

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

**For the Years Ended June 30, 2016 and 2015**

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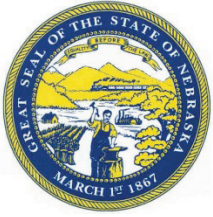
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**Issued on December 13, 2016**

NEBRASKA STATE COLLEGE SYSTEM  
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## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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

### INDEPENDENT AUDITOR'S REPORT

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

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the business-type activities and the discretely presented component units of the Nebraska State College System (NSCS) (a component unit of the State of Nebraska), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Nebraska State College System's basic financial statements, as listed in the Table of Contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the accompanying financial statements of Chadron State, Peru State, and Wayne State Foundations (Foundations), discretely presented component units of the NSCS, as of and for the years ended June 30, 2016 and 2015, December 31, 2015 and 2014, and June 30, 2016 and 2015, respectively. Those statements are presented separately on pages 15 through 17, 19 through 21, and 24 through 26. We also did not audit the financial statements of the Nebraska State Colleges Facilities Corporation, a blended component unit of the NSCS, and the activity of the Nebraska State College System Revenue and Refunding Bond Program, which represents 29 percent and 26 percent, respectively, of total assets, and 85 percent and 82 percent, respectively, of total liabilities, and 6 percent and 6 percent, respectively, of total net position, at June 30, 2016 and 2015, and total revenues constituting 21 percent and 20 percent, respectively,

of the primary government for the years then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundations, the Nebraska State College System Revenue and Refunding Bond Program, and the Nebraska State Colleges Facilities Corporation, is based solely on the report 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 from material misstatement. The financial statements of the Foundations, Revenue and Refunding Bond Program, and the Facilities Corporation were not audited in accordance with *Government Auditing Standards*.

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

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

### ***Opinion***

In our opinion, based on our audit and the 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, 2016 and 2015, and December 31, 2015 and 2014, (Peru State Foundation) and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, the fiscal year ended June 30, 2015, financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 12, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in

the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed, as described above, and the reports of the other auditors, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2016, on our consideration of the NSCS'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, not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NSCS's internal control over financial reporting and compliance.

December 12, 2016



Kris Kucera, CPA, CFE  
Audit Manager

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 years ended June 30, 2016 and 2015. 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) Statements of Net Position; 2) Statements of Revenues, Expenses, and Changes in Net Position; 3) Statements of Cash Flows; and 4) Notes to Financial Statements. This report also contains information in addition to the basic financial statements.

The Statements of Net Position present information on all of the NSCS's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between these elements reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the NSCS is improving or deteriorating.

The Statements of Revenues, Expenses, and Changes in Net Position present information showing how the NSCS's net position changed during the fiscal year. All changes in net position 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 these statements for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

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

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

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

(Continued)

The audited financials for the NSCS include information on the Nebraska State Colleges Facilities Corporation (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 Board of Directors of the Corporation. Outstanding bonds issued by the Corporation are those authorized under LB 605, passed in 2006, and LB 198, passed in 2013. Repayment is from legislative appropriations and student fees. The long-term debt of the 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 15 through 17, 19 through 21, and 24 through 26 of this report.

Condensed statements are presented below for the NSCS for the years ended June 30, 2016, 2015, and 2014.

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

	<b>2016</b>	<b>2015 As Restated</b>	<b>2014</b>
<b>Current Assets</b>	\$ 61,946,780	\$ 58,697,889	\$ 56,834,765
<b>Non-current Assets</b>			
Capital Assets, Net	204,168,107	198,162,911	182,661,457
Other Non-current Assets	26,454,450	13,068,191	23,721,174
<b>Total Assets</b>	<u>292,569,337</u>	<u>269,928,991</u>	<u>263,217,396</u>
<b>Deferred Outflow of Resources</b>	<u>43,515</u>	<u>47,293</u>	<u>51,070</u>
<b>Current Liabilities</b>	17,482,793	17,197,126	17,072,164
<b>Non-current Liabilities</b>	67,408,157	52,711,352	57,555,464
<b>Total Liabilities</b>	<u>84,890,950</u>	<u>69,908,478</u>	<u>74,627,628</u>
<b>Net Position</b>			
Net Investment in Capital Assets	159,203,331	153,547,782	139,807,159
Restricted	24,920,329	25,081,985	26,620,443
Unrestricted	23,598,242	21,438,039	22,213,236
<b>Total Net Position</b>	<u>\$ 207,721,902</u>	<u>\$ 200,067,806</u>	<u>\$ 188,640,838</u>

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

(Continued)

**Nebraska State College System  
Revenues, Expenses, and Changes in Net Position For Year Ended June 30**

	<b>2016</b>	<b>2015 As Restated</b>	<b>2014</b>
<b>Operating Revenues</b>			
Tuition and Fees, Net	\$ 29,713,811	\$ 26,826,814	\$ 26,197,724
Federal and State Grants and Contracts	14,215,658	14,791,678	14,468,359
Private Grants and Contracts	619,646	556,060	584,731
Auxiliary Enterprises, Net	18,899,727	18,564,719	17,709,618
Other Operating Revenues	1,088,550	1,140,204	1,211,641
Total Operating Revenues	64,537,392	61,879,475	60,172,073
<b>Operating Expenses</b>	116,062,557	112,547,647	109,032,514
<b>Operating Loss</b>	(51,525,165)	(50,668,172)	(48,860,441)
<b>Non-operating Revenues (Expenses)</b>			
State Appropriations	50,877,659	49,397,586	47,540,052
Investment Income	1,201,233	1,043,343	983,886
Interest on Capital Asset-Related Debt	(1,201,877)	(1,235,376)	(1,171,890)
Gain (Loss) on Disposal of Asset	14,858	(589,282)	(7,351,929)
Bond Issuance Costs	(318,876)	-	(234,051)
Other Non-operating Revenues (Expenses)	266,494	27,139	(44,928)
Net Non-operating Revenues	50,839,491	48,643,410	39,721,140
<b>Loss before Other Revenues, Expenses, Or Gains (Losses)</b>	(685,674)	(2,024,762)	(9,139,301)
<b>Other Revenues, Expenses, or Gains (Losses)</b>			
Capital Appropriations and Grants	4,139,354	8,751,675	15,785,770
Capital Contributions	2,141,916	2,617,534	1,465,923
Capital Facilities Fee	2,058,500	2,082,521	2,086,875
Net Other Revenues, Expenses, or Gains (Losses)	8,339,770	13,451,730	19,338,568
<b>Increase in Net Position</b>	7,654,096	11,426,968	10,199,267
<b>Net Position, Beginning of Year</b>	200,067,806	188,640,838	178,441,571
<b>Net Position, End of Year</b>	\$ 207,721,902	\$ 200,067,806	\$ 188,640,838



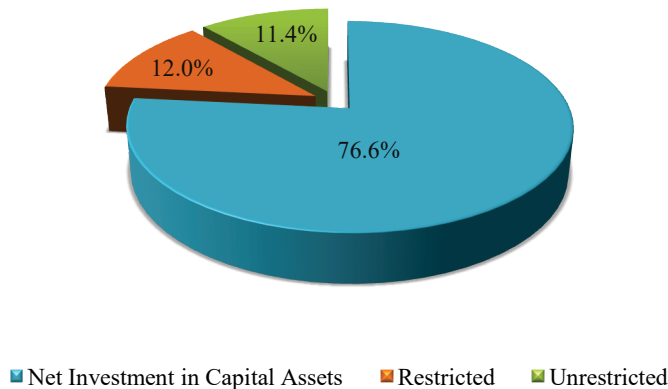
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**MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED**  
(Continued)

**CHANGES IN NET POSITION**

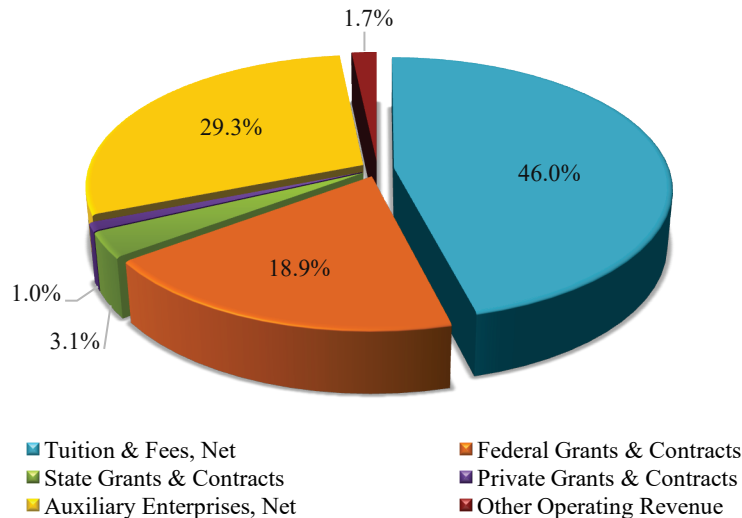
At June 30, 2016, the NSCS had a net position of \$207.7 million, an increase of \$7.7 million or 3.8% over 2015, and up 10.1% from 2014. Net position was comprised of unrestricted – \$23.6 million; restricted – \$24.9 million; and net investment in capital assets – \$159.2 million.

**Net Position at June 30, 2016**



Operating revenues for fiscal year 2016 were \$64.5 million compared to \$61.9 million in 2015, a 4.3% increase, and were 7.3% over fiscal year 2014 operating revenues. Operating revenues for 2016 include \$29.7 million in net tuition and fees, Federal grants and contracts of \$12.2 million, State grants and contracts of \$2.0 million, private grants and contracts of \$0.6 million, net auxiliary enterprises of \$18.9 million, and other operating revenues of \$1.1 million.

**Fiscal Year 2016 Operating Revenues**

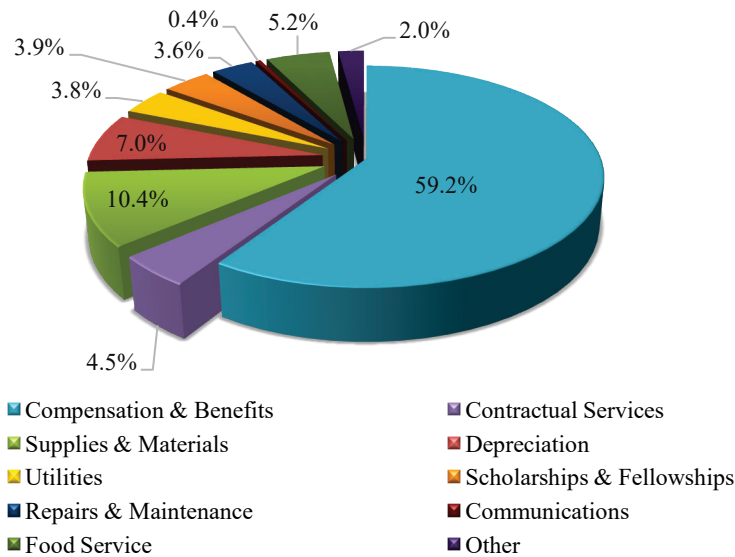


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**MANAGEMENT’S DISCUSSION AND ANALYSIS – UNAUDITED**  
(Continued)

Operating expenses for the year ended June 30, 2016, amounted to \$116.1 million, compared to \$112.5 million in 2015, and \$109.0 million in 2014. Compensation and benefits accounted for \$68.7 million, or 59.2% of the total; contractual services were \$5.2 million; supplies and materials, \$12.1 million; depreciation, \$8.1 million; and utilities, \$4.4 million. Other operating expenses consisted of scholarships and fellowships, \$4.5 million; repairs and maintenance, \$4.1 million; communications, \$0.4 million; food service, \$6.0 million; and other operating expenses, \$2.3 million.

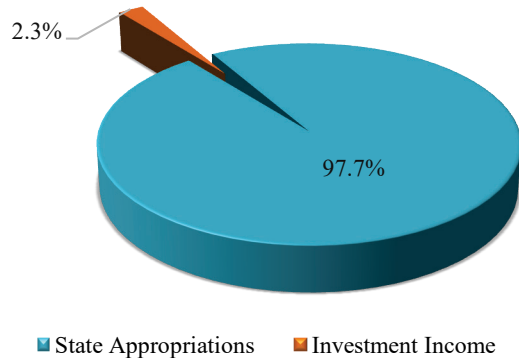
**Fiscal Year 2016 Operating Expenses**



The current year operating loss amounted to \$51.5 million, compared to an operating loss of \$50.7 million in 2015 and \$48.9 million in 2014.

Non-operating revenues consist of State appropriations and investment income.

**Fiscal Year 2016 Non-operating Revenues**



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

(Continued)

The most significant change in the schedule of net position from the fiscal year ended June 30, 2014, to the fiscal year ended June 30, 2015, was a decrease in non-current restricted cash and cash equivalents and an increase in capital assets. The changes in these two accounts related to the expenditure of 2014 Series Bond proceeds for capital construction projects during the fiscal year, specifically the Rangeland Center at CSC and U.S. Conn Library at WSC. The \$15.5 million increase in net capital assets during fiscal year 2015 was also the result of work related to the Armstrong renovation and Eagle Ridge construction at CSC; Lindahl Drive street work and Morey Hall window replacement at WSC; and T.J. Majors and Delzell Hall renovations and Park Avenue street work at PSC.

The most significant change in the schedule of net position from the fiscal year ended June 30, 2015, to the fiscal year ended June 30, 2016, was an increase in non-current restricted cash and cash equivalents and an increase in long-term debt. The changes in these two accounts related to the issuance of two bonds during the fiscal year. The proceeds of these bonds will be used for capital construction projects related to Delzell Hall at PSC and Bowen Hall at WSC. The \$6.0 million increase in net capital assets during fiscal year 2016 was also the result of work related to the Armstrong renovation and Rangeland Lab construction at CSC; Lindahl Drive street work, U.S. Conn Library and Bowen Hall renovation, and Morey Hall window replacement at WSC; and T.J. Majors, Field House, Theatre, and Delzell Hall renovations, Hoyt HVAC, and Park Avenue street work at PSC.

Fiscal year 2016 tuition and fee income increased \$2.9 million or 10.8%, and auxiliary enterprise revenues increased \$0.3 million, or 1.8% from the prior fiscal year. Federal, State, and private grants and contracts decreased \$0.5 million or 3.3%. Increases in tuition and fee and auxiliary enterprise from 2014 to 2016 were 13.4% and 6.7%, respectively, while Federal, State, and private grants decreased 1.4%.

Fiscal year 2016 non-operating revenues reflect a \$1.5 million or 3.0% increase in expenditure of State appropriations and a 15.1% increase in investment income over fiscal year 2015. State appropriations increased 7.0% and investment income increased 22.1% between fiscal years 2016 and 2014.

Operating expenses for the year ended June 30, 2016, increased by \$3.5 million or 3.1% from the previous fiscal year. Within the operating expenses category, compensation and benefits increased approximately \$2.5 million, contractual services increased \$0.5 million, depreciation increased \$0.6 million, repairs and maintenance increased \$.5 million, food service increased \$0.2 million, and other operating expenses increased \$0.1 million. Health insurance premiums increased slightly in 2013-2014, 2014-2015, and 2015-2016, with the overall composite rates for medical and dental insurance increasing 6.4%, 2.3% and 1.9%, respectively.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

As of June 30, 2016, the NSCS had recorded \$304.8 million in gross capital assets. During the fiscal year ended June 30, 2016, the investment in buildings and improvements increased by \$25.4 million; infrastructure increased by \$0.2 million; equipment increased by \$0.5 million; and

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

(Continued)

construction in progress decreased by \$12.2 million. Policy changes on capitalization thresholds removed \$7.4 million in net capital assets during fiscal year 2014. At the end of the fiscal year, the NSCS had \$100.6 million in accumulated depreciation that left \$204.2 million in net capital assets. Accumulated depreciation for fiscal years 2015 and 2014 were \$92.8 million and \$85.9 million, respectively, and net capital assets were \$198.2 million and \$182.7 million, respectively.

The NSCS had \$73.3 million in long-term liabilities at the end of the 2016 fiscal year. These long-term liabilities consisted primarily of outstanding indebtedness of \$66.2 million, \$4.0 million in accrued compensated absences, \$0.8 million in master lease obligations, and \$0.9 million in unearned revenue. Additional debt of \$24.0 million was issued during the fiscal year, and previously existing bond obligations were reduced by \$8.8 million. Long-term liabilities were \$58.5 million and \$62.4 million at the end of fiscal years 2015 and 2014, respectively. No additional debt was issued in fiscal year 2015 and additional debt of \$17.7 million was issued in fiscal year 2014. Previously existing bond obligations were reduced by \$4.2 million and \$8.1 million, respectively, during fiscal years 2015 and 2014. The NSCS also added master leases of \$0.8 million and \$0.2 million during fiscal years 2015 and 2014.

Several construction projects have been completed at the Colleges, including Armstrong renovation and Rangeland Lab construction at CSC; T.J. Majors HVAC upgrade project, AWAC bridge, and Delzell window project at PSC; and Morey Hall window project at WSC. Projects were completed using College cash funds, capital improvement fee funds, Facilities Corporation bond funds, LB 309 building renewal task force funds, revenue bond funds, contingency maintenance funds, Foundation funds, and private funds. Renovation and construction was also in progress for several projects, including the CSC Maintenance Shed, the CSC Memorial Hall Bandshell, the WSC U.S. Conn Library renovation and addition, the WSC Lindahl Drive street project, the WSC Press Box project, the WSC Bowen Hall renovation, the PSC Park Avenue street project, the PSC Delzell Hall renovation, the PSC Hoyt HVAC upgrade project, and the PSC Field House renovation. These projects are being funded through various sources including: Facilities Corporation bonds, capital improvement fee funds, the LB 309 building renewal task force, College cash funds, revenue bond funds, and/or privately raised funds. Planning was in the process for the Theatre/Event Center renovation and addition project at PSC, the Center for Applied Technology construction at WSC, and the Stadium renovation at CSC.

All projects using bond proceeds from LB 605 have been completed. In May 2013, the Legislature approved and the Governor signed LB 198, which provides General Fund appropriations of \$2,216,000 for 2013-2014 and 2014-2015 and the intent to provide this amount annually through fiscal year June 30, 2021, to undertake construction of the CSC Rangeland Center Phase II and renovation of the WSC U.S. Conn Library. LB 198 authorized the Corporation to issue bonds for these two projects. The bonding resulting from LB 198 provided over \$15 million in capital project funds. The Rangeland construction project was completed during the fiscal year while the U.S. Conn Library project utilizing LB 198 funding was still in progress. Various deferred repair and fire and life safety upgrades are in progress at all three Colleges.

See the notes to the financial statements for additional discussion of capital assets and long-term liabilities.

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

(Continued)

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

State funding for the NSCS increased for the 2015-2017 biennium. The Governor and Legislature approved State funding for 2015-2016 at \$50,877,911, an increase of \$1,481,881 or 3.0%. Funding for 2016-2017 was approved at \$52,404,248, an increase of \$1,526,337 over 2015-2016 funding levels.

The Board of Trustees increased tuition rates for 2016-2017. Tuition rates for 2016-2017 are \$160 for undergraduate resident, \$200 for graduate resident, \$320 for undergraduate non-resident, and \$400 for graduate non-resident. Online rates were \$260 for undergraduate and \$325 for graduate. Tuition rates for 2015-2016 were \$153 for undergraduate resident, \$191 for graduate resident, \$306 for undergraduate non-resident, and \$383 for graduate resident. Online rates were \$246 for undergraduate and \$308 for graduate.

In accordance with the NSCS Bargaining Unit agreements for 2015-2017, each unit member of professional staff will receive a 3.0% increase in the 2016-2017 fiscal year. Faculty will receive a 3.0% increase for the 2016-2017 fiscal year. Support staff will also receive a 3.0% increase for the 2016-2017 fiscal years, while maintaining longevity increases.

In addition to receiving notification of a 4.9% premium increase in health insurance rates for 2016-2017, the NSCS has also been notified that premium rates for the 2017-2018 year will increase an additional 8.0%.

Enrollment at the State Colleges (annual FTE) remained relatively stable for 2015-2016. Fall enrollments are also expected to remain relatively stable to slightly declining for 2016-2017. The NSCS continues to engage in an increased emphasis on enrollment management and marketing.

During the 2016 legislative session, the Legislature passed LB 957 which extended the appropriations related to the Series 2006 bonds to fiscal year 2030. The extension of the appropriation was to allow for the refunding of the Series 2006 bonds and the issuance of new bond proceeds in order to help fund the renovation of the stadium at CSC, the renovation of the Theatre/Event Center at PSC, and the construction of applied technology programmatic space at WSC. At the June 2016, the Corporation Board of Directors meeting, the Board approved a resolution to authorize the issuance of deferred maintenance and refunding bonds, Series 2016. On August 17, 2016, the Corporation issued \$26,655,000 in Series 2016 bonds, of which \$19,295,000 was related to new bonds and \$7,360,000 was related to refunding bonds. Settlement of these bonds took place on September 1, 2016. The Series 2006 bonds were advance refunded on September 19, 2016. This advance refunding reduced total debt service payments by \$854,784 and resulted in an estimated economic gain of \$471,674.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS – UNAUDITED**  
(Concluded)

At the November 10, 2016, Board of Trustees meeting, the Board approved a resolution to authorize the sale of Student Fees and Facilities Revenue Refunding Bonds in order to refund the PSC Student Fees and Facilities Revenue Bonds Series 2011. On November 14, 2016, the NSCS issued \$2,865,000 in Student Fees and Facilities Revenue Refunding Bonds, Series 2016C. Settlement of these Series 2016C bonds will take place on December 19, 2016, and refunding of the Series 2011 bonds will occur on the same date. This current refunding will reduce total debt service payments by \$604,271 and resulted in an estimated economic gain of \$407,674.

