SOUTHEAST COMMUNITY COLLEGE AREA

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 AUDITOR'S 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, 2023 and 2022, 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, 2023 and 2022, 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 Auditor's 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.

Auditor's 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 auditor's 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, schedule of balances and activities of system and pledge in regards to revenue bonds related to residence halls, 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, schedule of balances and activities of system and pledge in regards to revenue bonds related to residence halls, 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 10, 2023, 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 T. Cole + Company, LLP

Lincoln, Nebraska
November 10, 2023

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, 2023 and 2022. Please read it in conjunction with the College's financial statements, which follow this section.

USING THIS ANNUAL REPORT

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

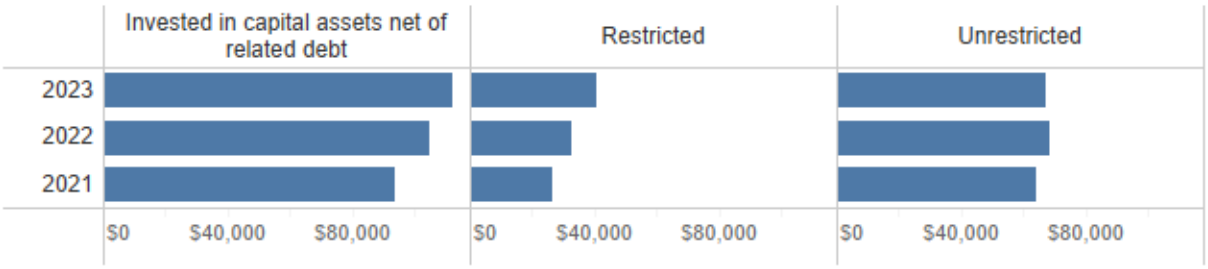
THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

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

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

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

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



THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)

TABLE 1
NET POSITION
(in thousands of dollars)

	2023	2022	2021
Current assets	139,035	144,947	107,003
Noncurrent assets	3,616	739	1,287
Capital assets	203,695	188,162	178,237
Total assets	346,346	333,848	286,527
Current liabilities	14,816	15,868	14,603
Noncurrent liabilities	111,681	112,061	87,509
Total liabilities	126,497	127,929	102,112
Net position			
Invested in capital assets, net of related debt	112,107	104,837	93,811
Restricted	40,373	32,856	26,442
Unrestricted	67,369	68,226	64,162
Total net position	219,849	205,919	184,415

Total assets of the College increased 3.7% ($12,498 thousand) and 16.5% ($47,321 thousand); liabilities decreased 1.1% or ($1,432 thousand) and increased 25.3% ($25,817 thousand); and net assets increased by 6.8% ($13,930 thousand) and 11.7% ($21,504 thousand) for the fiscal years ended June 30, 2023 and 2022. The changes are due to the following factors:

- The decrease in current assets in fiscal year 2022 - 2023 was mainly due to Lincoln residence hall construction costs paid from the issuance of the Facility Revenue Bonds, Series 2022 in January 2022. An increase in current assets in fiscal year 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 year 2022 - 2023 is mainly due to completion of the student affairs remodel on the Lincoln campus. An increase in capital assets in fiscal year 2021 - 2022 is due to completion of the residence hall associated with the Facility Revenue Bonds, Series 2020.

- Liabilities were consistent in fiscal year 2022 - 2023 compared to prior year. An increase in liabilities in fiscal year 2021 - 2022 is primarily due to the issuance of Facility Revenue Bonds, Series 2022 with a par amount of $23,920 thousand.

- Net assets increased due to completion of various capital construction projects in fiscal year 2022 - 2023. An increase in the unrestricted new position was due to cost savings in fiscal year 2021 - 2022.

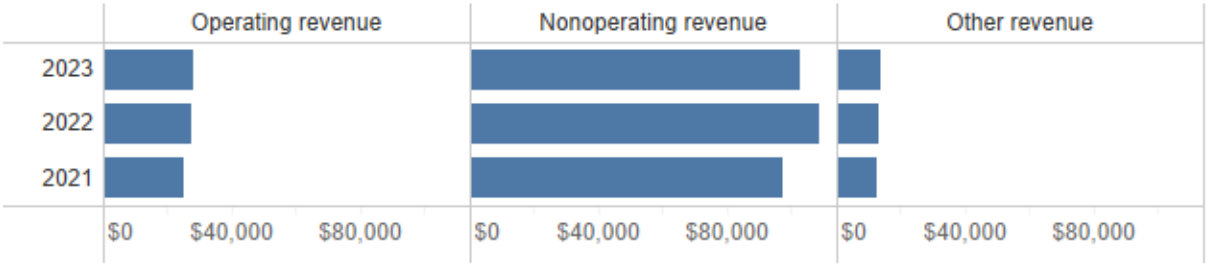
THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (Continued)

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

	2023	2022	2021
Operating revenue			
Student tuition and fees	16,241	15,569	14,607
Grants and contracts	262	137	232
Sales educational departments	1,036	1,086	967
Auxiliary enterprises	7,989	8,763	7,517
Other	2,470	2,112	1,896
Total operating revenue	27,998	27,667	25,219
Operating expenses			
Personnel services	77,410	73,612	73,998
Operating expenses	36,177	40,926	29,385
Travel	391	269	78
Capital assets not capitalized	6,479	4,800	4,864
Depreciation	10,174	8,759	8,523
Total operating expenses	130,631	128,366	116,848
Net operating loss	(102,633)	(100,699)	(91,629)
Nonoperating revenue			
State aid	29,874	29,187	28,534
Property taxes	50,231	48,494	46,870
Grants and contracts	17,243	31,536	24,886
Gifts	5,867	2,853	-
Investment income	3,557	189	59
Interest on indebtedness	(3,945)	(3,469)	(3,157)
Net nonoperating revenue	102,827	108,790	97,192
Other revenue			
Capital appropriations	13,631	13,159	12,719
Gain on disposal of assets	105	254	104
Net other revenue	13,736	13,413	12,823
Increase in net assets	13,930	21,504	18,386
Net position			
Net position, beginning of year	205,919	184,415	166,029
Net position, end of year	219,849	205,919	184,415

