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

For the Years Ended June 30, 2017 and 2016

Issued on December 12, 2017

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

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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, NE

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, 2017 and 2016, 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 the 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, 2017 and 2016, December 31, 2016 and 2015, and June 30, 2017 and 2016, respectively. Those statements are presented separately on pages 19 through 21, 23 through 28, and 31 through 33. 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 represent 33 percent and 29 percent, respectively, of total assets, and 89 percent and 85 percent, respectively, of total liabilities, and 7 percent and 6 percent, respectively, of total net position at June 30, 2017 and 2016, and total revenues constituting 20 percent and 21 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, along with the Foundations' reports, which appear herein, 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, 2017 and 2016, and December 31, 2016 and 2015, (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, 2016, 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 9 through 16, 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 11, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NCSC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the NSCS's internal control over financial reporting and compliance.

Kris Kucera

December 11, 2017

Kris Kucera, CPA, CFE
Audit Manager

Gardner, Loutzenhiser, and Ryan, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Chadron State Foundation
Chadron, Nebraska

We have audited the accompanying financial statements of the Chadron State Foundation (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chadron State Foundation as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Activities by Fund on pages 26-27 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Gardner, Loutzenhiser + Ryan PC

Chadron, Nebraska
October 20, 2017

Sweet & Associates, P.C.
certified public accountants

William J. Sweet, C.P.A. (1923-2000)
Mark S. Deras, C.P.A.
Luke M. Aldy, C.P.A.
Gerald S. Sweet, C.P.A.
Jeffrey L. Thacker, C.P.A.
Hugh V. McHugh, C.P.A.
Todd F. Lehigh, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Peru State College Foundation

Report on the Financial Statements
We have audited the accompanying financial statements of Peru State College Foundation, which comprise the statement of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Peru State College Foundation as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Sweet & Associates, P.C.

Omaha, Nebraska
April 26, 2017

CHRISTENSEN · BROZEK · FALTYS
WEALTH MANAGEMENT · CPAs · BUSINESS CONSULTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Wayne State Foundation
Wayne, Nebraska

We have audited the accompanying financial statements of the Wayne State Foundation (a nonprofit foundation) which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wayne State Foundation as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 20 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Wayne State Foundation's 2016 and 2015 financial statements, and we expressed unmodified audit opinions on those audited financial statements in our reports dated September 13, 2016 and September 15, 2015, respectively. In our opinion, the summarized comparative information presented herein as of and for the years ended June 30, 2016 and 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

CBF PC

CHRISTENSEN BROZEK FALTYS PC
Certified Public Accountants

September 15, 2017

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, 2017 and 2016. 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

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.

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 198, passed in 2013, and LB 957, passed in 2016. 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 19 through 21, 23 through 28, and 31 through 33 of this report.

Condensed statements are presented below for the NSCS for the years ended June 30, 2017, 2016, and 2015.

Nebraska State College System
Net Position as of June 30

	2017	2016 As Restated	2015 As Restated
Current Assets	$ 61,891,736	$ 61,727,054	$ 58,634,961
Non-current Assets			
Capital Assets, Net	220,659,478	204,168,107	198,162,911
Other Non-current Assets	29,710,508	26,454,450	13,068,191
Total Assets	312,261,722	292,349,611	269,866,063
Deferred Outflow of Resources	39,737	43,515	47,293
Current Liabilities	17,042,025	17,482,793	17,197,126
Non-current Liabilities	83,089,711	67,408,157	52,711,352
Total Liabilities	100,131,736	84,890,950	69,908,478
Deferred Inflow of Resources	34,355	-	-
Net Position			
Net Investment in Capital Assets	162,506,457	159,203,331	153,547,782
Restricted	22,819,277	24,984,626	25,144,114
Unrestricted	26,809,634	23,314,219	21,312,982
Total Net Position	$ 212,135,368	$ 207,502,176	$ 200,004,878

