

SOUTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



**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 Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Southeast Community College Area as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Southeast Community College Area's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Southeast Community College Area, as of June 30, 2022 and 2021, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Southeast Community College Educational Foundation were not audited in accordance with *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Southeast Community College Area and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Southeast Community College Area's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Southeast Community College Area's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Southeast Community College Area's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 14 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southeast Community College Area's basic financial statements. The schedules of general fund revenues - budgetary basis, schedules of general fund expenditures - budgetary basis, and schedule 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of general fund revenues - budgetary basis, schedules of general fund expenditures - budgetary basis, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2022, on our consideration of the Southeast Community College Area'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Southeast Community College Area's 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 the Southeast Community College Area's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 14, 2022

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, 2022 and 2021. Please read it in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

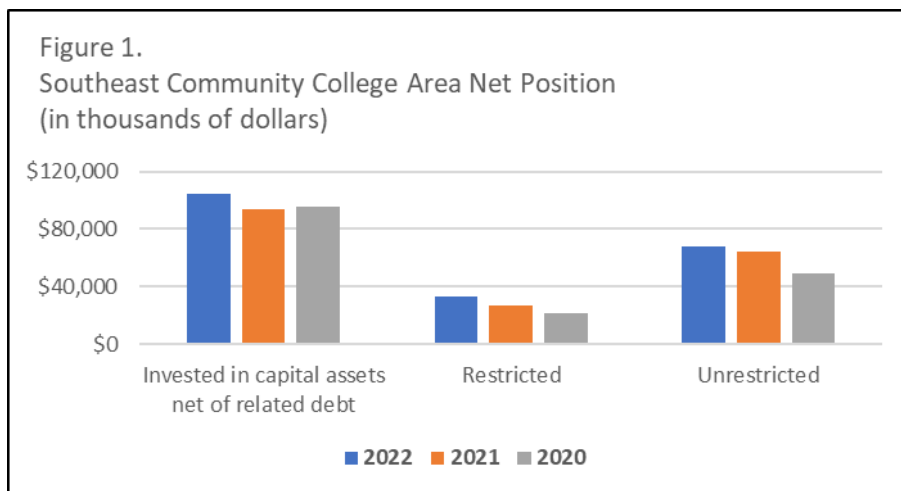
This report consists of three basic financial statements. The statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows provide information on the College as a whole and present a long-term view of the College's finances.

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.



SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 1
NET POSITION
(in thousands of dollars)

	2022	2021	2020
Current assets	144,947	107,003	118,631
Noncurrent assets	739	1,287	778
Capital assets	<u>188,162</u>	<u>178,237</u>	<u>147,494</u>
Total assets	<u>333,848</u>	<u>286,527</u>	<u>266,903</u>
Current liabilities	15,868	14,603	20,045
Noncurrent liabilities	<u>112,061</u>	<u>87,509</u>	<u>80,829</u>
Total liabilities	<u>127,929</u>	<u>102,112</u>	<u>100,874</u>
Net position			
Invested in capital assets, net of related debt	104,837	93,811	93,940
Restricted	32,856	26,442	21,666
Unrestricted	<u>68,226</u>	<u>64,162</u>	<u>50,423</u>
Total net position	<u>205,919</u>	<u>184,415</u>	<u>166,029</u>

Total assets of the College increased 16.5% (\$47,321 thousand) and 7.4% (\$19,624 thousand); liabilities increased 25.3% (\$25,817 thousand) and 1.2% (\$1,238 thousand); and net position increased by 11.7% (\$21,504 thousand) and 11.1% (\$18,386 thousand) for the fiscal year ended June 30, 2022 and 2021. The changes are due to the following factors:

- An increase in current assets in fiscal 2021 - 2022 includes cash received from the issuance of the Facility Revenue Bonds, Series 2022 in January 2022.
- An increase in capital assets in fiscal 2021 - 2022 is due to completion of the residence hall associated with the Facility Revenue Bonds, Series 2020. Assets capitalized in fiscal 2020 - 2021 include Residence Halls for which revenue bonds were issued and classroom buildings associated with the Certificates of Participation, Series 2018.
- An increase in liabilities in fiscal 2021 - 2022 is primarily due to the issuance of Facility Revenue Bonds, Series 2022 with a par amount of \$23,920,000. The increase in liabilities in fiscal 2020 - 2021 is primarily due to the issuance of Facilities Revenue Bonds, Series 2020 offset by a decrease in accounts payable.
- An increase in the unrestricted net position was due to cost savings in fiscal 2021 - 2022 and 2020 - 2021.

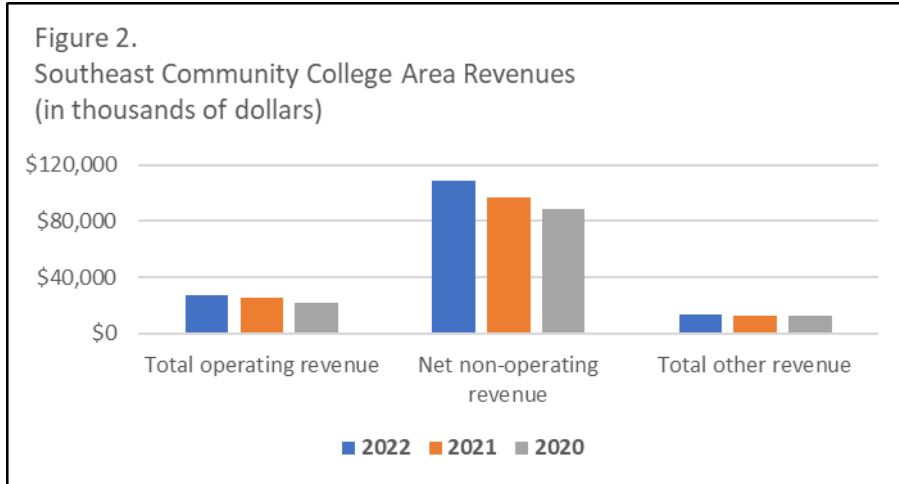
SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2022	2021	2020
Operating revenue			
Student tuition and fees	15,569	14,607	11,742
Grants and contracts	137	232	307
Sales educational departments	1,086	967	587
Auxiliary enterprises	8,763	7,517	7,037
Other	2,112	1,896	2,329
Total operating revenue	<u>27,667</u>	<u>25,219</u>	<u>22,002</u>
Operating expenses			
Personnel services	73,612	73,998	73,154
Operating expenses	40,926	29,385	25,771
Travel	269	78	201
Capital assets not capitalized	4,800	4,864	7,525
Depreciation	8,759	8,523	6,385
Total operating expenses	<u>128,366</u>	<u>116,848</u>	<u>113,036</u>
Net operating loss	<u>(100,699)</u>	<u>(91,629)</u>	<u>(91,034)</u>
Nonoperating revenue			
State aid	29,187	28,534	27,941
Property taxes	48,494	46,870	45,681
Grants and contracts	31,536	24,886	16,683
Gifts	2,853	-	-
Investment income	189	59	1,170
Interest on indebtedness	(3,469)	(3,157)	(2,963)
Net nonoperating revenue	<u>108,790</u>	<u>97,192</u>	<u>88,512</u>
Other revenue			
Capital appropriations	13,159	12,719	12,410
Gain on disposal of assets	254	104	80
Net other revenue	<u>13,413</u>	<u>12,823</u>	<u>12,490</u>
Increase in net assets	21,504	18,386	9,968
Net position			
Net position, beginning of year	<u>184,415</u>	<u>166,029</u>	<u>156,061</u>
Net position, end of year	<u>205,919</u>	<u>184,415</u>	<u>166,029</u>

