

**AUDIT REPORT  
OF THE  
NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)**

**JULY 1, 2009 THROUGH JUNE 30, 2010**

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**Issued on December 23, 2010**

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

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### NEBRASKA STATE COLLEGE SYSTEM (A COMPONENT UNIT OF THE STATE OF NEBRASKA)

### INDEPENDENT AUDITORS' REPORT

Board of Trustees of the Nebraska State College System  
Lincoln, Nebraska:

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of the Nebraska State College System (NSCS) (a component unit of the State of Nebraska) as of and for the year ended June 30, 2010, which collectively comprise the Nebraska State College System's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Nebraska State College System's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the accompanying Statements of Financial Position of Chadron State, Peru State, and Wayne State Foundations (Foundations), discretely presented component units of the NSCS, as of June 30, 2010, December 31, 2009, and June 30, 2010, respectively, and the related Statements of Activities and Cash Flows for the years then ended. Those statements are presented separately on pages 13 through 15, 18 through 20, and 23 through 25. We also did not audit the financial statements of the Nebraska State College System Revenue and Refunding Bond Fund, and the Nebraska State College System Facilities Corporation, a blended component unit of the Nebraska State College System, as of June 30, 2010. The Revenue and Refunding Bond Fund and Facilities Corporation represent 8%, 42%, and 19%, respectively, of the total assets, liabilities, and revenues, of the primary government. The financial statements of the Foundations, Revenue and Refunding Bond Fund, and Facilities Corporation were audited by other independent auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Chadron State, Peru State, and Wayne State Foundations, the Nebraska State College System Revenue and Refunding Bond Fund, and the Nebraska State College System Facilities Corporation is based solely on the reports of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Foundations, the Revenue and Refunding Bond Fund, and the Facilities Corporation were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are

appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NSCS's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, 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 units of the NSCS, as of June 30, 2010, and December 31, 2009 (Peru State Foundation), and the respective changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010, on our consideration of the Nebraska State College System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the NSCS's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Combining Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010, taken as a whole.

Signed Original on File

Lincoln, Nebraska  
December 22, 2010

Don Dunlap, CPA  
Assistant Deputy Auditor

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

This section of the Nebraska State College System's (NSCS) financial report presents a narrative overview and analysis of the financial activities of the NSCS for the fiscal year ended June 30, 2010. The analysis has been prepared by management of the NSCS and is intended to be read with the financial statements and the related footnotes that follow this section.

Management's discussion and analysis relates only to the NSCS and does not include any overview of the financial position and activities of the Chadron State Foundation, Peru State Foundation, and Wayne State Foundation which are considered component units of the NSCS.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the NSCS's basic financial statements, which include: 1) Statement of Net Assets, 2) Statement of Revenues, Expenses, and Changes in Net Assets, 3) Statement of Cash Flows, and 4) Notes to Financial Statements. This report also contains information in addition to the basic financial statements.

The Statement of Net Assets presents information on all of the NSCS's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the NSCS is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the NSCS's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The Statement of Cash Flows presents the NSCS's flows of cash by defined categories. The primary purpose of the Statement of Cash Flows is to provide information about the NSCS's cash receipts and payments during the year.

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the basic financial statements and accompanying notes, this report also presents information required by the Single Audit Act and the Office of Management and Budget (OMB) Circular A-133, and optional financial information of combining schedules by college.

**FINANCIAL ANALYSIS OF THE NSCS AS A WHOLE**

The NSCS includes Chadron State College (CSC), Peru State College (PSC), Wayne State College (WSC), and the NSCS Office in Lincoln. The designation as a single entity reflects the general governing authority of the Board of Trustees, including the authority to distribute the State appropriation among the Colleges and the NSCS Office.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

(Continued)

The audit for the fiscal year ended June 30, 2010, includes information on the Nebraska State Colleges Facilities Corporation, a non-profit corporation statutorily created to allow the NSCS to finance building projects of the Board of Trustees of the Nebraska State College System on any of its campuses, through the issuance of notes, bonds, or other obligations. The members of the Board of Trustees serve as the officers of the Facilities Corporation. Outstanding bonds issued by the Facilities Corporation include those authorized under LB 605, passed in 2006. Repayment is from legislative appropriations and student fees. The long-term debt of the Facilities Corporation accrues to the NSCS Office, while the assets acquired as the result of renovations and new construction appear as assets at the individual Colleges.

Audit information from the Chadron State Foundation, Peru State Foundation, and Wayne State Foundation is included in the report as well. With implementation of Governmental Accounting Standards Board (GASB) Statement No. 39, the Foundations of the Colleges have been deemed to be component units of the NSCS. Those Foundations' financial statements are presented separately on pages 13 through 15, 18 through 20, and 23 through 25 of this report.

**Nebraska State College System  
Net Assets as of June 30**

	<b>Primary Government</b>	
	<b>2010</b>	<b>2009</b>
<b>Current Assets</b>	\$ 39,353,405	\$ 38,715,337
 <b>Noncurrent Assets</b>		
Capital Assets, Net	141,294,341	129,852,005
Other Noncurrent Assets	14,670,656	13,195,214
Total Assets	195,318,402	181,762,556
 <b>Current Liabilities</b>	12,205,248	12,146,589
<b>Noncurrent Liabilities</b>	37,902,884	39,985,927
Total Liabilities	50,108,132	52,132,516
 <b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	104,989,997	90,490,338
Restricted	21,336,888	25,971,929
Unrestricted	18,883,385	13,167,773
Total Net Assets	\$145,210,270	\$129,630,040

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

(Continued)

**Nebraska State College System  
Changes in Net Assets For Year Ended June 30**

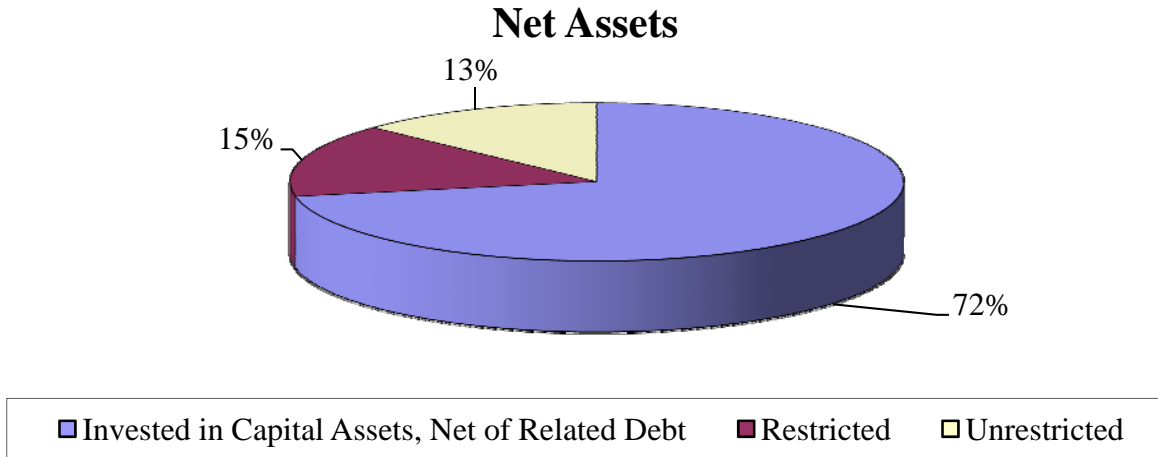
	<b>2010</b>	<b>2009</b>
<b>Operating Revenues</b>		
Tuition and Fees, Net	\$ 19,659,493	\$ 19,779,485
Federal and State Grants and Contracts	15,141,442	11,440,432
Private Grants and Contracts	1,480,305	1,405,175
Auxiliary Enterprises, Net	12,902,558	12,820,118
Other Operating Revenues	624,992	408,646
Total Operating Revenues	49,808,790	45,853,856
<b>Operating Expenses</b>	90,848,787	89,064,004
<b>Operating Loss</b>	(41,039,997)	(43,210,148)
<b>Nonoperating Revenues (Expenses)</b>		
State Appropriations	47,144,372	45,662,547
Capital Outlay	(2,065,766)	(1,480,263)
Investment Income	1,149,800	1,479,518
Interest on Capital Asset-Related Debt	(1,641,605)	(1,844,312)
Other Nonoperating (Expenses)	(1,890,637)	(261,093)
Total Nonoperating Revenues	42,696,164	43,556,397
<b>Gain (Loss) before Other Revenues and Transfers</b>	1,656,167	346,249
<b>Capital Appropriations and Grants</b>	8,768,670	7,214,460
<b>Capital Contributions</b>	2,608,601	2,654,696
<b>Capital Facilities Fee</b>	2,107,711	1,853,306
<b>Increase in Net Assets</b>	15,141,149	12,068,711
<b>Net Assets, Beginning of Year</b>	129,630,040	117,561,329
<b>Prior Period Adjustment</b>	439,081	-
<b>Net Assets, End of Year</b>	\$ 145,210,270	\$ 129,630,040

NEBRASKA STATE COLLEGE SYSTEM  
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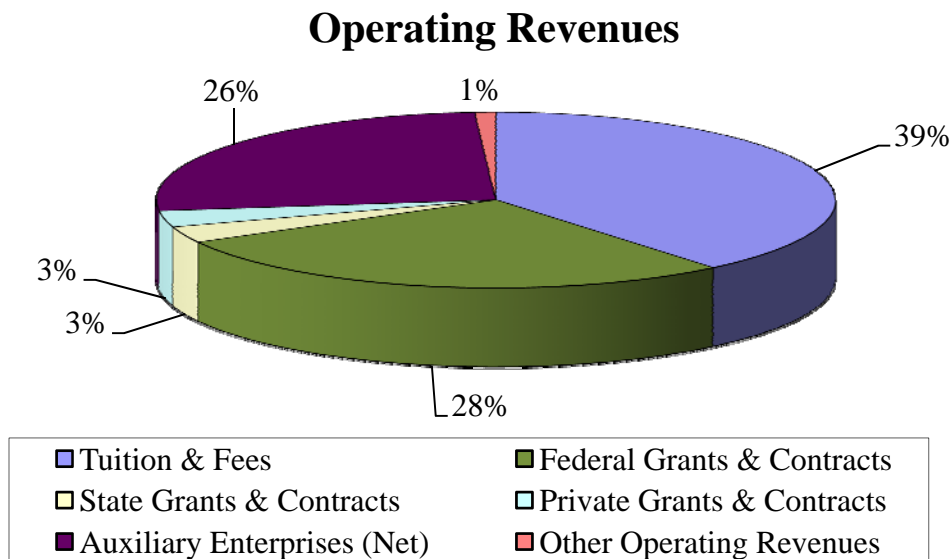
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
(Continued)

**CHANGES IN NET ASSETS**

At June 30, 2010, the NSCS had net assets of \$145.2 million, an increase of \$15.6 million or 12.0% over 2009. The net assets were comprised of Unrestricted - \$18.9 million; Restricted - \$21.3 million, and Invested in Capital Assets, Net of Related Debt - \$105.0 million.



The operating revenues were \$49.8 million, compared to \$45.9 million in 2009, an 8.6% increase. Operating revenues include \$19.6 million in Tuition and Fees, Federal Grants and Contracts of \$13.9 million, State Grants and Contracts of \$1.3 million, Private Grants and Contracts of \$1.5 million, Auxiliary Enterprises (Net) of \$12.9 million, and Other Operating Revenues of \$0.6 million.

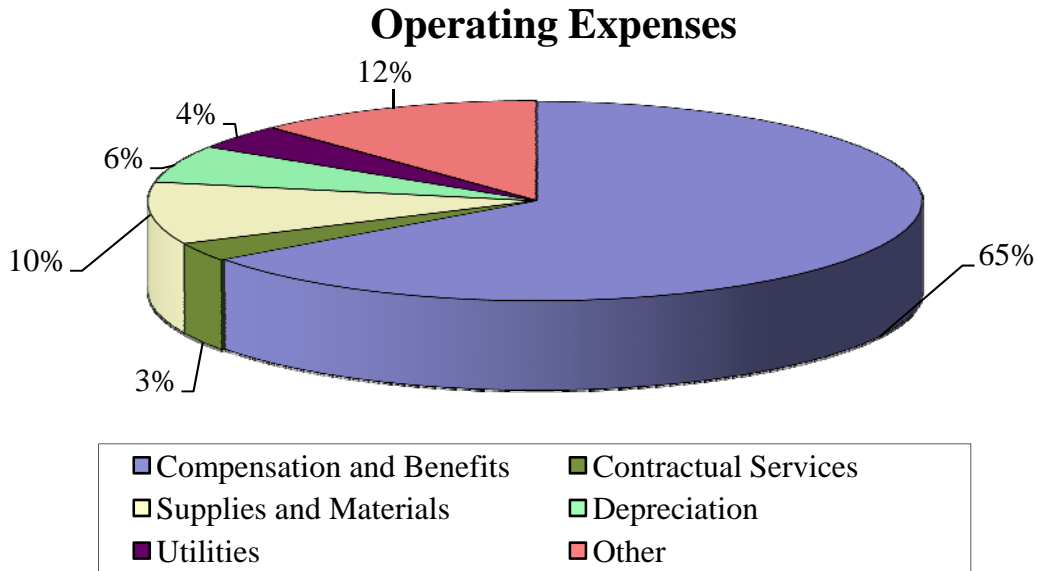




NEBRASKA STATE COLLEGE SYSTEM  
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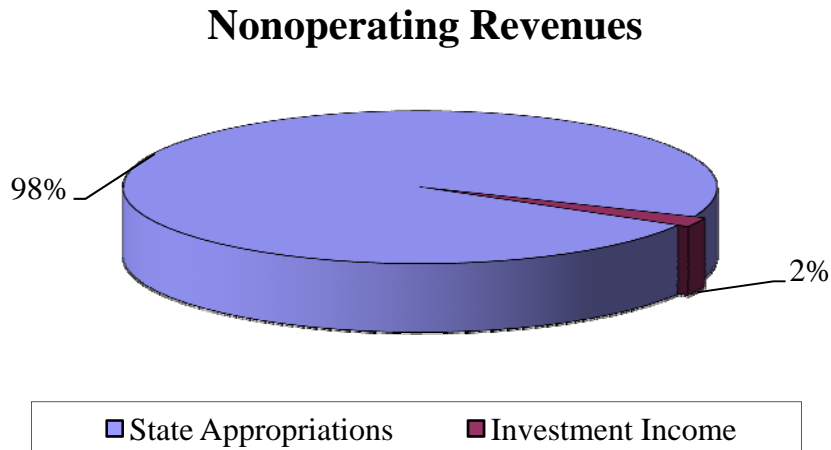
**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**  
(Continued)

Operating expenses for the year ended June 30, 2010, amounted to \$90.8 million, compared to \$89.0 million in 2009. Compensation and Benefits accounted for \$58.9 million, or 64.8% of the total; Contractual Services were \$3.1 million; Supplies and Materials, \$9.1 million; Depreciation, \$5.1 million; and Utilities, \$3.8 million. Other Operating Expenses consisted of Scholarships and Fellowships, \$1.4 million; Repairs and Maintenance, \$1.7 million; Communications, \$0.9 million, Food Service, \$4.6 million; and Other Operating Expenses, \$2.2 million.



The current year operating loss amounted to \$41.0 million, compared to an operating loss in 2009 of \$43.1 million.

Non-operating revenues consist primarily of State Appropriations and Investment Income.



NEBRASKA STATE COLLEGE SYSTEM  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

(Continued)

The most significant change in the Schedule of Net Assets from the fiscal year ended June 30, 2009, to the fiscal year ended June 30, 2010, includes again an increase in net capital assets, most of which is related to buildings and improvements. For previously existing bond issues, a total of \$3.1 million in long-term debt was paid. Tuition and fee income remained relatively stable while Federal and State Grants and Contracts increased \$3.7 million, or 32.3%. The large increase in Federal and State Grants and Contracts is primarily due to increased Pell awards to students as a result of the American Recovery and Reinvestment Act (ARRA), offsetting tuition and fee rate increases not reflected in the Net Tuition and Fees category. Private Grants and Contracts increased \$0.08 million (5.3%) from 2008-2009 to 2009-2010. Auxiliary Enterprise revenues were up \$0.8 million, or 0.6% from last year. Expenses for auxiliary services reflected increased rates and participation, with food service costs up 4.6%. Non-operating revenues reflect an increase for fiscal year 2009-2010 with State appropriations increasing 3.2%. There was a 22.3% decrease in investment income. Operating expenses for the year ended June 30, 2010, increased by \$1.8 million, or 2.0%. Within the operating expenses category, compensation and benefits increased approximately \$2.4 million. Health insurance premium increases continue to play a role in increased compensation and benefits, with the overall composite rates for medical and dental insurance increasing 7.7% for fiscal year 2009-2010. Utility costs decreased by 7.3%.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As of June 30, 2010, the NSCS had recorded \$214.4 million in gross capital assets. During the fiscal year ended June 30, 2010, the investment in buildings and improvements increased by \$4.7 million; the investment in infrastructure increased by \$2.8 million; furniture, fixtures, and equipment increased by \$0.3 million; library materials increased by \$0.3 million; art increased by less than \$0.1 million; and construction in progress increased by \$8.1 million. At the end of the fiscal year, the NSCS had \$73.1 million in accumulated depreciation that left \$114.3 million in net capital assets.

At the end of the fiscal year, the NSCS had \$40.8 million in long-term liabilities. These consisted primarily of outstanding bonded indebtedness of \$36.6 million and \$3.5 million in accrued compensated absences. Previously existing bond obligations were reduced by \$3.1 million.

Important capital improvements to the NSCS facilities continued through the fiscal year, with funding from State allocations, bonding, student fees, private funds, and revenue bond funds. Final expenditures were made from LB 605 project funds for CSC Street/Drainage Improvements, PSC Al Wheeler Activities Center, WSC Carhart Science Phase I, and WSC Rice Auditorium Basement project. Small balances remain to make the final payment on the CSC Administration Building and the WSC Campus Services.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

(Continued)

The WSC Carhart Science renovation project includes multiple phases of renovation planned for the building. Phase I includes funding from LB 605, LB 309 building renewal task force, College cash funds, and privately raised funds. Phase I was nearing completion on June 30, 2010. Various deferred repair and fire and life safety upgrades are in progress at all three Colleges.

Construction is underway for a new College Center at South Sioux City, as a partnership between WSC and Northeast Community College. This project furthers the goals of the LR 174 Committee to attract more students to Nebraska and educate them here, thus increasing the workforce and improving economic development. The 2007 Legislature approved WSC's share of the funding for a new shared facility in South Sioux City, with construction anticipated to be completed in early 2011.

See the Notes to Financial Statements for additional discussion of capital assets and long-term liabilities.

**ECONOMIC OUTLOOK AND SUBSEQUENT EVENTS THAT WILL AFFECT THE FUTURE**

Initially, the Governor and Legislature approved funding for 2009-2010 and 2010-2011 in the amount of \$46,174,099 and \$47,015,210 respectively. A special session of the Legislature was held in November 2009 to consider reductions to the State budget, which resulted in a reduction in State appropriation to the NSCS by \$838,880 for 2009-2010 and an additional \$806,358 for 2010-2011, resulting in revised appropriations of \$45,335,219 for 2009-2010 and \$45,369,972 for 2010-2011. This left the NSCS with basically flat funding for the 2009-2011 biennium compared to the fiscal year 2008-2009 appropriation level of \$45,393,201.

