

**ATTESTATION REPORT
OF
AGENCY 83
DISTRIBUTION OF STATE AID TO
COMMUNITY COLLEGE AREAS**

JULY 1, 2012 THROUGH DECEMBER 31, 2013

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Issued on June 26, 2014

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Audit Staff Working On This Examination

Don Dunlap, CPA – Assistant Deputy Auditor
Acacia Crist, CFE, CISA, ACDA – Auditor-In-Charge
Matt Schochenmaier – Auditor II

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Nebraska Auditor of Public Accounts
State Capitol, Suite 2303
P.O. Box 98917
Lincoln, Nebraska 68509
Phone: 402-471-2111

AGENCY 83 (AID TO COMMUNITY COLLEGE AREAS)

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BACKGROUND

Historical Statutory Authority for the Distribution of Aid to Community College Areas

The origins of the community college system in Nebraska can be traced back to 1926, with the establishment of the State's first post-secondary, non-baccalaureate public educational institutions in McCook and Scottsbluff. In the years that followed, similar locally controlled and financed educational facilities emerged in other parts of the State. By 1971, with some legislative guidance, a total of six junior colleges, five area vocational schools or colleges, and two State vocational institutions had been created. In that year, the Legislature passed LB 759 (1971), effectively combining those original 13 schools into a single "statewide, independent system of locally-governed" institutions offering vocational, technical, two-year academic and comprehensive community service programs.

Among other things, LB 759 divided the State into eight technical community college areas, creating a local governing board for each. However, general supervision and control over the entire system comprised of those combined eight areas was vested in a State Board of Technical Community Colleges. That body's authority included oversight of the financial and budgetary procedures of the area boards and the establishment of guidelines and plans for the development of technical community college education and training in the State.

In 1974, the Nebraska Supreme Court declared the system of cooperative state and local governance and finance produced by LB 759 to be unconstitutional. The following year, the Legislature responded with LB 344 (1975). In addition to reducing by two the number of technical community college areas, that legislation created the Coordinating Commission for Technical Community Colleges to "make recommendations to the boards for purposes of coordinating the technical community college areas." More importantly, the new law returned the administration of the community colleges to the local governing boards, emphasizing that "each technical community college area is intended to be an independent, local, unique, and vital segment of higher education . . . [.]"

Despite subsequent developments, including the elimination of the Coordinating Commission for Technical Community Colleges in 1977 and the creation of the current Coordinating Commission for Postsecondary Education (CCPE) in 1990, emphasis upon the autonomy and local control of community colleges remains largely unchanged. Nevertheless, over the years, the community colleges have voluntarily entered into a series of cooperative coordinating ventures, including the Nebraska Association of Community College Trustees, the Nebraska Technical Community College Association, and the present Nebraska Community College Association (NCCA).

In 1991, the Legislature passed LB 625 (1991), superseding this voluntary trend by mandating that all community college area boards be part of an association through which the Coordinating Commission for Postsecondary Education is to provide statewide coordination in order to ensure the most cost-effective programs for residents of each community college area. With the passage of LB 211 in 2013, however, the Legislature eliminated this mandate and made membership in

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BACKGROUND

(Continued)

boards or associations of community colleges voluntary. As codified in Neb. Rev. Stat § 85-1502(1) (Supp. 2013), the new legislation states:

It is further the intent of the Legislature that such coordination not be conducted through a board or association representing all the community colleges and that membership in any boards or associations of community colleges be voluntary.

The Metropolitan Community College is the only community college area that is not currently a member of the NCCA.

Though still autonomous, the community colleges have come to rely heavily upon State funding. LB 344 (1975) provided:

The Legislature, in an effort to promote quality postsecondary education and to avoid excessive taxation upon the taxable property of each area, may appropriate each year from such funds as may be available an amount for the aid and assistance of the technical community colleges.

