

SOUTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016



**DANA F. COLE
& COMPANY^{LLP}**
CERTIFIED PUBLIC ACCOUNTANTS

SOUTHEAST COMMUNITY COLLEGE AREA
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**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, 2017 and 2016, 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 11 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, 2017 and 2016, 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 10 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, schedules 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, 2017, 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* in considering Southeast Community College Area's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 14, 2017

**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, 2017 and 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.

Figure 1.
Southeast Community College Area Net Assets
(in thousands of dollars)



SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 1
NET POSITION
(in thousands of dollars)

	2017	2016	2015
Current assets	63,431	60,270	53,238
Noncurrent assets	720	625	11,184
Capital assets	<u>70,812</u>	<u>68,301</u>	<u>61,741</u>
Total assets	<u>134,963</u>	<u>129,196</u>	<u>126,163</u>
Current liabilities	<u>5,748</u>	<u>5,465</u>	<u>8,652</u>
Net Position			
Invested in capital assets, net of related debt	70,812	68,301	61,742
Restricted	10,179	8,366	6,994
Unrestricted	<u>48,224</u>	<u>47,064</u>	<u>48,775</u>
Total net position	<u>129,215</u>	<u>123,731</u>	<u>117,511</u>

Net position of the College increased by 4.43% (\$5,484 thousands) for the fiscal year ended June 30, 2017. The increase in net position is due to the following factors:

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

An increase in net assets invested in capital assets due to the construction of The Career Academy and other major remodel/maintenance projects including culinary and roof replacement.

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

	2017	2016	2015
Operating revenue			
Student tuition and fees	17,646	20,288	20,713
Grants and contracts	11	6	17
Sales educational departments	1,146	1,195	1,238
Auxiliary enterprises	8,587	9,078	9,679
Other	<u>1,631</u>	<u>2,976</u>	<u>279</u>
Total operating revenue	<u>29,021</u>	<u>33,543</u>	<u>31,926</u>

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

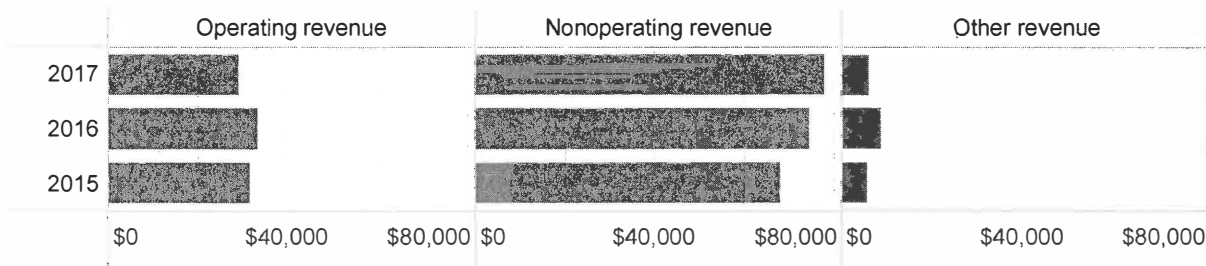
TABLE 2
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION (Continued)
(in thousands of dollars)

	2017	2016	2015
Operating expenses			
Personnel services	70,982	68,377	64,431
Operating expenses	27,833	27,798	28,146
Travel	591	847	833
Capital assets not capitalized	2,718	8,503	3,286
Depreciation	<u>5,427</u>	<u>4,677</u>	<u>4,084</u>
Total operating expenses	<u>107,551</u>	<u>110,202</u>	<u>100,780</u>
Net operating loss	<u>(78,530)</u>	<u>(76,659)</u>	<u>(68,854)</u>
Nonoperating revenue			
State aid	27,096	27,528	26,553
Property taxes	35,983	31,735	24,290
Grants and contracts	14,763	15,075	17,389
Investment income	<u>158</u>	<u>109</u>	<u>99</u>
Net nonoperating revenue	<u>78,000</u>	<u>74,447</u>	<u>68,331</u>
Other revenue			
Capital appropriations	5,889	8,370	5,545
Capital grants	-	-	-
Gain on disposal of assets	<u>125</u>	<u>62</u>	<u>177</u>
Net other revenue	<u>6,014</u>	<u>8,432</u>	<u>5,722</u>
Increase in net assets	5,484	6,220	5,199
Net Position			
Net position, beginning of year	<u>123,731</u>	<u>117,511</u>	<u>112,312</u>
Net position, end of year	<u><u>129,215</u></u>	<u><u>123,731</u></u>	<u><u>117,511</u></u>

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

REVENUES

Figure 2.
Southeast Community College Area Revenues
(in thousands of dollars)



Comments regarding revenues are as follows:

Operating revenues decreased by 13% (\$2,643 thousands) between fiscal 2017 and 2016. There was a slight decrease in enrollment however this was partially offset by an increase in tuition rates. The majority of the decrease in student tuition and fees resulted from a termination of a contract between SCC and John Deere to provide training services in September 2016.