In addition to the special session budget reductions, the NSCS, as of June 30, 2010, did not have a bargaining agreement settled with the faculty union (SCEA) for 2009-2010 and 2010-2011. A Supreme Court decision received in September 2010, awarded the faculty 7% and 4% increases, respectively, for the 2009-2010 and 2010-2011 fiscal years. To cover the costs of this potential award, along with increases including: other salary increases, health insurance rate increases, and utility cost increases, the NSCS reduced base budgets by \$2,509,528 for 2009-2010 and an additional \$1,468,922 for 2010-2011. When added to the special session cuts, the NSCS reduced its base budget by more than \$5.6 million over the two years of the biennium. This resulted in the elimination of over 50 full-time equivalent (FTE) State-aided positions system-wide, as well as reductions in operating expenses, travel costs, contractual services, and utility costs.

The Governor and Legislature are currently looking at possible additional reductions to the State's budget. The 2011-2013 biennium budget will be set during the upcoming Legislative session scheduled to begin in January 2011.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**MANAGEMENT'S DISCUSSION AND ANALYSIS - UNAUDITED**

(Continued)

Enrollment at the State Colleges (annual FTE) remained relatively stable for 2009-2010. Fall enrollments are expected to also remain stable for 2010-2011. The NSCS continues to engage in an increased emphasis on enrollment management and marketing.

The NSCS has completed a number of renovations to classroom and residential facilities, which continue to make the campuses attractive to both new and current students. In April 2006, the Legislature approved and the Governor signed LB 605, which provides intent to appropriate \$1,125,000 annually to the Board of Trustees for a period of 14 years beginning July 1, 2006, and continuing through the fiscal year ending June 30, 2020, to undertake maintenance, repair and renovation projects at the State Colleges. Matching funds of \$200,000 in 2006-2007, \$400,000 in 2007-2008, \$600,000 in 2008-2009, and \$1,200,000 in 2009-2010 have already been provided and future matching funds are required by the Board of Trustees in the amount of \$1,200,000 for each of the remaining 10 years. The matching funds are provided from the State Colleges Capital Improvement Fund, which is derived from a per-credit-hour charge on all students attending a State College. LB 605 (2006) authorized the Nebraska State College Facilities Corporation to issue bonds for eligible projects. The bonding resulting from LB 605 provided over \$23 million in capital projects to the three Colleges. As mentioned earlier in this report, all projects are now at or near final completion.

In October 2010, \$5 million in revenue bonds were issued under the NSCS Master Resolution to renovate Pile Hall at WSC. An additional estimated \$3.6 million in revenue bonds are planned for issuance in January 2011 to renovate Morgan Hall at PSC. Both renovation projects include complete renovation of the interiors of the existing buildings, replacing outdated mechanical and electrical systems to provide energy efficient heat and air conditioning, reconfiguration of restrooms, and life safety code improvements. While the Pile Hall renovation will result in just a few additional rooms available to students, the Morgan Hall renovation will allow 74 beds in the west wing back into service that have not been available for use for the past several years due to conditions.

NEBRASKA STATE COLLEGE SYSTEM - PRIMARY GOVERNMENT  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**STATEMENT OF NET ASSETS**  
June 30, 2010

**Assets**

**Current Assets**

Cash and Cash Equivalents	\$ 25,411,319
Restricted Cash and Cash Equivalents	10,169,283
Accounts Receivable, Net of Allowance	747,474
State Grants and Appropriations Receivable	1,664,163
Other Receivables	296,352
Inventories	133,136
Loans to Students, Net	355,154
Prepaid Expenses	557,772
Deposits with Vendors	18,752
	<u>39,353,405</u>

**Noncurrent Assets**

Restricted Cash and Cash Equivalents	11,679,856
Restricted Investments Held by Trustee	273,135
Investment Income Receivable	4,217
Loans to Students, Net	2,159,589
Capital Assets, Net	141,294,341
Deferred Bond Issue Costs, Net	553,859
	<u>155,964,997</u>
Total Noncurrent Assets	<u>155,964,997</u>
Total Assets	<u>195,318,402</u>

**Liabilities**

**Current Liabilities**

Accounts Payable and Accrued Liabilitie	7,898,119
Accrued Compensated Absences	387,994
Other Liabilities	167,098
Deferred Revenue	301,310
Interest Payable	778,373
Long-Term Debt - Current Portion	2,303,982
Deposits Held in Custody for Others	368,372
	<u>12,205,248</u>

**Noncurrent Liabilities**

Accrued Compensated Absences	3,111,724
Unamortized Bond Premium	213,107
Other Noncurrent Liabilities	275,217
Long-Term Debt	34,302,836
	<u>37,902,884</u>
Total Noncurrent Liabilities	<u>37,902,884</u>
Total Liabilities	<u>50,108,132</u>

(Continued)

NEBRASKA STATE COLLEGE SYSTEM - PRIMARY GOVERNMENT  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**STATEMENT OF NET ASSETS**  
June 30, 2010

<b>Net Assets</b>	
Invested in Capital Assets, Net of Related Debt	104,989,997
Restricted for	
Expendable	
Loans	2,652,011
Debt Service	12,053,107
Plant	2,839,036
Other	3,792,734
Unrestricted	<u>18,883,385</u>
 Total Net Assets	 <u><u>\$ 145,210,270</u></u>

The accompanying notes are an integral part of the financial statements

(Concluded)

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**CHADRON STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)  
**STATEMENT OF FINANCIAL POSITION**

June 30, 2010

**ASSETS**

Cash and Cash Equivalents - Unrestricted	\$	427,988
Cash and Cash Equivalents - Restricted		329,248
Investments		8,663,053
Contributions Receivable, Net of Allowance for Uncollectible Pledges of \$35,669 for 2010		1,159,863
Assets Held for Sale		-
Prepaid Expenses		6,032
Certificates of Deposit		813,920
Other Assets		2,269,548
Property and Equipment, Net of Accumulated Depreciation		105,277
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>13,774,929</b>

**LIABILITIES AND NET ASSETS**

Accounts Payable	\$	15,589
Wages Payable		38,923
Scholarships Payable		338,082
Deferred Revenue		55,863
Due to Other Agencies		537,416
<b>TOTAL LIABILITIES</b>		<b>985,873</b>

Unrestricted Net Assets:

Operating Fund (Deficit)		(391,101)
CSC Endowment		1,132,773
CSC Quasi Endowment		150,162
Greatest Need		649,604
Total Unrestricted Net Assets		1,541,438

Temporarily Restricted Net Assets:

Donor Designated		2,398,062
Named Endowment Activity		(127,492)
Athletic Endowment		-
Total Temporarily Restricted Net Assets		2,270,570

Permanently Restricted Net Assets:

Named Endowment		8,977,048
<b>TOTAL NET ASSETS</b>		<b>12,789,056</b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>13,774,929</b>
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The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**PERU STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)  
**STATEMENT OF FINANCIAL POSITION**

December 31, 2009

**ASSETS**

**CURRENT ASSETS**

Cash and Cash Equivalents	\$	228,750
Unconditional Promises to Give		8,311
Student Loans Receivable		3,374
Interest Receivable		7,531
Prepaid Expenses		113,377
Current Portion of Notes Receivable		18,340
TOTAL CURRENT ASSETS		379,683

**PROPERTY AND EQUIPMENT**

Land		65,115
Office Furniture and Fixtures		50,193
Rental Property		86,116
Vehicles		18,650
TOTAL PROPERTY AND EQUIPMENT		220,074
Less Accumulated Depreciation		37,559
NET PROPERTY AND EQUIPMENT		182,515

**OTHER ASSETS**

Investments		8,930,544
Notes Receivable, Less Current Portion		196,818
TOTAL OTHER ASSETS		9,127,362
TOTAL ASSETS	\$	9,689,560

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts Payable	\$	14,659
Accrued Compensation		47,841
Accrued Expenses		3,904
Refundable Deposits		114,139
Current Portion of Note Payable		3,042
Current Portion of Gift Annuity		32,325
TOTAL CURRENT LIABILITIES		215,910

**LONG-TERM LIABILITIES**

Note Payable		12,485
Gift Annuity, Less Current Portion		130,674
Deferred Compensation Payable		-
TOTAL LONG-TERM LIABILITIES		143,159
TOTAL LIABILITIES		359,069

**NET ASSETS**

Unrestricted Net Assets:		
Operating		751,997
Board Designated		1,263,069
TOTAL UNRESTRICTED NET ASSETS		2,015,066
Temporarily Restricted		2,107,816
Permanently Restricted		5,207,609
TOTAL NET ASSETS		9,330,491
TOTAL LIABILITIES AND NET ASSETS	\$	9,689,560

The accompanying notes are an integral part of the financial statements.



NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**WAYNE STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

**STATEMENT OF FINANCIAL POSITION**

June 30, 2010

**ASSETS**

Cash and Cash Equivalents - Unrestricted	\$	82,180
Cash and Cash Equivalents - Restricted		273,926
Accrued Interest		467
Prepaid Expenses & Misc. Receivables		-
Inventory		10,555
Unconditional Promises to Give		1,114,367
Investments		12,250,297
Real Estate		212,000
Cash Value Life Insurance		193,992
Assets Restricted for Annuity Contracts		
Investments		847,959
Real Estate		-
Assets Held in Perpetual Trust		
Investments		715,182
		715,182
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>15,700,925</b>

**LIABILITIES AND NET ASSETS**

Accounts & Faculty Grants Payable	\$	4,356
Deferred (Unearned) Event Revenue		1,720
Annuities Payable		544,332
Total Liabilities		550,408

**Net Assets:**

Unrestricted:		
Undesignated		1,496,768
Endowment Funds Deficit		(699,410)
Designated		188,334
Total Unrestricted Net Assets		985,692
Temporarily Restricted		3,344,459
Permanently Restricted		10,820,366
Total Net Assets		15,150,517

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$</b>	<b>15,700,925</b>
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The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM - PRIMARY GOVERNMENT  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
Fiscal Year Ended June 30, 2010

**Operating Revenues**

Tuition and Fees, Net	\$	19,659,493
Federal Grants and Contracts		13,871,247
State Grants and Contracts		1,270,195
Private Grants and Contracts		1,480,305
Auxiliary Enterprises, Net		12,902,558
Other Operating Revenues		624,992
		49,808,790
Total Operating Revenues		49,808,790

**Operating Expenses**

Compensation and Benefits		58,867,334
Contractual Services		3,145,040
Supplies and Materials		9,063,165
Scholarships and Fellowships		1,364,500
Depreciation		5,112,314
Utilities		3,832,514
Repairs and Maintenance		1,722,863
Communications		889,197
Food Service		4,592,449
Other		2,259,411
		90,848,787
Total Operating Expenses		90,848,787

**Operating Loss** (41,039,997)

**Nonoperating Revenue (Expenses)**

State Appropriations		47,144,372
Capital Outlay		(2,065,766)
Investment Income		1,149,800
Interest on Capital Asset-Related Debt		(1,641,605)
Other Nonoperating Revenue (Expense)		(1,890,637)
		42,696,164
Net Nonoperating Revenues (Expenses)		42,696,164

(Continued)

NEBRASKA STATE COLLEGE SYSTEM - PRIMARY GOVERNMENT  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
Fiscal Year Ended June 30, 2010

<b>Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)</b>	1,656,167
<b>Capital Facilities Fees</b>	2,107,711
<b>Capital Contributions</b>	2,608,601
<b>Operating Transfers In (Out)</b>	-
<b>Capital Appropriations and Grants</b>	<u>8,768,670</u>
<b>Increase in Net Assets</b>	15,141,149
<b>Net Assets, Beginning of Year, As Previously Stated</b>	129,630,040
<b>Prior Period Adjustment (See Note 11)</b>	<u>439,081</u>
<b>Net Assets, Beginning of Year, As Restated</b>	<u>130,069,121</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 145,210,270</u></u>

The accompanying notes are an integral part of the financial statements.

(Concluded)

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**CHADRON STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2010

<b>REVENUES, GAINS (LOSSES), AND OTHER SUPPORT</b>	
Fundraising Income	\$ 1,307,839
Principle Contributions to Named Endowments	240,222
Management Fees	183,676
State Income	198,966
Unrealized Gain on Investments	575,892
Realized Gain on Investments	404,954
Change in the Value of Trusts	238,808
Interest and Dividend Income	102,884
Event Income	88,473
Miscellaneous Income	11,901
	<hr/>
Total Revenues, Gains (Losses), and Other Support	3,353,615
Transfer Between Net Assets	-
Net Assets Released From Restrictions	-
	<hr/>
Total Support and Reclassifications	<u>3,353,615</u>
<b>EXPENSES</b>	
Program Services	1,102,146
General and Management	337,697
Fundraising	280,010
	<hr/>
Total Expenses	<u>1,719,853</u>
<b>CHANGE IN NET ASSETS</b>	1,633,762
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>11,155,294</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 12,789,056</u></u>

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**PERU STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2009

<b>PUBLIC SUPPORT AND REVENUE</b>	
Contributions	\$ 594,327
Special Events	86,899
Interest and Dividends	233,749
Realized Loss on Sale of Investments	(357,187)
Unrealized Gain on Investments	2,060,469
Change in Value of Annuities	19,896
Miscellaneous Income	10,302
Net Assets Released From Restrictions	-
	-
TOTAL PUBLIC SUPPORT AND REVENUE	2,648,455
<b>EXPENSES</b>	
Program Expenses	639,998
Management Expenses	257,180
Fundraising Expenses	280,096
	280,096
TOTAL EXPENSES	1,177,274
INCREASE/(DECREASE) IN NET ASSETS BEFORE EXTRAORDINARY ITEM	1,471,181
EXTRAORDINARY ITEM - Cancellation of Deferred Compensation Agreement	269,896
	269,896
<b>INCREASE/(DECREASE) IN NET ASSETS</b>	<b>1,741,077</b>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<b>7,589,414</b>
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 9,330,491</b>

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**WAYNE STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

**STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2010

**REVENUES AND OTHER SUPPORT**

Gift/Contributions Income	\$	2,661,004
Interest and Dividends		280,098
Net Gain (Loss) on Investments		760,204
Other Non Gift Income		208,653
		<hr/>
Total Revenue and Other Support		3,909,959
		<hr/>
Net Assets Released From Restrictions		-
		<hr/>

**EXPENSES**

General and Administrative		198,527
Fundraising		265,834
Program Expenses		2,857,059
		<hr/>
Total Expenses Before Amortization		3,321,420
Amortization of Annuity Contracts		58,599
		<hr/>
Total Expenses		3,380,019
		<hr/>

**NET INCREASE (DECREASE) IN NET ASSETS** 529,940

**NET ASSETS, BEGINNING OF YEAR** 

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14,620,577

**NET ASSETS, END OF YEAR** \$ 

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15,150,517

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM - PRIMARY GOVERNMENT  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**STATEMENT OF CASH FLOWS**  
Fiscal Year Ended June 30, 2010

<b>Operating Activities</b>	
Tuition and Fees	\$ 19,510,219
Grants and Contracts	16,621,747
Payments to Suppliers	(22,141,719)
Payments for Utilities	(3,842,040)
Payments to Employees	(57,879,763)
Loans Issued to Students	(285,502)
Collections of Loans to Students	419,851
Sales and Services of Auxiliary Enterprises	12,882,945
Other Receipts (Payments)	<u>937,513</u>
Net Cash Used in Operating Activities	<u>(33,776,749)</u>
<b>Noncapital Financing Activities</b>	
State Appropriations	51,717,548
Grants and Contracts	(87,664)
Direct Lending Receipts	16,063,152
Direct Lending Payments	(16,063,152)
Other Receipts (Payments)	<u>(1,868,197)</u>
Net Cash Provided by Noncapital Financing Activities	<u>49,761,687</u>
<b>Capital and Related Financing Activities</b>	
Receipt from State for Capital Purchases	2,190,498
Capital Contributions	2,607,101
Purchase of Capital Assets	(19,382,636)
Principal Paid on Capital Debt	(3,115,204)
Interest Paid on Capital Debt	(1,676,237)
Capital Facilities Fees	2,107,711
Transfers In(Out)	(16,271)
Other	(486)
Capital Appropriations	<u>6,578,172</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(10,707,352)</u>
<b>Investing Activities</b>	
Purchase/Sale of Investments	1,352,604
Investment Income	<u>1,149,783</u>
Net Cash Provided by Investing Activities	<u>2,502,387</u>
	(Continued)

NEBRASKA STATE COLLEGE SYSTEM - PRIMARY GOVERNMENT  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**STATEMENT OF CASH FLOWS**  
Fiscal Year Ended June 30, 2010

<b>Increase (Decrease) in Cash and Cash Equivalents</b>	7,779,973
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>39,480,485</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u><u>\$ 47,260,458</u></u>
 <b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>	
Cash and Cash Equivalents	\$ 25,411,319
Restricted Cash and Cash Equivalents - Current	10,169,283
Restricted Cash and Cash Equivalents - Noncurrent	<u>11,679,856</u>
Total Cash and Cash Equivalents	<u><u>\$ 47,260,458</u></u>
 <b>Reconciliation of Net Operating Revenues (Expenses) to Net Cash Used in Operating Activities</b>	
Operating Loss	\$ (41,039,997)
Depreciation/Amortization Expense	5,112,314
Changes in Operating Assets and Liabilities	
Receivables, Net	(62,426)
Inventories	8,561
Prepays and Other	(6,961)
Accounts Payable and Accrued Liabilities	1,120,892
Accrued Compensated Absences	311,427
Other Assets and Liabilities	<u>779,441</u>
<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (33,776,749)</u></u>
 <b>Supplemental Cash Flows Information</b>	
Accounts Payable Incurred for Capital Asset Purchases	\$ 871,234

The accompanying notes are an integral part of the financial statements.

