

SOUTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015



**DANA F. COLE
& COMPANY** LLP
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHEAST COMMUNITY COLLEGE AREA
TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 9
FINANCIAL STATEMENTS	
Statements of Net Position	10 - 11
Statements of Revenues, Expenses, and Changes in Net Position	12 - 13
Statements of Cash Flows - Direct Method	14 - 15
NOTES TO FINANCIAL STATEMENTS	16 - 28
ACCOMPANYING INFORMATION	
Schedules of General Fund Revenues - Budgetary Basis	29
Schedules of General Fund Expenditures	30 - 31
Schedule of Expenditures of Federal Awards	32 - 33
Notes to Schedule of Expenditures of Federal Awards	34
SFA Programs - Audit Information	35
REPORTS REQUIRED BY <i>GOVERNMENT AUDITING</i> <i>STANDARDS AND THE UNIFORM GUIDANCE</i>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	36 - 37
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	38 - 39
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	40 - 41
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	42



**DANA F. COLE
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INDEPENDENT AUDITORS' REPORT

To the Board of Governors
Southeast Community College Area
Lincoln, Nebraska

Report on the Financial Statements

We have audited the accompanying statements of net position of Southeast Community College Area as of June 30, 2016 and 2015, 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 audits. We did not audit the financial statements of the Southeast Community College Foundation, which represent 14 percent, 15 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 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. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall 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, 2016 and 2015, 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 4 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 schedules of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements. The schedules of general fund revenues - budgetary basis, schedule of general fund expenditures - budgetary basis, and schedules 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.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, 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 F Cole + Company, LLP

Lincoln, Nebraska
November 14, 2016

**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, 2016. Please read it in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

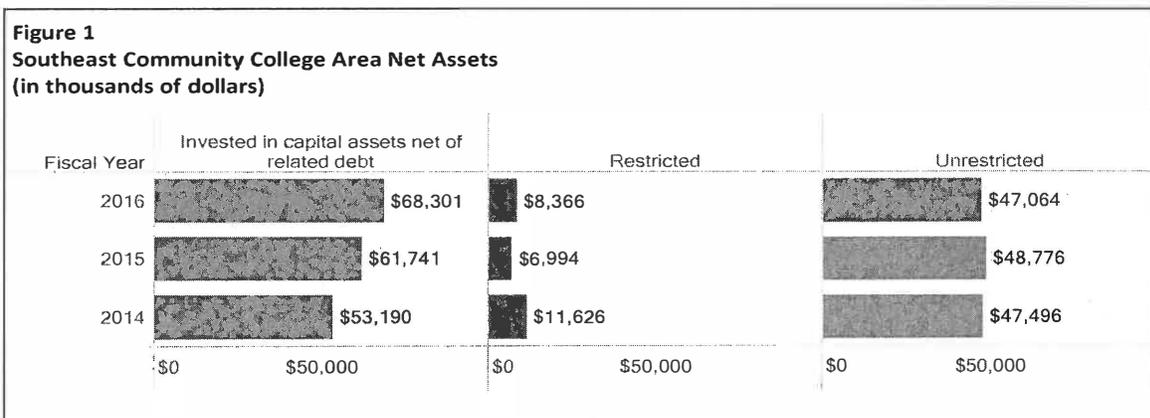
This report consists of three basic financial statements. The statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances.

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)

	2016	2015	2014
Current assets	60,270	53,238	62,261
Noncurrent assets	625	11,184	982
Capital assets	<u>68,301</u>	<u>61,741</u>	<u>53,190</u>
Total assets	<u>129,196</u>	<u>126,163</u>	<u>116,433</u>
Current liabilities	<u>5,465</u>	<u>8,652</u>	<u>4,121</u>
Net Position			
Invested in capital assets, net of related debt	68,301	61,742	53,190
Restricted	8,366	6,994	11,626
Unrestricted	<u>47,064</u>	<u>48,775</u>	<u>47,496</u>
Total net position	<u>123,731</u>	<u>117,511</u>	<u>112,312</u>

Net position of the College increased by 5.3% (\$6,220 thousands) for the fiscal year ended June 30, 2016. The increase in net position is due to the following factors:

An increase in net assets invested in capital assets due to the construction of The Career Academy and the Kennedy Center.

