

SOUTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

J U N E 30, 2014 AND 2013

DANA F COLE & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHEAST COMMUNITY COLLEGE AR A
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LINCOLN, NEBRASKA 68508

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, 2014 and 2013, 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.

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. **reqN; Acctiem .ncor**

Dana J Cole + Company, LLP

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 1
NET POSITION
(in thousands of dollars)

	2014		
Current assets	62,261		
Noncurrent assets	982		
Capital assets	53,190		
Total assets	116,433		
Current liabilities	4,121		
Net Position			
Invested in capital assets, net of related debt	6,011		; nc
Restricted			
Unrestricted			
Total net position	112,310		ih

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)

	2014			
Operating expenses				
Personal services	62,631			
Operating expenses	62,635	N ,63	un 404re	h ar
Travel				
Capital assets not capitalized				
Depreciation	<u>3,754</u>	<u>3,6</u>	<u>3,</u>	
Total operating expenses	<u> </u>	<u> </u>	<u> </u>	
Net operating loss	<u> </u>	<u>(64,532)</u>	<u>(65,864)</u>	
Nonoperating revenue				
State aid				
Property taxes				
Grants and contracts				
Investment income	<u> </u>	<u> </u>	<u> </u>	
Net nonoperating revenue	<u> </u>	<u>68</u>	<u> </u>	
Other revenue				
Capital appropriations				
Capital grants				
Gain on disposal of assets	<u> </u>	<u> </u>	<u> </u>	
Net other revenue	<u>4,0</u>	<u> </u>	<u> </u>	
Increase in net assets				
Net Position				
Net position, beginning of year	<u> </u>	<u> </u>	<u> </u>	
Net position, end of year	<u>2,3</u>	<u> </u>	<u> </u>	

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

REVENUES

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

Operating	Nonoperating			Other
	9 2014	1 2013	0 2012	

Comments regarding revenues are as follows:

Enrollment decreased by 7.5%. Tuition and fee rates decreased by 2.1%. The decrease in tuition and fee income was a result of the decreased enrollment which was partially offset by an increase in tuition rates.

Valuations increased by 9.4%. The General Fund levy decreased \$0.35 cents and the CIF levy increased \$0.75 cents per \$100 valuation. There continues to be no ADA Hazardous Waste levy. Total proper tax levy for fiscal 2013-14 was 6.67 cents compared to the fiscal 2012-13 levy of 6.27 cents or a 6.4% increase. Total property tax revenue increased 4.8%.

EXPENSES

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

Personal services	Operating expense			Depreciation	Other
	1 2014	1 2013	0 2012		

Comments about expenses are as follows:

Personal services continue to be the primary expenditure category and are 81% of General Fund expenditures.

Total operating expense increased by 11% primarily due to an increase in operating expense

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	_____	_____	_____
Noncapital financing activities	_____	_____	_____
Capital and related financing activities	_____	_____	_____
	=====	=====	=====

SOUTHEAST COMMUNITY COLLEGE AR A
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the College had \$53,190 thousands invested in capital assets, net of accumulated depreciation of \$55,263 thousands. Depreciation charges for the fiscal years ended June 30, 2014 and 2013, totaled \$3,754 and \$3,611 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)

	2014	2013	2012
Land	1,674	1,674	1,674
Land improvements	2,044	2,157	2,270
Buildings	43,653	43,536	38,823
Equipment	<u>5,819</u>	<u>5,552</u>	<u>4,739</u>
	<u>53,190</u>	<u>52,919</u>	<u>47,506</u>

Major capital additions started, continued, or completed for the fiscal year June 30, 2014, and the source of the resources that funded their acquisition include (in thousands):

Equipment purchases from general funds and grants	2,071
Career Academy from capital improvement funds (net of LPS reimbursement)	705
ESQ 2nd floor remodel from capital improvement funds	630
Lincoln Campus Welding Expansion Project from capital improvement funds	431
Various remodeling and building projects funded from capital improvement funds and residence hall funds	<u>307</u>
	<u>4,144</u>

The College has the following 1705 D.L.

