant	5,985,022	5,744,760
Depreciation	3,126,324	3,015,080
Student financial aid	9,964,106	10,118,388
Auxiliary enterprises	10,098,406	10,374,385
	97,999,970	95,074,782

NOTE 10. RETIREMENT PLAN

The College provides pension benefits for its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Effective January 1, 2009, all employees may participate on a voluntary basis in the retirement plan. All permanent employees who are working a minimum of three-fourths full-time are required to participate when they reach the age of 30. For employees working a minimum of three-fourths time, the College matches employee contributions from 2.0% to 8.0% of the employee's gross annual salary. The College does not match any contributions for employees working less than three-fourths time. The participants are 100% vested upon contributing to the plan.

The College's total payroll, covered payroll, contributions and contributions as a percentage of covered payrolls for the years ended June 30 were as follows:

	2012	2011
Total payroll	50,011,325	47,975,568
Covered payroll for employees eligible for College match	40,057,671	38,275,716
Employer contributions	2,918,252	2,773,920
Employer contributions as a percentage of covered payroll	7.29%	7.25%

NOTE 11. COMMITMENTS

As of June 30, 2012, the College had $6,758,403 in commitments on construction contracts. As of June 30, 2011, the College had a $9,123,195 commitment on construction contracts.

NOTE 12. RELATED PARTIES

The College is the beneficiary of a Foundation which provides support for the College by way of scholarships and other direct resources. The College contracts to provide the Foundation with limited services and office space without charge in exchange for the support the College receives. Scholarships and other direct resources provided by the Foundation are remitted to the College. Amounts for the fiscal years ended June 30, 2012 and 2011 totaled $974,767 and $855,162, respectively.

NOTE 13. BUDGET PROCESS

Prior to August 1, the College's management and Board of Governors prepared a proposed operating budget on the cash basis for the General, Restricted and Plant Funds for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at a public meeting to obtain taxpayer comments. After the public hearings, the budget is legally adopted by the Board of Governors through passage of a resolution at the September Board meeting.

Total expenditures may not legally exceed total appropriations and appropriations lapse at year end.

NOTE 14. RISK MANAGEMENT

The College is exposed to various risks of loss from torts; theft of; damage to and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for employee group health and accident benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The College has joined with five of the other Nebraska community colleges to form the Nebraska Community College Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for its members. The College pays an annual contribution to the Trust for its pooled self-insurance coverage of property, liability, workers' compensation, and associated excess coverages. The Trust self-insures to various levels for all categories of covered risk and purchases excess coverage for claims in excess of the self-insured limits. If the Loss Fund is exhausted, the Colleges may be assessed for additional costs. The insurance year ended June 30, 2012 was the Trust's seventeenth year of operations. In May 2011, the Board of Directors of the Trust declared a dividend to be used as additional contributions to increase the Loss Fund for potential losses in the amount of $500,000 for the 2010 insurance year and $200,000 for the 2011 insurance year. The College anticipates no future liabilities for additional incurred losses for all previous years.

NOTE 15. RESTATEMENT

During the June 30, 2012 fiscal year, an error that occurred during the June 30, 2007 fiscal year was discovered. In December 2006, a batch of transactions failed to post correctly to the general ledger which resulted in revenue and accounts receivable being understated by $814,013. The June 30, 2011 fiscal year beginning balances for accounts receivable and fund balance were increased by $814,013.

NOTE 16. SUBSEQUENT EVENTS

In preparing the financial statements, the College has evaluated events and transactions for potential recognition or disclosure through October 10, 2012, the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND REVENUES
BUDGETARY BASIS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
State aid	24,526,494	27,133,220
Property taxes	23,782,017	21,900,595
Tuition	23,400,933	23,268,826
Other income	603,673	2,517,241
(Add) to/use cash reserves	(3,828,581)	(6,674,977)
	68,484,536	68,144,905

The revenues in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, tuition is not reduced for scholarship allowances from grants and some other funds.

