

NORTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

NORTHEAST COMMUNITY COLLEGE AREA  
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DANA F. COLE & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Governors  
Northeast Community College Area  
Norfolk, Nebraska

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the report of other auditors provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Northeast Community College Area as of June 30, 2012 and 2011, and changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 5, 2012, on our consideration of Northeast Community College Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the College's basic financial statements. The accompanying information, including the Schedules of General Fund Revenues and General Fund Expenditures (presented on the College's budgetary basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America) and the Schedule of Expenditures of Federal Awards which is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying information, including the Schedules of General Fund Revenues, the Schedule of General Fund Expenditures, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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.

Dana J Cole + Company, LLP

Grand Island, Nebraska  
October 5, 2012

## NORTHEAST COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Northeast Community College Area's annual financial report presents managements' discussion and analysis of the College's financial performance, as reflected in the financial statements for the fiscal years ended June 30, 2012 and 2011. Northeast Community College Foundation is a legally separate not-for-profit corporation and is reported as a discretely presented component unit based on the nature and significance of its relationship to the College. The Management's Discussion and Analysis does not contain information of the Foundation.

### USING THIS ANNUAL REPORT

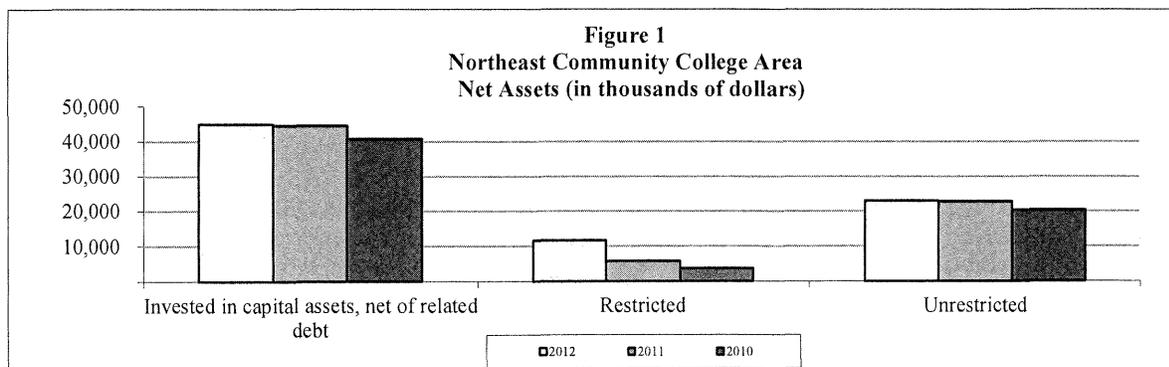
This discussion and analysis is intended to serve as an introduction to the College's basic financial statements and notes to the financial statements. The financial statements include three components: the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These components provide information on the College as a whole and present both short-term and long-term view of the College's finances.

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

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

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

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



NORTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 1  
NORTHEAST COMMUNITY COLLEGE AREA  
NET ASSETS  
(in thousands of dollars)

	2012	2011	2010
Current assets	38,031	32,316	29,269
Noncurrent assets	120	123	131
Capital assets	<u>56,043</u>	<u>56,774</u>	<u>55,249</u>
Total assets	<u>94,194</u>	<u>89,213</u>	<u>84,649</u>
Current liabilities	3,861	4,288	5,711
Noncurrent liabilities	<u>10,691</u>	<u>11,770</u>	<u>14,159</u>
Total liabilities	<u>14,552</u>	<u>16,058</u>	<u>19,870</u>
Net Assets			
Invested in capital assets, net of related debt	44,959	44,589	40,757
Restricted	11,651	5,773	3,654
Unrestricted	<u>23,032</u>	<u>22,793</u>	<u>20,368</u>
Total net assets	<u>79,642</u>	<u>73,155</u>	<u>64,779</u>

Net assets of the College increased by 8.87% (\$6,488 thousands) and 12.93% (\$8,376 thousands) for the fiscal years ended June 30, 2012 and 2011. The increase in net assets is due to the following factors:

An increase in net assets invested in capital assets net of related debt due to construction in progress, capital assets purchased, and early retirement of outstanding debt.

An increase in restricted net assets due to reduced spending for capital assets.

An increase in unrestricted net assets due to lower than expected expenditures.

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

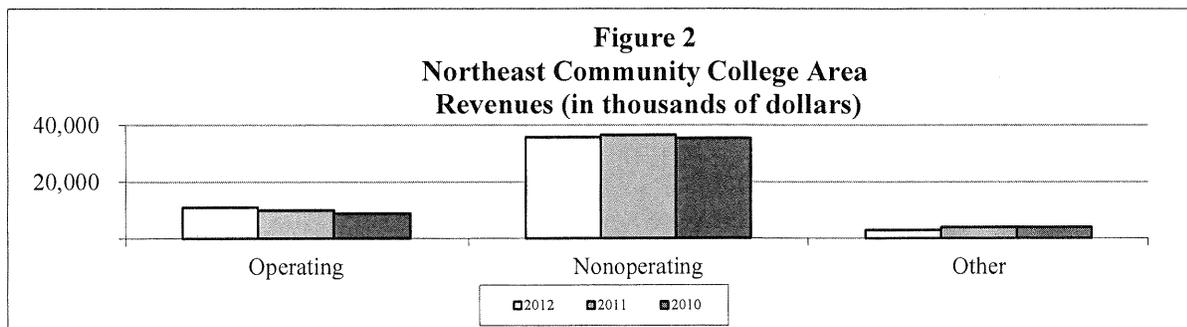
	2012	2011	2010
Operating Revenue			
Student tuition and fees	5,785	5,584	5,447
Sales educational departments	610	725	462
Auxiliary enterprises	3,978	3,065	2,362
Other	<u>684</u>	<u>629</u>	<u>639</u>
Total operating revenue	<u>11,057</u>	<u>10,003</u>	<u>8,910</u>
Operating Expenses			
Personnel services	26,473	25,562	23,119
Operating expenses	11,196	11,527	10,588

NORTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2012	2011	2010
Operating Expenses (Continued)			
Supplies	1,700	1,625	1,542
Travel	404	283	270
Assets not capitalized	727	801	891
Depreciation/amortization	<u>2,657</u>	<u>2,312</u>	<u>1,893</u>
Total operating expenses	<u>43,157</u>	<u>42,110</u>	<u>38,303</u>
Net operating loss	<u>(32,100)</u>	<u>(32,107)</u>	<u>(29,393)</u>
Nonoperating Revenue (Expense)			
Federal and State aid	12,227	13,087	13,307
Property taxes	15,828	14,888	14,745
Grants and contracts	7,827	8,250	7,821
Investment income	69	105	149
Capital debt expenses	(493)	(622)	(497)
Other nonoperating revenue	<u>208</u>	<u>773</u>	<u>(179)</u>
Net nonoperating revenue (expense)	<u>35,666</u>	<u>36,481</u>	<u>35,346</u>
Other Revenue			
Capital appropriations	1,771	1,641	13
Capital grants/gifts	<u>1,150</u>	<u>2,361</u>	<u>3,910</u>
Net other revenue	<u>2,921</u>	<u>4,002</u>	<u>3,923</u>
Increase in net assets	6,487	8,376	9,876
Net Assets			
Net assets, beginning of year	<u>73,155</u>	<u>64,779</u>	<u>54,903</u>
Net assets, end of year	<u>79,642</u>	<u>73,155</u>	<u>64,779</u>

**REVENUES**



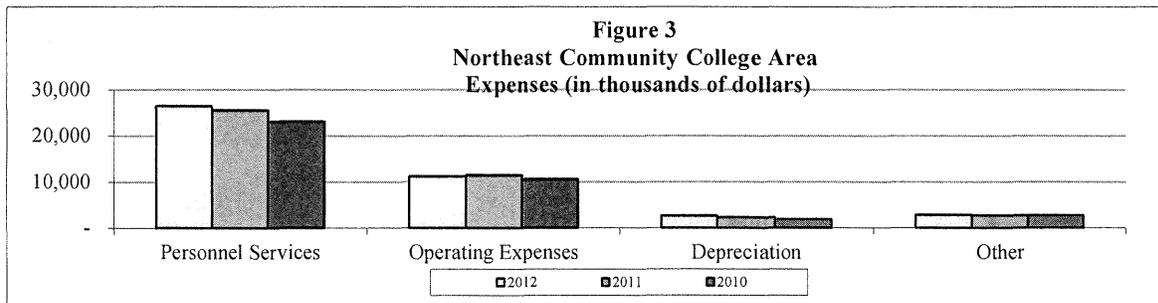
NORTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

Comments regarding revenues are as follows:

Tuition and fee rates for 2011-2012 increased by 5.05%, and enrollment decreased by 5.80%; Auxiliary Enterprise revenues increased as a result of operating funds from jointly owned College of Nursing and College Center facilities as well as increased revenues from bookstore operations.

