

SOUTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019



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

SOUTHEAST COMMUNITY COLLEGE AREA
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**DANA F. COLE
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of Southeast Community College Area as of June 30, 2020 and 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Southeast Community College Foundation, which represent 10 percent, 15 percent, and 3 percent, respectively, of the assets, net position, and revenues of the Southeast Community College Area. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Southeast Community College Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly the financial position of Southeast Community College Area, as of June 30, 2020 and 2019, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 14 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Southeast Community College Area's financial statements as a whole. The schedules of general fund revenues - budgetary basis; schedules of general fund expenditures - budgetary basis; schedules of balances and activities of system and pledge, and schedules of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the financial statements.

The schedules of general fund revenues - budgetary basis, schedules of general fund expenditures - budgetary basis, schedules of balances and activity, and schedules of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Community College Area's internal control over financial reporting and compliance.

Dana J Cole + Company, LLP

Lincoln, Nebraska
November 13, 2020

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

This section of Southeast Community College Area's annual financial report presents our discussion and analysis of the College's financial performance during the fiscal years ended June 30, 2020 and 2019. Please read it in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

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

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

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

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



SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 1
NET POSITION
(in thousands of dollars)

	2020	2019	2018
Current assets	118,631	149,366	136,147
Noncurrent assets	778	875	920
Capital assets	<u>147,494</u>	<u>101,162</u>	<u>75,365</u>
Total assets	<u>266,903</u>	<u>251,403</u>	<u>212,432</u>
Current liabilities	20,045	15,826	8,482
Noncurrent liabilities	<u>80,829</u>	<u>79,516</u>	<u>60,486</u>
Total liabilities	<u>100,874</u>	<u>95,342</u>	<u>68,968</u>
Net Position			
Invested in capital assets, net of related debt	95,264	74,879	75,365
Restricted	21,666	22,642	14,634
Unrestricted	<u>49,099</u>	<u>58,540</u>	<u>53,465</u>
Total net position	<u>166,029</u>	<u>156,061</u>	<u>143,464</u>

Total assets of the College increased 6.2% (\$15,500 thousand) and 18.3% (\$38,971 thousand); liabilities increased 5.8% (\$5,532 thousand) and 38.2% (\$6,374 thousand); and net assets increased by 6.4% (\$9,968 thousand) and 8.8% (\$12,597 thousand) for the fiscal year ended June 30, 2020 and 2019. The changes are due to the following factors:

- An increase in capital assets is due to completion of the capital projects associated with the Certificates of Participation and Revenue Bonds issued in calendar 2018 for both fiscal years ending 2020 and 2019.
- An increase in liabilities is primarily due to an increase in accounts payable and accrued compensated absences in fiscal 2020 and the issuance of the Facilities Revenue Bonds, Series 2018, in fiscal 2019.
- A decrease in the unrestricted net position was due many facility maintenance projects being completed during fiscal year 2020 and an increase in the unrestricted net position was due to cost savings in fiscal 2019.
- There was a slight decrease in the restricted net position related to capital improvement projects completed in fiscal 2020 and an increase in restricted net position due to unspent capital improvement levy in fiscal 2019.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

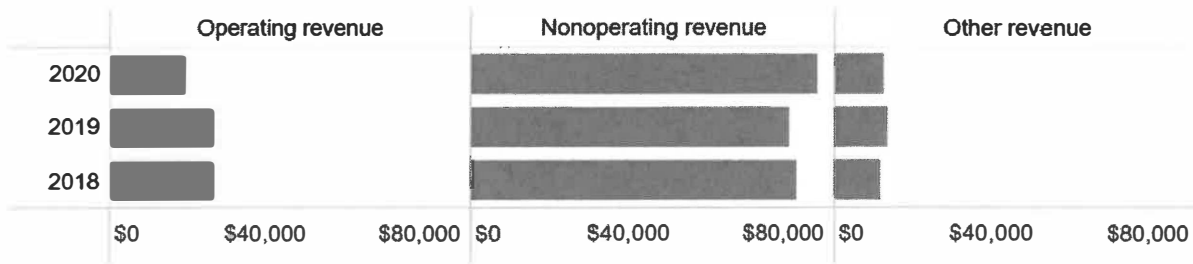
TABLE 2
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
(in thousands of dollars)

	2020	2019	2018
Operating revenue			
Student tuition and fees	11,742	16,029	15,081
Grants and contracts	307	200	28
Sales educational departments	587	1,053	1,051
Auxiliary enterprises	7,037	7,650	8,334
Other	2,329	1,835	2,251
Total operating revenue	<u>22,002</u>	<u>26,767</u>	<u>26,745</u>
Operating expenses			
Personnel services	73,154	71,860	70,844
Operating expenses	25,771	26,053	27,866
Travel	201	386	418
Capital assets not capitalized	7,525	5,022	2,578
Depreciation	6,385	5,733	5,455
Total operating expenses	<u>113,036</u>	<u>109,054</u>	<u>107,161</u>
Net operating loss	<u>(91,034)</u>	<u>(82,287)</u>	<u>(80,416)</u>
Nonoperating revenue			
State aid	27,941	27,373	27,461
Property taxes	45,681	40,662	41,260
Grants and contracts	16,683	13,741	13,865
Investment income	1,170	2,302	528
Interest on indebtedness	(2,963)	(2,774)	(149)
Net nonoperating revenue	<u>88,512</u>	<u>81,304</u>	<u>82,965</u>
Other revenue			
Capital appropriations	12,410	11,469	11,655
Capital grants	-	2,016	-
Gain on disposal of assets	80	95	45
Net other revenue	<u>12,490</u>	<u>13,580</u>	<u>11,700</u>
Increase in net assets	9,968	12,597	14,249
Net Position			
Net position, beginning of year	<u>156,061</u>	<u>143,464</u>	<u>129,215</u>
Net position, end of year	<u>166,029</u>	<u>156,061</u>	<u>143,464</u>

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

REVENUES

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



Comments regarding revenues are as follows:

- Tuition and fee rates for 2019 - 2020 increased by 3.6%. Due to the quarter to semester conversion and the effects of the current pandemic, a summer 2020 enrollment was limited which was reflected in the FTE decline of 13.5%. Scholarship allowances increased by 25% (\$1,307 thousand) in fiscal 2019 - 2020. Tuition and fee rates for 2018 - 2019 increased by 3.0% and the allowance for scholarships decreased by 20% (\$1,312 thousand). The additional revenues attributed to an increase in tuition and fees was partially offset by a slight decrease in enrollment.
- In fiscal 2019 - 2020 valuations increased by 2.8%, and the general levy increased 30 cents per one hundred-dollar valuation to 7.37 cents. The CIF levy remained unchanged at 2.0 cents for a total valuation of 9.37 cents. In fiscal 2018 - 2019, valuations increased by 2.3%, the general fund and CIF levy remained unchanged at 7.07 cents and 2.0 cents, respectively, per \$100 valuation. Total property tax levy was 9.37 cents, 9.07 cents, and 9.07 cents per \$100 valuation for fiscal 2019 - 2020, 2018 - 2019, and 2017 - 2018, respectively.

EXPENSES

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



SOUTHEAST COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

Comments about expenses are as follows:

- Personnel services continue to be the primary expenditure category and are 65% of total operating expenses
- Total operating expenditures increased 3.7% (\$3,983 thousand) in fiscal 2019 - 2020 and by 1.8% (\$1,893 thousand) in fiscal 2018 - 2019. The increase in expenditures in fiscal 2019 - 2020 and 2018 - 2019 is primarily due to personnel services and maintenance projects that were not capitalized.

