

SOUTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

JUNE 30, 2013 AND 2012

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

**Report on Financial Statements**

We have audited the accompanying statements of net position of Southeast Community College Area as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended 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.

***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Southeast Community College Foundation, which represent 13 percent, 13 percent, and 3 percent, respectively, of the assets, net position, and revenues of the Southeast Community College Area. Those 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 Southeast Community College Foundation, 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 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.

***Opinion***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly the financial position of Southeast Community College Area, as of June 30, 2013 and 2012, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

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 audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southeast Community College Area's financial statements as a whole. The "Schedules of General Fund Revenues - Budgetary Basis," " Schedules of General Fund Expenditures - Budgetary Basis," and Schedule of Expenditures of Federal Awards, as required by 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 a required part of the financial statements. The "Schedule of General Fund Revenues - Budgetary Basis," " Schedules of General Fund Expenditures - Budgetary Basis," and Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 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 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 October 8, 2013, on our consideration of the 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* and should be considered in assessing the results of our audit.

*Dana J Cole + Company, LLP*

Lincoln, Nebraska  
October 8, 2013

**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 year ended June 30, 2013. Please read it in conjunction with the College's financial statements, which follow this section.

**USING THIS ANNUAL REPORT**

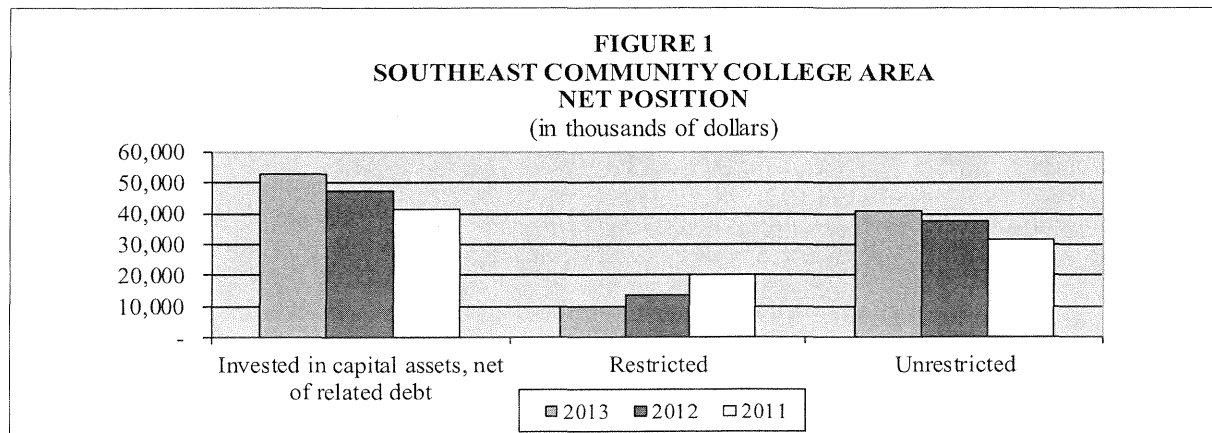
This report consists of three basic financial statements. The statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances.

**THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**

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 position and the statement of revenues, expenses, and changes in net position 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 position. When the reverse occurs, the result is a decrease in net position. 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 position and changes in them. You can think of the College's net position (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 position 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.



SOUTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**TABLE 1**  
**NET POSITION**  
(in thousands of dollars)

	2013	2012	2011
Current assets	45,038	54,246	53,714
Noncurrent assets	9,703	1,284	2,870
Capital assets	<u>52,919</u>	<u>47,506</u>	<u>41,642</u>
Total assets	<u>107,660</u>	<u>103,036</u>	<u>98,226</u>
Current liabilities	<u>3,761</u>	<u>3,806</u>	<u>3,960</u>
Net Position			
Invested in capital assets, net of related debt	52,919	47,506	41,642
Restricted	9,906	13,836	20,072
Unrestricted	<u>41,074</u>	<u>37,888</u>	<u>32,552</u>
Total net position	<u>103,899</u>	<u>99,230</u>	<u>94,266</u>

Net position of the College increased by 4.71% (\$4,670 thousands) for the fiscal year ended June 30, 2013. The increase in net position is due to the following factors:

An increase in the unrestricted net position due to under spending the General Fund budget.

The completion of the addition to the Lincoln campus for the V section and the machine tool addition on the Milford Campus which is partially offset by the decrease in restricted ret assets.