The capital improvement fund levy of 1.58 cents (\$.0158) per \$100 valuation

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

	2016	2015	2014
Operating revenue			
Student tuition and fees	20,288	20,713	19,028
Grants and contracts	6	17	1
Sales educational departments	1,195	1,238	1,352
Auxiliary enterprises	9,078	9,679	10,998
Other	<u>2,976</u>	<u>279</u>	<u>973</u>
Total operating revenue	<u>33,543</u>	<u>31,926</u>	<u>32,352</u>

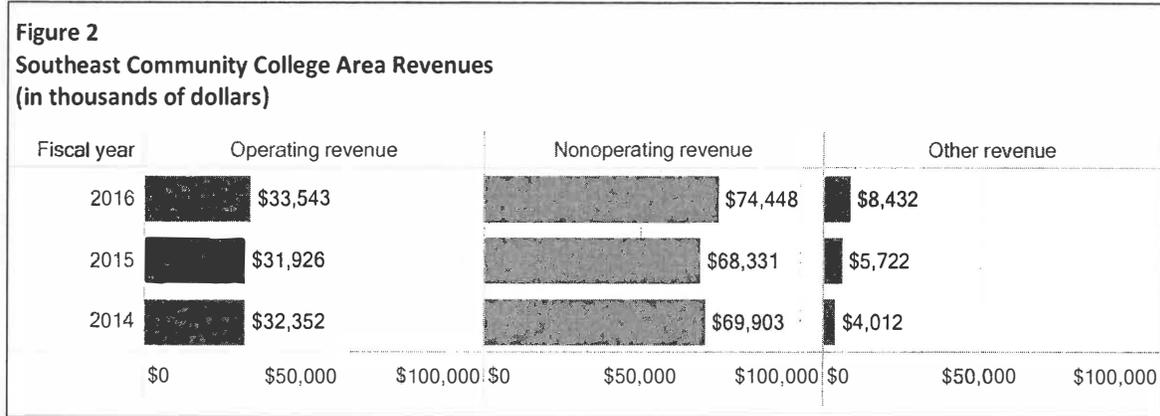
SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2016	2015	2014
Operating expenses			
Personnel services	68,377	64,431	62,631
Operating expenses	27,798	28,146	29,235
Travel	847	833	895
Capital assets not capitalized	8,503	3,286	1,339
Depreciation	4,677	4,084	3,754
Total operating expenses	<u>110,202</u>	<u>100,780</u>	<u>97,854</u>
Net operating loss	<u>(76,659)</u>	<u>(68,854)</u>	<u>(65,502)</u>
Nonoperating revenue			
State aid	27,528	26,553	25,627
Property taxes	31,735	24,290	26,003
Grants and contracts	15,075	17,389	18,184
Investment income	109	99	89
Net nonoperating revenue	<u>74,447</u>	<u>68,331</u>	<u>69,903</u>
Other revenue			
Capital appropriations	8,370	5,545	3,812
Capital grants	-	-	7
Gain on disposal of assets	62	177	193
Net other revenue	<u>8,432</u>	<u>5,722</u>	<u>4,012</u>
Increase in net assets	6,220	5,199	8,413
Net Position			
Net position, beginning of year	<u>117,511</u>	<u>112,312</u>	<u>103,899</u>
Net position, end of year	<u>123,731</u>	<u>117,511</u>	<u>112,312</u>

**SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

REVENUES

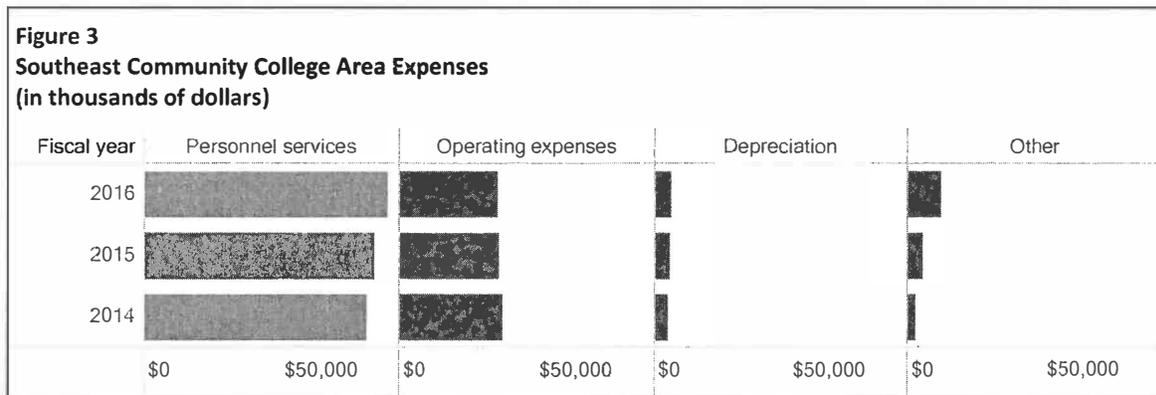


Comments regarding revenues are as follows:

Operating revenues remained increased by 5.1% (\$1,617 thousands) between fiscal 2016 and 2015. There was a slight decrease in enrollment however this was partially offset by an increase in tuition rates. Other revenue increased due to the reimbursement of construction expenses of The Career Academy by Lincoln Public Schools.

Valuations increased by 8.8%. The General Fund levy increased \$0.96 cents, the CIF levy increased \$0.58 cents per \$100 valuation, and the ADA/Hazardous Waste levy increased \$0.05 cents. Total property tax levy for fiscal 15-16 was 7.57 cents compared to the fiscal 14-15 levy of 5.98 cents.

EXPENSES



Comments about expenses are as follows:

Personnel services continue to be the primary expenditure category and are 62% of General Fund expenditures.

Total expenditures increased by 9.3% primarily due to an increase in staffing levels and maintenance and repair projects.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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)

	2016	2015	2014
Cash provided (used) by:			
Operating activities	(71,289)	(63,008)	(61,428)
Noncapital financing activities	71,879	69,490	68,817
Capital and related financing activities	(4,047)	(7,665)	(754)
Investing activities	<u>548</u>	<u>21</u>	<u>15</u>
Net increase (decrease) in cash and cash equivalents	(2,909)	(1,162)	6,650
Cash and cash equivalents, beginning of year	<u>29,343</u>	<u>30,505</u>	<u>23,855</u>
Cash and cash equivalents, end of year	<u><u>26,434</u></u>	<u><u>29,343</u></u>	<u><u>30,505</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 personnel 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 used for capital and related financing activities increased during the year ended June 30, 2016, primarily to the construction of The Career Academy.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the College had \$68,301 thousands invested in capital assets, net of accumulated depreciation. Depreciation charges for the fiscal years ended June 30, 2016 and 2015, totaled \$4,677 and \$4,084 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)

	2016	2015	2014
Land	1,674	1,674	1,674
Land improvements	1,817	1,930	2,044
Buildings	57,457	51,714	43,653
Equipment	7,353	6,423	5,819
	68,301	61,741	53,190

Debt

The College does not have any outstanding debt at June 30, 2016 and 2015.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The amount of state aid available for the six community colleges initially increased by 3.00% for the fiscal year ending June 30, 2016. However the Nebraska Legislature added an additional \$1.0 million appropriation to the FY 2015-16 state aid for a total increase of 4.1%. The College's share of state aid for the 6-30-17 fiscal year will increase by 2.1% based on the additional 15-16 appropriation. Valuations increased by 3.8% for 6-30-17. The Career Academy is a dual credit facility established through a partnership between SCC and Lincoln Public Schools. TCA had the grand opening and began dual credit classes in August 2015.

For 2016-2017, the Board of Governors approved a General Fund property tax levy of 6.47 cents per \$100 valuation and decreased the CIF property tax levy to 1.05 cents per \$100 valuation.

Tuition and fee rates were increased by 3.4% for the fiscal year beginning July 1, 2016.