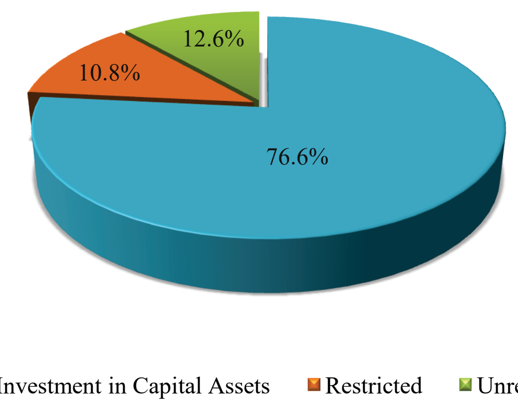
Nebraska State College System
Revenues, Expenses, and Changes in Net Position for Year Ended June 30

	2017	2016 As Restated	2015 As Restated
Operating Revenues			
Tuition and Fees, Net	$ 30,618,960	$ 29,438,090	$ 26,968,650
Federal and State Grants and Contracts	13,938,455	14,217,826	14,853,807
Private Grants and Contracts	1,217,839	962,338	614,334
Auxiliary Enterprises, Net	17,395,090	18,888,599	18,564,719
Other Operating Revenues	1,445,984	1,613,651	1,140,204
Total Operating Revenues	64,616,328	65,120,504	62,141,714
Operating Expenses	118,585,964	116,551,489	112,800,483
Operating Loss	(53,969,636)	(51,430,985)	(50,658,769)
Non-operating Revenues (Expenses)			
State Appropriations	50,357,756	50,744,042	49,583,376
Investment Income	1,362,963	1,201,233	1,043,343
Interest on Capital Asset-Related Debt	(1,254,799)	(1,211,649)	(1,235,376)
Gain (Loss) on Disposal of Asset	20,733	14,858	(589,282)
Bond Issuance Costs	(384,096)	(318,876)	-
Other Non-operating Revenues (Expenses)	(14,221)	(63,433)	27,139
Net Non-operating Revenues	50,088,336	50,366,175	48,829,200
Loss before Other Revenues, Expenses, Or Gains (Losses)	(3,881,300)	(1,064,810)	(1,829,569)
Other Revenues (Expenses) or Gains (Losses)			
Capital Appropriations and Grants	4,564,990	4,139,354	8,751,675
Capital Contributions	1,855,690	2,364,254	2,617,534
Capital Facilities Fee	2,093,812	2,058,500	2,082,521
Net Other Revenues (Expenses) or Gains (Losses)	8,514,492	8,562,108	13,451,730
Increase in Net Position	4,633,192	7,497,298	11,622,161
Net Position, Beginning of Year	207,502,176	200,004,878	188,382,717
Net Position, End of Year	$ 212,135,368	$ 207,502,176	$ 200,004,878

CHANGES IN NET POSITION

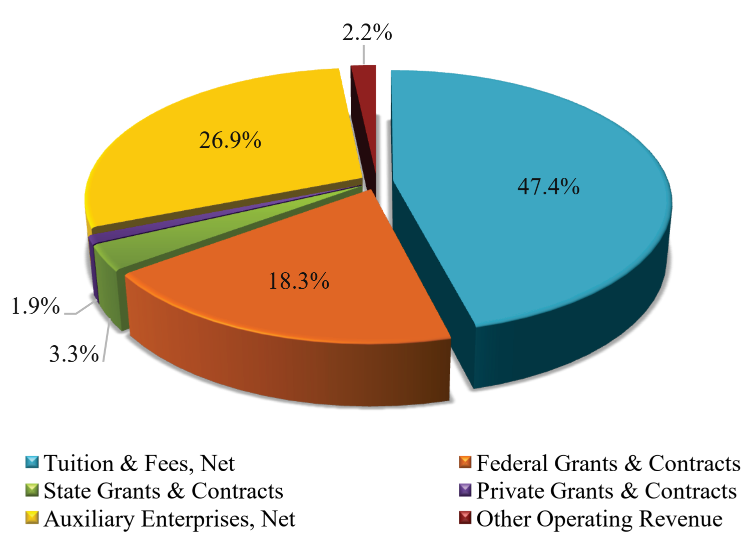
At June 30, 2017, the NSCS had a net position of $212.1 million, an increase of $4.6 million or 2.2% over 2016, and up 6.1% from 2015. Net position was comprised of unrestricted – $26.8 million; restricted – $22.8 million; and net investment in capital assets – $162.5 million.