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

	2013	2012	2011
Operating revenue			
Student tuition and fees	19,434	18,947	16,074
Grants and contracts	-	2	2
Sales educational departments	1,279	1,298	1,301
Auxiliary enterprises	10,978	11,022	11,350
Other	<u>187</u>	<u>867</u>	<u>2,339</u>
Total operating revenue	<u>31,878</u>	<u>32,136</u>	<u>31,066</u>

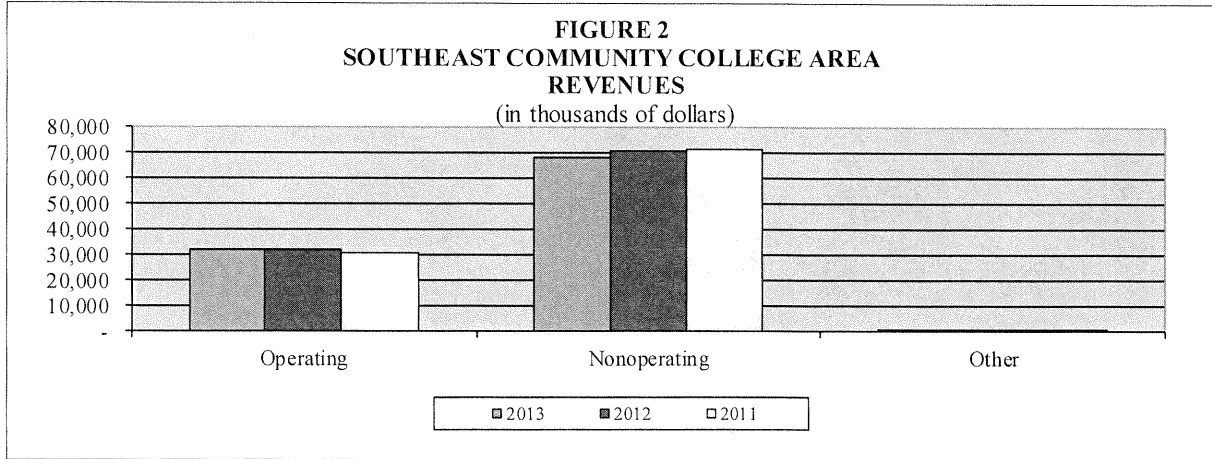
SOUTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2013	2012	2011
Operating expenses			
Personal services	62,417	62,610	60,452
Operating expenses	28,864	29,361	29,755
Travel	884	784	618
Capital assets not capitalized	634	2,119	1,237
Depreciation	<u>3,611</u>	<u>3,126</u>	<u>3,015</u>
Total operating expenses	<u>96,410</u>	<u>98,000</u>	<u>95,077</u>
Net operating loss	<u>(64,532)</u>	<u>(65,864)</u>	<u>(64,011)</u>
Nonoperating revenue			
State aid	24,841	24,526	27,133
Property taxes	24,819	23,782	21,901
Grants and contracts	18,388	22,368	22,046
Investment income	<u>98</u>	<u>104</u>	<u>185</u>
Net nonoperating revenue	<u>68,146</u>	<u>70,780</u>	<u>71,265</u>
Other revenue			
Capital appropriations	923	1	-
Capital grants	3	2	3
Gain on disposal of assets	<u>129</u>	<u>45</u>	<u>63</u>
Net other revenue	<u>1,055</u>	<u>48</u>	<u>66</u>
Increase in net assets	4,669	4,964	7,320
Net Position			
Net position, beginning of year	<u>99,230</u>	<u>94,266</u>	<u>86,946</u>
Net position, end of year	<u>103,899</u>	<u>99,230</u>	<u>94,266</u>

SOUTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**REVENUES**



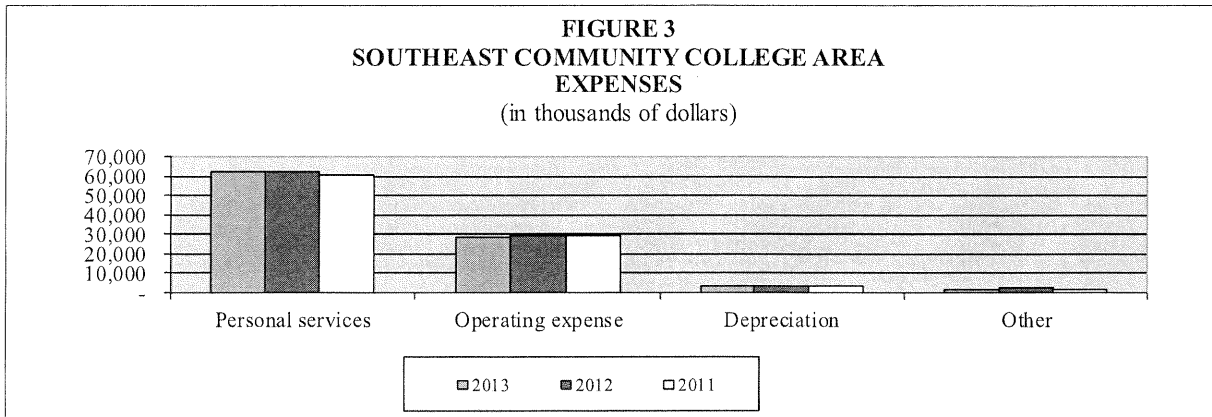
Comments regarding revenues are as follows:

Enrollment decreased by 9.69%. Tuition and fee rates increased by 5.86%. Tuition and fee income increased because of a decrease in scholarship allowance, which decreased because of the decrease in PELL and student loans.

Valuations increased by 7.53%. The General Fund levy decreased by 4% as 0.25 cents was shifted to the CIF levy. There continues to be no ADA/Hazardous Waste levy. Total property tax revenue increased 8.24%.

Nonoperating income decreased because of a decrease in grant funds.

**EXPENSES**





SOUTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Comments about expenses are as follows:

Personal services continue to be the primary expenditure category and are 82.10% of General Fund expenditures.

Total expenditures decreased by 1.62% primarily due to the decrease in grant expenditures.

**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)

	2013	2012	2011
Cash provided (used) by:			
Operating activities	(61,238)	(63,521)	(62,141)
Noncapital financing activities	67,776	71,025	71,880
Capital and related financing activities	(8,315)	(8,943)	(5,007)
Investing activities	<u>(5,013)</u>	<u>182</u>	<u>358</u>
Net increase (decrease) in cash and cash equivalents	(6,790)	(1,257)	5,090
Cash and cash equivalents, beginning of year	<u>30,645</u>	<u>31,902</u>	<u>26,812</u>
Cash and cash equivalents, end of year	<u><u>23,855</u></u>	<u><u>30,645</u></u>	<u><u>31,902</u></u>

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, 2012, value due to the purchase of investments during the year.

SOUTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2013, the College had \$52,919 thousands invested in capital assets, net of accumulated depreciation of \$52,686 thousands. Depreciation charges for the fiscal years ended June 30, 2013 and 2012, totaled \$3,611 and \$3,126 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)

	2013	2012	2011
Land	1,674	1,674	1,674
Land improvements	2,157	2,270	1,705
Buildings	43,536	38,823	33,868
Equipment	<u>5,552</u>	<u>4,739</u>	<u>4,395</u>
	<u>52,919</u>	<u>47,506</u>	<u>41,642</u>

Major capital additions started, continued, or completed for the fiscal year June 30, 2013, and the source of the resources that funded their acquisition include (in thousands):

Equipment purchases from general funds and grants	2,513
Lincoln V section addition from capital improvement funds	2,399
Milford Machine Tool addition from capital improvement funds	1,603
Beatrice Eisenhower Hall construction from residence hall funds	1,485
ESQ 2nd floor remodel from capital improvement funds	558
Milford Cornhusker Hall roof repair from residence hall funds	147
Various remodeling and building projects funded from capital improvement funds and residence hall funds	<u>322</u>
	<u>9,027</u>

The College has the following planned capital expenditures for the fiscal year ending June 30, 2014:

Career Academy from capital improvement funds	12,000
Equipment purchases from general funds and grants	2,500
Lincoln remodel cafeteria/student service from capital improvement funds	1,100
ESQ 2nd floor remodel from capital improvement funds	1,058
Virtual Library from capital improvement funds	600
Welding remodel from capital improvement funds	320
Other construction projects funded from capital improvement funds and residence hall funds	<u>1,300</u>
	<u>18,878</u>