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

REVENUES

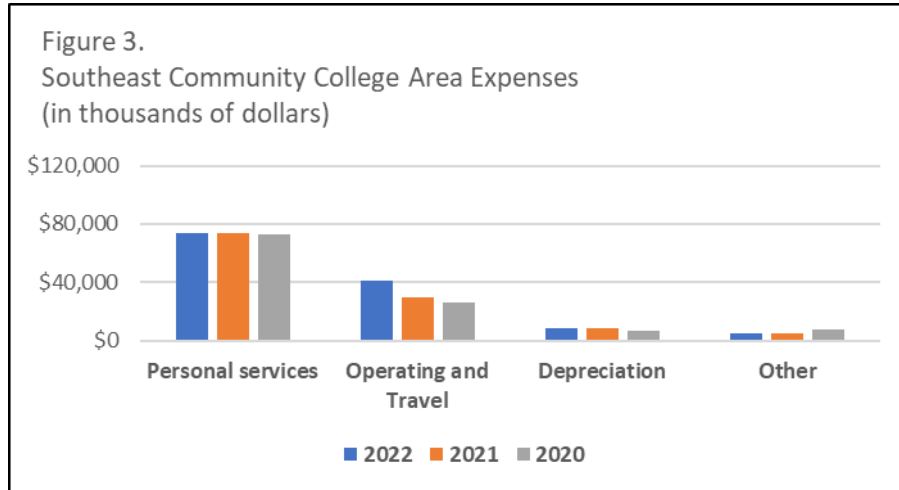


Comments regarding revenues are as follows:

- Student tuition and fees increased by 6.6% (\$963 thousand) and by 24.4% (\$2,865 thousand) in fiscal 2020 - 2021 which was mainly due to scholarship allowances decrease during each fiscal year and an increase of \$3.00 per semester for facility fees in each fiscal year. Sales to educational departments increased during the 2021 - 2022 fiscal year by 12.3% (\$119 thousand) and 64.7% (\$380 thousand) in fiscal 2020 - 2021. This was mainly due to SCC returning to normal operations after the pandemic. During fiscal 2021 - 2022 and 2020 - 2021 sales to auxiliary enterprises increased 16.5% (\$1,246 thousand) and 6.5% (\$6.8 thousand), respectively, mainly due to occupancy of additional dorms that were financed with facility revenue bonds.
- Valuations increased by 6.5% and 1.5% in fiscal 2021 - 2022 and 2020 - 2021, respectively. The general fund levy remained unchanged in fiscal 2021 - 22 and fiscal 2020 - 2021 at 7.37 cents per \$100. The CIF levy remained unchanged at 2.0 cents for a total general and capital fund levy of 9.37 cents. Total property tax levy was 9.37 cents, 9.37 cents, and 9.37 cents per \$100 valuation for fiscal 2021 - 2022, 2020 - 2021, 2019 - 2020, respectively.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

EXPENSES



Comments about expenses are as follows:

- Personal services continue to be the primary expenditure category and are 57% of total operating expenses in fiscal 2021 - 2022 and 68% in fiscal 2020 - 2021.
- Total operating expenditures increased 9.9% or (11,518 thousand), 3.4% (\$3,811 thousand), and 3.7% (\$ 3,983 thousand) in fiscal 2020 - 2021 and 2019 - 2020, respectively. The increase in expenditures in fiscal 2021 - 2022 was primarily due to the distribution of student financial aid from the CARES/HEERF student aid allocation, indirect cost allocation for those funds, and other minor maintenance projects. The increase in fiscal 2020 - 2021 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 Statement of Cash Flows. The purpose of the Statement of Cash Flows is to provide relevant information about cash receipts and cash payments made by the College during a fiscal year. The Statement also helps users to assess the College's:

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Needs for external financing
- 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 personal services, operating expenses, and scholarship allowances

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

- 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 increased in fiscal 2021 - 2022 due to the issuance of facility revenue bonds, series 2022 and decreased in fiscal 2020 - 2021 primarily due to construction projects associated with the Certificates of Participation and the Facilities Revenue Bonds, 2018 Series

TABLE 3
CASH FLOWS
(in thousands of dollars)

	2022	2021	2020
Cash provided by (used in):			
Operating activities	(86,166)	(93,390)	(83,099)
Noncapital financing activities	108,511	99,725	88,895
Capital and related financing activities	19,162	(22,565)	(41,499)
Investing activities	<u>(9)</u>	<u>36</u>	<u>462</u>
Net increase in cash and cash equivalents	41,498	(16,194)	(35,241)
Cash and cash equivalents, beginning of year	<u>71,826</u>	<u>88,020</u>	<u>123,261</u>
Cash and cash equivalents, end of year	<u><u>113,324</u></u>	<u><u>71,826</u></u>	<u><u>88,020</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, 2022, 2021, and 2020, the College had \$188,161 (thousand), \$178,237 (thousand), and \$147,494 (thousand), invested in capital assets, net of accumulated depreciation, respectively. Depreciation charges for the fiscal years ended June 30, 2022, 2021, and 2019, was \$8,759 (thousand), \$8,523 (thousand), and \$6,385 (thousand) respectively. Details of capital assets for the fiscal years ended June 30 are as follows:

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2022	2021	2020
Land and CIF	23,112	17,776	54,119
Land improvements	2,169	1,720	1,336
Buildings	155,946	151,710	85,001
Equipment	6,934	7,031	7,008
	<u>188,161</u>	<u>178,237</u>	<u>147,464</u>

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 semiannually on June 15th and December 15th and include principal and interest ranging from 3% - 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, 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 semiannually on June 15th and December 15th and include principal and interest ranging from 3% - 5% over the life of the revenue bonds.

Southeast Community College Facilities Revenue Bonds, Series 2021 were issued July, 2, 2021, to finance a portion of the cost of constructing, acquiring, equipping and furnishing new student housing at the College's Milford Campus. Payments are made semiannually on June 15th and December 15th and include principal and interest ranging from 3% to 5% over the life of the revenue bonds. The bonds were issued at a premium of \$135,889 which is amortized over the life of the revenue bonds.

