

SOUTHEAST COMMUNITY COLLEGE AREA
FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018



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

SOUTHEAST COMMUNITY COLLEGE AREA
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying statements of net position of Southeast Community College Area as of June 30, 2019 and 2018, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of the Southeast Community College Foundation, which represent 10 percent, 15 percent, and 6 percent, respectively, of the assets, net position, and revenues of the Southeast Community College Area. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Southeast Community College Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly the financial position of Southeast Community College Area, as of June 30, 2019 and 2018, and the results of its operations and cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Report Issued in Accordance with *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2019, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Southeast Community College Area's internal control over financial reporting and compliance.

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 15, 2019

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, 2019 and 2018. 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 Assets 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 assets. When the reverse occurs, the result is a decrease in net assets. The relationship between revenues and expenses may be thought of as the College's operating results.

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

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

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



SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

TABLE 1
NET POSITION
(in thousands of dollars)

	2019	2018	2017
Current assets	149,366	136,147	63,431
Noncurrent assets	875	920	720
Capital assets	<u>101,162</u>	<u>75,365</u>	<u>70,812</u>
Total assets	<u>251,403</u>	<u>212,432</u>	<u>134,963</u>
Current liabilities	15,826	8,482	5,748
Noncurrent liabilities	<u>79,516</u>	<u>60,486</u>	-
Total liabilities	<u>95,342</u>	<u>68,968</u>	<u>5,748</u>
Net Position			
Invested in capital assets, net of related debt	74,879	75,365	70,812
Restricted	22,642	14,634	10,179
Unrestricted	<u>58,540</u>	<u>53,465</u>	<u>48,224</u>
Total net position	<u>156,061</u>	<u>143,464</u>	<u>129,215</u>

Total assets of the College increased 34% (\$25,797 thousands); liabilities increased 38.2% (\$26,374 thousands); and net assets increased by 8.8% (\$12,597 thousands) and 11.0% (\$14,250 thousands) for the fiscal year ended June 30, 2019 and 2018. The changes are due to the following factors:

- An increase in capital assets is due to the projects associated with the Certificates of Participation and Revenue Bonds issued in calendar 2018.
- An increase in liabilities is primarily due to the issuance of the Facilities Revenue Bonds, Series 2018 in September 2018.
- An increase in the unrestricted net position due to lower-than budgeted expenses.
- An increase in restricted net position due to unspent capital improvement levy.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

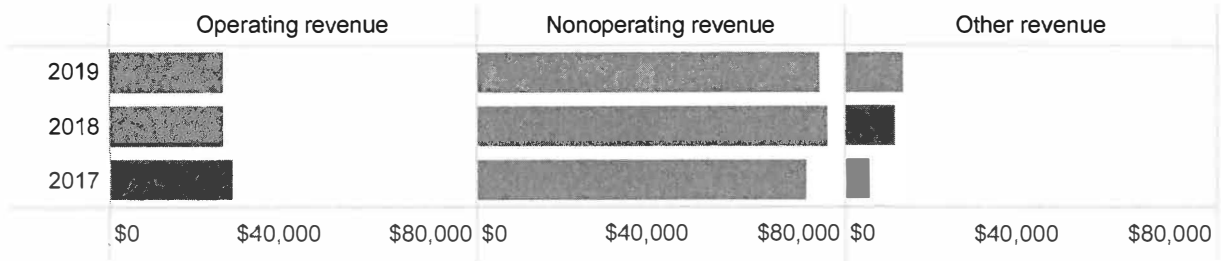
TABLE 2
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION
(in thousands of dollars)

	2019	2018	2017
Operating revenue			
Student tuition and fees	16,029	15,081	17,646
Grants and contracts	200	28	11
Sales educational departments	1,053	1,051	1,146
Auxiliary enterprises	7,650	8,334	8,587
Other	1,835	2,251	1,631
Total operating revenue	<u>26,767</u>	<u>26,745</u>	<u>29,021</u>
Operating expenses			
Personnel services	71,860	70,844	70,982
Operating expenses	26,053	27,866	27,833
Travel	386	418	591
Capital assets not capitalized	5,022	2,578	2,718
Depreciation	5,733	5,455	5,427
Total operating expenses	<u>109,054</u>	<u>107,161</u>	<u>107,551</u>
Net operating loss	<u>(82,287)</u>	<u>(80,416)</u>	<u>(78,530)</u>
Nonoperating revenue			
State aid	27,373	27,461	27,096
Property taxes	40,662	41,260	35,983
Grants and contracts	13,741	13,865	14,763
Investment income	2,302	528	158
Interest on indebtedness	(2,774)	(149)	-
Net nonoperating revenue	<u>81,304</u>	<u>82,965</u>	<u>78,000</u>
Other revenue			
Capital appropriations	11,469	11,655	5,889
Capital grants	2,016	-	-
Gain on disposal of assets	95	45	125
Net other revenue	<u>13,580</u>	<u>11,700</u>	<u>6,014</u>
Increase in net assets	12,597	14,249	5,484
Net Position			
Net position, beginning of year	143,464	129,215	123,731
Net position, end of year	<u>156,061</u>	<u>143,464</u>	<u>129,215</u>

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

REVENUES

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



Comments regarding revenues are as follows:

- Tuition and fee rates for 2018 - 2019 increased by .74% and the allowance for scholarships decreased by 20% (\$1,312 thousands). The additional revenues attributed to an increase in tuition and fees was partially offset by a slight decrease in enrollment.
- In fiscal 2018 - 2019 valuations increased by 2.8%, the general fund and CIF levy remained unchanged at 7.07 cents and 2.0 cents, respectively, per \$100 valuation. Total property tax levy was 9.07 cents, 9.07 cents, and 7.52 cents per \$100 valuation for fiscal 2018 - 2019, 2017 - 2018, and 2016 - 2017, respectively.