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

SOUTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

The College does not have any outstanding debt at June 30, 2013 and 2012.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The amount of state aid available for the six community colleges increased by 4.00% for the fiscal year ending June 30, 2014, and the College's share of state aid for the June 30, 2014, fiscal year will increase by 3.50%. Valuations increased by 7.53% for June 30, 2014. The College is planning to construct a Career Academy facility in partnership with the Lincoln Public Schools. The College's share of the facility will be \$12 million. In light of this environment, the College Board of Governors has recently taken the following actions:

Decreased the General Fund property tax levy 5.81% to 5.67 cents per \$100 of valuation from the previous 6.02 cents and increased the CIF property tax levy from 0.25 cents to 1.00 cents. This is a 0.40 cent increase in the total levy or 6.38%.

Tuition and fee rates were increased by 2.79% for the fiscal year beginning July 1, 2013.

**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, Amy L. Jorgens, 301 South 68th Street Place, Lincoln, Nebraska 68510-2449, 402- 323-3414, [ajorgens@southeast.edu](mailto:ajorgens@southeast.edu).

SOUTHEAST COMMUNITY COLLEGE AREA  
STATEMENTS OF NET POSITION  
JUNE 30, 2013 AND 2012

	2013		2012	
	College	Foundation	College	Foundation
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	23,854,917	1,330,729	30,645,077	841,238
Short-term investments	3,204,403	971,414	6,501,459	1,177,122
Property taxes receivable	9,884,834	-	9,386,620	-
Accounts receivable (net)	4,368,326	372,383	3,756,301	286,621
Interest receivable	71,145	29,469	85,323	29,712
Inventories	2,413,332	-	2,721,971	-
Prepaid expense	1,241,054	5,162	1,148,972	-
Total current assets	45,038,011	2,709,157	54,245,723	2,334,693
Noncurrent Assets				
Deposits with vendors	42,097	-	42,097	-
Pledges receivable	-	36,000	-	86,990
Endowment investments	-	12,311,841	-	10,817,683
Long-term investments	9,487,538	-	1,064,825	-
Prepaid expenses	173,862	-	177,726	-
Capital assets, net	52,918,963	758,562	47,505,722	758,562
Total noncurrent assets	62,622,460	13,106,403	48,790,370	11,663,235
<b>TOTAL ASSETS</b>	<b>107,660,471</b>	<b>15,815,560</b>	<b>103,036,093</b>	<b>13,997,928</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	1,850,977	6,831	1,892,860	5,324
Accrued salaries	1,662,984	-	1,647,421	-
Deferred revenue	59,014	16,402	67,270	16,402
Deposits	188,263	-	198,873	-
Total current liabilities	3,761,238	23,233	3,806,424	21,726
<b>TOTAL LIABILITIES</b>	<b>3,761,238</b>	<b>23,233</b>	<b>3,806,424</b>	<b>21,726</b>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	52,918,963	758,562	47,505,722	758,562
Restricted for:				
Nonexpendable				
Scholarships and fellowships	-	6,619,269	-	6,444,811
Expendable				
Scholarships and fellowships	-	6,934,898	-	5,443,134
Loans	8,695	-	8,691	-
ADA/hazardous waste	93,893	-	124,528	-
Capital projects	9,803,733	-	13,702,729	-
Unrestricted	41,073,949	1,479,598	37,887,999	1,329,695
<b>TOTAL NET POSITION</b>	<b>103,899,233</b>	<b>15,792,327</b>	<b>99,229,669</b>	<b>13,976,202</b>

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
YEARS ENDED JUNE 30, 2013 AND 2012