The Southeast Community College Facilities Revenue Bonds, Series 2022, were issued January 20, 2022, to finance a portion of the cost of constructing, acquiring, equipping and furnishing new student housing at the College's Lincoln Campus. Payments are made semi-annually on March 15th and September 15th and include principal and interest at 4% over the life of the revenue bonds. The bonds were issued at a premium of \$2,632,939 which is amortized over the life of the revenue bonds.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 5
OUTSTANDING DEBT
(in thousands of dollars)

	2022	2021	2020
Tax Support Certificates of Participation, Series 2018	57,904	59,177	60,417
Facilities Revenue Bonds, Series 2018	18,260	18,685	19,100
Facilities Revenue Bonds, Series 2020	8,587	8,807	-
Facilities Revenue Bonds, Series 2022	26,553	-	-
	<u>111,304</u>	<u>86,669</u>	<u>79,517</u>

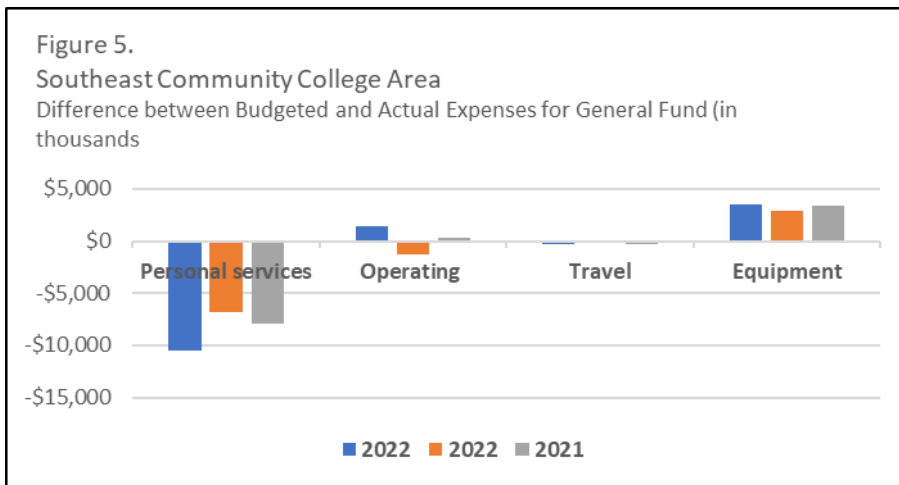
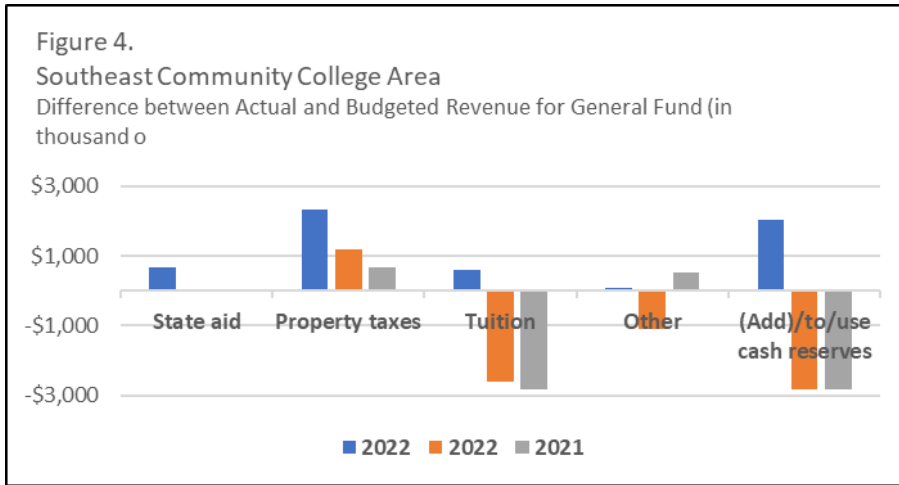
BUDGET VS ACTUAL

Prior to July 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 is 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.

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

	Budget 2022	Actual 2022	Budget 2021	Actual 2021	Budget 2020	Actual 2020
REVENUES						
State aid	29,874	29,187	28,535	28,535	27,941	27,941
Property taxes	50,807	48,494	45,672	46,871	45,000	45,681
Tuition	16,353	15,741	18,354	15,735	19,132	16,310
Other	771	682	1,044	(61)	837	1,367
(Add) to/use cash reserves	-	(2,037)	-	(2,843)	-	(2,839)
Total revenues	<u>97,805</u>	<u>92,067</u>	<u>93,605</u>	<u>88,237</u>	<u>92,910</u>	<u>88,460</u>
EXPENSES						
Personnel services	79,432	68,972	76,250	69,375	76,460	68,571
Operating	16,955	18,364	15,007	13,661	14,248	14,569
Travel	395	144	121	42	433	121
Equipment	1,023	4,587	2,227	5,159	1,769	5,199
Total expenses	<u>97,805</u>	<u>92,067</u>	<u>93,605</u>	<u>88,237</u>	<u>92,910</u>	<u>88,460</u>

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS



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

Fiscal 2021 - 2022

- Tuition revenue was above budget by \$612 thousand due to a reduction in scholarship allowances.
- Personal services expenditures were below budget by \$10,460 thousand 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.

SOUTHEAST COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal 2020 - 2021

- Tuition revenue was below budget by \$2,619 thousand due to a decrease in enrollment in addition to a reduction in scholarship allowances. Enrollment was limited in summer 2021 due to the pandemic environment.
- Personal services expenditures were below budget by \$6,875 thousand 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 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.
- Personal 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.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

Although the College was required to pivot to full virtual operations during the Spring 2020 Semester, SCC returned to full operations in Fall 2020 while following recommendations and guidance from its local health departments. While the College did experience a 5% decline in enrollment for the Fall 2020 Semester, this was much less than the national decline of 10% among community colleges (source: National Student Clearing House). SCC's decline of less than 4% during the Spring 2021 Semester was also well below the national decline of more than 11% among community colleges. SCC observed a 1% increase in the Fall 2021 Semester compared to the previous fall semester.

The College continued to focus on moving forward with its new 5-year 2020 - 2024 Strategic Plan during the pandemic. SCC offers more than 60 career/technical programs that rely heavily on hands-on training. The College continued to provide this vital training during the pandemic while following the appropriate safety and control protocols. The College compartmentalized the navigation of COVID-19 by assigning teams and staff to the management of the various safety and control protocols recommended by the CDC and state and local health departments. This allowed the majority of SCC's employees to continue to pursue the College's mission and goals via full in-person classes and services.

The 2020 Coronavirus Aid, Relief, and Economic Security Act (together with other related and later federal COVID-19 relief programs, the "CARES Act") passed by the United States Congress provided approximately \$13 million of funds to SCC for student aid and an additional \$17.5 million in institutional aid. All funds have been expended and drawn by SCC. SCC used the institutional aid to build non-structural walls in the Student Affairs building in Lincoln and the Academic Excellence Classroom in Beatrice. In addition, SCC upgraded HVAC systems in several buildings.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

SCC has also been awarded a \$4.3 million grant from the City of Lincoln from funds that the City received under federal COVID relief programs. SCC has not yet received such funds. In addition, SCC has requested up to \$10 million from the State from funds the State has received from federal COVID relief programs, but no such funds have been awarded or received.