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**STATEMENTS OF NET POSITION**  
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u> As Restated
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents	\$ 32,410,624	\$ 30,395,783
Restricted Cash and Cash Equivalents	25,576,581	24,830,169
Accounts Receivable, Net of Allowance	1,905,589	1,615,182
State Grants and Appropriations Receivable	205,948	72,331
Other Receivables	462,963	323,150
Inventories	83,257	90,679
Loans to Students, Net	279,592	321,965
Prepaid Expenses	1,015,945	1,043,787
Deposits with Vendors	6,281	4,843
Total Current Assets	<u>61,946,780</u>	<u>58,697,889</u>
<b>Non-current Assets</b>		
Restricted Cash and Cash Equivalents	24,949,225	11,752,384
Restricted Investments	605,121	-
Loans to Students, Net	863,735	1,271,804
Prepaid Expenses	36,369	44,003
Capital Assets, Net	<u>204,168,107</u>	<u>198,162,911</u>
Total Non-current Assets	<u>230,622,557</u>	<u>211,231,102</u>
Total Assets	<u>292,569,337</u>	<u>269,928,991</u>
<b>Deferred Outflow of Resources</b>		
Unamortized Bond Refunding Amount, Net	43,515	47,293
Total Deferred Outflow of Resources	<u>43,515</u>	<u>47,293</u>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts Payable and Accrued Liabilities	10,129,575	10,205,129
Accrued Compensated Absences	378,447	314,626
Unearned Revenue	738,249	724,098
Interest Payable	838,831	607,223
Master Lease Payable	227,574	224,568
Long-term Debt	4,928,334	4,922,545
Deposits Held in Custody for Others	<u>241,783</u>	<u>198,937</u>
Total Current Liabilities	<u>17,482,793</u>	<u>17,197,126</u>
<b>Non-current Liabilities</b>		
Accrued Compensated Absences	3,615,834	3,382,369
Unearned Revenue	605,668	883,528
Master Lease Payable	548,876	776,450
Long-term Debt	<u>62,637,779</u>	<u>47,669,005</u>
Total Non-current Liabilities	<u>67,408,157</u>	<u>52,711,352</u>
Total Liabilities	<u>84,890,950</u>	<u>69,908,478</u>

(Continued)

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**STATEMENTS OF NET POSITION**  
June 30, 2016 and 2015

<b>Net Position</b>	<b>2016</b>	<b>2015 As Restated</b>
Net Investment in Capital Assets	159,203,331	153,547,782
Restricted for:		
Expendable:		
Loans	1,760,064	2,163,415
Debt service	3,538,638	3,503,390
Plant	3,572,778	3,661,310
Other	16,048,849	15,753,870
Unrestricted	23,598,242	21,438,039
Total Net Position	\$ 207,721,902	\$ 200,067,806

(Concluded)

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



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

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

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and Cash Equivalents - Unrestricted	\$ 1,692,474	\$ 1,050,523
Cash and Cash Equivalents - Restricted	28,350	39,781
Investments	17,018,052	18,511,198
Contributions Receivable, Net of Allowance for Uncollectible Pledges of \$62,000 for 2016 and \$37,087 for 2015	561,940	486,365
Prepaid Expenses	4,000	4,000
Other Assets	43,507	308,101
Property and Equipment, Net of Accumulated Depreciation	41,760	42,853
<b>TOTAL ASSETS</b>	<b>\$ 19,390,083</b>	<b>\$ 20,442,821</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts Payable	\$ 4,849	\$ 24,560
Accrued Salaries and Benefits	134,693	91,284
Scholarships Payable	698,019	634,012
Deferred Revenue	16,041	19,662
Due to Other Agencies	25,614	40,332
<b>TOTAL LIABILITIES</b>	<b>\$ 879,216</b>	<b>\$ 809,850</b>
Unrestricted Net Assets:		
Operating Fund	\$ (201,055)	\$ (32,678)
CSC General Fund	583,347	587,087
CSC Quasi Endowment	554,720	430,698
Greatest Need	172,767	411,423
Total Unrestricted Net Assets	<b>\$ 1,109,779</b>	<b>\$ 1,396,530</b>
Temporarily Restricted Net Assets:		
Donor Designated	\$ 973,281	\$ 555,692
Named Endowment Activity	861,229	2,455,943
Total Temporarily Restricted Net Assets	<b>\$ 1,834,510</b>	<b>\$ 3,011,635</b>
Permanently Restricted Net Assets:		
Named Endowment	\$ 15,566,578	\$ 15,224,806
<b>TOTAL NET ASSETS</b>	<b>\$ 18,510,867</b>	<b>\$ 19,632,971</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 19,390,083</b>	<b>\$ 20,442,821</b>

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)  
**STATEMENTS OF FINANCIAL POSITION**  
December 31, 2015 and 2014

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 1,279,540	\$ 165,387
Unconditional Promises to Give	15,904	15,084
Interest Receivable	3,326	4,089
Prepaid Expenses	2,635	103,090
Current Portion of Notes Receivable	22,545	21,783
<b>TOTAL CURRENT ASSETS</b>	<b>1,323,950</b>	<b>309,433</b>
<b>PROPERTY AND EQUIPMENT</b>		
Land	60,947	60,947
Office Furniture and Fixtures	35,681	35,681
Vehicles	23,650	23,650
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>120,278</b>	<b>120,278</b>
Less Accumulated Depreciation	57,958	54,510
<b>NET PROPERTY AND EQUIPMENT</b>	<b>62,320</b>	<b>65,768</b>
<b>OTHER ASSETS</b>		
Investments	11,967,806	13,569,903
Real Estate Held for Future College Use	337,062	238,760
Notes Receivable, Less Current Portion	72,481	95,026
<b>TOTAL OTHER ASSETS</b>	<b>12,377,349</b>	<b>13,903,689</b>
<b>TOTAL ASSETS</b>	<b>\$ 13,763,619</b>	<b>\$ 14,278,890</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 147,192	\$ 21,463
Accrued Compensation	132,618	128,292
Accrued Expenses	-	1,142
Refundable Deposits	29,353	28,863
Current Portion of Notes Payable	140,802	164,962
Current Portion of Gift Annuity	-	385
<b>TOTAL CURRENT LIABILITIES</b>	<b>449,965</b>	<b>345,107</b>
<b>LONG-TERM LIABILITIES</b>		
Note Payable, Less Current Portion	-	833
Gift Annuity, Less Current Portion	-	398
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>-</b>	<b>1,231</b>
<b>TOTAL LIABILITIES</b>	<b>449,965</b>	<b>346,338</b>
<b>NET ASSETS</b>		
Unrestricted Net Assets:		
Operating	4,124,114	5,129,476
Board Designated	1,138,297	1,151,133
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>5,262,411</b>	<b>6,280,609</b>
Temporarily Restricted	1,328,662	1,246,213
Permanently Restricted	6,722,581	6,405,730
<b>TOTAL NET ASSETS</b>	<b>13,313,654</b>	<b>13,932,552</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 13,763,619</b>	<b>\$ 14,278,890</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)

**STATEMENTS OF FINANCIAL POSITION**

June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
Cash and Cash Equivalents - Unrestricted	\$ 102,537	\$ 28,701
Cash and Cash Equivalents - Restricted	619,620	465,038
Total Cash and Cash Equivalents	722,157	493,739
Accrued Interest Receivable	1,198	1,014
Unconditional Promises to Give	1,096,491	1,554,094
Prepays and Other Receivables	9,560	1,781
Investments	22,410,344	20,756,873
Property	189,445	283,516
Cash Value Life Insurance	87,817	102,026
Assets Restricted for Annuity Contracts		
Investments	909,022	1,044,434
Assets Held in Perpetual Trust		
Investments	864,617	915,750
<b>TOTAL ASSETS</b>	<b>\$ 26,290,651</b>	<b>\$ 25,153,227</b>
<b>LIABILITIES AND NET ASSETS</b>		
Accounts and Faculty Grants Payable	\$ 66,444	\$ 128,316
Deferred (Unearned) Event Revenue	2,200	3,330
Annuities Payable	370,904	407,247
Total Liabilities	439,548	538,893
<b>Net Assets:</b>		
Unrestricted:		
Undesignated	2,565,492	2,559,290
Endowment Funds Deficit	(5,010)	(1,121)
Designated	324,380	326,609
Total Unrestricted Net Assets	2,884,862	2,884,778
Temporarily Restricted	6,925,582	7,640,416
Permanently Restricted	16,040,659	14,089,140
Total Net Assets	25,851,103	24,614,334
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 26,290,651</b>	<b>\$ 25,153,227</b>

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)  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
Fiscal Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015 As Restated</b>
<b>Operating Revenues</b>		
Tuition and Fees Net of Scholarship Allowances and Institutional Waivers Totaling \$11,833,929 in 2016 and \$11,492,713 in 2015	\$ 29,713,811	\$ 26,826,814
Federal Grants and Contracts	12,193,676	13,189,009
State Grants and Contracts	2,021,982	1,602,669
Private Grants and Contracts	619,646	556,060
Auxiliary Enterprises Net of Scholarship Allowances and Institutional Waivers Totaling \$4,185,997 in 2016 and \$4,073,301 in 2015	18,899,727	18,564,719
Other Operating Revenues	1,088,550	1,140,204
Total Operating Revenues	64,537,392	61,879,475
<b>Operating Expenses</b>		
Compensation and Benefits	68,725,981	66,229,394
Contractual Services	5,204,996	4,684,763
Supplies and Materials	12,125,604	12,215,730
Scholarships and Fellowships	4,507,440	5,367,532
Depreciation	8,141,247	7,588,423
Utilities	4,440,475	4,376,659
Repairs and Maintenance	4,142,243	3,626,924
Communications	445,405	443,851
Food Service	6,027,822	5,827,134
Other	2,301,344	2,187,237
Total Operating Expenses	116,062,557	112,547,647
<b>Operating Loss</b>	(51,525,165)	(50,668,172)
<b>Non-operating Revenue (Expenses)</b>		
State Appropriations	50,877,659	49,397,586
Investment Income	1,201,233	1,043,343
Interest on Capital Asset-Related Debt	(1,201,877)	(1,235,376)
Gain (Loss) on Disposal of Asset	14,858	(589,282)
Bond Issuance Costs	(318,876)	-
Other Non-operating Revenue	266,494	27,139
Net Non-operating Revenues	50,839,491	48,643,410
<b>Loss Before Other Revenues, Expenses, or Gains (Losses)</b>	(685,674)	(2,024,762)
<b>Other Revenues, Expenses, or Gains (Losses)</b>		
Capital Facilities Fees	2,058,500	2,082,521
Capital Contributions	2,141,916	2,617,534
Capital Appropriations and Grants	4,139,354	8,751,675
Net Other Revenues, Expenses, or Gains (Losses)	8,339,770	13,451,730
<b>Increase in Net Position</b>	7,654,096	11,426,968
<b>Net Position, Beginning of Year</b>	200,067,806	188,640,838
<b>Net Position, End of Year</b>	\$ 207,721,902	\$ 200,067,806

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

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, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	<b>2016</b>				2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>REVENUES, GAINS (LOSSES), AND OTHER SUPPORT</b>					
Fundraising Income	\$ 403,052	\$ 1,102,316	\$ -	\$ 1,505,368	\$ 938,672
Principle Contributions to Named Endowments	-	-	337,265	337,265	396,235
Management Fees	364,727	-	-	364,727	375,383
State Income	216,351	-	-	216,351	200,387
Unrealized Gain (Loss) on Investments	(248,690)	(1,150,854)	-	(1,399,544)	(334,018)
Realized Gain (Loss) on Investments	(67,006)	(67,853)	-	(134,859)	16,534
Interest and Dividend Income	132,991	428,616	-	561,607	651,132
Event Income	-	47,216	-	47,216	53,715
Miscellaneous Income	3,255	7,009	-	10,264	14,973
<b>Total Revenues, Gains (Losses), and Other Support</b>	<b>\$ 804,680</b>	<b>\$ 366,450</b>	<b>\$ 337,265</b>	<b>\$ 1,508,395</b>	<b>\$ 2,313,013</b>
Transfer Between Net Assets	-	(4,507)	4,507	-	-
Net Assets Released From Restrictions	1,539,068	(1,539,068)	-	-	-
<b>Total Support and Reclassifications</b>	<b>\$ 2,343,748</b>	<b>\$ (1,177,125)</b>	<b>\$ 341,772</b>	<b>\$ 1,508,395</b>	<b>\$ 2,313,013</b>
<b>EXPENSES</b>					
Program Services	\$ 1,662,941	\$ -	\$ -	\$ 1,662,941	\$ 3,649,176
General and Management	539,134	-	-	539,134	523,044
Fundraising	428,424	-	-	428,424	312,490
<b>Total Expenses</b>	<b>\$ 2,630,499</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,630,499</b>	<b>\$ 4,484,710</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>\$ (286,751)</b>	<b>\$ (1,177,125)</b>	<b>\$ 341,772</b>	<b>\$ (1,122,104)</b>	<b>\$ (2,171,697)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>1,396,530</b>	<b>3,011,635</b>	<b>15,224,806</b>	<b>19,632,971</b>	<b>21,804,668</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 1,109,779</b>	<b>\$ 1,834,510</b>	<b>\$ 15,566,578</b>	<b>\$ 18,510,867</b>	<b>\$ 19,632,971</b>

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 AND CHANGE IN NET ASSETS**  
For the Year Ended December 31, 2015  
(With Summarized Financial Information for the Year Ended December 31, 2014)

	<b>2015</b>				2014
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>PUBLIC SUPPORT AND REVENUE</b>					
Contributions	\$ 1,510,077	\$ 136,656	\$ 323,120	\$ 1,969,853	\$ 771,168
Special Events	5,449	27,720	-	33,169	50,799
Interest and Dividends	306,670	-	10,127	316,797	334,660
Realized Gain on Sale of Investments	310,579	-	-	310,579	878,500
Unrealized Loss on Investments	(739,801)	-	(14,508)	(754,309)	(401,579)
Change in Value of Annuities	-	-	-	-	(19)
Miscellaneous Income	4,705	510	1,150	6,365	5,187
<b>TOTAL PUBLIC SUPPORT AND REVENUE</b>	<b>1,397,679</b>	<b>164,886</b>	<b>319,889</b>	<b>1,882,454</b>	<b>1,638,716</b>
<b>EXPENSES</b>					
Program Expenses	1,789,527	-	-	1,789,527	445,652
Management Expenses	265,341	-	-	265,341	280,306
Fundraising Expenses	446,484	-	-	446,484	483,224
<b>TOTAL EXPENSES</b>	<b>2,501,352</b>	<b>-</b>	<b>-</b>	<b>2,501,352</b>	<b>1,209,182</b>
Net Assets Released from Restrictions	85,475	(82,437)	(3,038)	-	-
<b>CHANGE IN NET ASSETS</b>	<b>(1,018,198)</b>	<b>82,449</b>	<b>316,851</b>	<b>(618,898)</b>	<b>429,534</b>
<b>NET ASSETS, Beginning of Year</b>	<b>6,280,609</b>	<b>1,246,213</b>	<b>6,405,730</b>	<b>13,932,552</b>	<b>13,503,018</b>
<b>NET ASSETS, End of Year</b>	<b>\$ 5,262,411</b>	<b>\$ 1,328,662</b>	<b>\$ 6,722,581</b>	<b>\$ 13,313,654</b>	<b>\$ 13,932,552</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, 2016

(With Summarized Financial Information for the Year Ended June 30, 2015)

	<b>2016</b>				2015 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>REVENUE AND OTHER SUPPORT:</b>					
Gift/Contributions Income	\$ 533,773	\$ 2,710,574	\$ 2,050,596	\$ 5,294,943	\$ 4,096,749
Interest and Dividends	71,356	281,704	8,951	362,011	343,459
Net Gain (Loss) on Investments	(60,737)	(359,854)	(65,345)	(485,936)	467,244
Other Non Gift Income	38,922	184,739	3,232	226,893	190,176
Total Revenue and Other Support	<u>583,314</u>	<u>2,817,163</u>	<u>1,997,434</u>	<u>5,397,911</u>	<u>5,097,628</u>
Assets Released from Restrictions/Transfers	3,372,508	(3,396,978)	24,470	-	-
<b>EXPENSES:</b>					
General and Administrative	242,542	-	-	242,542	236,668
Fundraising	355,719	-	-	355,719	388,704
Program Expenses	3,480,245	-	-	3,480,245	2,955,553
Total Expenses Before Amortization	<u>4,078,506</u>	<u>-</u>	<u>-</u>	<u>4,078,506</u>	<u>3,580,925</u>
Amortization of Annuity Contracts	12,251	-	70,385	82,636	84,026
Total Expenses	<u>4,090,757</u>	<u>-</u>	<u>70,385</u>	<u>4,161,142</u>	<u>3,664,951</u>
Administrative Support Fee	135,019	(135,019)	-	-	-
<b>NET INCREASE (DECREASE) IN NET ASSETS</b>	84	(714,834)	1,951,519	1,236,769	1,432,677
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,884,778</u>	<u>7,640,416</u>	<u>14,089,140</u>	<u>24,614,334</u>	<u>23,181,657</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,884,862</u>	<u>\$ 6,925,582</u>	<u>\$ 16,040,659</u>	<u>\$ 25,851,103</u>	<u>\$ 24,614,334</u>

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)  
**STATEMENTS OF CASH FLOWS**  
Fiscal Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015 As Restated</b>
<b>Cash Flows From Operating Activities</b>		
Tuition and Fees	\$ 29,609,305	\$ 26,724,714
Grants and Contracts	14,854,201	15,352,807
Payments to Suppliers	(28,574,335)	(27,016,624)
Payments for Utilities	(4,355,407)	(4,196,976)
Payments to Employees	(68,376,544)	(66,356,219)
Loans Issued to Students	(243,565)	(217,741)
Collections of Loans to Students	694,007	647,009
Sales and Services of Auxiliary Enterprises	18,522,536	18,164,728
Other Payments	(5,389,136)	(4,207,535)
	<u>(43,258,938)</u>	<u>(41,105,837)</u>
<b>Net Cash Used in Operating Activities</b>		
<b>Cash Flows From Non-capital Financing Activities</b>		
State Appropriations	50,744,012	49,710,824
Receipt of Flex Contributions	307,685	330,799
Payment of Flex Contributions	(308,742)	(316,592)
Direct Lending Receipts	31,163,936	31,278,499
Direct Lending Payments	(31,163,936)	(31,278,499)
Other Receipts	205,276	525,501
	<u>50,948,231</u>	<u>50,250,532</u>
<b>Net Cash Provided by Non-capital Financing Activities</b>		
<b>Cash Flows From Capital and Related Financing Activities</b>		
Proceeds from Capital Debt	24,083,796	-
Capital Contributions	2,047,916	2,617,534
Purchase of Capital Assets	(13,725,271)	(26,256,056)
Disposal of Capital Assets	40	1,610
Principal Paid on Capital Debt	(8,922,621)	(4,176,783)
Interest Paid on Capital Debt	(1,508,533)	(1,508,475)
Bond Issuance Costs	(318,876)	-
Capital Facilities Fees	2,058,473	2,075,262
Other	(157,147)	(47,497)
Capital Appropriations	4,139,354	8,751,675
	<u>7,697,131</u>	<u>(18,542,730)</u>
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>		
<b>Cash Flows From Investing Activities</b>		
Purchase/Sale of Investments	(605,000)	-
Investment Income	1,176,670	1,003,751
	<u>571,670</u>	<u>1,003,751</u>
<b>Net Cash Provided by Investing Activities</b>		
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	15,958,094	(8,394,284)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>66,978,336</u>	<u>75,372,620</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 82,936,430</u>	<u>\$ 66,978,336</u>

(Continued)



NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**STATEMENTS OF CASH FLOWS**  
Fiscal Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015 As Restated</b>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>		
Cash and Cash Equivalents	\$ 32,410,624	\$ 30,395,783
Restricted Cash and Cash Equivalents - Current	25,576,581	24,830,169
Restricted Cash and Cash Equivalents - Non-current	24,949,225	11,752,384
Total Cash and Cash Equivalents	\$ 82,936,430	\$ 66,978,336
<b>Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities</b>		
Operating Loss	\$ (51,525,165)	\$ (50,668,172)
Depreciation Expense	8,141,247	7,588,423
Changes in Operating Assets and Liabilities		
Receivables, Net	(211,248)	(31,747)
Inventories	7,422	9,768
Accounts Payable and Accrued Liabilities	(199,572)	2,189,320
Accrued Compensated Absences	297,286	237
Other Assets and Liabilities	231,092	(193,666)
<b>Net Cash Used in Operating Activities</b>	\$ (43,258,938)	\$ (41,105,837)
<b>Supplemental Cash Flows Information</b>		
Accounts Payable Incurred for Capital Asset Purchases	\$ 1,963,409	\$ 2,368,163

(Concluded)

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

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

**CHADRON STATE FOUNDATION**  
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (Decrease) in Net Assets	\$ (1,122,104)	\$ (2,171,697)
Adjustments to Reconcile Increase (Decrease) in Net Assets		
To Net Cash Provided (Used) by Operating Activities		
Depreciation	1,925	1,728
Change in Allowance for Doubtful Accounts	24,913	(51,004)
Unrealized Loss (Gain) on Investments	1,399,544	334,018
Realized Loss (Gain) on Investments	134,859	(16,534)
Reinvested Earnings on Investments	(520,702)	(898,556)
Change in Estate Bequests	261,839	(207,323)
Change in Beneficial Interest in Annuity	3,621	3,944
Proceeds from Contributions Restricted for		
Investment in Named Endowments	(337,265)	(396,235)
(Increase) Decrease In:		
Contributions Receivable	(100,488)	181,918
Prepaid Assets	-	(4,000)
Increase (Decrease) In:		
Accounts Payable	(19,711)	5,281
Accrued Salaries and Benefits	43,409	9,252
Scholarships Payable	64,007	52,903
Deferred Revenue	(3,621)	(3,944)
Due to Other Agencies	(14,718)	(8,348)
Net Cash Provided (Used) by Operating Activities	\$ (184,492)	\$ (3,168,597)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
(Increase) Decrease in Cash Surrender Value of Life Insurance	\$ (866)	\$ (959)
Distributions from Investment Account	479,445	254,797
Proceeds from the Sale of Certificates of Deposit	-	250,718
Purchase of Property	(832)	(6,081)
Net Cash Provided (Used) by Investing Activities	\$ 477,747	\$ 498,475
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from Contributions Restricted for		
Investment in Named Endowments	\$ 337,265	\$ 396,235
Net Cash Provided by Financing Activities	\$ 337,265	\$ 396,235
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 630,520	\$ (2,273,887)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	1,090,304	3,364,191
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 1,720,824	\$ 1,090,304
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash and Cash Equivalents - Unrestricted	\$ 1,692,474	\$ 1,050,523
Cash and Cash Equivalents - Restricted	28,350	39,781
Total Cash and Cash Equivalents	\$ 1,720,824	\$ 1,090,304