EXPENSES

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



Comments about expenses are as follows:

- Personnel services continue to be the primary expenditure category and are 66% of total operating expenses.
- Total expenditures increased by 1.8% (\$1,893 thousands) in fiscal 2018 - 2019. Total expenditures were consistent from fiscal 2017 - 2018 to 2016 - 2017. The increase in expenditures in fiscal 2018 - 2019 is primarily due to maintenance projects that were not capitalized.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

THE STATEMENTS OF CASH FLOWS

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

- Ability to generate future net cash flows
- Ability to meet its obligations as they come due
- Need for external financing
- Comments about cash flows are as follows:
 - Cash used by operating activities consists of:
 - major revenue sources of tuition and fees, auxiliary enterprises income, and sales of educational services
 - major expenditures of personnel services, operating expenses, and scholarship allowances
 - The three major components of cash provided by noncapital financing activities are:
 - state aid
 - property taxes for the General Fund
 - nonexchange grants
 - Cash used for capital and related financing activities decreased in 6-30-17 primarily due to less construction costs associated with The Career Academy.
 - Cash used for investing activities increased due to an investment maturing and held as a cash equivalent.

TABLE 3
CASH FLOWS
(in thousands of dollars)

	2019	2018	2017
Cash provided by (used in):			
Operating activities	(68,902)	(73,321)	(72,183)
Noncapital financing activities	81,567	82,193	76,322
Capital and related financing activities	27	59,693	(368)
Investing activities	942	476	10,381
	<u>13,634</u>	<u>69,041</u>	<u>14,152</u>
Net increase in cash and cash equivalents	13,634	69,041	14,152
Cash and cash equivalents, beginning of year	109,627	40,586	26,434
Cash and cash equivalents, end of year	<u>123,261</u>	<u>109,627</u>	<u>40,586</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.

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2019, 2018, and 2017, the College had \$101,162 thousands, \$75,365 thousands, and \$70,812 thousands invested in capital assets, net of accumulated depreciation, respectively. Depreciation charges for the fiscal years ended June 30, 2019, 2018, and 2017 were \$5,733, \$5,455, and \$5,427 thousands, respectively. Details of capital assets for the fiscal years ended June 30 are as follows:

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

	2019	2018	2017
Land	28,173	1,889	2,363
Land improvements	1,478	1,591	1,704
Buildings	64,047	63,994	59,602
Equipment	7,464	7,891	7,143
	101,162	75,365	70,812

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% to 5% over the life of the COPS. The COPS were issued at a premium of \$2,195,062 which is amortized over the life of the COPS.

Southeast Community College Facilities Revenue Bonds, Series 2018 were issued September 19, 2018, to finance a portion of the cost of constructing, acquiring, and equipping and furnishing new student housing and dining facilities at the College's Beatrice Campus and new student housing facilities at the College's Milford Campus. Payments are made 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 College had no outstanding long term debt at June 30, 2017.

TABLE 5
OUTSTANDING DEBT
(in thousands of dollars)

	2019	2018	2017
2018 Certificates of Participation	58,375	58,375	-
2018 Revenue Bonds	19,500	-	-
	77,875	58,375	-

SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

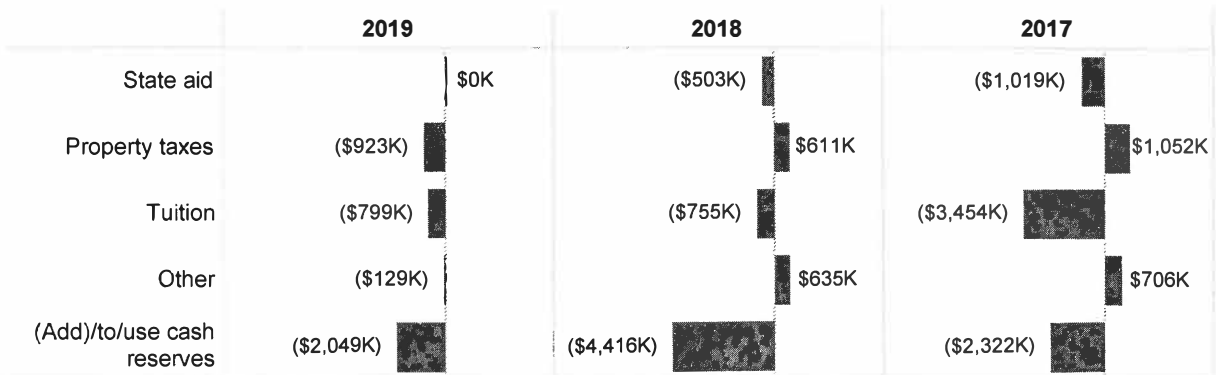
BUDGET VS ACTUAL

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

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

	Budget 2019	Actual 2019	Budget 2018	Actual 2018	Budget 2017	Actual 2017
REVENUES						
State aid	27,372,774	27,372,774	27,964,045	27,460,870	28,114,535	27,095,637
Property taxes	41,585,413	40,662,058	40,648,322	41,259,669	34,914,825	35,966,336
Tuition	20,213,634	19,414,750	20,221,952	19,467,175	22,785,674	19,331,951
Other	682,753	553,588	400,000	1,035,285	571,220	1,277,036
(Add) to/use cash reserves	-	(2,048,778)	-	(4,415,641)	-	(2,321,605)
Total revenues	89,854,574	85,954,392	89,234,319	84,807,358	86,386,254	81,349,355
EXPENSES						
Personnel services	74,009,487	67,121,914	72,340,559	65,622,819	69,406,073	64,858,339
Operating	13,395,760	14,767,188	13,092,062	14,805,605	12,315,722	12,887,530
Travel	401,152	255,402	360,416	222,154	677,320	383,628
Equipment	2,048,175	3,809,888	3,441,282	4,156,780	3,987,139	3,219,858
Total expenses	89,854,574	85,954,392	89,234,319	84,807,358	86,386,254	81,349,355

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



SOUTHEAST COMMUNITY COLLEGE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

	2019	2018	2017
Personal services	\$6,888K	\$6,718K	\$4,548K
Operating	(\$1,371K)	(\$1,714K)	(\$572K)
Travel	\$146K	\$138K	\$294K
Equipment	(\$1,762K)	(\$715K)	\$767K

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

Fiscal 2018 - 2019

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

Fiscal 2017 - 2018

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

Fiscal 2016 - 2017 and 2015 - 2016

- State aid revenue was below budget by \$1,109 thousands due to state appropriations being reduced during the year due to a weak Nebraska economy in fiscal 2016 - 2017.
- Tuition revenue was below budget by \$3,454 and \$4,836 thousands in fiscal 2016 - 2017 and 2015 - 2016 due to a decrease in enrollment that was partially offset against an increase in tuition rates.
- Personnel services expenditures were below budget by \$4,547 and \$6,253 in fiscal 2016 - 2017 and 2015 - 2016 due to a high number of retirements and positions remaining vacant for an extended period of time.
- Operating expenditures were above budget by \$572 (thousands) and \$438 (thousands) in fiscal 2016 - 2017 and 2015 - 2016 due to a large number of maintenance projects being completed in each fiscal year.

SOUTHEAST COMMUNITY COLLEGE AREA MANAGEMENT'S DISCUSSION AND ANALYSIS

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

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

The state aid appropriation for fiscal 2018 - 2019 to the College is 27.9% of the total community college appropriation.

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

- Increased the General Fund property tax levy to 7.37 cents per \$100 valuation and maintained the CIF property tax levy at 2.00 cents.
- Resident tuition and fee rates were increased by 3.6% for the fiscal year beginning July 1, 2019.

Other Items

- Property valuations for 2019 increased 2.8% 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, 2019 AND 2018

	2019		2018	
	College	Foundation	College	Foundation
ASSETS				
Current Assets				
Cash and cash equivalents	123,261,104	55,517	109,627,324	34,979
Short-term investments	1,548,223	1,118,081	1,494,811	1,118,979
Property taxes receivable	18,433,344	-	18,593,050	-
Accounts receivable (net)	2,234,136	10,627	2,797,795	27,340
Interest receivable	74,114	68,073	69,613	61,446
Inventories	1,762,607	-	1,732,189	-
Prepaid expense	2,052,740	-	1,832,609	-
Total current assets	<u>149,366,268</u>	<u>1,252,298</u>	<u>136,147,391</u>	<u>1,242,744</u>
Noncurrent Assets				
Deposits with vendors	42,097	-	42,097	-
Pledges receivable	-	-	-	-
Endowment investments	-	25,956,094	-	23,036,644
Long-term investments	682,134	-	715,436	-
Prepaid expenses	150,680	-	162,270	-
Capital assets, net	<u>101,162,456</u>	<u>719,529</u>	<u>75,364,595</u>	<u>719,529</u>
Total noncurrent assets	<u>102,037,367</u>	<u>26,675,623</u>	<u>76,284,398</u>	<u>23,756,173</u>
TOTAL ASSETS	<u>251,403,635</u>	<u>27,927,921</u>	<u>212,431,789</u>	<u>24,998,917</u>
LIABILITIES				
Current Liabilities				
Accounts payable	10,581,152	71,277	3,709,152	33,609
Accrued salaries	376,130	-	796,662	-
Deferred revenue	1,318,638	16,668	1,227,750	16,668
Deposits	148,485	-	179,126	-
Accrued interest	310,619	-	154,110	-
Current portion of long-term debt	479,676	13,331	78,984	13,331
Total current liabilities	<u>13,214,700</u>	<u>101,276</u>	<u>6,145,784</u>	<u>63,608</u>
Noncurrent Liabilities				
Accrued compensated absences	2,611,282	-	2,335,461	-
Long-term debt, net	<u>79,516,308</u>	<u>42,664</u>	<u>60,486,200</u>	<u>55,995</u>
Total noncurrent liabilities	<u>82,127,590</u>	<u>42,664</u>	<u>62,821,661</u>	<u>55,995</u>
TOTAL LIABILITIES	<u>95,342,290</u>	<u>143,940</u>	<u>68,967,445</u>	<u>119,603</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2019 AND 2018

	2019		2018	
	College	Foundation	College	Foundation
NET POSITION				
Invested in capital assets, net of related debt	74,878,523	719,529	75,364,595	719,529
Restricted for:				
Nonexpendable				
Scholarships and fellowships	-	8,390,424	-	8,237,622
Expendable				
Scholarships and fellowships	-	17,110,131	-	14,591,781
ADA/Hazardous Waste	-	-	24,875	-
Capital projects	22,642,409	-	14,609,341	-
Unrestricted	58,540,413	1,563,897	53,465,533	1,330,382
TOTAL NET POSITION	156,061,345	27,783,981	143,464,344	24,879,314