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. The farm and industry economy may impact the state's growth over the next several years thus effecting state aid appropriated to the community colleges.

The state aid appropriation for fiscal 2022 - 2023 to the College is 27.2% of the total community college appropriation.

The College Board of Governors has recently taken the following actions in September 2022 for fiscal 2022 - 2023:

- 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.

Other Items

- Property valuations for 2022 - 2023 (2022 certification of taxable value) increased 4.4% 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, 2022 AND 2021

	2022		2021	
	College	Foundation	College	Foundation
ASSETS				
Current assets				
Cash and cash equivalents	113,324,425	90,502	71,825,982	80,796
Short-term investments	1,686,115	1,841,764	1,174,648	3,028,857
Property taxes receivable	22,570,885	-	21,966,230	-
Accounts receivable (net)	2,675,607	164,169	7,802,608	141,994
Interest receivable	106,940	83,047	96,298	74,980
Inventories	1,261,355	-	1,349,675	-
Prepaid expense	3,322,143	-	2,787,617	-
Total current assets	144,947,470	2,179,482	107,003,058	3,326,627
Noncurrent assets				
Deposits with vendors	-	-	42,097	-
Pledges receivable	-	150,000	-	241,667
Endowment investments	-	31,820,909	-	32,758,166
Long-term investments	600,082	-	1,101,890	-
Prepaid expenses	139,090	-	142,953	-
Capital assets, net	188,161,551	719,529	178,236,673	719,529
Total noncurrent assets	188,900,723	32,690,438	179,523,613	33,719,362
TOTAL ASSETS	333,848,193	34,869,920	286,526,671	37,045,989
LIABILITIES				
Current liabilities				
Accounts payable	7,017,157	26,695	6,212,675	70,044
Accrued salaries	3,867,257	-	3,904,410	-
Deferred revenue	2,050,362	16,668	2,049,771	16,668
Deposits	101,529	-	146,262	-
Accrued interest	735,344	-	370,370	-
Current portion of long-term debt	2,095,903	-	1,919,058	-
Total current liabilities	15,867,552	43,363	14,602,546	86,712
Noncurrent liabilities				
Accrued compensated absences	2,853,686	-	2,759,608	-
Long-term debt, net	109,207,681	-	84,749,395	-
Total noncurrent liabilities	112,061,367	-	87,509,003	-
TOTAL LIABILITIES	127,928,919	43,363	102,111,549	86,712

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

	2022		2021	
	College	Foundation	College	Foundation
NET POSITION				
Invested in capital assets, net of related debt	104,837,238	719,529	93,811,451	719,529
Restricted for				
Nonexpendable				
Scholarships and fellowships	-	9,108,050	-	8,791,430
Expendable				
Scholarships and fellowships	-	23,922,071	-	25,696,886
ADA/Hazardous waste	687	-	-	-
Capital projects	32,855,684	-	26,441,808	-
Unrestricted	68,225,665	1,076,907	64,161,863	1,751,432
TOTAL NET POSITION	205,919,274	34,826,557	184,415,122	36,959,277

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	2022		2021	
	College	Foundation	College	Foundation
OPERATING REVENUES				
Student tuition and fees	15,569,512	-	14,606,835	-
Nongovernmental grants and contracts	136,894	-	232,421	-
Sales and services of educational departments	1,086,372	-	966,681	-
Auxiliary enterprises	8,762,668	-	7,516,503	-
Other operating income	2,111,618	159,074	1,895,984	160,661
Total operating revenues	<u>27,667,064</u>	<u>159,074</u>	<u>25,218,424</u>	<u>160,661</u>
OPERATING EXPENSES				
Personnel services	73,612,131	111,863	73,997,615	72,281
Operating expenses	40,925,809	4,892,433	29,385,031	2,099,970
Travel	269,154	-	78,030	-
Capital assets not capitalized	4,799,837	-	4,864,230	-
Depreciation	8,759,490	-	8,522,579	-
Total operating expenses	<u>128,366,421</u>	<u>5,004,296</u>	<u>116,847,485</u>	<u>2,172,251</u>
OPERATING LOSS	<u>(100,699,357)</u>	<u>(4,845,222)</u>	<u>(91,629,061)</u>	<u>(2,011,590)</u>
NONOPERATING REVENUES				
Governmental appropriations				
State aid	29,186,711	-	28,534,342	-
Property taxes	48,493,955	-	46,870,448	-
Governmental grants and contracts				
Federal	30,073,958	-	23,819,649	-
State	1,461,974	-	1,036,209	-
Nongovernmental grants and contracts	-	-	30,000	-
Gifts	2,853,007	4,595,004	-	3,742,791
Investment income	189,527	(1,882,502)	58,654	5,991,891
Interest on indebtedness	(3,469,250)	-	(3,157,312)	-
Net nonoperating revenues	<u>108,789,882</u>	<u>2,712,502</u>	<u>97,191,990</u>	<u>9,734,682</u>
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	<u>8,090,525</u>	<u>(2,132,720)</u>	<u>5,562,929</u>	<u>7,723,092</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>		<u>2021</u>	
	College	Foundation	College	Foundation
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
Capital appropriations	13,159,644	-	12,719,008	-
Gain on disposal of capital assets	<u>253,983</u>	<u>-</u>	<u>103,659</u>	<u>-</u>
Total other revenues, expenses, gains, or losses	<u>13,413,627</u>	<u>-</u>	<u>12,822,667</u>	<u>-</u>
INCREASE IN NET POSITION	21,504,152	(2,132,720)	18,385,596	7,723,092
NET POSITION, beginning of year	<u>184,415,122</u>	<u>36,959,277</u>	<u>166,029,526</u>	<u>29,236,185</u>
NET POSITION, end of year	<u><u>205,919,274</u></u>	<u><u>34,826,557</u></u>	<u><u>184,415,122</u></u>	<u><u>36,959,277</u></u>