Net Position at June 30, 2017



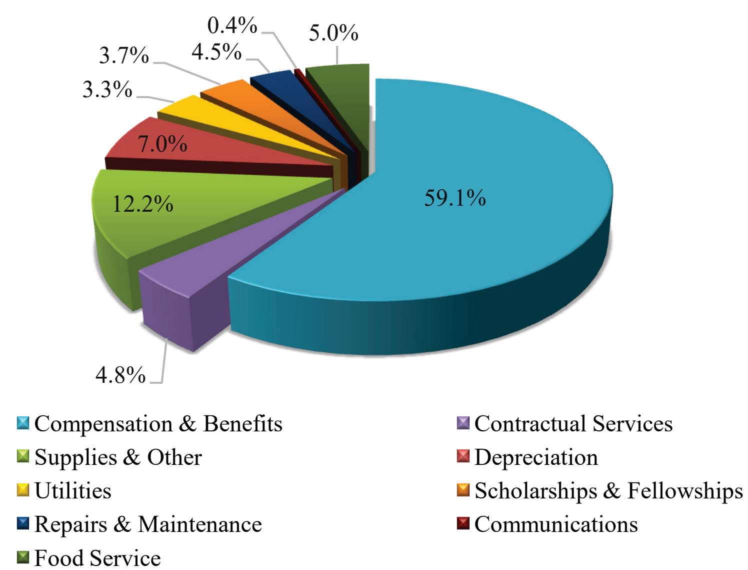
Operating revenues for fiscal year 2017 were $64.6 million compared to $65.1 million in 2016, a 0.8% decrease, and were 4.0% over fiscal year 2015 operating revenues. Operating revenues for 2017 include $30.6 million in net tuition and fees, Federal grants and contracts of $11.8 million, State grants and contracts of $2.1 million, private grants and contracts of $1.2 million, net auxiliary enterprises of $17.4 million, and other operating revenues of $1.5 million.

Fiscal Year 2017 Operating Revenues



Operating expenses for the year ended June 30, 2017, amounted to $118.6 million, compared to $116.6 million in 2016, and $112.8 million in 2015. Compensation and benefits accounted for $70.1 million, or 59.1% of the total; contractual services were $5.7 million; supplies and other, $14.4 million; depreciation, $8.3 million; and utilities, $3.9 million. Other operating expenses consisted of scholarships and fellowships, $4.4 million; repairs and maintenance, $5.4 million; communications, $0.5 million; and food service, $5.9 million.

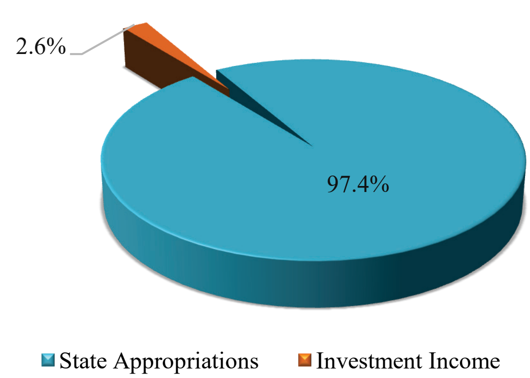
Fiscal Year 2017 Operating Expenses



The current year operating loss amounted to $54.0 million, compared to an operating loss of $51.4 million in 2016 and $50.7 million in 2015.

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

Fiscal Year 2017 Non-operating Revenues



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.

The most significant change in the schedule of net position from the fiscal year ended June 30, 2016, to the fiscal year ended June 30, 2017, was an increase in capital assets, non-current restricted cash and cash equivalents, and an increase in long-term debt. The changes in cash and long-term debt related to the issuance of Corporation bonds during the fiscal year. The proceeds of these bonds were used to refund LB 605 (2006) debt and will also be used for capital construction projects related to the Stadium renovation at CSC, the Theatre/Event Center renovation at PSC, and the construction of the Center for Applied Technology at WSC. The $16.5 million increase in net capital assets during fiscal year 2017 was also the result of work related PSC Delzell Hall and Field House renovations, WSC Bowen Hall and U.S. Conn Library renovations and the Lindahl Drive street project.

Fiscal year 2017 tuition and fee income increased $1.2 million or 4.0%, and auxiliary enterprise revenues decreased $1.5 million, or 7.9% from the prior fiscal year. Federal, State, and private grants and contracts decreased $0.02 million or 0.2%. Increases in tuition and fees of 13.5%, while decreases in Federal, State, and private grants and auxiliary enterprise from 2015 to 2017 were 2.0%, and 6.3%, respectively.