Funding for the community college system developed from a formula designed to be comprised loosely of 40 percent local property taxes, 40 percent State Aid, and 20 percent tuition and other revenues. However, with the fluctuation of state appropriations over the past four decades, various legislative proposals have been offered to augment the implementation of the original model funding formula. The capstone to these efforts occurred with the passage of LB 342 in 2007, resulting in the creation of the Community College Foundation and Equalization Aid Act (Equalization Act), which was codified at Neb. Rev. Stat §§ 85-2201 to 85-2229 (Reissue 2008). The primary purpose of that comprehensive measure was to provide stability to the funding formula so as to ensure a reliable needs calculation and to equalize the distribution of State Aid among the colleges. The following year, the Legislature passed LB 973 (2008), fine tuning the provisions of the Equalization Act. Among other things, that bill clarified the property tax valuation information to be used and modified specific base revenue need calculations. Additionally, the legislation relegated the CCPE to the more passive role of merely receiving – as opposed to its previous role of actively collecting – from the community colleges annual financial data pertinent to the Equalization Act.

Three State Agencies were involved in the distribution of State Aid to community college areas under the Equalization Act – the CCPE, the Nebraska Department of Revenue (Revenue), and the Department of Administrative Services (DAS). Neb. Rev. Stat. § 85-2221 (Reissue 2008) generally required the CCPE to receive from the community colleges, and then provide to Revenue, data needed to perform the actual calculation of State Aid. Various sections in the Equalization Act specified that Revenue was responsible for calculating State Aid amounts in accordance with the Equalization Act, based on the data provided by the CCPE, and certifying and reporting such amounts to DAS. Neb. Rev. Stat. § 85-2222(2) (Reissue 2008) required DAS to distribute the total of such appropriated and allocated funds to the boards of governors in 10 as nearly as possible equal monthly payments between the fifth and twentieth day of each month beginning in September of each year.

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(Continued)

Provisions of the Equalization Act were repealed by LB 946, which the Legislature enacted in 2012. LB 946 was codified at Neb. Rev. Stat §§ 85-2231 to 85-2237 (Cum. Supp. 2012, Supp. 2013), which are known collectively as the Community College Aid Act (Aid Act).

Background and Legislative Intent of the Community College Aid Act

Neb. Rev. Stat § 85-2233(1) (Supp. 2013) offers some general background for the Aid Act, as well as the legislative intent behind it. That section of statute provides:

(a) The Legislature recognizes that education, as an investment in human resources, is fundamental to the quality of life and the economic prosperity of Nebraskans and that aid to the community colleges furthers these goals.

(b) It is the intent of the Legislature that such appropriations reflect the commitment of the Legislature to join with local governing bodies in a strong and continuing partnership to further advance the quality, responsiveness, access, and equity of Nebraska's community colleges and to foster high standards of performance and service so that every citizen, community, and business will have the opportunity to receive quality educational programs and services regardless of the size, wealth, or geographic location of the community college area or tribally controlled community college by which that citizen, community, or business is served.

(c) In order to promote quality postsecondary education and to avoid excessive and disproportionate taxation upon the taxable property of each community college area, the Legislature may appropriate each biennium from such funds as may be available an amount for aid and assistance to the community colleges. Such funds so appropriated by the Legislature shall be allocated, adjusted, and distributed to the community college boards of governors as provided in the Community College Aid Act.

Neb. Rev. Stat. § 85-2233(2) & (3) discuss the duties of the Coordinating Commission for Postsecondary Education:

(2)The Coordinating Commission for Postsecondary Education shall certify aid amounts attributable to the allocations pursuant to subdivisions (1) and (3) of section [85-2234](#) and report such amounts to the Department of Administrative Services. The commission shall certify such aid amounts on or before September 1 of the fiscal year for which aid is being certified and shall distribute the total of such appropriated and allocated funds to the boards in ten as nearly as possible equal monthly payments between the fifth and twentieth day of each month beginning in September of each year.

(3)Beginning July 1, 2013, the commission shall reduce the amount of the distribution to a board by the amount of funds used by the community college area to provide a program or capital construction project as defined in section [85-1402](#) which has not been approved or has been disapproved by the Coordinating Commission for Postsecondary Education pursuant to the Coordinating Commission for Postsecondary Education Act.

Prior to the fiscal year 2014 distribution, DAS was responsible for distributing appropriated funds to the community colleges. Beginning with the fiscal year 2014 distribution, the CCPE was responsible for certifying and distributing State aid. Furthermore, Neb. Rev. Stat. § 85-2237 (Cum. Supp. 2012) gives the Commission authority to adopt and promulgate rules and regulations to carry out the Aid Act.