REVENUES

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



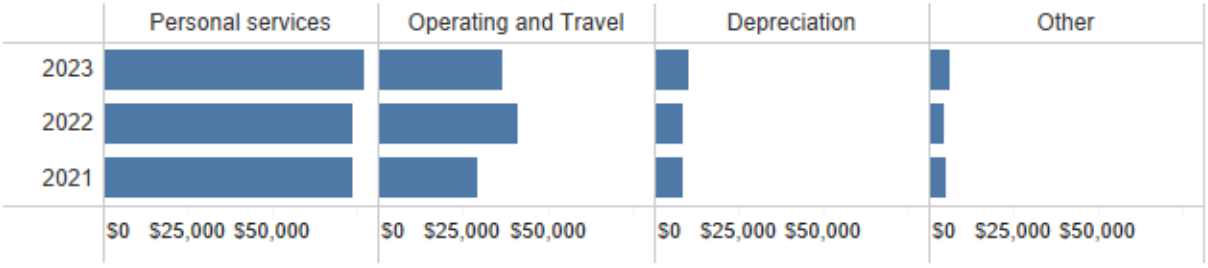
Comments regarding revenues are as follows:

- Student tuition and fees increased by 4.3% or ($672 thousand) and 6.6% ($962 thousand) in 2022 - 2023 and 2021 - 2022 which was mainly due to an increase in tuition and fee rates of 3.4% ($4.00/credit hour) and 2.6% ($3.00/credit hour) in each fiscal year.

- Valuations increased by 4.4% and 6.5% in fiscal year 2022 - 2023 and 2021 - 2022. The general fund levy remained unchanged in fiscal year 2022 - 2023 and fiscal year 2021 - 2022 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 years 2022 - 2023, 2021 - 2022, and 2020 - 2021, 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 59% of total operating expenses in fiscal year 2022 - 2023 and 57% in fiscal year 2021 - 2022.

EXPENSES (Continued)

- Total operating expenditures increased 1.8% or ($2,265 thousand) and 9.9% ($11,518 thousand) in fiscal years 2022 - 2023 and 2021 - 2022. The increase in expenditures in fiscal year 2022 - 2023 was primarily due to salary and benefit increases. Increases in fiscal year 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 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; and
  - major expenditures of personal services, operating expenses, and scholarship allowances.
- The three major components of cash provided by noncapital financing activities are:
  - state aid,
  - property taxes for the general fund, and
  - nonexchange grants
- Cash used for capital and related financing activities decreased in fiscal year 2022 - 2023 due to the completion of several capital projects and increased in fiscal year 2021 - 2022 due to the issuance of facility revenue bonds, series 2022.

THE STATEMENTS OF CASH FLOWS (Continued)

TABLE 3
CASH FLOWS
(in thousands of dollars)

	2023	2022	2021
Cash provided by (used in):			
Operating activities	(97,369)	(86,166)	(93,390)
Noncapital financing activities	96,657	108,511	99,725
Capital and related financing activities	(11,482)	19,162	(22,565)
Investing activities	2,928	(9)	36
Net increase (decrease) in cash and cash equivalents	(9,266)	41,498	(16,194)
Cash and cash equivalents, beginning of year	113,324	71,826	88,020
Cash and cash equivalents, end of year	104,058	113,324	71,826

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, 2023, 2022 and 2021, the College had $203,695 (thousand), $188,161 (thousand), and $178,237 (thousand), invested in capital assets, net of accumulated depreciation, respectively. Depreciation charges for the fiscal years ended June 30, 2023, 2022, and 2021, was $10,174 (thousand), $8,759 (thousand), and $8,523 (thousand) 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)

	2023	2022	2021
Land and CIF	20,811	23,112	17,776
Land improvements	2,278	2,169	1,720
Buildings	174,783	155,946	151,710
Equipment	5,823	6,934	7,031
	203,695	188,161	178,237

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

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, 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.

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.

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.

TABLE 5
OUTSTANDING DEBT
(in thousands of dollars)

	2023	2022	2021
Tax Support Certificates of Participation, Series 2018	56,569	57,904	59,177
Facilities Revenue Bonds, Series 2018	17,819	18,260	18,685
Facilities Revenue Bonds, Series 2020	8,369	8,587	8,807
Facilities Revenue Bonds, Series 2022	26,451	26,553	-
	109,208	111,304	86,669

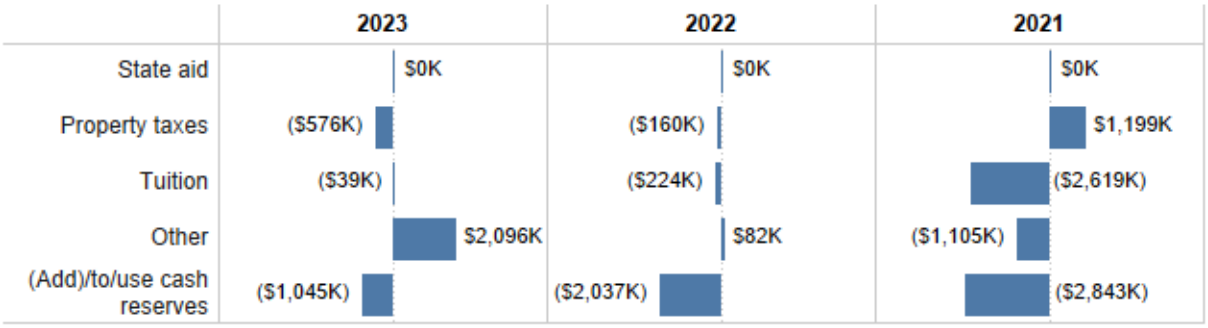
BUDGET VS ACTUAL

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)