PROPERTY VALUATION AND PROPERTY TAX REVENUE

The property valuation for Southeast Community College Area as reported by County Assessor in late August 2011 for use in property tax revenue for June 30, 2012 was $38,370,425,405. The General Fund property tax rate for June 30, 2012 is 6.27 cents per $100 of valuation.

The property valuation for Southeast Community College Area as reported by County Assessor in late August 2012 for use in property tax revenue for June 30, 2013 was $41,259,452,075. The General Fund property tax rate for June 30, 2013 is 6.02 cents per $100 of valuation.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2012 AND 2011

PROGRAM CLASSIFICATION STRUCTURE

	2012	2011
INSTRUCTION		
Personal services	37,006,675	37,463,680
Operating expenses	2,211,244	2,133,828
Travel	188,646	372,501
Equipment	1,470,410	1,335,102
	40,876,975	41,305,111
ACADEMIC SUPPORT		
Personal services	5,563,949	5,270,655
Operating expenses	751,001	706,510
Travel	39,409	28,452
Equipment	88,079	160,294
	6,442,438	6,165,911
STUDENT SERVICE		
Personal services	2,545,798	2,507,066
Operating expenses	433,906	346,397
Travel	57,967	37,403
Equipment	27,801	82,288
	3,065,472	2,973,154
INSTITUTIONAL ADMINISTRATION		
Personal services	7,298,539	7,072,389
Operating expenses	3,970,432	4,182,642
Travel	83,767	89,002
Equipment	631,678	503,656
	11,984,416	11,847,689
PHYSICAL PLANT OPERATIONS		
Personal services	3,527,293	3,347,501
Operating expenses	2,329,515	2,265,391
Travel	111	-
Equipment	178,352	164,492
	6,035,271	5,777,384
STUDENT FINANCIAL SUPPORT		
Operating expenses	79,964	75,656
GRAND TOTAL FOR COLLEGE		
Personal services	55,942,254	55,661,291
Operating expenses	9,776,062	9,710,424
Travel	369,900	527,358
Equipment	2,396,320	2,245,832
	68,484,536	68,144,905

The expenditures in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, equipment is shown as an expense.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Education		
PELL Grant Program	84.063	17,043,383
Federal Direct Loan	84.268	33,408,135
Federal Work-Study Program	84.033	299,677
Federal Supplemental Education Opportunity Grant Program	84.007	255,886
TRIO Support Services	84.042A	264,375
TRIO Upward Bound	84.047A	253,161
CCAMPIS	84.335A	59,655
		51,584,272
Pass-Through Programs From:		
Nebraska Department of Education		
Adult Basic Education	84.002A	414,333
Vocational Education	84.048	825,575
Even Start	84.213C	446
Title I Grant Local Educational Agencies Family Literacy	84.389	118,747
Vocational Rehabilitation Food Preparation	84.390	4,224
		1,363,325
Total U.S. Department of Education		52,947,597
National Science Foundation		
STEP Grant	47.046	14,063
U.S. Department of Energy		
State Energy Program	81.041	1,316,199
U.S. Department of Education and U.S. Department of Labor		
ABE WIA Youth Work Readiness	17.259	53,577
ABE WIA Incentive Grant	17.267	19,971
Synergy - Energy Generation Operations	17.275	31,436
Pathways Grant	17.275	489,737
TAA-trans*IT	17.502	40,907
Total U.S. Department of Education and U.S. Department of Labor		635,628

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services		
Pass-Through Programs From:		
Nebraska Department of Health and Human Services		
Refugee and Entrant Assistance - ESL	93.566	40,381
U.S. Department of State		
IREX Global Undergrad	00.000	2,228
TOTAL EXPENDITURES OF FEDERAL AWARDS		54,956,096

See accompanying notes to schedule.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Southeast Community College Area and is presented on the accrual basis of accounting. The information in this schedule is presented is 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 financial statements.