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	20,529,592	11,808,515
Grants and contracts	-	232,421
Payments for personnel services	(73,556,675)	(73,388,687)
Payments for operating expenses	(44,738,314)	(33,114,088)
Payments for scholarship allowances	-	(3,449,153)
Sales and services of educational departments	1,065,025	957,202
Auxiliary enterprises charges	8,285,565	1,943,665
Other receipts	<u>2,248,575</u>	<u>1,619,842</u>
Net cash used in operating activities	<u>(86,166,232)</u>	<u>(93,390,283)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State aid appropriations	29,186,711	28,534,342
Property taxes - General Fund and ADA/Hazardous waste	48,018,456	45,683,001
Gifts and grants for other than capital purposes	31,306,318	25,507,224
Student loans receipts	7,830,440	9,085,200
Student loans disbursements	<u>(7,830,440)</u>	<u>(9,085,200)</u>
Net cash provided by noncapital financing activities	<u>108,511,485</u>	<u>99,724,567</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from long-term debt, net of premium	26,475,131	8,851,624
Payments on long-term debt	(1,840,000)	(1,699,479)
Interest income on bond proceeds	178,886	(7,903)
Interest paid on capital debt	(3,104,276)	(3,095,621)
Property taxes - Capital Improvement Fund	13,030,488	12,719,008
Capital grants and gifts	2,853,007	-
Proceeds from sale of capital assets	253,983	103,659
Purchases of capital assets	<u>(18,684,369)</u>	<u>(39,436,181)</u>
Net cash provided by (used in) capital financing activities	<u>19,162,850</u>	<u>(22,564,893)</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	(9,660)	(20,330)
Interest on investments	<u>-</u>	<u>56,581</u>
Net cash provided by (used in) investing activities	<u>(9,660)</u>	<u>36,251</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,498,443	(16,194,358)
CASH AND CASH EQUIVALENTS, beginning of year	<u>71,825,982</u>	<u>88,020,340</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>113,324,425</u></u>	<u><u>71,825,982</u></u>
 Reconciliation of Net Operating Loss to Net Net Cash Used in Operating Activities		
Net operating loss	<u>(100,699,357)</u>	<u>(91,629,061)</u>
Adjustments to reconcile net operating loss to net cash used provided by (used in) operating activities:		
Depreciation expenses	8,759,490	8,522,579
Changes in assets and liabilities:		
Accounts receivable (net)	5,403,168	(4,077,606)
Inventories	88,320	351,601
Prepaid expense	(534,526)	-
Accounts payable	804,482	(6,793,642)
Interest payable	12,191	61,691
Deferred revenue	<u>-</u>	<u>174,155</u>
Net cash used in operating activities	<u><u>(86,166,232)</u></u>	<u><u>(93,390,283)</u></u>

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Southeast Community College Area (the College) 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 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 (the 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 an 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 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 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities an Amendment of GASB Standard 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 (AICPA) 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 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. Also included in this category is accrued compensated absences, as described above.

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)

Leases

The College adopted GASB Statement 87, *Leases*, as of July 1, 2021. A lease liability and a lease asset are recognized at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying assets. The lease liability is measured at the present value of payments expected during the lease term. The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease. The lease liability is reduced as payments are made and interest expense is recognized. The leased asset is generally amortized over the term of the lease unless the useful life of the underlying asset is less. A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Short-term leases are expensed in period incurred. Contracts that transfer ownership of the underlying assets or contain a bargain purchase option are recognized as financing contracts. The College excludes immaterial leases with total from the provisions of GASB 87.

Revenue and Expense Recognition

The College presents its revenues and expenses as operating or nonoperating based on recognition definitions from GASB Statement 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.

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.

Restricted/Unrestricted Resource Priority

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

Use of Estimates

The preparation of financial statements in accordance with 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 Federal Deposit Insurance Corporation (FDIC)-insured banks, U.S. Treasury and federal agencies, and certificates of deposit issued by FDIC-insured banks.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

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, 2022 and 2021, were in unregistered U.S. government securities and federal agency obligations held in the College's name by the custodial banks.

At June 30, 2022 and 2021, the balance of the College's deposits, which includes checking, money market, and certificates of deposit, were insured or fully collateralized.

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 5% of its overall investments.

Investments at June 30, 2022 and 2021, are summarized as follows:

	2022 Fair Value	2021 Fair Value
POAA note receivable	163,000	163,000
Certificates of deposit	<u>2,123,197</u>	<u>2,113,538</u>
	<u>2,286,197</u>	<u>2,276,538</u>

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2022, were due December 31, 2021, and became delinquent in April - September of 2022. 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.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX RECEIVABLE (Continued)

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, 2022 and 2021, were as follows:

	2022	2021
Assessed valuation		
September 2021 and 2020	66,016,209,631	61,970,554,599
	2022	2021
Levy in cents per \$100 of assessed valuation		
General Fund	7.37	7.37
Capital Improvement Fund	<u>2.00</u>	<u>2.00</u>
	<u>9.37</u>	<u>9.37</u>

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

	2022	2021
General Fund	17,753,311	17,277,812
Capital Improvement Fund	<u>4,817,574</u>	<u>4,688,418</u>
Total	<u>22,570,885</u>	<u>21,966,230</u>

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

	2022	2021
General Fund	694,165	734,653
Capital Improvement Fund	<u>188,379</u>	<u>199,359</u>
Total	<u>882,544</u>	<u>934,012</u>

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2022	2021
Federal nonexchange grants	1,378,407	6,357,622
Tuition and fees	11,055,055	10,525,517
Other	<u>(1,249,576)</u>	<u>(1,277,981)</u>
	11,183,886	15,605,158
Allowance for uncollectible accounts	<u>(8,508,279)</u>	<u>(7,802,550)</u>
Total accounts receivable, net	<u>2,675,607</u>	<u>7,802,608</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2022	2021
Books and supplies	954,572	1,061,491
Parts	105,734	110,212
Livestock and grain	201,049	177,972
	<u>1,261,355</u>	<u>1,349,675</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	June 30, 2021	Additions	Deletions	June 30, 2022
Capital assets, not being depreciated				
Land	5,020,921	-	-	5,020,921
Construction in progress	12,755,160	5,336,174	-	18,091,334
Total	<u>17,776,081</u>	<u>5,336,174</u>	<u>-</u>	<u>23,112,255</u>
Capital assets, being depreciated				
Land improvements	3,990,011	561,915	-	4,551,926
Buildings	208,188,131	10,499,617	-	218,687,748
Leasehold improvements	29,651	-	-	29,651
Equipment	39,953,371	2,296,561	764,741	41,485,191
Total	<u>252,161,164</u>	<u>13,358,093</u>	<u>764,741</u>	<u>264,754,516</u>
Less accumulated depreciation				
Land improvements	2,270,204	112,484	-	2,382,688
Buildings	56,480,266	6,262,826	-	62,743,092
Leasehold improvements	27,798	741	-	28,539
Equipment	32,922,304	2,383,437	754,840	34,550,901
Total	<u>91,700,572</u>	<u>8,759,488</u>	<u>754,840</u>	<u>99,705,220</u>
Capital assets, net	<u>178,236,673</u>	<u>9,934,779</u>	<u>9,901</u>	<u>188,161,551</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

Capital asset activity for the fiscal year ended June 30, 2021, was as follows:

	June 30, 2020	Additions	Deletions	June 30, 2021
Capital assets, not being depreciated				
Land	1,889,366	3,131,555	-	5,020,921
Construction in progress	<u>52,230,122</u>	<u>-</u>	<u>39,474,962</u>	<u>12,755,160</u>
Total	<u>54,119,488</u>	<u>3,131,555</u>	<u>39,474,962</u>	<u>17,776,081</u>
Capital assets, being depreciated				
Land improvements	3,526,895	463,116	-	3,990,011
Buildings	135,476,183	72,711,948	-	208,188,131
Leasehold improvements	29,651	-	-	29,651
Equipment	<u>39,053,461</u>	<u>2,443,649</u>	<u>1,543,739</u>	<u>39,953,371</u>
Total	<u>178,086,190</u>	<u>75,618,713</u>	<u>1,543,739</u>	<u>252,161,164</u>
Less accumulated depreciation				
Land improvements	2,161,126	109,078	-	2,270,204
Buildings	50,477,745	6,002,521	-	56,480,266
Leasehold improvements	27,056	742	-	27,798
Equipment	<u>32,045,381</u>	<u>2,410,238</u>	<u>1,533,315</u>	<u>32,922,304</u>
Total	<u>84,711,308</u>	<u>8,522,579</u>	<u>1,533,315</u>	<u>91,700,572</u>
Capital assets, net	<u>147,494,370</u>	<u>70,227,689</u>	<u>39,485,386</u>	<u>178,236,673</u>

NOTE 7. ACCRUED SALARIES

Accrued salaries for the fiscal years ended June 30, 2022 and 2021, were composed of the following:

	2022	2021
Accrued salaries	3,867,257	3,904,410
Accrued compensated absences	<u>2,853,686</u>	<u>2,759,608</u>
	<u>6,720,943</u>	<u>6,664,018</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2022, is summarized as follows:

	Balance 7/1/21	Proceeds	Payments	Balance 6/30/22
Tax Supported Certificates of Participation, Series 2018	57,210,000	-	1,200,000	56,010,000
Facilities Revenue Bonds, Series 2018	18,680,000	-	425,000	18,255,000
Facilities Revenue Bonds, Series 2020	8,675,000	-	215,000	8,460,000
Facilities Revenue Bonds, Series 2022	-	23,920,000	-	23,920,000
Premiums and discounts, net	2,103,453	2,632,938	77,807	4,658,584
Compensated absences	2,759,608	94,078	-	2,853,686
	<u>89,428,061</u>	<u>26,647,016</u>	<u>1,917,807</u>	<u>114,157,270</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% - 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, 2021, the Trustee held no monies 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.

Future maturities of the COPS are due as follows:

Years Ending June 30,	Principal	Interest	Total
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	1,405,000	2,042,894	3,447,894
2027	1,475,000	1,970,894	3,445,894
2028 - 2032	8,550,000	8,660,219	17,210,219
2033 - 2037	10,370,000	6,867,906	17,237,906
2038 - 2042	12,265,000	4,940,125	17,205,125
2043 - 2047	14,715,000	2,387,731	17,102,731
2048	3,335,000	73,303	3,408,303
	<u>56,010,000</u>	<u>33,421,404</u>	<u>89,431,404</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

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 15 and September 15 and include principal and interest ranging from 2% - 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
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	480,000	649,525	1,129,525
2027	495,000	635,125	1,130,125
2028 - 2032	2,735,000	2,910,975	5,645,975
2033 - 2037	3,300,000	2,347,338	5,647,338
2038 - 2042	3,970,000	1,670,763	5,640,763
2043 - 2047	4,835,000	812,600	5,647,600
2048	1,085,000	43,400	1,128,400
	<u>18,255,000</u>	<u>11,100,351</u>	<u>29,355,351</u>

The Southeast Community College Facilities Revenue Bonds, Series 2020, were issued July 2, 2020, as a public offering, to finance a portion of the cost of constructing, acquiring, equipping and furnishing a student housing facility at the College's Milford Campus and related improvements. Payments are made semi-annually on March 15 and September 15 and include principal and interest ranging from 2% - 3% over the life of the revenue bonds. At June 30, 2021, the Trustee held \$2,243,210 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 from a gross pledge of the revenues from the operations of the facilities, net bookstore revenues, and gross facility student service fees.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Facilities Revenue Bonds (Continued)

Future maturities of revenue bonds are due as follows:

Years Ending June 30,	Principal	Interest	Total
2023	215,000	223,290	438,290
2024	220,000	218,990	438,990
2025	225,000	214,590	439,590
2026	230,000	210,090	440,090
2027	235,000	205,490	440,490
2028 - 2032	1,250,000	962,000	2,212,000
2033 - 2037	1,385,000	823,550	2,208,550
2038 - 2042	1,600,000	612,000	2,212,000
2043 - 2047	1,850,000	357,000	2,207,000
2048 - 2050	1,250,000	75,750	1,325,750
	<u>8,460,000</u>	<u>3,902,750</u>	<u>12,362,750</u>

The Southeast community College Facilities Revenue Bonds, Series 2022, were issued January 20, 2022, as a public offering, to finance a portion of the cost of constructing, acquiring, equipping and furnishing a student housing facility at the College's Lincoln Campus and related improvements. Payments are made semi-annually on March 15th and September 15th and include principal and interest at 4% over the life of the revenue bonds. At June 30, 2022, the Trustee held \$26,113,823 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 from a gross pledge of the revenues from the operations of the facilities, net bookstore revenues, and gross facility student service fees.

Future maturities of revenue bonds are due as follows:

Years Ending June 30,	Principal	Interest	Total
2023	-	1,102,978	1,102,978
2024	450,000	956,800	1,406,800
2025	470,000	938,800	1,408,800
2026	490,000	920,000	1,410,000
2027	510,000	900,400	1,410,400
2028 - 2032	2,865,000	4,179,800	7,044,800
2033 - 2037	3,480,000	3,559,600	7,039,600
2038 - 2042	4,235,000	2,805,600	7,040,600
2043 - 2047	5,155,000	1,888,000	7,043,000
2048 - 2052	6,265,000	771,600	7,036,600
	<u>23,920,000</u>	<u>18,023,578</u>	<u>41,943,578</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Facilities Revenue Bonds (Continued)

Accrued compensated absences at June 30, 2022 and 2021, are \$2,853,686 and \$2,709,608, 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:

	2022	2021
Tuition and fees	2,858,992	3,449,153
Room and board	902,463	1,145,093
Bookstore	471,964	616,616
	4,233,419	5,210,862

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 National Association of College and University Business Officers (NACUBO) and GASB have suggested that for historical purposes expenses also be presented by functional classifications.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 10. EXPENSES BY FUNCTIONAL CATEGORY (Continued)

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

	2022	2021
Education and general		
Instruction	45,876,348	46,317,758
Academic support	9,157,445	8,881,395
Student services	5,662,618	5,150,063
Institutional support	22,791,701	19,461,256
Physical plant	16,306,346	14,054,763
Depreciation	8,759,490	8,522,579
Student financial aid	16,124,884	9,877,108
Auxiliary enterprises	3,687,589	4,582,563
	<u>128,366,421</u>	<u>116,847,485</u>

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 matches employee contributions from 2% - 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% - 9% 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:

	2022	2021
Total payroll	56,753,027	58,379,059
Covered payroll for employees eligible for College match	47,379,132	49,551,094
Employer contributions	3,219,748	2,851,169
Employer contributions as a percentage of covered payroll	6.80%	5.75%

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 12. COMMITMENTS

As of June 30, 2022 and 2021, the College had \$41,420,000 and \$3,101,310, respectively, 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, 2022 and 2021, totaled \$4,693,596 and \$1,913,418, respectively.