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)  
**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2015 and 2014

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net Increase/(Decrease) in Net Assets	\$ (618,898)	\$ 429,534
Adjustments to Reconcile Net Changes in Net Assets to Net Cash Provided/(Used) by Operating Activities:		
Depreciation	3,448	6,292
Unrealized Loss on Investments	754,309	401,579
Realized Gain on Investments	(310,579)	(878,500)
Gift of Property	(45,000)	(34,400)
(Increase) Decrease in:		
Unconditional Promises to Give	(820)	(382)
Interest Receivable	763	828
Prepaid Expenses	100,455	21
Increase (Decrease) in:		
Accounts Payable	125,729	3,105
Accrued Compensation	4,326	50,338
Accrued Expenses	(1,142)	(481)
Refundable Deposits	490	11,391
Net Cash Provided/(Used) by Operating Activities	13,081	(10,675)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Real Estate Purchase	(53,302)	(29,544)
Proceeds from Sale of Investments	2,822,840	355,267
Purchases of Investments	(1,664,473)	(444,865)
Gift Annuity	(783)	(385)
Payments Received on Notes Receivable	21,783	21,046
Net Cash Provided/(Used) by Investing Activities	1,126,065	(98,481)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of Long-term Debt	(24,993)	(26,444)
Net Cash Used by Financing Activities	(24,993)	(26,444)
<b>NET INCREASE/(DECREASE) IN CASH</b>	1,114,153	(135,600)
<b>CASH, BEGINNING OF YEAR</b>	165,387	300,987
<b>CASH, END OF YEAR</b>	\$ 1,279,540	\$ 165,387
<b>SUPPLEMENTAL DISCLOSURES</b>		
Noncash Investing and Financing Activities:		
Interest Paid	\$ 5,840	\$ 4,390

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)  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ 1,236,769	\$ 1,432,677
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	9,729	9,729
Amortization of Annuity Obligations	82,636	84,026
Non Cash Contributions	(133,877)	(59,994)
Net Loss (Gain) on Investments and (Reinvested Income)	485,936	(467,244)
Net (Gain) on Sale of Assets	(51,793)	-
(Increase) Decrease in Operating Non-cash Assets:		
Accrued Interest Receivable, Prepaids and Other Receivables	1,037	5,371
Unconditional Promises to Give	457,603	(131,796)
Inventory	-	-
Cash Value Life Insurance	14,208	(9,255)
Increase (Decrease) in Operating Non-cash Liabilities:		
Accounts and Faculty Grants Payable	(63,000)	51,311
Net Cash Provided by Operating Activities	2,039,248	914,825
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from Sale of Assets	127,136	-
Net (Purchases) of Investments	(1,820,330)	(885,203)
Net Cash (Used) by Investing Activities	(1,693,194)	(885,203)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on Annuity Contracts	(117,636)	(119,830)
Net Cash (Used) by Financing Activities	(117,636)	(119,830)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	228,418	(90,208)
Cash and Cash Equivalents, Beginning of Year	493,739	583,947
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	\$ 722,157	\$ 493,739

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 THE FINANCIAL STATEMENTS**

For the Fiscal Years Ended June 30, 2016 and 2015

**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 Colleges 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 NSCS. 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. Debt of the Corporation is expected to be repaid entirely with resources from either the NSCS or the State. Management of the NSCS also has operational responsibility for the activities of the Corporation. 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. The separately issued audit report for the Corporation can be obtained by contacting the Nebraska State College System at 1327 H Street, Suite 200, Lincoln, Nebraska, 68508-3751.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

Condensed statements showing NSCS and Corporation balances and transactions are as follows for fiscal year ended June 30, 2016:

**Condensed Statement of Net Position**

	<u>NSCS</u>	<u>Corporation</u>	<u>2016 Total</u>
<b>Current Assets</b>	\$ 59,574,304	\$ 2,372,476	\$ 61,946,780
<b>Non-current Assets</b>			
Capital Assets, Net	204,168,107	-	204,168,107
Other Non-current Assets	24,121,853	2,332,597	26,454,450
<b>Total Assets</b>	<u>287,864,264</u>	<u>4,705,073</u>	<u>292,569,337</u>
<b>Deferred Outflow of Resources</b>	<u>43,515</u>	<u>-</u>	<u>43,515</u>
<b>Current Liabilities</b>	12,895,850	4,586,943	17,482,793
<b>Non-current Liabilities</b>	48,991,038	18,417,119	67,408,157
<b>Total Liabilities</b>	<u>61,886,888</u>	<u>23,004,062</u>	<u>84,890,950</u>
<b>Net Position</b>			
Net Investment in Capital Assets	179,639,848	(20,436,517)	159,203,331
Restricted	22,782,801	2,137,528	24,920,329
Unrestricted	23,598,242	-	23,598,242
<b>Total Net Position</b>	<u>\$ 226,020,891</u>	<u>\$ (18,298,989)</u>	<u>\$ 207,721,902</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

**Condensed Statement of Revenue, Expenses, and Changes in Net Position**

	NCS	Corporation	2016 Total
<b>Operating Revenues</b>			
Tuition and Fees, Net	\$ 29,713,811	\$ -	\$ 29,713,811
Federal and State Grants and Contracts	14,215,658	-	14,215,658
Private Grants and Contracts	619,646	-	619,646
Auxiliary Enterprises, Net	18,899,727	-	18,899,727
Other Operating Revenues	1,088,550	-	1,088,550
Total Operating Revenues	64,537,392	-	64,537,392
<b>Operating Expenses</b>			
Depreciation	8,141,247	-	8,141,247
Other Operating Expenses	107,921,310	-	107,921,310
Total Operating Expenses	116,062,557	-	116,062,557
<b>Operating Loss</b>	(51,525,165)	-	(51,525,165)
<b>Non-operating Revenues (Expenses)</b>			
State Appropriations	50,877,659	-	50,877,659
Investment Income	1,200,493	740	1,201,233
Interest on Capital Asset-Related Debt	(717,576)	(484,301)	(1,201,877)
Gain on Disposal of Asset	14,858	-	14,858
Bond Issuance Costs	(318,876)	-	(318,876)
Other Non-operating Revenues (Expenses)	295,253	(28,759)	266,494
Net Non-operating Revenues (Expenses)	51,351,811	(512,320)	50,839,491
<b>Loss Before Other Revenues, Expenses, Or Gains (Losses)</b>	(173,354)	(512,320)	(685,674)
<b>Other Revenues, Expenses, or Gains (Losses)</b>			
Capital Appropriations and Grants	3,014,354	1,125,000	4,139,354
Capital Contributions	2,141,916	-	2,141,916
Operating Transfers In (Out)	2,084,096	(2,084,096)	-
Capital Facilities Fee	2,058,500	-	2,058,500
Net Other Revenues, Expenses, Or Gains (Losses)	9,298,866	(959,096)	8,339,770
<b>Increase (Decrease) in Net Position</b>	9,125,512	(1,471,416)	7,654,096
<b>Net Position, Beginning of Year</b>	216,895,379	(16,827,573)	200,067,806
<b>Net Position, End of Year</b>	\$ 226,020,891	\$ (18,298,989)	\$ 207,721,902

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

**Condensed Statement of Cash Flows**

	<u>NSCS</u>	<u>Corporation</u>	<u>2016 Total</u>
<b>Cash Flows from Operating Activities</b>	\$ (43,258,938)	\$ -	\$ (43,258,938)
<b>Cash Flows from Non-capital Financing Activities</b>	50,948,231	-	50,948,231
<b>Cash Flows from Capital and Related Financing Activities</b>	13,593,422	(5,896,291)	7,697,131
<b>Cash Flows from Investing Activities</b>	<u>571,052</u>	<u>618</u>	<u>571,670</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	21,853,767	(5,895,673)	15,958,094
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>56,418,237</u>	<u>10,560,099</u>	<u>66,978,336</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 78,272,004</u>	<u>\$ 4,664,426</u>	<u>\$ 82,936,430</u>



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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

Condensed statements showing NSCS and Corporation balances and transactions are as follows for fiscal year ended June 30, 2015:

**Condensed Statement of Net Position**

	<u>NSCS</u> <u>As Restated</u>	<u>Corporation</u>	<u>2015 Total</u> <u>As Restated</u>
<b>Current Assets</b>	\$ 56,439,629	\$ 2,258,260	\$ 58,697,889
<b>Non-current Assets</b>			
Capital Assets, Net	198,162,911	-	198,162,911
Other Non-current Assets	<u>4,716,820</u>	<u>8,351,371</u>	<u>13,068,191</u>
Total Assets	<u>259,319,360</u>	<u>10,609,631</u>	<u>269,928,991</u>
<b>Deferred Outflow of Resources</b>	<u>47,293</u>	<u>-</u>	<u>47,293</u>
<b>Current Liabilities</b>	11,947,919	5,249,207	17,197,126
<b>Due To/Due From</b>	613	(613)	-
<b>Non-current Liabilities</b>	<u>30,522,742</u>	<u>22,188,610</u>	<u>52,711,352</u>
Total Liabilities	<u>42,471,274</u>	<u>27,437,204</u>	<u>69,908,478</u>
<b>Net Position</b>			
Net Investment in Capital Assets	172,362,628	(18,814,846)	153,547,782
Restricted	23,094,712	1,987,273	25,081,985
Unrestricted	<u>21,438,039</u>	<u>-</u>	<u>21,438,039</u>
Total Net Position	<u>\$ 216,895,379</u>	<u>\$ (16,827,573)</u>	<u>\$ 200,067,806</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

**Condensed Statement of Revenue, Expenses, and Changes in Net Position**

	NSCS As Restated	Corporation	2015 Total As Restated
<b>Operating Revenues</b>			
Tuition and Fees, Net	\$ 26,826,814	\$ -	\$ 26,826,814
Federal and State Grants and Contracts	14,791,678	-	14,791,678
Private Grants and Contracts	556,060	-	556,060
Auxiliary Enterprises, Net	18,564,719	-	18,564,719
Other Operating Revenues	1,140,204	-	1,140,204
Total Operating Revenues	61,879,475	-	61,879,475
<b>Operating Expenses</b>			
Depreciation	7,588,423	-	7,588,423
Other Operating Expenses	104,959,224	-	104,959,224
Total Operating Expenses	112,547,647	-	112,547,647
<b>Operating Loss</b>	<b>(50,668,172)</b>	<b>-</b>	<b>(50,668,172)</b>
<b>Non-operating Revenues (Expenses)</b>			
State Appropriations	49,397,586	-	49,397,586
Investment Income	1,043,075	268	1,043,343
Interest on Capital Asset-Related Debt	(689,217)	(546,159)	(1,235,376)
Loss on Disposal of Asset	(589,282)	-	(589,282)
Other Non-operating Revenues (Expenses)	54,638	(27,499)	27,139
Net Non-operating Revenues (Expenses)	49,216,800	(573,390)	48,643,410
<b>Loss Before Other Revenues, Expenses, Or Gains (Losses)</b>	<b>(1,451,372)</b>	<b>(573,390)</b>	<b>(2,024,762)</b>
<b>Other Revenues, Expenses, or Gains (Losses)</b>			
Capital Appropriations and Grants	7,626,675	1,125,000	8,751,675
Capital Contributions	2,617,534	-	2,617,534
Operating Transfers In (Out)	5,616,758	(5,616,758)	-
Capital Facilities Fee	2,082,521	-	2,082,521
Net Other Revenues, Expenses, Or Gains (Losses)	17,943,488	(4,491,758)	13,451,730
<b>Increase (Decrease) in Net Position</b>	<b>16,492,116</b>	<b>(5,065,148)</b>	<b>11,426,968</b>
<b>Net Position, Beginning of Year</b>	<b>200,403,263</b>	<b>(11,762,425)</b>	<b>188,640,838</b>
<b>Net Position, End of Year</b>	<b>\$ 216,895,379</b>	<b>\$ (16,827,573)</b>	<b>\$ 200,067,806</b>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

**Condensed Statement of Cash Flows**

	NSCS As Restated	Corporation	2015 Total As Restated
<b>Cash Flows from Operating Activities</b>	\$ (41,105,837)	\$ -	\$ (41,105,837)
<b>Cash Flows from Non-capital Financing Activities</b>	50,250,532	-	50,250,532
<b>Cash Flows from Capital and Related Financing Activities</b>	(11,029,153)	(7,513,577)	(18,542,730)
<b>Cash Flows from Investing Activities</b>	1,003,485	266	1,003,751
<b>Decrease in Cash and Cash Equivalents</b>	(880,973)	(7,513,311)	(8,394,284)
<b>Cash and Cash Equivalents, Beginning of Year</b>	57,299,210	18,073,410	75,372,620
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 56,418,237</u>	<u>\$ 10,560,099</u>	<u>\$ 66,978,336</u>

***Discretely Presented Component Units***

In implementing GASB Statement No. 39, the NSCS 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 Accounting Standards Codification (ASC) 958-205, *Presentation of Financial Statements of Not-for-Profit Entities*. 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 13).

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

During the years ended June 30, 2016 and 2015, Chadron State, Wayne State, and Peru State Foundations distributed \$1,168,531, \$3,236,202, and \$2,320,803; and \$3,220,386, \$2,547,485, and \$315,688, respectively, to their Colleges for both restricted and unrestricted purposes. These distributions also included scholarships to students. 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 1327 H Street, Suite 200, Lincoln, Nebraska 68508-3751.

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

The financial statements of the NSCS have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources resulting from non-exchange activities 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 non-exchange transactions. Government-mandated non-exchange transactions that are not program-specific (such as State appropriations), investment income, and interest on capital asset-related debt are included in non-operating revenues and expenses. The NSCS first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

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

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

Unrestricted Net Position – Net position not subject to stipulation, including designated departmental balances, encumbrances, and working capital funds.

Restricted Net Position – Net position restricted by creditors, grantors, or contributors and includes grant and research funds, student loan programs, funds for plant construction, and debt service on bond obligations.

***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, liabilities, and deferred inflows and outflows of resources 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 position during the reporting period. Actual results could differ from those estimates.

***Reclassifications***

The non-current portion of restricted cash and cash equivalents, along with the net position of the NSCS, include reclassifications for the Corporation's current restricted cash and cash equivalents of \$956,872 and unrestricted net position deficit of \$20,436,517 in 2016. Reclassifications for 2015 included the Corporation's current restricted cash and cash equivalents of \$6,965,874 and unrestricted net position deficit of \$18,814,846. Although the Corporation issues debt to finance construction and renovation projects, the assets that are constructed and/or renovated using Corporation debt are owned by the NSCS. In order to properly present the NSCS's non-current restricted cash and cash equivalents and net investment in capital assets, a portion of the current restricted cash and cash equivalents and the unrestricted net position of the Corporation is reclassified when blended with the NSCS. Additionally, when blended with the NSCS, \$255,264 and \$302,073 of interest expense related to Corporation debt is capitalized in 2016 and 2015, respectively.

Certain other reclassifications have been made to the 2015 financial statements to conform to the 2016 financial presentation. These reclassifications had no effect on change in net position.

***Cash and Cash Equivalents***

The NSCS cash and cash equivalents are stated at cost. Cash and cash equivalents held by the Nebraska State Treasurer are deposited on a pooled basis in a State fund. Income earned by the pool is allocated to the NSCS based upon average daily balances. From

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

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

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, 2016 and 2015.

The NSCS considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents consisted primarily of money market accounts with brokers.

Restricted cash and cash equivalents consist mainly of funds held by the trustee which are restricted by bond covenants. Remaining restricted cash and cash equivalents are either restricted by outside sources or legislatively restricted for certain purposes.

***Income Tax Status***

As a State institution, the income of the NSCS is generally exempt from Federal and State income taxes under Section 115(a) of the Internal Revenue Code and provisions of State law. However, the NSCS is subject to Federal income tax on any unrelated business taxable income.

***Investments and Investment Income***

NSCS investments, including those held by a trustee and restricted by bond covenants, 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 \$1,416,439 and \$1,291,700 at June 30, 2016 and 2015, respectively, and is identified by College as follows:

		<u>2016</u>		<u>2015</u>
CSC	\$	922,123	\$	786,178
PSC	\$	301,183	\$	332,763
WSC	\$	182,314	\$	159,296
NSCS Office	\$	10,819	\$	13,463

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

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

***Unamortized Bond Premiums and Discounts***

The NSCS's bond premiums and discounts on the revenue bond and Corporation bond issues are being amortized over the life of the bonds using the straight-line method. Total amortization for the year ended June 30, 2016 and 2015, was \$272,081 and \$269,279 for premiums and \$10,392 and \$8,310 for discounts, respectively, and it is identified by College as follows:

	<b>2016</b>	<b>2015</b>
CSC	\$ 7,555	\$ 7,555
PSC	\$ 3,178	\$ 1,096
WSC	\$ 5,248	\$ 2,446
NSCS Office	\$ 266,492	\$ 266,492

***Inventories***

The NSCS's inventories, consisting mainly of expendable supplies, are stated at cost. 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; also, small temporary loans are provided to students from the Foundations. Such loans receivable are recorded net of estimated uncollectible amounts. The allowance for uncollectible loans netted against loans to students was \$131,375 and \$127,132 at June 30, 2016 and 2015, respectively, and is identified by College as follows:

	<b>2016</b>	<b>2015</b>
CSC	\$ 1,849	\$ 200
WSC	\$ 129,526	\$ 126,932

***Capital Assets***

The NSCS's capital assets are recorded at cost as of the date of acquisition, or acquisition value at the date of donation if acquired by gift. The NSCS follows the capitalization policy set forth by the Board. 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 if they are expected to meet the NSCS's capitalization threshold as dictated by the capitalization policy. Art objects, specimens, artifacts and collections, including library materials, are expensed so long as the items meet three conditions in accordance with GASB Statement No. 34. Depreciation/amortization is computed using the straight-line method over the estimated useful life of each asset beginning with the month of purchase. The following estimated useful lives are being used by the NSCS:

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

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

Buildings and improvements	25 – 50 years
Infrastructure	10 – 30 years
Furniture, fixtures, and equipment	3 – 10 years

***Deferred Outflows of Resources and Deferred Inflows of Resources***

A deferred outflow of resources is a consumption of net position by the NSCS that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position by the NSCS that is applicable to a future reporting period. Both deferred inflows and outflows are reported in the Statements of Net Position but are not recognized in the financial statements as revenues and expenses until the period(s) to which they relate. Deferred outflows of resources of the NSCS consist of unamortized bond refunding amounts. The NSCS had no deferred inflows of resources as of June 30, 2016 and 2015.

***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. An employee's accrued vacation is paid out to the employee upon termination. 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.

***Unearned Revenue***

Unearned revenue represents unearned student tuition and fees, advances on grants and contract awards for which the NSCS has not met all of the applicable eligibility requirements, and longevity bonus revenues and investment (improvement) revenues from food service and/or vending contractors, which are being amortized over the life of the contracts.

***Classification of Revenues***

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



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

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

*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.

*Non-operating revenues* – Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating 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.

***Scholarship Discounts and Allowances***

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances and institutional waiver allowances in the Statements of Revenues, Expenses, and Changes in Net Position. Such 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 non-governmental 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 NSCS has elected to adopt, for calculation of scholarship allowances, an allocation methodology provided in the National Association of College and University Business Officers (NACUBO) industry guidance (student institutional waivers, which are also netted similar to scholarship allowances, continue to be based on actual contra-account financial activity). The scholarship allowances and institutional waivers on tuition and fees and auxiliary enterprises for the year ended June 30, 2016 and 2015, as calculated under the NACUBO method, were \$11,833,929 and \$4,185,997; and \$11,492,713 and \$4,073,301, respectively, and are identified by College as follows:

	2016		2015	
	Tuition and Fees	Auxiliary Enterprises	Tuition and Fees	Auxiliary Enterprises
CSC	\$ 4,423,626	\$ 1,287,769	\$ 4,291,748	\$ 1,096,903
PSC	\$ 2,667,694	\$ 904,400	\$ 2,592,778	\$ 992,105
WSC	\$ 4,742,609	\$ 1,993,828	\$ 4,608,187	\$ 1,984,293

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

(Continued)

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

*Restatement of Prior Year Net Position*

The 2015 net position was restated as the result of an understatement of \$456,336 in capital appropriations revenue, an understatement of construction in progress of \$443,613, and an overstatement of accounts payable by \$12,723 for PSC.

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

*Deposits*

Per Board policy and State statute, all money received by the NSCS must be paid over to the State Treasurer, except that each College may retain in its possession a sum to make settlement and equitable adjustments with students so entitled, to make payments for day-to-day operations calling for immediate payment, and to provide for contingencies. All funds not paid over to the State Treasurer must be maintained in an interest-bearing account, such as a money market fund account. The NSCS has no policy regarding custodial credit risk for deposits.

All of the NSCS's deposits are either insured or collateralized. 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 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.

At June 30, 2016 and 2015, cash and cash equivalents of \$60,462,570 and \$47,828,928, respectively, on the Statements of Net Position represents the NSCS's equity position in the State Treasurer's Short-Term Investment Pool (STIP). Additional information on the deposit and investment risk associated with the State Treasurer's Investment Pool is included in the State of Nebraska's Comprehensive Annual Financial Report (CAFR). An electronic version of this report is available by accessing the Nebraska Auditor of Public Accounts' website ([www.auditors.nebraska.gov](http://www.auditors.nebraska.gov)) and clicking "APA Reports Issued."

Cash on hand at June 30, 2016 and 2015, were \$6,750 and \$4,350, respectively. The carrying amount of the NSCS's deposits not with the State Treasurer at June 30, 2016 and 2015, were \$1,577,312 and \$1,604,578, respectively, and the bank balances were \$1,584,845 and \$1,621,115, respectively. Of the carrying amounts noted above, \$143,624 and \$152,000, respectively, were covered by FDIC or collateral held in the NSCS's name. The remaining carrying amounts were covered by collateral held in the trustee's name.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

*Investments*

Management of the assets of the Corporation, the revenue bond program, and the Flex Spending program are delegated to the trustees appointed by the Corporation Board of Directors or the NSCS Board of Trustees. All investments are held by the trustees and invested in accordance with the bond resolutions and Flex Spending custodial agreements. The bond resolutions and Flex custodial agreements allow investment of bond proceeds and employee flexible spending accounts in various securities and obligations, including: U.S. government and U.S. agency obligations; bonds, notes or other obligations of the State or any political subdivision thereof; bank repurchase agreements; certificates of deposit or other securities or investments within the State investing guidelines.