Valuations increased by 3.8%. The general fund levy increased \$0.53 cents, the CIF levy decreased \$0.53 cents per \$100 valuation. The ADA/Hazardous Waste levy decreased \$0.05 cents. Total property tax levy for fiscal 16-17 was 7.52 cents compared to the fiscal 15-16 levy of 7.57 cents.

EXPENSES

Figure 3.
Southeast Community College Area Expenses
(in thousands of dollars)



Comments about expenses are as follows:

Personnel services continue to be the primary expenditure category and are 66% of General Fund expenditures.

Total expenditures decreased by 2.4% primarily due to a decrease in the amount spent on maintenance 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)

	2017	2016	2015
Cash provided (used) by:			
Operating activities	(72,183)	(71,289)	(63,008)
Noncapital financing activities	76,322	71,879	69,490
Capital and related financing activities	(368)	(4,047)	(7,665)
Investing activities	<u>10,381</u>	<u>548</u>	<u>21</u>
Net increase (decrease) in cash and cash equivalents	14,152	(2,909)	(1,162)
Cash and cash equivalents, beginning of year	<u>26,434</u>	<u>29,343</u>	<u>30,505</u>
Cash and cash equivalents, end of year	<u><u>40,586</u></u>	<u><u>26,434</u></u>	<u><u>29,343</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 decreased during the year ended June 30, 2017, primarily to less construction costs associated with The Career Academy.

Cash used for investing activities increased due to an investment maturing and held as a cash equivalent.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2017, the College had \$70,812 thousands invested in capital assets, net of accumulated depreciation. Depreciation charges for the fiscal years ended June 30, 2017 and 2016, totaled \$5,427 and \$4,677 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)

	2017	2016	2015
Land	2,363	1,674	1,674
Land improvements	1,704	1,817	1,930
Buildings	59,602	57,457	51,714
Equipment	7,143	7,353	6,423
	70,812	68,301	61,741

Debt

The College does not have any outstanding debt at June 30, 2017 and 2016.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

A weak farm economy may continue to hamper the state's growth over the next several years thus effecting state aid appropriated to the community colleges. The initial 16-17 state aid appropriation to community colleges increased 3% over the appropriation for fiscal 15-16. However during the 16-17 fiscal year, the appropriation was reduced by 4% due to revenue projections that were less than forecasted.

The state aid appropriation for fiscal 17-18 was .5% less than the original appropriation for 16-17. Due to the economic forecast, the community colleges were recently notified the available allotment in both the third and fourth quarters of fiscal 16-17 will be reduced by 1% of the appropriation. This will represent a 2% reduction in state aid for community colleges.

The College Board of Governors has recently taken the following actions:

Increased the general fund property tax levy to 7.07 cents per \$100 valuation and increase the CIF property tax levy to 2.00 cents.

Property valuations for 2017 increased 3.8% over the previous year.

Resident tuition and fee rates were increased by 7.1% for the fiscal year beginning July 1, 2017.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2017 AND 2016

	2017		2016	
	College	Foundation	College	Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	40,585,739	114,131	26,434,205	21,329
Short-term investments	1,690,688	1,368,005	11,782,282	1,179,097
Property taxes receivable	15,196,358	-	14,659,718	-
Accounts receivable (net)	1,846,865	200,493	3,696,409	137,508
Interest receivable	55,105	45,126	285,019	47,242
Inventories	2,146,112	-	2,253,759	-
Prepaid expense	1,910,137	-	1,158,911	-
Total current assets	<u>63,431,004</u>	<u>1,727,755</u>	<u>60,270,303</u>	<u>1,385,176</u>
Noncurrent Assets				
Deposits with vendors	42,097	-	42,097	-
Pledges receivable	-	12,000	-	24,450
Endowment investments	-	20,669,694	-	19,248,061
Long-term investments	511,830	-	411,793	-
Prepaid expenses	166,134	-	169,998	-
Capital assets, net	<u>70,812,155</u>	<u>758,562</u>	<u>68,301,385</u>	<u>758,562</u>
Total noncurrent assets	<u>71,532,216</u>	<u>21,440,256</u>	<u>68,925,273</u>	<u>20,031,073</u>
TOTAL ASSETS	<u>134,963,220</u>	<u>23,168,011</u>	<u>129,195,576</u>	<u>21,416,249</u>
LIABILITIES				
Current Liabilities				
Accounts payable	1,863,241	101,989	2,592,971	32,238
Accrued salaries	2,826,868	-	2,392,629	-
Deferred revenue	827,129	16,492	263,918	16,842
Deposits	230,864	-	215,099	-
Total current liabilities	<u>5,748,102</u>	<u>118,481</u>	<u>5,464,617</u>	<u>49,080</u>
TOTAL LIABILITIES	<u>5,748,102</u>	<u>118,481</u>	<u>5,464,617</u>	<u>49,080</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