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 (the 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, 2022, was the Trust's twenty-first year of operations. In May 2022, the Board of Directors of the Trust declared a dividend of \$223,941 to be used to offset total contributions for the 2023 insurance year. The College anticipates no future liabilities for additional incurred losses for all previous years.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 16. RECENTLY ISSUED AND ADOPTED ACCOUNTING PRONOUNCEMENTS

GASB Statement 96, *Subscription-based Information Technology Arrangements*, was issued in May 2020, and is effective for fiscal years beginning after June 15, 2022. The standard provides guidance related to accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The standard generally requires the recording of a right-to-use subscription asset (intangible asset) and a corresponding liability. There is an exception for short-term SBITAs defined as those with maximum possible terms of 12 months or less including options to extend, regardless of their probability of being exercised. When adopted, GASB 96 may have a material effect on the financial statements.

NOTE 17. COVID-19

The College does not expect any future material financial impact due to the pandemic. The College was reimbursed \$9,451,565 through the CARES Institution Share through HEERF in fiscal 2021 - 2022 and \$3,034,241 in fiscal 2020 - 2021. In addition, a total of \$8,721,034 in CARES Act funds was provided to students in the form of emergency financial aid grants for 2021 - 2022 and \$3,034,241 in fiscal 2020 - 2021. SCC has also been awarded a \$4.3 million grant from the City of Lincoln from funds that the City received under federal COVID-19 relief programs. SCC has not yet received such funds. In addition, SCC has requested up to \$10 million from the State from funds the State has received from federal COVID-19 relief programs, but no such funds have been awarded or received.

NOTE 18. SUBSEQUENT EVENT

In preparing the financial statements, the College has evaluated events and transactions for potential recognition or disclosure through November 14, 2022, the date the financial statements were available to be issued.

ACCOMPANYING INFORMATION

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND REVENUES
BUDGETARY BASIS
YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
State aid	29,186,711	28,534,342
Property taxes	48,493,955	46,870,448
Tuition	15,741,533	15,735,483
Other income	682,405	(60,788)
(Add) to/use cash reserves	<u>(2,037,316)</u>	<u>(2,842,939)</u>
	<u>92,067,288</u>	<u>88,236,546</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 the Southeast Community College Area as reported by the County Assessor in late August 2022 for use in property tax revenue for June 30, 2023, was \$69,938,388,188. The General Fund property tax rate for June 30, 2023, is 7.37 cents per \$100 of valuation.

The property valuation for the Southeast Community College Area as reported by the County Assessor in late August 2021 for use in property tax revenue for June 30, 2022, was \$66,016,209,631. The General Fund property tax rate for June 30, 2022, is 7.37 cents per \$100 of valuation.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS
YEARS ENDED JUNE 30, 2022 AND 2021

PROGRAM CLASSIFICATION STRUCTURE

	2022	2021
INSTRUCTION		
Personnel services	39,839,815	40,985,893
Operating expenses	2,345,366	2,047,689
Travel	51,073	4,109
Equipment	<u>2,112,740</u>	<u>225,929</u>
	<u>44,348,994</u>	<u>43,263,620</u>
ACADEMIC SUPPORT		
Personnel services	7,947,110	7,566,496
Operating expenses	844,734	994,416
Travel	14,393	23,088
Equipment	<u>234,471</u>	<u>187,417</u>
	<u>9,040,708</u>	<u>8,771,417</u>
STUDENT SERVICE		
Personnel services	3,045,694	3,026,686
Operating expenses	525,857	406,899
Travel	24,703	9,062
Equipment	<u>189,756</u>	<u>5,287</u>
	<u>3,786,010</u>	<u>3,447,934</u>
INSTITUTIONAL ADMINISTRATION		
Personnel services	13,091,955	12,723,959
Operating expenses	8,103,366	5,989,651
Travel	53,386	5,590
Equipment	<u>615,020</u>	<u>1,181,770</u>
	<u>21,863,727</u>	<u>19,900,970</u>
PHYSICAL PLANT OPERATIONS		
Personnel services	5,047,371	5,071,798
Operating expenses	6,437,694	4,096,944
Travel	158	-
Equipment	<u>1,435,258</u>	<u>3,558,300</u>
	<u>12,920,481</u>	<u>12,727,042</u>
STUDENT FINANCIAL SUPPORT		
Operating expenses	<u>107,368</u>	<u>125,563</u>

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULES OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS
 YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
GRAND TOTAL FOR COLLEGE		
Personnel services	68,971,945	69,374,832
Operating expenses	18,364,385	13,661,162
Travel	143,713	41,849
Equipment	4,587,245	5,158,703
	<u>92,067,288</u>	<u>88,236,546</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, 2022

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Assistance Listing Number	Federal Expendi- tures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster			
PELL Grant Program		84.063	8,866,184
Federal Direct Loan		84.268	7,830,440
Federal Work-Study Program		84.033	142,898
Federal Supplemental Educational Opportunity Grant Program		84.007	<u>343,576</u>
Total Student Financial Assistance Cluster			<u>17,183,098</u>
TRIO Cluster			
TRIO Support Services		84.042	281,287
TRIO Upward Bound		84.047	<u>304,419</u>
Total TRIO Cluster			<u>585,706</u>
CCAMPIS		84.335	<u>139,559</u>
Education Stabilization Fund - COVID-19			
Institutional portion		84.425F	9,451,565
Student portion		84.425E	<u>8,721,034</u>
			<u>18,172,599</u>
Pass-Through Programs From:			
Nebraska Department of Education			
Adult Basic Education	22-2-AEF-08-00-94500	84.002	504,324
Vocational Education	22-6701-00-60-094-5000	84.048	<u>826,937</u>
			<u>1,331,261</u>
Total U.S. Department of Education			<u>37,412,223</u>
<u>National Science Foundation</u>			
Education and Human Resources		47.076	167,691
Pass-Through Programs From:			
University of Nebraska Lincoln			
Education and Human Resources	25-0536-0057-0005	47.076	23
Integrative Activities - EPSCoR	95-3101-0050-805	47.083	<u>35,192</u>
Total National Science Foundation			<u>202,906</u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Assistance Listing Number	Federal Expendi- tures
<u>U.S. Department of Health and Human Services</u>			
Pass-Through Programs From:			
Nebraska Department of Health and Human Services			
Child Care and Development Block Grant - CCDF Cluster - COVID-19		93.575	78,549
Health Education Laddering Program	90FX0040-00-00-SCC-20/21	93.093	82,560
Refugee and Entrant Assistance - ESL	None	93.576	15,968
Behavioral Health Grants	95-3101-0050-805	93.732	32,620
University of Nebraska - Lincoln			
Area Health Education Centers	34-5210-1006-011	93.107	<u>64,543</u>
Total U.S. Department of Health and Human Services			<u>274,240</u>
<u>United States Department of Agriculture</u>			
Specialty Crop Block Grant Program		10.170	<u>12,414</u>
Total U.S. Department of Agriculture			<u>12,414</u>
<u>Department of the Treasury</u>			
Passed through the Nebraska Department of Economic Development Coronavirus Relief Fund	CRF-0014951	21.019	<u>2,615</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>37,904,398</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, 2022