Fiscal year 2017 non-operating revenues reflect a $0.4 million or 0.8% decrease in expenditure of State appropriations and a 13.5% increase in investment income over fiscal year 2016. State appropriations increased 1.6% and investment income increased 30.6% between fiscal years 2017 and 2015.

Operating expenses for the year ended June 30, 2017, increased by $2.0 million or 1.7% from the previous fiscal year. Within the operating expenses category, compensation and benefits increased approximately $0.9 million, contractual services increased $0.5 million, depreciation increased $0.1 million, repairs and maintenance increased $1.2 million, food service decreased $0.1 million, and other operating expenses decreased $0.6 million. Health insurance premiums increased slightly in 2014-2015, 2015-2016, and 2016-2017, with the overall composite rates for medical and dental insurance increasing 2.3%, 1.9% and 4.9%, respectively.

CAPITAL ASSET AND DEBT ADMINISTRATION

As of June 30, 2017, the NSCS had recorded $328.9 million in gross capital assets. During the fiscal year ended June 30, 2017, the investment in buildings and improvements increased by $19.2 million; infrastructure increased by $3.9 million; equipment increased by $0.2 million; and construction in progress increased by $0.8 million. At the end of the fiscal year, the NSCS had $108.2 million in accumulated depreciation that left $220.7 million in net capital assets. Accumulated depreciation for fiscal years 2016 and 2015 were $100.6 million and $92.8 million, respectively, and net capital assets were $204.2 million and $198.2 million, respectively.

The NSCS had $88.4 million in long-term liabilities at the end of the 2017 fiscal year. These long-term liabilities consisted primarily of outstanding indebtedness of $79.5 million, $4.0 million in accrued compensated absences, $0.5 million in master lease obligations, and $0.6 million in unearned revenue. Additional debt of $29.5 million was issued during the fiscal year, and previously existing bond obligations were reduced by $16.2 million. Long-term liabilities were $73.3 million and $58.5 million at the end of fiscal years 2016 and 2015, respectively. Additional debt of $24.0 million was issued in fiscal year 2016 and no additional debt was issued in fiscal year 2015. Previously existing bond obligations were reduced by $8.8 million and $4.2 million, respectively, during fiscal years 2016 and 2015. The NSCS also added master leases of $0.8 million during fiscal year 2015.

Several construction projects have been completed at the Colleges, including the Campus Tunnel Upgrade and Edna Work Hall Windows Replacement at CSC; and Humanities Hall Roof Replacement and Student Center South Roof Replacement at WSC. Projects were completed using College cash funds, LB 309 building renewal task force funds, and contingency maintenance funds. Renovation and construction was also in progress for several projects, including Delzell Hall Renovation, Field House Renovation, Park Avenue Campus Entrance, Hoyt HVAC Upgrade, and the Theater/Event Center Renovation & Addition projects at PSC; and Bowen Hall Renovation, Humanities Hall Windows Replacement, U.S. Conn Library Renovation & Addition, and the Lindahl Drive projects at WSC. 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 & Design was in process for the Stadium Replacement, Boiler House Roof Replacement, and Crites Hall Windows Replacement projects at CSC; and the Center for Applied Technology and the Press Box Replacement projects at WSC.

All projects using bond proceeds from LB 605 (2006) have been completed. The Rangeland construction project utilizing LB 198 (2013) funding was completed during the 2016 fiscal year while the U.S. Conn Library project, also utilizing LB 198 funding, was completed during the 2017 fiscal year. During the 2016 legislative session, the Legislature passed LB 957 (2016) which extended the appropriations related to the LB 605 bonds to fiscal year 2030. The extension of the appropriation was to allow for the refunding of the LB 605 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. The bonding resulting from LB 957 provided $21.3 million in capital project funds. 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.