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018	
	College	Foundation	College	Foundation
OPERATING REVENUES				
Student tuition and fees	16,029,253	-	15,080,943	-
Nongovernmental grants and contracts	199,716	-	28,305	-
Sales and services of educational departments	1,052,918	-	1,051,649	-
Auxiliary enterprises	7,650,269	-	8,333,724	-
Other operating income	1,834,519	176,508	2,250,678	179,173
Total operating revenues	26,766,675	176,508	26,745,299	179,173
OPERATING EXPENSES				
Personnel services	71,860,395	128,463	70,844,474	138,112
Operating expenses	26,053,371	4,242,537	27,866,120	2,136,913
Travel	385,681	-	417,504	-
Capital assets not capitalized	5,021,658	-	2,578,131	-
Depreciation	5,732,833	-	5,455,451	-
Total operating expenses	109,053,938	4,371,000	107,161,680	2,275,025
OPERATING LOSS	(82,287,263)	(4,194,492)	(80,416,381)	(2,095,852)
NONOPERATING REVENUES				
Governmental appropriations				
State aid	27,372,774	-	27,460,870	-
Property taxes	40,662,058	-	41,259,649	-
Governmental grants and contracts				
Federal	12,644,086	-	12,952,454	-
State	1,037,243	-	912,463	-
Nongovernmental grants and contracts				
	59,800	-	-	-
Gifts	-	4,779,513	-	1,990,657
Investment income	2,302,436	2,319,646	528,624	1,833,222
Interest on indebtedness	(2,773,816)	-	(149,232)	-
Net nonoperating revenues	81,304,581	7,099,159	82,964,828	3,823,879
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	(982,682)	2,904,667	2,548,447	1,728,027

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2019 AND 2018

	2019		2018	
	College	Foundation	College	Foundation
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
Capital appropriations	11,468,947	-	11,655,353	-
Capital grant and gifts	2,016,000	-	-	-
Gain on disposal of capital assets	94,736	-	45,426	101,757
Total other revenues, expenses, gains, or losses	<u>13,579,683</u>	<u>-</u>	<u>11,700,779</u>	<u>101,757</u>
INCREASE IN NET POSITION	12,597,001	2,904,667	14,249,226	1,829,784
NET POSITION, beginning of year	<u>143,464,344</u>	<u>24,879,314</u>	<u>129,215,118</u>	<u>23,049,530</u>
NET POSITION, end of year	<u><u>156,061,345</u></u>	<u><u>27,783,981</u></u>	<u><u>143,464,344</u></u>	<u><u>24,879,314</u></u>

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	22,620,435	23,199,178
Grants and contracts	188,262	28,305
Payments for personnel services	(71,980,938)	(70,539,219)
Payments for operating expenses	(29,454,892)	(29,656,186)
Payments for scholarship allowances	(5,256,803)	(9,560,254)
Sales and services of educational departments	1,033,251	1,051,649
Auxiliary enterprises charges	7,379,977	9,904,869
Other receipts	6,568,916	2,250,678
	<u>(68,901,792)</u>	<u>(73,320,980)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State aid appropriations	27,372,774	27,460,870
Property taxes - General Fund and ADA/Hazardous Waste	40,821,764	39,881,343
Gifts and grants for other than capital purposes	13,372,026	14,851,199
Student loans receipts	14,230,287	17,614,554
Student loans disbursements	(14,230,287)	(17,614,554)
	<u>81,566,564</u>	<u>82,193,412</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from long-term debt, net of premium	19,430,800	60,570,062
Interest income on bond proceeds	1,335,420	-
Interest paid on capital debt	(2,617,307)	-
Property taxes - Capital Improvement Fund	11,468,947	9,636,967
Capital grants and gifts	2,016,000	-
Proceeds from sale of capital assets	94,736	45,426
Purchases of capital assets	(31,701,993)	(10,559,369)
	<u>26,603</u>	<u>59,693,086</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	(20,110)	917,777
Interest on investments	962,515	374,514
Purchase of investments	-	(816,224)
	<u>942,405</u>	<u>476,067</u>

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,633,780	69,041,585
CASH AND CASH EQUIVALENTS, beginning of year	<u>109,627,324</u>	<u>40,585,739</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>123,261,104</u></u>	<u><u>109,627,324</u></u>
 Reconciliation of Net Operating Loss to Net Net Cash Used in Operating Activities		
Net operating loss	<u>(82,287,263)</u>	<u>(80,416,381)</u>
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expenses	5,732,833	5,455,451
Changes in assets and liabilities:		
Accounts receivable (net)	563,659	(950,930)
Inventories	(30,418)	413,922
Prepaid expense	-	77,529
Accounts payable	6,872,000	1,845,911
Accrued salaries	-	305,256
Interest payable	156,509	-
Deferred revenue	90,888	-
Deposits	-	(51,738)
Net cash used in operating activities	<u><u>(68,901,792)</u></u>	<u><u>(73,320,980)</u></u>
 NONCASH TRANSACTIONS		
Equipment	-	-
Capital lease	-	-

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

The Southeast Community College Education Foundation (Foundation) is a legally separate, tax-exempt component unit of Southeast Community College Area. The Foundation acts primarily as a fundraising organization to provide support to the College. The Foundation is governed by a 10-member Board. No members of the Board are members of the College or the College Board. Although the College does not control the timing or amounts of receipts from the Foundation, the majority of the resources, or income thereon, which the Foundation holds and invests, is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the College, the Foundation is considered a component unit of the College and is discretely presented in the College's financial statements.