	2017		2016	
	College	Foundation	College	Foundation
NET POSITION				
Invested in capital assets, net of related debt	70,812,155	758,562	68,301,385	758,562
Restricted for:				
Nonexpendable				
Scholarships and fellowships	-	7,875,082	-	7,505,260
Expendable				
Scholarships and fellowships	-	13,068,549	-	11,519,748
Loans	-	-	-	-
ADA/Hazardous Waste	146,115	-	21,767	-
Capital projects	10,032,654	-	8,344,075	-
Unrestricted	48,224,194	1,347,337	47,063,732	1,583,599
 TOTAL NET POSITION	 129,215,118	 23,049,530	 123,730,959	 21,367,169

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016	
	College	Foundation	College	Foundation
OPERATING REVENUES				
Student tuition and fees	17,645,539	-	20,288,067	-
Nongovernmental grants and contracts	11,135	-	6,379	-
Sales and services of educational departments	1,145,575	-	1,194,573	-
Auxiliary enterprises	8,587,631	-	9,078,162	-
Other operating income	1,630,865	218,499	2,975,797	182,768
Total operating revenues	<u>29,020,745</u>	<u>218,499</u>	<u>33,542,978</u>	<u>182,768</u>
OPERATING EXPENSES				
Personnel services	70,981,374	121,843	68,376,574	120,460
Operating expenses	27,832,691	1,781,702	27,797,721	1,728,427
Travel	591,166	-	846,925	-
Capital assets not capitalized	2,718,282	-	8,503,641	-
Depreciation	5,427,490	-	4,677,182	-
Total operating expenses	<u>107,551,003</u>	<u>1,903,545</u>	<u>110,202,043</u>	<u>1,848,887</u>
OPERATING LOSS	<u>(78,530,258)</u>	<u>(1,685,046)</u>	<u>(76,659,065)</u>	<u>(1,666,119)</u>
NONOPERATING REVENUES				
Governmental appropriations				
State aid	27,095,637	-	27,527,755	-
Property taxes	35,983,358	-	31,734,922	-
Governmental grants and contracts				
Federal	13,568,816	-	13,915,522	-
State	1,074,371	-	1,159,644	-
Nongovernmental grants and contracts				
	120,000	-	-	-
Gifts	-	2,048,007	-	2,001,788
Investment income	158,123	1,319,400	108,882	1,113,788
Net nonoperating revenues	<u>78,000,305</u>	<u>3,367,407</u>	<u>74,446,725</u>	<u>3,115,576</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(529,953)</u>	<u>1,682,361</u>	<u>(2,212,340)</u>	<u>1,449,457</u>

SOUTHEAST COMMUNITY COLLEGE AREA
 STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 YEARS ENDED JUNE 30, 2017 AND 2016

	2017		2016	
	College	Foundation	College	Foundation
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
Capital appropriations	5,889,335	-	8,369,545	-
Gain on disposal of capital assets	124,777	-	62,055	-
Total other revenues, expenses, gains, or losses	<u>6,014,112</u>	<u>-</u>	<u>8,431,600</u>	<u>-</u>
INCREASE IN NET POSITION	5,484,159	1,682,361	6,219,260	1,449,457
NET POSITION, beginning of year	<u>123,730,959</u>	<u>21,367,169</u>	<u>117,511,699</u>	<u>19,917,712</u>
NET POSITION, end of year	<u>129,215,118</u>	<u>23,049,530</u>	<u>123,730,959</u>	<u>21,367,169</u>