The NSCS's investments consisted of money market mutual funds and debt securities. At June 30, 2016 and 2015, money market mutual funds totaling \$20,889,798 and \$17,540,480, respectively, were held by the trustees, and had weighted average maturities of 23-37 days and 21-47 days, respectively. All money market mutual funds were reported as cash equivalents.

At June 30, 2016, the NSCS had the following securities and maturities:

	Fair Value	Maturities in Years		
		Less than 1	1-5	6-10
Investment Type:				
Debt Securities:				
FNMA	\$ 605,121	\$ -	\$ 605,121	\$ -

All debt securities are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets for those securities. The NSCS did not have any debt securities at June 30, 2015.

*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.

*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. One money market mutual fund is rated Aaa-mf by Moody's and AAAM by S&P, the other is rated Aaa by Moody's and AAAM by S&P, and the debt security is rated AAA by Moody's and AA+ by S&P.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

*Concentration of Credit Risk.* The NSCS places no limit on the amount that may be invested in any one issuer. Of the NSCS's investments, 86% and 87% were in U.S. Treasury Money Market Funds, 11% and 13% were in Government Money Market Funds, and 3% and 0% were in Federal National Mortgage Association Securities at June 30, 2016 and 2015, respectively.

*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. The NSCS does not have a formal policy for custodial credit risk. All securities are held by the investment's counterparty, not in the name of the NSCS.

***Summary of Carrying Values***

The carrying values of deposits and investments shown above are included in the Statements of Net Position, as follows:

	<u>2016</u>	<u>2015</u>
Carrying Value		
Cash	\$ 6,750	\$ 4,350
Deposits:		
Bank Deposits	1,577,312	1,604,578
Short Term Investment Pool	60,462,570	47,828,928
Trustee Debt Securities	605,121	-
Trustee Money Market Mutual Funds	20,889,798	17,540,480
Total as of June 30	<u>\$ 83,541,551</u>	<u>\$ 66,978,336</u>
Included in the Statements of Net Position		
Cash and Cash Equivalents	\$ 32,410,624	\$ 30,395,783
Restricted Cash and Cash Equivalents	50,525,806	36,582,553
Restricted Investments	605,121	-
Total	<u>\$ 83,541,551</u>	<u>\$ 66,978,336</u>

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

**3. Capital Assets**

The NSCS capital assets activity for the year ended June 30, 2016, was:

***Capital Assets***

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Land	\$ 1,095,433	\$ 7,560	\$ -	\$ -	\$ 1,102,993
Building and Improvements	204,103,859	-	-	25,402,629	229,506,488
Infrastructure	30,026,433	3,000	-	217,042	30,246,475
Furniture, Fixtures, and Equipment	17,458,248	774,599	(303,730)	-	17,929,117
Construction in Progress	38,283,952	13,371,087	-	(25,619,671)	26,035,368
Total Capital Assets	<u>\$ 290,967,925</u>	<u>\$ 14,156,246</u>	<u>\$ (303,730)</u>	<u>\$ -</u>	<u>\$ 304,820,441</u>

***Accumulated Depreciation***

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance</u>
Building and Improvements	\$ (69,228,980)	\$ (5,333,855)	\$ -	\$ -	\$ (74,562,835)
Infrastructure	(13,256,840)	(1,224,948)	-	-	(14,481,788)
Furniture, Fixtures, and Equipment	(10,319,194)	(1,582,444)	293,927	-	(11,607,711)
Total Accumulated Depreciation	<u>(92,805,014)</u>	<u>(8,141,247)</u>	<u>293,927</u>	<u>-</u>	<u>(100,652,334)</u>
Net Capital Assets	<u>\$ 198,162,911</u>	<u>\$ 6,014,999</u>	<u>\$ (9,803)</u>	<u>\$ -</u>	<u>\$ 204,168,107</u>

***Net Capital Assets by College***

	<u>CSC</u>	<u>PSC</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total</u>
Land	\$ 49,395	\$ 17,761	\$ 1,035,837	\$ -	\$ 1,102,993
Building and Improvements	52,065,747	43,044,378	59,833,528	-	154,943,653
Infrastructure	3,745,304	2,912,734	9,106,649	-	15,764,687
Furniture, Fixtures, and Equipment	1,423,364	479,913	1,155,607	3,262,522	6,321,406
Construction in Progress	140,000	3,656,602	22,238,766	-	26,035,368
Net Capital Assets	<u>\$ 57,423,810</u>	<u>\$ 50,111,388</u>	<u>\$ 93,370,387</u>	<u>\$ 3,262,522</u>	<u>\$ 204,168,107</u>

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

**3. Capital Assets** (Continued)

The NSCS capital assets activity for the year ended June 30, 2015, was:

***Capital Assets***

	<u>Beginning Balance</u>	<u>Additions As Restated</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance As Restated</u>
Land	\$ 1,095,433	\$ -	\$ -	\$ -	\$ 1,095,433
Building and Improvements	188,812,301	-	-	15,291,558	204,103,859
Infrastructure	28,144,435	-	-	1,881,998	30,026,433
Furniture, Fixtures, and Equipment	17,346,513	787,509	(675,774)	-	17,458,248
Construction in Progress	33,144,623	22,893,189	(580,304)	(17,173,556)	38,283,952
Total Capital Assets	<u>\$ 268,543,305</u>	<u>\$ 23,680,698</u>	<u>\$ (1,256,078)</u>	<u>\$ -</u>	<u>\$ 290,967,925</u>

***Accumulated Depreciation***

	<u>Beginning Balance</u>	<u>Additions As Restated</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Ending Balance As Restated</u>
Building and Improvements	\$ (64,331,505)	\$ (4,897,475)	\$ -	\$ -	\$ (69,228,980)
Infrastructure	(12,119,263)	(1,137,577)	-	-	(13,256,840)
Furniture, Fixtures, and Equipment	(9,431,080)	(1,553,371)	665,257	-	(10,319,194)
Total Accumulated Depreciation	<u>(85,881,848)</u>	<u>(7,588,423)</u>	<u>665,257</u>	<u>-</u>	<u>(92,805,014)</u>
Net Capital Assets	<u>\$ 182,661,457</u>	<u>\$ 16,092,275</u>	<u>\$ (590,821)</u>	<u>\$ -</u>	<u>\$ 198,162,911</u>

***Net Capital Assets by College***

	<u>CSC</u>	<u>PSC As Restated</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total</u>
Land	\$ 49,395	\$ 10,201	\$ 1,035,837	\$ -	\$ 1,095,433
Building and Improvements	32,722,492	40,621,338	61,531,049	-	134,874,879
Infrastructure	4,077,461	2,925,728	9,766,404	-	16,769,593
Furniture, Fixtures, and Equipment	1,461,945	536,200	1,000,246	4,140,663	7,139,054
Construction in Progress	19,894,915	3,601,567	14,787,470	-	38,283,952
Net Capital Assets	<u>\$ 58,206,208</u>	<u>\$ 47,695,034</u>	<u>\$ 88,121,006</u>	<u>\$ 4,140,663</u>	<u>\$ 198,162,911</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**3. Capital Assets** (Concluded)

Interest expense capitalized, net of related interest income, was \$535,618 and \$316,521 for the fiscal years ended June 30, 2016 and 2015, respectively. Total interest expense during the fiscal years ended June 30, 2016 and 2015, was \$1,737,494 and \$1,811,706, respectively.

**4. Long-term Liabilities**

The following is a summary of long-term obligation transactions for the NSCS for the year ended June 30, 2016:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Loan Obligations					
Payable	\$ 95,026	\$ -	\$ (22,545)	\$ 72,481	\$ 23,334
Master Lease Payable	1,001,018	-	(224,568)	776,450	227,574
Revenue and Refunding					
Bonds	27,015,000	24,015,000	(5,440,000)	45,590,000	1,400,000
Corporation Bonds	23,995,000	-	(3,385,000)	20,610,000	3,505,000
Total Long-term Debt	<u>52,106,044</u>	<u>24,015,000</u>	<u>(9,072,113)</u>	<u>67,048,931</u>	<u>5,155,908</u>
Accrued Compensated Absences	3,696,995	378,447	(81,161)	3,994,281	378,447
Unamortized Bond Premium	1,614,840	186,232	(272,080)	1,528,992	-
Unamortized Bond Discount	(128,317)	(117,436)	10,393	(235,360)	-
Other Liabilities	1,198,085	36,697	(314,557)	920,225	314,557
Total Other Long-term Liabilities	<u>6,381,603</u>	<u>483,940</u>	<u>(657,405)</u>	<u>6,208,138</u>	<u>693,004</u>
Total Long-term Liabilities	<u>\$ 58,487,647</u>	<u>\$ 24,498,940</u>	<u>\$ (9,729,518)</u>	<u>\$ 73,257,069</u>	<u>\$ 5,848,912</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

The following is a summary of long-term obligation transactions for the NSCS for the year ended June 30, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
Loan Obligations					
Payable	\$ 116,809	\$ -	\$ (21,783)	\$ 95,026	\$ 22,545
Master Lease Payable	210,659	848,778	(58,419)	1,001,018	224,568
Revenue and Refunding					
Bonds	27,900,000	-	(885,000)	27,015,000	1,515,000
Corporation Bonds	27,265,000	-	(3,270,000)	23,995,000	3,385,000
Total Long-term					
Debt	55,492,468	848,778	(4,235,202)	52,106,044	5,147,113
Accrued Compensated					
Absences	3,696,757	314,626	(314,388)	3,696,995	314,626
Unamortized Bond					
Premium	1,884,119	-	(269,279)	1,614,840	-
Unamortized Bond					
Discount	(136,626)	-	8,309	(128,317)	-
Other Liabilities	1,512,642	-	(314,557)	1,198,085	314,557
Total Other Long-term					
Liabilities	6,956,892	314,626	(889,915)	6,381,603	629,183
Total Long-term					
Liabilities	<u>\$ 62,449,360</u>	<u>\$ 1,163,404</u>	<u>\$ (5,125,117)</u>	<u>\$ 58,487,647</u>	<u>\$ 5,776,296</u>

***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/AFSCME) bargaining unit and support staff excluded from the NAPE/AFSCME 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, an eligible employee who is 55 years of age or more on July 1 of the year in which he or she chooses to retire, and has ten or more years of consecutive service within the NSCS, will be paid one-quarter of his or her final year base salary in 12 equal monthly installments following termination of employment. In addition, employees will be permitted to remain in the group medical and dental insurance plan offered retirees by Blue Cross/Blue Shield at the time of the employee's retirement. The NSCS will pay the employee's health/dental insurance (State and employee burden) costs for the 12-month period following termination of employment. If the retired employee reaches the age of 65 at any time during the 12-month period, at which time eligibility to participate in the Blue Cross/Blue Shield retiree plan ceases, the NSCS will pay an amount equivalent to the full cost of the 65 Gold Plus



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**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

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

Medicare Supplemental Plan or the Retired BlueSenior Classic Plan offered by the Nebraska State Education Association (NSEA) for the payout period remaining. Under the current bargaining agreement and Board policy, this plan was only available to those employees who retired on June 30, 2016. Similar voluntary retirement settlement programs were also offered to support staff in the NAPE/AFSCME bargaining unit who retired on July 1, 2009, June 30, 2010, June 30, 2012, or June 30, 2014.

Under the early retirement incentive program, eligible employees who have completed at least 10 years of continuous service within the NSCS and are 60 years of age or older will be paid premiums in the group medical and dental health insurance program offered retirees by Blue Cross/Blue Shield at the time of the eligible employees' retirement. The payment of premium will continue until the retired employees become eligible for coverage under the Federal Medicare program, at which time the paid premiums will cease.

At June 30, 2016, eight employees at CSC, two employees at PSC, and four employees at WSC were participating in the NSCS's voluntary/early retirement programs. As of June 30, 2015, three employees at CSC, two employees at PSC, and three employees at WSC were participating. Liability amounts associated with these retirements are shown below. Liability amounts are reflected in the accrued compensated absences line item on the Statements of Net Position, and the long-term liability schedule above. All termination benefits are shown at present cost.

	2016		2015	
	Ending Balance	Current Portion	Ending Balance	Current Portion
CSC	\$ 117,818	\$ 60,342	\$ 52,282	\$ 22,732
PSC	60,308	15,983	82,286	21,979
WSC	42,128	37,939	33,394	21,698
Total	\$ 220,254	\$ 114,264	\$ 167,962	\$ 66,409

***Student Fees and Facilities Revenue Bonds Series 2010***

In September 2010, the NSCS Board of Trustees authorized the issuance of \$5,000,000 of Student Fees and Facilities Revenue Bonds Series 2010. The purpose of the issuance was to finance improvements to WSC's Pile Hall. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$5,000,000 in bonds bear interest at rates from 0.6% to 4.0%, with payments due from fiscal years 2012 to 2031. Bonds maturing on or after July 1, 2016, could be redeemed, in part or in whole, on or after January 1, 2016.

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

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

On March 18, 2016, WSC's outstanding Revenue Bonds, Series 2010 principal was called using proceeds from the issuance of Revenue Refunding Bonds, Series 2016B.

***Student Fees and Facilities Revenue Bonds Series 2011***

In November 2010, the NSCS Board of Trustees authorized the issuance of \$3,600,000 of Student Fees and Facilities Revenue Bond Series 2011. The purpose of the issuance was to finance improvements to PSC's Morgan Hall. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal amount of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$3,600,000 in bonds bear interest at rates from 0.75% to 5.05%, with payments due from fiscal years 2012 to 2032. Bonds maturing on or after July 1, 2017, can be redeemed, in part or in whole, on or after July 1, 2016.

***Student Fees and Facilities Revenue and Refunding Bonds Series 2012***

In April 2012, the NSCS Board of Trustees authorized the issuance of \$8,750,000 of Student Fees and Facilities Revenue and Refunding Bonds Series 2012. The purpose of the issuance was to redeem in full the outstanding principal amount of the Student Fees and Facilities Revenue and Refunding Bonds Series 2002. On July 1, 2012, the net proceeds from Series 2012 bonds were used to redeem the Series 2002 bonds. This advanced refunding reduced total debt service payments over the remaining 15 years by \$2,264,673. Bond refunding resulted in an estimated economic gain of \$1,515,352. The difference between the reacquisition price and the net carrying amount of the old debt has been deferred and is amortized over the remaining life of the new debt, which is the same as the life of the refunded debt. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The amounts for WSC and PSC's portion of the bond obligations were \$6,045,000 and \$2,705,000, respectively, bearing interest at rates from 0.3% to 3.2%, with payments due from fiscal years 2013 to 2028. Bonds maturing on or after July 1, 2018, can be redeemed, in part or in whole, on or after July 1, 2017.

***Student Fees and Facilities Revenue Bonds Series 2013***

In September 2012, the NSCS Board of Trustees authorized the issuance of \$7,735,000 of Student Fees and Facilities Revenue Bonds Series 2013. The purpose of the issuance was to finance the construction of CSC's Eagle Ridge housing and maintenance to several revenue bond building roofs. Under the bond resolution for Student Fees and Facilities

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

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

Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$7,735,000 in bonds bear interest at rates from 0.6% to 3.0%, with payments due from fiscal years 2014 to 2034. Bonds maturing on or after July 1, 2018, can be redeemed, in part or in whole, on or after January 3, 2018.

***Student Fees and Facilities Revenue Refunding Bonds Series 2014***

In April 2014, the NSCS Board of Trustees authorized the issuance of \$4,270,000 of Student Fees and Facilities Revenue and Refunding Bonds Series 2014. The purpose of the issuance was to redeem in full the outstanding principal amount of CSC's Student Fees and Facilities Revenue and Refunding Bonds Series 2003A. On June 5, 2014, the net proceeds from Series 2014 bonds were used to redeem the Series 2003A bonds. This current refunding reduced total debt service payments over the remaining 14 years by \$1,085,523. Bond refunding resulted in an estimated economic gain of \$654,661. The difference between the reacquisition price and the net carrying amount of the old debt has been deferred and is being amortized over the remaining life of the new debt, which is the same as the life of the refunded debt. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$4,270,000 in bonds bear interest at rates from 0.35% to 4.0%, with payments due from fiscal years 2015 to 2029. Bonds maturing on or after July 1, 2020, can be redeemed, in part or in whole, on or after July 1, 2019.

***Student Fees and Facilities Revenue Bonds Series 2015***

In November 2015, the Board authorized the issuance of \$8,935,000 of Student Fees and Facilities Revenue Bonds Series 2015. The purpose of the issuance was to finance improvements to Peru State's Delzell Hall. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$8,935,000 in bonds bear interest at rates from 1.1% to 3.75%, with payments due from fiscal years 2017 to 2047. Bonds maturing on or after July 1, 2026, can be redeemed, in part or in whole, on or after July 1, 2025.

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

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

***Student Fees and Facilities Revenue Bonds Series 2016***

In November 2015, the Board authorized the issuance of \$11,270,000 of Student Fees and Facilities Revenue Bonds Series 2016. The purpose of the issuance was to finance improvements to Wayne State's Bowen Hall. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$11,270,000 in bonds bear interest at rates from 2.0% to 5.0%, with payments due from fiscal years 2017 to 2047. Bonds maturing on or after July 1, 2026, can be redeemed, in part or in whole, on or after January 1, 2026.

***Student Fees and Facilities Revenue Refunding Bonds Series 2016B***

In January 2016, the Board authorized the issuance of \$3,810,000 of Student Fees and Facilities Revenue and Refunding Bonds Series 2016B. The purpose of the issuance was to redeem in full the outstanding principal amount of the Student Fees and Facilities Revenue Bonds Series 2010. On March 18, 2016, the net proceeds from Series 2016B bonds were used to redeem the Series 2010 bonds. This current refunding reduced total debt service payments over the remaining 14 years by \$611,743. Bond refunding resulted in an estimated economic gain of \$380,673. The reacquisition price equaled the net carrying amount of the old debt and therefore no amount was required to be deferred and amortized. Under the bond resolution for Student Fees and Facilities Bonds, revenues and earnings derived from operations of all revenue facilities and special student fees are pledged for payment of the principal and interest amounts of the bonds. The bonds are not obligations of the State of Nebraska, and no tax funds may be appropriated for payment of principal and interest. The \$3,810,000 in bonds bear interest at rates from 0.65% to 2.8%, with payments due from fiscal years 2017 to 2031. Bonds maturing on or after July 1, 2021, can be redeemed, in part or in whole, on or after March 18, 2021.

***Corporation Bonds***

In August 2006, the Corporation authorized the issuance of \$21,915,000 of Deferred Maintenance Bonds, Series 2006. Proceeds were 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 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. Payments of bond principal are also secured by an insurance policy issued

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

by a commercial insurer. The bonds bear interest at rates of 3.55% to 5.0% and are due in semiannual installments, which began January 15, 2007. Principal maturities, due in annual installments, began July 15, 2007, and continue until July 15, 2020. Bonds maturing on or after July 15, 2017, are callable at the option of the Corporation beginning July 15, 2016.

In November 2013, the Corporation authorized the issuance of \$13,460,000 of Building Bonds, Series 2014. Proceeds from the issuance of these bonds will be used to help build a portion of the CSC Rangeland Center and will be used to renovate WSC's U.S. Conn Library. This bond issue is a general obligation of the 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. The bonds bear interest at rates of 2.0% to 5.0%, and are due in semiannual installments, which began June 15, 2014. Principal maturities, due in annual installments, began June 15, 2015, and continue until June 15, 2021. The bonds are not subject to redemption prior to maturity.

***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 may be appropriated for payment of principal and interest. The loan bears interest payable annually at the rate of 3.5% and is due in annual installments, which began May 1, 2008. Principal maturities began May 1, 2008, and continue until 2019.

***Master Lease Purchasing Program***

The State of Nebraska, through the Department of Administrative Services (DAS) – Accounting Division, has a Master Lease Purchasing Agreement to be used by various agencies to purchase equipment. CSC used this financing arrangement to finance the acquisition of non-capitalized equipment in fiscal years 2014 and 2015. One of CSC's master lease obligations bear interest payable at a rate of 1.05% while the other master lease obligation bears interest payable at a rate of 1.45%. PSC used this financing arrangement to finance the acquisition of capitalized equipment in fiscal year 2015. PSC's master lease obligation bears interest payable at a rate of 1.32%. CSC's Master Leases expire in fiscal years 2019 and 2020 while PSC's Master Lease expires in fiscal year 2019. Assets capitalized under this program totaled \$306,019 at June 30, 2016 and 2015, and were net of accumulated depreciation of \$38,252 in 2016 and \$7,650 in 2015.