ECONOMIC OUTLOOK AND SUBSEQUENT EVENTS THAT WILL AFFECT THE FUTURE

The Governor and Legislature initially approved State funding for 2015-2016 at $50,877,911 and for 2016-2017 at $52,404,248. However, LB 22 (2017), which included an emergency clause and was effective February 15, 2017, eliminated the carryforward of unexpended fiscal year 2016 appropriation balances by $155,370 and reduced the fiscal year 2017 appropriation 4.0% to $50,308,078. State funding for the NSCS increased for the 2017-2019 biennium. The Governor and Legislature approved State funding for 2017-2018 and 2018-2019 at $52,142,227, an increase of $1,834,149 or 3.6%.

The Board of Trustees increased tuition rates for 2017-2018. Tuition rates for 2017-2018 are $172 for undergraduate resident, $215 for graduate resident, $344 for undergraduate non-resident, and $430 for graduate non-resident. Online rates are $279 for undergraduate and $348.75 for graduate. Tuition rates for 2016-2017 were $160 for undergraduate resident, $200 for graduate resident, $320 for undergraduate non-resident, and $400 for graduate resident. Online rates were $260 for undergraduate and $325 for graduate.

In accordance with the NSCS Bargaining Unit agreements for 2017-2019, each unit member of professional staff will receive a 1.5% increase in both the 2017-2018 and 2018-2019 fiscal years. Faculty will receive a 1.5% increase for both the 2017-2018 and 2018-2019 fiscal years. Support staff will also receive a 1.0% increase for both the 2017-2018 and 2018-2019 fiscal years, while maintaining longevity increases.

In addition to receiving notification of an 8.0% premium increase in health insurance rates for 2017-2018, the NSCS has been notified that there will be no additional increase in premium rates for the 2018-2019 year.

Enrollment at the State Colleges (annual FTE) slightly declined for 2016-2017. Fall enrollments are also expected to slightly decline for 2017-2018. The NSCS continues to engage in an increased emphasis on enrollment management and marketing.

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

STATEMENTS OF NET POSITION

June 30, 2017 and 2016

	2017	2016 As Restated
Assets		
Current Assets		
Cash and Cash Equivalents	$ 34,094,591	$ 32,410,624
Restricted Cash and Cash Equivalents	24,881,525	25,484,639
Accounts Receivable, Net of Allowance	1,126,620	1,608,331
Other Receivables	439,412	616,694
Inventories	77,175	83,257
Loans to Students, Net	222,437	279,592
Prepaid Expenses	1,044,561	1,237,636
Deposits with Vendors	5,415	6,281
Total Current Assets	61,891,736	61,727,054
Non-current Assets		
Restricted Cash and Cash Equivalents	27,985,823	24,949,225
Restricted Investments	604,238	605,121
Loans to Students, Net	898,169	863,735
Prepaid Expenses	222,278	36,369
Capital Assets, Net	220,659,478	204,168,107
Total Non-current Assets	250,369,986	230,622,557
Total Assets	312,261,722	292,349,611
Deferred Outflow of Resources		
Unamortized Bond Refunding Amount, Net	39,737	43,515
Total Deferred Outflow of Resources	39,737	43,515
Liabilities		
Current Liabilities		
Accounts Payable and Accrued Liabilities	9,889,177	10,129,575
Accrued Compensated Absences	353,052	378,447
Unearned Revenue	817,655	738,249
Interest Payable	1,046,262	838,831
Master Lease Payable	230,621	227,574
Long-term Debt	4,399,151	4,928,334
Deposits Held in Custody for Others	306,107	241,783
Total Current Liabilities	17,042,025	17,482,793
Non-current Liabilities		
Accrued Compensated Absences	3,649,920	3,615,834
Unearned Revenue	249,424	605,668
Master Lease Payable	318,255	548,876
Long-term Debt	78,872,112	62,637,779
Total Non-current Liabilities	83,089,711	67,408,157
Total Liabilities	100,131,736	84,890,950

(Continued)

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
STATEMENTS OF NET POSITION
June 30, 2017 and 2016

	2017	2016 As Restated
Deferred Inflow of Resources		
Unamortized Bond Refunding Amount, Net	34,355	-
Total Deferred Inflow of Resources	34,355	-
Net Position		
Net Investment in Capital Assets	162,506,457	159,203,331
Restricted for:		
Expendable:		
Loans	1,280,398	1,760,064
Debt service	2,959,120	3,538,638
Plant	4,197,958	3,572,778
Other	14,381,801	16,113,146
Unrestricted	26,809,634	23,314,219
Total Net Position	$ 212,135,368	$ 207,502,176