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BACKGROUND

(Concluded)

Community College Areas

As specified in Neb. Rev. Stat. § 85-1504 (Reissue 2008), the State is currently divided into six community college areas, as follows:

(1) The Western Community College Area shall consist of the following counties: Sioux, Dawes, Sheridan, Box Butte, Scotts Bluff, Banner, Kimball, Morrill, Cheyenne, Garden, Deuel, and Grant and the voting districts of Merriam, Russell, King, Mother Lake, Cody, Barley, Gillaspie, Lackey, and Calf Creek in Cherry County as such voting districts existed on July 1, 1975;

(2) The Mid-Plains Community College Area shall consist of the following counties: Cherry except as provided in subdivision (1) of this section, Hooker, Thomas, Blaine, Loup, Arthur, McPherson, Logan, Custer, Keith, Lincoln, Perkins, Chase, Hayes, Frontier, Dundy, Hitchcock, and Red Willow;

(3) The Northeast Community College Area shall consist of the following counties: Keya Paha, Brown, Rock, Boyd, Holt, Garfield, Wheeler, Knox, Cedar, Antelope, Pierce, Madison, Wayne, Stanton, Dixon, Dakota, Thurston, Burt, and Cuming and the precincts of North Oakland, South Oakland, Ashland, North Branch, Shell Creek, and Midland in Boone County as such precincts existed on July 1, 1975;

(4) The Central Community College Area shall consist of the following counties: Valley, Greeley, Platte, Colfax, Sherman, Howard, Nance, Merrick, Polk, Butler, Dawson, Buffalo, Hall, Hamilton, Gosper, Phelps, Kearney, Adams, Clay, Furnas, Harlan, Franklin, Webster, and Nuckolls and all of Boone County except as provided in subdivision (3) of this section;

(5) The Southeast Community College Area shall consist of the following counties: Saunders, Cass, York, Seward, Lancaster, Otoe, Fillmore, Saline, Thayer, Jefferson, Gage, Johnson, Nemaha, Pawnee, and Richardson; and

(6) The Metropolitan Community College Area shall consist of the following counties: Dodge, Washington, Douglas, and Sarpy.

The six community college areas consist of 13 campuses and several off-campus sites.

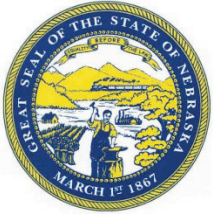
The six community college areas will be identified in this report as community colleges collectively or individually as the Western Nebraska Community College (WNCC), Mid-Plains Community College (MPCC), Northeast Community College (NCC), Southeast Community College (SCC), Metropolitan Community College (MCC), and Central Community College (CCC).

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EXIT CONFERENCE

An exit conference was communicated to Agency 83 – Aid to Community College Areas on June 5, 2014, to discuss the results of our examination. Those recipients of the Exit Conference Agenda were:

NAME	TITLE
Carna Pfeil	Interim Executive Director Coordinating Commission for Postsecondary Education
Gerry Oligmueller	Acting Director Department of Administrative Services



NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley
State Auditor

Mike.Foley@nebraska.gov
PO Box 98917
State Capitol, Suite 2303
Lincoln, Nebraska 68509
402-471-2111, FAX 402-471-3301
www.auditors.nebraska.gov

AGENCY 83 (AID TO COMMUNITY COLLEGE AREAS)

INDEPENDENT ACCOUNTANT'S REPORT

Agency 83 (Aid to Community College Areas)
Lincoln, Nebraska

We have examined the accompanying Schedule of Revenues, Expenditures, and Changes in Fund Balances of Agency 83 (Agency) for the period July 1, 2012, through December 31, 2013. The Agency's management is responsible for the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and, accordingly, included examining, on a test basis, evidence supporting the Schedule of Revenues, Expenditures, and Changes in Fund Balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

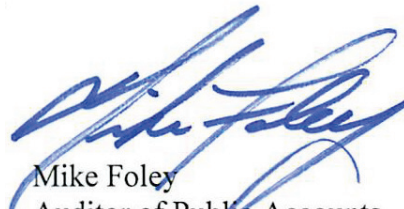
In our opinion, the Schedule referred to above presents, in all material respects, the revenues, expenditures, and changes in fund balances of Agency 83 for the period July 1, 2012, through December 31, 2013, based on the accounting system and procedures prescribed by the State of Nebraska Department of Administrative Services, as described in Note 1.