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

Measurement Focus and Basis of Accounting

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

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

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Measurement Focus and Basis of Accounting (Continued)

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

Basis of Presentation

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

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

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

Budgets

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

Cash and Cash Equivalents

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

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Investments

Investments are reported at fair value.

Receivables

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

Inventories

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

Capital Assets

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

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

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

Restricted Assets

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

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Compensated Absences

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

Noncurrent Liabilities

Noncurrent liabilities include bonds payable.

Net Position

The College's net position is classified as follows:

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Position - Nonexpendable

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

Restricted Net Position - Expendable

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

Unrestricted Net Position

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

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

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Scholarship Allowances

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

Revenue and Expense Recognition

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

Encumbrance Accounting

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

Restricted/Unrestricted Resource Priority

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

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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

Use of Estimates

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

NOTE 2. CASH AND INVESTMENTS

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk - Deposits

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

Cash deposits, primarily interest-bearing, are covered by federal depository insurance or pledged collateral of unregistered U.S. government securities held by various depositories. Pledged investments at June 30, 2019 and 2018, were in unregistered U.S. government securities and federal agency obligations held in the College's name by the custodial banks.

At June 30, 2019 and 2018, the balance of the College's deposits, which includes checking, money market, and certificates of deposit, were insured or fully collateralized.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 2. CASH AND INVESTMENTS (Continued)

Custodial Credit Risk - Investments

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

Concentration of Credit Risk

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

Investments at June 30, 2019 and 2018, are summarized as follows:

Investment Type	2019 Fair Value	2018 Fair Value
POAA note receivable	163,000	163,000
Certificates of deposit	<u>2,067,357</u>	<u>2,047,247</u>
	<u>2,230,357</u>	<u>2,210,247</u>

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2019, were due December 31, 2018, and became delinquent in April to September of 2019. Property tax revenues based on the assessed valuation and the levy set are recognized in the current fiscal year even though part of the property tax revenue is not delinquent or collected until the following fiscal year.

Property taxes are recognized net of the county collection fee of 1%. The assessed valuation and levies in cents per \$100 of assessed valuation for the fiscal years ended June 30, 2019 and 2018, were as follows:

	2019	2018
Assessed valuation		
September 2018 and 2017	59,413,673,703	58,079,907,413
Levy in cents per \$100 of assessed valuation		
General Fund	7.07	7.07
Capital Improvement Fund	<u>2.00</u>	<u>2.00</u>
	<u>9.07</u>	<u>9.07</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 3. PROPERTY TAX RECEIVABLE (Continued)

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

	2019	2018
General Fund	14,368,217	14,463,363
Capital Improvement Fund	<u>4,065,127</u>	<u>4,129,687</u>
Total	<u>18,433,344</u>	<u>18,593,050</u>

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

	2019	2018
General Fund	526,010	515,299
Capital Improvement Fund	<u>148,673</u>	<u>145,642</u>
Total	<u>674,683</u>	<u>660,941</u>

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2019	2018
Federal nonexchange grants	1,433,850	1,518,624
Tuition and fees	7,324,411	6,904,561
Other	<u>169,988</u>	<u>653,549</u>
	8,928,249	9,076,734
Allowance for uncollectible accounts	<u>(6,694,113)</u>	<u>(6,278,939)</u>
Total accounts receivable, net	<u>2,234,136</u>	<u>2,797,795</u>

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2019	2018
Books and supplies	1,574,854	1,542,752
Parts	105,650	130,267
Livestock and grain	<u>82,103</u>	<u>59,170</u>
	<u>1,762,607</u>	<u>1,732,189</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS

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

	June 30, 2018	Additions	Deletions	June 30, 2019
Capital assets, not being depreciated				
Land	1,889,366	-	-	1,889,366
Construction in progress	-	26,283,933	-	26,283,933
Total	<u>1,889,366</u>	<u>26,283,933</u>	<u>-</u>	<u>28,173,299</u>
Capital assets, being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	107,073,465	3,358,466	-	110,431,931
Leasehold improvements	29,651	-	-	29,651
Equipment	35,665,781	1,888,295	227,192	37,326,884
Total	<u>146,295,792</u>	<u>5,246,761</u>	<u>227,192</u>	<u>151,315,361</u>
Less accumulated depreciation				
Land improvements	1,936,016	112,555	-	2,048,571
Buildings	43,084,562	3,303,709	-	46,388,271
Leasehold improvements	25,574	741	-	26,315
Equipment	27,774,411	2,315,828	227,192	29,863,047
Total	<u>72,820,563</u>	<u>5,732,833</u>	<u>227,192</u>	<u>78,326,204</u>
Capital assets, net	<u>75,364,595</u>	<u>25,797,861</u>	<u>-</u>	<u>101,162,456</u>

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	June 30, 2017	Additions	Deletions	June 30, 2018
Capital assets, not being depreciated				
Land	1,748,576	140,790	-	1,889,366
Construction in progress	614,043	-	614,043	-
Total	<u>2,362,619</u>	<u>140,790</u>	<u>614,043</u>	<u>1,889,366</u>
Capital assets, being depreciated				
Land improvements	3,526,895	-	-	3,526,895
Buildings	99,725,408	7,348,057	-	107,073,465
Leasehold improvements	29,651	-	-	29,651
Equipment	32,933,215	3,216,369	483,803	35,665,781
Total	<u>136,215,169</u>	<u>10,564,426</u>	<u>483,803</u>	<u>146,295,792</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 6. CAPITAL ASSETS (Continued)