(Concluded)



NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**CHADRON STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)

**STATEMENT OF CASH FLOWS**

For the Year Ended June 30, 2010

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase (Decrease) in Net Assets	\$ 1,633,762
Adjustments to Reconcile Increase (Decrease) in Net Assets	
To Net Cash Provided (Used) by Operating Activities	
Depreciation	19,790
Unrealized Loss (Gain) on Investments	(575,892)
Realized Loss (Gain) on Investments	(404,954)
Change in the Value of Trusts	(238,808)
(Gain) on Sale of Assets	-
Property Support to College	319,444
Change in Beneficial Interest in Annuity	1,731
Proceeds from Contributions Restricted for	
Investment in Named Endowments	(240,222)
(Increase) Decrease In:	
Contributions Receivable	(449,251)
Prepaid Assets	5,056
Increase (Decrease) In:	
Accounts Payable	11,648
Wages Payable	666
Scholarships Payable	(106,252)
Deferred Revenue	(1,731)
Due to Other Agencies	(52,427)
	(77,440)
Net Cash Provided (Used) by Operating Activities	(77,440)

**CASH FLOWS FROM INVESTING ACTIVITIES**

(Increase) Decrease in Cash Surrender Value of Life Insurance	(1,241)
Proceeds From Sale of Investments	1,061,157
Purchase of Investments	(1,029,226)
Purchase of Certificates of Deposit	(813,920)
Purchase of Property	(63,148)
Sale of Property	1
	(846,377)
Net Cash Used by Investing Activities	(846,377)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from Contributions Restricted for	
Investment in Named Endowments	240,222
	240,222
Net Cash Provided by Financing Activities	240,222
Net Increase in Cash and Equivalents	(683,595)

**CASH AND EQUIVALENTS, BEGINNING OF YEAR** 1,440,831

**CASH AND EQUIVALENTS, END OF YEAR** \$ 757,236

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash and Equivalents - Unrestricted	\$ 427,988
Cash and Equivalents - Restricted	329,248
Total Cash and Equivalents	\$ 757,236

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**PERU STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)  
**STATEMENT OF CASH FLOWS**  
December 31, 2009

**CASH FLOWS FROM OPERATING ACTIVITIES**

Increase/(Decrease) in Net Assets	\$ 1,741,077
Adjustments to Reconcile Increase/(Decrease) in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	7,255
Unrealized (Gain)/Loss on Investments	(2,060,469)
Realized Loss on Sale of Investments	357,187
Gift of Property and Equipment	114,673
In-kind Contributions	-
Deferred Compensation	(269,896)
Bad Debts	-
Changes in Current Assets and Current Liabilities:	
Decrease in Unconditional Promises to Give	757
(Increase)/Decrease in Student Loans Receivable	(2,697)
Decrease in Interest Receivable	4,226
Increase in Prepaid Expenses	(22,319)
Increase in Accounts Payable	5,823
(Decrease)/Increase in Accrued Compensation	(52,715)
Increase in Accrued Expenses	115
Increase in Refundable Deposits	39,315
Net Cash Used by Operating Activities	<u>(137,668)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from Sale of Investments	1,827,082
Purchases of Investments	(1,756,540)
Payments Received on Notes Receivable	77,820
Purchases of Property and Equipment	(18,650)
Net Gift Annuity (Payments)/Contributions	(53,101)
Net Cash Provided By Investing Activities	<u>76,611</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from Borrowing	16,792
Repayment of Borrowing	(1,265)
Net Cash Provided By Financing Activities	<u>15,527</u>

**CHANGES IN CASH AND CASH EQUIVALENTS** (45,530)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 274,280

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 228,750

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**WAYNE STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)  
**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2010

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	\$	529,940
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation		5,500
Amortization of Annuity Obligations		58,599
Non Cash Contributions		(52,418)
Net Loss (Gain) on Investments & (Reinvested Income)		(760,204)
(Increase) Decrease in Operating Non-Cash Assets:		
Accrued Interest Receivable/Prepays & Misc. Receivables		4,705
Unconditional Promises to Give		508,995
Inventory		(10,555)
Cash Value Life Insurance		(9,497)
Increase (Decrease) in Operating Non-Cash Liabilities:		
Accounts Payable/Faculty Grants Payable		(12,748)
Net Cash Provided by Operating Activities		262,317

**CASH FLOWS FROM INVESTING ACTIVITIES**

Net (Purchases) of Investments		(114,048)
Net Cash (Used) by Investing Activities		(114,048)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Proceeds from Annuity Contracts		92,264
Payments on Annuity Contracts		(90,172)
Net Cash Provided (Used) by Financing Activities		2,092

**NET CHANGE IN CASH & CASH EQUIVALENTS**

150,361

Cash and Cash Equivalents, Beginning of Year

205,745

**CASH AND CASH EQUIVALENTS, END OF YEAR**

\$ 356,106

The accompanying notes are an integral part of the financial statements.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2010

**1. Summary of Significant Accounting Policies**

***Organization***

The Nebraska State College System (NSCS) is a governmental institution established under and governed by the laws of the State of Nebraska. The NSCS operates under the jurisdiction of the Board of Trustees of the Nebraska State Colleges. The NSCS includes Chadron State College (CSC), Peru State College (PSC), Wayne State College (WSC), the NSCS Office, and the Nebraska State College Facilities Corporation (a blended component unit). The NSCS is a component unit of the State of Nebraska (State) because it is financially accountable to the State. The financial statements include all funds of the NSCS. The major accounting principles and practices followed by the NSCS and its separately reported foundation component units are presented below to assist the reader in evaluating the financial statements and accompanying notes.

***Reporting Entity***

The NSCS has considered all potential component units for which it is financially accountable and other organizations that are fiscally dependent on the NSCS, or the significance of their relationship with the NSCS is such that exclusion would be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the NSCS to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the NSCS.

As required by Generally Accepted Accounting Principles (GAAP), these financial statements present the NSCS and its component units. The component units are included in the NSCS reporting entity because of the significance of their operational or financial relationships with the NSCS.

***Blended Component Unit***

The Nebraska State Colleges Facilities Corporation (Corporation) is a nonprofit corporation incorporated in 1983 to finance the repair or construction of buildings or the acquisition of equipment for use by the State Colleges. This component unit is included in the NSCS's reporting entity because of the significance of its operational or financial relationships with the NSCS. This component unit is an entity that is legally separate from the NSCS, but is so intertwined with the NSCS that it is, in substance, the same as the NSCS. The Corporation's balances and transactions are blended into the accompanying financial statements and reported in a manner similar to the balances and transactions of the NSCS itself.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. Summary of Significant Accounting Policies** (Continued)

***Discretely Presented Component Units***

In implementing GASB Statement No. 39, the State College Board of Trustees determined Chadron State, Peru State, and Wayne State Foundations (Foundations) are legally separate, tax-exempt nonprofit foundations incorporated in the State of Nebraska. The Foundations act primarily as fund-raising organizations to supplement the resources available to each Foundation's respective College in support of its programs. Although the Colleges do not control the timing or amount of receipts from the Foundations, the majority of resources or income the Foundations hold and invest is restricted to the activities of each Foundation's respective College by its donors. Because these restricted resources held by the Foundations can only be used by, or for the benefit of their respective Colleges, the Foundations are considered component units of the NSCS and are discretely presented on separate pages in this report.

The Foundations report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundations' audited financial information as it is presented (see Note 12).

During the year ended June 30, 2010, Chadron State and Wayne State Foundations distributed \$1,102,146 and \$2,807,561, respectively to their Colleges; and during the year ended December 31, 2009, Peru State Foundation distributed \$640,618 to PSC for both restricted and unrestricted purposes. Separate audit reports were issued by each foundation and can be obtained from their respective administrative offices or by contacting the Nebraska State College System at P.O. Box 94605, Lincoln, Nebraska 68509-4605.

***Basis of Accounting and Presentation***

The NSCS statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by GASB. GASB has issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*. The NSCS follows the "business-type" activities reporting format of GASB Statement No. 34. This reporting format requires the following elements:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Assets

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. Summary of Significant Accounting Policies** (Continued)

- Statement of Revenues, Expenses, and Changes in Net Assets
- Statement of Cash Flows
- Notes to Financial Statements

The NSCS has the option to apply all FASB pronouncements that were issued after November 30, 1989, unless the FASB pronouncement conflicts with or contradicts a GASB pronouncement. The NSCS has elected not to apply FASB pronouncements issued after the applicable date.

The financial statements of the NSCS have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally Federal and State grants and State appropriations) are recognized when all applicable eligibility requirements are met. Internal activity and balances are eliminated in preparation of the financial statements unless they relate to services provided and used internally. Operating revenues and expenses include exchange transactions and program-specific, government-mandated nonexchange transactions. Government-mandated nonexchange transactions that are not program specific (such as State appropriations), investment income, and interest on capital asset-related debt are included in nonoperating revenues and expenses. The NSCS first applies restricted net assets when an expense or outlay is incurred for purposes for which both restricted and unrestricted net assets are available.

Unrestricted Net Assets – Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net assets subject to donor imposed stipulations that they be maintained permanently by the Foundations. Generally, earnings from endowed contributions and investments are restricted for specific purposes.

***Use of Estimates***

The preparation of financial statements in conformity 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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. Summary of Significant Accounting Policies** (Continued)

***Cash and Cash Equivalents***

The NSCS cash and cash equivalents are stated at fair value. Cash is deposited with the Nebraska State Treasurer on a pooled basis in a State fund. Income earned by the pool is allocated to the NSCS based upon average daily balances. From time to time, the Nebraska State Investment Officer, as allowed by statute, participates in securities lending transactions, which makes use of amounts on deposit from the NSCS. Securities lending transactions cannot be specifically identified to amounts on deposit from the NSCS and, as such, are not included in the financial statements for the year ended June 30, 2010.

The NSCS considers all liquid investments with original maturities of twelve months or less to be cash equivalents. At June 30, 2010, cash equivalents consisted primarily of money market funds.

***Income Tax Status***

The NSCS is a State agency established under and governed by the laws of the State of Nebraska. As such, NSCS is exempt from State and Federal income taxes.

The Foundations qualify as tax-exempt organizations, other than a private foundation, under Section 501(c)(3) of the Internal Revenue Code and therefore, have no provision for Federal income taxes.

***Investments and Investment Income***

NSCS investments, including those held by a trustee, are carried at fair value. Fair value is determined using quoted market prices.

Investment income consists of interest income and the net change for the year in the fair value of investments carried at fair value.

***Accounts Receivable***

The NSCS's accounts receivable consist of tuition and fee charges to students and charges for auxiliary enterprise services provided to students, faculty, and staff. Accounts receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible amounts was \$583,609 at June 30, 2010, and is identified by College as follows:

WSC	\$	318,409
CSC	\$	199,000
PSC	\$	66,200

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. Summary of Significant Accounting Policies** (Continued)

***Deferred Bond Issue Costs***

The NSCS's bond issue costs incurred on the revenue bond issues have been deferred and are being amortized over the life of the bonds using the effective interest method. Total amortization for the year ended June 30, 2010, was \$553,859, and is identified by College as follows:

WSC	\$	50,280
CSC	\$	114,076
PSC	\$	23,754
NSCS Office	\$	365,749

***Inventories***

The NSCS's inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

***Loans to Students***

The NSCS makes loans to students under the Federal Perkins Loan Program. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$262,853 at June 30, 2010, and is identified by College as follows:

WSC	\$	157,203
CSC	\$	105,650

***Capital Assets***

The NSCS's capital assets are recorded at cost as of the date of acquisition, or fair value at the date of donation if acquired by gift. Generally, equipment that has a cost in excess of \$5,000 at the date of acquisition and has an expected useful life of two or more years is capitalized. Also, all land, buildings, infrastructure, and construction in progress are capitalized. Depreciation/amortization is computed using the straight-line method over the estimated useful life of each asset, with one-half of one year's depreciation/amortization taken in the first and last years of the asset life. The following estimated useful lives are being used by the NSCS:

Buildings and improvements	20 – 50 years
Infrastructure	10 – 50 years
Furniture, fixtures, and equipment	3 – 10 years
Library materials	5 years



NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

1. **Summary of Significant Accounting Policies** (Continued)

*Compensated Absences*

The NSCS's policies permit most employees to accumulate vacation benefits. Staff earn 12 to 25 days of vacation each year and may accrue vacation up to the maximums established in Board policy and/or in the respective bargaining agreements. Expense and the related liability are recognized as vacation benefits when earned whether the employee is expected to realize the benefit as time off or cash. In addition, professional and support staff receive a cash payment of one-fourth of accrued sick leave upon retirement from the NSCS. Expense and the related liability for sick leave benefits are recognized when earned to the extent the employee is expected to realize the benefit in cash determined using the termination payment method. Sick leave benefits expected to be realized as paid time off are recognized as an expense when the time off occurs.

*Deferred Revenue*

Deferred revenue represents unearned student tuition and fees and advances on grants and contract awards for which the NSCS has not met all of the applicable eligibility requirements.

*Classification of Revenues*

The NSCS has classified its revenues as either operating or nonoperating revenues according to the following criteria.

*Operating revenues* – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship allowances, (2) sales and services of auxiliary enterprises, and (3) interest on student loans.

*Nonoperating revenues* – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as State appropriations and investment income.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**1. Summary of Significant Accounting Policies** (Continued)

*Scholarship Discounts and Allowances*

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the Statement of Revenues, Expenses, and Changes in Net Assets. Scholarship allowances are the difference between the stated charge for goods and services provided by the NSCS, and the amount that is paid by students and/or third parties making payments on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, State, or nongovernmental programs, are recorded as operating revenues in the NSCS's financial statements. To the extent revenues from such programs are used to satisfy tuition and fees and other student charges, the NSCS has recorded a scholarship allowance. The scholarship allowances on tuition and fees and auxiliary enterprises for the year ended June 30, 2010, were \$11,888,688 and \$3,783,482, respectively and are identified by College as follows:

	Tuition and Fees	Auxiliary Enterprises
WSC	\$ 4,932,793	\$ 2,331,253
CSC	\$ 3,325,939	\$ 614,994
PSC	\$ 3,629,956	\$ 837,235

*Recent Statements Issued by GASB*

- Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement provides standards for the measurement, recognition, and display of other postemployment benefit expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information.
- Statement No. 50, *Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27*. This statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits (OPEB), and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension plans.
- Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets to reduce inconsistencies in the accounting and financial reporting of intangible assets among state and local governments, particularly in the areas of recognition, initial measurement, and amortization and thereby enhance the comparability of the accounting and financial reporting of intangible assets among state and local governments. The NSCS implemented this particular statement in 2009.
- Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This statement establishes consistent accounting and financial reporting standards for land and other real estate held as investment by endowments, including permanent funds.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**1. Summary of Significant Accounting Policies** (Concluded)

- Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments.
- Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types.
- Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement incorporates the hierarchy of GAAP for state and local governments into the GASB authoritative literature.
- Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. This statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations.
- Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This statement establishes standards for the measurement and financial reporting of actuarially determined information by agent employers with individual-employer OPEB plans that have fewer than 100 total plan members and by the agent multiple-employer OPEB plans in which they participate.
- Statement No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. This statement establishes accounting and financial reporting standards for all governments that have petitioned for Chapter 9 U.S. Bankruptcy Code relief.
- Statement No. 59, *Financial Instruments Omnibus*. This statement seeks to update and improve existing standards regarding financial instruments and external investment pools for which significant issues have been identified in practice.

**2. Deposits, Investments, and Investment Return**

*Deposits*

All of the NSCS's deposits are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits exceeding the Federal depository insurance coverage level are collateralized with securities held by the NSCS's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. By State statute, the State Treasurer is required to ensure that all State funds are either insured by Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank, or invested in

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2. Deposits, Investments, and Investment Return** (Continued)

U.S. government obligations. The NSCS's deposits with the State Treasurer are pooled with the funds of other State agencies and then, in accordance with statutory limitations, deposited in banks or invested as the State Treasurer may determine. Interest on funds held by the State Treasurer is periodically disbursed to the participating agencies. These funds are considered to be cash and cash equivalents which are available for expenditures as needed.

Additional information on the deposit and investments portfolio including investment policies, risk, and type of investment can be found in the State of Nebraska's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2010.

The NSCS has no policy regarding custodial credit risk for deposits.

At June 30, 2010, the carrying value of the NSCS's bank deposits was \$10,481,528 and the bank balance was \$10,503,771. The bank balance at June 30, 2010, was entirely covered by FDIC and collateral held by the pledging institution's agent in other than the NSCS's name. State law requires collateralization of all deposits with Federal depository insurance; bonds and other obligations of the U.S. Treasury, U.S. agencies and instrumentalities of the State of Nebraska; or a surety bond having an aggregate value at least equal to the amount of the deposits. No legal opinion has been obtained regarding the enforceability of any of the collateral arrangements.

***Investments***

At June 30, 2010, the NSCS's investment balances, which had maturities of less than one to five years, had fair values as follows:

Investment Type	
Debt Securities	
Corporate Debt	\$ 42,238
Other Investments	
Equity Securities	230,897
	<u>\$ 273,135</u>

*Interest Rate Risk.* The NSCS 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 rates.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**2. Deposits, Investments, and Investment Return** (Concluded)

*Credit Risk.* The NSCS may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. The NSCS investments were rated as follows:

	Fair Value	Quality Ratings		
		AAA	AA	Unrated
Corporate Debt	\$ 42,238	\$ -	\$ 31,713	\$ 10,525
Equity Securities	230,897	-	-	230,897
	\$ 273,135	\$ -	\$ 31,713	\$ 241,422

*Concentration of Credit Risk.* The NSCS places no limit on the amount that may be invested in any one issuer. Of NSCS's investments, 15% are in corporate debt and 85% are equity securities.

*Custodial Risk.* For an investment, custodial risk is the risk that, in the event of failure of the counterparty, the NSCS will be able to recover the value of its investments that are in the possession of an outside party. All securities are held by the investment's counterparty, not in the name of the NSCS.

***Summary of Fair Values***

The fair values of deposits and investments shown above are included in the statement of net assets as follows:

Fair Value	
Cash	\$ 5,350
Deposits:	
Bank Deposits	10,235,234
Short Term Investment Pool	37,019,874
Investments	273,135
Total as of June 30, 2010	\$ 47,533,593

Included in the Statement of Net Assets

Cash and Cash Equivalents	\$ 25,411,319
Restricted Cash and Cash Equivalents	21,849,139
Investments held by Trustee	273,135
	\$ 47,533,593

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**3. Capital Assets**

The NSCS capital assets activity for the year ended June 30, 2010, was:

*Assets*

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
Land	\$ 689,324	\$ 1,500	\$ -	\$ 690,824
Building and Improvements	137,160,614	4,700,740	23,610	141,837,744
Infrastructure	19,285,429	2,845,737	-	22,131,166
Furniture, Fixtures, and Equipment	7,387,184	562,357	293,262	7,656,279
Library Materials	9,751,387	361,638	50,241	10,062,784
Art	375,863	54,778	-	430,641
Construction in Progress	23,483,580	15,308,142	7,218,359	31,573,363
	<u>198,133,381</u>	<u>23,834,892</u>	<u>7,585,472</u>	<u>214,382,801</u>

*Accumulated Depreciation/Amortization*

Building and Improvements	48,933,962	3,133,224	23,610	52,043,576
Infrastructure	7,230,644	754,719	-	7,985,363
Furniture, Fixtures, and Equipment	3,462,053	803,315	231,379	4,033,989
Library Materials	8,654,717	421,056	50,241	9,025,532
Total				
Depreciation/ Amortization	<u>68,281,376</u>	<u>5,112,314</u>	<u>305,230</u>	<u>73,088,460</u>
Net Capital Assets	<u>\$ 129,852,005</u>	<u>\$ 18,722,578</u>	<u>\$ 7,280,242</u>	<u>\$ 141,294,341</u>

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**3. Capital Assets (Concluded)**

*Net Assets by College*

	<u>WSC</u>	<u>CSC</u>	<u>PSC</u>	<u>NSCS Office</u>	<u>Balance</u>
Land	\$ 633,728	\$ 49,395	\$ 7,701	\$ -	\$ 690,824
Building and Improvements	32,418,680	29,176,155	28,199,333	-	89,794,168
Infrastructure	6,074,544	4,405,163	3,666,096	-	14,145,803
Furniture, Fixtures, and Equipment	614,464	496,001	483,539	2,028,286	3,622,290
Library Materials	344,553	538,999	153,700	-	1,037,252
Art	174,981	45,000	210,660	-	430,641
Construction in Progress	24,756,363	-	2,377,545	4,439,455	31,573,363
	<u>\$ 65,017,313</u>	<u>\$34,710,713</u>	<u>\$ 35,098,574</u>	<u>\$ 6,467,741</u>	<u>\$ 141,294,341</u>

**4. Long-Term Liabilities**

The following is a summary of long-term obligation transactions for the NSCS for the year ended June 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Loan Obligations Payable	\$ 215,159	\$ -	\$ 18,341	\$ 196,818	\$ 18,982
Revenue and Refunding Bonds	17,235,000	-	810,000	16,425,000	830,000
Facilities Corporation Bonds	22,250,000	-	2,265,000	19,985,000	1,455,000
Total Long-Term Debt Liabilities	<u>39,700,159</u>	<u>-</u>	<u>3,093,341</u>	<u>36,606,818</u>	<u>2,303,982</u>
Other Long-Term Liabilities:					
Accrued Compensated Absences	3,188,291	311,427	-	3,499,718	387,994
Unamortized Bond Premium	234,329	-	21,222	213,107	21,222
Other Liabilities	606,503	-	164,188	442,315	167,098
Total Other Long-Term Liabilities	<u>4,029,123</u>	<u>311,427</u>	<u>185,410</u>	<u>4,155,140</u>	<u>576,134</u>
Total Long-Term Liabilities	<u>\$ 43,729,282</u>	<u>\$ 311,427</u>	<u>\$ 3,278,751</u>	<u>\$ 40,761,958</u>	<u>\$ 2,880,296</u>

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**4. Long-Term Liabilities** (Continued)

***Termination Benefits***

The NSCS has two programs for support staff in the Nebraska Association of Public Employees Local 61 of the American Federation of State, County, and Municipal Employees (NAPE/AFSME) bargaining unit which must be accounted for under GASB Statement No. 47, *Accounting for Termination Benefits*, the Voluntary Retirement Settlement Program and the Early Retirement Incentive Program. Under the *voluntary retirement settlement program*, employees who are 55 years of age or more on July 1, of the year in which he or she chooses to retire, and have ten or more years of consecutive service within the NSCS will be paid one-quarter of their prior year base salary in 12 equal monthly installments following termination of employment. In addition, NSCS will pay the employee's health/dental insurance (State and employee burden) costs for the last insurance plan the employee had during employment with the NSCS during the 12-month period following termination of employment until the employee is Medicare eligible, at which time the NSCS will pay an amount equivalent to the cost of the Gold Plus Medicare Supplemental Plan for the payout period remaining. Under the current bargaining agreement, this plan was only available to those employees who retired on July 1, 2009, or June 30, 2010. Under the *early retirement incentive program*, employees who have completed at least ten years of continuous service within the NSCS and are 60 years of age or older will be paid the full cost (State and employee burden) of the employee's health/dental insurance he or she had during the last year of employment prior to retirement. The NSCS will continue to pay the health/dental insurance until the employee becomes Medicare eligible.