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

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

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

**CSC Revenue and Refunding Bonds**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 630,000	\$ 262,786	\$ 892,786
2018	635,000	256,604	891,604
2019	640,000	247,888	887,888
2020	655,000	238,108	893,108
2021	655,000	227,578	882,578
2022-2026	3,520,000	895,914	4,415,914
2027-2031	3,195,000	425,655	3,620,655
2032-2034	1,455,000	66,375	1,521,375
Total	<u>\$ 11,385,000</u>	<u>\$ 2,620,908</u>	<u>\$ 14,005,908</u>

**CSC Master Lease Obligation Summary**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 151,498	\$ 6,591	\$ 158,089
2018	153,532	4,557	158,089
2019	144,213	2,505	146,718
2020	102,475	745	103,220
Total	<u>\$ 551,718</u>	<u>\$ 14,398</u>	<u>\$ 566,116</u>

**PSC Loan Obligation Payable**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 23,334	\$ 2,537	\$ 25,871
2018	24,151	1,720	25,871
2019	24,996	875	25,871
Total	<u>\$ 72,481</u>	<u>\$ 5,132</u>	<u>\$ 77,613</u>

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

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

**PSC Revenue and Refunding Bonds**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 320,000	\$ 466,552	\$ 786,552
2018	315,000	450,534	765,534
2019	535,000	443,264	978,264
2020	545,000	433,498	978,498
2021	550,000	422,216	972,216
2022-2026	2,990,000	1,885,465	4,875,465
2027-2031	2,810,000	1,388,888	4,198,888
2032-2036	1,760,000	947,953	2,707,953
2037-2041	1,775,000	651,991	2,426,991
2042-2046	2,125,000	293,709	2,418,709
2047	475,000	8,906	483,906
<b>Total</b>	<b>\$ 14,200,000</b>	<b>\$ 7,392,976</b>	<b>\$ 21,592,976</b>

**PSC Master Lease Obligation Summary**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 76,076	\$ 2,514	\$ 78,590
2018	77,089	1,501	78,590
2019	71,567	474	72,041
<b>Total</b>	<b>\$ 224,732</b>	<b>\$ 4,489</b>	<b>\$ 229,221</b>

**WSC Revenue and Refunding Bonds**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 450,000	\$ 519,151	\$ 969,151
2018	845,000	548,215	1,393,215
2019	860,000	535,968	1,395,968
2020	880,000	521,024	1,401,024
2021	890,000	504,476	1,394,476
2022-2026	4,760,000	2,185,591	6,945,591
2027-2031	3,960,000	1,480,499	5,440,499
2032-2036	1,900,000	1,093,675	2,993,675
2037-2041	2,230,000	754,775	2,984,775
2042-2046	2,645,000	339,628	2,984,628
2047	585,000	10,238	595,238
<b>Total</b>	<b>\$ 20,005,000</b>	<b>\$ 8,493,240</b>	<b>\$ 28,498,240</b>

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**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

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

**Corporation Bonds**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 3,505,000	\$ 910,318	\$ 4,415,318
2018	3,680,000	742,568	4,422,568
2019	3,850,000	575,434	4,425,434
2020	4,020,000	399,162	4,419,162
2021	5,555,000	213,638	5,768,638
Total	<u>\$ 20,610,000</u>	<u>\$ 2,841,120</u>	<u>\$ 23,451,120</u>

**NSCS Loan Obligation and Bond Summary**

<b>Year Ending June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2017	\$ 5,155,908	\$ 2,170,449	\$ 7,326,357
2018	5,729,772	2,005,699	7,735,471
2019	6,125,776	1,806,408	7,932,184
2020	6,202,475	1,592,537	7,795,012
2021	7,650,000	1,367,908	9,017,908
2022-2026	11,270,000	4,966,970	16,236,970
2027-2031	9,965,000	3,295,042	13,260,042
2032-2036	5,115,000	2,108,003	7,223,003
2037-2041	4,005,000	1,406,766	5,411,766
2042-2046	4,770,000	633,337	5,403,337
2047	1,060,000	19,144	1,079,144
Total	<u>\$ 67,048,931</u>	<u>\$ 21,372,263</u>	<u>\$ 88,421,194</u>

The bond resolutions of the Corporation Bonds, and the Revenue and Refunding 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, 2016 and 2015, the NSCS was in compliance with these requirements.

**5. Operating Leases**

Noncancellable operating leases related primarily to office space and equipment expire in various fiscal years through 2021. Renewal options for leases containing such provision ranged from one to five years. These operating leases generally require the NSCS to pay all executory costs (property taxes, maintenance, operating, and insurance).



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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**5. Operating Leases** (Concluded)

Future noncancellable operating lease payments as of June 30, 2016, were:

2017	\$	352,389
2018		266,545
2019		184,223
2020		84,153
2021		35,064
Total	\$	<u>922,374</u>

**6. Revenue Bond Program**

The Board, for the benefit of the Nebraska State Colleges, issues bonds to finance the construction, repair, and maintenance of revenue bond buildings owned and operated by the Board of Trustees of the Nebraska State College System. The Revenue Bond Program (Program) provides funding for general operations as well as funding for various construction and renovation projects as specified by the individual bond documents. The Program is designed to provide greater flexibility to finance revenue bond projects at the three Colleges. The current revenue bond master resolution was approved in 2002 by the Board.

Financial information for the Program for June 30, 2016 and 2015, is summarized as follows:

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**6. Revenue Bond Program** (Continued)

**Condensed Statement of Net Position**

	<b>2016</b>	<b>2015</b>
<b>Current Assets</b>	\$ 18,357,596	\$ 18,142,606
<b>Non-current Assets</b>		
Capital Assets	40,307,321	39,148,759
Other Non-current Assets	22,187,950	2,235,170
Total Assets	80,852,867	59,526,535
<b>Deferred Outflow of Resources</b>	43,515	47,293
<b>Current Liabilities</b>	4,088,253	3,318,654
<b>Non-current Liabilities</b>	45,150,634	26,678,040
Total Liabilities	49,238,887	29,996,694
<b>Net Position</b>		
Net Investment in Capital Assets	16,114,191	14,002,452
Restricted		
Expendable		
Debt Service	1,401,110	1,516,118
By enabling legislation	14,142,194	14,058,564
Total Net Position	\$ 31,657,495	\$ 29,577,134

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

	<b>2016</b>	<b>2015</b>
<b>Operating Revenues</b>	\$ 21,193,277	\$ 20,772,617
<b>Operating Expenses</b>		
Depreciation	1,630,316	1,604,386
Other	16,741,572	15,805,768
Total Operating Expenses	18,371,888	17,410,154
<b>Operating Income</b>	2,821,389	3,362,463
<b>Non-operating Revenues (Expenses)</b>	(741,028)	(461,359)
<b>Increase in Net Position</b>	2,080,361	2,901,104
<b>Net Position, Beginning of Year</b>	29,577,134	26,676,030
<b>Net Position, End of Year</b>	\$ 31,657,495	\$ 29,577,134

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**6. Revenue Bond Program** (Concluded)

**Condensed Statement of Cash Flows**

	<b>2016</b>	<b>2015</b>
<b>Cash Flows from Operating Activities</b>	\$ 4,316,857	\$ 4,795,954
<b>Cash Flows from Capital and Related Financing Activities</b>	15,469,149	(4,831,656)
<b>Cash Flows from Investing Activities</b>	(330,733)	228,700
<b>Increase in Cash and Cash Equivalents</b>	19,455,273	192,998
<b>Cash and Cash Equivalents, Beginning of Year</b>	19,871,094	19,678,096
<b>Cash and Cash Equivalents, End of Year</b>	\$ 39,326,367	\$ 19,871,094

**7. 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 Neb. Rev. Stat. § 85-320 (Reissue 2014). The Nebraska State College System Defined Contribution Retirement 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 2016 and 2015, expressed as a percentage of covered payroll, were 4.5% to 6.0% and 8%, respectively. Contributions actually made for the fiscal years ended June 30, 2016 and 2015, by plan members and the NSCS were \$2,663,638 and \$3,553,022; and \$2,604,107 and \$3,472,058, respectively. At June 30, 2016 and 2015, the plan had 778 and 772 contributing members, 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 25. The plan benefits are fully vested at the date of contribution.

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**NOTES TO THE FINANCIAL STATEMENTS**

(Continued)

**7. Pension Plan** (Concluded)

The NSCS also sponsors a supplemental retirement annuity (SRA) plan, Roth individual retirement account (403(b)), and 457 deferred compensation supplemental plan. Plan members contributed \$1,041,962 to the SRA, \$89,350 to the Roth 403(b), and \$65,392 to the 457 plan in 2016 while in 2015 plan members contributed \$1,002,768 to the SRA, \$78,143 to the Roth 403(b), and \$29,231 to the 457 plan. The NSCS does not contribute to these supplemental plans.

**8. 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 identifying risks and for taking appropriate action to eliminate, abate, transfer, or retain these risks is also the responsibility of each College. 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 (including employee benefits liability), with limits ranging from \$1,000,000 per occurrence to \$3,000,000 in aggregate.
- C. Educators legal liability, with a limit of \$4,000,000 per each claim, \$4,000,000 annual aggregate, and a self-insured retention of \$150,000.
- D. Real and personal property through the Midwestern 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 from the date the insured takes ownership of the property. The perils of flood, earthquake, and acts of terrorism have various coverages 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

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

**8. Risk Management** (Concluded)

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.

**9. Commitments and Contingencies**

*Construction Contracts*

The Board of Trustees has approximate remaining construction commitments of \$21,980,000 and \$11,234,000, as of June 30, 2016 and 2015, respectively. These projects will be funded through cash funds, LB 309 task force funds, Foundation gifts, bond proceeds, contingency maintenance funds, and capital improvement fees. Construction commitments are identified by College, as follows:

	<b>2016</b>	<b>2015</b>
CSC	\$ 438,000	\$ 1,202,000
PSC	\$ 9,084,000	\$ 1,871,000
WSC	\$ 12,458,000	\$ 8,161,000

*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.

**10. Restricted Net Position**

Restricted net position reports resources that are owned by the NSCS, but their use or purpose is restricted. Restricted net position reported on the Statements of Net Position is 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 Corporation and revenue bond balances reserved for debt service payments.

*Plant* represents funds reserved for capital improvements net of any related liabilities.

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

**10. Restricted Net Position** (Concluded)

*Other* represents funds restricted through external constraints imposed by creditors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Restricted net position of \$18,049,443 and \$17,962,592 in fiscal years 2016 and 2015, respectively, was restricted due to enabling legislation.

**11. Joint Venture**

On September 14, 2006, WSC entered into an interlocal agreement with Northeast Community College (NECC) to build and operate College Center in South Sioux City (CCSSC), Nebraska, which offers classes from both NECC and WSC. CCSSC began offering classes during the fiscal year ended June 30, 2011.

NECC administers the accounts payable related to joint operation and maintenance costs. During the first four years, WSC reimbursed NECC for 50% of joint costs. In the fifth year, joint costs included a base charge and the balance was prorated based on each college's percentage of total annual student semester credit hours at CCSSC. CCSSC is governed by CCSSC's Administrative Council, which is a four-member board composed of two appointees from NECC and two appointees from WSC. Ownership of land and facilities are shared 50%-50% by NECC and WSC. Either party can terminate the agreement with a one-year notice, giving the other party right of first refusal on purchase of the exiting party's interest in the building, contents, and land.

**12. Subsequent Event**

During the 2016 legislative session, the Legislature passed LB 957, which extended the appropriations related to the Corporation Series 2006 bonds to fiscal year 2030. The extension of the appropriation was to allow for the refunding of the Series 2006 bonds and the issuance of new bond proceeds in order to help fund the renovation of the stadium at CSC, the renovation of the Theatre/Event Center at PSC, and the construction of applied technology programmatic space at WSC. At the June 2016, Corporation Board of Directors meeting, the Board approved a resolution to authorize the issuance of deferred maintenance and refunding bonds, Series 2016. On August 17, 2016, the Corporation issued \$26,655,000 in Series 2016 bonds of which \$19,295,000 was related to new bonds and \$7,360,000 was related to refunding bonds. Settlement of these bonds took place on September 1, 2016. The Series 2006 bonds were advanced refunded on September 19, 2016. This advance refunding reduced total debt service payments by \$854,784 and resulted in an estimated economic gain of \$471,674.

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

**12. Subsequent Event** (Concluded)

In addition, at the November 10, 2016, Board of Trustees meeting, the Board approved a resolution to authorize the sale of Student Fees and Facilities Revenue Refunding Bonds in order to refund the PSC Student Fees and Facilities Revenue Bonds Series 2011. On November 14, 2016, the NSCS issued \$2,865,000 in Student Fees and Facilities Revenue Refunding Bonds, Series 2016C. Settlement of these Series 2016C bonds will take place on December 19, 2016, and refunding of the Series 2011 bonds will occur on the same date. This current refunding will reduce total debt service payments by \$604,271 and resulted in an estimated economic gain of \$407,674.

**13. Component Unit Disclosures – Foundations**

On the following pages are the notes taken from the audited financial statements, for the years ended as indicated below, of the Foundations:

<u>Foundation</u>	<u>Years Ended</u>	<u>Pages</u>
Chadron State	June 30, 2016 and 2015	62 - 79
Peru State	December 31, 2015 and 2014	80 - 89
Wayne State	June 30, 2016 and 2015	90 - 104

NEBRASKA STATE COLLEGE SYSTEM  
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**NOTES TO THE 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 accounting principles generally accepted in the United States of America. 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 beginning fund balance of the CSC Quasi Endowment in the following fiscal year.



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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**CHADRON STATE FOUNDATION (Continued)**

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

Designation of Unrestricted Net Assets (Concluded)

*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 has allocated the entire fund balance to Capital Campaign Initiatives to be used as needed or necessary to complete the current capital projects.

Cash and Cash Equivalents – For the purpose of the Statements of Financial Position and the Statements of Cash Flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less when purchased. 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 7.

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:

- o 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.
- o 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 asking prices.
- o 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.
- o 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.

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

CHADRON STATE FOUNDATION (Continued)

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

Investments (Concluded)

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.

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 years ending June 30, 2016 and 2015, was \$64,874 and \$49,274, respectively.

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. Repairs and maintenance charges that do not increase the useful lives of the assets are charged to expense as incurred.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**CHADRON STATE FOUNDATION (Continued)**

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

Property and Equipment (Concluded)

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
Building and Improvements	\$ 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 was 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 follows the accounting guidance for uncertainty in income taxes using the provisions of Financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than not the positions will be sustained upon examination by the taxing authorities.

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). The Foundation is not liable for income taxes if it operates within the confines of its exempt status, though the organization may be responsible for taxes on unrelated business activities. In the event of an examination of the income tax returns, the tax liability of the Foundation could be changed if an adjustment in the exempt purpose or income from unrelated business activities is ultimately determined by the taxing authorities.

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

CHADRON STATE FOUNDATION (Continued)

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONCLUDED)**

Income Tax Status (Concluded)

As of June 30, 2016, the Foundation had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Foundation's income tax filings are subject to audit by various tax authorities. The Foundation is no longer subject to federal and state income tax examinations by taxing authorities for years before 2013. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Foundation believes their estimates are appropriate based on current facts and circumstances. Interest and penalties assessed by income taxing authorities, if any, are included in interest expense.

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 and disclosures. Accordingly, actual results could differ from those estimates.

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.

Functional Allocation of Expenses – The cost of providing the various programs and other activities has 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 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 at June 30, 2016 and 2015, respectively. The total bank balance represents the amount held by the bank. The carrying balance represents the reconciled general ledger balance at June 30, 2016 and 2015.

Category 1 – Insured by FDIC

Category 2 – Uninsured by FDIC, uncollateralized

Category 3 – Collateralized by United States Government Securities

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

(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 2 – CASH DEPOSITS (CONCLUDED)**

June 30, 2016

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Balance</u>	<u>Custody Credit Risk</u>		
			<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Demand Deposits:					
Bank of the West					
Operating Account	\$ 1,336,583	\$1,336,583	\$ 250,000	\$ -	\$ 1,086,583
North Platte Bank					
Operating Account	279,815	258,543	250,000	-	29,815
Credit Card Account	73,723	73,723	-	-	73,723
First National Bank – Chadron					
Custodial Account	28,517	28,350	28,517	-	-
Edward Jones Money Market	23,625	23,625	-	23,625	-
	<u>\$ 1,742,263</u>	<u>\$1,720,824</u>	<u>\$ 528,517</u>	<u>\$ 23,625</u>	<u>\$ 1,190,121</u>

June 30, 2015

<u>Type of Deposits</u>	<u>Total Bank Balance</u>	<u>Total Carrying Balance</u>	<u>Custody Credit Risk</u>		
			<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Demand Deposits:					
Bank of the West					
Operating Account	\$ 842,047	\$ 842,047	\$ 250,000	\$ -	\$ 592,047
North Platte Bank					
Operating Account	119,849	109,865	119,849	-	-
Credit Card Account	74,990	74,990	74,990	-	-
First National Bank – Chadron					
Custodial Account	40,081	39,781	40,081	-	-
Edward Jones Money Market	23,621	23,621	-	23,621	-
	<u>\$ 1,100,588</u>	<u>\$1,090,304</u>	<u>\$ 484,920</u>	<u>\$ 23,621</u>	<u>\$ 592,047</u>

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

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 3 – CONTRIBUTIONS**

Contributions receivable at June 30, 2016 and 2015, were as follows:

	2016	2015
Receivable in Less Than One Year	\$ 218,595	\$ 212,472
Receivable in One to Five Years	416,277	320,291
Receivable in Six to Ten Years	2,500	5,000
Total Contributions Receivable	\$ 637,372	\$ 537,763
Less Unamortized Discounts to Net Present Value	(13,432)	(14,311)
Less Allowance for Uncollectable Accounts	(62,000)	(37,087)
Net Contributions Receivable	\$ 561,940	\$ 486,365

The discount rates used on long-term promises to give were 1.15% and 1.71% for the years ended June 30, 2016 and 2015, respectively.

**NOTE 4 – INVESTMENTS**

Investments are stated at fair value and are shown below as of June 30, 2016 and 2015:

	Cost 06/30/2016	Market Value 06/30/2016	Unrealized Appreciation
Mutual Funds			
Large Cap	\$ 4,373,891	\$ 4,507,714	\$ 133,823
Mid Cap	1,051,515	910,013	(141,502)
Small Cap	1,020,944	916,063	(104,881)
International	3,237,206	2,757,907	(479,299)
Emerging Markets	1,401,979	1,274,175	(127,804)
Fixed Income	876,374	856,636	(19,738)
Floating rate corporate loans	1,383,693	1,318,265	(65,428)
Commodities	1,182,394	860,143	(322,251)
Low correlated hedge funds	442,306	432,318	(9,988)
Publicly Traded Limited Partnership	1,074,076	984,895	(89,181)
Hedge Funds	2,110,000	2,199,923	89,923
Total Investments	\$ 18,154,378	\$ 17,018,052	\$ (1,136,326)

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

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 4 – INVESTMENTS (CONTINUED)**

	Cost 06/30/2015	Market Value 06/30/2015	Unrealized Appreciation
Mutual Funds			
Large Cap	\$ 5,500,465	\$ 5,667,425	\$ 166,960
Mid Cap	1,099,486	1,076,072	(23,414)
Small Cap	1,028,223	1,050,739	22,516
Index	3,463,401	3,484,286	20,885
International	1,521,935	1,550,974	29,039
Fixed Income	2,587,470	2,535,515	(51,955)
Publicly Traded Limited Partnership	937,000	891,030	(45,970)
Hedge Funds	2,110,000	2,255,157	145,157
Total Investments	<u>\$ 18,247,980</u>	<u>\$ 18,511,198</u>	<u>\$ 263,218</u>

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.

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

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 4 – INVESTMENTS (CONTINUED)**

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

For the year ended June 30, 2016, the majority of the Foundation’s investments are managed in one portfolio fund consisting of bond and equity funds. These funds are priced in an active market (Level 1). The Foundation does hold a portion of the investment pool in hedge funds. These funds are not priced or quoted in the active market, but the assets can be priced in an active market under the valuation methods described in Level 2.

The following table sets forth carrying amounts and estimated fair values for financial instruments as of June 30, 2016 and 2015:

June 30, 2016	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Large Cap	4,507,714	4,507,714	-	-
Mid Cap	910,013	910,013	-	-
Small Cap	916,063	916,063	-	-
International	2,757,907	2,757,907	-	-
Emerging markets	1,274,175	1,274,175	-	-
Fixed Income	856,636	856,636	-	-
Corporate Loans	1,318,265	1,318,265	-	-
Commodities	860,143	860,143	-	-
Low correlated hedge funds	984,895	984,895	-	-
Publicly traded limited partnership	432,318	432,318	-	-
Hedge Funds	2,199,923	-	2,199,923	-
Total Investments	<u>\$ 17,018,052</u>	<u>\$ 14,818,129</u>	<u>\$ 2,199,923</u>	<u>\$ -</u>



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

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 4 – INVESTMENTS (CONCLUDED)**

June 30, 2015	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Mutual Funds				
Large Cap	\$ 5,667,425	\$ 5,667,425	\$ -	\$ -
Mid Cap	1,076,072	1,076,072	-	-
Small Cap	1,050,739	1,050,739	-	-
Index	3,484,286	3,484,286	-	-
International	2,535,515	2,535,515	-	-
Fixed Income	1,550,974	1,550,974	-	-
Publicly traded limited partnership	891,030	891,030	-	-
Hedge Funds	2,255,157	-	2,255,157	-
Total Investments	<u>\$ 18,511,198</u>	<u>\$ 16,256,041</u>	<u>\$ 2,255,157</u>	<u>\$ -</u>

The following schedule summarizes the investment return in the Statement of Activities for the years ended June 30, 2016 and 2015:

	2016	2015
Interest and dividend income	\$ 561,607	\$ 651,132
Net realized/unrealized gains (losses)	(1,534,403)	(317,484)
Management fees	(39,940)	(39,650)
Total	<u>\$ (1,012,736)</u>	<u>\$ 293,998</u>

**NOTE 5 – OTHER ASSETS**

The Foundation is the beneficiary of various trusts and estates 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 and estates 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 fair value of the beneficial interests at June 30, 2016 and 2015, were as follows:

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

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 5 – OTHER ASSETS (CONCLUDED)**

2016	Fair Value	Level 1	Level 2	Level 3
Cash Surrender Value of Life Insurance	\$ 27,466	\$ -	\$ -	\$ 27,466
Beneficial Interest in Annuity	16,041	-	-	16,041
Total Other Assets	<u>\$ 43,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,507</u>

2015	Fair Value	Level 1	Level 2	Level 3
Beneficial Interest in Richards Estate	\$ 261,839	\$ -	\$ -	\$ 261,839
Cash Surrender Value of Life Insurance	26,600	-	-	26,600
Beneficial Interest in Annuity	19,662	-	-	19,662
Total Other Assets	<u>\$ 308,101</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 308,101</u>

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

2016	Beneficial Interest in Richards Estate	Cash Surrender Value of Life Insurance	Beneficial Interest in Annuity
Beginning balance, July 1, 2015	\$ 261,839	\$ 26,600	\$ 19,662
Purchases, issuance, settlements	(261,839)	-	(2,380)
Total gains (realized, unrealized)	-	866	(1,241)
Ending balance, June 30, 2016	<u>\$ -</u>	<u>\$ 27,466</u>	<u>\$ 16,041</u>

2015	Beneficial Interest in Richards Estate	Beneficial Interest in Wilkinson Estate Bequest	Cash Surrender Value of Life Insurance	Beneficial Interest in Annuity
Beginning balance, July 1, 2014	\$ -	\$ 54,516	\$ 25,641	\$ 23,606
Purchases, issuance, settlements	261,839	(54,516)	-	(2,920)
Total gains (realized, unrealized)	-	-	959	(1,024)
Ending balance, June 30, 2015	<u>\$ 261,839</u>	<u>\$ -</u>	<u>\$ 26,600</u>	<u>\$ 19,662</u>

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

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 6 – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2016 and 2015, consisted of the following:

	<u>2016</u>	<u>2015</u>
Land	\$ 38,500	\$ 38,500
Office Equipment	<u>97,096</u>	<u>100,644</u>
	\$ 135,596	\$ 139,144
Less Accumulated Depreciation	<u>(93,836)</u>	<u>(96,291)</u>
Property and Equipment, Net of Accumulated Depreciation	<u>\$ 41,760</u>	<u>\$ 42,853</u>

**NOTE 7 – 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, 2016 and 2015, the restricted cash balance was \$28,350 and \$39,781, respectively. The total due to other agencies balance was \$25,614 and \$40,332, respectively. The Foundation transferred money from the operating account to the restricted cash account to cover the previous year deficit.