	June 30, 2017	Additions	Deletions	June 30, 2018
Less accumulated depreciation				
Land improvements	1,822,860	113,156	-	1,936,016
Buildings	40,127,869	2,956,693	-	43,084,562
Leasehold improvements	24,833	741	-	25,574
Equipment	25,790,071	2,384,860	400,520	27,774,411
Total	<u>67,765,633</u>	<u>5,455,450</u>	<u>400,520</u>	<u>72,820,563</u>
Capital assets, net	<u>70,812,155</u>	<u>5,249,766</u>	<u>697,326</u>	<u>75,364,595</u>

NOTE 7. ACCRUED SALARIES

Accrued salaries for the fiscal years ended June 30, 2019 and 2018, were composed of the following:

	2019	2018
Accrued salaries	376,130	796,662
Accrued compensated absences	2,611,282	2,335,461
	<u>2,987,412</u>	<u>3,132,123</u>

NOTE 8. LONG-TERM DEBT

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

	Balance 7/1/18	Proceeds	Payments	Balance 6/30/19
Tax Supported Certificates of Participation, Series 2018	58,375,000		-	58,375,000
Facilities Revenue Bonds, Series 2018	-	19,500,000	-	19,500,000
Premiums and discounts, net	2,190,184	5,044	74,244	2,120,984
Compensated absences	2,335,461	2,002,388	1,726,567	2,611,282
	<u>62,900,645</u>	<u>21,507,432</u>	<u>1,800,811</u>	<u>82,607,266</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 semiannually on June 15th and December 15th and include principal and interest ranging from 3% to 5% over the life of the COPS. The COPS were issued at a premium of \$2,195,062 which is amortized over the life of the COPS. At June 30, 2019, the Trustee held \$55,930,013 on deposit for the benefit of the College for approved expenditures relating to the Project. The COPS are secured by and will be repaid by levying of property taxes in such amounts to service the debt obligations.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (Continued)

Future maturities of the COPS are due as follows:

Years Ending June 30,	Principal	Interest	Total
2020	-	2,316,519	2,316,519
2021	1,165,000	2,299,044	3,464,044
2022	1,200,000	2,251,569	3,451,569
2023	1,260,000	2,202,669	3,462,669
2024	1,300,000	2,164,269	3,464,269
2025 - 2029	7,390,000	9,836,344	17,226,344
2030 - 2034	9,320,000	7,904,184	17,224,184
2035 - 2039	11,080,000	6,143,872	17,223,872
2040 - 2044	13,135,000	4,040,563	17,175,563
2045 - 2047	12,525,000	1,129,502	13,654,502
	<u>58,375,000</u>	<u>40,288,535</u>	<u>98,663,535</u>

Facilities Revenue Bonds

Southeast Community College Facilities Revenue Bonds, Series 2018 were issued September 19, 2018, to finance a portion of the cost of constructing, acquiring, and equipping and furnishing new student housing and dining facilities at the College's Beatrice Campus and new student housing facilities at the College's Milford Campus. Payments are made semiannually on June 15th and December 15th and include principal and interest ranging from 3% to 5% over the life of the revenue bonds. At June 30, 2019, the Trustee held \$8,667,285 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
2020	405,000	723,475	1,128,475
2021	415,000	715,375	1,130,375
2022	425,000	702,925	1,127,925
2023	440,000	690,175	1,130,175
2024	450,000	676,975	1,126,975
2025 - 2029	2,475,000	3,173,375	5,648,375
2030 - 2034	2,950,000	2,696,150	5,646,150
2035 - 2039	3,545,000	2,096,875	5,641,875
2040 - 2044	4,295,000	1,348,800	5,643,800
2045 - 2048	4,100,000	418,000	4,518,000
	<u>19,500,000</u>	<u>13,242,125</u>	<u>32,742,125</u>

Accrued compensated absences at June 30, 2019 and 2018, are \$2,335,461 and \$2,611,282, respectively, and are expected to be paid out ratably or taken over the next two years.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

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:

	2019	2018
Tuition and fees	5,256,803	6,568,435
Room and board	723,671	663,223
Bookstore	858,998	959,660
	<u>6,839,472</u>	<u>8,191,318</u>

NOTE 10. EXPENSES BY FUNCTIONAL CATEGORY

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

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

	2019	2018
Education and general		
Instruction	46,467,175	46,609,369
Academic support	8,170,721	7,644,765
Student services	5,000,217	5,207,354
Institutional support	18,223,940	17,593,710
Physical plant	15,098,882	12,565,698
Depreciation	5,732,833	5,455,451
Student financial aid	4,719,227	3,471,380
Auxiliary enterprises	5,640,943	8,613,953
	<u>109,053,938</u>	<u>107,161,680</u>

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 11. RETIREMENT PLAN

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

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

	2019	2018
Total payroll	56,124,696	55,096,619
Covered payroll for employees eligible for College match	47,876,822	46,544,348
Employer contributions	3,303,211	3,184,720
Employer contributions as a percentage of covered payroll	6.90%	6.84%

NOTE 12. COMMITMENTS

As of June 30, 2019 and 2018, the College had \$50,840,969 and \$20,009,346 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, 2019 and 2018, totaled \$4,125,456 and \$1,821,905, respectively.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 14. BUDGET PROCESS