In accordance with *Government Auditing Standards*, we are required to report findings of deficiencies in internal control, violations of provisions of contracts or grant agreements, and abuse that are material to the Schedule of Revenues, Expenditures, and Changes in Fund Balances and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether the Schedule of Revenues, Expenditures, and Changes in Fund Balances is presented in accordance with the criteria described above and not for the purpose of expressing an opinion on the internal control

over the Schedule of Revenues, Expenditures, and Changes in Fund Balances or on compliance and other matters; accordingly, we express no such opinions. Our examination disclosed no findings that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the Agency, and the appropriate Federal and regulatory agencies, and it is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

June 19, 2014



Mike Foley
Auditor of Public Accounts

AGENCY 83 (AID TO COMMUNITY COLLEGE AREAS)

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

July 1, 2012, through December 31, 2013

	State General Fund 10000	Nebraska Community College Student Performance & Occupational Education Grant Fund 28310	Totals (Memorandum Only)
REVENUES:			
Appropriations	\$ 124,724,128	\$ -	\$ 124,724,128
Miscellaneous	-	179	179
TOTAL REVENUES	<u>124,724,128</u>	<u>179</u>	<u>124,724,307</u>
EXPENDITURES:			
Government Aid	124,724,128	-	124,724,128
TOTAL EXPENDITURES	<u>124,724,128</u>	<u>-</u>	<u>124,724,128</u>
Net Change in Fund Balances	-	179	179
FUND BALANCES, July 1, 2012	<u>-</u>	<u>5,304</u>	<u>5,304</u>
FUND BALANCES, December 31, 2013	<u>\$ -</u>	<u>\$ 5,483</u>	<u>\$ 5,483</u>
FUND BALANCES CONSIST OF:			
General Cash	\$ -	\$ 5,483	\$ 5,483
TOTAL FUND BALANCES	<u>\$ -</u>	<u>\$ 5,483</u>	<u>\$ 5,483</u>

The accompanying notes are an integral part of the schedule.

AGENCY 83 (AID TO COMMUNITY COLLEGE AREAS)

NOTES TO THE SCHEDULE

For the Period July 1, 2012 through December 31, 2013

1. Criteria

The accounting policies of Agency 83 (Agency) are on the basis of accounting, as prescribed by the State of Nebraska Department of Administrative Services (DAS).

Per Neb. Rev. Stat. § 81-1107(2) (Reissue 2008), the duties of the Director of DAS include:

The keeping of general accounts and the adoption and promulgation of appropriate rules, regulations, and administrative orders designed to assure a uniform and effective system of accounts and accounting, the approval of all vouchers, and the preparation and issuance of warrants for all purposes[.]

In accordance with Neb. Rev. Stat. § 81-1111(1) (Reissue 2008), the State Accounting Administrator has prescribed the system of accounts and accounting to be maintained by the State and its departments and agencies and has developed necessary accounting policies and procedures. The prescribed accounting system currently utilizes EnterpriseOne, an accounting resource software, to maintain the general ledger and all detailed accounting records. Policies and procedures are detailed in the Nebraska State Accounting Manual published by DAS State Accounting Division (State Accounting) and are available to the public. The financial information used to prepare the Schedule of Revenues, Expenditures, and Changes in Fund Balances was obtained directly from the general ledger and fund balance information maintained on EnterpriseOne. EnterpriseOne is not an accrual accounting system; instead, accounts are maintained on a modified cash basis. As revenue transactions occur, the agencies record the accounts receivable and related revenues in the general ledger. As such, certain revenues are recorded when earned regardless of the timing of related cash flows. State Accounting does not require the Agency to record all accounts receivable and related revenues in EnterpriseOne. As such, the Agency's schedule does not include all accounts receivable and related revenues. In a like manner, expenditures and related accounts payable are recorded in the general ledger as transactions occur. As such, the schedule includes those expenditures and related accounts payables posted in the general ledger as of December 31, 2013, and not yet paid as of that date. The amount recorded as expenditures on the schedule, as of December 31, 2013, **does not** include amounts for goods and services received before December 31, 2013, which had not been posted to the general ledger as of December 31, 2013.