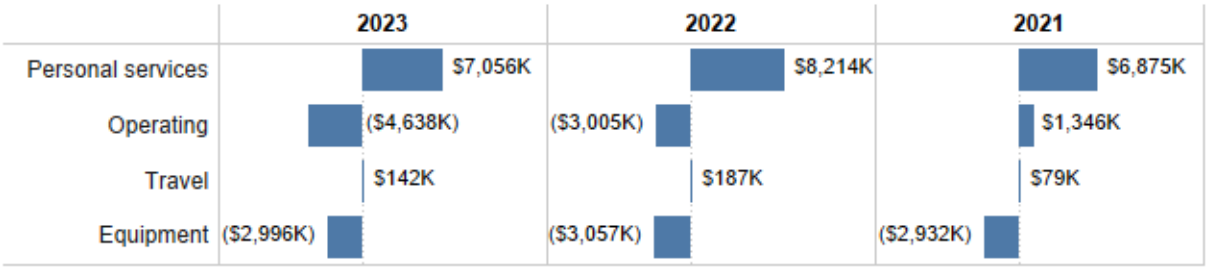
	Budget 2023	Actual 2023	Budget 2022	Actual 2022	Budget 2021	Actual 2021
REVENUES						
State aid	29,874	29,874	29,187	29,187	28,535	28,535
Property taxes	50,807	50,231	48,654	48,494	45,672	46,871
Tuition	16,353	16,314	15,965	15,741	18,354	15,735
Other	771	2,867	600	682	1,044	(61)
(Add) to/use cash reserves	-	(1,045)	-	(2,037)	-	(2,843)
Total revenues	97,805	98,241	94,406	92,067	93,605	88,237
EXPENSES						
Personnel services	79,432	72,376	77,186	68,972	76,250	69,375
Operating	16,955	21,593	15,359	18,364	15,007	13,661
Travel	395	253	331	144	121	42
Equipment	1,023	4,019	1,530	4,587	2,227	5,159
Total expenses	97,805	98,241	94,406	92,067	93,605	88,237

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



BUDGET VS ACTUAL (Continued)

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



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

Fiscal Year 2022 - 2023

- Tuition revenue was consistent with budget by $39 (thousand) mainly due to a decrease in scholarship allowances.
- Personal services expenditures were below budget by $7,056 (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 Year 2021 - 2022

- Tuition revenue was above budget by $224 (thousand) due to a reduction in scholarship allowances.
- Personal services expenditures were below budget by $8,214 (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 Year 2020 - 2021

- Tuition revenue was below budget by $2,618 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.

SUBSEQUENT EVENTS

The state aid appropriation for fiscal year 2023 - 2024 to the College is $30,296,422 or 27.1% of the total community college appropriation.

The College Board of Governors has recently taken the following actions in September 2023 for fiscal year 2023 - 2024:

- 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.

Property valuations for 2023 - 2024 (2023 certification of taxable value) increased 14.8% over the previous year.

The College plans to issue $30 - $35 million in Certificates of Participation in late Calendar 2023 to finance a portion of the cost of constructing, acquiring, and equipping a new 98,000 square foot Welding Technology Center building and related improvement to the College's 8800 O Street Lincoln campus. The Certificates of Participation have the net effect of creating a sale and leaseback of certain College property. The new facility will house the College's Welding Technology program and is scheduled for completion in Fall 2025.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE

The College's principal sources of revenue for its general fund have historically been local property taxes levied by the College, State aid and student tuition. In 2023, the Nebraska Legislature approved a complete overhaul to the operational funding for community college areas in the State with the passage of LB243 (the "Community College Funding Legislation"). The Community College Funding Legislation generally shifted most of the property tax funding for the College's general fund, beginning with the fiscal year 2024-2025, from local property taxes to State funding pursuant to a newly created Community College Future Fund ("CCFF"). The new CCFF funding by the State is separate and apart from State aid, and from the two-cent Capital Levy. Per LB243, CCFF funds are not allocated through the Appropriations Committee. Rather, they will be distributed via direct transfers from the State in 10 equal payments beginning in September of each fiscal year. State aid for the community colleges in Nebraska has been relatively stable in recent years, and is governed by the Community College Aid Act, Sections 85-2231 through 85-2238 inclusive, Reissue Revised Statutes of Nebraska, as amended (the "State Aid Act"). See "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION - State Aid Funding."

With the passage of the Community College Funding Legislation, which amended in part the State Aid Act, for fiscal years beginning with the 2024-2025 fiscal year, the College will be able to supplement, or replace, as applicable, CCFF or State aid funding deficiencies with a property tax levy if CCFF funding or State aid drops below certain enumerated amounts. See "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION—Community College Funding Legislation" for a discussion of the Community College Funding Legislation and "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION - State Aid Funding" for a discussion of the State Aid Act. In either such event, the College may need to levy such property tax subject to Budget Limitations, increase tuition or reduce expenditures for certain programs. The new CCFF funding model allows the community colleges to levy whatever rate necessary to replace or supplement either the CCFF funds or State aid if the State is unable to meets its funding obligations.

ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE (Continued)

The primary revenue sources for the State are statewide sales and income taxes. So, while the amount of CCFF funding or State aid that is appropriated or provided for community college funding is determined by the Community College Funding Legislation and State Aid Act, the CCFF funding and State aid could be changed in future years by the Legislature based on how well the State economy is doing and how efficiently the State is operating. The Nebraska Legislature has taken actions designed to reduce the reliance of local governmental units on property taxation, including the Community College Funding Legislation, and may in the future amend such funding provisions, including the ability of the College to levy taxes for State funding shortfalls. Such changes could cause significant operating challenges for the College if the State does not fund community colleges as contemplated by the Community College Funding Legislation or the State Aid Act. See "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION."

As discussed above, recent changes to Nebraska law mean that beginning in the 2024 - 2025 fiscal year, the College will be largely dependent on State funding commitments. If the State does not follow through, the current legal framework permits the College to levy taxes at whatever rate necessary to make up for the shortfalls. The current tax rate limit of 11.25 cents per $100 valuation, will no longer apply as of 2024 - 2025. At that time, the College can levy whatever rate is required to recover any funding shortfalls by the State. While the College believes that the current framework is adequate, future changes by the Legislature to both (a) reduce its funding commitments and (b) limit the College's ability to levy such taxes or to limit the tax rate authority exempt such taxes from Levy Limitations or to reduce the College's budget authority, could have a material adverse effect on the College's operational funding.