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

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

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

NOTE 15. RISK MANAGEMENT

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

The College has joined with five of the other Nebraska community colleges to form the Nebraska Community College Insurance Trust, a public entity risk pool currently operating as a common risk management and insurance program for its members. The College pays an annual contribution to the Trust for its pooled self-insurance coverage of property, liability, workers' compensation, and associated excess coverages. The Trust self-insures to various levels for all categories of covered risk and purchases excess coverage for claims in excess of the self-insured limits. If the Loss Fund is exhausted, the Colleges may be assessed for additional costs. The insurance year ended June 30, 2019, was the Trust's twenty-first year of operations. In May 2019, the Board of Directors of the Trust declared a dividend of \$74,934 to be used to offset total contributions for the 2020 insurance year. The College anticipates no future liabilities for additional incurred losses for all previous years.

NOTE 16. SUBSEQUENT EVENTS

In preparing the financial statements, the College has evaluated events and transactions for potential recognition or disclosure through November 15, 2019, 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, 2019 AND 2018

	2019	2018
State aid	27,372,774	27,460,870
Property taxes	40,662,058	41,259,669
Tuition	19,414,750	19,467,175
Other income	553,588	1,035,285
(Add) to/use cash reserves	<u>(2,048,778)</u>	<u>(4,415,641)</u>
	<u>85,954,392</u>	<u>84,807,358</u>

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

PROPERTY VALUATION AND PROPERTY TAX REVENUE

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

The property valuation for Southeast Community College Area as reported by the County Assessor in late August 2018 for use in property tax revenue for June 30, 2019, was \$59,413,673,703. The General Fund property tax rate for June 30, 2019, is 7.07 cents per \$100 of valuation.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS
YEARS ENDED JUNE 30, 2019 AND 2018

PROGRAM CLASSIFICATION STRUCTURE	2019	2018
INSTRUCTION		
Personnel services	40,181,962	39,860,883
Operating expenses	2,186,661	2,244,626
Travel	104,100	108,270
Equipment	<u>1,251,180</u>	<u>2,092,462</u>
	<u>43,723,903</u>	<u>44,306,241</u>
ACADEMIC SUPPORT		
Personnel services	6,976,433	6,590,888
Operating expenses	895,004	750,159
Travel	33,765	26,765
Equipment	<u>322,687</u>	<u>326,955</u>
	<u>8,227,889</u>	<u>7,694,767</u>
STUDENT SERVICE		
Personnel services	3,067,195	3,120,615
Operating expenses	471,420	453,747
Travel	28,124	28,817
Equipment	<u>39,478</u>	<u>85,735</u>
	<u>3,606,217</u>	<u>3,688,914</u>
INSTITUTIONAL ADMINISTRATION		
Personnel services	11,804,163	11,176,154
Operating expenses	6,182,939	6,215,435
Travel	84,902	58,267
Equipment	<u>725,761</u>	<u>675,706</u>
	<u>18,797,765</u>	<u>18,125,562</u>
PHYSICAL PLANT OPERATIONS		
Personnel services	5,092,160	4,874,279
Operating expenses	4,907,298	5,038,272
Travel	4,511	35
Equipment	<u>1,470,783</u>	<u>975,922</u>
	<u>11,474,752</u>	<u>10,888,508</u>
STUDENT FINANCIAL SUPPORT		
Operating expenses	<u>123,866</u>	<u>103,366</u>

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULES OF GENERAL FUND EXPENDITURES
 YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
GRAND TOTAL FOR COLLEGE		
Personnel services	67,121,913	65,622,819
Operating expenses	14,767,188	14,805,605
Travel	255,402	222,154
Equipment	3,809,889	4,156,780
	<u>85,954,392</u>	<u>84,807,358</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, 2019

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Education</u>			
Student Financial Assistance Cluster			
PELL Grant Program		84.063	9,052,841
Federal Direct Loan		84.268	14,230,287
Federal Work-Study Program		84.033	235,724
Federal Supplemental Educational Opportunity Grant Program		84.007	<u>328,513</u>
Total Student Financial Assistance Cluster			<u>23,847,365</u>
TRIO Cluster			
TRIO Support Services		84.042	215,758
TRIO Upward Bound		84.047	<u>258,993</u>
Total TRIO Cluster			<u>474,751</u>
CCAMPIS		84.335	<u>108,350</u>
Pass-Through Programs From:			
Nebraska Department of Education			
Adult Basic Education	19-2-AEF-08-00-94500	84.002	384,237
Vocational Education	19-6701-00-60-094-5000	84.048	853,718
Vocational Education	19-6700-00-06-00-0006	84.048	<u>163,828</u>
Total program			<u>1,017,546</u>
			<u>1,401,783</u>
Total U.S. Department of Education			<u>25,832,249</u>
<u>U.S. Department of Labor</u>			
TAACCCT Grants		17.282	<u>114,104</u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Federal CFDA Number	Federal Expendi- tures
<u>U.S. Department of Health and Human Services</u>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance		93.243	41,988
Pass-Through Programs From:			
Nebraska Department of Health and Human Services			
Health Education Laddering Program	90FX0040-03-00-SCC-18/19	93.093	205,887
Refugee and Entrant Assistance - ESL	None	93.576	<u>21,760</u>
Total U.S. Department of Health and Human Services			<u>269,635</u>
<u>United States Department of Agriculture</u>			
Distance Learning and Telemedicine Grant		10.855	<u>542,384</u>
<u>Nuclear Regulatory Commission</u>			
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program		77.008	<u>117,575</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>26,875,947</u></u>

See accompanying notes to schedule of expenditures of federal awards.