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.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016		2015	
	College	Foundation	College	Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	26,434,205	21,329	29,342,858	155,561
Short-term investments	11,782,282	1,179,097	1,740,246	1,613,926
Property taxes receivable	14,659,718	-	10,961,958	-
Accounts receivable (net)	3,696,409	137,508	7,175,341	54,785
Interest receivable	285,019	47,242	205,678	42,409
Inventories	2,253,759	-	2,432,813	-
Prepaid expense	1,158,911	-	1,379,718	-
Total current assets	60,270,303	1,385,176	53,238,612	1,866,681
Noncurrent Assets				
Deposits with vendors	42,097	-	42,097	-
Pledges receivable	-	24,450	-	37,800
Endowment investments	-	19,248,061	-	17,288,066
Long-term investments	411,793	-	10,971,188	-
Prepaid expenses	169,998	-	169,998	-
Capital assets, net	68,301,385	758,562	61,741,511	758,562
Total noncurrent assets	68,925,273	20,031,073	72,924,794	18,084,428
TOTAL ASSETS	129,195,576	21,416,249	126,163,406	19,951,109
LIABILITIES				
Current Liabilities				
Accounts payable	2,592,971	32,238	6,130,997	16,995
Accrued salaries	2,392,629	-	2,097,040	-
Deferred revenue	263,918	16,842	265,341	16,402
Deposits	215,099	-	158,329	-
Total current liabilities	5,464,617	49,080	8,651,707	33,397
TOTAL LIABILITIES	5,464,617	49,080	8,651,707	33,397

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016		2015	
	College	Foundation	College	Foundation
NET POSITION				
Invested in capital assets, net of related debt	68,301,385	758,562	61,741,511	758,562
Restricted for:				
Nonexpendable				
Scholarships and fellowships	-	7,505,260	-	7,233,745
Expendable				
Scholarships and fellowships	-	11,519,748	-	10,336,416
Loans	-	-	-	-
ADA/Hazardous Waste	21,767	-	21,767	-
Capital projects	8,344,075	-	6,972,744	-
Unrestricted	47,063,732	1,583,599	48,775,677	1,588,989
 TOTAL NET POSITION	 123,730,959	 21,367,169	 117,511,699	 19,917,712

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	College	Foundation	College	Foundation
OPERATING REVENUES				
Student tuition and fees	20,288,067	-	20,713,373	-
Nongovernmental grants and contracts	6,379	-	16,972	-
Sales and services of educational departments	1,194,573	-	1,237,745	-
Auxiliary enterprises	9,078,162	-	9,678,729	-
Other operating income	2,975,797	182,768	278,787	189,090
Total operating revenues	<u>33,542,978</u>	<u>182,768</u>	<u>31,925,606</u>	<u>189,090</u>
OPERATING EXPENSES				
Personnel services	68,376,574	120,460	64,431,603	114,947
Operating expenses	27,797,721	1,728,427	28,145,564	2,077,508
Travel	846,925	-	832,827	-
Capital assets not capitalized	8,503,641	-	3,285,671	-
Depreciation	4,677,182	-	4,083,520	-
Total operating expenses	<u>110,202,043</u>	<u>1,848,887</u>	<u>100,779,185</u>	<u>2,192,455</u>
OPERATING LOSS	<u>(76,659,065)</u>	<u>(1,666,119)</u>	<u>(68,853,579)</u>	<u>(2,003,365)</u>
NONOPERATING REVENUES				
Governmental appropriations				
State aid	27,527,755	-	26,553,247	-
Property taxes	31,734,922	-	24,290,448	-
Governmental grants and contracts				
Federal	13,915,522	-	16,202,023	-
State	1,159,644	-	1,186,354	-
Nongovernmental grants and contracts	-	-	478	-
Gifts	-	2,001,788	-	1,906,863
Investment income	108,882	1,113,788	98,664	582,992
Net nonoperating revenues	<u>74,446,725</u>	<u>3,115,576</u>	<u>68,331,214</u>	<u>2,489,855</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(2,212,340)</u>	<u>1,449,457</u>	<u>(522,365)</u>	<u>486,490</u>