from for improve

787
20,565

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

The College does not have any outstanding debt at June 30, 2014 and 2013.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The amount of state aid available for the six community colleges increased by 4.0000 for the fiscal year ending June 30, 2014, and the College's share of state aid for the June 30, 2015, fiscal year will increase by 3.30%. Valuations increased by 9.8% for June 30, 2015. 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 \$12.5 million. In light of this environment, the College Board of Governors has recently taken the following actions:

Decreased the General Fund property tax levy 12.2% to 4.98 cents per \$100 valuation from the ~~30~~ levy ~~pc~~ levy ~~4~~

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SOUTHEAST COMMUNITY COLLEGE AREA
 STATEMENTS OF CASH FLOWS - DIRECT METHOD
 YEARS ENDED JUNE 30, 2014 AND 2013

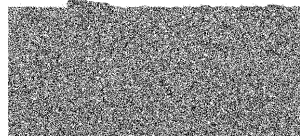
CASH FLOWS FROM OPERATING ACTIVITIES	
Tuition and fees	
Grants and contracts	-
Payments for personal services	
Payments for operating expenses	
Payments for scholarship allowances	
Sales and services of educational departments	
Auxiliary enterprises charges	
Other receipts (payments)	_____
 Net cash used in operating activities	 _____
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
State aid appropriations	
Property taxes - General Fund and ADA /Hazardous Waste	
Gifts and grants for other than capital purposes	
Student loans receipts	
Student loans disbursements	_____
 Net cash provided by noncapital financing activities	 _____
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Property taxes - Capital Improvement Fund	

	14,675

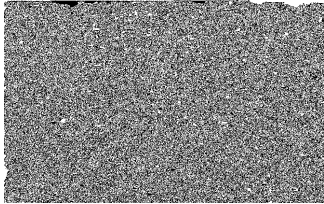
 EQUIVALENTS,	 <u>30,504,906</u> <u>23,854,9</u>

SOU

Reporting Entity



Accounting



SOUTHEAST COMMUNITY COLLEGE AREA
NOT

Capital

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.

Scholarship

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Revenue and Expense Recognition

_____ Accounting

_____ Priority

SOUTHEAST

Deposits

<u>48,719</u>	<u>-</u>
<u>44,220,239</u>	<u>37,974,806</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 3 PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2014, were due December 31, 2013, and became delinquent in April to September of 2014. 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.

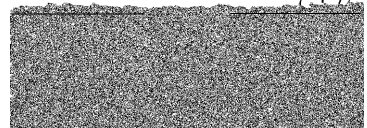
Property taxes are recognized net of the county collection fee of 1%. The assessed valuation and levies in cents per \$100 of assessed valuation for the fiscal years ended June 30, 2014 and 2013, were as follows:

	2014	2013
Assessed valuation	45,131,797,703	41,259,452,075
Levy in cents per \$100 of assessed valuation		
General Fund	5.67	
Capital Improvement Fund	<u>1.00</u>	<u> </u>
	<u>6.67</u>	<u> </u>

The amount of property tax prop

	<u> </u>	<u> </u>
	<u>, 7,639</u>	<u> </u>

	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

	7.132	
		

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2014	2013
Books and supplies	2,222,902	2,215,631
Parts	130,262	141,919
Livestock and grain	77,079	55,782
	<u>2,430,243</u>	<u>2,413,332</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	June 30, 2013	Additions	Deletions	June 30, 2014
Capital assets not being depreciated				
Land	1,674,000	-	-	1,674,000
Construction in progress	<u>34,377</u>	<u>775,354</u>	<u>34,377</u>	<u>775,354</u>
Total	<u>1,708,377</u>	<u>775,354</u>	<u>34,377</u>	<u>2,449,354</u>
Capital assets being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	74,549,536	1,243,795	-	75,793,331
Leasehold improvements	29,651	-	-	29,651
Equipment	<u>25,790,978</u>	<u>2,070,941</u>	<u>1,208,081</u>	<u>26,653,838</u>
Total	<u>103,897,060</u>	<u>3,314,736</u>	<u>1,208,081</u>	<u>106,003,715</u>
Less accumulated depreciation				
Land improvements	1,370,236	113,156	-	1,483,392
Buildings	31,055,755	1,866,429	-	32,922,184
Leasehold improvements	21,868	741	-	22,609
Equipment	<u>20,238,615</u>	<u>1,773,569</u>	<u>1,176,897</u>	<u>20,835,287</u>
Total	<u>52,686,474</u>	<u>3,753,895</u>	<u>1,176,897</u>	<u>55,263,472</u>
Capital assets, net	<u>52,918,963</u>	<u>336,195</u>	<u>65,561</u>	<u>53,189,597</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