At June 30, 2010, eight employees at WSC, three employees at PSC, and seven employees at CSC were participating in the NSCS's voluntary/early retirement programs. Liability amounts associated with these retirements are shown below. Liability amounts are reflected in the Accrued Compensated Absences line item on the Statement of Net Assets, the Combining Schedule of Net Assets, and the footnote amount above. All termination benefits are shown at present cost.

	Ending Balance	Current Portion
WSC	\$ 193,872	\$ 87,230
CSC	101,550	54,059
PSC	65,878	27,015
Total	\$ 361,300	\$ 168,304

***Student Fees and Facilities Revenue Bonds Series 2003A and 2003B***

In November 2003, the NSCS Board of Trustees authorized the issuance of \$5,085,000 and \$1,825,000 of Student Fees and Facilities Revenue Bonds Series 2003A and 2003B. The purpose of the issuance was to finance improvements to the Colleges' facilities. Under the bond resolution for Student Fees and Facilities Revenue Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are



NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**4. Long-Term Liabilities** (Continued)

pledged for payment of the principal and interest amount of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds shall be appropriated for payment of principal and interest. The amounts for WSC and CSC's portion of the bond obligation were \$1,825,000 and \$5,085,000, respectively, bearing interest at rates from 1.6% to 5.0%, with payments due from 2005 to 2028.

***Student Fees and Facilities Revenue and Refunding Bonds Series 2002***

In August 2002, the NSCS Board of Trustees authorized the issuance of \$14,315,000 of Student Fees and Facilities Revenue and Refunding Bonds Series 2002. The purpose of the issuance was to provide payment and redemption of outstanding Revenue Bonds and Revenue Bond Anticipation Notes, refinance existing long-term debt, and finance improvements to the Colleges' facilities. Under the bond resolution for Student Fees and Facilities Revenue and Refunding Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amount of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds shall be appropriated for payment of principal and interest. The amounts for PSC, WSC, and CSC's portion of the bond obligation were \$3,605,000, \$8,195,000, and \$2,515,000, respectively, bearing interest at rates from 1.6% to 5.0%, with payments due from 2003 to 2027.

***Nebraska State College Facilities Corporation Bonds***

In July 1999, the Nebraska State College Facilities Corporation authorized the issuance of \$6,845,000 of Series 1999 Bonds. Proceeds were used by the Colleges for various deferred maintenance, repair, and renovation capital projects at their respective facilities. This bond issue is a general obligation of the Nebraska State College Facilities Corporation, which is a separate legal entity that is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The financial resources used to repay the bonds are appropriations and special student fees. The bonds bear interest payable semiannually, at rates of 4.00% to 5.05% and are due in semiannual installments, which began March 15, 2000. Principal maturities began September 15, 2000, and continued until 2009.

In August 2006, the Nebraska State College Facilities Corporation authorized the issuance of \$21,915,000 of Deferred Maintenance Bonds, Series 2006. Proceeds are used to finance the construction of certain renewal and renovation projects at each of the three Colleges. This bond issue is a general obligation of the Nebraska State College Facilities Corporation, which is a separate legal entity that is not subject to State constitutional restrictions on the incurrence of debt, which may apply to the State itself. The financial resources used to repay the bonds are appropriations and special student fees. The bonds bear interest payable semiannually, at rates of 3.55% to 5.00% and are due in semiannual installments, which began January 15, 2007. Principal maturities began July 15, 2007, and continue until 2020.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**4. Long-Term Liabilities** (Continued)

*PSC Loan Obligation*

In May 2007, PSC received a loan from the Peru State College Foundation to finance the renovation of the Al Wheeler Activity Center. The loan is a general obligation of PSC. The loan is not an obligation of the State of Nebraska and no tax funds shall be appropriated for payment of principal and interest. The loan bears interest payable annually at the rate of 3.50% and is due in annual installments, which began May 1, 2008. Principal maturities began May 1, 2008, and continue until 2019.

Debt service requirements to maturity for all long-term debt of the NSCS are as follows:

**PSC Loan Obligation Payable**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 18,982	\$ 6,889	\$ 25,871
2012	19,647	6,224	25,871
2013	20,334	5,537	25,871
2014	21,046	4,825	25,871
2015	21,783	4,088	25,871
2016-2019	95,026	8,458	103,484
Total	<u>\$ 196,818</u>	<u>\$ 36,021</u>	<u>\$ 232,839</u>

**WSC Revenue and Refunding Bonds**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 375,000	\$ 356,481	\$ 731,481
2012	385,000	342,529	727,529
2013	400,000	327,435	727,435
2014	420,000	311,199	731,199
2015	435,000	293,951	728,951
2016-2020	2,295,000	1,167,986	3,462,986
2021-2025	2,115,000	656,533	2,771,533
2026-2028	1,535,000	117,625	1,652,625
Total	<u>\$ 7,960,000</u>	<u>\$ 3,573,739</u>	<u>\$ 11,533,739</u>

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**4. Long-Term Liabilities** (Continued)

**CSC Revenue and Refunding Bonds**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 345,000	\$ 250,483	\$ 595,483
2012	235,000	239,861	474,861
2013	200,000	231,823	431,823
2014	205,000	223,974	428,974
2015	215,000	215,571	430,571
2016-2020	1,205,000	930,158	2,135,158
2021-2025	1,530,000	590,387	2,120,387
2026-2029	1,540,000	159,000	1,699,000
Total	<u>\$ 5,475,000</u>	<u>\$ 2,841,257</u>	<u>\$ 8,316,257</u>

**PSC Revenue and Refunding Bonds**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 110,000	\$ 137,422	\$ 247,422
2012	120,000	133,078	253,078
2013	120,000	128,368	248,368
2014	125,000	123,467	248,467
2015	130,000	118,303	248,303
2016-2020	745,000	498,726	1,243,726
2021-2025	950,000	295,420	1,245,420
2026-2028	690,000	52,750	742,750
Total	<u>\$ 2,990,000</u>	<u>\$ 1,487,534</u>	<u>\$ 4,477,534</u>

**Facilities Corporation Bonds**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 1,455,000	\$ 837,982	\$ 2,292,982
2012	1,515,000	778,582	2,293,582
2013	1,575,000	716,782	2,291,782
2014	1,635,000	644,407	2,279,407
2015	1,720,000	560,532	2,280,532
2016-2020	9,855,000	1,544,658	11,399,658
2021	2,230,000	47,386	2,277,386
Total	<u>\$ 19,985,000</u>	<u>\$ 5,130,329</u>	<u>\$ 25,115,329</u>

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**4. Long-Term Liabilities** (Concluded)

**NSCS Bond Summary**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 2,285,000	\$ 1,582,368	\$ 3,867,368
2012	2,255,000	1,494,050	3,749,050
2013	2,295,000	1,404,408	3,699,408
2014	2,385,000	1,303,047	3,688,047
2015	2,500,000	1,188,357	3,688,357
2016-2020	14,100,000	4,141,528	18,241,528
2021-2025	6,825,000	1,589,726	8,414,726
2026-2029	3,765,000	329,375	4,094,375
Total	<u>\$ 36,410,000</u>	<u>\$ 13,032,859</u>	<u>\$ 49,442,859</u>

The bond resolutions of the Nebraska State College Facilities Corporation Bonds, the Refunding Bonds, and the Revenue Bonds specify the funds that need to be established, the required transfers between funds, and the maximum maturity limits for the funds' investments. The bond resolutions also contain certain covenants, including compliance with a ratio of net revenues to debt service. At June 30, 2010, the NSCS was in compliance with these requirements.

**5. Capital and Operating Leases**

The State of Nebraska, through the Department of Administrative Services (DAS) – Accounting Division, has a Master Lease Agreement to be used by various agencies to purchase equipment. PSC used this financing arrangement to finance the acquisition of a bus while CSC used this financing arrangement to finance the acquisition of two buses and a phone system. All capital leases entered into by PSC and CSC expire in 2013.

Future minimum capital lease payments for PSC and CSC as of June 30, 2010, were:

2011	\$ 178,670
2012	178,569
2013	106,762
Total Minimum Payments	<u>464,001</u>
Less: Interest and executor costs	<u>22,274</u>
Present value of net minimum payments	<u>\$ 441,727</u>

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**5. Capital and Operating Leases** (Concluded)

Noncancellable operating leases related primarily to learning facility expenses expire in various fiscal years through 2013. These leases generally contain renewal options for periods ranging from one to two years and require the NSCS to pay all executory costs (property taxes, maintenance, operating, and insurance).

Future operating lease payments at PSC as of June 30, 2010, were:

2011	\$	134,008
2012		70,675
2013		70,675
		<hr/>
	\$	275,358
		<hr/>

**6. Pension Plan**

The NSCS has a defined contribution retirement plan currently in effect, which was established by the Board of Trustees and may be amended by the Board in accordance with § 85-320 of the Revised statutes of Nebraska. The plan covers all faculty, professional staff, and support staff, and provides investment options and annuity contracts administered by the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF). The plan provides retirement and death benefits to plan members and their beneficiaries. Benefit provisions are contained in the plan document and may be amended by action of the Board of Trustees. Contribution rates for plan members and the NSCS for 2010, expressed as a percentage of covered payroll, were 4.5% to 6.0% and 8%, respectively. Contributions actually made for the fiscal year ended June 30, 2010, by plan members and the NSCS aggregated were \$2,263,141 and \$3,018,852, respectively.

Membership in the plan was mandatory for all full-time faculty and staff who attained the age of thirty. Voluntary membership is permitted for all full-time faculty and staff upon reaching the second anniversary of their employment and the attainment of age twenty-five. The plan benefits are fully vested at the date of contribution.

The NSCS also sponsors a supplemental retirement annuity plan. Plan members contributed \$854,274 in 2010. The NSCS does not contribute to this supplemental plan.

**7. Risk Management**

The NSCS is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Responsibility for the coordination of a risk and insurance management program for the NSCS is assigned to the Chancellor. The responsibility for the development and implementation of the risk and insurance management program is assigned to each of the Colleges' Presidents. Mechanisms for

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**7. Risk Management** (Concluded)

identifying risks and for taking appropriate action to eliminate, abate, transfer, or retain these risks is also the responsibility of each College. The Department of Administrative Services (DAS) – Risk Management Division is responsible for maintaining the self-insurance program for workers’ compensation along with the motor vehicle liability insurance.

The NSCS has chosen to purchase insurance for:

- A. Health care and life insurance for eligible employees.
- B. General liability coverage, with limits ranging from \$1,000,000 per occurrence to \$5,000,000 in aggregate.
- C. Employee benefits liability, with a limit of \$1,000,000 per each employee and \$1,000,000 annual aggregate.
- D. Director and officer liability, with a limit of \$2,000,000 and a self-insured retention of \$100,000.
- E. Real and personal property through the Midwest Higher Education Compact’s (MHEC) property program on a blanket basis for losses up to \$500,000,000, with the program funding a self insurance pool of \$1,000,000 per loss occurrence and a deductible of \$25,000 for the NSCS. Newly acquired properties are covered up to \$100,000,000 for 90 days or until the value of the property is reported to the insurance company. The perils of flood, earthquake, and acts of terrorism have various coverage and sublimits. Details of these coverages are available from the NSCS.

No settlements exceeded commercial insurance coverage in any of the past three fiscal years. Health care insurance is funded through a combination of employee and State contributions. Workers’ compensation is funded in the Workers’ Compensation Internal Service Fund through assessments on each State agency based on total agency payroll and past experience. Tort claims; theft of, damage to, or destruction of assets; errors or omissions; and natural disasters would be funded through the State General Fund or by NSCS assessments as directed by the Legislature, unless covered by purchased insurance. No amounts for estimated claims have been reported in the NSCS’s financial statements.

**8. Commitments and Contingencies**

*Construction Contracts*

The Board of Trustees has authorized and approved construction commitments of \$9,713,252 as of June 30, 2010. These projects will be funded through State monies, Foundation gifts, and capital improvement fees. Construction commitments are identified by College as follows:

WSC	\$	5,216,084
CSC	\$	810,845
PSC	\$	3,686,323

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**8. Commitments and Contingencies** (Concluded)

*Government Grants*

The NSCS is currently participating in numerous grants from various departments and agencies of the Federal and State governments. The expenditures of grant proceeds must be for allowable and eligible purposes. Single audits and audits by the granting department or agency may result in requests for reimbursement of unused grant proceeds or disallowed expenditures. Upon notification of final approval by the grant department or agency, the grants are considered closed.

**9. Restricted Net Assets**

Restricted net assets report resources that are owned by the NSCS, but their use or purpose is restricted. Restricted net assets reported on the Statement of Net Assets are further classified into the following:

*Loans* represent institutional loans and Federal program loan funds set aside to serve as revolving loan funds for students.

*Debt Service* represents the remaining Plant, Capital Improvement, Facilities Corporation, and Auxiliary balances not identified as being Invested in Capital Assets, Net of Related Debt.

*Other* includes \$860,753 in funds set aside by the Board of Trustees for various endowments and student scholarships and \$1,831,304 in unexpended information system project authorizations. The remainder of the *Other* classification consists primarily of a variety of scholarship, student activity, grant, contract, contribution, and gift funds.

**10. Operating Expense Categorization**

For the fiscal year ended June 30, 2010, the NSCS implemented a new computer application accounting software, Systems, Applications, and Products in Data Processing (SAP). In evaluating the consistency of the financial statements between years, various categorization changes within operating expense activities were noted in NSCS's Statement of Revenues, Expenses, and Changes in Net Assets; however, these categorization changes did not affect NSCS's consistent application of GAAP and were not the result of any previous misstatements.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**11. Restatement of Beginning Net Assets**

The Beginning Net Assets balance on the Statement of Revenues, Expenses, and Changes in Net Assets was increased \$439,081 to correct a prior period error in which construction-in-progress had been expensed rather than capitalized. The effect of the correction also increased Capital Assets, Net, by \$439,081 on the Statement of Net Assets.

**12. Component Unit Disclosures – Foundations**

On the following pages are the notes taken directly from the audited financial statements of the College Foundations:

Chadron State Foundation – Pages 47 – 61

Peru State Foundation – Pages 62 – 72

Wayne State Foundation – Pages 73 – 86



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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**CHADRON STATE FOUNDATION**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Nature of Activities - Chadron State Foundation (the Foundation) is a nonprofit organization incorporated in the State of Nebraska in 1963 to promote the education, scientific, and benevolent purposes of Chadron State College (the College). The Foundation acts largely as a fund-raising organization, soliciting and receiving contributions and pledges on behalf of the College. Assets received by the Foundation are used to acquire equipment to be used by the College, to provide financial aid for college students, or to be otherwise expended for the betterment of the College.

Basis of Accounting - The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of these assets permit the Foundation to use all or part of the income earned on any related investments for general or specific purposes.

Designation of Unrestricted Net Assets - It is the policy of the Board of Directors of the Foundation to designate appropriate sums of unrestricted net assets to assure adequate reserves are accumulated to help fund specific future events and the general operations of the Foundation. Accordingly, unrestricted net assets of the Foundation are classified and reported as follows:

*Operating* - The portion of unrestricted net assets that is undesignated and available for the day-to-day operations, support, and management of the Foundation.

*CSC General Fund* - Represents the annual accumulation of unrestricted gifts of \$4,999 or less received by the Foundation. These funds must first be used to address any operating deficits for the current fiscal year. The remaining balance will be transferred to the initial Fund Balance of the CSC Quasi Endowment.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Designation of Unrestricted Net Assets (Continued)

*CSC Quasi Endowment* - Represents unrestricted gifts designated by the Board of Directors that must adhere to the policies and procedures of Section IV of the Chadron State Foundation Endowment Policy & Guidelines.

*Greatest Need* - Represents unrestricted gifts and pledges of \$5,000 or more that will be allocated per recommendation of the Development Committee and approved by the Board of Directors. Such recommendations will be based on the initiatives and priorities of the Foundation and, when appropriate, campaign leadership committee. Such recommendations must be approved by the Board of Directors each quarter or per special meetings. Upon approval by the Board of Directors, these gifts and pledges will be accounted for in the appropriate board designated fund. The Board of Directors have designated \$500,000 of this fund balance to Capital Campaign Initiatives.

Cash and Cash Equivalents - For the purposes of the statement of cash flows, the Foundation considers all cash in banks to be cash and cash equivalents. Restricted cash and cash equivalents are limited to use as the Foundation acts as a custodian for clubs and organizations of Chadron State College as further discussed in Note 8.

Investments - Investments are reported at fair value. Fair value is the price that would be received if the Foundation was to sell an asset in an orderly transaction between market participants at the measurement date. Investments are comprised of limited liability investment groups, which invest in debt and equity securities and are carried at fair value determined using the following valuation methods:

- Securities traded on a national or regional securities exchange are valued at the last sales price if the security is traded on the valuation date.
- Securities not listed on an exchange or securities in which there were no reported transactions are valued at the mean between the last current closing bid and ask prices.
- Fixed-income securities are valued at prices obtained from pricing services when such prices are available, subject to review by the respective Fund's investment advisor.
- Securities or other assets for which reliable recent market quotations are not readily available are valued at fair value as determined in good faith by the managing member of the investment advisors.

Security transactions are accounted for on the date the securities are purchased or sold. Realized gains and losses are calculated using the specific identification method. Dividend income is recognized on the ex-dividend date and interest income is recognized on an accrual basis.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Contributions - Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. However, if a restriction is fulfilled in the same time period the contribution is received, the Foundation reports the support as unrestricted. Gifts and contributions are recorded at fair value at the time of donation. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which promises are to be received.