SOUTHEAST COMMUNITY COLLEGE AREA
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEARS ENDED JUNE 30, 2016 AND 2015

	2016		2015	
	College	Foundation	College	Foundation
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
Capital appropriations	8,369,545	-	5,545,653	-
Gain on disposal of capital assets	62,055	-	176,802	-
Total other revenues, expenses, gains, or losses	8,431,600	-	5,722,455	-
INCREASE IN NET POSITION	6,219,260	1,449,457	5,200,090	486,490
NET POSITION, beginning of year	117,511,699	19,917,712	112,311,609	19,431,222
NET POSITION, end of year	123,730,959	21,367,169	117,511,699	19,917,712

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	27,664,922	26,738,460
Grants and contracts	3,332	167
Payments for personnel services	(68,080,985)	(64,633,374)
Payments for operating expenses	(40,587,739)	(36,404,292)
Payments for scholarship allowances	(7,798,364)	(8,412,977)
Sales and services of educational departments	1,194,604	1,237,784
Auxiliary enterprises charges	13,083,456	9,787,309
Other receipts (payments)	<u>3,232,018</u>	<u>8,678,557</u>
Net cash used in operating activities	<u>(71,288,756)</u>	<u>(63,008,366)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State aid appropriations	27,527,755	26,553,247
Property taxes - General Fund and ADA/Hazardous Waste	29,278,221	25,195,307
Gifts and grants for other than capital purposes	15,072,917	17,741,950
Student loans receipts	24,313,309	21,435,806
Student loans disbursements	<u>(24,313,309)</u>	<u>(21,435,806)</u>
Net cash provided by noncapital financing activities	<u>71,878,893</u>	<u>69,490,504</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Property taxes - Capital Improvement Fund	7,128,485	4,796,475
Proceeds from sale of capital assets	69,176	199,199
Purchases of capital assets	<u>(11,244,177)</u>	<u>(12,660,831)</u>
Net cash used in capital financing activities	<u>(4,046,516)</u>	<u>(7,665,157)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	1,740,706	11,928,857
Interest on investments	29,541	33,417
Purchase of investments	<u>(1,222,521)</u>	<u>(11,941,303)</u>
Net cash provided by investing activities	<u>547,726</u>	<u>20,971</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,908,653)	(1,162,048)
CASH AND CASH EQUIVALENTS, beginning of year	<u>29,342,858</u>	<u>30,504,906</u>
CASH AND CASH EQUIVALENTS, end of year	<u>26,434,205</u>	<u>29,342,858</u>
 Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities		
Operating loss	<u>(76,659,065)</u>	<u>(68,853,579)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expenses	4,677,182	4,083,520
Changes in assets and liabilities:		
Accounts receivable (net)	3,478,932	(2,437,985)
Inventories	179,054	(2,570)
Prepaid expense	220,808	(139,401)
Accounts payable	(3,538,026)	4,038,737
Accrued salaries	295,589	341,644
Deposits	<u>56,770</u>	<u>(38,732)</u>
Net cash used in operating activities	<u>(71,288,756)</u>	<u>(63,008,366)</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.

Measurement Focus and 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.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus and 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

Pursuant to the provisions of GASB Statement No. 34, *Basic Financial Statements - and 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 - an Amendment of GASB Standard No. 34*, 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.

Effective for the year ending June 30, 2016, the College adopted GASB Statement 72, *Fair Value Measurement and Application*. The objective of this Statement is to enhance comparability of governmental financial statements by requiring certain fair value measurements on a government's financial position. The adoption of this statement did not have an impact on financial position or note disclosures.

Effective for the year ending June 30, 2016, the College adopted GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP) to which a government should look to for guidance. GASB 76 reduced the GAAP hierarchy to two categories of authoritative GAAP: GASB Statements of Governmental Accounting Standards and GASB Technical Bulletins and Implementation Guides as well as guidance from the American Institute of Certified Public Accountants that is cleared by GASB. The adoption of this statement did not have an impact on financial position or note disclosures.

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.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

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.

Net Position

The College's net position is 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.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

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.

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.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

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.