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>

	June 30, 2012	Additions	Deletions	June 30, 2013
Capital assets being depreciated				
Land improvements	2,775,8ad			

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SOUTHEAST

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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:

	2014	2013
Total payroll	49,253,112	49,337,504
Covered payroll for employees eligible for College match	40,587,485	40,236,110
Employer contributions	2,947,148	2,925,159
Employer contributions as a percentage of covered payroll	7.2600	7.27%

NOTE 11. COMMITMENTS

As of June 30, 2014, the College had \$4,045,720 in commitments on construction contracts. As of June 30, 2013, the College had \$64,847 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, 2014 and 2013, totaled \$1,240,003 and \$1,127,379, respectively.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 13. BUDGET PROCESS (Continued)

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

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ACCOMPANYING INFORMATION

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULES OF GENERAL FUND REVENUES
 BUDGETARY BASIS
 YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
State aid	25,627,426	24,840,891
Property taxes	26,002,422	24,818,667
Tuition	21,471,484	22,497,232
Other income	661,116	421,154
(Add) to/use cash reserves	<u>(5,363,948)</u>	<u>(3,527,517)</u>
	<u>68,398,500</u>	<u>69,050,427</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 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.

The property valuation for Southeast Community College Area as reported by County Assessor in late August 2014 for use in property tax revenue for June 30, 2015, was \$49,280,233,138. The General Fund property tax rate for June 30, 2015, is 4.98 cents per \$100 of valuation.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GE

_____ 132,

accounting. equipment

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

Federal Grantor Program Title	Pass-Through Grantor	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Education</u>				
PELL Grant Program				
Federal Direct Loan				
Federal Work-Study Program				
Federal Supplemental Education Opportunity Grant Program				
TRIO Support Services				
TRIO Upward Bound				
CCAMPIS				
<hr/>				
<hr/>				
Pass-Through Programs From:				
Nebraska Department of Education				
Adult Basic Education			94-5000-000	
Vocational Education			94-5000-000	
Local Educational Agencies Family Literacy			94-5000-000	
<hr/>				
<hr/>				
Coordinating Commission Post Secondary Education				
Access College Early				
College Access Challenge Grant				
<hr/>				
Total U.S. Department of Education				
<hr/>				
<hr/>				
U.S. Department of Education				
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Department				
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				<u>44,285</u>

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2014

Federal Grantor Pass-Through Grantor Program Title	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>National Science Foundation</u>			
Secure IT Cybersecurity		47.046	22,454
<u>Small Business Administration</u>			
Nebraska Business Development Center		59.037	71,141
U.S. Department of State			
IREX Global Undergrad		00.000	1,266
TOTAL EXPENDITURES OF FEDERAL AWARDS			138

See accompanying notes to schedule.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2014

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the fe

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LINCOLN, NEBRASKA 68508

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

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 one instance of noncompliance or other matters that is required to be reported under Missouri law as described in the accompanying schedule of findings and responses as item 2014-001.

Southeast Community College Area's Response to Findings

Southeast Community College Area's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Southeast Community College Area's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is to provide information to the Board of Directors and the public regarding the results of our audit.



DANA F COLE & COMPANY, LLP

CERTIFIED PUBLIC ACCOUNTANTS

1248 O STREET, SUITE 500

LINCOLN, NEBRASKA 68508

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

To the Board of Governors
So

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.

Dana F. Cole + Company, LLP

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2014

SECTION 1 SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Internal control over financial reporting:

Material weakness identified:

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

Noncompliance in accordance with the financial
statements disclosed:

Federal Awards

Internal control over major programs:

Material weakness identified:

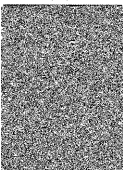
Significant deficiencies identified
that are not considered to be
material weaknesses:

Type of auditors' report issued on

compliance with financial

provisions

related to



Southeast Community College Area's Response

SOUTHEAST COMMUNITY COLLEGE AREA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

No matters were reported for the year ended June 30, 2013.