	2013		2012	
	College	Foundation	College	Foundation
<b>OPERATING REVENUES</b>				
Student tuition and fees	19,433,814	-	18,947,227	-
Nongovernmental grants and contracts	-	-	1,728	-
Sales and services of educational departments	1,278,808	-	1,298,294	-
Auxiliary enterprises	10,978,447	-	11,021,966	-
Other operating income	186,728	201,224	866,513	212,462
Total operating revenues	31,877,797	201,224	32,135,728	212,462
<b>OPERATING EXPENSES</b>				
Personal services	62,416,920	134,791	62,610,437	131,323
Operating expenses	28,864,191	1,223,234	29,360,570	1,065,199
Travel	883,611	-	783,495	-
Capital assets not capitalized	633,985	-	2,119,144	-
Depreciation	3,611,174	-	3,126,324	-
Total operating expenses	96,409,881	1,358,025	97,999,970	1,196,522
<b>OPERATING LOSS</b>	(64,532,084)	(1,156,801)	(65,864,242)	(984,060)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Governmental appropriations				
State aid	24,840,891	-	24,526,494	-
Property taxes	24,818,667	-	23,782,017	-
Governmental grants and contracts				
Federal	17,644,014	-	21,547,961	-
State	712,996	-	784,396	-
Nongovernmental grants and contracts	31,216	-	35,175	-
Gifts	-	1,417,180	-	1,419,135
Investment income	98,495	1,555,746	104,021	701,043
Net nonoperating revenues (expenses)	68,146,279	2,972,926	70,780,064	2,120,178
<b>INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>	3,614,195	1,816,125	4,915,822	1,136,118
<b>OTHER REVENUES, EXPENSES, GAINS, OR LOSSES</b>				
Capital appropriations	923,398	-	881	-
Capital grant and gifts	3,000	-	2,100	-
Gain on disposal of capital assets	128,971	-	44,369	-
Total other revenues, expenses, gains, or losses	1,055,369	-	47,350	-

SOUTHEAST COMMUNITY COLLEGE AREA  
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
 YEARS ENDED JUNE 30, 2013 AND 2012

	2013		2012	
	College	Foundation	College	Foundation
INCREASE IN NET POSITION	4,669,564	1,816,125	4,963,172	1,136,118
NET POSITION, beginning of year	99,229,669	13,976,202	94,266,497	12,840,084
NET POSITION, end of year	103,899,233	15,792,327	99,229,669	13,976,202

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA  
STATEMENTS OF CASH FLOWS - DIRECT METHOD  
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	27,561,558	27,492,687
Grants and contracts	-	815,741
Payments for personal services	(62,401,358)	(62,788,624)
Payments for operating expenses	(30,203,250)	(32,376,728)
Payments for scholarship allowances	(9,577,368)	(10,541,166)
Sales and services of educational	1,278,809	1,298,294
Auxiliary enterprises charges	11,917,084	11,712,215
Other receipts (payments)	<u>186,728</u>	<u>866,513</u>
Net cash used in operating activities	<u>(61,237,797)</u>	<u>(63,521,068)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State aid appropriations	24,840,891	24,526,494
Property taxes - General Fund and ADA/Hazardous Waste	24,666,510	23,215,868
Gifts and grants for other than capital purposes	18,268,322	23,282,031
Student loans receipts	28,679,732	33,408,135
Student loans disbursements	<u>(28,679,732)</u>	<u>(33,408,135)</u>
Net cash provided by noncapital financing activities	<u>67,775,723</u>	<u>71,024,393</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Property taxes - Capital Improvement Fund	577,341	661
Capital grants and gifts	3,000	2,100
Proceeds from sale of capital assets	131,926	49,758
Purchases of capital assets	<u>(9,027,370)</u>	<u>(8,995,448)</u>
Net cash used in capital financing activities	<u>(8,315,103)</u>	<u>(8,942,929)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	6,501,801	4,028,059
Interest on investments	112,673	78,265
Purchase of investments	<u>(11,627,457)</u>	<u>(3,924,123)</u>
Net cash provided by (used in) investing activities	<u>(5,012,983)</u>	<u>182,201</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,790,160)	(1,257,403)
CASH AND CASH EQUIVALENTS, beginning of year	<u>30,645,077</u>	<u>31,902,480</u>
CASH AND CASH EQUIVALENTS, end of year	<u>23,854,917</u>	<u>30,645,077</u>

SOUTHEAST COMMUNITY COLLEGE AREA  
STATEMENTS OF CASH FLOWS - DIRECT METHOD  
YEARS ENDED JUNE 30, 2013 AND 2012

	2013	2012
Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	<u>(64,532,084)</u>	<u>(65,864,242)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expenses	3,611,174	3,126,324
Changes in assets and liabilities:		
Accounts receivable (net)	(500,376)	(539,167)
Inventories	308,639	(99,706)
Prepaid expense	(88,219)	2,466
Accounts payable	(41,883)	(16,280)
Accrued salaries	15,562	(7,435)
Deposits	<u>(10,610)</u>	<u>(123,028)</u>
Net cash used in operating activities	<u>(61,237,797)</u>	<u>(63,521,068)</u>
 NONCASH TRANSACTIONS		
Equipment	-	-
Capital lease	-	-

See accompanying notes to financial statements.