(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, 2017 and 2016

	2017	2016
Assets		
Cash and Cash Equivalents - Unrestricted	$ 1,070,890	$ 1,692,474
Cash and Cash Equivalents - Restricted	27,423	28,350
Certificates of Deposit	755,809	-
Investments	18,730,821	17,018,052
Contributions Receivable, Net of Allowance for Uncollectible Pledges of $84,000 for 2017 and $62,000 for 2016	837,253	561,940
Prepaid Expenses	6,750	4,000
Other Assets	57,311	43,507
Property and Equipment, Net of Accumulated Depreciation	39,808	41,760
Total Assets	$ 21,526,065	$ 19,390,083
Liabilities and Net Assets		
Accounts Payable	$ 4,872	$ 4,849
Accrued Salaries and Benefits	53,992	134,693
Scholarships Payable	486,515	698,019
Deferred Revenue	13,385	16,041
Due to Other Agencies	25,183	25,614
Total Liabilities	583,947	879,216
Unrestricted Net Assets:		
Operating Fund	(196,756)	(201,055)
CSC General Fund	556,962	583,347
CSC Quasi Endowment	648,939	554,720
Greatest Need	449,968	172,767
Total Unrestricted Net Assets	1,459,113	1,109,779
Temporarily Restricted Net Assets:		
Donor Designated	1,320,140	973,281
Named Endowment Activity	1,988,424	861,229
Total Temporarily Restricted Net Assets	3,308,564	1,834,510
Permanently Restricted Net Assets:		
Named Endowment	16,174,441	15,566,578
Total Net Assets	20,942,118	18,510,867
Total Liabilities and Net Assets	$ 21,526,065	$ 19,390,083

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, 2016 and 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 590,151	$ 1,279,540
Unconditional promises to give	14,608	15,904
Interest receivable	1,783	3,326
Prepaid expenses	102,635	2,635
Current portion of note receivable	23,334	22,545
TOTAL CURRENT ASSETS	732,511	1,323,950
PROPERTY AND EQUIPMENT		
Land	60,947	60,947
Office furniture and fixtures	35,681	35,681
Vehicles	23,650	23,650
TOTAL PROPERTY AND EQUIMENT	120,278	120,278
Less accumulated depreciation	59,122	57,958
NET PROPERTY AND EQUIPMENT	61,156	62,320
OTHER ASSETS		
Investments	11,776,794	11,967,806
Real estate held for future college use	337,062	337,062
Note receivable, less current portion	49,147	72,481
TOTAL OTHER ASSETS	12,163,003	12,377,349
TOTAL ASSETS	$ 12,956,670	$ 13,763,619
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 190,050	$ 147,192
Accrued compensation	96,869	132,618
Refundable deposits	20,347	29,353
Short term note payable	115,086	140,802
Current portion of gift annuity	-	-
TOTAL CURRENT LIABILITIES	422,352	449,965
NET ASSETS		
Unrestricted net assets:		
Operating	2,901,713	4,124,114
Board designated	1,114,164	1,138,297
TOTAL UNRESTRICTED NET ASSETS	4,015,877	5,262,411
Temporarily restricted	1,646,991	1,328,662
Permanently restricted	6,871,450	6,722,581
TOTAL NET ASSETS	12,534,318	13,313,654
TOTAL LIABILITIES AND NET ASSETS	$ 12,956,670	$ 13,763,619

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

WAYNE STATE FOUNDATION
(A COMPONENT UNIT OF THE NEBRASKA STATE COLLEGE SYSTEM)
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	2017	**2016**
ASSETS		
Cash and cash equivalents-unrestricted	$ 178,278	$ 102,537
Cash and cash equivalents-restricted	2,260,182	619,620
Total cash & cash equivalents	2,438,460	722,157
Accrued interest receivable	768	1,198
Unconditional promises to give	1,259,944	1,096,491
Prepaids & other receivables	5,100	9,560
Investments	24,380,701	22,410,344
Property	89,090	189,445
Cash value life insurance	79,856	87,817
Assets restricted for annuity contracts		
Annuity investments	911,635	909,022
Assets held in perpetual trust		
Perpetual trust investments	915,623	864,617
TOTAL ASSETS	$ 30,081,177	$ 26,290,651
LIABILITIES & NET ASSETS		
Accounts & faculty grants payable	$ 62,247	$ 66,444
Deferred (unearned) event revenue	2,600	2,200
Annuities payable	336,581	370,904
Total liabilities	401,428	439,548
Net Assets:		
Unrestricted:		
Undesignated	2,796,147	2,565,492
Endowment funds deficit	-	(5,010)
Designated	369,893	324,380
Total unrestricted net assets	3,166,040	2,884,862
Temporarily restricted	9,325,606	6,925,582
Permanently restricted	17,188,103	16,040,659
Total net assets	29,679,749	25,851,103
TOTAL LIABILITIES AND NET ASSETS	$ 30,081,177	$ 26,290,651