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, 2023 AND 2022

	2023		2022	
	College	Foundation	College	Foundation
ASSETS				
Current assets				
Cash and cash equivalents	104,058,402	58,319	113,324,425	90,502
Short-term investments	1,171,986	2,082,926	1,686,115	1,841,764
Short-term SBITA asset	935,605	-	-	-
Property taxes receivable	23,024,929	-	22,570,885	-
Accounts receivable (net)	4,649,848	165,027	2,675,607	164,169
Interest receivable	1,497	101,779	106,940	83,047
Inventories	1,155,292	-	1,261,355	-
Prepaid expense	4,037,730	-	3,322,143	-
Total current assets	139,035,289	2,408,051	144,947,470	2,179,482
Noncurrent assets				
Pledges receivable	-	100,000	-	150,000
Endowment investments	-	34,938,922	-	31,820,909
Long-term SBITA asset	2,520,427	-	-	-
Long-term investments	960,558	-	600,082	-
Prepaid expenses	135,226	-	139,090	-
Capital assets, net	203,694,683	719,529	188,161,551	719,529
Total noncurrent assets	207,310,894	35,758,451	188,900,723	32,690,438
TOTAL ASSETS	346,346,183	38,166,502	333,848,193	34,869,920
LIABILITIES				
Current liabilities				
Accounts payable	4,915,563	18,750	7,017,157	26,695
Accrued salaries	4,069,027	-	3,867,257	-
Short-term SBITA liability	887,321	-	-	-
Deferred revenue	1,594,368	16,668	2,050,362	16,668
Deposits	107,035	-	101,529	-
Accrued interest	641,674	-	735,344	-
Current portion of long-term debt	2,600,903	-	2,095,903	-
Total current liabilities	14,815,891	35,418	15,867,552	43,363
Noncurrent liabilities				
Accrued compensated absences	2,747,528	-	2,853,686	-
Long-term SBITA liability	2,326,646	-	-	-
Long-term debt, net	106,606,778	-	109,207,681	-
Total noncurrent liabilities	111,680,952	-	112,061,367	-
TOTAL LIABILITIES	126,496,843	35,418	127,928,919	43,363

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023		2022	
	College	Foundation	College	Foundation
NET POSITION				
Net investment in capital assets	112,107,213	719,529	104,837,238	719,529
Restricted for				
Nonexpendable				
Scholarships and fellowships	-	9,573,732	-	9,108,050
Expendable				
Scholarships and fellowships	-	26,648,244	-	23,922,071
ADA/Hazardous waste	1,622	-	687	-
Capital projects	40,371,168	-	32,855,684	-
Unrestricted	67,369,337	1,189,579	68,225,665	1,076,907
TOTAL NET POSITION	219,849,340	38,131,084	205,919,274	34,826,557

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

	2023		2022	
	College	Foundation	College	Foundation
OPERATING REVENUES				
Student tuition and fees	16,240,682	-	15,569,512	-
Nongovernmental grants and contracts	262,419	-	136,894	-
Sales and services of educational departments	1,036,477	-	1,086,372	-
Auxiliary enterprises	7,988,951	-	8,762,668	-
Other operating income	2,469,597	158,064	2,111,618	159,074
Total operating revenues	27,998,126	158,064	27,667,064	159,074
OPERATING EXPENSES				
Personnel services	77,410,198	138,764	73,612,131	111,863
Operating expenses	36,176,768	8,278,695	40,925,809	4,892,433
Travel	391,006	-	269,154	-
Capital assets not capitalized	6,479,138	-	4,799,837	-
Depreciation	10,173,999	-	8,759,490	-
Total operating expenses	130,631,109	8,417,459	128,366,421	5,004,296
OPERATING LOSS	(102,632,983)	(8,259,395)	(100,699,357)	(4,845,222)
NONOPERATING REVENUES				
Governmental appropriations				
State aid	29,873,785	-	29,186,711	-
Property taxes	50,231,215	-	48,493,955	-
Governmental grants and contracts				
Federal	15,096,411	-	30,073,958	-
State	2,146,201	-	1,461,974	-
Gifts	5,866,989	9,045,155	2,853,007	4,595,004
Investment income	3,557,357	2,518,767	189,527	(1,882,502)
Interest on indebtedness	(3,944,539)	-	(3,469,250)	-
Net nonoperating revenues	102,827,419	11,563,922	108,789,882	2,712,502
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	194,436	3,304,527	8,090,525	(2,132,720)

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

	2023		2022	
	College	Foundation	College	Foundation
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES				
Capital appropriations	13,630,653	-	13,159,644	-
Gain on disposal of capital assets	104,977	-	253,983	-
Total other revenues, expenses, gains, or losses	13,735,630	-	13,413,627	-
INCREASE (DECREASE) IN NET POSITION	13,930,066	3,304,527	21,504,152	(2,132,720)
NET POSITION, beginning of year	205,919,274	34,826,557	184,415,122	36,959,277
NET POSITION, end of year	219,849,340	38,131,084	205,919,274	34,826,557

See accompanying notes to financial statements.