SOUTHEAST COMMUNITY COLLEGE AREA  
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 Area 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 Area. The Foundation acts primarily as a fundraising organization to provide support to the College. The Foundation is governed by a ten-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 intra-fund 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.

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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 proscribed by GASB. Pursuant to the provisions of GASB Statement No. 34, "Basic Financial Statements - Management's Discussion and Analysis - 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.

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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.

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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

Net Position

The College's net position 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 Position - Nonexpendable

Nonexpendable restricted net position includes 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 Position - Expendable

Expendable restricted net position includes resources in which the College is legally or contractually obligated to spend the resources in accordance with restrictions imposed by external parties.

Unrestricted Net Position

Unrestricted net position includes 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 position. 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 position. 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.

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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 position.

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.

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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, 2013 and 2012, the College's bank balance of \$37,974,806 and \$41,172,942, respectively, was exposed to custodial credit risk as follows:

	2013	2012
Insured	2,648,256	2,642,496
Uninsured and collateralized	<u>35,326,550</u>	<u>38,530,446</u>
	<u>37,974,806</u>	<u>41,172,942</u>

Custodial Credit Risk - Investments

For an investment, custodial credit risk is the risk that, in the event of a failure of the counterparty, 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, 2013 and 2012, are summarized as follows:

	2013 Fair Value	2012 Fair Value
POAA note receivable	163,000	163,000
Certificates of deposit	<u>12,528,940</u>	<u>7,403,284</u>
	<u>12,691,940</u>	<u>7,566,284</u>

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2013, were due December 31, 2012, and became delinquent in April to September of 2013. 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, 2013 and 2012, were as follows:

	2013	2012
Assessed valuation	41,259,452,075	38,370,425,405
Levy in cents per \$100 of assessed valuation		
General Fund	6.02	6.27
Capital Improvement Fund	<u>0.25</u>	<u>-</u>
	<u>6.27</u>	<u>6.27</u>

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

	2013	2012
General Fund	9,538,375	9,386,219
Capital Improvement Fund	<u>346,459</u>	<u>401</u>
Total	<u>9,884,834</u>	<u>9,386,620</u>

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

	2013	2012
General Fund	310,965	367,453
Capital Improvement Fund	<u>12,379</u>	<u>362</u>
Total	<u>323,344</u>	<u>367,815</u>

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2013	2012
Federal nonexchange grants	1,214,998	1,103,350
Tuition and fees	5,536,196	4,063,252
Other	<u>117,132</u>	<u>39,699</u>
	6,868,326	5,206,301
Allowance for uncollectible accounts	<u>(2,500,000)</u>	<u>(1,450,000)</u>
Total accounts receivable, net	<u>4,368,326</u>	<u>3,756,301</u>

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2013	2012
Books and supplies	2,215,631	2,497,140
Parts	141,919	133,846
Livestock and grain	<u>55,782</u>	<u>90,985</u>
	<u>2,413,332</u>	<u>2,721,971</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	June 30, 2012	Additions	Deletions	June 30, 2013
Capital assets not being depreciated				
Land	1,674,000	-	-	1,674,000
Construction in progress	<u>7,519,234</u>	<u>34,377</u>	<u>7,519,234</u>	<u>34,377</u>
Total	<u>9,193,234</u>	<u>34,377</u>	<u>7,519,234</u>	<u>1,708,377</u>
Capital assets being depreciated				
Land improvements	2,775,895	751,000	-	3,526,895
Buildings	61,300,859	13,248,677	-	74,549,536
Leasehold improvements	29,651	-	-	29,651
Equipment	<u>23,985,123</u>	<u>2,512,550</u>	<u>706,695</u>	<u>25,790,978</u>
Total	<u>88,091,528</u>	<u>16,512,227</u>	<u>706,695</u>	<u>103,897,060</u>
Less accumulated depreciation				
Land improvements	1,257,080	113,156	-	1,370,236
Buildings	29,254,933	1,800,822	-	31,055,755
Leasehold improvements	21,126	742	-	21,868
Equipment	<u>19,245,901</u>	<u>1,696,454</u>	<u>703,740</u>	<u>20,238,615</u>
Total	<u>49,779,040</u>	<u>3,611,174</u>	<u>703,740</u>	<u>52,686,474</u>
Capital assets, net	<u>47,505,722</u>	<u>12,935,430</u>	<u>7,522,189</u>	<u>52,918,963</u>