Property tax levy increased from \$.088500 to \$.095253 per \$100 of valuation and property valuations increased by 5.68% resulting in an increase of property tax revenue. State aid decreased by 4.72%.

**EXPENSES**



Comments regarding expenses are as follows:

The most significant change in operating expenses was in the area of personnel services. The increase in this category was primarily a result of an average 2.30% increase in employee compensation package for the 2011-2012 fiscal year.

**THE STATEMENT OF CASH FLOWS**

Another way to assess the financial health of the College is to look at the Statement of Cash Flows. The purpose of the Statement 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  
NORTHEAST COMMUNITY COLLEGE AREA  
CASH FLOWS  
(in thousands of dollars)

	2012	2011	2010
Cash provided (used) by:			
Operating activities	(29,497)	(30,114)	(27,227)
Noncapital financing activities	36,014	38,789	32,266
Capital and related financing activities	(1,329)	(5,087)	(6,891)
Investing activities	<u>8,920</u>	<u>1,209</u>	<u>(3,048)</u>
Net increase (decrease) in cash and cash equivalent	14,108	4,797	(4,900)
Cash and cash equivalents, beginning of year	<u>11,125</u>	<u>6,328</u>	<u>11,228</u>
Cash and cash equivalents, end of year	<u>25,233</u>	<u>11,125</u>	<u>6,328</u>

NORTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

The change to cash flow was the result of the following:

Cash used by operating activities consists of:

Major revenue sources of tuition, 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 Materials Fund, and Nonexchange Grants.

Cash used by capital and related financing activities consists of:

Property taxes for the Capital Improvement Fund and proceeds from capital campaign funds.

Major expenditures for capital construction.

Cash used by investing activities decreased as a result of fewer investments purchased.

**NOTES TO FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in all of the basic financial statements.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital Assets

At June 30, 2012 and 2011, the College had \$56,043 thousands and \$56,774 thousands invested in capital assets, net of accumulated depreciation of \$23,412 thousands and \$20,899 thousands. Depreciation charges totaled \$2,649 thousands for the current fiscal year. Details of capital assets for the fiscal year ended June 30 are as follows:

TABLE 4  
NORTHEAST COMMUNITY COLLEGE AREA  
CAPITAL ASSETS  
(net of depreciation, in thousands of dollars)

	2012	2011	2010
Land	2,899	2,899	2,899
Land improvements	4,395	4,395	4,395
Construction in progress	541	145	11,338
Buildings	44,754	45,797	33,290
Equipment	3,454	3,538	3,327
	56,043	56,774	55,249

NORTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2012
Equipment purchases, from general operating funds and capital grants	1,064
Applied Technology Building, capital improvement funds	130
Physical Plant Building, capital improvement funds	61
College of Nursing, from private donations	(80)
South Sioux City College Center, from private donations and capital improvement funds	61
Echtenkamp Building Renovations, from capital improvement funds	9
Veterinary Technology Building, from capital improvement funds	11
Wind Turbine, from capital grants and general funds	348
Pedestrian Mall, capital improvement funds	316
College Welcome Center Courtyard, capital improvement funds	10
Learning Resource Center roof replacement, from capital improvement funds	19

The College has planned capital expenditures for the fiscal year ending June 30, 2013, of approximately \$9,341 thousands.

Equipment financed by General Fund, student fees and capital grants will total \$1,139 thousands.

Other capital construction projects of \$8,202 thousands will be financed from Capital Improvement Funds and ADA/Hazardous Materials Funds.

Debt

At June 30, 2012 and 2011, the College had \$11,084, and \$12,185 thousands in debt outstanding. The decrease is the result of a bond debt refinancing for the construction of the 2003 dorm addition.

TABLE 5  
NORTHEAST COMMUNITY COLLEGE AREA  
OUTSTANDING DEBT  
(in thousands of dollars)

	2012	2011	2010
1997 Lifelong Learning Center revenue bonds	710	780	845
2003 Dormitory revenue bonds	-	3,985	4,195
2008 Welcome Center revenue bonds	7,130	7,420	7,700
2010 College of Nursing revenue note	-	-	1,752
2012 Dormitory revenue bonds	3,355	-	-
	11,195	12,185	14,492

NORTHEAST COMMUNITY COLLEGE AREA  
MANAGEMENT'S DISCUSSION AND ANALYSIS

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The economic position of Northeast Community College Area is closely tied to that of the State. LB59 specifies the state aid distribution for the community colleges. The amended bill establishes community college system funding at 2011-12 levels. Northeast will receive 14.04% of the total, which is \$156,142 more than the previous year.

Tuition rates were increased by \$3.00 (3.39%) for resident students and \$3.75 (3.51%) for nonresident students effective with the Fall 2012 semester.

General Fund property tax levy for the 2012-13 fiscal year was set at 8.5253 cents per \$100 of valuation, a 0.0000 cent increase from the 2011-12 levy. The Capital Improvement Fund tax levy was set to 1.0000 cents per \$100 of valuation, a .0000 cent increase from the 2011-12 levy. The HAZMAT/ADA tax levy was set to 0.3000 cents per \$100 of valuation, a .0030 increase from the 2011-12 levy.

**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 Business Officer,

Lynne Koski, Vice President of Administrative Services  
801 East Benjamin Avenue  
P.O. Box 469  
Norfolk, NE 68701-0469

(402) 844-7036  
lynne@northeast.edu

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

	2012		2011	
	College	Foundation	College	Foundation
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	24,562,195	476,585	9,902,188	402,923
Cash and cash equivalents - Restricted	670,623	40,000	1,223,083	40,000
Investments	2,050,376	3,796,592	10,900,000	3,483,859
Accounts receivable (net)	1,390,932	1,930,341	1,722,397	3,047,148
Property taxes receivable	7,899,580	-	7,384,361	-
Prepaid expenses	366,079	-	350,939	-
Inventories	1,091,386	-	832,942	-
Total current assets	38,031,171	6,243,518	32,315,910	6,973,930
Noncurrent Assets				
Bond issue costs (net)	120,357	-	122,745	-
Capital assets (net)	56,042,624	-	56,773,730	-
Total noncurrent assets	56,162,981	-	56,896,475	-
<b>TOTAL ASSETS</b>	<b>94,194,152</b>	<b>6,243,518</b>	<b>89,212,385</b>	<b>6,973,930</b>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	780,923	337	1,114,226	-
Accrued salaries	1,921,295	-	1,814,915	-
Accrued interest	17,721	-	97,901	-
Deposits	94,500	-	85,000	-
Deposits held in custody for others	222,072	-	192,275	-
Accrued early retirement incentives - current	116,157	-	139,360	-
Annuities payable - current	-	797	-	1,762
Deferred revenue - current	173,318	-	264,313	-
Bonds payable - current	535,450	-	580,000	-
Total current liabilities	3,861,436	1,134	4,287,990	1,762
Noncurrent Liabilities				
Accrued early retirement incentives	30,609	-	28,285	-
Deferred revenue	111,499	-	136,744	-
Annuities payable	-	13,212	-	30,271
Bonds payable	10,548,532	-	11,605,000	-
Total noncurrent liabilities	10,690,640	13,212	11,770,029	30,271
<b>TOTAL LIABILITIES</b>	<b>14,552,076</b>	<b>14,346</b>	<b>16,058,019</b>	<b>32,033</b>