Contributed Materials and Services - The Foundation records various types of in-kind contributions. Contributed services are recognized at fair value if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses. Total contributed materials and services recognized for the year ending June 30, 2010 was \$92,803.

Revenue Recognition - The Foundation reports contributions as support when assets are received or when an unconditional promise to give has been made. Allowances are provided for amounts estimated to be uncollectible, based on a history of past write-offs and collections. Accounts are written off as uncollectible at the time management determines that collection is unlikely. Revenue from other sources is recorded as earned.

Property and Equipment - The purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated assets to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. The Foundation reclassifies temporarily restricted net assets to unrestricted net assets each year for the amount of depreciation expense relating to the donated property and equipment.

Property and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets. When items are disposed of, the cost and accumulated depreciation are eliminated from the records of account, and a gain or loss is reported in the statement of activities. Repair and maintenance charges that do not increase the useful lives of the assets are charged to the change in net assets as incurred.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property and Equipment (Continued)

Capitalization thresholds (the dollar value above which individual asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the financial statements are as follows:

	<u>Capitalization Policy</u>	<u>Estimated Useful Life</u>
Land	N/A	N/A
Office Equipment	\$ 1,000	3 – 15 yrs
Rental Property	\$ 1,000	39.5 – 50 yrs

Collections - Collection items acquired either through purchase or donation are not capitalized. Purchases of collection items are recorded as decreases in unrestricted net assets if purchased with unrestricted assets and as decreases in temporarily restricted net assets if purchased with donor restricted assets. Contributions of collection items are not recognized in the statement of activities. Proceeds from disposal are reflected on the statement of activities based on the absence or existence and nature of donor imposed restrictions.

The Foundation has a collection of artwork and other memorabilia that were donated by several supporters of Chadron State College. The collection is on display and is available to those who are interested in studying Nebraska state history. The Foundation has taken steps to ensure that the collection is protected and preserved. It is the policy of the Foundation that proceeds from the sale of any collection items are to be used to purchase additional collection items. Contributions to the collection are not reflected in the accompanying financial statements since the Foundation does not capitalize collections.

Income Tax Status - The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a)(1) and qualifies for deductible contributions under Section 170(b)(1)(A)(vi).

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses - The cost of providing the various programs and other activities have been summarized on a functional basis in the statement of activities, accordingly, certain costs have been allocated among the programs and supporting services benefited.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 2 - CASH DEPOSITS**

The Foundation maintains several bank accounts. The following table is designed to disclose the level of custody credit risk assumed by the Foundation based upon how its deposits were insured. FDIC regulations state time and savings accounts are insured up to \$250,000 maximum at June 30, 2010. The total bank balance represents the amount held by the bank. The carrying balance represents the reconciled general ledger balance at June 30, 2010.

Category 1 - Insured by FDIC or collateralized with securities held by the Foundation or by its agent in its name, or by the Transaction Account Guarantee (TAG) portion of the Temporary Liquidity Guarantee Program of the FDIC.

Category 2 - Uninsured by FDIC.

Category 3 - Uninsured and unregistered investments held by the counterpart, its trust or its agent, but not in the Foundation's name.

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Balance</u>	<u>FDIC Coverage Category 1</u>	<u>No FDIC Coverage Category 2</u>	<u>Collateralized Category 3</u>
Demand Deposits:					
Bank of the West					
Operating Account	\$ 189,816	\$ 189,816	\$ 189,816	\$ -	\$ -
North Platte Bank					
Operating Account	209,641	208,787	209,641	-	-
Credit Card Account	7,879	7,879	7,879	-	-
First National Bank – Chadron					
Custodial Account	295,930	329,248	295,930	-	-
Edward Jones					
Money Market	21,506	21,506	-	21,506	-
Certificates of Deposit					
Bank of the West	35,000	35,000	35,000	-	-
First State Bank	125,004	125,000	125,004	-	-
Chadron Fed Cr Union	100,474	100,354	100,474	-	-
Western Heritage	152,032	152,032	152,032	-	-
Security First Bank	100,558	100,514	100,558	-	-
FNB - Gordon	100,242	100,242	100,242	-	-
Platte Valley Bank	200,778	200,778	200,778	-	-
	<u>\$1,538,860</u>	<u>\$1,571,156</u>	<u>\$ 1,517,354</u>	<u>\$ 21,506</u>	<u>\$ -</u>

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 3 - CONTRIBUTIONS**

Contributions receivable at June 30, 2010 were as follows:

	2010
Receivable in Less Than One Year	\$ 366,259
Receivable in One to Five Years	869,990
Receivable in Six to Ten Years	27,422
Total Contributions Receivable	\$ 1,263,671
Less Unamortized Discounts to Net Present Value	(68,139)
Less Allowance for Uncollectable Accounts	(35,669)
Net Contributions Receivable	\$ 1,159,863

The discount rates used on long-term promises to give were 3% for the year ended June 30, 2010.

**NOTE 4 - INVESTMENTS**

Investments are stated at fair value and are shown below as of June 30, 2010:

	Cost 06/30/2010	Market Value 06/30/2010	Unrealized Appreciation
LLC Groups:			
MGA Diversified Core Equity LLC	\$ 1,341,916	\$ 1,671,099	\$ 329,183
MGA Focused Core Equity LLC	1,018,481	934,918	(83,563)
MGA Diversified Sm/Mid Cap Equity LLC	535,122	664,529	129,407
MGA Focused Small Cap Equity LLC	440,815	419,149	(21,666)
MGA International Equity LLC	905,696	826,754	(78,942)
MGA Cash Reserves LLC	463,569	463,530	(39)
MGA Core Income LLC	1,319,967	1,384,961	64,994
MGA Total Return LLC	1,822,388	1,866,396	44,008
MGA Tactical Opportunity LLC	471,176	431,717	(39,459)
Total Investments	\$ 8,319,130	\$ 8,663,053	\$ 343,923

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 4 – INVESTMENTS (CONTINUED)**

Effective July 1, 2008 the Foundation adopted FASB ASC 820-10, *Fair Value Measurements* which has been applied prospectively as of the beginning of the 2009 fiscal year. FASB ASC 820-10, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820-10 are described as follows:

*Level 1* - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.

*Level 2* - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3* - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

The Foundations investments are managed in individual equity and debt portfolios of Limited Liability Company's (LLC's) by an external investment management firm. Each portfolio is made up of individual equity and debt positions in which the Foundation holds a percentage interest similar to a mutual fund. These individual funds are not priced or quoted in an active market (Level 1), but the assets inside of each fund can be priced in an active market under the valuation methods described in Note 1 (Level 2).

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 4 – INVESTMENTS (CONTINUED)**

The following table sets forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30, 2010:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
LLC Groups:				
MGA Diversified Core Equity LLC	\$ 1,671,099	\$ -	\$ 1,671,099	\$ -
MGA Focused Core Equity LLC	934,918	-	934,918	-
MGA Diversified Sm/Mid Cap Equity LLC	664,529	-	664,529	-
MGA Focused Small Cap Equity LLC	419,149	-	419,149	-
MGA International Equity LLC	826,754	-	826,754	-
MGA Cash Reserves LLC	463,530	-	463,530	-
MGA Core Income LLC	1,384,961	-	1,384,961	-
MGA Total Return LLC	1,866,396	-	1,866,396	-
MGA Tactical Opportunity LLC	431,717	-	431,717	-
Total Investments	<u>\$ 8,663,053</u>	<u>\$ -</u>	<u>\$ 8,663,053</u>	<u>\$ -</u>

The following schedule summarizes the investment return in the statement of activities for the year ended June 30, 2010:

	2010
Interest and dividend income	\$ 91,377
Net realized gains (losses)	404,955
Net unrealized gains (losses)	575,893
Management fees	(74,261)
Total	<u>\$ 997,964</u>



NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 5 - OTHER ASSETS**

The Foundation is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the Foundation. The carrying amounts (which are at fair value) of beneficial interests in trusts are based on values provided by an external investment manager, quoted market values, or actuarial valuations. Net realized and unrealized gains and losses related to beneficial interests are reported as changes in net assets based on donor stipulations. The Chicoine Trust is payable upon death of the donor and there are no rights within the trust to redirect these funds. The Lindeken Estate Bequest payment to the Foundation has been extended to December 1, 2010. The fair value of the beneficial interests at June 30, 2010 were as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial Interest in Chicoine Trust	\$1,644,574	\$ -	\$1,644,574	\$ -
Beneficial Interest in Margaret Truwe Bequest	34,491	-	-	34,491
Beneficial Interest in Lindeken Estate Bequest	500,000	-	-	500,000
Cash Surrender Value of Life Insurance	34,619	-	-	34,619
Beneficial Interest in Annuity	55,864	-	-	55,864
Total Other Assets	<u>\$2,269,548</u>	<u>\$ -</u>	<u>\$1,644,574</u>	<u>\$ 624,974</u>

Assets measured at fair market value using significant unobservable inputs (level 3) in an inactive market changed as follows:

	<u>Beneficial Interest in Truwe Trust Bequest</u>	<u>Beneficial Interest in Lindeken Estate Bequest</u>	<u>Cash Surrender Value of Life Insurance</u>	<u>Beneficial Interest in Annuity</u>
Beginning balance, July 1, 2009	\$ -	\$ 500,000	\$ 33,378	\$ 57,594
Purchases, issuance, settlements	34,491	-	-	(7,416)
Total gains (realized, unrealized)	-	-	1,241	5,686
Ending balance, June 30, 2010	<u>\$ 34,491</u>	<u>\$ 500,000</u>	<u>\$ 34,619</u>	<u>\$ 55,864</u>

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 6 - PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2010 consisted of the following:

Land	\$ 38,500
Office Equipment	<u>96,947</u>
	\$ 135,447
Less Accumulated Depreciation	<u>(30,170)</u>
Property & Equipment, Net of Accumulated Depreciation	<u>\$ 105,277</u>

**NOTE 7 - LINE OF CREDIT**

In May 2009, The Foundation obtained a \$100,000 line of credit from First National Bank – Chadron to help finance its short-term capital needs for the purchase of software, service, training and maintenance. This line is collateralized by nearly all of the Foundations assets, and interest is payable on outstanding balances at an interest rate of 3.25%. No borrowings occurred during the year and the Foundation allowed the line of credit to expire in May, 2010.

**NOTE 8 - RELATED PARTIES**

The Foundation, in the normal course of business, engages in transactions with Chadron State College. The College has been designated as the beneficiary of the Foundation. The Foundation pays all scholarships and contributions to the College's students and departments.

The Foundation acts as an agent to the clubs and organizations of Chadron State College. It maintains the cash accounts and provides bookkeeping services for these clubs and organizations. At June 30, 2010, the restricted cash balance was \$329,348. The amount held in endowed investments as of June 30, 2010 was \$374,595 and the total due to other agencies balance was \$537,416.

**NOTE 9 - ACCOUNTING FOR INVESTMENTS AND ENDOWMENTS**

The Foundation has follows FASB ASC 958-205-50-1B, which provides guidance on the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the Uniform Prudent management of Institutional Funds Act of 2006 (UPMIFA). It also requires additional disclosures about an organization's endowment funds (both donor restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 9 - ACCOUNTING FOR INVESTMENTS AND ENDOWMENTS (CONTINUED)**

Investments - Board-designated Endowment - As of June 30, 2010, the Board of Directors had designated \$150,162 of unrestricted net assets as a general quasi endowment fund to support the mission of the Foundation. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

Gifts assigned to a quasi endowment shall be divided into two separate fund balances. One shall be called the "Initial Fund Balance" and one shall be called the "Quasi Endowment Fund Balance". The balance for either the Initial Fund Balance or Quasi Endowment Fund Balance shall be determined as of June 30<sup>th</sup> of each fiscal year. The annual payout from each of these fund balances shall be calculated individually as hereinafter stated:

*Initial Fund Balance* - The Initial Fund Balance for each fiscal year shall consist of the value of all contributions to a quasi endowment. The annual payout from this segment of the quasi endowment shall be set by action of the Finance Committee and ratified by the Foundation Board and shall be consistent with the long term goal of portfolio growth and perpetual support to Chadron State College (CSC). The annual payout from this portion can be up to but not exceed 50% of the fund balance. Any remaining balance after deducting the annual payout shall be transferred by the Foundation to the Quasi Endowment Fund Balance.

*Payout from the Quasi Endowment Fund Balance* - The annual payout from this segment of the endowment shall be set by action of the Finance Committee and ratified or approved by the Foundation Board consistent with the investment policy and long term goal of portfolio growth and perpetual support of CSC. In accordance with GAAP, the Foundation Board has the discretion to allow payouts from the corpus and principal of a Quasi Endowment Fund Balance. However, the Board has chosen by policy to treat a Quasi Endowment Fund Balance as a Named Endowment and paid out accordingly. See Donor-designated Endowment spending policy.

Investments - Donor Designated Endowment - The Foundation's endowment consisted of approximately 312 individual funds established for a variety of purposes. Its endowment includes both donor-restricted and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 9 - ACCOUNTING FOR INVESTMENTS AND ENDOWMENTS (CONTINUED)**

Investments - Donor Designated Endowment (Continued)

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated from the expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purpose of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effects of inflation and deflation, (5) the expected total return from the income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Investment Return Objectives, Risk Parameters and Strategies* - The Foundation has adopted investment and spending policies, approved by the Board of Directors, for the endowment assets that attempt to provide long-term support to CSC. Accordingly, the investment philosophy of the Foundation is based on a disciplined, consistent, and diversified approach utilizing multiple asset classes and allows for multiple managers. Their intent is to accommodate styles and strategies considered reasonable and prudent. Given the characteristics of the Foundation, the long-term investment objective for the portfolio is to earn an average total return of at least 8.8% per year. Since 1925, the average annualized return for intermediate government bonds has been 5.3% while large-cap stocks have returned 10.4% per year, gross of fees. A mix of 60% stocks and 40% bonds has averaged 8.8% gross of fees while inflation has averaged 3.0%. If the total return objective is not achieved over a particular measurement period, the shortfall should be explainable in terms of general economic and capital market conditions. A temporary shortfall will not necessarily indicate failure to achieve the long-term objective. However, periods in which the total return is less than 8.8% must be offset by periods in which it is greater than 8.8%. An important objective of the Foundation Board of Directors is to create an investment and spending program that allows for growth of the portfolio balance.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 9 - ACCOUNTING FOR INVESTMENTS AND ENDOWMENTS (CONTINUED)**

Investments - Donor Designated Endowment (Continued)

*Spending Policy* - Distributions from the Named Endowment are to be according to the Foundation's Endowment policies. Grant levels are based on the weighted average fund balance, using the adjusted pool of awarding endowments during the past three (3) fiscal years. The distribution approved by the Foundation Board shall not exceed five percent (5.0%) of the weighted average fund balance. Distribution from any individual endowment shall be according to restrictions within that controlling endowment. Distributions from Quasi Endowment shall be according to its controlling restrictions. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation.

Endowment net asset composition by type of fund as of June 30, 2010 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment fund	\$ -	\$ (127,492)	\$ 8,977,048	\$ 8,849,556
Board-designated endowment fund	150,162	-	-	150,162
<b>Total funds</b>	<b>\$ 150,162</b>	<b>\$ (127,492)</b>	<b>\$ 8,977,048</b>	<b>\$ 8,999,718</b>

Changes in endowment net assets as of June 30, 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 72,417	\$ (900,247)	\$ 8,736,826	\$ 7,908,996
Contributions	-	-	240,222	240,222
Investment Income, net of fees	7,350	395,738	-	403,088
Net appreciation	10,012	542,410	-	552,422
Transfers	63,432	(8,392)	-	55,040
Amounts appropriated for expenditures	(3,049)	(157,001)	-	(160,050)
<b>Endowment net assets, end of year</b>	<b>\$ 150,162</b>	<b>\$ (127,492)</b>	<b>\$ 8,977,048</b>	<b>\$ 8,999,718</b>

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes or periods:

	<u>2010</u>
Scholarships and College Use	\$ 625,996
Chicoine Trust - Time Restrictions	<u>1,644,574</u>
Total Restrictions Released	<u>\$ 2,270,570</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

	<u>2010</u>
Purpose Restriction Accomplished:	
Scholarships	\$ 101,987
College Use	70,107
Management Fees	175,190
Investment Fees	<u>69,592</u>
Total Restrictions Released	<u>\$ 416,876</u>

**NOTE 11 - PERMANENTLY RESTRICTED NET ASSETS**

As of June 30, 2010, net assets were permanently restricted for the endowment in the amount of \$8,977,048. The income from the endowment can be used to support Chadron State College. At June 30, 2010, the fair value of investments related to the restricted endowment was \$8,302,141, leaving the amount assigned to individual donor restricted endowments required to be maintained in perpetuity with a \$674,907 deficiency.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 12 - DEFINED CONTRIBUTION PLAN**

The Organization participates in the College's defined contribution plan (the Plan) covering all employees with at least three years of service who agree to make contributions to the Plan. Employees may enroll in the Plan if they are employed full time for 9 out of 12 months of the year. Participation in the Plan is voluntary for employees who are 25 years of age and have been employed at least two years by the Foundation. Participation in the Plan is mandatory for employees over the age of 30. Employees contribute 6% of their salary and the College contributes 8%. Total expenses for the year ended June 30, 2010 were \$18,194.

**NOTE 13 - SUBSEQUENT EVENTS**

On August 21, 2010, the Chadron State Foundation board approved a \$300,000 payout to Chadron State College, in order for the College to secure construction documents to provide LEED certification for the Rangeland Agriculture Center and Pavilion.

On August 21, 2010, the Chadron State Foundation board approved named endowment and grant to campus payouts for the 2011-12 academic year. This will result in a liability at December 31, 2010 of \$157,078 for the named endowments and \$74,000 for the grant to campus.

The Foundation has evaluated subsequent events through October 22, 2010, the date which the financial statements were issued.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of Peru State College Foundation (the Foundation) is presented to assist in understanding the Foundation's financial statements. The financial statements and notes are representations of the Foundation's management who is responsible for their integrity and objectivity. These accounting policies have been consistently applied in the preparation of the financial statements.

Reporting Entity

Peru State College Foundation is a nonprofit foundation incorporated in the State of Nebraska. The purpose of the Foundation is to operate as a charitable and educational foundation for the promotion and support of Peru State College (the College) and its students. The Foundation is governed by a self-perpetuating Board of Trustees consisting of volunteer board appointed members, some of whom are significant donors to the Foundation. The Foundation is considered a component unit of Peru State College; therefore, the Foundation's net assets and results of operations are included as a component unit in the Peru State College financial statements.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets, unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets represent resources over which the Board of Trustees has discretionary control and are used to carry out the operations of the Foundation in accordance with its bylaws.

Temporarily restricted net assets represent resources subject to donor-imposed restrictions until such time as the restriction is met, whether it is the expiration of a time period or the occurrence of an event. Temporarily restricted net assets are available for various scholarship and departmental expenses for the College.

Permanently restricted net assets represent resources subject to donor-imposed restrictions. Permanently restricted net assets are available for scholarships for qualifying students attending the College.



NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements of the Foundation have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Accordingly, actual results could differ from those estimates.

Public Support and Revenue

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are recorded as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets.