THE STATEMENTS OF CASH FLOWS

Another way to assess the financial health of the College is to look at the statements of cash flows. The purpose of the statements of cash flows is to provide relevant information about cash receipts and cash payments made by the College during a fiscal year. The statement also helps users to assess the College's:

- Ability to generate future net cash flows.
- Ability to meet its obligations as they come due.
- Needs for external financing.
- Comments about cash flow are as follows:
- Cash used by operating activities consists of:
 - major revenue sources of tuition and fees, auxiliary enterprises income and sales of educational services.
 - major expenditures of personnel services, operating expenses and scholarship allowances.
- The three major components of cash provided by noncapital financing activities are:
 - state aid.
 - property taxes for the general fund.
 - nonexchange grants.
- Cash used for capital and related financing activities decreased in June 30, 2020, primarily due to construction projects associated with the Certificates of Participation and the Facilities Revenue Bonds, 2018 Series.
- Cash used for investing activities increased due to an investment maturing and held as a cash equivalent.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 3
CASH FLOWS
(in thousands of dollars)

	2020	2019	2018
Cash provided by (used in):			
Operating activities	(83,099)	(68,902)	(73,321)
Noncapital financing activities	88,895	81,567	82,193
Capital and related financing activities	(41,499)	27	59,693
Investing activities	<u>462</u>	<u>942</u>	<u>476</u>
Net increase in cash and cash equivalents	(35,241)	13,634	69,041
Cash and cash equivalents, beginning of year	<u>123,261</u>	<u>109,627</u>	<u>40,586</u>
Cash and cash equivalents, end of year	<u><u>88,020</u></u>	<u><u>123,261</u></u>	<u><u>109,627</u></u>

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 the basic financial statements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2020, 2019, and 2018, the College had \$147,494 (thousands), \$101,162 (thousands), and \$75,365 (thousands) invested in capital assets, net of accumulated depreciation, respectively. Depreciation charges for the fiscal years ended June 30, 2020, 2019, and 2018, were \$6,385 (thousands), \$5,733 (thousands), and \$5,455 (thousands), respectively. Details of capital assets for the fiscal years ended June 30 are as follows:

TABLE 4
CAPITAL ASSETS
(net of depreciation, in thousands of dollars)

	2020	2019	2018
Land	54,119	28,173	1,889
Land improvements	1,336	1,478	1,591
Buildings	85,001	64,047	63,994
Equipment	<u>7,008</u>	<u>7,464</u>	<u>7,891</u>
	<u><u>147,464</u></u>	<u><u>101,162</u></u>	<u><u>75,365</u></u>

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

Debt

Southeast Community College Tax-Supported Certificates of Participation (“COPS”), Series 2018, were issued June 7, 2018, to finance a portion of the cost of constructing, acquiring and equipping certain buildings and related improvement to the College's campuses in the amount of \$58,375,000. Payments are made semi-annually on June 15th and December 15th and include principal and interest ranging from 3% to 5% over the life of the COPS. The COPS were issued at a premium of \$2,195,062, which is amortized over the life of the COPS.

Southeast Community College Facilities Revenue Bonds, Series 2018, were issued September 19, 2018, to finance a portion of the cost of constructing, acquiring and equipping and furnishing new student housing and dining facilities at the College's Beatrice Campus and new student housing facilities at the College's Milford Campus. Payments are made semi-annually on June 15th and December 15th and include principal and interest ranging from 3% to 5% over the life of the revenue bonds.

TABLE 5
OUTSTANDING DEBT
(in thousands of dollars)

	2020	2019	2018
2018 Certificates of Participation	60,417	58,375	58,375
2018 Revenue Bonds	19,099	19,500	-
	79,516	77,875	58,375

BUDGET VS ACTUAL

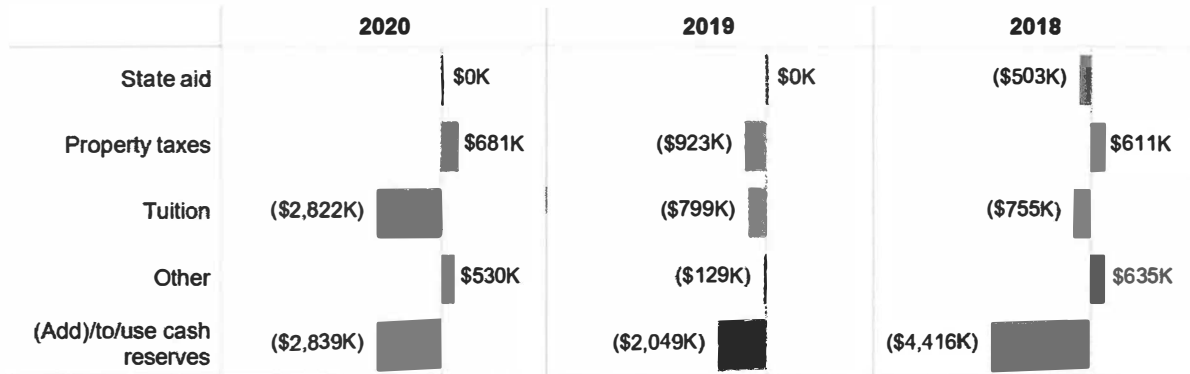
Prior to August 1, the College's administration prepares a proposed operating budget for the General, Restricted, and Plant Funds. At the Southeast Community College public meeting in September, a public hearing was conducted to obtain taxpayer comments regarding the proposed budget. After the public hearings, the budget is legally adopted by the Board of Governors through a passage of a resolution.

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

**TABLE 6
SOUTHEAST COMMUNITY COLLEGE AREA | BUDGET VS ACTUAL, GENERAL FUND ONLY
(in thousands of dollars)**

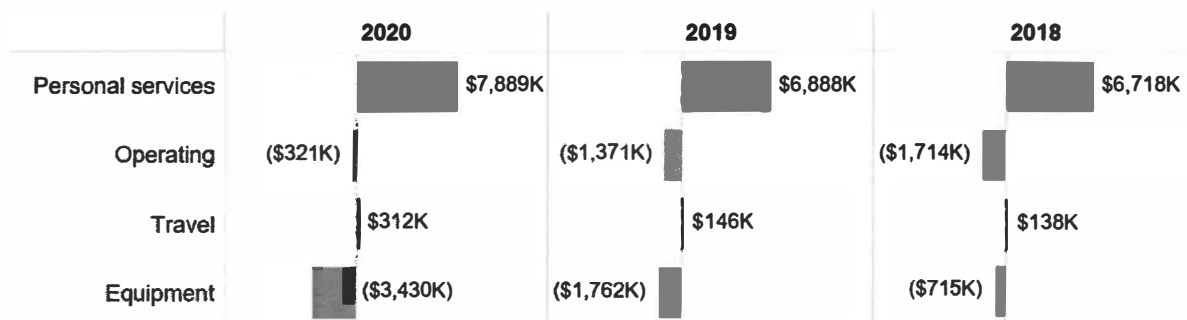
	Budget 2020	Actual 2020	Budget 2019	Actual 2019	Budget 2018	Actual 2018
REVENUES						
State aid	27,941,152	27,941,152	27,372,774	27,372,774	27,964,045	27,460,870
Property taxes	44,999,871	45,680,650	41,585,413	40,662,058	40,648,322	41,259,669
Tuition	19,136,591	16,310,438	20,213,634	19,414,750	20,221,952	19,467,175
Other	836,542	1,366,955	682,753	553,588	400,000	1,035,285
(Add) to/use cash reserves	-	(2,839,029)	-	(2,048,778)	-	(4,415,641)
Total revenues	92,914,156	88,460,166	89,854,574	85,954,392	89,234,319	84,807,358
EXPENSES						
Personnel services	76,459,833	68,570,957	74,009,487	67,121,914	72,340,559	65,622,819
Operating	14,248,414	14,569,063	13,395,760	14,767,188	13,092,062	14,805,605
Travel	433,121	121,311	401,152	255,402	360,416	222,154
Equipment	1,768,788	5,198,835	2,048,175	3,809,888	3,441,282	4,156,780
Total expenses	92,910,156	88,460,166	89,854,574	85,954,392	89,234,319	84,807,358

**Figure 4.
Southeast Community College Area | Difference between Actual and Budgeted Revenue for General Fund
(in thousands of dollars)**



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

Figure 5.
Southeast Community College Area | Difference between Budgeted and Actual Expenses for General Fund
(in thousands of dollars)



Comments regarding budget vs actual revenues and expenditures for the general fund budget are as follows:

Fiscal 2019 - 2020

- Tuition revenue was below budget by \$2,822 thousands due to a decrease in enrollment that was partially offset against an increase in tuition fees. Enrollment was limited in summer 2020 due to the pandemic environment.
- Personnel services expenditures were below budget by \$7,888 due to a high number of retirements and positions remaining vacant for an extended period of time.
- Equipment was above budget due to a large number of maintenance projects being completed in the fiscal year.