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Tuition and fees	12,427,083	20,529,592
Grants and contracts	262,419	-
Payments for personnel services	(77,291,997)	(73,556,675)
Payments for operating expenses	(46,170,411)	(44,738,314)
Sales and services of educational departments	1,066,524	1,065,025
Auxiliary enterprises charges	9,867,616	8,285,565
Other receipts	2,469,594	2,248,575
Net cash used in operating activities	(97,369,172)	(86,166,232)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State aid appropriations	29,873,785	29,186,711
Property taxes - General Fund and ADA/Hazardous waste	49,873,903	48,018,456
Gifts and grants for other than capital purposes	16,909,338	31,306,318
Student loans receipts	7,889,964	7,830,440
Student loans disbursements	(7,889,964)	(7,830,440)
Net cash provided by noncapital financing activities	96,657,026	108,511,485
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Proceeds from long-term debt, net of premium	-	26,475,131
Payments on long-term debt	(2,095,903)	(1,840,000)
Interest income on bond proceeds	892,039	178,886
Interest paid on capital debt	(4,038,209)	(3,104,276)
Property taxes - Capital Improvement Fund	13,533,921	13,030,488
Capital grants and gifts	5,828,151	2,853,007
Proceeds from sale of capital assets	104,977	253,983
Purchases of capital assets	(25,707,132)	(18,684,369)
Net cash provided by (used in) capital financing activities	(11,482,156)	19,162,850

SOUTHEAST COMMUNITY COLLEGE AREA
STATEMENTS OF CASH FLOWS - DIRECT METHOD
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	153,654	(9,660)
Interest on investments	2,770,761	-
Other investing activities	3,864	-
Net cash provided by (used in) investing activities	2,928,279	(9,660)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(9,266,023)	41,498,443
CASH AND CASH EQUIVALENTS, beginning of year	113,324,425	71,825,982
CASH AND CASH EQUIVALENTS, end of year	104,058,402	113,324,425
Reconciliation of Net Operating Loss to Net Net Cash Used in Operating Activities		
Net operating loss	(102,632,983)	(100,699,357)
Adjustments to reconcile net operating loss to net cash used in operating activities:		
Depreciation expenses	10,173,999	8,759,490
Changes in assets and liabilities:		
Accounts receivable (net)	(2,058,123)	5,403,168
Inventories	106,063	88,320
Prepaid expense	(715,587)	(534,526)
Accounts payable	(2,101,593)	804,482
Interest payable	101,118	12,191
Net SBITA activity	(242,066)	-
Net cash used in operating activities	(97,369,172)	(86,166,232)

See accompanying 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.

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.

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.

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:

Net Investment in Capital Assets
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.

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.

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.

New Pronouncement Adopted

GASB Statement 96, *Subscription-Based Information Technology Arrangements,* was implemented on July 1, 2022. The standard provides guidance related to accounting and financial reporting for 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.

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.

NOTE 2. CASH AND INVESTMENTS (Continued)

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.

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, 2023 and 2022, were in unregistered U.S. government securities and federal agency obligations held in the College's name by the custodial banks.

At June 30, 2023 and 2022, 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, 2023 and 2022, are summarized as follows:

Investment Type	2023 Fair Value	2022 Fair Value
POAA note receivable	-	163,000
Certificates of deposit	2,132,544	2,123,197
	2,132,544	2,286,197

NOTE 3. PROPERTY TAX RECEIVABLE

Property taxes levied for the fiscal year ending June 30, 2023, were due December 31, 2022, and became delinquent in April - September of 2023. 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, 2023 and 2022, were as follows:

	2023	2022
Assessed valuation		
September 2022 and 2021	68,938,388,188	66,016,209,631
	2023	2022
Levy in cents per $100 of assessed valuation		
General Fund	7.37	7.37
Capital Improvement Fund	2.00	2.00
	9.37	9.37

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

	2023	2022
General Fund	18,110,624	17,753,311
Capital Improvement Fund	4,914,305	4,817,574
Total	23,024,929	22,570,885

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

	2023	2022
General Fund	791,111	694,165
Capital Improvement Fund	214,899	188,379
Total	1,006,010	882,544

NOTE 4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30 were as follows:

	2023	2022
Federal nonexchange grants	2,883,898	1,378,407
Tuition and fees	12,654,179	11,055,055
Other	(2,049,582)	(1,249,576)
	13,488,495	11,183,886
Allowance for uncollectible accounts	(8,838,647)	(8,508,279)
Total accounts receivable, net	4,649,848	2,675,607

NOTE 5. INVENTORIES

Inventories at June 30 were as follows:

	2023	2022
Books and supplies	870,968	954,572
Parts	126,476	105,734
Livestock and grain	157,848	201,049
	1,155,292	1,261,355

NOTE 6. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	June 30, 2022	Additions	Deletions	June 30, 2023
Capital assets, not being depreciated				
Land	5,020,921	-	-	5,020,921
Construction in progress	18,091,334	14,867,574	17,168,968	15,789,940
Total	23,112,255	14,867,574	17,168,968	20,810,861
Capital assets, being depreciated				
Land improvements	4,551,926	322,220	-	4,874,146
Buildings	218,687,748	26,391,899	-	245,079,647
Leasehold improvements	29,651	-	-	29,651
Equipment	41,485,191	1,358,685	761,078	42,082,798
Total	264,754,516	28,072,804	761,078	292,066,242

NOTE 6. CAPITAL ASSETS (Continued)

	June 30, 2022	Additions	Deletions	June 30, 2023
Less accumulated depreciation				
Land improvements	2,382,688	213,385	-	2,596,073
Buildings	62,743,092	7,554,404	-	70,297,496
Leasehold improvements	28,539	742	-	29,281
Equipment	34,550,901	2,405,468	696,799	36,259,570
Total	99,705,220	10,173,999	696,799	109,182,420
Capital assets, net	188,161,551	32,766,379	17,233,247	203,694,683

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	17,776,081	5,336,174	-	23,112,255
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	252,161,164	13,358,093	764,741	264,754,516
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	91,700,572	8,759,488	754,840	99,705,220
Capital assets, net	178,236,673	9,934,779	9,901	188,161,551

NOTE 7. ACCRUED SALARIES

Accrued salaries for the fiscal years ended June 30, 2023 and 2022, were composed of the following:

	2023	2022
Accrued salaries	4,069,027	3,867,257
Accrued compensated absences	2,747,528	2,853,686
	6,816,555	6,720,943

NOTE 8. LONG-TERM DEBT

Long-term debt activity for the year ended June 30, 2023, is summarized as follows:

	Balance 7/1/22	Proceeds	Payments	Balance 6/30/23
Tax Supported Certificates of Participation, Series 2018	56,010,000	-	1,260,000	54,750,000
Facilities Revenue Bonds, Series 2018	18,255,000	-	440,000	17,815,000
Facilities Revenue Bonds, Series 2020	8,460,000	-	215,000	8,245,000
Facilities Revenue Bonds, Series 2022	23,920,000	-	-	23,920,000
Premiums and discounts, net	4,658,584	-	180,903	4,477,681
Compensated absences	2,853,686	-	106,158	2,747,528
	114,157,270	-	2,202,061	111,955,209

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, 2023, 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.