Endowment contributions and investments are permanently restricted by the donor. Investment earnings available for distribution are recorded as unrestricted net assets. Investment earnings with donor restrictions are recorded as temporarily or permanently restricted net assets based on the nature of the restrictions.

Contributions of donated noncash assets are recorded at their estimated fair values in the period received.

Functional Allocation of Expenses

Directly identifiable expenses are charged to program and supporting services; management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Foundation.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The carrying amounts for cash and cash equivalents, investments, unconditional promises to give, student loans, notes receivable, accounts payable, accrued expenses, and the long-term liabilities approximate fair value.

Cash and Cash Equivalents

The Foundation considers highly liquid investments with maturities of three months or less to be cash and cash equivalents. The Foundation maintains several bank accounts at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at December 31, 2009. Cash at December 31, 2009 did not exceed federally insured limits. The Foundation requires the banks with which it does business to provide collateral for amounts exceeding federal insurance coverage. Two banks have pledged securities for an additional \$100,000 of collateral.

Unconditional Promises to Give

Unconditional promises to give are recorded as receivables and revenues when received. Unconditional promises to give that are due in the next year are reflected as current promises to give and are recorded at their estimated net realizable value. The Foundation regularly reviews the listing of unconditional promises to give to determine collectability.

Student Loans Receivable

Student loans receivable are carried at the original loan amount, less an allowance for doubtful accounts. The Foundation determines the allowance for doubtful accounts by regularly evaluating individual student loan receivables and considering the student's financial condition, credit history, and current economic conditions. Student loans receivable are written off when deemed uncollectible.

Property and Equipment

The Foundation capitalizes all additions, renewals, and betterments at cost whereas expenditures for maintenance and repairs are expensed as incurred.

Depreciation is provided in amounts sufficient to amortize the cost of the depreciable assets over their estimated service lives on accelerated and straight-line methods. The estimated useful lives by type of asset are as follows:

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION (Continued)**

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property and Equipment (Continued)

	<u>Years</u>
Office Furniture and Fixtures	3-7
Vehicles	5
Rental Property	27.5

Donations of property and equipment are recorded as contributions of their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values using quoted market prices within an active market (all Level 1 measurements) in the statement of financial position. Unrealized gains and losses are included in the statement of activities as a change in unrestricted net assets.

The Foundation pools their investments for greater flexibility in managing its investments. When investments are pooled, they lose their specific identification with specific contributions. Thus, the income and unrealized and realized gains and losses are allocated to the pool participants using the market value method. The market value method assigns a number of units to each pool participant based on the relationship of the individual investment to the total investments at the time the investments are pooled.

The Foundation follows the guidance of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) in accounting for endowed assets. UPMIFA permits, subject to donor intent, appropriation for prudent expenditures as determined by the Foundation for the uses, benefits, purposes, and duration of the established endowment fund. The Foundation has determined that maintaining the historical endowed value is prudent for the use of the funds and any appreciation of the endowment is available for use. The amount of the net appreciation is reported as increases in unrestricted net assets in the statement of activities.

Net depreciation in donor-restricted endowment is reimbursed from unrestricted net assets as necessary to replenish the endowment fund to its historic dollar value as established by the Foundation.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of these endowment assets over the long-term. The Foundation's spending and investment policies work together to achieve this objective. The investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to return 6.5%, net of management fees. Actual returns in any given year may vary from this amount. To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation that places an emphasis on equity-based investments and fixed income investments to achieve its long-term return objectives within prudent risk parameters.

The spending policy calculates the amount of money annually distributed from the Foundation's various endowed funds, for scholarships and administration. The current spending policy is to distribute an amount at least equal to 4% of a moving four-year average of the fair value of the endowment funds. Accordingly, over the long term, the Foundation expects its current spending policy to allow its endowment assets to grow at an average rate of 2.5% annually. This is consistent with the Foundation's objective to maintain the purchasing power of endowment assets as well as to provide additional real growth through investment return.

Compensated Absences

Employees of the Foundation are entitled to paid vacation, paid sick, and paid personal time off. The Foundation estimates the amount of compensation for future compensated absences and, accordingly, recognizes the liability in the accompanying financial statements.

Income Taxes

The Foundation is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). There was no unrelated business income for 2009.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION (Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassifications

Certain reclassifications have been made to the 2009 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

2. CONCENTRATION OF CREDIT RISK

Financial instruments that are exposed to concentrations of credit risk consist of cash, unconditional promises to give, student loans receivable, and investments. The Foundation's cash and investments are in high quality institutions and companies with high credit ratings. The Foundation performs ongoing evaluations of outstanding credit balances and collectability. Cash and investments are based on quoted market prices. Unconditional promises to give and student loans are carried at estimated net realizable values.

3. INVESTMENTS

The Foundation's investments at December 31, 2009 consist of the following:

	Cost	Gross Unrealized Gain/(Loss)	Fair Market Value
Fixed Income Funds:			
MGA Cash Reserves, LLC	\$ 158,640	\$ 12,479	\$ 171,119
MGA Core Income, LLC	920,710	209,156	1,129,866
MGA Total Return, LLC	1,383,843	831,884	2,215,727
Equity Funds:			
MGA Tactical Opportunity, LLC	356,250	102,391	458,641
MGA Diversified Core Equity, LLC	1,153,936	919,896	2,073,832
MGA Focused Core Equity	1,063,246	18,715	1,081,961
MGA Diversified Small/Mid Cap Equity, LLC	396,365	202,297	598,662
MGA Focused Small Cap Equity, LLC	397,315	(76,320)	320,995
MGA International Equity, LLC	337,951	541,790	879,741
	<u>\$ 6,168,256</u>	<u>\$ 2,762,288</u>	<u>\$ 8,930,544</u>

Investment expense which consists of management fees totaled \$22,382 in December 31, 2009.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION (Continued)**

3. INVESTMENTS (Continued)

The fair value, historical dollar value, and net appreciation of endowed assets included in investments at December 31, are as follows:

	2009
Fair Value of Endowed Assets	\$ 5,968,877
Historical Dollar Value of Endowed Assets	(5,207,609)
Net Appreciation - Endowed Assets	\$ 761,268

4. NOTES RECEIVABLE

Notes receivable consists of the following at December 31:

	2009
The Foundation entered into a purchase lease with the College, whereby the College leased the Al Wheeler Activity Center Renovation for 12 years, payable at \$25,871 per year including interest at 3.5%. The College has the option to purchase the Remodel at the end of the lease term for \$10.	\$ 215,158
Total Notes Receivable	215,158
Less Current Portion of Notes Receivable	18,340
	\$ 196,818

The aggregate maturities of notes receivable are as follows:

Years Ending December 31,	
2010	\$ 18,340
2011	18,982
2012	19,647
2013	20,334
2014	21,046
Thereafter	116,809
	\$ 215,158

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION (Continued)**

4. NOTES RECEIVABLE (Continued)

The fair value of notes receivable is estimated by discounting the future cash flows using the rates currently offered for deposits of similar remaining maturities.

5. REFUNDABLE DEPOSITS

Beginning in 2003, the Bobcat Athletic Association, Peru Booster Club, Peru Student Organization, and Farmer to Farmer Fund have entered into intermediary agreements with the Foundation. Funds are being held in cash by the Foundation as an agent of these organizations to be disbursed at their request. The funds are not owned by the Foundation. The funds provided by these organizations are not pooled with the Foundation's investments. The liability included in the accompanying statements of financial position represents the amount due to these entities totaling \$114,139 as of December 31, 2009.

6. GIFT ANNUITIES

The Foundation has entered into agreements with donors in which the donor contributes cash to the Foundation in exchange for the distribution of fixed monthly amounts or quarterly amounts to the donor until the death of the donor. The gift annuity liability of \$162,999 as of December 31, 2009 represents the present value of the future cash flows expected to be paid to the donors. The annuities payable are discounted at 3.39% (7-year Treasury Bill rate at December 31, 2009) and are due in monthly or quarterly installments.

The aggregate maturities of gift annuities for the years ending after December 31, 2009 are as follows:

Years Ending December 31,	
2010	\$ 32,325
2011	33,438
2012	34,589
2013	34,987
2014	27,660
	<hr/>
	\$ 162,999

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION (Continued)**

7. NOTE PAYABLE

The note payable is due to a financial institution, bears interest at a fixed rate of 6.00% and is payable in monthly installments of \$324 including interest and is due July 1, 2014.

Maturities on this note are as follows:

Years Ending December 31,		
2010	\$	3,042
2011		3,230
2012		3,429
2013		3,640
2014		2,186
	\$	<u>15,527</u>

8. DEFERRED COMPENSATION

On January 20, 2006, the Foundation entered into an agreement with the President of the College in recognition of the past service, judgment, and demonstrated skills on behalf of both the College and the Foundation; and as an incentive to the President to continue service in the future on behalf of both Organizations. The agreement was amended and restated in its entirety on May 23, 2008, when the Foundation agreed to retroactively contribute, by way of credit to a book account, the sum of \$60,000 annually, for specific years beginning with the College's year end of June 30, 2004 through June 30, 2008.

Additionally, the Foundation agreed to credit the book account balance with interest at a rate of 9.06% each year through fiscal year 2007 and 8% in 2008. On August 15, 2008, the Foundation paid \$77,655 to the President, which represented the 20% vested balance of the account as of July 1, 2008. Subsequent to such payment, the Foundation book account reflected an unvested balance as of 2008 of \$269,896. The Foundation's deferred compensation expense for the year ended December 31, 2008, was \$37,521.

In 2009, the Foundation determined it had good cause to terminate the agreement with the former President of the College. Termination of the agreement resulted in the forfeiture by the former president of the unvested balance in the account totaling \$269,896. This resulted in an extraordinary gain in the 2009 statement of activities.



NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION** (Continued)

9. NET ASSETS

Unrestricted board-designated net assets at December 31, are available for the following uses:

	2009
Designated for scholarship	\$ 620,010
Designated for work stipends	637,559
Designated for campus improvements	5,500
	\$ 1,263,069

Temporarily restricted net assets at December 31, are available for the following uses:

	2009
Restricted for scholarships	\$ 1,190,802
Restricted for education department and athletic funds	917,014
	\$ 2,107,816

Permanently restricted net assets consist of endowment fund assets held indefinitely. The income from the assets is used for scholarships and to support the Foundation. Amounts appropriated for scholarships in 2009 amounted to \$114,088.

10. RELATED PARTY TRANSACTIONS

The Foundation incurs various expenses with the College throughout the year such as payroll reimbursements, gifts, and other various departmental expenses. The following is a summary of transactions with the College for the year ended December 31:

	2009
Salary and Wage Reimbursement	\$ 330,988
Gifts	183,696
Departmental Expense	125,934
Total	\$ 640,618

The Foundation owed the College for salary and wage expenses paid to its employees by the College in the amount of \$47,481 at December 31, 2009.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**PERU STATE FOUNDATION (Continued)**

11. PENSION PLAN

The College sponsors a defined contribution retirement pension plan, Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF), in which the Foundation's employees are allowed to participate. This plan covers all employees upon attaining 30 years of age and having two years of college service may participate voluntarily. Employee contributions are limited to 6% of gross salary. The College can contribute 8% of the employee's salary as a matching fund. The Foundation reimburses the College for the retirement fund contributions along with the salary reimbursements. The Foundation's contributions to the plan totaled \$21,562 for the year ended December 31, 2009.

12. CONCENTRATIONS

During 2009, the Foundation received approximately 59% of its contributions from 4 individuals and estates.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2010, the date which the financial statements were available to be issued, and has concluded there were no events or transactions occurring between year end and this date that would require recognition or disclosure in the financial statements.

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION**

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**NOTE A - FOUNDATION**

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The Wayne State Foundation (the "Foundation") is an independent Foundation established for the purpose to operate as a charitable and educational foundation exclusively for the promotion and support of Wayne State College; to aid, assist and promote educational programs, faculty employees, and students, and to encourage the attendance of worthy and deserving students, and to grant scholarships and student loans to deserving students; to solicit and accept gifts, grants, devises and bequests of real or personal property, or both, and hold, administer, use, and dispose of the same, both principal and income, for the accomplishment and furtherance of any of the foregoing purposes; and to receive and hold in trust any property for the use or benefit of Wayne State College or any student, professor, employee, and college departments therein.

See Note U regarding joint venture with Northeast Community College.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. Assets and liabilities are presented in the order of liquidity on the statement of financial position. Net assets, support and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation and changes therein are classified and reported as follows:

*Unrestricted Net Assets* - Net assets that are not subject to donor imposed stipulations.

*Temporarily Restricted Net Assets* - Net assets subject to donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor imposed stipulations that they be maintained permanently by the Foundation. Generally, earnings from endowed contributions and investments are restricted for specific purposes.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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**Contributions**

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Unconditional promises to give due in the next year are recorded at their net realizable value. Unconditional promises to give due in subsequent years are reported at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are to be received.

**Pervasiveness of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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.

**Cash and Cash Equivalents**

The Foundation considers checking accounts to be cash equivalents. Commonfund investments are not considered cash and cash equivalents.

**Investments**

The Foundation's investments are composed of money market accounts, certificates of deposits, and mutual funds including common trust funds, either at area financial institutions or investment brokerage firms. Investments are stated at fair market value. Fluctuations in fair values are reflected in the period they occur. Certain funds have been pooled for ease of management and to achieve greater diversification in investments.

**Income Taxes**

The Foundation qualifies as a tax-exempt Foundation, other than a private foundation, under Section 501(c)(3) of the Internal Revenue Code and therefore, has no provision for federal income taxes.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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**Income Taxes (cont'd)**

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Accounting Standards Codification (ASC) 740, Income Taxes. FIN 48 attempts to set out a consistent framework for preparers to use to determine the appropriate level of tax reserve to maintain for uncertain tax positions. This interpretation of ASC 740 uses a two-step approach wherein tax benefit is recognized if a position is more-likely-than-not to be sustained. The amount of the benefit is then measured to be the highest tax benefit which is greater than 50% likely to be realized. FIN 48 also sets out disclosure requirements to enhance transparency of an entity's tax reserves.

The Foundation adopted the current accounting standard related to unrecognized tax benefits on July 1, 2009. The Foundation files required income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Foundation is no longer subject to the U.S. federal, state, and local income tax examinations by tax authorities for years before 2006. As a result of the implementation of FIN 48, the Foundation has concluded no material uncertain tax positions have been taken on any open tax returns. For the current year the Foundation believes all tax positions are fully supportable by existing Federal law and related interpretations and there are no uncertain tax positions to consider in accordance with FIN 48.

**Real Estate**

Donations of real property are recorded as support and carried at their estimated fair value at the date of the gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset for a specific purpose.

**Collections**

Collections, acquired through purchases and contributions since the Foundation's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or as temporarily or permanently restricted net assets if the assets used to purchase the items are restricted by donors. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

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**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

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**Subsequent Events**

In the normal course of preparing the Foundation's financial statements, management reviews events that occur after the statement of financial position date (June 30, 2010) for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through September 1, 2010, which is the date the financial statements were available to be issued.

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**NOTE C – CREDIT RISK ARISING FROM CASH DEPOSITS**

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At times the Foundation may have uninsured bank deposits. At June 30, 2010, the Foundation had bank deposits of \$1,449,424 of which \$9,920 was uninsured.

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**NOTE D - INVENTORY**

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In fiscal year 2010, as part of the agreement with the publisher, WDG, Wayne State Foundation underwrote the purchase of 2,348 unsold WSC Centennial Books produced in conjunction with Wayne State College's centennial year. Wayne State Foundation subsequently sold or distributed 237 books leaving 2,111 in inventory. The value of the inventory has been written down to what can be realistically realized from future sales of the books. At June 30, 2010 inventory is valued at \$10,555. A loss of \$47,279 was recorded for the year ending June 30, 2010.

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**NOTE E - PROMISES TO GIVE**

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**Unconditional Promises**

Unconditional promises are recorded at their net realizable value.

Unconditional promises to give at June 30, 2010, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Unconditional				
Promises to give	\$ -	\$ 1,188,855	\$ 57,068	\$ 1,245,923
Less discount to Present value	-	(106,450)	(5,077)	(111,527)
Less allowance for uncollectible prom.	-	(20,029)	-	(20,029)
Net unconditional Promises to give	<u>\$ -</u>	<u>\$ 1,062,376</u>	<u>\$ 51,991</u>	<u>\$ 1,114,367</u>

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE E - PROMISES TO GIVE (cont'd)**

**Unconditional Promises (cont'd)**

Unconditional promises consist of the following:

Due 6/30/2010	\$	76,843
6/30/2011		354,897
6/30/2012		322,166
6/30/2013		260,841
6/30/2014		50,086
6/30/2015		7,283
More than 5 years		
6/30/2016-2028		42,251
	\$	1,114,367

The allowance for uncollectible promises represents the unpaid portion of the Phonathon pledges. All other pledges are considered collectible. At June 30, 2010 \$66,603 of other pledges were past due including \$50,893 that were over 90 days past due. Other pledges written off for the fiscal year ended June 30, 2010, were \$52,600.

**NOTE F - INVESTMENTS**

Investments as of June 30, 2010 are summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Money markets	\$ -	\$ 797,580	\$ 25,489	\$ 823,069
Certificates of Deposits	45,718	800,777	106,711	953,206
Commonfund- Equity Fund	716,096	-	6,339,158	7,055,254
Commonfund- Bond Fund	457,739	-	2,859,406	3,317,145
Subtotal Commonfund	1,173,835	-	9,198,564	10,372,399
Other Securities	-	42,549	59,074	101,623
Totals	1,219,553	1,640,906	9,389,839	12,250,297
Investments Restricted for annuity contracts:				
Commonfund- Equity Fund	189,861	-	393,816	583,677
Commonfund- Bond Fund	85,031	-	179,251	264,282
Totals	274,892	-	573,067	847,959

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE F – INVESTMENTS (cont'd)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investments held in perpetual trust:				
Money Markets	-	-	21,689	21,689
Bonds and notes	-	-	252,984	252,984
Equities	-	-	440,509	440,509
Totals	-	-	715,182	715,182
Total all investments	<u>\$ 1,494,445</u>	<u>\$ 1,640,906</u>	<u>\$10,678,088</u>	<u>\$ 13,813,438</u>

**Market Risk from Concentration of Investments with Advisor**

At June 30, 2010 the Foundation had investments (including reserved for annuities) with Commonfund of \$11,220,358, which represents approximately 81% of investments.

**Fair Value Measurement**

The Foundation adopted Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820-10-35, "Fair Value Measurement," effective July 1, 2008. FASB ASC 820-10-35 established a three-tier hierarchy to prioritize the assumptions, referred to as inputs, used in valuation techniques to measure fair value. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1: quoted prices in active markets for identical investments.
- Level 2: other significant observable inputs (including quoted prices for similar investments in active markets, interest rates and yield curves, prepayment speeds, credit risks, etc.)
- Level 3: significant unobservable inputs (including the Foundation's own assumptions in determining the fair value of investments)

The following is a summary of the inputs used as of June 30, 2010 in valuing the Foundation's investments:



NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE F - INVESTMENTS (cont'd)**

**Fair Value Measurement (cont'd)**

	Level 1	Level 2	Level 3	Total
Short Term Cash Investments and Certificate of Deposits	\$ 29,725	\$ 1,776,275	\$ -	\$ 1,806,000
U.S. Equity	418,917	6,034,755	-	6,453,672
International Equity	106,785	916,672	-	1,023,457
Emerging Markets Equity	4,412	687,504	-	691,916
Fixed Income	256,966	3,581,427	-	3,838,393
Private Real Estate	-	-	-	-
<b>Total</b>	<b>\$ 816,805</b>	<b>\$ 12,996,633</b>	<b>\$ -</b>	<b>\$ 13,813,438</b>

The Foundation did not hold other financial instruments as of June 30, 2010.