**NOTE 8 – ACCOUNTING FOR INVESTMENTS AND ENDOWMENTS**

The Foundation 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.

Investments – Board-designated Endowment – As of June 30, 2016 and 2015, the Board of Directors had designated \$554,720 and \$430,698, respectively, 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.

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

CHADRON STATE FOUNDATION (Continued)

**NOTE 8 – ACCOUNTING FOR INVESTMENTS AND ENDOWMENTS (CONTINUED)**

Investments – Board-designated Endowment (Concluded)

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.

*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 accounting principles generally accepted in the United States of America, 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 pay out accordingly. See Donor Designated Endowments – *Spending Policy*.

Investments – Donor Designated Endowments – The Foundation’s endowment consisted of approximately 337 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 accounting principles generally accepted in the United States of America, 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.

The Board of Directors 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 the interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of the gifts donated to the

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

CHADRON STATE FOUNDATION (Continued)

**NOTE 8 – ACCOUNTING FOR INVESTMENTS AND ENDOWMENTS (CONTINUED)**

Investments – Donor Designated Endowments (Concluded)

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 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 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. The Foundation has established long-term rates of return, downside risk parameters and asset allocation ranges for each portfolio. 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. 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.

*Spending Policy* – Distributions from 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 the 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 8 – ACCOUNTING FOR INVESTMENTS AND ENDOWMENTS (CONTINUED)**

Endowment net asset composition by type of fund as of June 30, 2016, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 861,229	\$15,566,578	\$ 16,427,807
Board-designated endowment funds	554,720	-	-	554,720
<b>Total funds</b>	<b>\$ 554,720</b>	<b>\$ 861,229</b>	<b>\$15,566,578</b>	<b>\$ 16,982,527</b>

Changes in endowment net assets as of June 30, 2016, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 430,698	\$ 2,455,943	\$ 15,224,806	\$ 18,111,447
Contributions	3,100	-	337,265	340,365
Investment Income, net of fees	7,986	328,223	-	336,209
Net appreciation	(32,240)	(1,150,854)	-	(1,183,094)
Transfers	156,682	-	4,507	161,189
Amounts appropriated for expenditures	(11,506)	(772,083)	-	(783,589)
<b>Endowment net assets, end of year</b>	<b>\$ 554,720</b>	<b>\$ 861,229</b>	<b>\$15,566,578</b>	<b>\$ 16,982,527</b>

Endowment net asset composition by type of fund as of June 30, 2015, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	\$ -	\$ 2,455,943	\$15,224,806	\$ 17,680,749
Board-designated endowment funds	430,698	-	-	430,698
<b>Total funds</b>	<b>\$ 430,698</b>	<b>\$ 2,455,943</b>	<b>\$15,224,806</b>	<b>\$ 18,111,447</b>

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

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 8 – ACCOUNTING FOR INVESTMENTS AND ENDOWMENTS (CONCLUDED)**

Changes in endowment net assets as of June 30, 2015, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	\$ 170,522	\$ 2,969,114	\$14,828,571	\$ 17,968,207
Contributions	-	-	396,235	396,235
Investment Income, net of fees	7,752	487,292	-	495,044
Net appreciation	332	(235,559)	-	(235,227)
Transfers	266,282	-	-	266,282
Amounts appropriated for expenditures	(14,190)	(764,904)	-	(779,094)
Endowment net assets, end of year	<u>\$ 430,698</u>	<u>\$ 2,455,943</u>	<u>\$15,224,806</u>	<u>\$ 18,111,447</u>

**NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS**

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

	2016	2015
Scholarships and College Use	\$ 1,834,510	\$ 3,011,635
Total Temporarily Restricted Net Assets	<u>\$ 1,834,510</u>	<u>\$ 3,011,635</u>

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

	2016	2015
Purpose Restriction Accomplished:		
Scholarships	\$ 645,621	\$ 577,769
College Use	393,326	910,520
Management Fees	467,580	428,568
Investment Fees	32,541	32,349
Total Restrictions Released	<u>\$ 1,539,068</u>	<u>\$ 1,949,206</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**CHADRON STATE FOUNDATION (Continued)**

**NOTE 10 – PERMANENTLY RESTRICTED NET ASSETS**

As of June 30, 2016 and 2015, net assets were permanently restricted for the endowment in the amount of \$15,566,578 and \$15,224,806, respectively. The income from the endowment can be used to support Chadron State College. At June 30, 2016 and 2015, the fair value of investments related to the restricted endowment was \$16,095,941 and \$17,532,802, leaving the amount assigned to individual donor restricted endowments required to be maintained in perpetuity with an excess balance of \$529,363 and \$2,307,996 for 2016 and 2015, respectively.

**NOTE 11 – 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 years ended June 30, 2016 and 2015, were \$28,428 and \$21,998, respectively.

**NOTE 12 – COMMITMENTS**

The Foundation agreed to provide the College with \$2 million for the Rangeland Center Project. As of June 30, 2016, \$1,611,387 has been provided to the College.

The Foundation began transferring dollars to the Chadron State College for the Athletic Complex renovation and expansion that was completed in the previous year. The Nebraska Legislature approved \$6.7 million dollars towards the project with the condition of a \$2 million dollar match from the College. The Foundation approved the \$2 million match, plus an additional \$1 million from the Chicoine Fund for the naming of the facility for a total commitment of \$3 million. As of June 30, 2016, \$2,536,281 has been provided to the College.

During the prior year, the board of directors designated \$529,000 from the CSC Quasi endowment plus \$471,000 of earnings from the Chicoine fund to provide the additional \$1 million for the naming. As the Chicoine fund generates earnings, the CSC Quasi endowment will be replenished. As of June 30, 2016, \$117,900 has been paid back to the CSC Quasi Endowment.

In August 2015, the Foundation committed to provide the College with \$2 million for the Math & Science building renovation. In May 2016, the Foundation committed \$1 million to the renovation of the football stadium. Both projects along with the fundraising campaigns are still in the initial planning stages.



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

**CHADRON STATE FOUNDATION (Concluded)**

**NOTE 13 – SUBSEQUENT EVENTS**

On August 26, 2016, the Chadron State Foundation Board approved the named endowment and grant to campus payouts for the 2017-2018 academic year. This will result in a liability at December 31, 2016, of \$423,767 for the named endowments, \$820 for quasi endowments and \$15,292 for the grant to campus.

A large portion of the Foundation assets are invested in the stock market. The investment portfolio has had negative returns for the year ended June 30, 2016. However, for the quarter ending September 30, 2016 some recovery of the portfolio has occurred with the portfolio gaining approximately \$562,500.

The Foundation has evaluated subsequent events through October 7, 2016, the date which the financial statements were available to be issued.

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**PERU STATE FOUNDATION**

**NOTE A – ACCOUNTING POLICIES**

The following summary of certain 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

The 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 Directors 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 (FASB) Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements of Not-for-Profit Entities*. Under Codification 958-205, 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 Directors has discretionary control and are used to carry out of 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 that do not expire. Earnings from permanently restricted net assets are available for scholarships for qualifying students attending the College.

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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**PERU STATE FOUNDATION (Continued)**

**NOTE A – ACCOUNTING POLICIES (CONTINUED)**

Use of Estimates

These financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results could differ from these estimates.

Public Support and Revenues

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 a temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When donor restrictions expire, 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.

Fair Value of Financial Instruments

The carrying amounts of 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**PERU STATE FOUNDATION (Continued)**

**NOTE A – ACCOUNTING POLICIES (CONTINUED)**

Cash and Cash Equivalents

The Foundation considers all investments with a maturity of three months or less to be 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, 2015 and 2014. At December 31, 2015, cash balances exceeded federally insured limits by \$674,000.

Unconditional Promises to Give

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

Property, Equipment, and Depreciation

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

Depreciation and amortization is computed over the estimated useful lives of the assets using the straight-line method. Estimated useful lives of the assets are:

Office Furniture and Fixtures	3 - 7 years
Vehicles	5 years

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the asset to a specific purpose.

Endowments and Investments

The Foundation's investments in Westwood Management Corp. LLC's are valued at Level 2 of the hierarchy of investment valuation, see Note D. Unrealized gains and losses are included in the statement of activities as a change in unrestricted net assets.

The Foundation pools its investments for greater flexibility in managing those 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.

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**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**PERU STATE FOUNDATION (Continued)**

**NOTE A – ACCOUNTING POLICIES (CONTINUED)**

Endowments and Investments – Concluded

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 endowments is reimbursed from unrestricted net assets as necessary to replenish the endowment fund to its historic dollar value as established by the Foundation.

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 maintaining 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. Foundation personnel accrue 10 hours of vacation and 8 hours of sick pay per month with a maximum accrual of 35 days vacation and 180 days sick time. The Foundation

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

**PERU STATE FOUNDATION (Continued)**

**NOTE A – ACCOUNTING POLICIES (CONCLUDED)**

Compensated Absences – Concluded

estimates the amount of compensation for future compensated absences and, accordingly, recognizes the liability as part of accrued compensation 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 170(b)(1)(A)(vi). There was no unrelated business income for 2015 and 2014.

The Foundation’s federal Exempt Organization Tax Returns (Form 990) for 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

**NOTE B – CONCENTRATION OF CREDIT RISK**

Financial instruments that are exposed to concentrations of credit risk consist of cash, unconditional promises to give, note 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 the note receivable are carried at estimated net realizable values.

**NOTE C – INVESTMENTS**

The Foundation’s investments at December 31, 2015 consist of the following:

	Cost	Gross Unrealized Gain/(Loss)	Fair Market Value
Fixed Income Funds			
Westwood Cash Reserves, LLC	\$ 710,956	\$ -	\$ 710,956
Westwood Core Income, LLC	1,260,498	127,243	1,387,741
Westwood Total Return, LLC	1,558,323	997,106	2,555,429
Equity Funds:			
Westwood Tactical Opportunity, LLC	311,215	271,652	582,867
Westwood Diversified Core Equity, LLC	1,292,060	1,859,773	3,151,833
Westwood Focused Core Equity, LLC	430,686	790,444	1,221,130
Westwood Diversified Small/Mid Cap Equity, LLC	254,439	524,209	778,648
Westwood Focused Small Cap Equity, LLC	252,122	153,022	405,144
Westwood International Equity, LLC	736,678	437,380	1,174,058
	<u>\$ 6,806,977</u>	<u>\$ 5,160,829</u>	<u>\$ 11,967,806</u>

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**PERU STATE FOUNDATION (Continued)**

**NOTE C – INVESTMENTS (CONCLUDED)**

The Foundation's investments at December 31, 2014 consist of the following:

	Cost	Gross Unrealized Gain/(Loss)	Fair Market Value
Fixed Income Funds			
Westwood Cash Reserves, LLC	\$ 260,657	\$ -	\$ 260,657
Westwood Core Income, LLC	1,576,303	269,375	1,845,678
Westwood Total Return, LLC	1,304,476	1,952,978	3,257,454
Equity Funds:			
Westwood Tactical Opportunity, LLC	454,250	301,643	755,893
Westwood Diversified Core Equity, LLC	815,421	2,146,794	2,962,215
Westwood Focused Core Equity, LLC	776,299	818,690	1,594,989
Westwood Diversified Small/Mid Cap Equity, LLC	179,439	520,575	700,014
Westwood Focused Small Cap Equity, LLC	222,122	167,781	389,903
Westwood International Equity, LLC	1,121,499	681,601	1,803,100
	<u>\$ 6,710,466</u>	<u>\$ 6,859,437</u>	<u>\$ 13,569,903</u>

Investment expense which consists of management fees totaled \$80,744 and \$90,863 for the years ending December 31, 2015 and 2014, respectively.

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

	2015	2014
Fair Value of Endowed Assets	\$ 8,920,086	\$ 8,682,013
Historical Dollar Value of Endowed Assets	(6,722,581)	(6,405,730)
Net Appreciation - Endowed Assets	<u>\$ 2,197,505</u>	<u>\$ 2,276,283</u>

**NOTE D – FAIR VALUE MEASUREMENTS**

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the 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 are described as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets and liabilities that the Foundation has the ability to access at the measurement date.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**PERU STATE FOUNDATION (Continued)**

**NOTE D – FAIR VALUE MEASUREMENTS (CONCLUDED)**

Level 2 – Inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs 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; and inputs that are derived principally from or corroborated by observable market data.

All the Foundation’s investments, see Note C, are considered to be Level 2 investments. The fair value of the Foundation’s investments in the Westwood LLC’s is determined by each LLC based on the fair value of the underlying securities held by the LLC. The fair value of the LLC’s is determined based on the closing prices of the underlying securities on various actively traded markets. Unit values are determined by dividing the fund’s net assets at fair value by the number of units outstanding at the valuation date.

Level 3 – Inputs are unobservable inputs for the asset or liability.

**NOTE E – NOTE RECEIVABLE**

The Foundation’s note receivable consists of the following at December 31:

	2015	2014
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.	\$ 95,026	\$ 116,809
Less Current Portion of Notes Receivable	22,545	21,783
	\$ 72,481	\$ 95,026

The aggregate maturities of notes receivable are as follows:

2016	\$	22,545	
2017		23,334	
2018		24,151	
2019		24,996	
		95,026	



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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**PERU STATE FOUNDATION (Continued)**

**NOTE F – REFUNDABLE DEPOSITS**

Beginning in 2003, the Peru Booster Club and President’s Account had entered into intermediary agreements with the Foundation. Funds are held in cash accounts by the Foundation as an agent of these organizations to be disbursed at their request. The funds are not owned by the Foundation and 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 \$29,353 and \$28,863 as of December 31, 2015 and 2014, respectively. The President’s Account was closed during 2014.

**NOTE G – GIFT ANNUITY**

The Foundation has entered into an agreement with a donor in which the donor contributed cash to the Foundation in exchange for the distribution of fixed monthly or quarterly amounts to the donor until the death of the donor. The gift annuity liability of \$783 as of 2014 represents the present value of the future cash flows expected to be paid to the donors. The annuity payable was discounted at 1.97% (7-year Treasury Bill rate at December 31, 2014). In July 2015, the annuity recipient passed away and the outstanding balance was recorded as a contribution.

**NOTE H – NOTES PAYABLE**

At December 31, 2015, the Foundation has a \$139,969 short-term bank loan that bears interest at 3.50%.

In addition, the Foundation has a non-interest bearing loan of \$833 that is due in 2016.

**NOTE I – NET ASSETS**

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

	2015	2014
Designated for scholarship	\$ 600,620	\$ 600,620
Designated for work stipends	532,177	545,013
Designated for campus improvements	5,500	5,500
	\$ 1,138,297	\$ 1,151,133

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

	2015	2014
Restricted for scholarships	\$ 609,083	\$ 547,617
Restricted for education and athletic departments	719,579	698,596
	\$ 1,328,662	\$ 1,246,213

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**PERU STATE FOUNDATION (Continued)**

**NOTE I – NET ASSETS (CONCLUDED)**

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 2015 and 2014 amounted to \$75,178 and \$154,748, respectively.

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

	2015	2014
Purpose restriction accomplished:		
Scholarships	\$ 8,567	\$ 48,175
Departmental and athletic gifts to College	54,009	78,984
Oakbowl Renovations and fundraising	5,840	31,971
Management fees	17,059	15,488
	\$ 85,475	\$ 174,618

**NOTE J – RELATED PARTY TRANSACTIONS**

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

	2015	2014
Salary and wage reimbursement	\$ 379,366	\$ 344,497
Gifts and campus improvements	1,386,119	35,246
Departmental expenses	79,464	92,223
	\$ 1,844,949	\$ 471,966

The Foundation owed the College for salary and wage expenses paid to its employees by the College in the amount of \$59,157 and \$63,648 at December 31, 2015 and 2014, respectively.

**NOTE K – 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. The plan covers all employees upon attaining 30 years of age and having two years of college service. Employee contributions are limited to 6% of gross salary. The Foundation reimburses the College for the retirement fund contributions along with the salary reimbursements. The Foundation's contributions to the plan totaled \$18,244 and \$18,830 for the years ended December 31, 2015 and 2014, respectively, and is included in salaries and wages on the statement of functional expenses.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**PERU STATE FOUNDATION (Concluded)**

**NOTE L – CONCENTRATIONS**

During 2015, the Foundation received approximately 70% of its contributions from three individuals/estates. During 2014, the Foundation received approximately 26% of its contributions from one individual.

**NOTE M – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 6, 2016, 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  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

WAYNE STATE FOUNDATION

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NOTE A – FOUNDATION

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The Wayne State Foundation (Foundation) is an independent, non-profit corporation established for the sole purpose of securing private gifts for the benefit and promotion of Wayne State College (College). The Foundation receives contributions from various contributors and provides funding to the College to assist it in fulfilling its mission of educating students. Examples of initiatives funded by the Foundation include scholarships, capital improvements, faculty grants, equipment, and athletic programs. The Foundation funds and publishes, in cooperation with the College, the *Wayne State Magazine* and other communications sent to alumni and friends.

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.

**Prior-Year Summarized Comparative Information**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the years ended June 30, 2015 and 2014, from which the summarized information was derived.

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

**NOTES TO THE 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.

Donations of 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.

**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.

**Property**

Property is recorded at cost or estimated value at the date of purchase or contribution. Additions in excess of \$2,500 are capitalized. Expenditures for repairs and maintenance are expensed as incurred. Assets are being depreciated using the straight-line method with estimated useful lives of 25-40 years for real property and 5 years for vehicles. Depreciation expense was \$9,729 for the year ended June 30, 2016.

**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 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.

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

**NOTES TO THE 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**

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.

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 U.S. federal, state and local income tax examinations by tax authorities for years before 2013. 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.

**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.

**Advertising**

The Foundation expenses advertising costs as they are incurred. Advertising expenses for the year ended June 30, 2016, was \$12,621.

**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, 2016) for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through September 13, 2016, which is the date the financial statements were available to be issued. See Note T for recently issued accounting pronouncements.

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

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At times the Foundation may have uninsured bank deposits. At June 30, 2016, the Foundation had bank deposits of \$3,306,615, of which \$1,234,071 was uninsured. The Foundation approved a policy of bank deposits up to \$350,000. All bank deposits were below the approved policy except for Elkhorn Valley Bank & Trust (EVB&T) which had deposits of \$1,242,177. In June 2016 the Finance Committee approved exceeding the approved policy amount for EVB&T.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE D – PROMISES TO GIVE**

**Unconditional Promises**

Unconditional promises are recorded at their net realizable value.

Unconditional promises to give at June 30, 2016, are as follows:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Unconditional promises to give	\$ -	\$ 1,014,787	\$ 213,512	\$ 1,228,299
Less discount to present value	-	(100,639)	(18,279)	(118,918)
Less allowance for uncollectible prom.	-	(12,890)	-	(12,890)
Net unconditional promises to give	<u>\$ -</u>	<u>\$ 901,258</u>	<u>\$ 195,233</u>	<u>\$ 1,096,491</u>

Estimated future cash flows of unconditional promises are as follows:

	<b>Estimated Cash Flows</b>	<b>Discount</b>	<b>Discounted Value</b>
Due 6/30/2016	\$ 11,750	\$ -	\$ 11,750
6/30/2017	341,411	(13,132)	328,279
6/30/2018	433,464	(32,702)	400,762
6/30/2019	131,084	(14,551)	116,533
6/30/2020	99,200	(14,403)	84,797
6/30/2021	63,500	(11,308)	52,192
More than 5 years 6/30/2022-2028	135,000	(32,822)	102,178
	<u>\$ 1,215,409</u>	<u>\$ (118,918)</u>	<u>\$ 1,096,491</u>

The allowance for uncollectible promises represents the unpaid portion of the Phonathon pledges. All other pledges are considered collectible. At June 30, 2016, \$11,750 of other pledges were past due including \$8,750 that were over 90 days past due. Other pledges written off for the fiscal year ended June 30, 2016, were \$10,000.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE E – INVESTMENTS**

Investments as of June 30, 2016 are summarized as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>6/30/16 Total</u>
Money markets	\$ 7,304	\$ 615,955	\$ 995,276	\$ 1,618,535
Certificates of Deposits	35,630	1,377,544	165,000	1,578,174
Commonfund- Equity Fund	1,499,653	2,758,256	9,901,436	14,159,345
Commonfund- Bond Fund	703,355	623,638	3,543,364	4,870,357
Subtotal Commonfund	<u>2,203,008</u>	<u>3,381,894</u>	<u>13,444,800</u>	<u>19,029,702</u>
Other Securities	26,971	119,805	37,157	183,933
Totals	<u>2,272,913</u>	<u>5,495,198</u>	<u>14,642,233</u>	<u>22,410,344</u>
Investments restricted for annuity contracts:				
Commonfund- Equity Fund	279,094	-	373,356	652,450
Commonfund- Bond Fund	109,467	-	147,105	256,572
Totals	<u>388,561</u>	<u>-</u>	<u>520,461</u>	<u>909,022</u>
Investments held in perpetual trust:				
Money Markets	-	-	22,510	22,510
Bonds and notes	-	-	282,138	282,138
Equities	-	-	499,031	499,031
Alternatives	-	-	60,938	60,938
Totals	<u>-</u>	<u>-</u>	<u>864,617</u>	<u>864,617</u>
Total all investments	<u>\$ 2,661,474</u>	<u>\$ 5,495,198</u>	<u>\$ 16,027,311</u>	<u>\$ 24,183,983</u>



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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE E – INVESTMENTS (cont'd)**

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

At June 30, 2016 the Foundation had investments (including reserved for annuities) with Commonfund of \$19,938,724, which represents approximately 82% 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 Foundation used the share price in the preferred offering of the private company to value the stock.