Fiscal 2018 - 2019

- Tuition revenue was below budget by \$799 thousands due to a slight decrease in enrollment that was partially offset against an increase in tuition rates.
- Personnel services expenditures were below budget by \$6,888 due to a high number of retirements and positions remaining vacant for an extended period of time.
- Equipment was above budget due to a large number of maintenance projects being completed in the fiscal year.

Fiscal 2017 - 2018

- State aid revenue was below budget by \$503 thousands due to state appropriations being reduced during the year due to a weak Nebraska economy.
- Tuition revenue was below budget by \$755 thousands due to a slight decrease in enrollment that was partially offset against an increase in tuition rates.
- Personnel services expenditures were below budget by \$6,718 due to a high number of retirements and positions remaining vacant for an extended period of time.
- Operating expenditures were above budget due to a large number of maintenance projects being completed in the fiscal year.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which was first detected in China and has since spread to other countries, including the United States has been declared a pandemic by the World Health Organization. The outbreak of the disease has affected travel, commerce and financial markets globally.

In an effort to minimize the risk of the spread of the COVID-19 on the campuses of the College, all academic courses were moved to a remote format for all students at the end of March for the remainder of the Spring 2020 semester. In addition, all residence halls were closed effective March 29, 2020. Students who moved out for the remainder of the semester were eligible for a 50% refund of room and board costs for the semester. The College expects that losses due to student refunds will be partially offset by funds available through the CARES Institution Share through HEERF; savings in food service and other costs; and has identified strategies to maintain covenant compliance for its revenue bonds. The Board determined to move all courses to a remote format for the first Summer 2020 session as well.

Further, independent of the College's decisions regarding remote learning, the Governor of the State of Nebraska declared a state of emergency and placed limits on the size of gatherings which may occur in the State, ordered the closure of public schools, mandatory closures of certain businesses, and other measures in an effort to limit the spread of COVID-19. Similar measures in the future may limit the College's ability to operate at historical normal capacity. In addition, the unemployment rate in the State has increased, and is expected to continue to increase, as a result of the closures and limits on operations, which may cause pressure on the State's budget in future periods.

The continued spread of COVID-19 or any other similar outbreaks in the future and the continued impact on dormitory style living, social interaction, travel, economies, and financial markets may materially impact the College's finances and operations and the State's budget. Any of these impacts (i) may materially adversely affect the ability of the College to conduct its operations and/or may materially adversely affect the cost of operations, (ii) may negatively affect state aid provided to the College due to decreased tax revenues and budget cuts by the State, and (iii) may materially adversely affect the secondary market for and value of the Bonds.

The College is closely monitoring potential impacts on its operations and is focused on responding to evolving issues that are identified in responding to the impacts of COVID-19 on its campuses. The College is monitoring developments and the directives of federal, state and local officials to determine what precautions and procedures may need be to be implemented in light of COVID-19. The full impact of COVID-19 or any other similar outbreaks in the future and the scope of any adverse impact on the College's finances and operations cannot be fully determined at this time. Other adverse consequences of COVID-19 or any other similar outbreaks in the future may include, but are not limited to, decline in enrollment and decline in demand for housing

The economic position of Southeast Community College is also closely tied to that of the State. LB 946 specifies the state aid distribution to the community colleges. A weak farm economy may continue to hamper the State's growth over the next several years thus effecting state aid appropriated to the community colleges.

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

The state aid appropriation for fiscal 2019 - 2020 to the College is 27.6% of the total community college appropriation.

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

- Approved the General Fund property tax levy to remain at 7.37 cents per \$100 valuation and the CIF property tax levy at 2.00 cents.
- Resident tuition and fee rates were increased by 2.8% for the fiscal year beginning July 1, 2020.

Other Items

- Property valuations for 2020 increased 1.5% over the previous year

FINANCIAL CONTACT

The College's financial statements are designed to present users with a general overview of the College's finances and to demonstrate the College's accountability. If you have questions about the report or need additional financial information, contact the College's Vice-President for Administrative Services, Amy L. Jorgens, 301 South 68th Street Place, Lincoln, Nebraska 68510-2449, 402.323.3414, ajorgens@southeast.edu.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020		2019	
	College	Foundation	College	Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	88,020,340	158,601	123,261,104	55,517
Short-term investments	1,667,031	1,588,790	1,548,223	1,118,081
Property taxes receivable	20,778,783	-	18,433,344	-
Accounts receivable (net)	3,725,002	100,709	2,234,136	10,627
Interest receivable	86,323	64,142	74,114	68,073
Inventories	1,701,276	-	1,762,607	-
Prepaid expense	2,651,866	-	2,052,740	-
Total current assets	118,630,621	1,912,242	149,366,268	1,252,298
Noncurrent Assets				
Deposits with vendors	42,097	-	42,097	-
Pledges receivable	-	333,333	-	-
Endowment investments	-	26,379,094	-	25,956,094
Long-term investments	589,177	-	682,134	-
Prepaid expenses	146,817	-	150,680	-
Capital assets, net	147,494,370	719,529	101,162,456	719,529
Total noncurrent assets	148,272,461	27,431,956	102,037,367	26,675,623
TOTAL ASSETS	266,903,082	29,344,198	251,403,635	27,927,921
LIABILITIES				
Current Liabilities				
Accounts payable	13,006,318	48,680	10,581,152	71,277
Accrued salaries	3,043,609	-	376,130	-
Deferred revenue	1,875,615	16,668	1,318,638	16,668
Deposits	156,539	-	148,485	-
Accrued interest	308,679	-	310,619	-
Current portion of long-term debt	1,654,473	13,331	479,676	13,331
Total current liabilities	20,045,233	78,679	13,214,700	101,276
Noncurrent Liabilities				
Accrued compensated absences	2,966,488	-	2,611,282	-
Long-term debt, net	77,861,835	29,334	79,516,308	42,664
Total noncurrent liabilities	80,828,323	29,334	82,127,590	42,664
TOTAL LIABILITIES	100,873,556	108,013	95,342,290	143,940

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2020 AND 2019

	2020		2019	
	College	Foundation	College	Foundation
NET POSITION				
Invested in capital assets, net of related debt	95,264,248	719,529	74,878,523	719,529
Restricted for:				
Nonexpendable				
Scholarships and fellowships	-	8,518,500	-	8,390,424
Expendable				
Scholarships and fellowships	-	18,278,629	-	17,110,131
Capital projects	21,666,135	-	22,642,409	-
Unrestricted	49,099,143	1,719,527	58,540,413	1,563,897
TOTAL NET POSITION	166,029,526	29,236,185	156,061,345	27,783,981

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020		2019	
	College	Foundation	College	Foundation
OPERATING REVENUES				
Student tuition and fees	11,742,050	-	16,029,253	-
Nongovernmental grants and contracts	306,734	-	199,716	-
Sales and services of educational departments	587,213	-	1,052,918	-
Auxiliary enterprises	7,037,428	-	7,650,269	-
Other operating income	2,328,792	167,911	1,834,519	176,508
Total operating revenues	<u>22,002,217</u>	<u>167,911</u>	<u>26,766,675</u>	<u>176,508</u>
OPERATING EXPENSES				
Personnel services	73,153,790	73,871	71,860,395	128,463
Operating expenses	25,770,959	2,520,830	26,053,371	4,242,537
Travel	201,379	-	385,681	-
Capital assets not capitalized	7,525,561	-	5,021,658	-
Depreciation	6,385,104	-	5,732,833	-
Total operating expenses	<u>113,036,793</u>	<u>2,594,701</u>	<u>109,053,938</u>	<u>4,371,000</u>
OPERATING LOSS	<u>(91,034,576)</u>	<u>(2,426,790)</u>	<u>(82,287,263)</u>	<u>(4,194,492)</u>
NONOPERATING REVENUES				
Governmental appropriations				
State aid	27,941,152	-	27,372,774	-
Property taxes	45,680,650	-	40,662,058	-
Governmental grants and contracts				
Federal	15,647,081	-	12,644,086	-
State	1,011,234	-	1,037,243	-
Nongovernmental grants and contracts	25,100	-	59,800	-
Gifts	-	3,049,189	-	4,779,513
Investment income	1,170,440	829,805	2,302,436	2,319,646
Interest on indebtedness	(2,963,378)	-	(2,773,816)	-
Net nonoperating revenues	<u>88,512,279</u>	<u>3,878,994</u>	<u>81,304,581</u>	<u>7,099,159</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>(2,522,297)</u>	<u>1,452,204</u>	<u>(982,682)</u>	<u>2,904,667</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2020 AND 2019