At June 30, 2010, the reconciliation of investments in which significant unobservable inputs (Level 3) were used in determining values is shown below:

<b>Balance as of 6/30/2009</b>	<b>\$ 297,752</b>
Change in unrealized appreciation (depreciation)	(294,442)
Investment income (loss)	(3,310)
<b>Balance as of 6/30/2010</b>	<b>\$ -</b>

**Investments Held in Perpetual Trust**

The Foundation is the beneficiary of a perpetual trust. First National Bank - Omaha is the trustee. The trustee may be changed only due to investment performance.

**Investments Management Fees**

Investment management fees have been deducted from investment income.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment Management Fees	\$ 4,677	\$ 36,439	\$ 7,551	\$ 48,667

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE G - REAL ESTATE**

Depreciation is computed using the straight-line method over the estimated useful life of the respective asset. The basis of valuation of the asset is appraisal value at the time of donation.

	<b>Bressler Alumni House</b>	<b>1308 Main</b>	<b>Total</b>
Land	\$ 20,000	\$ 39,500	\$ 59,500
Building	120,000	81,000	201,000
Subtotal	140,000	120,500	260,500
Accumulated Depreciation	(41,000)	(7,500)	(48,500)
Net 6-30-10	\$ 99,000	\$ 113,000	\$ 212,000
Depreciation Exp. FYE 6-30-10	\$ 3,000	\$ 2,500	\$ 5,500

**NOTE H - LIFE INSURANCE - CASH VALUE**

The Foundation is the owner of numerous whole life insurance policies with various insurance companies. The policies contain cash values, which are summarized as follows:

	Policy Amount	6/30/10 Cash Value
Unrestricted	\$ 543,872	\$ 181,936
Temporarily Restricted	37,500	3,484
Permanently Restricted	19,710	8,572
Totals	\$ 601,082	\$ 193,992

**NOTE I - ANNUITY CONTRACTS**

The Foundation has entered into several annuity agreements whereby the donor transfers either cash, property, or both and, in consideration, the Foundation agrees to pay the donor a stated dollar amount annually for the remainder of his/her life, at which time the remaining assets are available for their unrestricted (or restricted if so designated by the donor) use by the Foundation. The Foundation records the assets at fair value when received, the liability is recorded at the present value of expected future cash flows to be paid to the annuitant with the difference recorded as an unrestricted or restricted contribution. The liabilities are computed using discount rates varying from 2.4% to 9.6% and life expectancies of annuity beneficiaries based on IRS tables.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE I - ANNUITY CONTRACTS (cont'd)**

Annuity assets as of June 30, 2010, are summarized as follows:

	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Investments restricted for annuity contracts	\$ 274,892	\$ 573,066	\$ 847,959
Annuities Payable	\$ 166,111	\$ 378,221	\$ 544,332

**NOTE J - UNRESTRICTED NET ASSETS**

The Board has designated a portion of unrestricted net assets as follows:

Board Designated:	
Quasi-Endowment	\$ 188,334
Total board designated	\$ 188,334

**NOTE K - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2010:

Program Activities:	
Scholarships and Grants	\$ 274,903
Improvements	1,022,574
College Departments	409,134
SSC College Center (see Note U)	1,281,531
Time Only Restriction (Unrestricted receivables)	337,885
Other Designated Programs	18,432
Total Temporarily Restricted Net Assets	\$ 3,344,459

**NOTE L - PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets are endowment funds restricted in perpetuity to provide funding for various scholarships and programs annually. In addition permanently restricted net assets include assets being held to fund future endowments.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION** (Continued)

**NOTE M - ENDOWMENT FUNDS**

The Foundation's endowment consists of approximately 280 individual funds established for a variety of purposes. Its endowment includes both donor restricted funds and funds designated by the Executive Committee to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds including funds designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Committee of the Foundation has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence described by NUPMIFA. In accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

*Endowment Net Asset Composition by Type of Fund as June 30, 2010*

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Donor-restricted endowment funds	\$ (699,410)	\$ 137,926	\$ 9,849,776	\$ 9,288,292
Board-designated endowment funds	188,334	-	-	188,334
<b>Total Funds</b>	<b>\$ (511,076)</b>	<b>\$ 137,926</b>	<b>\$ 9,849,776</b>	<b>\$ 9,476,626</b>

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION** (Continued)

**NOTE M - ENDOWMENT FUNDS (cont'd)**

*Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2010*

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beg. of year	\$ (1,097,956)	\$ 54,406	\$ 9,540,261	\$ 8,496,712
Contributions	-	-	309,515	309,515
Net investment income	4,177	181,683	-	185,860
Net appreciation (depreciation)	582,703	7,627	-	590,330
Amounts appropriated for expenditure	-	(105,790)	-	(105,790)
Endowment net assets, end of year	\$ (511,076)	\$ 137,926	9,849,776	\$ 9,476,626

Other permanently restricted net assets:

Interest in Robert Cunningham Perpetual Trust	715,182
Cash Value of Life Insurance to Fund	
Permanently Restricted Endowment Funds	8,572
Charitable Gift Annuity Net Assets to Fund Permanently Restricted Endowments at a Future Date	194,845
Promises to Fund Permanently Restricted Endowment Funds	51,991
Total Permanently Restricted Net Assets	\$ 10,820,366

*Funds with Deficiencies.* From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NUPMIFA requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature that are reported in unrestricted net assets were \$699,410 as of June 30, 2010. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Executive Committee of the Foundation.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

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**NOTE M - ENDOWMENT FUNDS (cont'd)**

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*Investment Return Objectives, Risk Parameters and Strategies.* The Foundation has adopted investment spending policies, approved by the Executive Committee, for endowment assets that provide a predictable stream of funding to programs supported by its endowment funds while also attempting to maintain the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a net total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix, which includes debt, equity and real estate securities, that is intended to result in a consistent inflation protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

*Spending Policy.* The Foundation has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value of the prior 3 years through June 30<sup>th</sup> of the preceding fiscal year in which the distribution is planned. In scenarios where the fair value of the endowment funds have fallen below the permanently restricted balances or if undistributed prior period earnings appear insufficient, the Foundation may, at its discretion set a lower payout rate which appears in line with the current yield from investment and general economic conditions. In establishing this policy, the Foundation considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, and the possible effects of inflation. This is consistent with the Foundation's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through new gifts and investment return.

**NOTE N - INTERFUND RECEIVABLES**

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At June 30, 2010 the Foundation had the following interfund receivables:

Unrestricted due to Permanently Restricted	\$ -
Unrestricted due to Temporarily Restricted	(137,520)
Temporarily Restricted due from Unrestricted	137,520
Temporarily Restricted due from Permanently Restricted	310,186
Permanently Restricted due from Temporarily Restricted	(310,186)
Permanently Restricted due from Unrestricted	-
Total	<u>\$ -</u>

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION (Continued)**

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**NOTE O - FUNCTIONAL ALLOCATION OF EXPENSES**

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The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**NOTE P - CONTRIBUTED SERVICES**

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The Foundation receives donated accounting services, secretarial services and rent from Wayne State College. The estimated fair value for these services are \$136,882 for the year ended June 30, 2010. The amount has been recognized in the financial statements.

**NOTE Q - PENSION PLAN**

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The Foundation contributes to a defined contribution retirement plan and is required to contribute 8% of the employee's salary. The Foundation's contributions to the retirement plan were \$17,535 for the year ended June 30, 2010.

**NOTE R - VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFIT AMOUNTS**

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The cost of vacation pay, sick pay, and other employee benefits are recorded when disbursed and not accrued. These are not expected to exceed a normal year's accumulation.

**NOTE S - RELATED PARTIES**

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For the year ended June 30, 2010 the Foundation made payments to Wayne State College of \$2,807,561 consisting of \$1,016,067 scholarships, stipends, and tuition assistance, \$1,397,610 for capital improvements for the Baseball/Softball Facilities, Carhart Science Building Renovation and Commons, \$81,892 for Athletics programs budget transfers and programs, \$301,281 for staff salaries, and \$10,711 for other expenses.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO FINANCIAL STATEMENTS**

(Continued)

**WAYNE STATE FOUNDATION** (Continued)

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**NOTE T - COMMITMENTS**

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In January 2010, the Foundation entered into a collaborative agreement with the Board of Trustees of the Nebraska State College System in engage to cooperative practices and exchange benefits for the betterment of Wayne State College. Nothing in this Agreement shall be interpreted to supersede the articles and by-laws of the Wayne State Foundation. The Foundation has agreed to establish an annual expense account of no less than \$1,500 for the Chancellor to be used for activities in support of the College. The President of Wayne State College will be provided with an automobile and an annual expense account of no less than \$10,000, to help cover the President's spouse's activities supporting the College. If all of the state college foundations agree to participate in the NSCS Teaching Excellence Award an annual contribution must be made by each foundation in the amount of \$1,000.

**NOTE U - SSC COLLEGE CENTER**

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Wayne State College and Northeast Community College have entered into a partnership to provide access to affordable, comprehensive programs for associate, bachelor and master's degrees in South Sioux City, NE. To facilitate these educational offerings, they are constructing a building, which will be referred to as the College Center at South Sioux City. The 39,600 sq. ft. building will cost an estimated \$10.5 million and will be funded jointly by the two colleges. The construction contract was awarded to L & L Builders of Sioux City, IA and the groundbreaking was held on July 9, 2009. The construction is scheduled to be completed by December 2010. The City of South Sioux City donated 57 acres, valued at \$2.1 million, to the project. To supplement the state funding, a private fund raising campaign was conducted and \$1.4 million was secured for the project. The project also received an approximate \$500,000 award from the federal government.

Contribution revenue for the fiscal year for the College Center included \$6,000 of outright gifts and \$180,500 of pledges. The pledges were discounted \$12,217 for net contribution revenue of \$174,283. Pledges receivable at June 30, 2009 included in the temporarily restricted balance, amounted to \$675,600 with a net present value of \$625,190.



NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**COMBINING SCHEDULE OF NET ASSETS**

June 30, 2010

	<u>CSC</u>	<u>PSC</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 5,000,464	\$ 5,141,414	\$ 15,262,925	\$ 6,516	\$ 25,411,319
Restricted cash and cash equivalents	681,255	767,772	678,532	8,041,724	10,169,283
Accounts receivable, net of allowance	273,823	287,291	186,360	-	747,474
State grants and appropriations receivable	476,519	461,196	427,397	299,051	1,664,163
Other receivables	172,848	96,387	27,070	47	296,352
Inventories	19,688	53,817	59,631	-	133,136
Loans to students, net	182,733	-	172,421	-	355,154
Prepaid expenses	239,955	114,348	193,407	10,062	557,772
Deposits with vendors	-	-	1,510	17,242	18,752
Total current assets	<u>7,047,285</u>	<u>6,922,225</u>	<u>17,009,253</u>	<u>8,374,642</u>	<u>39,353,405</u>
<b>Noncurrent Assets</b>					
Restricted cash and cash equivalents	3,215,131	2,340,832	6,123,893	-	11,679,856
Restricted investments held by trustee	-	-	-	273,135	273,135
Investment income receivable	-	4,217	-	-	4,217
Loans to students, net	1,003,184	-	1,156,405	-	2,159,589
Capital assets, net	34,710,713	35,098,574	65,017,313	6,467,741	141,294,341
Deferred bond issue costs, net	114,076	23,754	50,280	365,749	553,859
Total noncurrent assets	<u>39,043,104</u>	<u>37,467,377</u>	<u>72,347,891</u>	<u>7,106,625</u>	<u>155,964,997</u>
Total assets	<u>46,090,389</u>	<u>44,389,602</u>	<u>89,357,144</u>	<u>15,481,267</u>	<u>195,318,402</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable and accrued liabilities	1,930,405	1,123,381	3,764,998	1,079,335	7,898,119
Accrued compensated absences	120,997	70,190	184,243	12,564	387,994
Other liabilities	147,322	19,776	-	-	167,098
Deferred revenue	237,741	37,437	26,132	-	301,310
Interest payable	128,433	70,924	181,604	397,412	778,373
Long-term debt - current portion	345,000	128,982	375,000	1,455,000	2,303,982
Deposits held in custody for others	184,318	96,219	87,835	-	368,372
Total current liabilities	<u>3,094,216</u>	<u>1,546,909</u>	<u>4,619,812</u>	<u>2,944,311</u>	<u>12,205,248</u>
<b>Noncurrent Liabilities</b>					
Accrued compensated absences	936,806	612,470	1,395,531	166,917	3,111,724
Unamortized bond premium	-	-	-	213,107	213,107
Other noncurrent liabilities	254,677	20,540	-	-	275,217
Long-term debt	5,130,000	3,057,836	7,585,000	18,530,000	34,302,836
Total noncurrent liabilities	<u>6,321,483</u>	<u>3,690,846</u>	<u>8,980,531</u>	<u>18,910,024</u>	<u>37,902,884</u>
Total liabilities	<u>9,415,699</u>	<u>5,237,755</u>	<u>13,600,343</u>	<u>21,854,335</u>	<u>50,108,132</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	29,349,790	31,895,193	57,107,593	(13,362,579)	104,989,997
Restricted for					
Expendable					
Loans	1,254,394	-	1,397,617	-	2,652,011
Debt service	2,760,355	2,228,654	5,494,849	1,569,249	12,053,107
Plant	-	-	-	2,839,036	2,839,036
Other	193,221	552,527	342,607	2,704,379	3,792,734
Unrestricted	3,116,930	4,475,473	11,414,135	(123,153)	18,883,385
Total net assets	<u>\$ 36,674,690</u>	<u>\$ 39,151,847</u>	<u>\$ 75,756,801</u>	<u>\$ (6,373,068)</u>	<u>\$ 145,210,270</u>

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
Fiscal Year Ended June 30, 2010

	CSC	PSC	WSC	NSCS Office	Total
<b>Operating Revenues</b>					
Tuition and fees, net	\$ 5,345,325	\$ 4,014,937	\$ 10,299,231	\$ -	\$ 19,659,493
Federal grants and contracts	5,116,659	3,213,586	5,541,002	-	13,871,247
State grants and contracts	302,744	408,397	559,054	-	1,270,195
Private grants and contracts	615,015	466,490	398,800	-	1,480,305
Auxiliary enterprises, net	4,992,372	1,742,155	6,168,031	-	12,902,558
Other operating revenues	11,928	314,458	298,606	-	624,992
<b>Total operating revenues</b>	<b>16,384,043</b>	<b>10,160,023</b>	<b>23,264,724</b>	<b>-</b>	<b>49,808,790</b>
<b>Operating Expenses</b>					
Compensation and benefits	19,527,092	11,996,007	26,365,788	978,447	58,867,334
Contractual services	1,236,011	523,390	1,223,650	161,989	3,145,040
Supplies and materials	3,126,605	2,268,047	3,640,845	27,668	9,063,165
Scholarships and fellowships	398,489	262,695	703,316	-	1,364,500
Depreciation/Amortization	1,651,305	1,182,517	2,034,604	243,888	5,112,314
Utilities	1,280,967	774,253	1,777,294	-	3,832,514
Repairs and maintenance	397,562	257,631	1,067,670	-	1,722,863
Communications	357,367	188,008	343,822	-	889,197
Food service	1,565,917	878,928	2,147,604	-	4,592,449
Other	1,820,599	137,644	99,160	202,008	2,259,411
<b>Total operating expenses</b>	<b>31,361,914</b>	<b>18,469,120</b>	<b>39,403,753</b>	<b>1,614,000</b>	<b>90,848,787</b>
<b>Operating Loss</b>	<b>(14,977,871)</b>	<b>(8,309,097)</b>	<b>(16,139,029)</b>	<b>(1,614,000)</b>	<b>(41,039,997)</b>
<b>Nonoperating Revenue (Expenses)</b>					
State appropriations	15,763,194	8,802,850	21,230,934	1,347,394	47,144,372
Capital outlay	-	-	-	(2,065,766)	(2,065,766)
Investment income	210,221	230,278	503,962	205,339	1,149,800
Interest on capital asset-related debt	(272,477)	(137,644)	(369,220)	(862,264)	(1,641,605)
Other nonoperating revenue (expense)	(67,049)	(329,939)	19,327	(1,512,976)	(1,890,637)
<b>Net nonoperating revenues (expenses)</b>	<b>15,633,889</b>	<b>8,565,545</b>	<b>21,385,003</b>	<b>(2,888,273)</b>	<b>42,696,164</b>
<b>Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)</b>	<b>656,018</b>	<b>256,448</b>	<b>5,245,974</b>	<b>(4,502,273)</b>	<b>1,656,167</b>
<b>Capital Facilities Fees</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,107,711</b>	<b>2,107,711</b>
<b>Capital Contributions</b>	<b>-</b>	<b>1,500</b>	<b>1,423,678</b>	<b>1,183,423</b>	<b>2,608,601</b>
<b>Operating Transfers In (Out)</b>	<b>782,716</b>	<b>(336,224)</b>	<b>238,118</b>	<b>(684,610)</b>	<b>-</b>
<b>Capital Appropriations and Grants</b>	<b>1,036,182</b>	<b>1,894,264</b>	<b>3,647,726</b>	<b>2,190,498</b>	<b>8,768,670</b>
<b>Increase in Net Assets</b>	<b>2,474,916</b>	<b>1,815,988</b>	<b>10,555,496</b>	<b>294,749</b>	<b>15,141,149</b>
<b>Net Assets, Beginning of Year, As Previously Stated</b>	<b>34,199,774</b>	<b>37,335,859</b>	<b>64,762,224</b>	<b>(6,667,817)</b>	<b>129,630,040</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>439,081</b>	<b>-</b>	<b>439,081</b>
<b>Net Assets, Beginning of Year, As Restated</b>	<b>34,199,774</b>	<b>37,335,859</b>	<b>65,201,305</b>	<b>(6,667,817)</b>	<b>130,069,121</b>
<b>Net Assets, End of Year</b>	<b>\$ 36,674,690</b>	<b>\$ 39,151,847</b>	<b>\$ 75,756,801</b>	<b>\$ (6,373,068)</b>	<b>\$ 145,210,270</b>

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**COMBINING SCHEDULE OF CASH FLOWS**  
Fiscal Year Ended June 30, 2010