NOTE 2. SUBRECIPIENTS

Southeast Community College Area provided federal awards to subrecipients as follows:

Cluster/Program	Federal Agency/ Pass-Through Entity	CFDA Number	Amount Provided
State Energy Program	U.S. Department of Energy	81.041	1,054,361
Pathways Grant	U.S. Department of Labor	17.275	489,737

SOUTHEAST COMMUNITY COLLEGE AREA
SFA PROGRAMS - AUDIT INFORMATION

LEAD AUDITOR: Gary R. Pohlmann
Dana F. Cole & Company, LLP
1248 O Street, Suite 500
Lincoln, Nebraska 68508

Permit No. 219120

TELEPHONE NO: (402) 479-9300

The audit was performed between September 18, 2012 and September 30, 2012, at the institution's facilities as follows:

Location	Description of Facility	Dates Visited
Lincoln, Nebraska	Administrative and Student Financial Aid offices	September 18, 2012 to September 30, 2012
Beatrice, Nebraska	Administrative and Student Financial Aid offices	September 18, 2012 to September 30, 2012
Milford, Nebraska	Administrative and Student Financial Aid offices	September 18, 2012 to September 30, 2012

Institution's Accrediting Organization:

The Higher Learning Commission

The institution does not utilize a SFA Consultant/Servicer.

Records for the accounting and administration of the SFA programs are located at the Business and Student Financial Assistance offices in the Administration Building at each campus location.

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1248 O STREET, SUITE 500
LINCOLN, NEBRASKA 68508

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

Board of Governors
Southeast Community College Area
Lincoln, Nebraska

We have audited the financial statements of Southeast Community College Area as of and for the year ended June 30, 2012, and have issued our report thereon dated October 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Southeast Community College Area is responsible for establishing and maintaining effective internal control over financial reporting In planning and performing our audit, we considered Southeast Community College Area's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Community College Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

Dana Cole + Company, LLP

Lincoln, Nebraska
October 10, 2012

DANA F. COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
1248 O STREET, SUITE 500
LINCOLN, NEBRASKA 68508

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

Board of Governors
Southeast Community College Area
Lincoln, Nebraska

Compliance

We have audited the compliance of Southeast Community College Area with the types of compliance requirements described in OMB Circular A-133 "Compliance Supplement" that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Southeast Community College Area's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Southeast Community College Area's management. Our responsibility is to express an opinion on Southeast Community College Area compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 Southeast Community College Area's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the College's compliance with those requirements.

In our opinion, Southeast Community College Area complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs identified in the accompanying schedule of findings and questioned costs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Southeast Community College Area is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southeast Community College Area's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our

opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Community College Area's internal control over compliance.

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

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

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

Dana T Cole + Company, LLP

Lincoln, Nebraska
October 10, 2012

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified:	___Yes _X_No
Significant deficiencies identified that are not considered to be material weaknesses:	___Yes _X_None reported
Noncompliance matter to the financial statements disclosed:	___Yes _X_No

Federal Awards

Internal control over major programs:	
Material weakness identified:	___Yes _X_No
Significant deficiencies identified that are not considered to be material weaknesses:	___Yes _X_None reported
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133:	___Yes _X_No

Identification of major programs:

FPELL	84.063
Federal Direct Loan Program	84.268
Federal Supplemental Education Opportunity Grant	84.007
Federal Work-Study	84.033
State Energy Program	81.041

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

SECTION I. SUMMARY OF AUDITORS' RESULTS (Continued)

Dollar threshold used to distinguish between type A and type B programs:	$300,000	
Auditee qualified as a low-risk auditee:	_X_ Yes	___ No

SECTION II. FINANCIAL STATEMENT FINDING

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SOUTHEAST COMMUNITY COLLEGE AREA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012

No matters were reported for the year ended June 30, 2011.