The fund types established by the State that are used by the Agency are:

10000 – General Fund – accounts for activities funded by general tax dollars and related expenditures and transfers.

20000 – Cash Funds – account for revenues generated by specific activities from sources outside of State government and the expenditures directly related to the generation of the revenues. Cash funds are established by State statutes and must be used in accordance with those statutes. The December 2013 State Government Cash and Revolving Funds, Fund Descriptions, Schedule of Fees and Taxes and Summaries of Fund Revenues,

AGENCY 83 (AID TO COMMUNITY COLLEGE AREAS)

NOTES TO THE SCHEDULE

(Continued)

1. Criteria (Concluded)

Expenditures and Balances Report prepared by the Legislative Fiscal Office, states the following regarding Fund 28310:

The Nebraska Community College Aid Cash Fund which was created pursuant to LB305, enacted in 1989. Provisions of LB946, enacted in 2012, renamed the fund the Nebraska Community College Student Performance and Occupational Education Grant Fund. The fund is under the direction of the Nebraska Community College Student Performance and Occupational Education Grant Committee and is administered by the Coordinating Commission for Postsecondary Education. Amounts credited to the fund are to consist of money received by the state in the form of grants or gifts from nonfederal sources and such other amounts as may be transferred or otherwise accrue to the fund. The fund is to be used to provide aid or grants to community colleges pursuant to provisions of Section 85-1539.

Transfers from the fund are not expressly authorized under existing law.

The major revenue account classifications established by State Accounting and used by the Agency are:

Appropriations – Appropriations are granted by the Legislature to make expenditures and to incur obligations. The amount of appropriations reported as revenue is the amount of expenditures.

Miscellaneous – Revenue from sources not covered by other major categories, such as investment income.

The major expenditure account classification established by State Accounting and used by the Agency is:

Government Aid – Payment of Federal and/or State money to governmental subdivisions, State agencies, local health and welfare offices, individuals, etc., in furtherance of local activities and accomplishment of State programs.

Other significant accounting classifications and procedures established by State Accounting and used by the Agency include:

Assets – Resources owned or held by a government that have monetary value. Assets include cash accounts. Cash accounts are also included in the fund balance and are reported as recorded in the general ledger.

2. Reporting Entity

Agency 83 (Aid to Community College Areas) is a State agency established under and governed by the laws of the State of Nebraska. As such, the Agency is exempt from State and Federal income taxes. The Agency was established through appropriations from the Legislature and has no staff but is rather a placeholder for the distribution of aid to community colleges. The Schedule includes all funds of the Agency included in the general ledger.

Agency 83 is part of the primary government for the State of Nebraska.

AGENCY 83 (AID TO COMMUNITY COLLEGE AREAS)

NOTES TO THE SCHEDULE
(Continued)

3. Totals

The Totals "Memorandum Only" column represents an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information because interfund balances and transactions have not been eliminated.

4. State Aid Appropriations and Distributions during the Period July 1, 2012, through December 31, 2013

State aid appropriated for the period July 1, 2012, through December 31, 2013, was \$124,724,128. The total State aid appropriations to be distributed during the attestation period, as reflected in the Schedule of Revenues, Expenditures, and Changes in Fund Balances, includes \$87,870,147 distributed pursuant to State statute during State fiscal year 2013 (July 1, 2012, through June 30, 2013) and \$36,853,981 (of the \$91,384,953 total appropriated for the entire 2014 fiscal year) distributed pursuant to State statute for the period July 1, 2013, through December 31, 2013.

Fiscal Year 2013 Community College State Aid

Per Neb. Rev. Stat. § 90-517 (Cum. Supp. 2012), State aid for each community college for fiscal year 2013 was equal to the amount of State aid appropriated by the Legislature, \$87,870,147, multiplied by the following percentages for each community college:

<u>Community College</u>	<u>Percentage</u>
CCC	8.86
MCC	26.51
MPCC	9.05
NCC	14.04
SCC	28.27
WNCC	13.27

Pursuant to Neb. Rev. Stat. § 90-517, the amount provided to NCC included .1% for Nebraska Indian Community College and .2% for Little Priest Tribal College.