The following is a summary of the inputs used as of June 30, 2016 in valuing the Foundation's investments:

<b><u>June 30, 2016</u></b>	<b><u>Level 1</u></b>	<b><u>Level 2</u></b>	<b><u>Level 3</u></b>	<b><u>Total</u></b>
Short Term Cash Investments and Certificates of Deposit	\$ 23,570	\$ 3,196,709	\$ -	\$ 3,220,279
U.S. Equity	571,372	13,003,274	8,988	13,583,634
International Equity	104,761	1,512,284	-	1,617,045
Emerging Markets Equity	10,336	296,236	-	306,572
Fixed Income	329,523	5,126,930	-	5,456,453
Total	<u>\$1,039,562</u>	<u>\$ 23,135,433</u>	<u>\$ 8,988</u>	<u>\$ 24,183,983</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE E – INVESTMENTS (cont'd)**

**Level 3 Activity**

In the fiscal year ended June 30, 2016 the Foundation received private company stock. The stock value of \$8,988 was valued at the current share price in the preferred offering at the date of the gift. There were no realized or unrealized gains or losses and no transfers in or out during the fiscal year.

The Foundation did not hold other financial instruments as of June 30, 2016.

**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.

**Investment Management Fees**

Investment management fees have been deducted from investment income.

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Investment Management Fees	\$ 7,665	\$ 48,785	\$ 10,495	\$ 66,945

**NOTE F – PROPERTY**

During the year ended June 30, 2012, the Foundation received contributed property which had a life estate attached to it. During the fiscal year ended June 30, 2016 the house was sold for \$135,000 less closing costs of \$7,864 leaving a gain of \$47,136. The vehicle was traded in during the fiscal year ended June 30, 2016 on a leased vehicle. The trade-in allowance was \$9,000 leaving a gain of \$4,657.

	<b>Bressler</b>			
	<b>Alumni House</b>	<b>1308 Main</b>	<b>Vehicle</b>	<b>Total</b>
Land	\$ 20,000	\$ 39,500	\$ -	\$ 59,500
Building	134,417	81,000	-	215,417
Subtotal	154,417	120,500	-	274,917
Accumulated Depreciation	(61,772)	(23,700)	-	(85,472)
Net 6/30/16	\$ 92,645	\$ 96,800	\$ -	\$ 189,445
Depreciation Exp. FYE 6/30/16	\$ 3,555	\$ 2,700	\$ 3,474	\$ 9,729

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE G – LIFE INSURANCE – CASH VALUE**

The Foundation is the owner of numerous whole life insurance policies with various insurance companies. Policies with cash values of \$18,658 were cashed in the year ended June 30, 2016. The policies contain cash values, which are summarized as follows:

	<b>Policy Amount</b>	<b>6/30/16 Cash Value</b>	<b>6/30/15 Cash Value</b>	<b>6/30/14 Cash Value</b>
Unrestricted	\$ 347,911	\$ 54,534	\$ 69,920	\$ 67,580
Temporarily Restricted	25,000	1,454	3,508	3,631
Permanently Restricted	130,309	31,829	28,598	21,558
Totals	\$ 503,220	\$ 87,817	\$ 102,026	\$ 92,769

**NOTE H – 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 1.2% to 9.6% and life expectancies of annuity beneficiaries based on IRS tables.

Annuity assets and liabilities as of June 30, 2016, are summarized as follows:

	<b>Unrestricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Investments restricted for annuity contracts	\$ 388,561	\$ 520,461	\$ 909,022
Annuities Payable	\$ 75,006	\$ 295,898	\$ 370,904

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

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**NOTE I – UNRESTRICTED NET ASSETS**

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

Board Designated:	
Quasi-Endowment	\$ 324,380
	<hr/>
Total board designated	\$ 324,380
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**NOTE J – TEMPORARILY RESTRICTED NET ASSETS**

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Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Program Activities:	
Scholarships and Grants	\$ 3,527,794
Improvements	2,567,587
College Departments	573,481
SSC College Center	13,730
Time Only Restriction (Unrestricted receivables)	235,535
Other Designated Programs	7,455
	<hr/>
Total Temporarily Restricted Net Assets	\$ 6,925,582
	<hr/>

**NOTE K – PERMANENTLY RESTRICTED NET ASSETS**

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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.

**NOTE L – ENDOWMENT FUNDS**

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The Foundation's endowment consists of approximately 342 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.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE L – ENDOWMENT FUNDS (cont'd)**

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 of June 30, 2016*

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ (5,010)	\$ 3,131,631	\$ 14,724,417	\$ 17,851,038
Board-designated endowment funds	324,380	-	-	324,380
Total Funds	<u>\$ 319,370</u>	<u>\$ 3,131,631</u>	<u>\$ 14,724,417</u>	<u>\$ 18,175,418</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

**NOTE L – ENDOWMENT FUNDS (cont'd)**

*Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2016*

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
Endowment net assets, beg. of year	\$ 325,488	\$ 3,915,047	\$ 12,633,614	\$ 16,874,149
Contributions	-	-	2,058,333	2,058,333
Transfers	-	(25,645)	32,470	6,825
Net investment income	5,086	257,463	-	262,549
Net appreciation (loss)	(11,204)	(329,100)	-	(340,304)
Amounts appropriated for expenditure	-	(686,134)	-	(686,134)
Endowment net assets, end of year	<u>\$ 319,370</u>	<u>\$ 3,131,631</u>	14,724,417	<u>\$ 18,175,418</u>

Other permanently restricted net assets:

Interest in Robert Cunningham Perpetual Trust	864,617
Cash Value of Life Insurance to Fund Permanently Restricted Endowment Funds	31,829
Charitable Gift Annuity Net Assets to Fund Permanently Restricted Endowments at a Future Date	224,563
Promises to Fund Permanently Restricted Endowment Funds	195,233
Total Permanently Restricted Net Assets	<u>\$ 16,040,659</u>

*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 \$5,010 as of June 30, 2016. These deficiencies result from unfavorable market fluctuations that occur after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Executive Committee of the Foundation.

*Contributions.* Contributions above include the sale of real estate restricted for endowment of \$40,000 less the increase in promises to fund permanently restricted endowment funds (net endowment receivables) of (\$32,263).

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

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**NOTE L – 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 M – 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 N – 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 \$170,306 for the year ended June 30, 2016. These amounts have been recognized in the financial statements.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Continued)

**WAYNE STATE FOUNDATION (Continued)**

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**NOTE O – 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 \$23,150 for the year ended June 30, 2016.

**NOTE P – VACATION, SICK PAY, AND OTHER EMPLOYEE BENEFIT AMOUNTS**

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The costs of vacation pay and sick pay are accrued. Up to 25% of accumulated sick pay is payable upon retirement or death. Total accumulated sick pay at June 30, 2016 was \$110,537 and the accrual was \$27,634. Accumulated vacation is payable upon termination and at June 30, 2016 was \$22,192.

**NOTE Q – COMMITMENTS**

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**U.S. Conn Library Renovation**

A three year renovation of the U.S. Conn Library began in May 2014 and is scheduled to be completed in the summer of 2017. The Wayne State Foundation raised \$3.1 million in gifts and pledges toward the \$21.9 million project while the State of Nebraska, L.B. 301, and Wayne State College funded the difference.

**Press Box Replacement**

The Wayne State Foundation agreed to raise up to \$1 million toward the approximate \$2 million project. As of June 30, 2016, approximately \$496,000 has been raised in gifts and pledges. A pledge was secured in July 2016 bringing gifts and pledges to \$996,000. Construction is scheduled to begin in spring 2017.

**Jeanne Gardner Black and Gold Performing Arts Endowment**

During FY 2015, the Wayne State Foundation Executive Board agreed to raise \$500,000 to fund the Jeanne Gardner Black and Gold Performing Arts Endowment to honor Mrs. Gardner's philanthropic legacy. This endowment will help support live performances on campus that provide cultural opportunities for Wayne State College students and the Northeast Nebraska region. As of June 30, 2016, approximately \$470,000 has been raised in gifts and pledges.

**Center for Applied Technology**

Wayne State College recently secured \$6.6 million through a state bond program underscoring the importance of a \$15.2 million state-of-the-art Center for Applied Technology to address workforce and economic development in Nebraska. The Center for Applied Technology will continue to attract first rate students and faculty and increase the number of industrial technology teachers, diversified manufacturing administrators, construction and safety managers, drafters, and computer programmers. The Wayne State Foundation has agreed to raise funds to help support this project.



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

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

WAYNE STATE FOUNDATION (Continued)

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NOTE Q – COMMITMENTS (cont'd)

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**Criminal Justice Lab**

The Wayne State Foundation currently owns property located in Wayne, NE that will be exchanged for like property located in Wayne, NE during FY 2017. This new piece of property is the projected site for the Wayne State College Criminal Justice Lab. As plans progress, the Foundation will gift the new piece of property to Wayne State College.

NOTE R – RELATED PARTIES

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For the year ended June 30, 2016 the Foundation provided direct support to Wayne State College of \$3,190,231 and reimbursed the College for \$437,819 for payroll and other operating expenses. Direct support consisted of \$1,924,396 for annual scholarships, \$496,926 for endowed scholarships, \$16,000 for Neihardt stipends, \$372,418 for athletic scholarships; \$170,208 for capital improvements to U.S. Conn Library; \$2,014 for capital improvements for the soccer field; \$177,797 for athletics administration support; and \$30,472 for general budget support college departments. The Foundation also provided \$85,676 of indirect support.

The Foundation had cash and CD's totaling \$314,810, as of June 30, 2016, at State Nebraska Bank & Trust, where one of the board members of the Foundation is the chairman.

The Foundation had cash and CD's totaling \$150,000, as of June 30, 2016, at Siouxland National Bank, where one of the board members of the Foundation is president.

Board members, trustees, and employees may pledge amounts to the Foundation for various projects and campaigns for support. At June 30, 2016 the outstanding pledge balances due from these individuals totaled \$1,027,158.

The Foundation sold to a board member real estate in Arizona that was previously donated with a life estate for net proceeds of \$127,136 in the year ended June 30, 2016.

NOTE S – LEASES

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In June of 2016, Wayne State Foundation entered into an interest free, 24 month lease agreement with Ford Motor Credit for the rental of a 2016 Ford Edge expiring in June of 2018. Future lease expense is \$7,893 for each of the years ending June 30, 2017 and 2018.

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

**NOTES TO THE FINANCIAL STATEMENTS**  
(Concluded)

**WAYNE STATE FOUNDATION (Concluded)**

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**NOTE T – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

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In August 2016, the FASB issued Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The standard:

Decreases the number of net asset classes from three to two. The new classes will be net assets with donor restrictions and net assets without donor restrictions.

Requires reporting of the underwater amounts of donor-restricted endowment funds in net assets with restrictions and enhances disclosures about underwater endowments.

Requires a not-for-profit to provide in the notes qualitative information on how it manages its liquid available resources and liquidity risks. Quantitative information communicates the availability of a not-for-profit's financial assets at the balance sheet date to meet cash needs for general expenditures within one year will be required to be presented on the face of the financial statements and/or in the notes.

Requires reporting of expenses by function and nature, as well as an analysis of expenses by both function and nature.

The standard will take effect for annual financial statements issued for fiscal years beginning after Dec. 15, 2017, and for interim periods within fiscal years beginning after Dec. 15, 2018.

The Foundation does not expect these amendments to have a material effect on its financial statements.

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

**SCHEDULE OF NET POSITION**

June 30, 2016

	<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	\$ 5,514,430	\$ 4,333,337	\$ 19,127,687	\$ 3,435,170	\$ 32,410,624
Restricted Cash and Cash Equivalents	7,167,751	3,466,836	9,144,420	5,797,574	25,576,581
Accounts Receivable, Net of Allowance	336,923	931,400	612,836	24,430	1,905,589
State Grants and Appropriations Receivable	-	-	-	205,948	205,948
Other Receivables	267,138	91,242	88,456	16,127	462,963
Inventories	16,068	50,516	16,673	-	83,257
Loans to Students, Net	1,424	-	278,168	-	279,592
Prepaid Expenses	418,453	239,036	272,767	85,689	1,015,945
Deposits with Vendors	-	-	1,310	4,971	6,281
Total Current Assets	<u>13,722,187</u>	<u>9,112,367</u>	<u>29,542,317</u>	<u>9,569,909</u>	<u>61,946,780</u>
<b>Non-current Assets</b>					
Restricted Cash and Cash Equivalents	927,248	9,794,803	11,924,302	2,302,872	24,949,225
Restricted Investments	-	-	605,121	-	605,121
Loans to Students, Net	9,243	-	854,492	-	863,735
Prepaid Expenses	-	-	-	36,369	36,369
Capital Assets, Net	57,423,810	50,111,388	93,370,387	3,262,522	204,168,107
Total Non-current Assets	<u>58,360,301</u>	<u>59,906,191</u>	<u>106,754,302</u>	<u>5,601,763</u>	<u>230,622,557</u>
Total Assets	<u>72,082,488</u>	<u>69,018,558</u>	<u>136,296,619</u>	<u>15,171,672</u>	<u>292,569,337</u>
<b>Deferred Outflow of Resources</b>					
Unamortized Bond Refunding Amount, Net	23,470	7,140	12,905	-	43,515
Total Deferred Outflow of Resources	<u>23,470</u>	<u>7,140</u>	<u>12,905</u>	<u>-</u>	<u>43,515</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable and Accrued Liabilities	2,250,826	1,353,922	3,969,094	2,555,733	10,129,575
Accrued Compensated Absences	147,962	57,445	152,742	20,298	378,447
Unearned Revenue	81,208	34,420	622,511	110	738,249
Interest Payable	132,471	240,488	242,460	223,412	838,831
Master Lease Payable	151,498	76,076	-	-	227,574
Long-term Debt	630,000	343,334	450,000	3,505,000	4,928,334
Deposits Held in Custody for Others	111,203	17,384	2,867	110,329	241,783
Total Current Liabilities	<u>3,505,168</u>	<u>2,123,069</u>	<u>5,439,674</u>	<u>6,414,882</u>	<u>17,482,793</u>
<b>Non-current Liabilities</b>					
Accrued Compensated Absences	1,221,564	595,174	1,529,420	269,676	3,615,834
Unearned Revenue	-	-	605,668	-	605,668
Master Lease Payable	400,221	148,655	-	-	548,876
Long-term Debt	10,707,391	13,801,743	19,711,526	18,417,119	62,637,779
Total Non-current Liabilities	<u>12,329,176</u>	<u>14,545,572</u>	<u>21,846,614</u>	<u>18,686,795</u>	<u>67,408,157</u>
Total Liabilities	<u>15,834,344</u>	<u>16,668,641</u>	<u>27,286,288</u>	<u>25,101,677</u>	<u>84,890,950</u>
<b>Net Position</b>					
Net Investment in Capital Assets	47,008,174	44,819,560	84,549,592	(17,173,995)	159,203,331
Restricted for:					
Expendable:					
Loans	465,613	-	1,294,451	-	1,760,064
Debt Service	630,567	320,278	450,265	2,137,528	3,538,638
Plant	26,602	479,001	316,412	2,750,763	3,572,778
Other	5,600,026	3,025,010	7,050,621	373,192	16,048,849
Unrestricted	2,540,632	3,713,208	15,361,895	1,982,507	23,598,242
Total Net Position	<u>\$ 56,271,614</u>	<u>\$ 52,357,057</u>	<u>\$ 109,023,236</u>	<u>\$ (9,930,005)</u>	<u>\$ 207,721,902</u>

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

**SCHEDULE OF NET POSITION**

June 30, 2015

	<u>CSC</u>	<u>PSC As Restated</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total As Restated</u>
<b>Assets</b>					
<b>Current Assets</b>					
Cash and Cash Equivalents	\$ 4,304,305	\$ 3,822,656	\$ 18,868,347	\$ 3,400,475	\$ 30,395,783
Restricted Cash and Cash Equivalents	6,942,108	3,469,459	9,668,215	4,750,387	24,830,169
Accounts Receivable, Net of Allowance	453,256	667,562	472,605	21,759	1,615,182
State Grants and Appropriations Receivable	-	-	-	72,331	72,331
Other Receivables	123,642	120,434	66,428	12,646	323,150
Inventories	12,733	48,009	29,937	-	90,679
Loans to Students, Net	58,683	-	263,282	-	321,965
Prepaid Expenses	381,161	276,265	280,778	105,583	1,043,787
Deposits with Vendors	-	-	1,310	3,533	4,843
Total Current Assets	<u>12,275,888</u>	<u>8,404,385</u>	<u>29,650,902</u>	<u>8,366,714</u>	<u>58,697,889</u>
<b>Non-current Assets</b>					
Restricted Cash and Cash Equivalents	1,031,701	777,507	1,631,302	8,311,874	11,752,384
Loans to Students, Net	386,702	-	885,102	-	1,271,804
Prepaid Expenses	-	-	-	44,003	44,003
Capital Assets, Net	58,206,208	47,695,034	88,121,006	4,140,663	198,162,911
Total Non-current Assets	<u>59,624,611</u>	<u>48,472,541</u>	<u>90,637,410</u>	<u>12,496,540</u>	<u>211,231,102</u>
Total Assets	<u>71,900,499</u>	<u>56,876,926</u>	<u>120,288,312</u>	<u>20,863,254</u>	<u>269,928,991</u>
<b>Deferred Outflow of Resources</b>					
Unamortized Bond Refunding Amount, Net	25,426	7,789	14,078	-	47,293
Total Deferred Outflow of Resources	<u>25,426</u>	<u>7,789</u>	<u>14,078</u>	<u>-</u>	<u>47,293</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts Payable and Accrued Liabilities	1,689,523	1,600,872	3,892,513	3,022,221	10,205,129
Accrued Compensated Absences	103,329	61,026	131,651	18,620	314,626
Unearned Revenue	47,707	24,855	651,536	-	724,098
Interest Payable	134,000	91,202	121,589	260,432	607,223
Master Lease Payable	149,492	75,076	-	-	224,568
Long-term Debt	620,000	327,545	590,000	3,385,000	4,922,545
Deposits Held in Custody for Others	62,016	17,972	8,795	110,154	198,937
Total Current Liabilities	<u>2,806,067</u>	<u>2,198,548</u>	<u>5,396,084</u>	<u>6,796,427</u>	<u>17,197,126</u>
<b>Non-current Liabilities</b>					
Accrued Compensated Absences	1,100,336	579,078	1,455,568	247,387	3,382,369
Unearned Revenue	-	-	883,528	-	883,528
Master Lease Payable	551,719	224,731	-	-	776,450
Long-term Debt	11,335,410	5,324,335	8,820,650	22,188,610	47,669,005
Total Non-current Liabilities	<u>12,987,465</u>	<u>6,128,144</u>	<u>11,159,746</u>	<u>22,435,997</u>	<u>52,711,352</u>
Total Liabilities	<u>15,793,532</u>	<u>8,326,692</u>	<u>16,555,830</u>	<u>29,232,424</u>	<u>69,908,478</u>
<b>Net Position</b>					
Net Investment in Capital Assets	47,155,522	41,761,247	79,305,196	(14,674,183)	153,547,782
Restricted for:					
Expendable:					
Loans	844,342	-	1,319,073	-	2,163,415
Debt Service	621,057	305,032	590,028	1,987,273	3,503,390
Plant	112,588	278,734	1,278,751	1,991,237	3,661,310
Other	5,767,474	3,028,849	6,591,891	365,656	15,753,870
Unrestricted	1,631,410	3,184,161	14,661,621	1,960,847	21,438,039
Total Net Position	<u>\$ 56,132,393</u>	<u>\$ 48,558,023</u>	<u>\$ 103,746,560</u>	<u>\$ (8,369,170)</u>	<u>\$ 200,067,806</u>

**NEBRASKA STATE COLLEGE SYSTEM**  
**(A COMPONENT UNIT OF THE STATE OF NEBRASKA)**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Fiscal Year Ended June 30, 2016**

	<u>CSC</u>	<u>PSC</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total</u>
<b>Operating Revenues</b>					
Tuition and Fees, Net of Scholarship					
Allowances and Institutional Waivers	\$ 9,928,380	\$ 6,849,933	\$ 12,935,498	\$ -	\$ 29,713,811
Federal Grants and Contracts	4,164,707	3,201,573	4,827,396	-	12,193,676
State Grants and Contracts	506,500	452,729	1,062,753	-	2,021,982
Private Grants and Contracts	88,401	251,825	257,885	21,535	619,646
Auxiliary Enterprises, Net of Scholarship					
Allowances and Institutional Waivers	6,490,557	3,676,519	8,732,651	-	18,899,727
Other Operating Revenues	893,391	165,327	29,832	-	1,088,550
<b>Total Operating Revenues</b>	<u>22,071,936</u>	<u>14,597,906</u>	<u>27,846,015</u>	<u>21,535</u>	<u>64,537,392</u>
<b>Operating Expenses</b>					
Compensation and Benefits	23,607,040	13,541,153	29,892,119	1,685,669	68,725,981
Contractual Services	1,346,671	1,085,589	2,062,455	710,281	5,204,996
Supplies and Materials	4,039,731	2,825,570	5,249,283	11,020	12,125,604
Scholarships and Fellowships	1,465,333	1,334,340	1,707,767	-	4,507,440
Depreciation	2,332,629	1,745,687	3,184,790	878,141	8,141,247
Utilities	1,518,620	901,066	2,020,789	-	4,440,475
Repairs and Maintenance	1,879,889	361,546	1,900,808	-	4,142,243
Communications	115,553	154,172	163,244	12,436	445,405
Food Service	2,151,791	1,312,672	2,563,359	-	6,027,822
Other	1,934,244	43,904	61,686	261,510	2,301,344
<b>Total Operating Expenses</b>	<u>40,391,501</u>	<u>23,305,699</u>	<u>48,806,300</u>	<u>3,559,057</u>	<u>116,062,557</u>
<b>Operating Loss</b>	<u>(18,319,565)</u>	<u>(8,707,793)</u>	<u>(20,960,285)</u>	<u>(3,537,522)</u>	<u>(51,525,165)</u>
<b>Non-operating Revenue (Expenses)</b>					
State Appropriations	17,402,028	9,808,485	21,642,044	2,025,102	50,877,659
Investment Income	227,238	129,767	696,594	147,634	1,201,233
Interest on Capital Asset-Related Debt	(268,879)	(198,277)	(250,420)	(484,301)	(1,201,877)
Bond Issuance Costs	-	(119,214)	(199,662)	-	(318,876)
Gain (Loss) on Disposal of Asset	17,592	40	(2,774)	-	14,858
Other Non-operating Revenue (Expense)	235,979	14,289	40,066	(23,840)	266,494
<b>Net Non-operating Revenues</b>	<u>17,613,958</u>	<u>9,635,090</u>	<u>21,925,848</u>	<u>1,664,595</u>	<u>50,839,491</u>
<b>Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)</b>	<u>(705,607)</u>	<u>927,297</u>	<u>965,563</u>	<u>(1,872,927)</u>	<u>(685,674)</u>
<b>Other Revenues, Expenses, or Gains (Losses)</b>					
Capital Facilities Fees	-	-	-	2,058,500	2,058,500
Capital Contributions	94,000	1,976,043	71,873	-	2,141,916
Operating Transfers In (Out)	(1,465,172)	397,340	4,239,240	(3,171,408)	-
Capital Appropriations and Grants	2,216,000	498,354	-	1,425,000	4,139,354
<b>Net Other Revenues, Expenses, or Gains (Losses)</b>	<u>844,828</u>	<u>2,871,737</u>	<u>4,311,113</u>	<u>312,092</u>	<u>8,339,770</u>
<b>Increase (Decrease) in Net Position</b>	<u>139,221</u>	<u>3,799,034</u>	<u>5,276,676</u>	<u>(1,560,835)</u>	<u>7,654,096</u>
<b>Net Position, Beginning of Year</b>	<u>56,132,393</u>	<u>48,558,023</u>	<u>103,746,560</u>	<u>(8,369,170)</u>	<u>200,067,806</u>
<b>Net Position, End of Year</b>	<u>\$ 56,271,614</u>	<u>\$ 52,357,057</u>	<u>\$ 109,023,236</u>	<u>\$ (9,930,005)</u>	<u>\$ 207,721,902</u>