SOUTHEAST COMMUNITY COLLEGE AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

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, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Southeast Community College Area it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Southeast Community College Area.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3. SUBRECIPIENTS

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

NOTE 4. INDIRECT COST RATE

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

SOUTHEAST COMMUNITY COLLEGE AREA
SFA PROGRAMS - AUDIT INFORMATION

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

TELEPHONE NO: 402.479.9300

The audit was performed between September 16, 2019 and September 19, 2019, at the institution's facilities as follows:

Location	Description of Facility	Dates Visited
Lincoln, Nebraska	Administrative and Student Financial Aid offices	September 16, 2019 to September 19, 2019
Beatrice, Nebraska	Administrative and Student Financial Aid offices	September 16, 2019 to September 19, 2019
Milford, Nebraska	Administrative and Student Financial Aid offices	September 16, 2019 to September 19, 2019

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 CAFETERIA AND DORMITORY BALANCES AND ACTIVITY
YEAR ENDED JUNE 30, 2019

ASSETS	
Accounts receivable	1,528
Inventories	2,213
Capital assets, net	<u>17,826,248</u>
TOTAL ASSETS	<u>17,829,989</u>
LIABILITIES	
Accounts payable	742
Due to other funds	11,619,207
Accrued salaries	23,697
Accrued interest	<u>214,565</u>
TOTAL LIABILITIES	<u>11,858,211</u>
NET POSITION	<u>5,971,778</u>
OPERATING REVENUES	
Auxiliary revenues	<u>1,346,703</u>
OPERATING EXPENSES	
Personnel services	505,602
Operating expenses	489,187
Capital assets, not capitalized	11,065
Depreciation	<u>251,590</u>
Total operating expenses	<u>1,257,444</u>
OPERATING INCOME	<u>89,259</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	234,707
Interest on indebtedness	<u>(537,981)</u>
Net nonoperating revenues (expenses)	<u>(303,274)</u>
DECREASE IN NET POSITION	(214,015)
NET POSITION, beginning of year	<u>6,185,793</u>
NET POSITION, end of year	<u>5,971,778</u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF BOOKSTORE BALANCES AND ACTIVITY
YEAR ENDED JUNE 30, 2019

ASSETS	
Cash and cash equivalents	2,614
Accounts receivable	7,665
Due from other funds	788,820
Inventories	1,568,118
Capital assets, net	<u>635,473</u>
 TOTAL ASSETS	 <u>3,002,690</u>
 LIABILITIES	
Accounts payable	1,291
Accrued salaries	<u>39,501</u>
 TOTAL LIABILITIES	 <u>40,792</u>
 NET POSITION	 <u><u>2,961,898</u></u>
 OPERATING REVENUES	
Auxiliary revenues	<u>4,942,462</u>
 OPERATING EXPENSES	
Personnel services	652,922
Operating expenses	3,830,898
Travel	5,827
Capital assets, not capitalized	5,185
Depreciation	<u>37,381</u>
Total operating expenses	<u>4,532,213</u>
 INCREASE IN NET POSITION	 410,249
 NET POSITION, beginning of year	 <u>2,551,649</u>
 NET POSITION, end of year	 <u><u>2,961,898</u></u>

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF STUDENT ACTIVITIES BALANCES AND ACTIVITY
YEAR ENDED JUNE 30, 2019

ASSETS	
Cash and cash equivalents	152,199
Due from other funds	<u>751,156</u>
TOTAL ASSETS	<u>903,355</u>
LIABILITIES	
Accrued salaries	5,683
Deferred revenue	<u>285,678</u>
TOTAL LIABILITIES	<u>291,361</u>
NET POSITION	<u>611,994</u>
OPERATING REVENUES	
Student service fees	<u>546,330</u>
OPERATING EXPENSES	
Personnel services	266,601
Operating expenses	134,328
Travel	3,440
Capital assets, not capitalized	<u>1,023</u>
Total operating expenses	<u>405,392</u>
OPERATING INCOME	<u>140,938</u>
NONOPERATING REVENUES	
Investment income	2,856
Transfers from other funds	<u>688,568</u>
Net nonoperating revenues	<u>691,424</u>
INCREASE IN NET POSITION	832,362
NET POSITION, beginning of year	<u>(220,368)</u>
NET POSITION, end of year	<u>611,994</u>



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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Southeast Community College Area, as of and for the year ended June 30, 2019, 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 15, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

Management's Responsibility for Compliance

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

Auditors' Responsibility

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

Purpose of this Report

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

Dana F Cole + Company, LLP

Lincoln, Nebraska
November 15, 2019



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

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

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

Report on Compliance for Each Major Program

We have audited Southeast Community College Area's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2019. Southeast Community College Area's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Program

In our opinion, Southeast Community College Area complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

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

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

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

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


Dana F. Cole + Company, LLP

Lincoln, Nebraska
November 15, 2019

SOUTHEAST COMMUNITY COLLEGE AREA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2019

SECTION I. SUMMARY OF AUDITORS' 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
Postsecondary Education Scholarships for Veteran's Dependents	84.408

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

Auditee qualified as a low-risk auditee: X Yes ___ No

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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, 2019

There were no prior year audit findings and recommendations that required resolution for the year ended June 30, 2018.