	2020		2019	
	College	Foundation	College	Foundation
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
Capital appropriations	12,410,156	-	11,468,947	-
Capital grant and gifts	-	-	2,016,000	-
Gain on disposal of capital assets	80,322	-	94,736	-
Total other revenues, expenses, gains, or losses	<u>12,490,478</u>	<u>-</u>	<u>13,579,683</u>	<u>-</u>
INCREASE IN NET POSITION	9,968,181	1,452,204	12,597,001	2,904,667
NET POSITION, beginning of year	<u>156,061,345</u>	<u>27,783,981</u>	<u>143,464,344</u>	<u>24,879,314</u>
NET POSITION, end of year	<u><u>166,029,526</u></u>	<u><u>29,236,185</u></u>	<u><u>156,061,345</u></u>	<u><u>27,783,981</u></u>

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	16,654,712	22,620,435
Grants and contracts	212,564	188,262
Payments for personnel services	(70,092,302)	(71,980,938)
Payments for operating expenses	(33,383,532)	(29,454,892)
Payments for scholarship allowances	(6,564,075)	(5,256,803)
Sales and services of educational departments	497,921	1,033,251
Auxiliary enterprises charges	7,075,819	7,379,977
Other receipts	<u>2,500,091</u>	<u>6,568,916</u>
Net cash used in operating activities	<u>(83,098,802)</u>	<u>(68,901,792)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State aid appropriations	27,941,152	27,372,774
Property taxes - General Fund and ADA/Hazardous Waste	43,335,210	40,821,764
Gifts and grants for other than capital purposes	17,618,890	13,372,026
Student loans receipts	11,111,433	14,230,287
Student loans disbursements	<u>(11,111,433)</u>	<u>(14,230,287)</u>
Net cash provided by noncapital financing activities	<u>88,895,252</u>	<u>81,566,564</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from long-term debt, net of premium	-	19,430,800
Payments on long-term debt	(479,676)	-
Interest income on bond proceeds	670,796	1,335,420
Interest paid on capital debt	(2,965,318)	(2,617,307)
Property taxes - Capital Improvement Fund	12,410,156	11,468,947
Capital grants and gifts	-	2,016,000
Proceeds from sale of capital assets	80,322	94,736
Purchases of capital assets	<u>(51,215,079)</u>	<u>(31,701,993)</u>
Net cash provided by (used in) capital financing activities	<u>(41,498,799)</u>	<u>26,603</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	(25,851)	(20,110)
Interest on investments	<u>487,436</u>	<u>962,515</u>
Net cash provided by investing activities	<u>461,585</u>	<u>942,405</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(35,240,764)	13,633,780
CASH AND CASH EQUIVALENTS, beginning of year	<u>123,261,104</u>	<u>109,627,324</u>
CASH AND CASH EQUIVALENTS, end of year	<u>88,020,340</u>	<u>123,261,104</u>
 Reconciliation of Net Operating Loss to Net Net Cash Used in Operating Activities		
Net operating loss	<u>(91,034,576)</u>	<u>(82,287,263)</u>
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expenses	6,385,104	5,732,833
Changes in assets and liabilities:		
Accounts receivable (net)	(1,490,865)	563,659
Inventories	61,331	(30,418)
Accounts payable	2,425,166	6,872,000
Interest payable	(1,940)	156,509
Deferred revenue	<u>556,978</u>	<u>90,888</u>
Net cash used in operating activities	<u>(83,098,802)</u>	<u>(68,901,792)</u>

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Southeast Community College Area was established July 1, 1973, by legislative action. The College encompasses the 15 counties of southeast Nebraska. An 11-member Board of Governors is the College's governing body and establishes the policies by which the College is governed.

Reporting Entity

The concept underlying the definition of the financial reporting entity is that elected officials are accountable to their constituents for their actions. As required by accounting principles generally accepted in the United States of America, the financial reporting entity includes both the primary government and all of its component units as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*. An organization other than a primary government serves as a nucleus for a reporting entity when it issues separate financial statements. Southeast Community College Area is not a component unit of another primary government reporting entity.

The Southeast Community College Education Foundation (Foundation) is a legally separate, tax-exempt component unit of Southeast Community College Area. The Foundation acts primarily as a fundraising organization to provide support to the College. The Foundation is governed by a 8-member Board. No members of the Board are members of the College or the College Board. Although the College does not control the timing or amounts of receipts from the Foundation, the majority of the resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

Complete financial statements for the Foundation can be obtained from the Administrative Office at 301 South 68th Street Place, Lincoln, Nebraska, 68510.

Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. All significant intrafund transactions have been eliminated. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the College does not apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, for proprietary activities, unless the GASB amends its pronouncements to specifically adopt FASB pronouncements issued after that date.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus and Basis of Accounting (Continued)

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB ASC 958-205, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Basis of Presentation

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

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

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

Budgets

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

Cash and Cash Equivalents

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

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Investments

Investments are reported at fair value.

Receivables

Receivables consist of tuition and fees charges to students and charges for auxiliary enterprises' sales and services. Receivables also include amounts due from the federal government, state and local governments, and private sources in connection with reimbursement of allowable expenditures made pursuant to contracts and grants, and pledges that are verifiable, measurable, and expected to be collected and available for expenditures for which the resource provider's conditions have been satisfied. Receivables are recorded net of estimated uncollectible amounts, which is based on historical collection experience and a review of the accounts receivable listing.

Inventories

Inventories are valued at the lower-of-cost or net realizable value as determined by the first-in, first-out (FIFO) method with the exception of parts inventories, which are stated at replacement value.

Capital Assets

Capital assets are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. The College capitalizes assets that have a value or cost in excess of \$5,000 at the date of acquisition and an expected useful life of one or more years. Library books are expensed.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used to compute depreciation:

Buildings	40 years
Building improvements	20 years
Building content replacements	10 years
Office furniture	10 years
Instructional equipment	7 years
Office equipment	3 years
Vehicles	3 years

Restricted Assets

Restricted assets represent assets whose use is restricted by external parties or by law through constitutional provisions or enabling legislation.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Compensated Absences

Vacation and personal leave meet the criteria in GASB Statement No. 16 and are included in accrued compensated absences. The criteria for accruing compensated absences are met when employee's rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employee through paid time off or some other means, such as cash at termination or retirement.

Noncurrent Liabilities

Noncurrent liabilities include bonds payable.

Net Position

The College's net position is classified as follows:

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Position - Nonexpendable

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

Restricted Net Position - Expendable

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

Unrestricted Net Position

Unrestricted net position includes resources derived from student tuition and fees, state aid, property taxes, sales and services, unrestricted gifts, and interest income.

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

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Scholarship Allowances

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

Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. Operating activities are those activities that are necessary and essential to the mission of the College. Operating revenues include all charges to customers, grants received for student financial assistance, and interest earned on loans. Grants received for student financial assistance are considered operating revenues because they provide resources for student charges and such programs are necessary and essential to the mission of the College. Revenues from nonexchange transactions and state appropriations that represent subsidies or gifts to the College, as well as investment income, are considered nonoperating since these are either investing, capital, or noncapital financing activities. Operating expenses are all expense transactions incurred other than those related to investing, capital, or noncapital financing activities. Revenues received for capital financing activities, as well as related expenses, are considered neither operating nor nonoperating activities and are presented after nonoperating activities on the accompanying statement of revenues, expenses, and changes in net position.