Fiscal Year 2014 Community College State Aid

Neb. Rev. Stat. § 85-2234 (Supp. 2013) states:

Aid appropriated pursuant to the Community College Aid Act for fiscal year 2013-14 and each fiscal year thereafter shall be allocated among community college areas and tribally controlled community colleges as follows:

(1) The initial \$87,870,147 appropriated pursuant to the act shall be allocated to community college areas based on the proportionate share of aid received by each community college area for fiscal year 2012-13. If the amount appropriated for such fiscal year exceeds \$87,870,147, the excess amount shall be allocated as provided in subdivisions (2) and (3) of this section. If the amount appropriated for such fiscal year is less than or equal to \$87,870,147, the amount appropriated shall be allocated to community college areas based on the proportionate share of aid received by each community college area for fiscal year 2012-13;

AGENCY 83 (AID TO COMMUNITY COLLEGE AREAS)

NOTES TO THE SCHEDULE
(Concluded)

4. State Aid Appropriations and Distributions during the Period July 1, 2012, through December 31, 2013 (Concluded)

(2) Of any amount remaining after the allocation of aid pursuant to subdivision (1) of this section, the next amount, up to but not to exceed \$500,000, shall be allocated as state aid pursuant to section 85-1539; and

(3) Any amount remaining after the allocations provided for in subdivisions (1) and (2) of this section shall be allocated among the community college areas on the following basis:

(a) Twenty-five percent of such amount shall be divided equally based on the number of community college areas designated pursuant to section 85-1504;

(b) Forty-five percent of such amount shall be divided based on each community college area's proportionate share of three-year average full-time equivalent student enrollment. A community college area's proportionate share of three-year average full-time equivalent student enrollment shall equal the sum of a community college area's full-time equivalent student enrollment total for the three fiscal years immediately preceding the fiscal year for which aid is being calculated divided by three, with such quotient divided by the quotient resulting from the sum of the full-time equivalent student enrollment total of all community college areas for the three fiscal years immediately preceding the fiscal year for which aid is being calculated divided by three; and

(c) Thirty percent of such amount shall be divided based on each community college area's proportionate share of three-year average reimbursable educational units . . .

The CCPE attempted to calculate the distribution of the excess appropriations in accordance with section (3) above. Due to concerns regarding the comparability of full-time equivalent (FTE) and reimbursable educational unit (REU) data received from the community colleges, the CCPE used zeroes for fiscal year 2013 rather than the actual audited data. The CCPE then calculated a three-year rolling average, which was used to determine the distribution of the excess appropriations, as described above. The CCPE's decision to substitute zeros for the fiscal year 2013 FTE and REU data, instead of the actual audited data, created a variance in the distribution allocations that ranged from \$44 to \$6,601.

AGENCY 83 (AID TO COMMUNITY COLLEGE AREAS)