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	25,110,525	27,664,922
Grants and contracts	12,370	3,332
Payments for personnel services	(70,547,136)	(68,080,985)
Payments for operating expenses	(31,147,360)	(40,587,739)
Payments for scholarship allowances	(8,293,706)	(7,798,364)
Sales and services of educational departments	1,145,575	1,194,604
Auxiliary enterprises charges	9,881,325	13,083,456
Other receipts (payments)	<u>1,665,742</u>	<u>3,232,018</u>
Net cash used in operating activities	<u>(72,172,665)</u>	<u>(71,288,756)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State aid appropriations	27,095,637	27,527,755
Property taxes - General Fund and ADA/Hazardous Waste	34,497,798	29,278,221
Gifts and grants for other than capital purposes	14,717,867	15,072,917
Student loans receipts	19,090,417	24,313,309
Student loans disbursements	<u>(19,090,417)</u>	<u>(24,313,309)</u>
Net cash provided by noncapital financing activities	<u>76,311,302</u>	<u>71,878,893</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Property taxes - Capital Improvement Fund	6,838,254	7,128,485
Proceeds from sale of capital assets	124,777	69,176
Purchases of capital assets	<u>(7,330,657)</u>	<u>(11,244,177)</u>
Net cash used in capital financing activities	<u>(367,626)</u>	<u>(4,046,516)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	11,619,489	1,740,706
Interest on investments	388,037	29,541
Purchase of investments	<u>(1,627,003)</u>	<u>(1,222,521)</u>
Net cash provided by investing activities	<u>10,380,523</u>	<u>547,726</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
NET DECREASE IN CASH AND CASH EQUIVALENTS	14,151,534	(2,908,653)
CASH AND CASH EQUIVALENTS, beginning of year	<u>26,434,205</u>	<u>29,342,858</u>
CASH AND CASH EQUIVALENTS, end of year	<u>40,585,739</u>	<u>26,434,205</u>
Reconciliation of Net Operating Loss to Net Net Cash Used in Operating Activities		
Operating loss	<u>(78,530,258)</u>	<u>(76,659,065)</u>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expenses	5,427,490	4,677,182
Changes in assets and liabilities:		
Accounts receivable (net)	1,849,546	3,478,932
Inventories	107,647	179,054
Prepaid expense	(747,363)	220,808
Accounts payable	(729,730)	(3,538,026)
Accrued salaries	434,238	295,589
Deposits	<u>15,765</u>	<u>56,770</u>
Net cash used in operating activities	<u>(72,172,665)</u>	<u>(71,288,756)</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, which is based on historical collection experience and a review of the accounts receivable listing.

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, 2017 and 2016, the College's bank balance of \$45,665,653 and \$40,479,081, respectively, was exposed to custodial credit risk as follows:

	2017	2016
Insured	2,533,132	2,620,825
Uninsured and collateralized	43,132,521	37,858,256
Uninsured and uncollateralized	-	-
	45,665,653	40,479,081

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, 2017 and 2016, are summarized as follows:

Investment Type	2017 Fair Value	2016 Fair Value
POAA note receivable	163,000	163,000
Certificates of deposit	<u>2,039,518</u>	<u>12,031,075</u>
	<u>2,202,518</u>	<u>12,194,075</u>

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2017, were due December 31, 2016, and became delinquent in April to September of 2017. 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, 2017 and 2016, were as follows:

	2017	2016
Assessed valuation	55,633,175,614	53,607,947,512
Levy in cents per \$100 of assessed valuation		
General Fund	6.47	5.94
Capital Improvement Fund	1.05	1.58
ADA/Hazardous Waste Fund	-	0.05
	<u>7.52</u>	<u>7.57</u>

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

	2017	2016
General Fund	13,085,057	11,514,542
Capital Improvement Fund	2,111,301	3,060,221
ADA/Hazardous Waste Fund	-	84,955
Total	<u>15,196,358</u>	<u>14,659,718</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:

	2017	2016
General Fund	427,002	389,440
Capital Improvement Fund	67,971	103,853
ADA/Hazardous Waste Fund	-	3,560
Total	<u>494,973</u>	<u>496,853</u>

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2017	2016
Federal nonexchange grants	1,796,577	1,442,528
Tuition and fees	6,924,930	6,563,932
Other	(931,068)	272,750
	<u>7,790,439</u>	<u>8,279,210</u>
Allowance for uncollectible accounts	(5,943,574)	(4,582,801)
Total accounts receivable, net	<u>1,846,865</u>	<u>3,696,409</u>