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, 2016 and 2015, the College's bank balance of \$40,479,081 and \$45,219,651, respectively, was exposed to custodial credit risk as follows:

	2016	2015
Insured	2,620,825	2,717,542
Uninsured and collateralized	37,858,256	41,713,830
Uninsured and uncollateralized	-	788,279
	40,479,081	45,219,651

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.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

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, 2016 and 2015, are summarized as follows:

Investment Type	2016 Fair Value	2015 Fair Value
POAA note receivable	163,000	163,000
Certificates of deposit	<u>12,031,075</u>	<u>12,548,434</u>
	<u>12,194,075</u>	<u>12,711,434</u>

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2016, were due December 31, 2015, and became delinquent in April to September of 2016. 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, 2016 and 2015, were as follows:

	2016	2015
Assessed valuation	53,607,947,512	49,280,233,138
Levy in cents per \$100 of assessed valuation		
General Fund	5.94	4.98
Capital Improvement Fund	1.58	1.00
ADA/Hazardous Waste Fund	<u>0.05</u>	<u>-</u>
	<u>7.57</u>	<u>5.98</u>

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

	2016	2015
General Fund	11,514,542	9,142,797
Capital Improvement Fund	3,060,221	1,819,161
ADA/Hazardous Waste Fund	<u>84,955</u>	<u>-</u>
Total	<u>14,659,718</u>	<u>10,961,958</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX RECEIVABLE (Continued)

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

	2016	2015
General Fund	389,440	279,276
Capital Improvement Fund	103,853	56,062
ADA/Hazardous Waste Fund	<u>3,560</u>	<u>-</u>
Total	<u>496,853</u>	<u>335,338</u>

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2016	2015
Federal nonexchange grants	1,442,528	1,602,689
Tuition and fees	6,563,932	6,440,355
Other	<u>272,750</u>	<u>2,232,297</u>
	8,279,210	10,275,341
Allowance for uncollectible accounts	<u>(4,582,801)</u>	<u>(3,100,000)</u>
Total accounts receivable, net	<u>3,696,409</u>	<u>7,175,341</u>

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2016	2015
Books and supplies	1,936,822	2,195,882
Parts	145,340	133,445
Livestock and grain	<u>171,597</u>	<u>103,486</u>
	<u>2,253,759</u>	<u>2,432,813</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	June 30, 2015	Additions	Deletions	June 30, 2016
Capital assets not being depreciated				
Land	1,674,000	-	-	1,674,000
Capital assets being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	86,645,524	8,073,675	-	94,719,199
Leasehold improvements	29,651	-	-	29,651
Equipment	28,552,086	3,170,501	624,783	31,097,804
Total	<u>118,754,156</u>	<u>11,244,176</u>	<u>624,783</u>	<u>129,373,549</u>
Less accumulated depreciation				
Land improvements	1,596,548	113,156	-	1,709,704
Buildings	34,937,586	2,330,181	-	37,267,767
Leasehold improvements	23,350	741	-	24,091
Equipment	22,129,161	2,233,104	617,663	23,744,602
Total	<u>58,686,645</u>	<u>4,677,182</u>	<u>617,663</u>	<u>62,746,164</u>
Capital assets, net	<u>61,741,511</u>	<u>6,566,994</u>	<u>7,120</u>	<u>68,301,385</u>

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	June 30, 2014	Additions	Deletions	June 30, 2015
Capital assets not being depreciated				
Land	1,674,000	-	-	1,674,000
Construction in progress	775,354	-	775,354	-
Total	<u>2,449,354</u>	<u>-</u>	<u>775,354</u>	<u>1,674,000</u>
Capital assets being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	75,793,331	10,852,193	-	86,645,524
Leasehold improvements	29,651	-	-	29,651
Equipment	26,653,838	2,583,991	685,743	28,552,086
Total	<u>106,003,715</u>	<u>13,436,184</u>	<u>685,743</u>	<u>118,754,156</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	June 30, 2014	Additions	Deletions	June 30, 2015
Less accumulated depreciation				
Land improvements	1,483,392	113,156	-	1,596,548
Buildings	32,922,184	2,015,402	-	34,937,586
Leasehold improvements	22,609	741	-	23,350
Equipment	20,835,287	1,954,222	660,348	22,129,161
Total	<u>55,263,472</u>	<u>4,083,521</u>	<u>660,348</u>	<u>58,686,645</u>
 Capital assets, net	 <u>53,189,597</u>	 <u>9,352,663</u>	 <u>800,749</u>	 <u>61,741,511</u>