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, 2022. 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. 60492
Dana F. Cole & Company, LLP
1248 O Street, Suite 500
Lincoln, Nebraska 68508

TELEPHONE NO: 402.479.9300

The audit was performed between September 20, 2021 and September 23, 2021, at the institution's facilities as follows:

Location	Description of Facility	Dates Visited
Lincoln, Nebraska	Administrative and Student Financial Aid Offices	September 19, 2022 to September 22, 2022
Beatrice, Nebraska	Administrative and Student Financial Aid Offices	September 19, 2022 to September 22, 2022
Milford, Nebraska	Administrative and Student Financial Aid Offices	September 19, 2022 to September 22, 2022

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, 2022

	Dorm Total	Bookstore Total	Total System	Student Fee - Facility Total	Total Pledge
ASSETS					
Cash and cash equivalents	27,962,889	1,450	27,964,339	-	27,964,339
Accounts receivable	15,848	-	15,848	-	15,848
Due from other funds	2,826,374	1,365,693	4,192,067	2,936,827	7,128,894
Inventories	-	926,860	926,860	-	926,860
Capital assets, net	<u>31,213,046</u>	<u>523,331</u>	<u>31,736,377</u>	-	<u>31,736,377</u>
45 TOTAL ASSETS	<u>62,018,157</u>	<u>2,817,334</u>	<u>64,835,491</u>	<u>2,936,827</u>	<u>67,772,318</u>
LIABILITIES					
Accounts payable	-	11,604	11,604	-	11,604
Accrued salaries	19,370	51,674	71,044	-	71,044
Accrued interest	642,779	-	642,779	-	642,779
Bonds payable	53,400,614	-	53,400,614	-	53,400,614
Deferred revenue	<u>694,662</u>	-	<u>694,662</u>	-	<u>694,662</u>
TOTAL LIABILITIES	<u>54,757,425</u>	<u>63,278</u>	<u>54,820,703</u>	-	<u>54,820,703</u>
NET POSITION	<u>7,260,732</u>	<u>2,754,056</u>	<u>10,014,788</u>	<u>2,936,827</u>	<u>12,951,615</u>
OPERATING REVENUES					
Dormitory revenues	3,191,567	-	3,191,567	-	3,191,567
Bookstore revenues	-	3,773,159	3,773,159	-	3,773,159
Student service fee revenue	-	-	-	1,419,050	1,419,050
Other income	<u>86,082</u>	<u>630</u>	<u>86,712</u>	-	<u>86,712</u>
Total operating revenues	<u>3,277,649</u>	<u>3,773,789</u>	<u>7,051,438</u>	<u>1,419,050</u>	<u>8,470,488</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, 2022

	Dorm Total	Bookstore Total	Total System	Student Fee - Facility Total	Total Pledge
OPERATING EXPENSES					
Personnel services	475,482	666,495	1,141,977	-	1,141,977
Operating expenses	640,788	2,996,566	3,637,354	-	3,637,354
Travel	-	1,177	1,177	-	1,177
Equipment	<u>1,077,564</u>	<u>47,302</u>	<u>1,124,866</u>	-	<u>1,124,866</u>
Total operating expenses	<u>2,193,834</u>	<u>3,711,540</u>	<u>5,905,374</u>	<u>-</u>	<u>5,905,374</u>
OPERATING INCOME	<u>1,083,815</u>	<u>62,249</u>	<u>1,146,064</u>	<u>1,419,050</u>	<u>2,565,114</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	24,660	-	24,660	-	24,660
Transfers	2,268,714	(62,250)	2,206,464	-	2,206,464
Debt issuance costs	(551,089)	-	(551,089)	-	(551,089)
Depreciation	(895,636)	(37,380)	(933,016)	-	(933,016)
Interest on indebtedness	<u>(1,294,483)</u>	<u>-</u>	<u>(1,294,483)</u>	<u>-</u>	<u>(1,294,483)</u>
Net nonoperating revenues (expenses)	<u>(447,834)</u>	<u>(99,630)</u>	<u>(547,464)</u>	<u>-</u>	<u>(547,464)</u>
INCREASE (DECREASE) IN NET POSITION	635,981	(37,381)	598,600	1,419,050	2,017,650
NET POSITION, beginning of year	<u>6,624,751</u>	<u>2,791,437</u>	<u>9,416,188</u>	<u>1,517,777</u>	<u>10,933,965</u>
NET POSITION, end of year	<u><u>7,260,732</u></u>	<u><u>2,754,056</u></u>	<u><u>10,014,788</u></u>	<u><u>2,936,827</u></u>	<u><u>12,951,615</u></u>



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

INDEPENDENT AUDITOR'S 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 the Southeast Community College Area, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Southeast Community College Area's basic financial statements, and have issued our report thereon dated November 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Southeast Community College Area's internal control over financial reporting (internal control) as a basis for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southeast Community College Area's financial statements are free from 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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 the 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 the Southeast Community College Area's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 14, 2022



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

INDEPENDENT AUDITOR'S 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

Opinion on Each Major Federal Program

We have audited Southeast Community College Area's compliance with the types of compliance requirements identified as subject to audit 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, 2022. The 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.

In our opinion, Southeast Community College Area complied, in all material respects, with the types of 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, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southeast Community College Area and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Southeast Community College Area's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts and grant agreements applicable to Southeast Community College Area's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Southeast Community College Area's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Southeast Community College Area's compliance with the requirements for each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Southeast Community College Area's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Southeast Community College Area's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Southeast Community College Area's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 14, 2022

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2022

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified: ___Yes X No

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

Noncompliance matter to the financial statements disclosed: ___Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified: ___Yes X No

Significant deficiencies identified that are not considered to be material weaknesses: ___Yes X 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 X 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
Higher Education Emergency Relief Fund	84.425E/84.425F

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022

SECTION I. SUMMARY OF AUDITOR'S RESULTS (Continued)

Federal Awards (Continued)

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

Auditee qualified as a low-risk auditee: ___Yes XNo

SECTION II. FINANCIAL STATEMENT FINDING

None reported.

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SOUTHEAST COMMUNITY COLLEGE AREA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022

2021-001 LOAN COUNSELING - FEDERAL DIRECT LOAN PROGRAMS 84.268

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. This is not a continued finding for June 30, 2022.