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

	2012		2011	
	College	Foundation	College	Foundation
NET ASSETS				
Invested in capital assets, net of related debt	44,958,642	-	44,588,730	-
Restricted for:				
Nonexpendable				
Scholarships	-	3,561,077	-	3,208,671
Expendable				
Scholarships and grants	397,984	2,243,486	352,636	3,442,915
Loans	7,260	-	7,260	-
Capital projects	6,983,573	-	4,039,536	-
Debt service	4,262,779	-	1,373,283	-
Unrestricted	23,031,838	424,609	22,792,921	290,311
 TOTAL NET ASSETS	 79,642,076	 6,229,172	 73,154,366	 6,941,897

See accompanying notes to financial statements.

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

	<u>2012</u>		<u>2011</u>	
	College	Foundation	College	Foundation
<b>OPERATING REVENUES</b>				
Tuition and fees	5,784,710	-	5,583,640	-
Sales and services of educational departments	610,298	-	724,997	-
Auxiliary enterprises	3,978,130	-	3,065,347	-
Other operating income	<u>683,922</u>	<u>-</u>	<u>628,775</u>	<u>-</u>
Total operating revenues	<u>11,057,060</u>	<u>-</u>	<u>10,002,759</u>	<u>-</u>
<b>OPERATING EXPENSES</b>				
Personnel services	26,472,657	44,538	25,562,940	42,193
Operating expenses	11,196,161	20,163	11,527,079	14,222
Supplies expenses	1,699,687	312	1,625,262	595
Travel	403,797	-	282,483	-
Noncapitalized assets	727,421	-	801,239	-
Depreciation	2,648,838	-	2,303,770	-
Amortization	<u>8,223</u>	<u>-</u>	<u>8,025</u>	<u>-</u>
Total operating expenses	<u>43,156,784</u>	<u>65,013</u>	<u>42,110,798</u>	<u>57,010</u>
<b>OPERATING LOSS</b>	<u>(32,099,724)</u>	<u>(65,013)</u>	<u>(32,108,039)</u>	<u>(57,010)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Governmental appropriations				
Federal	46,297	-	302,164	-
State aid	12,180,827	-	12,784,454	-
Property taxes	15,828,399	-	14,888,177	-
Governmental grants/contracts				
Federal	7,233,397	-	7,501,405	-
State	349,138	-	404,376	-
Local	145,296	-	146,629	-
Private gifts and grants	99,000	680,335	197,474	672,627
Investment income	68,685	80,326	105,531	97,047
Interest on indebtedness	(492,898)	-	(622,171)	-
Other nonoperating revenue (expense)	<u>207,956</u>	<u>(1,408,373)</u>	<u>772,708</u>	<u>(2,286,702)</u>
Net nonoperating revenue (expenses)	<u>35,666,097</u>	<u>(647,712)</u>	<u>36,480,747</u>	<u>(1,517,028)</u>
<b>INCOME (LOSS) BEFORE OTHER REVENUE, EXPENSES, GAINS OR LOSSES</b>	<u>3,566,373</u>	<u>(712,725)</u>	<u>4,372,708</u>	<u>(1,574,038)</u>

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

	2012		2011	
	College	Foundation	College	Foundation
OTHER REVENUE, EXPENSES, GAINS OR LOSSES				
Capital appropriations	1,771,309	-	1,641,554	-
Capital grants and gifts	<u>1,150,028</u>	<u>-</u>	<u>2,360,863</u>	<u>-</u>
Total other revenue, expenses, gains or losses	<u>2,921,337</u>	<u>-</u>	<u>4,002,417</u>	<u>-</u>
INCREASE (DECREASE) IN NET ASSETS	6,487,710	(712,725)	8,375,125	(1,574,038)
NET ASSETS, beginning of year	<u>73,154,366</u>	<u>6,941,897</u>	<u>64,779,241</u>	<u>8,515,935</u>
NET ASSETS, end of year	<u><u>79,642,076</u></u>	<u><u>6,229,172</u></u>	<u><u>73,154,366</u></u>	<u><u>6,941,897</u></u>

See accompanying notes to financial statements.

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

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Tuition and fees	5,607,898	5,421,709
Payments for personnel services	(26,519,089)	(25,166,685)
Payments for other operating expenses	(13,884,117)	(14,626,069)
Sales and services of educational departments	725,974	655,418
Auxiliary enterprises	3,882,899	2,977,523
Other receipts (payments)	<u>689,094</u>	<u>623,604</u>
Net cash used in operating activities	<u>(29,497,341)</u>	<u>(30,114,500)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
State aid appropriations	12,227,124	13,086,618
Property taxes - General Fund	15,319,913	15,072,055
Gifts and grants for other than capital purposes	7,826,544	8,247,324
Student loan receipts	8,356,787	6,903,733
Student loan disbursements	(8,356,787)	(6,903,733)
Other nonoperating receipts	<u>640,306</u>	<u>2,382,790</u>
Net cash provided by noncapital financing activities	<u>36,013,887</u>	<u>38,788,787</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Property taxes - Capital Improvement Fund	1,764,578	935,904
Capital gifts and grants	1,122,325	2,335,669
Proceeds from capital debt	3,306,320	1,560,663
Purchases of capital assets	(2,535,637)	(5,419,652)
Increase (decrease) in restricted investments with bond trustee	-	1,343
Principal paid on capital debt	(4,345,000)	(3,868,041)
Interest paid on capital debt	<u>(641,250)</u>	<u>(632,541)</u>
Net cash used in capital and related financing activities	<u>(1,328,664)</u>	<u>(5,086,655)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales and maturities of investments	14,800,000	24,000,000
Interest on investments	70,041	109,379
Purchase of investments	<u>(5,950,376)</u>	<u>(22,900,000)</u>
Net cash provided by investing activities	<u>8,919,665</u>	<u>1,209,379</u>

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

	2012	2011
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,107,547	4,797,011
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,125,271</u>	<u>6,328,260</u>
CASH AND CASH EQUIVALENTS, end of year	<u>25,232,818</u>	<u>11,125,271</u>
 RECONCILIATION TO THE BALANCE SHEETS		
Cash and cash equivalents	24,562,195	9,902,188
Cash and cash equivalents - restricted	<u>670,623</u>	<u>1,223,083</u>
	<u>25,232,818</u>	<u>11,125,271</u>
 Reconciliation of Operating Loss to Net Cash Used in Operating Activities		
Operating loss	<u>(32,099,724)</u>	<u>(32,108,039)</u>
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation and amortization	2,657,061	2,311,795
Changes in operating assets and liabilities:		
Accounts receivable (net)	(62,944)	(281,450)
Inventories	(258,445)	(52,144)
Prepaid expense	(15,140)	(67,183)
Accounts payable and accrued salaries	390,981	49,773
Deferred revenue	(88,250)	(43,056)
Accrued early retirement incentives	<u>(20,880)</u>	<u>75,804</u>
Total adjustments	<u>2,602,383</u>	<u>1,993,539</u>
Net cash used in operating activities	<u>(29,497,341)</u>	<u>(30,114,500)</u>

See accompanying notes to financial statements.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northeast Community College Area (College) was established July 1, 1973 by action of the Nebraska Legislature creating the Nebraska Community College System with six area colleges. The College encompasses 20 counties in northeast Nebraska. An eleven member Board of Governors is the College's ruling body and established 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. Northeast Community College Area is not a component unit of another primary government reporting entity.