NOTE 7. ACCRUED SALARIES

Accrued salaries for the fiscal years ended June 30, 2016 and 2015, were composed of the following:

	2016	2015
Accrued salaries	727,623	742,345
Accrued compensated absences	1,665,006	1,354,695
	<u>2,392,629</u>	<u>2,097,040</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:

	2016	2015
Tuition and fees	4,606,676	5,157,784
Room and board	587,941	610,822
Bookstore	1,184,487	1,370,462
	<u>6,379,104</u>	<u>7,139,068</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:

	2016	2015
Education and general		
Instruction	47,981,680	47,970,556
Academic support	7,079,333	7,213,697
Student services	4,594,815	4,855,138
Institutional support	15,359,824	12,761,262
Physical plant	16,185,822	6,792,588
Depreciation	4,677,182	4,083,520
Student financial aid	5,572,667	8,880,266
Auxiliary enterprises	8,750,720	8,222,158
	<u>110,202,043</u>	<u>100,779,185</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 8.25% 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:

	2016	2015
Total payroll	53,590,710	50,766,966
Covered payroll for employees eligible for College match	44,217,198	41,345,380
Employer contributions	3,323,588	2,993,656
Employer contributions as a percentage of covered payroll	7.52%	7.24%

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS

As of June 30, 2016, the College had no commitments on construction contracts. As of June 30, 2015, the College had \$3,402,187 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, 2016 and 2015, totaled \$1,583,029 and \$1,838,953, 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, 2016, was the Trust's

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (Continued)

twenty-first year of operations. In May 2016, the Board of Directors of the Trust declared a dividend of \$78,633 to be used to offset total contributions for the 2017 insurance year. The College anticipates no future liabilities for additional incurred losses for all previous years.

NOTE 15. SUBSEQUENT EVENTS

In preparing the financial statements, the College has evaluated events and transactions for potential recognition or disclosure through November 14, 2016, 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, 2016 AND 2015

	2016	2015
State aid	27,527,755	26,553,247
Property taxes	31,484,040	24,290,448
Tuition	19,939,737	20,898,473
Other income	994,090	899,276
(Add) to/use cash reserves	<u>(919,948)</u>	<u>(210,731)</u>
	<u>79,025,674</u>	<u>72,430,713</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 2015 for use in property tax revenue for June 30, 2016, was \$53,607,947,512. The General Fund property tax rate for June 30, 2016, is 5.94 cents per \$100 of valuation.

The property valuation for Southeast Community College Area as reported by the County Assessor in late August 2016 for use in property tax revenue for June 30, 2017, was \$55,633,175,614. The General Fund property tax rate for June 30, 2017, is 6.47 cents per \$100 of valuation.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
PROGRAM CLASSIFICATION STRUCTURE		
INSTRUCTION		
Personnel services	37,714,246	36,023,476
Operating expenses	2,245,042	2,077,869
Travel	238,869	209,640
Equipment	<u>2,135,404</u>	<u>1,089,443</u>
	<u>42,333,561</u>	<u>39,400,428</u>
 ACADEMIC SUPPORT		
Personnel services	6,116,915	5,787,183
Operating expenses	692,725	666,530
Travel	47,156	38,921
Equipment	<u>266,449</u>	<u>350,642</u>
	<u>7,123,245</u>	<u>6,843,276</u>
 STUDENT SERVICE		
Personnel services	2,714,689	2,652,095
Operating expenses	559,939	496,386
Travel	52,818	51,479
Equipment	<u>113,498</u>	<u>62,419</u>
	<u>3,440,944</u>	<u>3,262,379</u>
 INSTITUTIONAL ADMINISTRATION		
Personnel services	9,278,829	8,037,047
Operating expenses	5,848,288	3,973,898
Travel	101,713	97,122
Equipment	<u>533,019</u>	<u>658,110</u>
	<u>15,761,849</u>	<u>12,766,177</u>
 PHYSICAL PLANT OPERATIONS		
Personnel services	4,500,013	4,121,346
Operating expenses	3,090,808	3,569,224
Travel	15	1,913
Equipment	<u>2,677,397</u>	<u>2,361,316</u>
	<u>10,268,233</u>	<u>10,053,799</u>
 STUDENT FINANCIAL SUPPORT		
Operating expenses	<u>97,843</u>	<u>104,654</u>