Encumbrance Accounting

The College uses an encumbrance system for tracking outstanding purchase orders and other commitments for materials or services not received during the fiscal year. Encumbrances do not constitute expenses or liabilities and are not reflected in these financial statements.

Restricted/Unrestricted Resource Priority

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

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. CASH AND INVESTMENTS

The College can invest, after proper consideration of the requirements for the availability of money, funds of the College in securities the nature of which individuals of prudence, discretion, and intelligence acquire or retain in dealing with the property of another.

Interest Rate Risk

The College does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest risk rates.

Credit Risk

In accordance with the College's investment policy, funds may be invested, within certain limits, in FDIC-insured banks, U.S. Treasury and federal agencies, and certificates of deposit issued by FDIC-insured banks.

Custodial Credit Risk - Deposits

Custodial credit risk for deposits of the College is the risk that the College's deposits would not be covered by depository insurance. The College requires that deposits in excess of any insurance limit must be collateralized by the financial institution with appropriate pledged securities to protect funds above the insurable level.

Cash deposits, primarily interest-bearing, are covered by federal depository insurance or pledged collateral of unregistered U.S. government securities held by various depositories. Pledged investments at June 30, 2020 and 2019, were in unregistered U.S. government securities and federal agency obligations held in the College's name by the custodial banks.

At June 30, 2020 and 2019, the balance of the College's deposits, which includes checking, money market, and certificates of deposit, were insured or fully collateralized.

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

Concentration of Credit Risk

The College had no investment in any one issuer greater than five percent of its overall investments.

Investments at June 30, 2020 and 2019, are summarized as follows:

Investment Type	2020 Fair Value	2019 Fair Value
POAA note receivable	163,000	163,000
Certificates of deposit	<u>2,093,208</u>	<u>2,067,357</u>
	<u>2,256,208</u>	<u>2,230,357</u>

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2020, were due December 31, 2019, and became delinquent in April to September of 2020. Property tax revenues based on the assessed valuation and the levy set are recognized in the current fiscal year even though part of the property tax revenue is not delinquent or collected until the following fiscal year.

Property taxes are recognized net of the county collection fee of 1%. The assessed valuation and levies in cents per \$100 of assessed valuation for the fiscal years ended June 30, 2020 and 2019, were as follows:

	2020	2019
Assessed valuation		
September 2019 and 2018	61,058,170,276	59,413,673,703
Levy in cents per \$100 of assessed valuation		
General Fund	7.37	7.07
Capital Improvement Fund	<u>2.00</u>	<u>2.00</u>
	<u>9.37</u>	<u>9.07</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX RECEIVABLE (Continued)

The amounts of property taxes receivable at June 30 were as follows:

	2020	2019
General Fund	16,344,215	14,368,217
Capital Improvement Fund	4,434,568	4,065,127
Total	<u>20,778,783</u>	<u>18,433,344</u>

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

	2020	2019
General Fund	738,342	526,010
Capital Improvement Fund	200,252	148,673
Total	<u>938,594</u>	<u>674,683</u>

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2020	2019
Federal nonexchange grants	2,157,838	1,433,850
Tuition and fees	8,568,234	7,324,411
Other	396,994	169,988
	<u>11,123,066</u>	<u>8,928,249</u>
Allowance for uncollectible accounts	<u>(7,398,064)</u>	<u>(6,694,113)</u>
Total accounts receivable, net	<u>3,725,002</u>	<u>2,234,136</u>

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2020	2019
Books and supplies	1,418,079	1,574,854
Parts	131,488	105,650
Livestock and grain	151,709	82,103
	<u>1,701,276</u>	<u>1,762,607</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	June 30, 2019	Additions	Deletions	June 30, 2020
Capital assets, not being depreciated				
Land	1,889,366	-	-	1,889,366
Construction in progress	26,283,933	32,825,352	6,879,163	52,230,122
Total	<u>28,173,299</u>	<u>32,825,352</u>	<u>6,879,163</u>	<u>54,119,488</u>
Capital assets, being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	110,431,931	25,044,252	-	135,476,183
Leasehold improvements	29,651	-	-	29,651
Equipment	37,326,884	1,726,577	-	39,053,461
Total	<u>151,315,361</u>	<u>26,770,829</u>	<u>-</u>	<u>178,086,190</u>
Less accumulated depreciation				
Land improvements	2,048,571	112,555	-	2,161,126
Buildings	46,388,271	4,089,474	-	50,477,745
Leasehold improvements	26,315	741	-	27,056
Equipment	29,863,047	2,182,334	-	32,045,381
Total	<u>78,326,204</u>	<u>6,385,104</u>	<u>-</u>	<u>84,711,308</u>
Capital assets, net	<u>101,162,456</u>	<u>53,211,077</u>	<u>6,879,163</u>	<u>147,494,370</u>

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	June 30, 2018	Additions	Deletions	June 30, 2019
Capital assets, not being depreciated				
Land	1,889,366	-	-	1,889,366
Construction in progress	-	26,283,933	-	26,283,933
Total	<u>1,889,366</u>	<u>26,283,933</u>	<u>-</u>	<u>28,173,299</u>
Capital assets, being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	107,073,465	3,358,466	-	110,431,931
Leasehold improvements	29,651	-	-	29,651
Equipment	35,665,781	1,888,295	227,192	37,326,884
Total	<u>146,295,792</u>	<u>5,246,761</u>	<u>227,192</u>	<u>151,315,361</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	June 30, 2018	Additions	Deletions	June 30, 2019
Less accumulated depreciation				
Land improvements	1,936,016	112,555	-	2,048,571
Buildings	43,084,562	3,303,709	-	46,388,271
Leasehold improvements	25,574	741	-	26,315
Equipment	27,774,411	2,315,828	227,192	29,863,047
Total	<u>72,820,563</u>	<u>5,732,833</u>	<u>227,192</u>	<u>78,326,204</u>
Capital assets, net	<u>75,364,595</u>	<u>25,797,861</u>	<u>-</u>	<u>101,162,456</u>

NOTE 7. ACCRUED SALARIES

Accrued salaries for the fiscal years ended June 30, 2020 and 2019, were composed of the following:

	2020	2019
Accrued salaries	3,043,609	376,130
Accrued compensated absences	<u>2,966,488</u>	<u>2,611,282</u>
	<u>6,010,097</u>	<u>2,987,412</u>

NOTE 8. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2019 is summarized as follows:

	Balance 7/1/19	Proceeds	Payments	Balance 6/30/20
Tax Supported Certificates of Participation, Series 2018	58,375,000		-	58,375,000
Facilities Revenue Bonds, Series 2018	19,500,000	-	405,000	19,095,000
Premiums and discounts, net	2,120,984	-	74,676	2,046,308
Compensated absences	<u>2,611,282</u>	<u>2,351,804</u>	<u>1,996,598</u>	<u>2,966,488</u>
	<u>82,607,266</u>	<u>2,351,804</u>	<u>2,476,274</u>	<u>82,482,796</u>

Certificates of Participation

Southeast Community College Tax-Supported Certificates of Participation ("COPS"), Series 2018, were issued June 7, 2018, to finance a portion of the cost of constructing, acquiring, and equipping certain buildings and related improvement to the College's campuses in the amount of \$58,375,000. The Certificates of Participation have the net effect of creating a sale and leaseback of certain College property. Payments are made semi-annually on June 15 and December 15 and include principal and interest ranging from 3% to 5% over the life of the COPS. The COPS were issued at a premium of \$2,195,062, which is amortized over the life of the COPS. At June 30, 2020, the Trustee held \$24,437,640 on deposit for the benefit of the College for approved expenditures relating to the Project. The COPS are secured by and will be repaid by levying of property taxes in such amounts to service the debt obligations.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Future maturities of the COPS are due as follows:

Years Ending June 30,	Principal	Interest	Total
2021	1,165,000	2,299,044	3,464,044
2022	1,200,000	2,251,569	3,451,569
2023	1,260,000	2,202,669	3,462,669
2024	1,300,000	2,164,269	3,464,269
2025	1,335,000	2,111,394	3,446,394
2026 - 2030	7,760,000	9,457,594	17,217,594
2031 - 2035	9,685,000	7,547,659	17,232,659
2036 - 2040	11,460,000	5,759,022	17,219,022
2041 - 2045	13,620,000	3,534,725	17,154,725
2046 - 2047	9,590,000	644,071	10,234,071
	<u>58,375,000</u>	<u>37,972,016</u>	<u>96,347,016</u>

Facilities Revenue Bonds

Southeast Community College Facilities Revenue Bonds, Series 2018, were issued September 19, 2018, as a public offering, to finance a portion of the cost of constructing, acquiring, and equipping and furnishing new student housing and dining facilities at the College's Beatrice Campus and new student housing facilities at the College's Milford Campus. Payments are made semi-annually on March 15th and September 15th and include principal and interest ranging from 2% to 4% over the life of the revenue bonds. At June 30, 2020, the Trustee held \$1,522,457 on deposit for the benefit of the College for approved expenditures relating to the Project. The revenue bonds are secured by and will be repaid a gross pledge of the revenues from the operation of the facilities.

Future maturities of revenue bonds are due as follows:

Years Ending June 30,	Principal	Interest	Total
2021	415,000	715,375	1,130,375
2022	425,000	702,925	1,127,925
2023	440,000	690,175	1,130,175
2024	450,000	676,975	1,126,975
2025	465,000	663,475	1,128,475
2026 - 2030	2,555,000	3,093,875	5,648,875
2031 - 2035	3,065,000	2,582,813	5,647,813
2036 - 2040	3,680,000	1,962,038	5,642,038
2041 - 2045	4,465,000	1,177,000	5,642,000
2046 - 2048	3,135,000	254,000	3,389,000
	<u>19,095,000</u>	<u>12,518,651</u>	<u>31,613,651</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Accrued compensated absences at June 30, 2020 and 2019, are \$2,966,488 and \$2,611,282, respectively, and are expected to be paid out ratably or taken over the next two years.

NOTE 9. SCHOLARSHIP ALLOWANCES

Scholarship allowances consist of the following:

1. Tuition waivers, institutional
2. Tuition waivers, statutory (reserves and war orphan)
3. Grant funds (PELL, SEOG, NSG) credited to student accounts to offset tuition, fees, room and board, and bookstore charges
4. Residence hall rental waiver for residence hall assistants

Scholarship allowances for fiscal years ended June 30, were as follows:

	2020	2019
Tuition and fees	6,564,075	5,256,803
Room and board	758,209	723,671
Bookstore	<u>1,150,706</u>	<u>858,998</u>
	<u>8,472,990</u>	<u>6,839,472</u>

NOTE 10. EXPENSES BY FUNCTIONAL CATEGORY

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

Expenses by functional classification for the fiscal years ended June 30, are as follows:

	2020	2019
Education and general		
Instruction	45,184,649	46,467,175
Academic support	8,537,651	8,170,721
Student services	5,031,603	5,000,217
Institutional support	19,498,841	18,223,940
Physical plant	17,370,557	15,098,882
Depreciation	6,385,104	5,732,833
Student financial aid	6,397,615	4,719,227
Auxiliary enterprises	<u>4,630,773</u>	<u>5,640,943</u>
	<u>113,036,793</u>	<u>109,053,938</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLAN

The College provides pension benefits for its employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Effective January 1, 2009, all employees may participate on a voluntary basis in the retirement plan. All permanent employees who are working a minimum of three-fourths full time are required to participate when they reach the age of 30. For employees working a minimum of three-fourths time, the College contributes 8.5% of the employee's gross annual salary for all employees covered by the Faculty Association Bargaining Unit. For all other employees, the College matches employee contributions from 2.0% to 9.0% of the employee's gross annual salary. The College does not match any contributions for employees working less than three-fourths time. The participants are 100% vested upon contributing to the plan.

The College's total payroll, covered payroll, contributions, and contributions as a percentage of covered payrolls for the years ended June 30, were as follows:

	2020	2019
Total payroll	56,016,812	56,124,696
Covered payroll for employees eligible for College match	48,429,279	47,876,822
Employer contributions	3,673,993	3,303,211
Employer contributions as a percentage of covered payroll	7.59%	6.90%

NOTE 12. COMMITMENTS

As of June 30, 2020 and 2019, the College had \$17,100,647 and \$50,840,969 in commitments on construction contracts.

NOTE 13. RELATED PARTIES

The College is the beneficiary of a Foundation which provides support for the College by way of scholarships and other direct resources. The College contracts to provide the Foundation with limited services and office space without charge in exchange for the support the College receives. Scholarships and other direct resources provided by the Foundation are remitted to the College. Amounts for the fiscal years ended June 30, 2020 and 2019, totaled \$2,292,280 and \$4,125,456, respectively.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 14. BUDGET PROCESS

Prior to August 1, the College's management and Board of Governors prepared a proposed operating budget on the cash basis for the General, Restricted, and Plant Funds for the fiscal year commencing July 1. The budget includes proposed expenditures and the means of financing them.

Public hearings are conducted at a public meeting to obtain taxpayer comments. After the public hearings, the budget is legally adopted by the Board of Governors through passage of a resolution at the September Board meeting.

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

NOTE 15. RISK MANAGEMENT

The College is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; employee injuries and illnesses; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for employee group health and accident benefits. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The College has joined with five of the other Nebraska community colleges to form the Nebraska Community College Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for its members. The College pays an annual contribution to the Trust for its pooled self-insurance coverage of property, liability, workers' compensation, and associated excess coverages. The Trust self-insures to various levels for all categories of covered risk and purchases excess coverage for claims in excess of the self-insured limits. If the Loss Fund is exhausted, the Colleges may be assessed for additional costs. The insurance year ended June 30, 2020, was the Trust's twenty-first year of operations. In May 2020, the Board of Directors of the Trust declared a dividend of \$150,860 to be used to offset total contributions for the 2021 insurance year. The College anticipates no future liabilities for additional incurred losses for all previous years.

NOTE 16. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

In January 2017, GASB issued Statement 84, *Fiduciary Activities*. This statement is effective for fiscal years beginning after December 15, 2019. The College did not early implement this statement. GASB 84 establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Certain fiduciary activities meeting the new criteria will be reported as custodial funds and a statement of changes will be a required financial statement. When adopted, GASB 84 may have a significant effect on the College's financial reporting.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 16. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS (Continued)

In June 2017, GASB issued Statement 87, *Leases*. This statement is effective for fiscal years beginning after June 15, 2021. The College did not early implement this statement. The standard will fundamentally change lease recognition, measurement, and related disclosures for both government lessees and lessors. Changes will include a requirement that the lessee recognize a lease liability and an intangible right-to-use lease asset for leases that do not qualify as short-term (less than 12 months) or ownership transfer arrangements. The College did not early implement this statement. When adopted, GASB 87 may have a material effect on the financial statements.

NOTE 17 COVID-19

The recent COVID-19 pandemic has had a significant impact on the College, both operationally and economically. Commencing March 29, 2020, the College closed the residence halls and moved to a remote learning environment through the end of the 2019 -2020 academic year. As a result, the College refunded students a pro-rated amount of their room and board. The residence halls and cafeteria remained closed through the remainder of the spring semester and during the summer months.

The College incurred COVID-19 related expenses for protective equipment, supplies, and technology. The College will seek reimbursement for these expenses through the CARES Institution Share through HEERF. In addition, a total of \$1,248,195 in CARES Act funds were provided to students in the form of emergency financial aid grants for 2019 - 2020.

Modifications were also made to staffing, in the form of telecommuting and altered schedules, to meet health department requirements and specific staff situations.

The College does not expect any future material financial impact due to the pandemic; however, additional costs will likely be incurred. In anticipation of the potential for these expenses and any possible revenue reductions, the College took into consideration the pandemic in preparing the 2020 - 2021 budget. In addition, the College use CARES Act funding to provide additional assistance to students and to assist with costs as a result of COVID-19.