The Northeast Community College Foundation is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fundraising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon, that 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 Offices at 801 E. Benjamin Avenue, Norfolk, NE 68701.

The Northeast Community College Facilities Corporation is a legally separate, nonprofit corporation which is a component unit of the College. The Corporation was formed by the Northeast Community College Board of Governors in 2008 to acquire property to be leased to and purchased by the College. The Corporation is governed by a three person Board of Directors appointed by the College Board of Governors. The services provided by the Corporation are so intertwined with the College that the Corporation is in substance the same as the College and it is reported as part of the College and blended into the College's financial statements.

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.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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

Basis of Accounting (Continued)

In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for 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.

The Northeast Community College Foundation is a private, nonprofit organization that reports under FASB Accounting Standards Codification, including FASB ASC 958-205, "Not-for-Profit Entities-Presentation of Financial Statements." As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Basis of Presentation

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

Pursuant to the provisions of GASB Statement No. 34, "Basic Financial Statements Management's Discussion and Analysis for State and Local Governments," as amended by GASB Statement No. 35, "Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities," effective for the College's year ended June 30, 2003, the full scope of the College's activities is considered to be a single business-type activity (BTA) and, accordingly, is reported within a single column in the basic financial statements.

Budgets

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

Cash and Cash Equivalents

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

Investments

Investments are reported at fair value.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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

Receivables

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

Inventories

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

Bond Issue Costs

Bond issue costs are expenditures related to the issuance of bonds. These costs are amortized over the life of the related bond issues.

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 assets. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Building improvements	20 years
Building content replacement	10 years
Office furniture	10 years
Heavy machinery	10 years
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.

NORTHEAST 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 employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees through paid time off or some other means, such as cash at termination or retirement.

Noncurrent Liabilities

Noncurrent liabilities include accrued salaries for early retirement, deferred revenue, and bonds payable.

Bonds payable are reported net of unamortized premiums or discounts and deferred losses on refundings. The College amortizes bond premiums/discounts over the life of the bonds using the straight-line or effective interest method. The deferred losses on refundings are amortized over the life of the old debt or new debt (whichever is shorter) using the straight-line method. Insurance costs are expensed.

Net Assets

The College's net assets are classified as follows:

Invested in Capital Assets, Net of Related Debt

This represents the College's total investment in capital assets, net of outstanding debt obligations related to those capital assets.

Restricted Net Assets - Nonexpendable

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

Restricted Net Assets - Expendable

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

Unrestricted Net Assets

Unrestricted net assets include resources derived from student tuition and fees, sales and services, unrestricted gifts, and interest income.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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

Net Assets (Continued)

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

Scholarship Allowances

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

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 statements of revenues, expenses and changes in net assets.

Encumbrance Accounting

The College maintains 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.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

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

Restricted/Unrestricted Resource Priority

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

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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.

Reclassifications

In certain instances, figures for the prior year have been reclassified to place them on a basis comparable with the current year.

NOTE 2. CASH AND INVESTMENTS

The College can invest, after proper consideration of the requirement 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

Custodial credit risk for deposits of the College is the risk that the College's deposits would not be covered by depository insurance. Deposits were reflected in the accounts of the banks at \$27,689,497 as of June 30, 2012 and \$22,125,911 as of June 30, 2011. All of the bank balances for June 30, 2012 and 2011 were insured or fully collateralized.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments

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

Concentration of Credit Risk

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

	2012 Fair Value	2011 Fair Value
Certificates of deposits	<u>2,050,376</u>	<u>10,900,000</u>

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2012, were due December 31, 2011 and became delinquent in May and September of 2012. Property tax revenues, based on the assessed valuation and the levy set, are recognized in the current fiscal year even though part of the property tax revenue is not delinquent or collected until the following fiscal year. Property taxes are recognized net of the county collection fee of 1%. The assessed valuation and levies in cents per \$100 of assessed valuation for the fiscal year ended June 30 were as follows:

	2012	2011
Assessed valuation - August 2011 and 2010	17,866,985,068	16,906,309,239
Levy in cents per \$100 of assessed valuation		
General Fund	8.5253	8.8500
Capital Improvement Fund	<u>1.0000</u>	<u>1.0000</u>
Total	<u>9.5253</u>	<u>9.8500</u>

The amount of uncollected property taxes at June 30 were as follows:

	2012	2011
General Fund	6,999,961	6,467,506
Capital Improvement Fund	753,741	744,958
ADA Fund	-	-
Total	<u>7,753,702</u>	<u>7,212,464</u>

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

	2012	2011
General Fund	130,582	154,528
Capital Improvement Fund	15,296	17,347
ADA Fund	-	22
Total	<u>145,878</u>	<u>171,897</u>

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2012	2011
Federal nonexchange grants	166,252	434,019
State grants	1,470	1,012
Tuition and fees	804,628	779,433
Student House projects	89,880	204,128
Other	381,702	341,805
	<u>1,443,932</u>	<u>1,760,397</u>
Allowance for uncollectible accounts	(53,000)	(38,000)
Total accounts receivable, net	<u>1,390,932</u>	<u>1,722,397</u>

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2012	2011
Materials - Student House projects	63,513	57,520
Bookstore	714,678	475,197
Supplies	148,705	146,075
Livestock and grain	164,490	154,150
Total	<u>1,091,386</u>	<u>832,942</u>

NOTE 6. BOND ISSUE COSTS

Bond issue cost activity for the year ending June 30, 2012 is as follows:

	June 30, 2011	Additions	Deletions	June 30, 2012
Bond issue costs	164,100	48,680	75,000	137,780
Accumulated amortization	(41,355)	(8,222)	(32,154)	(17,423)
Bond issue costs, net	<u>122,745</u>	<u>40,458</u>	<u>42,846</u>	<u>120,357</u>

Bond issue cost activity for the year ending June 30, 2011 is as follows:

	June 30, 2010	Additions	Deletions	June 30, 2011
Bond issue costs	164,100	-	-	164,100
Accumulated amortization	(33,330)	(8,025)	-	(41,355)
Bond issue costs, net	<u>130,770</u>	<u>(8,025)</u>	-	<u>122,745</u>

Bond issue costs are amortized through the year 2028.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

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

	June 30, 2011	Additions	Deletions	June 30, 2012
Capital assets not being depreciated				
Land	2,899,260	-	-	2,899,260
Land improvements	4,395,423	-	-	4,395,423
Construction in progress	144,731	884,699	489,457	539,973
Total	<u>7,439,414</u>	<u>884,699</u>	<u>489,457</u>	<u>7,834,656</u>
Capital assets being depreciated				
Buildings	60,747,601	489,457	-	61,237,058
Equipment	9,485,465	1,063,810	166,262	10,383,013
Total	<u>70,233,066</u>	<u>1,553,267</u>	<u>166,262</u>	<u>71,620,071</u>
Less accumulated depreciation				
Buildings	14,951,083	1,532,154	-	16,483,237
Equipment	5,947,667	1,116,683	135,484	6,928,866
Total	<u>20,898,750</u>	<u>2,648,837</u>	<u>135,484</u>	<u>23,412,103</u>
Capital assets, net	<u>56,773,730</u>	<u>(210,871)</u>	<u>520,235</u>	<u>56,042,624</u>