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULES OF GENERAL FUND EXPENDITURES
 YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
GRAND TOTAL FOR COLLEGE		
Personnel services	60,324,692	56,621,147
Operating expenses	12,534,645	10,888,561
Travel	440,571	399,075
Equipment	5,725,767	4,521,930
	<u>79,025,675</u>	<u>72,430,713</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, 2016

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Education</u>			
PELL Grant Program		84.063	10,500,815
Federal Direct Loan		84.268	18,656,625
Federal Work-Study Program		84.033	247,654
Federal Supplemental Education Opportunity Grant Program		84.007	313,100
TRIO Support Services		84.042A	206,858
TRIO Upward Bound		84.047A	250,272
CCAMPIS		84.335A	88,353
			<u>30,263,677</u>
Pass-Through Programs From:			
Nebraska Department of Education			
Adult Basic Education	94-5000-000	84.002A	397,691
Vocational Education	94-5000-000	84.048	754,885
Title I Grants	94-5000-000	84.010	93,848
			<u>1,246,424</u>
Total U.S. Department of Education			<u>31,510,101</u>
<u>U.S. Department of Education and U.S. Department of Labor</u>			
ABE WIA Incentive Grant		17.259	26,158
TAACCCT Grants		17.282	915,256
Total U.S. Department of Education and U.S. Department of Labor			<u>941,414</u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Health and Human Services</u>			
Pass-Through Programs From:			
Nebraska Department of Health and Human Services			
Health Education Laddering Program		93.093	27,438
Refugee and Entrant Assistance - ESL		93.576	<u>39,375</u>
Total U.S. Department of Health and Human Services			<u>66,813</u>
<u>National Science Foundation</u>			
Secure IT Cybersecurity		47.046	<u>50,369</u>
<u>Small Business Administration</u>			
Nebraska Business Development Center		59.037	<u>66,000</u>
<u>U.S. Department of State</u>			
IREX Global Undergrad		00.000	<u>1,009</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>32,635,706</u></u>

See accompanying notes to schedule.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

SOUTHEAST COMMUNITY COLLEGE AREA
SFA PROGRAMS - AUDIT INFORMATION

LEAD AUDITOR: Kerry A. Gustafsson Permit No. 44878
 Dana F. Cole & Company, LLP
 1248 O Street, Suite 500
 Lincoln, Nebraska 68508

TELEPHONE NO: 402.479.9300

The audit was performed between September 12, 2016, and September 15, 2016, at the institution's facilities as follows:

Location	Description of Facility	Dates Visited
Lincoln, Nebraska	Administrative and Student Financial Aid offices	September 12, 2016 to September 15, 2016
Beatrice, Nebraska	Administrative and Student Financial Aid offices	September 12, 2016 to September 15, 2016
Milford, Nebraska	Administrative and Student Financial Aid offices	September 12, 2016 to September 15, 2016

Institution's Accrediting Organization:

The Higher Learning Commission

The institution does not utilize a SFA Consultant/Service.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Board of 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, 2016, 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 November 14, 2016.

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 instance of non-compliance 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
November 14, 2016



**DANA F. COLE
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the 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 OMB 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, 2016. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2016.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Dana F. Cole + Company, LLP

Lincoln, Nebraska
November 14, 2016

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2016

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a): ___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

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee: X Yes ___No

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

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, 2016

2015-001 REQUIRED COLLATERALIZATION

The College had deposits in excess of insurance or collateralization in the amount of \$788,279. We recommended that the College continue to monitor all bank balances and obtain proper collateralization. This finding was resolved in the year ended June 30, 2016.