See Management's Discussion and Analysis for further details provided by the College.

NOTE 18. SUBSEQUENT EVENTS

In preparing the financial statements, the College has evaluated events and transactions for potential recognition or disclosure through November 13, 2020, the date the financial statements were available to be issued.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 18. SUBSEQUENT EVENTS (Continued)

Southeast Community College Facilities Revenue Bonds, Series 2020 were issued July 2, 2020 for \$8,675,000, to finance a portion of the cost of constructing, acquiring, and equipping and furnishing new student housing at the College's Milford Campus. Payments are made semiannually on March 15th and September 15th and include principal and interest ranging from 1% to 3% over the life of the revenue bonds. The revenue bonds are secured by and will be repaid from a gross pledge of the revenues from operations of the facilities, student services fees, and net revenues from bookstore.

Southeast Community College Board of Governors approved the construction manager at risk agreement between the College and Boyd Jones Construction Company for the Student and Academic Support remodel project on the SCC Lincoln campus. The Coordinating Commission for Postsecondary Education approved this project on February 5, 2020 for \$30,701,008 with funding sources consisting of both the capital improvement fund and other funding. SCC has not received a guaranteed maximum price from Boyd Jones Construction as CMR. As of June 30, 2020 no construction expenditures have been made towards this project.

ACCOMPANYING INFORMATION

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND REVENUES
BUDGETARY BASIS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
State aid	27,941,152	27,372,774
Property taxes	45,680,650	40,662,058
Tuition	16,310,438	19,414,750
Other income	1,366,955	553,588
(Add) to/use cash reserves	<u>(2,839,029)</u>	<u>(2,048,778)</u>
	<u>88,460,166</u>	<u>85,954,392</u>

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

PROPERTY VALUATION AND PROPERTY TAX REVENUE

The property valuation for Southeast Community College Area as reported by the County Assessor in late August 2020 for use in property tax revenue for June 30, 2021, was \$61,970,554,599. The General Fund property tax rate for June 30, 2021, is 7.37 cents per \$100 of valuation.

The property valuation for Southeast Community College Area as reported by the County Assessor in late August 2019 for use in property tax revenue for June 30, 2020, was \$61,058,170,276. The General Fund property tax rate for June 30, 2020, is 7.37 cents per \$100 of valuation.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS
YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
PROGRAM CLASSIFICATION STRUCTURE		
INSTRUCTION		
Personnel services	40,413,699	40,181,962
Operating expenses	1,833,951	2,186,661
Travel	48,228	104,100
Equipment	666,563	1,251,180
	<u>42,962,441</u>	<u>43,723,903</u>
 ACADEMIC SUPPORT		
Personnel services	7,088,258	6,976,433
Operating expenses	1,018,564	895,004
Travel	20,624	33,765
Equipment	174,706	322,687
	<u>8,302,152</u>	<u>8,227,889</u>
 STUDENT SERVICE		
Personnel services	3,204,133	3,067,195
Operating expenses	415,420	471,420
Travel	13,777	28,124
Equipment	19,071	39,478
	<u>3,652,401</u>	<u>3,606,217</u>
 INSTITUTIONAL ADMINISTRATION		
Personnel services	12,669,520	11,804,163
Operating expenses	6,554,579	6,182,939
Travel	36,527	84,902
Equipment	767,468	725,761
	<u>20,028,094</u>	<u>18,797,765</u>
 PHYSICAL PLANT OPERATIONS		
Personnel services	5,195,346	5,092,160
Operating expenses	4,614,236	4,907,298
Travel	2,156	4,511
Equipment	3,571,027	1,470,783
	<u>13,382,765</u>	<u>11,474,752</u>
 STUDENT FINANCIAL SUPPORT		
Operating expenses	<u>132,313</u>	<u>123,866</u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS

	2020	2019
GRAND TOTAL FOR COLLEGE		
Personnel services	68,570,956	67,121,913
Operating expenses	14,569,063	14,767,188
Travel	121,312	255,402
Equipment	5,198,835	3,809,889
	<u>88,460,166</u>	<u>85,954,392</u>

The expenditures in this schedule are presented on the same basis as the College's General Fund budget and are not on a GASB basis of accounting. In particular, equipment is shown as an expense.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster			
PELL Grant Program		84.063	10,836,310
Federal Direct Loan		84.268	11,111,443
Federal Work-Study Program		84.033	166,871
Federal Supplemental Educational Opportunity Grant Program		84.007	<u>501,626</u>
Total Student Financial Assistance Cluster			<u>22,616,250</u>
TRIO Cluster			
TRIO Support Services		84.042	234,091
TRIO Upward Bound		84.047	<u>259,538</u>
Total TRIO Cluster			<u>493,629</u>
CCAMPIS		84.335	<u>63,313</u>
Education Stabilization Fund - COVID-19		84.425	<u>1,868,688</u>
Pass-Through Programs From:			
Nebraska Department of Education			
Adult Basic Education	19-2-AEF-08-00-94500	84.002	339,961
Vocational Education	19-6701-00-60-094-5000	84.048	<u>817,304</u>
			<u>1,157,265</u>
Total U.S. Department of Education			<u>26,199,145</u>
<u>National Science Foundation</u>			
Education and Human Resources		47.076	<u>66,784</u>
Total U.S. Department of Labor			<u>66,784</u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Health and Human Services</u>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	56,917
Pass-Through Programs From:			
Nebraska Department of Health and Human Services			
Health Education Laddering Program	90FX0040-03-00-SCC-18/19	93.093	249,712
Refugee and Entrant Assistance - ESL	None	93.576	<u>11,945</u>
Total U.S. Department of Health and Human Services			<u>318,574</u>
<u>United States Department of Agriculture</u>			
Distance Learning and Telemedicine Grant		10.855	61,310
Specialty Crop Research Initiative		10.309	<u>5,931</u>
Total U.S. Department of Agriculture			<u>67,241</u>
<u>Nuclear Regulatory Commission</u>			
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program		77.008	<u>107,053</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>26,758,797</u></u>

See accompanying notes to schedule of expenditures of federal awards.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Southeast Community College Area under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Southeast Community College Area it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Southeast Community College Area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. SUBRECIPIENTS

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

NOTE 4. INDIRECT COST RATE

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

SOUTHEAST COMMUNITY COLLEGE AREA
SFA PROGRAMS - AUDIT INFORMATION

LEAD AUDITOR: Kerry A. Gustafsson Permit No. 49722
Dana F. Cole & Company, LLP
1248 O Street, Suite 500
Lincoln, Nebraska 68508

TELEPHONE NO: 402.479.9300

The audit was performed between September 21, 2020 and September 24, 2020, at the institution's facilities as follows:

Location	Description of Facility	Dates Visited
Lincoln, Nebraska	Administrative and Student Financial Aid offices	September 21, 2020 to September 24, 2020
Beatrice, Nebraska	Administrative and Student Financial Aid offices	September 21, 2020 to September 24, 2020
Milford, Nebraska	Administrative and Student Financial Aid offices	September 21, 2020 to September 24, 2020

Institution's Accrediting Organization:

The Higher Learning Commission

The institution does not utilize an SFA Consultant/Service.