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2017	2016
Books and supplies	1,884,702	1,936,822
Parts	129,684	145,340
Livestock and grain	131,726	171,597
	<u>2,146,112</u>	<u>2,253,759</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	June 30, 2016	Additions	Deletions	June 30, 2017
Capital assets not being depreciated				
Land	1,674,000	74,576	-	1,748,576
Construction in progress	-	614,043	-	614,043
Total	<u>1,674,000</u>	<u>688,619</u>	<u>-</u>	<u>2,362,619</u>
Capital assets being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	94,719,199	5,006,209	-	99,725,408
Leasehold improvements	29,651	-	-	29,651
Equipment	31,097,804	2,249,872	414,461	32,933,215
Total	<u>129,373,549</u>	<u>7,256,081</u>	<u>414,461</u>	<u>136,215,169</u>
Less accumulated depreciation				
Land improvements	1,709,704	113,156	-	1,822,860
Buildings	37,267,767	2,860,102	-	40,127,869
Leasehold improvements	24,091	742	-	24,833
Equipment	23,744,602	2,453,490	408,021	25,790,071
Total	<u>62,746,164</u>	<u>5,427,490</u>	<u>408,021</u>	<u>67,765,633</u>
Capital assets, net	<u>68,301,385</u>	<u>2,517,210</u>	<u>6,440</u>	<u>70,812,155</u>

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
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	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>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	June 30, 2015	Additions	Deletions	June 30, 2016
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	<u>22,129,161</u>	<u>2,233,104</u>	<u>617,663</u>	<u>23,744,602</u>
Total	<u>58,686,645</u>	<u>4,677,182</u>	<u>617,663</u>	<u>62,746,164</u>
Capital assets, net	<u>62,516,865</u>	<u>6,566,994</u>	<u>782,474</u>	<u>68,301,385</u>

NOTE 7. ACCRUED SALARIES

Accrued salaries for the fiscal years ended June 30, 2017 and 2016, were composed of the following:

	2017	2016
Accrued salaries	843,726	727,623
Accrued compensated absences	<u>1,983,142</u>	<u>1,665,006</u>
	<u>2,826,868</u>	<u>2,392,629</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:

	2017	2016
Tuition and fees	4,543,898	4,606,676
Room and board	601,210	587,941
Bookstore	<u>1,085,183</u>	<u>1,184,487</u>
	<u>6,230,291</u>	<u>6,379,104</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:

	2017	2016
Education and general		
Instruction	48,404,617	47,981,680
Academic support	7,125,304	7,079,333
Student services	4,763,593	4,594,815
Institutional support	17,332,158	15,359,824
Physical plant	10,443,475	16,185,822
Depreciation	5,427,490	4,677,182
Student financial aid	5,683,663	5,572,667
Auxiliary enterprises	8,370,703	8,750,720
	<u>107,551,003</u>	<u>110,202,043</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 8.5% 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:

	2017	2016
Total payroll	55,430,732	53,590,710
Covered payroll for employees eligible for College match	46,255,596	44,217,198
Employer contributions	3,560,325	3,323,588
Employer contributions as a percentage of covered payroll	7.70%	7.52%

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 11. COMMITMENTS

As of June 30, 2017, the College had \$3,705,197 in commitments on construction contracts. As of June 30, 2016, the College had no 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, 2017 and 2016, totaled \$1,627,038 and \$1,583,029, 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, 2017, was the Trust's

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 14. RISK MANAGEMENT (Continued)

twenty-first year of operations. In May 2017, the Board of Directors of the Trust declared a dividend of \$71,118 to be used to offset total contributions for the 2018 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, 2017, 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, 2017 AND 2016

	2017	2016
State aid	27,095,637	27,527,755
Property taxes	35,966,335	31,484,040
Tuition	19,331,951	19,939,737
Other income	1,277,036	994,090
(Add) to/use cash reserves	<u>(2,321,605)</u>	<u>(919,948)</u>
	<u>81,349,354</u>	<u>79,025,674</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 2017 for use in property tax revenue for June 30, 2018, was \$58,079,907,417. The General Fund property tax rate for June 30, 2018, is 7.07 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, 2017 AND 2016