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

	June 30, 2010	Additions	Deletions	June 30, 2011
Capital assets not being depreciated				
Land	2,899,260	-	-	2,899,260
Land improvements	4,395,423	-	-	4,395,423
Construction in progress	11,337,808	2,682,021	13,875,098	144,731
Total	<u>18,632,491</u>	<u>2,682,021</u>	<u>13,875,098</u>	<u>7,439,414</u>
Capital assets being depreciated				
Buildings	46,872,502	13,875,099	-	60,747,601
Equipment	8,527,359	1,187,707	229,601	9,485,465
Total	<u>55,399,861</u>	<u>15,062,806</u>	<u>229,601</u>	<u>70,233,066</u>
Less accumulated depreciation				
Buildings	13,582,792	1,368,291	-	14,951,083
Equipment	5,200,248	935,479	188,060	5,947,667
Total	<u>18,783,040</u>	<u>2,303,770</u>	<u>188,060</u>	<u>20,898,750</u>
Capital assets, net	<u>55,249,312</u>	<u>15,441,057</u>	<u>13,916,639</u>	<u>56,773,730</u>

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 8. ACCRUED SALARIES

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

	2012	2011
Accrued salaries	1,101,372	1,077,416
Accrued compensated absences	819,923	737,499
	<u>1,921,295</u>	<u>1,814,915</u>
 Accrued salaries - early retirement incentives		
Current	116,157	139,360
Long-term	30,609	28,285
	<u>146,766</u>	<u>167,645</u>

NOTE 9. LONG-TERM DEBT

Long-term debt consisted of the following at June 30, 2012:

On December 19, 1997, the College issued \$1,310,000 in Lease Rental Revenue Bonds, Series 1997. The proceeds of the bond issue were used to pay for construction costs for the Lifelong Learning Center. The bonds are payable solely from lease rental payments from tenants of the Center. Principal is due annually on December 1 in varying amounts beginning December 1, 1998 and ending December 1, 2017. Bonds bear interest at the rate of 4.15% - 5.75%.

On July 17, 2003, the College issued \$5,355,000 in Dormitory and Student Facilities Revenue and Refunding Bonds, Series 2003. The proceeds of the bond issue were used for construction costs for the new dormitory and student facilities. Principal is due annually on January 15 in varying amounts beginning January 15, 2005, and ending January 15, 2024. Bonds bear interest at the rate of 1.6% - 4.8%. Payments of principal and interest are to be paid by net revenues from the operation of student housing.

On May 5, 2008, the Corporation issued Series 2008A building bonds in the amount of \$5,165,000, the proceeds of which will be used to pay the cost of the construction of a new student services and administrative building. Principal is due annually on June 15 in varying amounts beginning June 15, 2009 and ending June 15, 2028. Bonds bear interest at the rate of 2.4% - 5.2%. Payments of principal and interest are to be paid by facilities fee revenues.

On December 30, 2008, the Corporation issued Series 2008B building bonds in the amount of \$2,935,000, the proceeds of which will be used to pay the cost of the construction of a new student services and administrative building. Principal is due annually on June 15 in varying amounts beginning June 15, 2011 and ending June 15, 2028. Bonds bear interest at the rate of 2.65% - 5.85%. Payments of principal and interest are to be paid by facilities fee revenues.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (Continued)

On December 29, 2009, the Corporation issued Series 2009 Revenue Note in the maximum drawable principal amount of \$5,000,000. The proceeds of which have been used to pay the cost of construction of a College of Nursing building for the College. Principal is due on December 29, 2013. The Note bears interest at the rate of 2.57% and is payable on January 15, April 15, July 15, and October 15 of each year, beginning January 15, 2010 and ending December 29, 2013. The Note was sold by the Corporation to the College whom took possession of the Series 2009 Revenue Note on December 29, 2009. The Note is guaranteed with pledges from the Foundation whom has agreed to immediately assign all monies when received to the College for the application to the interest and principal of the Series 2009 Revenue Note. The Corporation had a balance of \$- 0 - and \$- 0 - for 2012 and 2011 respectively.

On May 11, 2012, the College issued \$3,355,000 in Limited Tax and Dormitory Revenue Refunding Bonds, Series 2012. The proceeds of the bond issue were used to refund the Dormitory and Student Facilities Revenue and Refunding Bonds, Series 2003. Principal is due annually on January 15 in varying amounts beginning January 15, 2013, and ending January 15, 2024. Bonds bear interest at the rate of 0.30% - 2.45%. Payments of principal and interest are to be paid by net revenues from the operation of student housing.

Long-term debt activity for the fiscal year ended June 30, 2012 was as follows:

	June 30, 2011			June 30, 2012	
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bond and notes payable					
1997 lease rental revenue bond	780,000	-	70,000	710,000	80,000
2003 dormitory revenue bond	3,985,000	-	3,985,000	-	-
2012 dormitory refunding bonds	-	3,355,000	-	3,355,000	165,000
2008 Welcome Center revenue bond	7,420,000	-	290,000	7,130,000	300,000
2003 dormitory loss on refunding	-	(111,416)	398	(111,018)	(9,550)
Total long-term debt	<u>12,185,000</u>	<u>3,243,584</u>	<u>4,345,398</u>	<u>11,083,982</u>	<u>535,450</u>

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 9. LONG-TERM DEBT (Continued)

Long-term debt activity for the fiscal year ended June 30, 2011, was as follows:

	June 30, 2010 Beginning Balance	Additions	Reductions	June 30, 2011 Ending Balance	Current Portion
Bond and notes payable					
1997 lease rental revenue bond	845,000	-	65,000	780,000	70,000
2003 dormitory revenue bond	4,195,000	-	210,000	3,985,000	220,000
2008 Welcome Center revenue bond	7,700,000	-	280,000	7,420,000	290,000
2009 Note College of Nursing	<u>1,752,378</u>	<u>1,560,662</u>	<u>3,313,040</u>	-	-
Total long-term debt	<u>14,492,378</u>	<u>1,560,662</u>	<u>3,868,040</u>	<u>12,185,000</u>	<u>580,000</u>

Year	Lease Rental Revenue Bonds Principal	Dormitory and Student Facilities Revenue Bonds Principal	Loss on Refunding Principal	Welcome Center Revenue Bonds A and B Principal	Interest	Total
	2013	85,000	165,000	(9,550)	300,000	347,197
2014	90,000	280,000	(9,550)	310,000	336,473	1,006,923
2015	100,000	280,000	(9,550)	320,000	324,847	1,015,297
2016	110,000	280,000	(9,550)	335,000	312,288	1,027,738
2017 - 2021	245,000	1,450,000	(47,750)	1,890,000	1,329,615	4,866,865
2022 - 2026	-	900,000	(25,068)	2,395,000	815,522	4,085,454
2027 - 2029	-	-	-	<u>1,580,000</u>	<u>139,880</u>	<u>1,719,880</u>
	<u>630,000</u>	<u>3,355,000</u>	<u>(111,018)</u>	<u>7,130,000</u>	<u>3,605,822</u>	<u>14,609,804</u>

Current Refunding

In June 2012, the College issued Dorm Refunding Revenue Bonds Series 2012 of \$3,355,000 with interest rates of 0.30 to 2.45% and called the outstanding 2003 revenue bonds. As a result of the refunding, the College reduced its total debt service requirements by \$778,679, which resulted in an economic gain (difference between the present value of the debt service payments on the old debt and the new debt) of approximately \$581,099. The difference between the new debt incurred and the refunding costs over the net carrying amount of the old debt resulted in a book loss which is amortized over the remaining life of the new bonds through interest expense. The unamortized book loss is accounted for as a reduction of the carrying amount of the new debt. The Series 2012 bonds are due serially through 2024 with interest payable semiannually. Revenues and earnings, including all improvements and additions of the College's revenues, are pledged as security for the bonds.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 10. DEFERRED REVENUE

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

	2012	2011
Current		
Deferred tuition and fees	146,850	229,449
Deferred grant revenue	1,223	(237)
Deferred rent	25,245	35,101
Total current	<u>173,318</u>	<u>264,313</u>
Noncurrent		
Deferred rent	<u>111,499</u>	<u>136,744</u>
Total deferred revenue	<u>284,817</u>	<u>401,057</u>

NOTE 11. EARLY RETIREMENT PROGRAM

The College established an early retirement program during the year ended June 30, 1994, for eligible employees to provide an incentive for early separation from the College. Generally, only employees working at least half time and enrolled in the College retirement plan may participate. Further, eligible employees must be from the ages of 55 to 64, have a minimum of 15 years of service, and meet certain other eligibility requirements. Approved participants receive a stipend based upon years of service and their age.