NOTE 8. LONG-TERM DEBT (Continued)

Certificates of Participation (Continued)

Future maturities of the COPS are due as follows:

Years Ending June 30,	Principal	Interest	Total
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	1,550,000	1,895,269	3,445,269
2029 - 2033	8,940,000	8,275,194	17,215,194
2034 - 2038	10,720,000	6,513,225	17,233,225
2039 - 2043	12,690,000	4,504,844	17,194,844
2044 - 2048	15,335,000	1,740,752	17,075,752
	54,750,000	31,218,735	85,968,735

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, 2023, the Trustee held no monies 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
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	510,000	620,275	1,130,275
2029 - 2033	2,840,000	2,806,675	5,646,675
2034 - 2038	3,420,000	2,225,125	5,645,125
2039 - 2043	4,125,000	1,513,800	5,638,800
2044 - 2048	5,030,000	619,200	5,649,200
	17,815,000	10,410,175	28,225,175

NOTE 8. LONG-TERM DEBT (Continued)

Facilities Revenue Bonds (Continued)

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, 2023, the Trustee held no monies 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
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	240,000	202,200	442,200
2029 - 2033	1,275,000	937,000	2,212,000
2034 - 2038	1,420,000	787,350	2,207,350
2039 - 2043	1,650,000	564,000	2,214,000
2044 - 2048	1,905,000	301,500	2,206,500
2049 - 2050	845,000	38,250	883,250
	8,245,000	3,679,460	11,924,460

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, 2023, the Trustee held $17,529,570 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.

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
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	530,000	880,000	1,410,000
2029 - 2033	2,975,000	4,065,200	7,040,200
2034 - 2038	3,620,000	3,420,400	7,040,400
2039 - 2043	4,405,000	2,636,200	7,041,200
2044 - 2048	5,360,000	1,681,800	7,041,800
2049 - 2052	5,110,000	521,000	5,631,000
	23,920,000	16,920,600	40,840,600

Accrued compensated absences at June 30, 2023 and 2022, are $2,747,528 and $2,853,686, 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:

	2023	2022
Tuition and fees	2,829,774	2,858,992
Room and board	1,137,251	902,463
Bookstore	567,351	471,964
	4,534,376	4,233,419

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.

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

	2023	2022
Education and general		
Instruction	48,876,987	45,876,348
Academic support	9,702,933	9,157,445
Student services	6,054,055	5,662,618
Institutional support	21,751,661	22,791,701
Physical plant	21,120,425	16,306,346
Depreciation	10,173,999	8,759,490
Student financial aid	7,878,272	16,124,884
Auxiliary enterprises	5,072,777	3,687,589
	130,631,109	128,366,421

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:

	2023	2022
Total payroll	59,508,206	56,753,027
Covered payroll for employees eligible for College match	51,219,486	47,379,132
Employer contributions	3,434,144	3,219,748
Employer contributions as a percentage of covered payroll	6.70%	6.80%

NOTE 12. COMMITMENTS

As of June 30, 2023 and 2022, the College had $61,272,784 and $41,420,000, 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, 2023 and 2022, totaled $8,016,269 and $4,693,596, 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, 2023, was the Trust's twenty-first year of operations. In May 2023, the Board of Directors of the Trust declared a dividend of $73,316 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.

NOTE 16. SUBSCRIPTION BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

The College enters into subscription agreements for the use of information technology software for periods greater than twelve months. On July 1, 2022, the college adopted the provisions of GASB 96 – Subscription Based Information Technology Agreements (SBITAs). Those standards require that long-term "SBITAs" be capitalized and amortized over the life of the agreement. GASB 96 further requires that a liability for future payments under the agreements be recorded.

A summary of the College's SBITA agreements meeting the requirements of GASB 96 as of June 30, 2023 are as follows:

General use	Subscription Period	Asset Cost	Amortized Cost	Subscription Liability
Video Services for Milford Dorm	10/14/21 - 10/14/26	156,067	93,880	98,788
Fundraising Database	11/30/22 - 11/30/25	61,848	44,762	37,763
College ERP Cloud Software	1/1/23 - 6/30/28	3,622,896	3,061,841	2,821,565
Canvas LMS	7/1/19 - 7/1/24	890,635	120,365	132,330
Destiny One	1/13/23 - 1/13/26	162,242	78,731	64,265
Fiber connectivity and Internet	5/24/19 - 7/24/24	310,000	56,453	59,256
			3,456,032	3,213,967

NOTE 17. COVID-19

The College does not expect any future material financial impact due to the pandemic. The College has been awarded $4.8 million grant from the City of Lincoln, Nebraska ("City"), from funds that the City received under the federal COVID-19 relief programs. In addition, the College has been awarded nearly $15 million from the State from funds the State has received from federal COVID-19 relief programs.

NOTE 18. SUBSEQUENT EVENTS

In preparing the financial statements, the College has evaluated events and transactions for potential recognition or disclosure through November 10, 2023, the date the financial statements were available to be issued.

The College plans to issue approximately $30 million in Certificates of Participation in late calendar 2023 to finance a portion of the cost of constructing, acquiring, and equipping a new 98,000 square foot Welding Technology Center building and related infrastructure and utility improvement to the College's 8800 O Street Lincoln campus. The Certificates of Participation have the net effect of creating a sale and leaseback of certain College property. The new facility will house the College’s Welding Technology program and is scheduled for completion in Fall 2025.