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
Fiscal Year Ended June 30, 2015

	CSC	PSC As Restated	WSC	NSCS Office	Total As Restated
<b>Operating Revenues</b>					
Tuition and Fees, Net of Scholarship					
Allowances and Institutional Waivers	\$ 8,858,299	\$ 5,977,497	\$ 11,991,018	\$ -	\$ 26,826,814
Federal Grants and Contracts	4,452,108	3,560,887	5,176,014	-	13,189,009
State Grants and Contracts	539,608	378,230	684,831	-	1,602,669
Private Grants and Contracts	59,409	246,900	236,568	13,183	556,060
Auxiliary Enterprises, Net of Scholarship					
Allowances and Institutional Waivers	6,532,962	3,383,183	8,648,574	-	18,564,719
Other Operating Revenues	866,727	165,611	107,866	-	1,140,204
<b>Total Operating Revenues</b>	<b>21,309,113</b>	<b>13,712,308</b>	<b>26,844,871</b>	<b>13,183</b>	<b>61,879,475</b>
<b>Operating Expenses</b>					
Compensation and Benefits	22,527,601	13,354,981	28,877,742	1,469,070	66,229,394
Contractual Services	1,202,004	1,114,802	1,481,080	886,877	4,684,763
Supplies and Materials	4,551,768	2,371,811	5,235,871	56,280	12,215,730
Scholarships and Fellowships	1,842,325	1,612,272	1,912,935	-	5,367,532
Depreciation	1,981,530	1,619,846	3,108,905	878,142	7,588,423
Utilities	1,384,346	827,354	2,164,959	-	4,376,659
Repairs and Maintenance	970,185	561,734	2,094,505	500	3,626,924
Communications	113,871	166,555	147,027	16,398	443,851
Food Service	2,029,914	1,179,703	2,617,517	-	5,827,134
Other	1,861,234	29,198	63,431	233,374	2,187,237
<b>Total Operating Expenses</b>	<b>38,464,778</b>	<b>22,838,256</b>	<b>47,703,972</b>	<b>3,540,641</b>	<b>112,547,647</b>
<b>Operating Loss</b>	<b>(17,155,665)</b>	<b>(9,125,948)</b>	<b>(20,859,101)</b>	<b>(3,527,458)</b>	<b>(50,668,172)</b>
<b>Non-operating Revenue (Expenses)</b>					
State Appropriations	16,913,568	9,513,954	21,308,966	1,661,098	49,397,586
Investment Income	205,450	107,373	590,315	140,205	1,043,343
Interest on Capital Asset-Related Debt	(255,962)	(186,830)	(246,425)	(546,159)	(1,235,376)
Loss on Disposal of Asset	(10,588)	(116,034)	(462,660)	-	(589,282)
Other Non-operating Revenue (Expense)	-	29,945	27,733	(30,539)	27,139
<b>Net Non-operating Revenues</b>	<b>16,852,468</b>	<b>9,348,408</b>	<b>21,217,929</b>	<b>1,224,605</b>	<b>48,643,410</b>
<b>Loss Before Other Revenues, Expenses, Gains or (Losses)</b>	<b>(303,197)</b>	<b>222,460</b>	<b>358,828</b>	<b>(2,302,853)</b>	<b>(2,024,762)</b>
<b>Other Revenues, Expenses, or Gains (Losses)</b>					
Capital Facilities Fees	-	-	-	2,082,521	2,082,521
Capital Contributions	2,580,093	-	37,441	-	2,617,534
Operating Transfers In (Out)	1,059,443	336,567	6,716,919	(8,112,929)	-
Capital Appropriations and Grants	2,216,000	2,280,940	2,879,735	1,375,000	8,751,675
<b>Net Other Revenues, Expenses, or Gains (Losses)</b>	<b>5,855,536</b>	<b>2,617,507</b>	<b>9,634,095</b>	<b>(4,655,408)</b>	<b>13,451,730</b>
<b>Increase (Decrease) in Net Position</b>	<b>5,552,339</b>	<b>2,839,967</b>	<b>9,992,923</b>	<b>(6,958,261)</b>	<b>11,426,968</b>
<b>Net Position, Beginning of Year</b>	<b>50,580,054</b>	<b>45,718,056</b>	<b>93,753,637</b>	<b>(1,410,909)</b>	<b>188,640,838</b>
<b>Net Position, End of Year</b>	<b>\$ 56,132,393</b>	<b>\$ 48,558,023</b>	<b>\$ 103,746,560</b>	<b>\$ (8,369,170)</b>	<b>\$200,067,806</b>

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

**SCHEDULE OF CASH FLOWS**

Fiscal Year Ended June 30, 2016

	CSC	PSC	WSC	NSCS Office	Total
<b>Cash Flows From Operating Activities</b>					
Tuition and Fees	\$ 10,131,361	\$ 6,731,181	\$ 12,746,763	\$ -	\$ 29,609,305
Grants and Contracts	4,761,230	3,940,726	6,141,272	10,973	14,854,201
Payments to Suppliers	(8,815,046)	(5,727,865)	(12,601,822)	(1,429,602)	(28,574,335)
Payments for Utilities	(1,601,086)	(855,878)	(1,898,443)	-	(4,355,407)
Payments to Employees	(23,537,639)	(13,511,220)	(29,665,983)	(1,661,702)	(68,376,544)
Loans Issued to Students	(680)	-	(242,885)	-	(243,565)
Collections of Loans to Students	435,398	-	258,609	-	694,007
Sales and Services of Auxiliary Enterprises	6,484,975	3,569,219	8,468,342	-	18,522,536
Other Payments	(2,506,186)	(1,137,432)	(1,739,621)	(5,897)	(5,389,136)
Net Cash Used in Operating Activities	<u>(14,647,673)</u>	<u>(6,991,269)</u>	<u>(18,533,768)</u>	<u>(3,086,228)</u>	<u>(43,258,938)</u>
<b>Cash Flows From Non-capital</b>					
<b>Financing Activities</b>					
State Appropriations	17,402,028	9,808,485	21,642,044	1,891,455	50,744,012
Receipt of Flex Contributions	-	-	-	307,685	307,685
Payment of Flex Contributions	-	-	-	(308,742)	(308,742)
Direct Lending Receipts	10,375,947	9,077,967	11,710,022	-	31,163,936
Direct Lending Payments	(10,375,947)	(9,077,967)	(11,710,022)	-	(31,163,936)
Other Receipts (Payments)	180,487	(17,291)	42,080	-	205,276
Net Cash Provided by Non-capital Financing Activities	<u>17,582,515</u>	<u>9,791,194</u>	<u>21,684,124</u>	<u>1,890,398</u>	<u>50,948,231</u>
<b>Cash Flows From Capital and Related</b>					
<b>Financing Activities</b>					
Proceeds from Capital Debt	-	8,817,564	15,266,232	-	24,083,796
Capital Contributions	-	1,976,043	71,873	-	2,047,916
Purchase of Capital Assets	(1,551,626)	(4,383,409)	(7,790,236)	-	(13,725,271)
Disposal of Capital Assets	-	40	-	-	40
Principal Paid on Capital Debt	(620,000)	(402,621)	(4,515,000)	(3,385,000)	(8,922,621)
Interest Paid on Capital Debt	(266,471)	(185,799)	(268,451)	(787,812)	(1,508,533)
Bond Issuance Costs	-	(119,214)	(199,662)	-	(318,876)
Capital Facilities Fees	-	-	-	2,058,473	2,058,473
Transfers In (Out)	(1,465,172)	397,340	4,239,240	(3,171,408)	-
Other	(140,429)	-	-	(16,718)	(157,147)
Capital Appropriations	2,216,000	498,354	-	1,425,000	4,139,354
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(1,827,698)</u>	<u>6,598,298</u>	<u>6,803,996</u>	<u>(3,877,465)</u>	<u>7,697,131</u>
<b>Cash Flows From Investing Activities</b>				-	
Purchase/Sale of Investments	-	-	(605,000)	-	(605,000)
Investment Income	224,171	127,131	679,193	146,175	1,176,670
Net Cash Provided by Investing Activities	<u>224,171</u>	<u>127,131</u>	<u>74,193</u>	<u>146,175</u>	<u>571,670</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	1,331,315	9,525,354	10,028,545	(4,927,120)	15,958,094
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>12,278,114</u>	<u>8,069,622</u>	<u>30,167,864</u>	<u>16,462,736</u>	<u>66,978,336</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 13,609,429</u>	<u>\$ 17,594,976</u>	<u>\$ 40,196,409</u>	<u>\$ 11,535,616</u>	<u>\$ 82,936,430</u>

(Continued)

NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**SCHEDULE OF CASH FLOWS**  
Fiscal Year Ended June 30, 2016

	<u>CSC</u>	<u>PSC</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>					
Cash and Cash Equivalents	\$ 5,514,430	\$ 4,333,337	\$ 19,127,687	\$ 3,435,170	\$ 32,410,624
Restricted Cash and Cash Equivalents - Current	7,167,751	3,466,836	9,144,420	5,797,574	25,576,581
Restricted Cash and Cash Equivalents - Non-current	<u>927,248</u>	<u>9,794,803</u>	<u>11,924,302</u>	<u>2,302,872</u>	<u>24,949,225</u>
Total Cash and Cash Equivalents	<u>\$ 13,609,429</u>	<u>\$ 17,594,976</u>	<u>\$ 40,196,409</u>	<u>\$ 11,535,616</u>	<u>\$ 82,936,430</u>
<b>Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities</b>					
Operating Loss	\$(18,319,565)	\$ (8,707,793)	\$(20,960,285)	\$ (3,537,522)	\$ (51,525,165)
Depreciation Expense	2,332,629	1,745,687	3,184,790	878,141	8,141,247
Changes in Operating Assets and Liabilities					
Receivables, Net	116,333	(200,430)	(124,507)	(2,644)	(211,248)
Inventories	(3,335)	(2,507)	13,264	-	7,422
Accounts Payable and Accrued Liabilities	580,290	115,053	(430,409)	(464,506)	(199,572)
Accrued Compensated Absences	165,861	12,515	94,943	23,967	297,286
Other Assets and Liabilities	<u>480,114</u>	<u>46,206</u>	<u>(311,564)</u>	<u>16,336</u>	<u>231,092</u>
<b>Net Cash Used in Operating Activities</b>	<u><u>\$ (14,647,673)</u></u>	<u><u>\$ (6,991,269)</u></u>	<u><u>\$ (18,533,768)</u></u>	<u><u>\$ (3,086,228)</u></u>	<u><u>\$ (43,258,938)</u></u>
<b>Supplemental Cash Flows Information</b>					
Accounts Payable Incurred for Capital Asset Purchases	\$ 1,933	\$ 126,659	\$ 762,408	\$ 1,072,409	\$ 1,963,409

(Concluded)



NEBRASKA STATE COLLEGE SYSTEM  
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)  
**SCHEDULE OF CASH FLOWS**  
Fiscal Year Ended June 30, 2015

	CSC	PSC As Restated	WSC	NSCS Office	Total As Restated
<b>Cash Flows From Operating Activities</b>					
Tuition and Fees	\$ 8,934,379	\$ 5,910,774	\$ 11,879,561	\$ -	\$ 26,724,714
Grants and Contracts	5,048,805	4,182,990	6,096,532	24,480	15,352,807
Payments to Suppliers	(10,544,466)	(5,360,170)	(10,879,608)	(232,380)	(27,016,624)
Payments for Utilities	(1,391,581)	(827,354)	(1,978,041)	-	(4,196,976)
Payments to Employees	(22,659,119)	(13,386,579)	(28,883,291)	(1,427,230)	(66,356,219)
Loans Issued to Students	(3,876)	-	(213,865)	-	(217,741)
Collections of Loans to Students	352,163	-	294,846	-	647,009
Sales and Services of Auxiliary Enterprises	6,536,220	3,313,069	8,315,439	-	18,164,728
Other Receipts (Payments)	(975,598)	(1,433,884)	(1,868,500)	70,447	(4,207,535)
Net Cash Used in Operating Activities	<u>(14,703,073)</u>	<u>(7,601,154)</u>	<u>(17,236,927)</u>	<u>(1,564,683)</u>	<u>(41,105,837)</u>
<b>Cash Flows From Non-capital Financing Activities</b>					
State Appropriations	16,913,568	9,641,402	21,308,966	1,846,888	49,710,824
Receipt of Flex Contributions	-	-	-	330,799	330,799
Payment of Flex Contributions	-	-	-	(316,592)	(316,592)
Direct Lending Receipts	9,956,223	9,079,196	12,243,080	-	31,278,499
Direct Lending Payments	(9,956,223)	(9,079,196)	(12,243,080)	-	(31,278,499)
Other Receipts	490,732	9,049	25,720	-	525,501
Net Cash Provided by Non-capital Financing Activities	<u>17,404,300</u>	<u>9,650,451</u>	<u>21,334,686</u>	<u>1,861,095</u>	<u>50,250,532</u>
<b>Cash Flows From Capital and Related Financing Activities</b>					
Capital Contributions	2,580,093	-	37,441	-	2,617,534
Purchase of Capital Assets	(10,715,825)	(3,738,580)	(11,801,651)	-	(26,256,056)
Principal Paid on Capital Debt	-	1,610	-	-	1,610
Interest Paid on Capital Debt	-	(326,783)	(580,000)	(3,270,000)	(4,176,783)
Bond Issuance Costs	(223,128)	(186,730)	(245,259)	(853,358)	(1,508,475)
Capital Facilities Fees	-	-	-	2,075,262	2,075,262
Transfers In (Out)	1,059,443	336,567	6,716,919	(8,112,929)	-
Other	(27,369)	-	-	(20,128)	(47,497)
Capital Appropriations	<u>2,216,000</u>	<u>2,280,940</u>	<u>2,879,735</u>	<u>1,375,000</u>	<u>8,751,675</u>
Net Cash Used by Capital and Related Financing Activities	<u>(5,110,786)</u>	<u>(1,632,976)</u>	<u>(2,992,815)</u>	<u>(8,806,153)</u>	<u>(18,542,730)</u>
<b>Cash Flows From Investing Activities</b>					
Investment Income	198,590	107,463	554,225	143,473	1,003,751
Net Cash Provided by Investing Activities	<u>198,590</u>	<u>107,463</u>	<u>554,225</u>	<u>143,473</u>	<u>1,003,751</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	<u>(2,210,969)</u>	<u>523,784</u>	<u>1,659,169</u>	<u>(8,366,268)</u>	<u>(8,394,284)</u>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>14,489,083</u>	<u>7,545,838</u>	<u>28,508,695</u>	<u>24,829,004</u>	<u>75,372,620</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 12,278,114</u>	<u>\$ 8,069,622</u>	<u>\$ 30,167,864</u>	<u>\$ 16,462,736</u>	<u>\$ 66,978,336</u>

(Continued)

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

**SCHEDULE OF CASH FLOWS**

Fiscal Year Ended June 30, 2015

	<u>CSC</u>	<u>PSC As Restated</u>	<u>WSC</u>	<u>NSCS Office</u>	<u>Total As Restated</u>
<b>Reconciliation of Cash and Cash Equivalents to the Statement of Net Position</b>					
Cash and Cash Equivalents	\$ 4,304,305	\$ 3,822,656	\$ 18,868,347	\$ 3,400,475	\$ 30,395,783
Restricted Cash and Cash Equivalents - Current	6,942,108	3,469,459	9,668,215	4,750,387	24,830,169
Restricted Cash and Cash Equivalents - Non-current	<u>1,031,701</u>	<u>777,507</u>	<u>1,631,302</u>	<u>8,311,874</u>	<u>11,752,384</u>
Total Cash and Cash Equivalents	<u>\$ 12,278,114</u>	<u>\$ 8,069,622</u>	<u>\$ 30,167,864</u>	<u>\$ 16,462,736</u>	<u>\$ 66,978,336</u>
<b>Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities</b>					
Operating Loss	\$(17,155,665)	\$ (9,125,948)	\$(20,859,101)	\$ (3,527,458)	\$ (50,668,172)
Depreciation Expense	1,981,530	1,619,846	3,108,905	878,142	7,588,423
Changes in Operating Assets and Liabilities					
Receivables, Net	86,030	(117,363)	(4,038)	3,624	(31,747)
Inventories	(5,027)	5,325	9,470	-	9,768
Accounts Payable and Accrued Liabilities	58,025	126,910	927,275	1,077,110	2,189,320
Accrued Compensated Absences	(43,313)	(3,015)	4,725	41,840	237
Other Assets and Liabilities	<u>375,347</u>	<u>(106,909)</u>	<u>(424,163)</u>	<u>(37,941)</u>	<u>(193,666)</u>
<b>Net Cash Used in Operating Activities</b>	<u><u>\$(14,703,073)</u></u>	<u><u>\$ (7,601,154)</u></u>	<u><u>\$(17,236,927)</u></u>	<u><u>\$ (1,564,683)</u></u>	<u><u>\$ (41,105,837)</u></u>
<b>Supplemental Cash Flows Information</b>					
Accounts Payable Incurred for Capital Asset Purchases	\$ 20,920	\$ 488,663	\$ 255,418	\$ 1,603,162	\$ 2,368,163

(Concluded)



## NEBRASKA AUDITOR OF PUBLIC ACCOUNTS

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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***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities, and the discretely presented component units of the Nebraska State College System (NSCS) (a component unit of the State of Nebraska), as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Nebraska State College System's basic financial statements, and have issued our report thereon dated December 12, 2016. Our report includes a reference to other auditors who audited the financial statements of the Nebraska State College System Foundations, the Nebraska State Colleges Facilities Corporation, and the activity of the Nebraska State College System Revenue and Refunding Bond Program, as described in our report on the NSCS's financial statements. The financial statements of these entities and program were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these entities.

### **Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in a our separately issued management letter that we consider to be a significant deficiency: Finding No. 2016-001: Financial Statement Errors.

- The Nebraska State College System (NSCS) submitted draft financial statements that were incomplete and significantly inaccurate. The excessive number of financial statement errors noted resulted in several revisions of the financial statements, including adjustments to 41 of the 59 – or nearly 70% – of the financial statement line items. The financial statement line item changes ranged from (\$24,019,000) to \$11,950,000 for both fiscal years 2015 and 2016. Additionally, the APA noted approximately 30 other errors that were not significant enough to require correction. Lastly, the amounts disclosed in the footnotes were found to contain additional errors. All material adjustments were subsequently corrected by the NSCS.

A good internal control plan requires the NSCS to maintain staff with an adequate knowledge and understanding of the financial records. Furthermore, the NSCS should have sufficient procedures in place to ensure the accuracy of both the financial reports and the information used to prepare the basic financial statements. The NSCS's lack of such knowledge and procedures increases the risk that material misstatements may occur and remain undetected. Details of the adjusted errors are included in the separately issued management letter dated December 12, 2016.

*NSCS's Response: The NSCS will look at ways to improve financial statement preparation procedures in order to reduce financial statement errors. The NSCS will consider continued training opportunities, when available and where necessary, to ensure staff are informed and up to date on the proper financial statement line item handling of transactions. In addition, the NSCS will work with the APA to determine if financial statement deadlines can be pushed back or staggered in order to give staff the time needed to internally review the financial statements. Financial statements have historically been due to the APA in early to mid-September. The APA's current deadline does not allow each College the time needed to properly review its financial statements. Since the APA does not review all these statements immediately, the additional time gained through staggered or pushed back deadlines will help the NSCS when preparing/reviewing the basic financials. As noted above by the APA, most of these adjustments*

*did not have a material effect on net position and mainly affected individual line items. Net position financial statement adjustment was approximately \$500,000, the bulk of which related to one College's prior period adjustment. The NSCS would also like to note that many of the audit adjustments were for items which have been subject to audit by the APA for several years and have been reviewed by multiple audit managers.*

**APA Response:** The financial statements are the responsibility of the NSCS, and the statutory change for the State of Nebraska Comprehensive Annual Financial Report deadline requires the NSCS audit to be done timely. The NSCS should have a strong understanding of its own financial statements with only minimal adjustments required – not changes to 70% of the line items. The NSCS response focuses on net position; however, the evaluation of the fair presentation of the financial statements includes all line items and not only net position. It is neither effective nor cost efficient to perform one hundred percent testing of all items in the audit. Consequently, different items may arise during subsequent audits, and the rotation of audit managers is always a good auditing practice.

### **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*.

### **Nebraska State College System's Findings**

We also noted in our separately issued management letter dated December 12, 2016, certain other matters that we reported to management of the NSCS.

### **Purpose of this Report**

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



Kris Kucera, CPA, CFE  
Audit Manager

December 12, 2016