The following is a summary of plan activity.

	2012	2011
Assets		
Cash	<u>1,323,267</u>	<u>1,463,559</u>
Liability - stipends due participants	<u>146,766</u>	<u>167,645</u>
Fund Balance		
Beginning fund balance	1,295,914	1,394,068
Investment income	4,242	9,428
Approved retiree stipends	(123,655)	(107,582)
Ending fund balance	<u>1,176,501</u>	<u>1,295,914</u>
Total liabilities and fund balance	<u>1,323,267</u>	<u>1,463,559</u>

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 12. SCHOLARSHIP ALLOWANCES

Scholarship allowances consist of the following:

1. Tuition waivers, institutional
2. Tuition waivers, statutory (reserves and war orphan)
3. Grant funds (PELL, ACG, SEOG and Nebraska State Grant) credited to student accounts to offset tuition, fees, room and board, and bookstore charges.

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

	2012	2011
Tuition and fees	2,922,042	2,986,007
Room and board	637,046	613,968
Bookstore	338,313	267,227
	3,897,401	3,867,202

NOTE 13. EXPENSES BY FUNCTIONAL CATEGORY

Expenses for the financial statements are presented by natural classifications (personnel services, operating expense, travel and expensed capital assets). Both NACUBO and GASB have suggested that for historical purposes expenses also be presented by functional classifications. Expenses by functional classification for the fiscal year ended June 30 are as follows:

	2012	2011
Education and general		
Instruction	14,734,886	14,614,276
Academic support	4,153,413	3,978,772
Student services	2,199,423	2,104,678
Institutional support	8,523,753	8,074,356
Physical plant	3,227,899	3,372,654
Depreciation/amortization	2,657,061	2,311,795
Student financial aid	2,925,697	3,225,099
Auxiliary enterprises	4,734,652	4,429,168
Total expenses	43,156,784	42,110,798

NOTE 14. LEASES

The College has entered into twenty (20) year leases with three tenants of the Lifelong Learning Center during the year ended June 30, 1998. One tenant prepaid the entire twenty year lease amount of \$504,000. The prepaid rent is amortized to income over the term of the lease. Income recognized during the year was \$25,245 and the balance of the prepaid lease at June 30, 2012 and 2011 was \$136,744 and \$168,989 and is included in deferred revenue on the statement of net assets.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 14. LEASES (Continued)

Future minimum lease income for the other two leases are as follows:

2013	106,917
2014	109,055
2015	111,237
2016	113,461
2017 - 2018	174,169
	<u>614,839</u>

The remaining tenants have signed annual leases, which are renewable for twenty years upon agreement of both parties.

NOTE 15. RETIREMENT PLAN

The College provides pension benefits for its employees through a defined contribution pension plan for all full-time employees. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The plan requires contributions to be made by eligible employees at an optional rate of 6.00%, 7.00% or 8.00% of compensation which are matched by the College. Contributions begin following the first day of employment and said contributions are mandatory for eligible staff.

The College's total payroll, covered payroll, contributions and contributions as a percentage of total payroll for the year ended June 30, 2012 and 2011 are as follows:

	2012	2011
Total payroll	21,274,295	20,239,558
Covered payroll	16,351,747	15,643,397
Employer contributions	1,260,703	1,207,149
Employer contributions as a percentage of covered payroll	7.71%	7.72%

NOTE 16. ENCUMBRANCES

The College maintains an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the fiscal year. Encumbrances amounted to \$909,807 at June 30, 2012 and \$930,659 at June 30, 2011. Encumbrances do not constitute expenses or liabilities and are not reflected in these financial statements.

NOTE 17. COMMITMENTS

As of June 30, 2012, the College had commitments of \$2,104,705 with respect to various incomplete construction contracts.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 18. 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. No equipment and supplies were provided to the College by the Foundation during 2012 and 2011. Northeast Community College Area donates staff and facilities to the Foundation. The fair value of this donation has not been included in the receipts and disbursements.

During the College's years ended June 30, 2012 and 2011, the Foundation distributed \$1,335,515 and \$2,629,212, respectively, to the College for both restricted and unrestricted purposes. The distributions during the year ended June 30, 2012 includes \$29,025 for the College Center building, \$1,150,028 for the College of Nursing building, \$26,595 for various other program support and \$129,867 for scholarships. For the year ended June 30, 2011, the distributions include \$106,129 for the College Center building, \$2,360,863 for the College of Nursing building, \$31,717 for various other program support and \$130,503 for scholarships.

NOTE 19. 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 the September Board meeting to obtain taxpayer comments. After the public hearings, the budget is legally adopted by the Board of Governors at the September Board meeting.

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

NOTE 20. 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.

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 20. RISK MANAGEMENT (Continued)

The College pays an annual contribution to the Trust for its pooled self-insurance coverage of property liability, workers' compensation, and associated excess coverages. The Trust self-insures to various levels for all categories of covered risk and purchases excess coverage for claims in excess of the self-insured limits. If the Loss Fund is exhausted, the Colleges may be assessed for additional costs.

The insurance year ended June 30, 2012 was the Trust's seventeenth year of operation. In May 2011, the Board of Directors of the Trust declared a dividend to be used as additional contributions to increase the Loss Fund for potential losses in the amount of \$500,000 for the 2010 insurance year and \$200,000 for the 2011 insurance year. The College anticipates no future liabilities for additional incurred losses for all previous years.

NOTE 21. SEGMENT DISCLOSURE

The College issued the 1997 series revenue bonds to construct a learning center. The Lifelong Learning Center provides a facility for students and the public. The College issued the 2003 Series Revenue Bonds to construct an addition to the dormitory complex for student living. The College issued the 2008 series revenue bonds to construct the Welcome Center. Summary financial information for each facility is presented below.

Condensed Statement of Net Assets

	<u>1997 Series</u>		<u>2003 Series</u>	
	Lifelong Learning Center		Dorm Addition	
	2012	2011	2012	2011
<b>Assets</b>				
Current assets	113,152	116,110	-	1,007,711
Capital assets	<u>2,803,404</u>	<u>2,911,104</u>	-	<u>4,984,634</u>
Total assets	<u>2,916,556</u>	<u>3,027,214</u>	-	<u>5,992,345</u>
<b>Liabilities</b>				
Current liabilities	83,254	75,972	-	407,563
Noncurrent liabilities	<u>630,000</u>	<u>710,000</u>	-	<u>3,765,000</u>
Total liabilities	<u>713,254</u>	<u>785,972</u>	-	<u>4,172,563</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	2,093,404	2,131,104	-	999,634
Restricted	109,898	110,138	-	584,358
Unrestricted	-	-	-	<u>235,790</u>
Total net assets	<u>2,203,302</u>	<u>2,241,242</u>	-	<u>1,819,782</u>

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 21. SEGMENT DISCLOSURE (Continued)

Condensed Statement of Net Assets (Continued)

	<u>2012 Series</u>		<u>2008 Series</u>	
	Dorm Refunding		Welcome Center	
	2012	2011	2012	2011
<b>Assets</b>				
Current assets	634,220	-	439,820	439,794
Capital assets	<u>4,815,780</u>	-	<u>9,224,063</u>	<u>9,471,632</u>
Total assets	<u>5,450,000</u>	-	<u>9,663,883</u>	<u>9,911,426</u>
<b>Liabilities</b>				
Current liabilities	307,212	-	314,467	304,874
Noncurrent liabilities	<u>3,088,532</u>	-	<u>6,830,000</u>	<u>7,130,000</u>
Total liabilities	<u>3,395,744</u>	-	<u>7,144,467</u>	<u>7,434,874</u>
<b>Net assets</b>				
Invested in capital assets, net of related debt	1,571,798	-	2,094,063	2,051,632
Restricted	144,656	-	425,353	424,920
Unrestricted	<u>337,802</u>	-	-	-
Total net assets	<u>2,054,256</u>	-	<u>2,519,416</u>	<u>2,476,552</u>