The College's principal sources of revenue for its general fund have historically been local property taxes levied by the College, state aid and student tuition. In 2023, the Nebraska Legislature approved a complete overhaul to the operational funding for community college areas in the State with the passage of LB243 (the "Community College Funding Legislation"). The Community College Funding Legislation generally shifted most of the

NOTE 18. SUBSEQUENT EVENTS (Continued)

property tax funding for the College's general fund, beginning with the fiscal year 2024 - 2025, from local property taxes to State funding pursuant to a newly created Community College Future Fund ("CCFF"). The new CCFF funding by the State is separate and apart from State aid, and from the two-cent Capital Levy. Per LB243, CCFF funds are not allocated through the Appropriations Committee. Rather, they will be distributed via direct transfers from the State in 10 equal payments beginning in September of each fiscal year. State aid for the community colleges in Nebraska has been relatively stable in recent years, and is governed by the Community College Aid Act, Sections 85-2231 through 85-2238 inclusive, Reissue Revised Statutes of Nebraska, as amended (the "State Aid Act"). See "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION - State Aid Funding."

With the passage of the Community College Funding Legislation, which amended in part the State Aid Act, for fiscal years beginning with the 2024-2025 fiscal year, the College will be able to supplement, or replace, as applicable, CCFF or State aid funding deficiencies with a property tax levy if CCFF funding or State aid drops below certain enumerated amounts. See "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION - Community College Funding Legislation" for a discussion of the Community College Funding Legislation and "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION - State Aid Funding" for a discussion of the State Aid Act. In either such event, the College may need to levy such property tax subject to Budget Limitations, increase tuition or reduce expenditures for certain programs. The new CCFF funding model allows the community colleges to levy whatever rate necessary to replace or supplement either the CCFF funds or State aid if the State is unable to meets its funding obligations.

The primary revenue sources for the State are statewide sales and income taxes. So, while the amount of CCFF funding or State aid that is appropriated or provided for community college funding is determined by the Community College Funding Legislation and State Aid Act, the CCFF funding and State aid could be changed in future years by the Legislature based on how well the State economy is doing and how efficiently the State is operating. The Nebraska Legislature has taken actions designed to reduce the reliance of local governmental units on property taxation, including the Community College Funding Legislation, and may in the future amend such funding provisions, including the ability of the College to levy taxes for State funding shortfalls. Such changes could cause significant operating challenges for the College if the State does not fund community colleges as contemplated by the Community College Funding Legislation or the State Aid Act. See "NEBRASKA DEVELOPMENTS RELATED TO BUDGETS AND TAXATION."

As discussed above, recent changes to Nebraska law mean that beginning in the 2024 - 2025 fiscal year, the College will be largely dependent on State funding commitments. If the State does not follow through, the current legal framework permits the College to levy taxes at whatever rate necessary to make up for the shortfalls. The current tax rate limit of 11.25 cents per $100 valuation, will no longer apply as of 2024-25. At that time, the College can levy whatever rate is required to recover any funding shortfalls by the State. While the College believes that the current framework is adequate, future changes by the Legislature to both (a) reduce its funding commitments and (b) limit the College's ability to levy such taxes or to limit the tax rate authority exempt such taxes from Levy Limitations or to reduce the College's budget authority, could have a material adverse effect on the College's operational funding.

ACCOMPANYING INFORMATION

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND REVENUES
BUDGETARY BASIS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
State aid	29,873,785	29,186,711
Property taxes	50,231,215	48,493,955
Tuition	16,313,838	15,741,533
Other income	2,866,944	682,405
(Add) to/use cash reserves	(1,045,134)	(2,037,316)
	98,240,648	92,067,288

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 2023 for use in property tax revenue for June 30, 2024, was $79,122,403,321. The General Fund property tax rate for June 30, 2024, 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 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.

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS
YEARS ENDED JUNE 30, 2023 AND 2022

PROGRAM CLASSIFICATION STRUCTURE

	2023	2022
INSTRUCTION		
Personnel services	41,889,179	39,839,815
Operating expenses	2,548,732	2,345,366
Travel	118,292	51,073
Equipment	704,844	2,112,740
	45,261,047	44,348,994
ACADEMIC SUPPORT		
Personnel services	8,450,938	7,947,110
Operating expenses	1,018,049	844,734
Travel	14,876	14,393
Equipment	336,384	234,471
	9,820,247	9,040,708
STUDENT SERVICE		
Personnel services	3,236,951	3,045,694
Operating expenses	488,641	525,857
Travel	27,075	24,703
Equipment	40,830	189,756
	3,793,497	3,786,010
INSTITUTIONAL ADMINISTRATION		
Personnel services	13,578,278	13,091,955
Operating expenses	8,037,123	8,103,366
Travel	92,686	53,386
Equipment	587,082	615,020
	22,295,169	21,863,727
PHYSICAL PLANT OPERATIONS		
Personnel services	5,219,812	5,047,371
Operating expenses	9,397,214	6,437,694
Travel	220	158
Equipment	2,349,947	1,435,258
	16,967,193	12,920,481
STUDENT FINANCIAL SUPPORT		
Operating expenses	103,495	107,368

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULES OF GENERAL FUND EXPENDITURES - BUDGETARY BASIS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
GRAND TOTAL FOR COLLEGE		
Personnel services	72,375,158	68,971,945
Operating expenses	21,593,254	18,364,385
Travel	253,149	143,713
Equipment	4,019,087	4,587,245
	98,240,648	92,067,288