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, 2017 and 2016

	2017	2016 As Restated
Operating Revenues		
Tuition and Fees Net of Scholarship Allowances and Institutional Waivers Totaling $11,351,727 in 2017 and $11,359,707 in 2016	$ 30,618,960	$ 29,438,090
Federal Grants and Contracts	11,842,444	12,181,325
State Grants and Contracts	2,096,011	2,036,501
Private Grants and Contracts	1,217,839	962,338
Auxiliary Enterprises Net of Scholarship Allowances and Institutional Waivers Totaling $4,179,177 in 2017 and $4,185,997 in 2016	17,395,090	18,888,599
Other Operating Revenues	1,445,984	1,613,651
Total Operating Revenues	64,616,328	65,120,504
Operating Expenses		
Compensation and Benefits	70,065,693	69,183,540
Contractual Services	5,725,956	5,205,495
Supplies, Materials, and Other	14,443,204	14,457,809
Scholarships and Fellowships	4,450,191	4,507,440
Depreciation	8,277,124	8,141,247
Utilities	3,881,994	4,440,475
Repairs and Maintenance	5,396,138	4,142,243
Communications	454,920	445,418
Food Service	5,890,744	6,027,822
Total Operating Expenses	118,585,964	116,551,489
Operating Loss	(53,969,636)	(51,430,985)
Non-operating Revenues (Expenses)		
State Appropriations	50,357,756	50,744,042
Investment Income	1,362,963	1,201,233
Interest on Capital Asset-Related Debt	(1,254,799)	(1,211,649)
Gain (Loss) on Disposal of Asset	20,733	14,858
Bond Issuance Costs	(384,096)	(318,876)
Other Non-operating Revenue (Expense)	(14,221)	(63,433)
Net Non-operating Revenues (Expenses)	50,088,336	50,366,175
Loss Before Other Revenues, Expenses, or Gains (Losses)	(3,881,300)	(1,064,810)
Other Revenues (Expenses) or Gains (Losses)		
Capital Facilities Fees	2,093,812	2,058,500
Capital Contributions	1,855,690	2,364,254
Capital Appropriations and Grants	4,564,990	4,139,354
Net Other Revenues (Expenses) or Gains (Losses)	8,514,492	8,562,108
Increase in Net Position	4,633,192	7,497,298
Net Position, Beginning of Year	207,502,176	200,004,878
Net Position, End of Year	$ 212,135,368	$ 207,502,176

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains (Losses), and Other Support				
Fundraising Income	$ 325,260	$ 893,592	$ -	$ 1,218,852
Principle Contributions to Named Endowments	-	-	586,150	586,150
Management Fees	371,971	-	-	371,971
State Income	194,998	-	-	194,998
Unrealized Gain (Loss) on Investments	395,498	1,687,942	-	2,083,440
Realized Gain (Loss) on Investments	(71,072)	(243,983)	-	(315,055)
Interest and Dividend Income	96,591	353,941	-	450,532
Event Income	-	61,683	-	61,683
Miscellaneous Income	5,621	6,336	-	11,957
Total Revenues, Gains (Losses), and Other Support	1,318,867	2,759,511	586,150	4,664,528
Transfer Between Net Assets	-	(21,713)	21,713	-
Net Assets Released From Restrictions	1,263,744	(1,263,744)	-	-
Total Support and Reclassifications	2,582,611	1,474,054	607,863	4,664,528
Expenses				
Program Services	$ 1,163,221	$ -	$ -	$ 1,163,221
General and Management	557,790	-	-	557,790
Fundraising	512,266	-	-	512,266
Total Expenses	2,233,277	-	-	2,233,277
Increase(Decrease) in Net Assets	349,334	1,474,054	607,863	2,431,251
Net Assets, Beginning of Year	1,109,779	1,834,510	15,566,578	18,510,867
Net Assets, End of Year	$ 1,459,113	$ 3,308,564	$ 16,174,441	$ 20,942,118