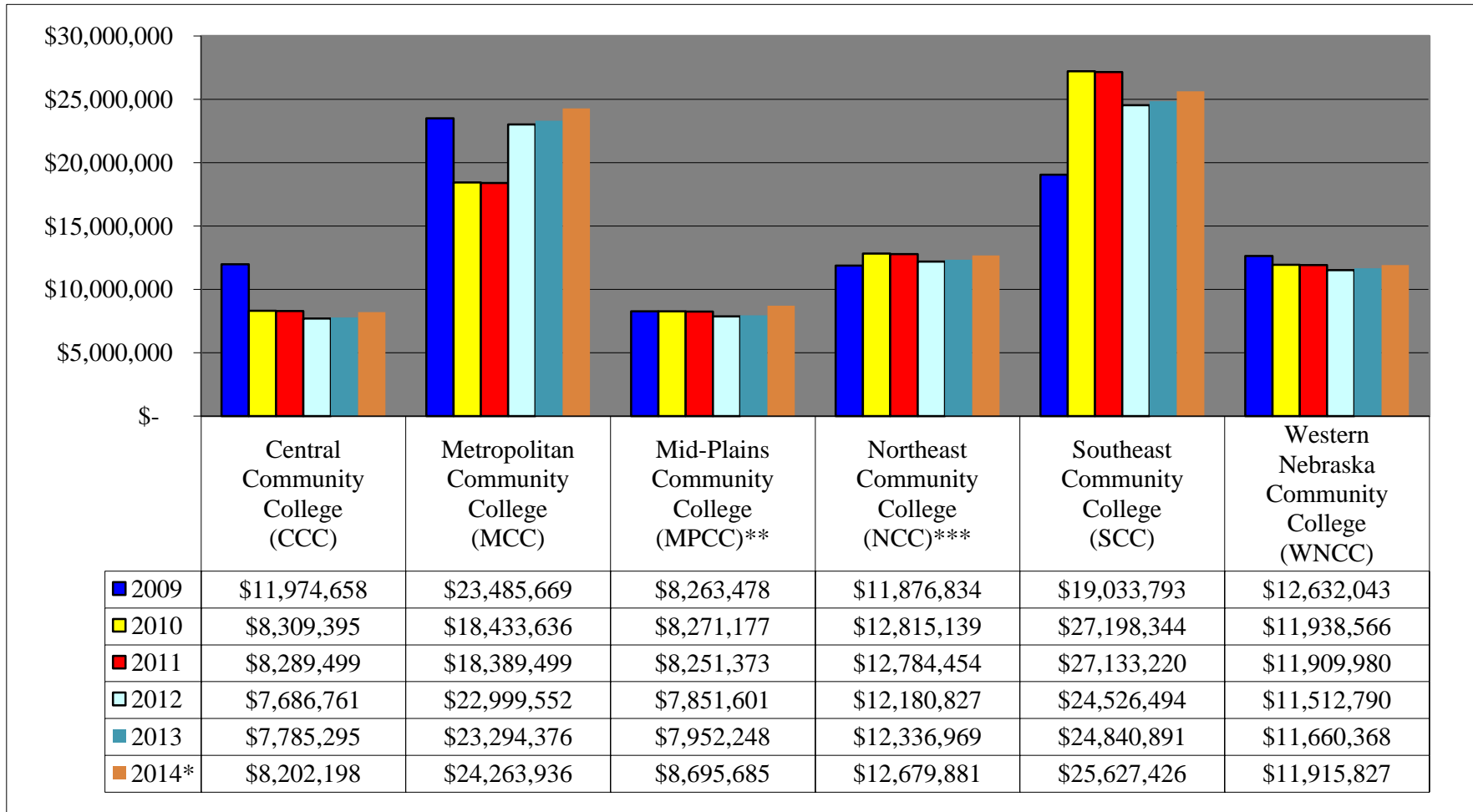
SUPPLEMENTARY INFORMATION

Our examination was conducted for the purpose of forming an opinion on the Schedule of Revenues, Expenditures, and Changes in Fund Balances. Supplementary information is presented for purposes of additional analysis. Such information has not been subjected to the procedures applied in the examination of the Schedule of Revenues, Expenditures, and Changes in Fund Balances, and, accordingly, we express no opinion on it.

AGENCY 83 (AID TO COMMUNITY COLLEGE AREAS)

TOTAL AID DISTRIBUTION BY COLLEGE AREA

For the Fiscal Years Ended June 30, 2009, 2010, 2011, 2012, 2013, and 2014*



*Appropriated amounts are shown for fiscal year ended June 30, 2014. Distributions are made in 10 equal payments between September and June. As of December 31, 2013, four monthly distributions were made for the fiscal year ended June 30, 2014.

**MPCC's distribution for the fiscal year ending June 30, 2014, includes \$500,000 for State aid. This grant was divided between all six community colleges. MPCC distributed the awards, which ranged from \$83,000 to \$83,800, to the other five community colleges.

***NCC's distributions include amounts allocated for the Nebraska Indian Community College (NICC) and the Little Priest Tribal College (LPTC). Distributions to the NICC totaled \$167,277 for the fiscal years 2009 through 2013, with an allocation of \$12,503 for fiscal year 2014. Distributions to the LPTC totaled \$126,250 for the fiscal years 2009 through 2013, with an allocation of \$24,937 for fiscal year 2014.