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	<u>784,875</u>	<u>6,787,119</u>	<u>52,760</u>	<u>7,519,234</u>
Total	<u>2,458,875</u>	<u>6,787,119</u>	<u>52,760</u>	<u>9,193,234</u>



SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	June 30, 2011	Additions	Deletions	June 30, 2012
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
	<u>88,133,604</u>	<u>2,261,090</u>	<u>2,303,166</u>	<u>88,091,528</u>
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	<u>48,950,492</u>	<u>3,126,324</u>	<u>2,297,776</u>	<u>49,779,040</u>
Capital assets, net	<u>41,641,987</u>	<u>5,921,885</u>	<u>58,150</u>	<u>47,505,722</u>

NOTE 7. ACCRUED SALARIES

Accrued salaries for the fiscal years ended June 30, 2013 and 2012, were composed of the following:

	2013	2012
Accrued salaries	635,089	629,724
Accrued compensated absences	1,027,895	1,017,697
	<u>1,662,984</u>	<u>1,647,421</u>

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:

	2013	2012
Tuition and fees	7,404,043	8,421,767
Room and board	692,123	637,568
Bookstore	345,088	406,174
	<u>8,441,254</u>	<u>9,465,509</u>

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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 years ended June 30 are as follows:

	2013	2012
Education and general:		
Instruction	45,713,321	46,728,748
Academic support	7,236,752	6,729,417
Student services	3,581,178	3,652,333
Institutional support	12,077,298	11,715,614
Physical plant	5,679,243	5,985,022
Depreciation	3,611,174	3,126,324
Student financial aid	8,939,411	9,964,106
Auxiliary enterprises	<u>9,571,504</u>	<u>10,098,406</u>
	<u>96,409,881</u>	<u>97,999,970</u>

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:

	2013	2012
Total payroll	49,337,504	50,011,325
Covered payroll for employees eligible for College match	40,236,110	40,057,671
Employer contributions	2,925,159	2,918,252
Employer contributions as a percentage of covered payroll	7.27%	7.29%

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS

As of June 30, 2013, the College had \$64,847 in commitments on construction contracts. As of June 30, 2012, the College had \$6,758,403 in commitments 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, 2013 and 2012, totaled \$1,127,379 and \$974,767, 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, 2013, was the Trust's eighteenth 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.

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 15. SUBSEQUENT EVENTS

In preparing the financial statements, the College has evaluated events and transactions for potential recognition or disclosure through October 8, 2013, 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, 2013 AND 2012

	2013	2012
State aid	24,840,891	24,526,494
Property taxes	24,818,667	23,782,017
Tuition	22,497,232	23,400,933
Other income	421,154	603,673
(Add) to/use cash reserves	<u>(3,527,517)</u>	<u>(3,828,581)</u>
	<u>69,050,427</u>	<u>68,484,536</u>

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 the 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.

The property valuation for Southeast Community College Area as reported by County Assessor in late August 2013 for use in property tax revenue for June 30, 2014, was \$45,131,797,703. The General Fund property tax rate for June 30, 2014, is 5.67 cents per \$100 of valuation.