Records for the accounting and administration of the SFA programs are located at the Business and Student Financial Assistance offices in the Administration Building at each campus location.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF BALANCES AND ACTIVITIES OF SYSTEM AND PLEDGE
IN REGARDS TO REVENUE BONDS RELATED TO RESIDENCE HALLS
YEAR ENDED JUNE 30, 2020

	Dorm Total	Bookstore Total	Total System	Student Service Fee Total	Total Pledge
ASSETS					
Cash and cash equivalents	-	5,416	5,416	153,954	159,370
Due from other funds	-	864,649	864,649	814,848	1,679,497
Inventories	-	1,378,431	1,378,431	-	1,378,431
Capital assets, net	<u>24,035,387</u>	<u>598,092</u>	<u>24,633,479</u>	<u>-</u>	<u>24,633,479</u>
TOTAL ASSETS	<u>24,035,387</u>	<u>2,846,588</u>	<u>26,881,975</u>	<u>968,802</u>	<u>27,850,777</u>
LIABILITIES					
Accounts payable	232,081	7,639	239,720	-	239,720
Due to other funds	17,156,446	-	17,156,446	26,475	17,182,921
Accrued salaries	-	47,512	47,512	-	47,512
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>264,515</u>	<u>264,515</u>
TOTAL LIABILITIES	<u>17,388,527</u>	<u>55,151</u>	<u>17,443,678</u>	<u>290,990</u>	<u>17,734,668</u>
NET POSITION	<u>6,646,860</u>	<u>2,791,437</u>	<u>9,438,297</u>	<u>677,812</u>	<u>10,116,109</u>
OPERATING REVENUES					
Dormitory revenues	1,838,378	-	1,838,378	-	1,838,378
Bookstore revenues	-	4,344,452	4,344,452	-	4,344,452
Student service fee revenue	-	-	-	475,784	475,784
Other income	<u>28,983</u>	<u>-</u>	<u>28,983</u>	<u>10,567</u>	<u>39,550</u>
Total operating revenues	<u>1,867,361</u>	<u>4,344,452</u>	<u>6,211,813</u>	<u>486,351</u>	<u>6,698,164</u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF BALANCES AND ACTIVITIES OF SYSTEM AND PLEDGE
IN REGARDS TO REVENUE BONDS RELATED TO RESIDENCE HALLS
YEAR ENDED JUNE 30, 2020

	Dorm Total	Bookstore Total	Total System	Student Service Fee Total	Total Pledge
OPERATING EXPENSES					
Personnel services	495,199	646,534	1,141,733	298,292	1,440,025
Operating expenses	537,471	3,487,283	4,024,754	119,226	4,143,980
Travel	-	1,143	1,143	1,315	2,458
Equipment	6,077	10,157	16,234	1,700	17,934
Total operating expenses	<u>1,038,747</u>	<u>4,145,117</u>	<u>5,183,864</u>	<u>420,533</u>	<u>5,604,397</u>
45 OPERATING INCOME	<u>828,614</u>	<u>199,335</u>	<u>1,027,949</u>	<u>65,818</u>	<u>1,093,767</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	51,477	-	51,477	-	51,477
Government grants	498,079	101,140	599,219	-	599,219
Transfer from Plant Fund	251,752	-	251,752	-	251,752
Transfer from General Fund	-	(433,555)	(433,555)	-	(433,555)
Depreciation	(233,476)	(37,381)	(270,857)	-	(270,857)
Interest on indebtedness	(721,364)	-	(721,364)	-	(721,364)
Net nonoperating revenues (expenses)	<u>(153,532)</u>	<u>(369,796)</u>	<u>(523,328)</u>	<u>-</u>	<u>(523,328)</u>
INCREASE (DECREASE) IN NET POSITION	675,082	(170,461)	504,621	65,818	570,439
NET POSITION, beginning of year	<u>5,971,778</u>	<u>2,961,898</u>	<u>8,933,676</u>	<u>611,994</u>	<u>9,545,670</u>
NET POSITION, end of year	<u>6,646,860</u>	<u>2,791,437</u>	<u>9,438,297</u>	<u>677,812</u>	<u>10,116,109</u>



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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Southeast Community College Area, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Southeast Community College Area's basic financial statements, and have issued our report thereon dated November 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Southeast Community College Area's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southeast Community College Area's internal control. Accordingly, we do not express an opinion on the effectiveness of the Southeast Community College Area's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

Management's Responsibility for Compliance

Compliance with certain provisions and laws, regulations, contracts, and grant agreements related to Southeast Community College Area is the responsibility of the College's management.

Auditors' Responsibility

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Southeast Community College Area's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Community College Area's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 13, 2020



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

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

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

Report on Compliance for Each Major Program

We have audited Southeast Community College Area's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2020. Southeast Community College Area's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Southeast Community College Area's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Southeast Community College Area's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination on the Southeast Community College Area's compliance.

Opinion on Each Major Program

In our opinion, Southeast Community College Area complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Southeast Community College Area is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Southeast Community College Area's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Southeast Community College Area's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a significant deficiency.

Southeast Community College Area's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Southeast Community College Area's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on those requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 13, 2020

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2020

SECTION I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: Yes No

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

Noncompliance matter to the financial statements disclosed: Yes No

Federal Awards

Internal control over major programs:

Material weakness identified: Yes No

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

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

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

Identification of major programs:

PELL Grant Program	84.063
Federal Direct Loan Program	84.268
Federal Supplemental Educational Opportunity Grant	84.007
Federal Work-Study	84.033
Career and technical Education	84.048
Education Stabilization Fund	84.425

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

Auditee qualified as a low-risk auditee: Yes No

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

SECTION II. FINANCIAL STATEMENT FINDING

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2020-001 LOAN COUNSELING - FEDERAL DIRECT LOAN PROGRAMS 84.268

Criteria

Per 34 CFR 685.304, entrance counseling is required for all first-time Direct Loan borrowers before the first disbursement of a loan. Per 34 CFR 682.604(g), if a student borrower withdraws from school or fails to complete an exit counseling session, the College must mail written counseling materials to the student's last known address within 30 days after learning that the student has withdrawn.

Condition

Of our sample of 60 students, 7 cases were noted where the College did not have documentation to support that exit counseling materials were provided to the withdrawn student within the required time frame.

Cause

Procedures requiring provision of entrance and exit counseling materials were not followed, primarily due to a change in financial aid personnel.

Effect

Students that are not provided with entrance and exit counseling materials may not be fully aware of their repayment responsibilities, which could result in additional defaults on the loan program.

Questioned Costs

None.

Recommendation

We recommend that the College provide written exit counseling materials to student borrowers within 30 days of becoming aware that a student has withdrawn by reviewing documentation for withdrawn students to see that exit counseling has been completed, and if not, to mail exit counseling materials as required and maintain documentation that such information was provided.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

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

2020-001 LOAN COUNSELING - FEDERAL DIRECT LOAN PROGRAMS 84.268 (Continued)

Views of Responsible Officials

The College Financial Aid Office will ensure that all students who are identified as having withdrawn or dropped below half-time enrollment status receive exit counseling materials as required to be notified of rights and responsibilities. The College will utilize current reporting procedures and any other necessary procedures to ensure exit counseling materials are provided and documented.

SOUTHEAST COMMUNITY COLLEGE AREA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2020

There were no prior year audit findings and recommendations that required resolution for the year ended June 30, 2019.

CORRECTIVE ACTION PLAN
November 9, 2020

Southeast Community College Area respectfully submits the following corrective action plan for the year ending June 30, 2020, for the findings identified by Dana F. Cole & Company, LLP, Lincoln, Nebraska.

The findings from the schedule of findings and questioned costs are discussed below and are numbered consistently with the numbers assigned in that schedule.

FINANCIAL STATEMENT FINDINGS

2020-001 LOAN COUNSELING - FEDERAL DIRECT LOAN PROGRAMS 84.268

Recommendation: The College provide written exit counseling materials to student borrowers within 30 days of becoming aware that a student has withdrawn by reviewing documentation for withdrawn students to see that exit counseling has been completed, and if not, to mail exit counseling materials as required and maintain documentation that such information was provided.

Action Taken: The College Financial Aid Office will ensure that all students who are identified as having withdrawn or dropped below half-time enrollment status receive exit counseling materials as required to be notified of rights and responsibilities. The College will utilize current reporting procedures and any other necessary procedures to ensure exit counseling materials are provided and documented.

In addition, the College Financial Aid Office will enhance their training materials to ensure that those employees responsible for providing exit counseling materials understand their responsibilities to provide this material, are aware of DOE regulations related to this requirement and comply with all necessary processes and procedures to ensure these requirements are being met.

If the U.S. Department of Education have questions regarding this plan, please call Melissa Troyer at 402.437.2619.

Sincerely yours,

Melissa Troyer

Melissa Troyer
Administrative Director of Financial Aid
Southeast Community College