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>1997 Series</u>		<u>2003 Series</u>	
	Lifelong Learning Center		Dorm Addition	
	2012	2011	2012	2011
Operating revenues (pledged against bonds)	112,772	111,537	-	1,028,869
Depreciation expense	(107,700)	(107,700)	-	(174,490)
Other operating expense	<u>(1,000)</u>	<u>(1,000)</u>	-	<u>(234,264)</u>
Operating income (loss)	4,072	2,837	-	620,115
<b>Nonoperating revenue (expense)</b>				
Other nonoperating revenue (expense)	-	-	-	-
Investment income	-	-	-	55
Interest expense	<u>(42,012)</u>	<u>(45,783)</u>	-	<u>(177,183)</u>
Change in net assets	(37,940)	(42,946)	-	442,987
Beginning net assets	<u>2,241,242</u>	<u>2,284,188</u>	-	<u>1,376,795</u>
Ending net assets	<u>2,203,302</u>	<u>2,241,242</u>	-	<u>1,819,782</u>

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 21. SEGMENT DISCLOSURE (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets  
(Continued)

	<u>2012 Series</u>		<u>2008 Series</u>	
	Dorm Refunding		Welcome Center	
	2012	2011	2012	2011
Operating revenues (pledged against bonds)	1,123,861	-	-	-
Depreciation expense	(174,687)	-	(247,568)	(247,568)
Other operating expense	<u>(552,258)</u>	-	-	-
Operating income (loss)	396,916	-	(247,568)	(247,568)
Nonoperating revenue (expense)				
Other nonoperating revenue (expense)	-	-	646,985	835,204
Investment income	38	-	24	37
Interest expense	<u>(162,480)</u>	-	<u>(356,577)</u>	<u>(365,236)</u>
Change in net assets	234,474	-	42,864	222,437
Beginning net assets	<u>1,819,782</u>	-	<u>2,476,552</u>	<u>2,254,115</u>
Ending net assets	<u><u>2,054,256</u></u>	-	<u><u>2,519,416</u></u>	<u><u>2,476,552</u></u>

Condensed Statement of Cash Flows

	<u>1997 Series</u>		<u>2003 Series</u>	
	Lifelong Learning Center		Dorm Addition	
	2012	2011	2012	2011
Net cash provided by (used in):				
Operating activities	(2,958)	536	-	373,491
Capital and related financing activities	-	-	-	-
Net increase (decrease)	(2,958)	536	-	373,491
Beginning cash and cash equivalents	<u>116,110</u>	<u>115,574</u>	-	<u>634,220</u>
Ending cash and cash equivalents	<u><u>113,152</u></u>	<u><u>116,110</u></u>	-	<u><u>1,007,711</u></u>

NORTHEAST COMMUNITY COLLEGE AREA  
NOTES TO FINANCIAL STATEMENTS

NOTE 21. SEGMENT DISCLOSURE (Continued)

Condensed Statement of Cash Flows

	<u>2012 Series</u>		<u>2008 Series</u>	
	Dorm Refunding		Welcome Center	
	2012	2011	2012	2011
Net cash provided by (used in):				
Operating activities	91,558	-	-	-
Capital and related financing activities	-	-	26	40
	<u>91,558</u>	<u>-</u>	<u>26</u>	<u>40</u>
Net increase (decrease)	91,558	-	26	40
Beginning cash and cash equivalents	<u>542,662</u>	<u>-</u>	<u>439,794</u>	<u>439,754</u>
Ending cash and cash equivalents	<u>634,220</u>	<u>-</u>	<u>439,820</u>	<u>439,794</u>

NOTE 22. JOINT VENTURE

The College entered into a joint-venture with Wayne State College to build and operate the College Center in South Sioux City, Nebraska. Now completed, the College Center offers classes from both Northeast Community College and Wayne State College.

The College administers the accounts payable related to operation of the building. The College submits requests for reimbursement to Wayne State College for a portion of the total cost at a rate agreed upon by the College Center Administrative Council.

The College is responsible for operation and maintenance costs. Wayne State College will reimburse the College for the operation and maintenance costs through June 30, 2015. Subsequent years' operation and maintenance costs shall be prorated annually based on each College's percentage of total annual student semester credit hours generated at the College Center during the prior year.

NOTE 23. SUBSEQUENT EVENT

Advance Refunding

On August 1, 2012, the College issued \$2,550,000 in Welcome Center revenue refunding bonds with interest rates ranging between 0.40% and 2.30%. The College issued the bonds to advance refund the outstanding 2008B Welcome Center revenue bonds with interest rates ranging between 3.60% and 5.85%. The College used the net proceeds along with other resources to purchase U.S. Government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2008B series bonds. As a result, that portion of the 2008B series bonds is considered defeased, and the College has removed the liability from its accounts. The advance refunding reduced total debt service payments over the next 5 years by \$857,440. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$721,599.

In preparing the financial statements, the College has evaluated events and transaction for potential recognition or disclosure through October 4, 2012, the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

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

	2012	2011
State aid	12,180,827	12,784,454
Property taxes	15,828,418	14,888,154
Tuition	7,554,582	7,403,037
Other income	151,343	100,761
(Add to)/use cash reserves	<u>(1,482,970)</u>	<u>(1,718,719)</u>
Subtotal General Fund Revenues	<u>34,232,200</u>	<u>33,457,687</u>

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

PROPERTY VALUATION AND PROPERTY TAX REVENUE

The property valuation for Northeast Community College Area as reported by the County Assessor in late August 2011 for use in property tax revenue for June 30, 2012 was \$17,866,985,068. The General Fund property tax rate for June 30, 2012 is 8.5253 cents per \$100 of valuation.

The property valuation for Northeast Community College Area as reported by the County Assessor in late August 2010 for use in property tax revenue for June 30, 2011 was \$16,906,309,239. The General Fund property tax rate for June 30, 2011 is 8.8500 cents per \$100 of valuation.

NORTHEAST COMMUNITY COLLEGE AREA  
SCHEDULES OF GENERAL FUND  
EXPENDITURES - BUDGETARY BASIS  
YEARS ENDED JUNE 30, 2012 AND 2011

Program Classification Structure	2012	2011
1 Instruction		
Personnel services	11,633,299	11,279,494
Operating expenses	1,061,743	1,145,321
Supplies and materials	545,363	484,550
Travel	212,381	154,401
Capital outlay	<u>745,829</u>	<u>755,234</u>
	<u>14,198,615</u>	<u>13,819,000</u>
4 Academic Support		
Personnel services	3,223,180	2,977,190
Operating expenses	400,448	510,140
Supplies and materials	51,339	88,132
Travel	48,634	43,022
Capital outlay	<u>72,985</u>	<u>94,251</u>
	<u>3,796,586</u>	<u>3,712,735</u>
5 Student Services		
Personnel services	1,427,757	1,380,143
Operating expenses	242,439	214,309
Supplies and materials	52,639	64,649
Travel	52,962	37,441
Capital outlay	<u>20,617</u>	<u>14,559</u>
	<u>1,796,414</u>	<u>1,711,101</u>
6 Institutional Support		
Personnel services	5,775,634	5,467,347
Operating expenses	3,936,121	4,370,423
Supplies and materials	93,836	98,758
Travel	112,811	90,388
Capital outlay	<u>145,301</u>	<u>213,264</u>
	<u>10,063,703</u>	<u>10,240,180</u>
7 Physical Plant Operation		
Personnel services	1,993,491	2,088,666
Operating expenses	1,981,471	1,511,033
Supplies and materials	275,430	261,272
Travel	807	2,895
Capital outlay	<u>125,683</u>	<u>110,805</u>
	<u>4,376,882</u>	<u>3,974,671</u>