SOUTHEAST COMMUNITY COLLEGE AREA  
SCHEDULES OF GENERAL FUND EXPENDITURES  
YEARS ENDED JUNE 30, 2013 AND 2012

PROGRAM CLASSIFICATION STRUCTURE

	2013	2012
<b>INSTRUCTION</b>		
Personal services	36,347,563	37,006,675
Operating expenses	2,036,387	2,211,244
Travel	207,035	188,646
Equipment	<u>1,583,156</u>	<u>1,470,410</u>
	<u>40,174,141</u>	<u>40,876,975</u>
<b>ACADEMIC SUPPORT</b>		
Personal services	5,708,255	5,563,949
Operating expenses	860,716	751,001
Travel	43,476	39,409
Equipment	<u>323,871</u>	<u>88,079</u>
	<u>6,936,318</u>	<u>6,442,438</u>
<b>STUDENT SERVICE</b>		
Personal services	2,547,376	2,545,798
Operating expenses	405,898	433,906
Travel	32,782	57,967
Equipment	<u>29,564</u>	<u>27,801</u>
	<u>3,015,620</u>	<u>3,065,472</u>
<b>INSTITUTIONAL ADMINISTRATION</b>		
Personal services	7,508,522	7,298,539
Operating expenses	4,517,868	3,970,432
Travel	106,381	83,767
Equipment	<u>562,320</u>	<u>631,678</u>
	<u>12,695,091</u>	<u>11,984,416</u>
<b>PHYSICAL PLANT OPERATIONS</b>		
Personal services	3,732,189	3,527,293
Operating expenses	2,275,427	2,329,515
Travel	97	111
Equipment	<u>89,353</u>	<u>178,352</u>
	<u>6,097,066</u>	<u>6,035,271</u>
<b>STUDENT FINANCIAL SUPPORT</b>		
Operating expenses	<u>132,191</u>	<u>79,964</u>
<b>GRAND TOTAL FOR COLLEGE</b>		
Personal services	55,843,905	55,942,254
Operating expenses	10,228,487	9,776,062
Travel	389,771	369,900
Equipment	<u>2,588,264</u>	<u>2,396,320</u>
	<u>69,050,427</u>	<u>68,484,536</u>

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, 2013

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Education</u>		
PELL Grant Program	84.063	14,963,543
Federal Direct Loan	84.268	28,679,732
Federal Work-Study Program	84.033	219,349
Federal Supplemental Education Opportunity Grant Program	84.007	423,010
TRIO Support Services	84.042A	246,785
TRIO Upward Bound	84.047A	241,266
CCAMPIS	84.335A	46,162
		<u>44,819,847</u>
Pass-Through Programs From:		
Nebraska Department of Education		
Adult Basic Education	84.002A	364,897
Vocational Education	84.048	777,212
Title I Grant Local Educational Agencies Family Literacy	84.389	101,890
		<u>1,243,999</u>
Coordinating Commission Post Secondary Education		
Access College Early	84.378	26,024
College Access Challenge Grant	84.378	5,667
		<u>31,691</u>
		<u>46,095,537</u>
<u>U.S. Department of Education and U.S. Department of Labor</u>		
ABE WIA Incentive Grant	17.267	73,312
TAA-trans*IT	17.282	157,694
		<u>231,006</u>
<u>U.S. Department of Health and Human Services</u>		
Pass-Through Programs From:		
Nebraska Department of Health and Human Services		
Refugee and Entrant Assistance - ESL	93.566	<u>28,474</u>



SOUTHEAST COMMUNITY COLLEGE AREA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of State</u>		
IREX Global Undergrad	00.000	<u>420</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u>46,355,437</u>

See accompanying notes to schedule.

SOUTHEAST COMMUNITY COLLEGE AREA  
NOTES 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 Southeast Community College Area 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 financial statements.

NOTE 2. SUBRECIPIENTS

Southeast Community College Area provided no federal awards to subrecipients.



DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
1248 O STREET, SUITE 500  
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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, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Southeast Community College Area, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise Southeast Community College Area's basic financial statements and have issued our report thereon dated October 8, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southeast Community College Area'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 Southeast Community College Area's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southeast Community College Area'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**

### **Management's Responsibility for Compliance**

Compliance with certain provisions and laws, regulations, contracts, and grant agreements related to Southeast Community College Area is the responsibility of the College's management.

### **Auditors' Responsibility**

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*.

### **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 Southeast Community College Area's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Community College Area's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Lincoln, Nebraska  
October 8, 2013

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Board of Governors  
Southeast Community College Area  
Lincoln, Nebraska

**Report on Compliance for Each Major Program**

We have audited Southeast Community College Area's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2013. 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.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Southeast Community College Area'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 the 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 on compliance with each major program. However, our audit does not provide a legal determination on the Southeast Community College Area's compliance.

**Opinion on Each Major Program**

In our opinion, Southeast Community College Area complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

## Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph 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, as defined above. However, material weaknesses may exist that have not been identified.

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 our testing based on those requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Dana J Cole + Company, LLP

Lincoln, Nebraska  
October 8, 2013

SOUTHEAST COMMUNITY COLLEGE AREA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness identified:  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses:  Yes  None reported

Noncompliance matter to the financial statements disclosed:  Yes  No

Federal Awards

Internal control over major programs:

Material weakness identified:  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses:  Yes  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  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



SOUTHEAST COMMUNITY COLLEGE AREA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013

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, 2013

No matters were reported for the year ended June 30, 2012.