PROGRAM CLASSIFICATION STRUCTURE

	2017	2016
INSTRUCTION		
Personnel services	40,288,479	37,714,246
Operating expenses	2,353,287	2,245,042
Travel	219,716	238,869
Equipment	<u>1,708,249</u>	<u>2,135,404</u>
	<u>44,569,731</u>	<u>42,333,561</u>
ACADEMIC SUPPORT		
Personnel services	6,205,645	6,116,915
Operating expenses	721,639	692,725
Travel	19,942	47,156
Equipment	<u>293,348</u>	<u>266,449</u>
	<u>7,240,574</u>	<u>7,123,245</u>
STUDENT SERVICE		
Personnel services	2,968,109	2,714,689
Operating expenses	395,583	559,939
Travel	36,828	52,818
Equipment	<u>58,680</u>	<u>113,498</u>
	<u>3,459,200</u>	<u>3,440,944</u>
INSTITUTIONAL ADMINISTRATION		
Personnel services	10,688,219	9,278,829
Operating expenses	6,393,581	5,848,288
Travel	105,067	101,713
Equipment	<u>919,347</u>	<u>533,019</u>
	<u>18,106,214</u>	<u>15,761,849</u>
PHYSICAL PLANT OPERATIONS		
Personnel services	4,707,887	4,500,013
Operating expenses	2,911,979	3,090,808
Travel	2,075	15
Equipment	<u>240,234</u>	<u>2,677,397</u>
	<u>7,862,175</u>	<u>10,268,233</u>
STUDENT FINANCIAL SUPPORT		
Operating expenses	<u>111,461</u>	<u>97,843</u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES
YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
GRAND TOTAL FOR COLLEGE		
Personnel services	64,858,339	60,324,692
Operating expenses	12,887,530	12,534,645
Travel	383,628	440,571
Equipment	<u>3,219,858</u>	<u>5,725,767</u>
	<u>81,349,355</u>	<u>79,025,675</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, 2017

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	9,820,660
Federal Direct Loan		84.268	19,090,417
Federal Work-Study Program		84.033	249,965
Federal Supplemental Education Opportunity Grant Program		84.007	289,236
Total Student Financial Assistance Cluster			<u>29,450,278</u>
TRIO Support Services		84.042A	221,341
TRIO Upward Bound		84.047A	276,704
Total TRIO Cluster			<u>498,045</u>
CCAMPIS		84.335	<u>98,793</u>
Pass-Through Programs From:			
Nebraska Department of Education			
Adult Basic Education	94-5000-000	84.002A	407,199
Vocational Education	94-5000-000	84.048	977,246
Title I Grants	94-5000-000	84.010	122,255
			<u>1,506,700</u>
Total U.S. Department of Education			<u>31,553,816</u>
<u>U.S. Department of Education and U.S. Department of Labor</u>			
ABE WIA Incentive Grant		17.259	23,262
TAACCCT Grants		17.282	661,053
Total U.S. Department of Education and U.S. Department of Labor			<u>684,315</u>

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2017

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	162,784
Refugee and Entrant Assistance - ESL		93.576	<u>56,498</u>
Total U.S. Department of Health and Human Services			<u>219,282</u>
<u>National Science Foundation</u>			
Secure IT Cybersecurity		47.046	<u>108,034</u>
<u>Small Business Administration</u>			
Nebraska Business Development Center		59.037	<u>73,714</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>32,639,161</u></u>

See accompanying notes to schedule.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Southeast Community College Area under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Southeast Community College Area it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Southeast Community College Area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Southeast Community College Area provided no federal awards to subrecipients.

NOTE 4. INDIRECT COST RATE

The Southeast Community College Area has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

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 11, 2017 and September 14, 2017, at the institution's facilities as follows:

Location	Description of Facility	Dates Visited
Lincoln, Nebraska	Administrative and Student Financial Aid offices	September 11, 2017 to September 14, 2017
Beatrice, Nebraska	Administrative and Student Financial Aid offices	September 11, 2017 to September 14, 2017
Milford, Nebraska	Administrative and Student Financial Aid offices	September 11, 2017 to September 14, 2017

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, 2017, 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, 2017.

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, 2017



**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, 2017. 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, 2017.

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, 2017

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2017

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: Yes No

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

Noncompliance matter to the financial statements disclosed: Yes No

Federal Awards

Internal control over major programs:

Material weakness identified: Yes No

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

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a): Yes No

Identification of major programs:

FPELL	84.063
Federal Direct Loan Program	84.268
Federal Supplemental Education Opportunity Grant	84.007
Federal Work-Study	84.033
Vocational Education	84.048

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

Auditee qualified as a low-risk auditee: Yes No

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

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, 2017

There were no prior year audit findings and recommendations that required resolution for the year ended June 30, 2016.