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, 2023

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Education			
Student Financial Assistance Cluster			
PELL Grant Program		84.063	8,942,611
Federal Direct Loan		84.268	7,889,964
Federal Work-Study Program		84.033	120,205
Federal Supplemental Educational Opportunity Grant Program		84.007	331,185
Total Student Financial Assistance Cluster			17,283,965
TRIO Cluster			
TRIO Support Services		84.042	303,507
TRIO Upward Bound		84.047	337,708
Total TRIO Cluster			641,215
CCAMPIS		84.335	130,222
Pass-Through Programs From:			
Nebraska Department of Education			
Adult Basic Education	23-2-AEF-08-00-94500	84.002	650,173
Vocational Education	23-6701-00-60-094-5000	84.048	822,404
Total U.S. Department of Education			19,527,979
National Science Foundation			
Education and Human Resources		47.076	355,542
Pass-Through Programs From:			
University of Nebraska Lincoln			
Education and Human Resources	25-0536-0057-0005	47.076	6,718
Total National Science Foundation			362,260
United States Department of Agriculture			
Specialty Crop Block Grant Program		10.170	320

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor Program Title	Pass-Through Identification Number	Assistance Listing Number	Federal Expenditures
U.S. Department of Health and Human Services			
Pass-Through Programs From:			
Nebraska Department of Health and Human Services			
Child Care and Development Block Grant - CCDF Cluster - COVID-19		93.575	109,611
Refugee and Entrant Assistance - ESL	None	93.576	15,766
Behavioral Health Grants	95-3101-0050-805	93.732	31,041
University of Nebraska - Lincoln			
Area Health Education Centers	34-5210-1006-011	93.107	132,104
Total U.S. Department of Health and Human Services			288,522
Department of the Treasury			
Passed through the City of Lincoln, Nebraska			
Coronavirus Relief Fund - COVID-19		21.027	1,725,499
Passed through the State of Nebraska			
Coronavirus Relief Fund - COVID-19		21.027	957,655
Total Department of the Treasury			2,683,154
Department of Homeland Security			
Federal Emergency Management Agency			
Disaster Grants - Public Disaster Grants		97.036	124,139
TOTAL EXPENDITURES OF FEDERAL AWARDS			22,986,374

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, 2023

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, 2023. 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
Dana F. Cole & Company, LLP
1248 O Street, Suite 500
Lincoln, Nebraska 68508

Permit No. 60492

TELEPHONE NO: 402.479.9300

The audit was performed between September 25, 2023 and September 28, 2023, at the institution's facilities as follows:

Location	Description of Facility	Dates Visited
Lincoln, Nebraska	Administrative and Student Financial Aid Offices	September 25, 2023 to September 28, 2023
Beatrice, Nebraska	Administrative and Student Financial Aid Offices	September 25, 2023 to September 28, 2023
Milford, Nebraska	Administrative and Student Financial Aid Offices	September 25, 2023 to September 28, 2023

Institution's Accrediting Organization:

The Higher Learning Commission

The institution does not utilize an SFA Consultant/Servicer.

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, 2023

	Dorm Total	Bookstore Total	Total System	Student Fee Facility Total	Total Pledge
ASSETS					
Cash and cash equivalents	17,540,548	1,450	17,541,998	-	17,541,998
Accounts receivable	73,764	-	73,764	-	73,764
Due from other funds	1,342,150	1,630,031	2,972,181	4,796,826	7,769,007
Inventories	-	843,351	843,351	-	843,351
Capital assets, net	44,119,964	485,950	44,605,914	-	44,605,914
TOTAL ASSETS	63,076,426	2,960,782	66,037,208	4,796,826	70,834,034
LIABILITIES					
Accounts payable	550,684	12,700	563,384	-	563,384
Accrued salaries	23,102	40,052	63,154	-	63,154
Bonds payable	52,639,013	-	52,639,013	-	52,639,013
Deferred revenue	1,775,135	102,375	1,877,510	-	1,877,510
TOTAL LIABILITIES	54,987,934	155,127	55,143,061	-	55,143,061
NET POSITION	8,088,492	2,805,655	10,894,147	4,796,826	15,690,973
OPERATING REVENUES					
Dormitory revenues	3,357,298	-	3,357,298	-	3,357,298
Bookstore revenues	-	3,760,614	3,760,614	-	3,760,614
Student service fee revenue	-	-	-	1,859,999	1,859,999
Other income	50,878	386,904	437,782	-	437,782
Total operating revenues	3,408,176	4,147,518	7,555,694	1,859,999	9,415,693

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, 2023

	Dorm Total	Bookstore Total	Total System	Student Fee Facility Total	Total Pledge
OPERATING EXPENSES					
Personnel services	531,638	610,504	1,142,142	-	1,142,142
Operating expenses	761,815	3,440,772	4,202,587	-	4,202,587
Travel	-	1,839	1,839	-	1,839
Equipment	36,004	5,423	41,427	-	41,427
Total operating expenses	1,329,457	4,058,538	5,387,995	-	5,387,995
OPERATING INCOME	2,078,719	88,980	2,167,699	1,859,999	4,027,698
NONOPERATING REVENUES (EXPENSES)					
Investment income	786,596	-	786,596	-	786,596
Transfers	689,988	-	689,988	-	689,988
Depreciation	(909,796)	(37,381)	(947,177)	-	(947,177)
Interest on indebtedness	(1,817,747)	-	(1,817,747)	-	(1,817,747)
Net nonoperating revenues (expenses)	(1,250,959)	(37,381)	(1,288,340)	-	(1,288,340)
INCREASE IN NET POSITION	827,760	51,599	879,359	1,859,999	2,739,358
NET POSITION, beginning of year	7,260,732	2,754,056	10,014,788	2,936,827	12,951,615
NET POSITION, end of year	8,088,492	2,805,655	10,894,147	4,796,826	15,690,973

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 Southeast Community College Area, as of and for the year ended June 30, 2023, 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 10, 2023.

Report on 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) 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 Southeast Community College Area's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 T. Cole + Company, LLP

Lincoln, Nebraska
November 10, 2023

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, 2023. Southeast Community College Area's major federal programs are identified in the summary of auditor's 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, 2023.

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 Cole + Company, LLP

Lincoln, Nebraska
November 10, 2023

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's 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 auditor's 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
Coronavirus Relief Fund	21.027

SOUTHEAST COMMUNITY COLLEGE AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023

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 _X_No

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, 2023

There were no prior year findings and recommendations that required resolution for the year ended June 30, 2022.