	CSC	PSC	WSC	NSCS Office	Total
<b>Operating Activities</b>					
Tuition and fees	\$ 5,410,806	\$ 3,911,235	\$ 10,188,178	\$ -	\$ 19,510,219
Grants and contracts	6,034,418	4,088,473	6,498,856	-	16,621,747
Payments to suppliers	(9,485,951)	(4,490,082)	(7,763,775)	(401,911)	(22,141,719)
Payments for utilities	(1,290,493)	(774,253)	(1,777,294)	-	(3,842,040)
Payments to employees	(18,856,572)	(11,625,679)	(26,454,242)	(943,270)	(57,879,763)
Loans issued to students	(111,995)	-	(173,507)	-	(285,502)
Collections of loans to students	228,935	-	190,916	-	419,851
Sales and services of auxiliary enterprises	5,040,594	1,727,948	6,114,403	-	12,882,945
Other receipts (payments)	11,928	314,458	(404,710)	1,015,837	937,513
Net cash used in operating activities	<u>(13,018,330)</u>	<u>(6,847,900)</u>	<u>(13,581,175)</u>	<u>(329,344)</u>	<u>(33,776,749)</u>
<b>Noncapital Financing Activities</b>					
State appropriations	15,777,720	9,083,393	21,602,804	5,253,631	51,717,548
Grants and contracts	1,220	(307)	(88,577)	-	(87,664)
Direct lending receipts	8,267,946	7,795,206	-	-	16,063,152
Direct lending payments	(8,267,946)	(7,795,206)	-	-	(16,063,152)
Other receipts (payments)	(67,049)	(329,939)	41,767	(1,512,976)	(1,868,197)
Net cash provided by noncapital financing activities	<u>15,711,891</u>	<u>8,753,147</u>	<u>21,555,994</u>	<u>3,740,655</u>	<u>49,761,687</u>
<b>Capital and Related Financing Activities</b>					
Receipt from State for capital purchases	-	-	-	2,190,498	2,190,498
Capital contributions	-	-	1,423,678	1,183,423	2,607,101
Purchase of capital assets	(1,697,021)	(2,188,778)	(9,242,682)	(6,254,155)	(19,382,636)
Principal paid on capital debt	(340,000)	(128,982)	(360,000)	(2,286,222)	(3,115,204)
Interest paid on capital debt	(263,711)	(140,018)	(375,232)	(897,276)	(1,676,237)
Capital facilities fees	-	-	-	2,107,711	2,107,711
Transfers in(out)	782,716	(336,224)	238,118	(700,881)	(16,271)
Other	(12,298)	1,500	(27,070)	37,382	(486)
Capital appropriations	1,036,182	1,894,264	3,647,726	-	6,578,172
Net cash provided by capital and related financing activities	<u>(494,132)</u>	<u>(898,238)</u>	<u>(4,695,462)</u>	<u>(4,619,520)</u>	<u>(10,707,352)</u>
<b>Investing Activities</b>					
Purchase/sale of investments	-	-	-	1,352,604	1,352,604
Investment income	210,221	230,278	503,962	205,322	1,149,783
Net cash provided by investing activities	<u>210,221</u>	<u>230,278</u>	<u>503,962</u>	<u>1,557,926</u>	<u>2,502,387</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	2,409,650	1,237,287	3,783,319	349,717	7,779,973
<b>Cash and Cash Equivalents, Beginning of Year</b>	6,487,200	7,012,731	18,282,031	7,698,523	39,480,485
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 8,896,850</u>	<u>\$ 8,250,018</u>	<u>\$ 22,065,350</u>	<u>\$ 8,048,240</u>	<u>\$ 47,260,458</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets</b>					
Cash and cash equivalents	\$ 5,000,464	\$ 5,141,414	\$ 15,262,925	\$ 6,516	\$ 25,411,319
Restricted cash and cash equivalents - current	681,255	767,772	678,532	8,041,724	10,169,283
Restricted cash and cash equivalents - noncurrent	3,215,131	2,340,832	6,123,893	-	11,679,856
Total cash and cash equivalents	<u>\$ 8,896,850</u>	<u>\$ 8,250,018</u>	<u>\$ 22,065,350</u>	<u>\$ 8,048,240</u>	<u>\$ 47,260,458</u>

(Continued)

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**COMBINING SCHEDULE OF CASH FLOWS**  
Fiscal Year Ended June 30, 2010

	<u>CSC</u>	<u>PSC</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total</u>
<b>Reconciliation of Net Operating Revenues (Expenses)</b>					
<b>to Net Cash Used in Operating Activities</b>					
Operating loss	\$(14,977,871)	\$ (8,309,097)	\$(16,139,029)	\$ (1,614,000)	\$(41,039,997)
Depreciation/Amortization expense	1,651,305	1,182,517	2,034,604	243,888	5,112,314
Changes in operating assets and liabilities					
Receivables, net	30,928	(108,483)	15,129	-	(62,426)
Inventories	11,777	(8,025)	4,809	-	8,561
Prepays and other	-	-	-	(6,961)	(6,961)
Accounts payable and accrued liabilities	(43,357)	270,729	893,015	505	1,120,892
Accrued compensated absences	171,914	196,580	(88,454)	31,387	311,427
Other assets and liabilities	136,974	(72,121)	(301,249)	1,015,837	779,441
<b>Net Cash Used in Operating Activities</b>	<b><u>\$(13,018,330)</u></b>	<b><u>\$ (6,847,900)</u></b>	<b><u>\$(13,581,175)</u></b>	<b><u>\$ (329,344)</u></b>	<b><u>\$(33,776,749)</u></b>
<b>Supplemental Cash Flows Information</b>					
Accounts payable incurred for capital asset purchases	\$ 1,643	\$ 148,401	\$ 671,538	\$ 49,652	\$ 871,234

(Concluded)

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Fiscal Year Ended June 30, 2010

Federal Agency Cluster/Program	Pass-Through Entity	CFDA #	FY 2010 Expenditures
<i>U.S. Department of Education:</i>			
Student Financial Aid Cluster:			
Federal Supplemental Educational Opportunity Grant		84.007	\$ 166,634
Federal Family Education Loans		84.032	13,829,626
Federal Work-Study Program		84.033	517,358
Federal Perkins Loan Program - Federal Capital Contributions		84.038	3,115,701
Federal Pell Grant Program		84.063	10,391,969
Federal Direct Student Loans		84.268	16,063,152
Academic Competitiveness Grants		84.375	323,393
National Science & Mathematics Access to Retain Talent (SMART) Grants		84.376	<u>124,032</u>
Total Student Financial Aid Cluster			44,531,865
Trio - Student Support Services		84.042	911,830
Trio - Upward Bound		84.047	340,956
	Coordinating Commission for Postsecondary Education		
Leveraging Educational Assistance Partnership	(CCPE)	84.069	37,679
Improving Teacher Quality State Grants	CCPE	84.367	22,031
College Access Challenge Grant Program	CCPE	84.378	60,574
Teacher Education Assistance for College and Higher Education Grants		84.379	<u>40,000</u>
<i>Total U.S. Department of Education</i>			<u>\$ 45,944,935</u>
<i>U.S. Department of Agriculture:</i>			
Soil and Water Conservation	Nebraska Department of Natural Resources	10.902	\$ 2,900
<i>Total U.S. Department of Agriculture</i>			<u>\$ 2,900</u>
<i>U.S. Department of Interior:</i>			
U.S. Geological Survey - Research & Data Collection		15.808	\$ 63,424
<i>Total U.S. Department of Interior</i>			<u>\$ 63,424</u>
<i>Department of Transportation:</i>			
Highway Planning and Construction	Nebraska Statewide Arboretum	20.205	3,760
State & Community Highway Safety	University of Nebraska- Lincoln (UNL)	20.600	\$ 1,000
<i>Total Department of Transportation</i>			<u>\$ 4,760</u>
<i>National Science Foundation:</i>			
Biological Sciences	National Science Foun- dation Academy of Natural Sciences of Philadelphia	47.074	\$ 31,661
Education & Human Resources	University of Nebraska- Omaha (UNO)	47.075	40,933
<i>Total National Science Foundation</i>			<u>\$ 72,594</u>

(Continued)

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Fiscal Year Ended June 30, 2010

Federal Agency Cluster/Program	Pass-Through Entity	CFDA #	FY 2010 Expenditures
<i>U.S. Small Business Administration:</i>			
Small Business Development Centers	UNO	59.037	\$ 94,615
<i>Total U.S. Small Business Administration</i>			<u>\$ 94,615</u>
<i>U.S. Department of Health &amp; Human Services:</i>			
Center for Disease Control & Prevention - Investigations & Technical Assistance	Nebraska Health & Human Services	93.283	\$ 14,596
National Center for Research Resources	University of Nebraska Medical Center (UNMC)	93.389	125,071
Block Grants for Prevention and Treatment of Substance Abuse		93.959	11,963
<i>Total U.S. Department of Health &amp; Human Services</i>			<u>\$ 151,630</u>
<i>Corporation for National &amp; Community Service:</i>			
Learn & Serve America - School & Community Based Programs	UNL	94.004	\$ 2,407
Learn & Serve America - Higher Education	South Dakota State University & UNL	94.005	7,596
<i>Total Corporation for National &amp; Community Service</i>			<u>\$ 10,003</u>
<i>National Aeronautics and Space Administration:</i>			
Goddard Space Flight Center Grant	UNO	N/A	\$ 20,679
<i>Total National Aeronautics and Space Administration</i>			<u>\$ 20,679</u>
<b>Total Federal Awards</b>			<u>\$ 46,365,540</u>

See Notes to Schedule of Expenditures of Federal Awards

(Concluded)

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2010

**1. Basis of Presentation and Summary of Significant Accounting**

This schedule includes the Federal awards activity of the Nebraska State College System (NSCS) and is presented on the accrual basis of accounting. Expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Education Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, the schedule presents only a selected portion of the operations of NSCS, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the NSCS.

**2. Subrecipients**

The NSCS did not provide Federal awards to subrecipients.

**3. Major Programs**

Major programs were determined in accordance with OMB Circular A-133. The Student Financial Aid Cluster was considered the major program for the NSCS.

**4. Federal Student Loan Program**

The NSCS administers the Perkins Loan Program for which the Federal government imposes continuing compliance requirements (other than repayment of the loan). In accordance with OMB Circular A-133, expenditures for the Perkins Loan Program includes the balance of loans from previous years of \$2,856,959, plus the value of new loans made during the fiscal year, plus any interest subsidy, cash, or administrative allowance received. The Perkins Loan balance for the NSCS for the fiscal year ended June 30, 2010, was \$2,774,970.

**5. American Recovery and Reinvestment Act (ARRA)**

Reports posted at the Department of Education website show obligations and outlays of ARRA funds for both the Federal Pell Grant Program (CFDA 84.063) and the Federal Work-Study Program (CFDA 84.033). ARRA funds for these two programs are accounted for within the Federal government, but disbursements to recipients are made together with funds from the Federal Pell Grant Program and the Federal Work-Study

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

(Continued)

5. **American Recovery and Reinvestment Act (ARRA)** (Concluded)

Program without a separate identification of the ARRA portions. Consequently, it is not possible for recipients to separately report ARRA expenditures based on accounting records for these programs in their SEFA. All expenditures for the Federal Pell Grant and Federal Work-Study programs are covered in single audits as part of the Student Financial Aid cluster.

6. **Perkins Liquidation**

Peru State College (PSC) has liquidated its Federal Perkins Loan portfolio and in doing so has now accurately retired, purchased, or assigned the school's outstanding loans to the U.S. Department of Education (the Department), completed its NSLDS reporting requirements, returned the Federal Capital Contribution to the Department, and filed its final Fiscal Operations Report and Application to Participate (FISAP).



NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**COMBINING SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Fiscal Year Ended June 30, 2010

Federal Agency Cluster/Program	Pass-Through Entity	CFDA #	WSC	PSC	CSC	FY 2010 Expenditures
<i>U.S. Department of Education:</i>						
Student Financial Aid Cluster:						
Federal Supplemental Educational Opportunity Grant		84.007	\$ 72,847	\$ 43,069	\$ 50,718	\$ 166,634
Federal Family Education Loans		84.032	13,589,610	-	240,016	13,829,626
Federal Work-Study Program		84.033	115,669	98,793	302,896	517,358
Federal Perkins Loan Program - Federal Capital Contributions		84.038	1,648,527	-	1,467,174	3,115,701
Federal Pell Grant Program		84.063	4,466,511	2,674,332	3,251,126	10,391,969
Federal Direct Student Loans		84.268	-	7,795,206	8,267,946	16,063,152
Academic Competitiveness Grants		84.375	158,119	65,859	99,415	323,393
National Science & Mathematics Access to Retain Talent (SMART) Grants		84.376	64,838	16,211	42,983	124,032
Total Student Financial Aid Cluster			20,116,121	10,693,470	13,722,274	44,531,865
Trio - Student Support Services		84.042	278,210	325,141	308,479	911,830
Trio - Upward Bound		84.047	-	-	340,956	340,956
Leveraging Educational Assistance Partnership	CCPE	84.069	18,459	8,235	10,985	37,679
Improving Teacher Quality State Grants	CCPE	84.367	22,031	-	-	22,031
College Access Challenge Grant Program	CCPE	84.378	-	-	60,574	60,574
Teacher Education Assistance for College and Higher Education Grants		84.379	40,000	-	-	40,000
<i>Total U.S. Department of Education</i>			\$ 20,474,821	\$ 11,026,846	\$ 14,443,268	\$ 45,944,935
<i>U.S. Department of Agriculture:</i>						
	Nebraska Department of Natural Resources	10.902	\$ -	\$ -	\$ 2,900	\$ 2,900
<i>Total U.S. Department of Agriculture</i>			\$ -	\$ -	\$ 2,900	\$ 2,900
<i>U.S. Department of Interior:</i>						
U.S. Geological Survey - Research & Data Collection		15.808	\$ -	\$ -	\$ 63,424	\$ 63,424
<i>Total U.S. Department of Interior</i>			\$ -	\$ -	\$ 63,424	\$ 63,424

(Continued)

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**COMBINING SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Fiscal Year Ended June 30, 2010

Federal Agency Cluster/Program	Pass-Through Entity	CFDA #	WSC	PSC	CSC	FY 2010 Expenditures
<i>Department of Transportation:</i>						
	Nebraska Statewide Arboretum					
Highway Planning and Construction		20.205	\$ 3,760	\$ -	\$ -	\$ 3,760
State & Community Highway Safety	UNL	20.600	1,000	-	-	1,000
<i>Total Department of Transportation</i>			<u>\$ 4,760</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,760</u>
<i>National Science Foundation:</i>						
	National Science Foundation Academy of Natural Sciences of Philadelphia	47.074	\$ 31,661	\$ -	\$ -	\$ 31,661
Biological Sciences						
Education & Human Resources	UNO	47.075	40,933	-	-	40,933
<i>Total National Science Foundation</i>			<u>\$ 72,594</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,594</u>
<i>U.S. Small Business Administration:</i>						
Small Business Development Centers	UNO	59.037	\$ 63,443	\$ -	\$ 31,172	\$ 94,615
<i>Total U.S. Small Business Administration</i>			<u>\$ 63,443</u>	<u>\$ -</u>	<u>\$ 31,172</u>	<u>\$ 94,615</u>
<i>U.S. Department of Health &amp; Human Services:</i>						
Center for Disease Control & Prevention - Investigations & Technical Assistance	Nebraska Health & Human Services	93.283	\$ -	\$ -	\$ 14,596	\$ 14,596
National Center for Research Resources	UNMC	93.389	110,367	-	14,704	125,071
Block Grants for Prevention and Treatment of Substance Abuse		93.959	11,963	-	-	11,963
<i>Total U.S. Department of Health &amp; Human Services</i>			<u>\$ 122,330</u>	<u>\$ -</u>	<u>\$ 29,300</u>	<u>\$ 151,630</u>
<i>Corporation for National &amp; Community Service:</i>						
Learn & Serve America - School & Community Based Programs	UNL	94.004	\$ -	\$ -	\$ 2,407	\$ 2,407
Learn & Serve America - Higher Education	South Dakota State University & UNL	94.005	7,596	-	-	7,596
<i>Total Corporation for National &amp; Community Service</i>			<u>\$ 7,596</u>	<u>\$ -</u>	<u>\$ 2,407</u>	<u>\$ 10,003</u>
<i>National Aeronautics and Space Administration:</i>						
Goddard Space Flight Center Grant	UNO	N/A	\$ -	\$ -	\$ 20,679	\$ 20,679
<i>Total National Aeronautics and Space Administration</i>			<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,679</u>	<u>\$ 20,679</u>
<b>Total Federal Awards</b>			<u>\$ 20,745,544</u>	<u>\$ 11,026,846</u>	<u>\$ 14,593,150</u>	<u>\$ 46,365,540</u>



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

Mike Foley  
State Auditor

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NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**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***

Board of Trustees of the Nebraska State College System  
Lincoln, Nebraska:

We have audited the financial statements of the business-type activities and discretely presented component units of the Nebraska State College System (NSCS) (a component unit of the State of Nebraska) as of and for the year ended June 30, 2010, which collectively comprise the Nebraska State College System's basic financial statements and have issued our report thereon dated December 22, 2010. Our report includes a reference to other auditors. 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. Other auditors audited the financial statements of Nebraska State College Foundations, Revenue and Refunding Bond Funds, and Facilities Corporation, as described in our report on the Nebraska State College System's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of these entities were not audited in accordance with *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Nebraska State College System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NSCS's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the NSCS's internal control over financial reporting.

*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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the NSCS's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to the management of the NSCS in a separate letter dated December 22, 2010.

This report is intended solely for the information and use of management, Board of Trustees of the Nebraska State College System, others within the NSCS, and the appropriate Federal and regulatory agencies. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

Lincoln, Nebraska  
December 22, 2010

Don Dunlap, CPA  
Assistant Deputy Auditor



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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State Auditor

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NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees of the Nebraska State College System  
Lincoln, Nebraska:

### ***Compliance***

We have audited the Nebraska State College System's (NSCS), (a component unit of the State of Nebraska) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on the NSCS's major Federal program for the year ended June 30, 2010. The NSCS's major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major Federal program is the responsibility of the NSCS's management. Our responsibility is to express an opinion on the NSCS's compliance based on our audit.

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 OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the NSCS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the NSCS's compliance with those requirements.

In our opinion the NSCS complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal program for the year ended June 30, 2010.

### ***Internal Control Over Compliance***

Management of the NSCS is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the NSCS's internal control over compliance with the requirements that could have a direct and material effect on a major Federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the NSCS's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, Board of Trustees of the Nebraska State College System, others within the NSCS, Federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Signed Original on File

Lincoln, Nebraska  
December 22, 2010

Don Dunlap, CPA  
Assistant Deputy Auditor

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2010

**I. Summary of Auditor's Results:**

- a. Type of report issued as it related to the Nebraska State College System's (NSCS) basic financial statements: Unqualified.
- b. No significant deficiencies in internal control were disclosed by the audit of the financial statements.
- c. The audit disclosed no instances of noncompliance which were material to the NSCS's basic financial statements.
- d. No significant deficiencies in internal control over the major program were disclosed by the audit.
- e. Type of report issued on compliance for major program: Unqualified.
- f. The audit disclosed no audit findings, which are required to be reported in accordance with section 510(a) of OMB Circular A-133.
- g. The Student Financial Aid Cluster is considered a major program. The Student Financial Aid Cluster consists of the following:
  - CFDA #84.007 Federal Supplemental Educational Opportunity Grant
  - CFDA #84.032 Federal Family Education Loan
  - CFDA #84.033 Federal Work-Study Program
  - CFDA #84.038 Federal Perkins Loan Program-Federal Capital Contributions
  - CFDA #84.063 Federal Pell Grant Program
  - CFDA #84.268 Federal Direct Student Loans
  - CFDA #84.375 Academic Competitiveness Grants
  - CFDA #84.376 National Science and Mathematics Access to Retain Talent (SMART) Grants
- h. The threshold used to distinguish between Type A and Type B programs: \$1,390,966
- i. The NSCS qualified as a low-risk auditee under OMB Circular A-133 Section 530.

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(Continued)

Fiscal Year Ended June 30, 2010

**II. Findings Relating to the Financial Statements which are Required to be Reported in Accordance with *Government Auditing Standards*:**

None

**III. Findings and Questioned Costs Relating to Federal Awards:**

None

**IV. Summary Schedule of Prior Year Audit Findings:**

N/A – No prior year audit findings