NORTHEAST COMMUNITY COLLEGE AREA  
 SCHEDULES OF GENERAL FUND  
 EXPENDITURES - BUDGETARY BASIS  
 YEARS ENDED JUNE 30, 2012 AND 2011

Program Classification Structure	2012	2011
Grand Total for College		
Personnel services	24,053,361	23,192,840
Operating expenses	7,622,222	7,751,226
Supplies and materials	1,018,607	997,361
Travel	427,595	328,147
Capital outlay	1,110,415	1,188,113
Total expenditures	<u>34,232,200</u>	<u>33,457,687</u>
Transfers	<u>-</u>	<u>-</u>
Total fund deductions	<u>34,232,200</u>	<u>33,457,687</u>

The expenditures in this schedule are presented on the same basis as the College's General Fund budget which is not a generally accepted basis of accounting. In particular, capital outlay is shown as an expense.

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

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Direct payments			
Student Financial Assistance Programs			
Federal Pell Grant	84.063		5,761,925
Federal Direct Student Loans	84.268		8,263,769
Federal Supplemental Educational Opportunity Grants	84.007		55,016
Federal Work Study Program	84.033		<u>56,831</u>
			<u>14,137,541</u>
Direct payments			
Fund for the Improvement of Postsecondary Education Grant	84.116Z		<u>46,297</u>
Direct payments			
Higher Education - Institutional Aid	84.031A		<u>404,921</u>
Pass-through Nebraska State Department of Education			
Adult Education - Basic Grants to States	84.002A	12-2AEF-14-00-943000 12-2AEE-14-00-943000 12-2AES-14-00-943000 12-2AEW-14-00-943000	255,501
Career and Technical Education - Basic Grants to States	84.048	60-094-3000-99	<u>231,063</u>
			<u>486,564</u>
Pass-through Nebraska State Post Secondary Education Commission			
College Access Challenge Grant Program	84.378A	N/A	<u>135,478</u>
Pass-through Metro Community College			
ARRA - Special Education - Grants for Infants and Families, Recovery Act	84.393	94-7000-248-C-12-11	<u>4,108</u>
Total U.S. Department of Education			<u>15,214,909</u>

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

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>National Science Foundation</u>			
Pass-through University of Nebraska Education and Human Resources	47.076	AACC-138700-05 25-1101-0009-105	<u>88,492</u>
<u>U.S. Department of Energy</u>			
Pass-through Southeast Community College ARRA - State Energy Program, Recovery Act	81.041	54-855-8556	<u>304,947</u>
<u>U.S. Department of Health</u>			
Pass-through NE Behavioral Health System - Region IV Substance Abuse Prevention and Treatment Block Grant	93.959	N/A	<u>2,500</u>
<u>U.S. Department of Transportation</u>			
Pass-through University of Nebraska State and Community Highway Safety	20.6	402-1106	<u>1,688</u>
<u>U.S. Department of Labor</u>			
Pass-through Nebraska State Department of Education Incentive Grants - WIA Section 503	17.267	12-2AEW-14-00-943000	<u>50,801</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>15,663,337</u>

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

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Northeast Community College Area and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

NOTE 2. SUBRECIPIENTS

The College provided no federal awards to subrecipients for the year ended June 30, 2012.

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

Board of Governors  
Northeast Community College Area  
Norfolk, Nebraska

We have audited the financial statements of Northeast Community College Area, as of and for the year ended June 30, 2012, which collectively comprise the Northeast Community College Area's basic financial statements and have issued our report thereon dated October 5, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

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

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

Dana J Cole + Company, LLP

Grand Island, Nebraska  
October 5, 2012

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

Board of Governors  
Northeast Community College Area  
Norfolk, Nebraska

Compliance

We have audited the compliance of Northeast Community College Area with the types of compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 "Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2012. Northeast Community College Area's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Northeast Community College Area's administration. Our responsibility is to express an opinion on Northeast Community College Area's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northeast Community College Area's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Northeast Community College Area's compliance with those requirements.

In our opinion, Northeast Community College Area complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2012-1 and 2012-2.

## Internal Control Over Compliance

The administration of Northeast 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 Northeast 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 compliance, 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 Northeast Community College Area's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

Northeast Community College Area's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Northeast Community College Area's responses and, accordingly, we express no opinion on the responses.

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

Dana J Cole + Company, LLP

Grand Island, Nebraska  
October 5, 2012

NORTHEAST COMMUNITY COLLEGE AREA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2010

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified:	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses:	___ Yes <u>X</u> No
Noncompliance matter to the financial statements disclosed:	___ Yes <u>X</u> No

Federal Awards

Internal control over major programs:	
Material weakness identified:	___ Yes <u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses:	___ Yes <u>X</u> No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accord- ance with section 510(a) of Circular A-133:	___ X ___ Yes ___ No

Identification of major programs:	CFDA No.
Student Financial Assistance Programs	
Federal Pell Grant Program	84.063
Federal Supplemental Educational Opportunity Grants	84.007
Federal Work Study Program	84.033
Federal Direct Student Loans	84.268
Adult Education - Basic Grants to States	84.002A
ARRA - State Energy Program, Recovery Act	81.041

NORTHEAST COMMUNITY COLLEGE AREA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2011

SECTION I. SUMMARY OF AUDITORS' RESULTS (Continued)

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as a low-risk auditee?	<u> X </u> Yes <u> </u> No

SECTION II. FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2012-1 DAVIS BACON ACT - 81.041 ARRA - STATE ENERGY PROGRAM,  
RECOVERY ACT

Condition

During the grant period, weekly submission of certified payrolls were not obtained from the contractor. Instead, they were all obtained at once near the end of the grant period.

Criteria

Per 29 CFR 5.5, the non-federal entity administering grant funds that are subject to the Davis Bacon Act requirements must disclose the prevailing wage rate clause in the agreement and must receive weekly, submitted certified payrolls.

Questioned Costs

None.

Effect

The possibility of employees from the contractor being paid less than the prevailing wage could exist.

Recommendation

We recommend that the College directly inform contractors that are paid with federal funding that they are subject to the Davis Bacon Act and that certified payrolls are to be submitted each week.

Management's Response

The College has identified the need to receive certified payrolls and did prior to the end of the grant. In addition, the College will ensure weekly submissions of certified payrolls are received from any future federal grants.

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

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2012-2 REPORTING - ADULT EDUCATION - BASIC GRANTS TO STATES

Condition

Expenditures from another agency were included with expenditures for this program for purposes of the Schedule of Expenditures of Federal Awards.

Criteria

Per OMB Circular A-133, the Schedule of Expenditures of Federal Awards are to separately list all federal awards expended by CFDA number and by Agency.

Questioned Costs

None.

Effect

Incorrect reporting of federal programs could have an effect on the determination of major programs and lead to improper reporting to federal agencies and/or pass-through entities.

Recommendation

We recommend that the College perform a review of grant awards to ensure that all CFDA numbers agree with the grant agreements and for those grant agreements where the number is not identified, we recommend to contact the grant administrator from which funding is received to confirm the CFDA number.

Management's Response

The College will ensure proper reporting in future periods by comparisons to grant awards and direct communication with grant administrators as recommended by the auditors.

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

2011-1 84.063 - PELL AWARDING

One student was identified as being improperly awarded Pell and ACG funds. We recommended that the College perform a review of student awards and to repay the Department of Education for the over award. The College has repaid such amounts and changed its financial aid packaging software to assist with reviewing student awards. During the year ended June 30, 2012, all tested students from our sample were properly awarded.