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS (LOSSES), AND OTHER SUPPORT				
Fundraising Income	$ 403,052	$ 1,102,316	$ -	$ 1,505,368
Principle Contributions to Named Endowments	-	-	337,265	337,265
Management Fees	364,727	-	-	364,727
State Income	216,351	-	-	216,351
Unrealized Gain (Loss) on Investments	(248,690)	(1,150,854)	-	(1,399,544)
Realized Gain (Loss) on Investments	(67,006)	(67,853)	-	(134,859)
Interest and Dividend Income	132,991	428,616	-	561,607
Event Income	-	47,216	-	47,216
Miscellaneous Income	3,255	7,009	-	10,264
Total Revenues, Gains (Losses), and Other Support	$ 804,680	$ 366,450	$ 337,265	$ 1,508,395
Transfer Between Net Assets	-	(4,507)	4,507	-
Net Assets Released From Restrictions	1,539,068	(1,539,068)	-	-
Total Support and Reclassifications	$ 2,343,748	$ (1,177,125)	$ 341,772	$ 1,508,395
EXPENSES				
Program Services	$ 1,662,941	$ -	$ -	$ 1,662,941
General and Management	539,134	-	-	539,134
Fundraising	428,424	-	-	428,424
Total Expenses	$ 2,630,499	$ -	$ -	$ 2,630,499
INCREASE (DECREASE) IN NET ASSETS	$ (286,751)	$ (1,177,125)	$ 341,772	$ (1,122,104)
NET ASSETS, BEGINNING OF YEAR	1,396,530	3,011,635	15,224,806	19,632,971
NET ASSETS, END OF YEAR	$ 1,109,779	$ 1,834,510	$ 15,566,578	$ 18,510,867

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 INCOME
For the Year Ended December 31, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Contributions	$ 441,648	$ 349,533	$ 131,425	$ 922,606
Special Events	5,753	19,216	345	25,314
Interest and dividends	287,916	-	5,761	293,677
Realized gain on sale of investments	372,987	-	-	372,987
Unrealized loss on investments	213,499	-	11,338	224,837
Miscellaneous income	4,720	-	-	4,720
TOTAL PUBLIC SUPPORT AND REVENUE	1,326,523	368,749	148,869	1,844,141
EXPENSES				
Program expenses	1,894,842	-	-	1,894,842
Management expenses	270,281	-	-	270,281
Fundraising expenses	458,354	-	-	458,354
TOTAL EXPENSES	2,623,477	-	-	2,623,477
Net assets released from restrictions	50,420	(50,420)	-	-
CHANGE IN NET ASSETS	(1,246,534)	318,329	148,869	(779,336)
NET ASSETS, beginning of year	5,262,411	1,328,662	6,722,581	13,313,654
NET ASSETS, end of year	$ 4,015,877	$ 1,646,991	$ 6,871,450	$ 12,534,318

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 INCOME
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Contributions	$ 1,510,077	$ 136,656	$ 323,120	$ 1,969,853
Special events	5,449	27,720	-	33,169
Interest and Dividends	306,670	-	10,127	316,797
Realized gain on sale of investments	310,579	-	-	310,579
Unrealized loss on investments	(739,801)	-	(14,508)	(754,309)
Miscellaneous income	4,705	510	1,150	6,365
TOTAL PUBLIC SUPPORT AND REVENUE	1,397,679	164,886	319,889	1,882,454
EXPENSES				
Program expenses	1,789,527	-	-	1,789,527
Management expenses	265,341	-	-	265,341
Fundraising expenses	446,484	-	-	446,484
TOTAL EXPENSES	2,501,352	-	-	2,501,352
Net assets released from restrictions	85,475	(82,437)	(3,038)	-
CHANGE IN NET ASSETS	(1,018,198)	82,449	316,851	(618,898)
NET ASSETS, beginning of year	6,280,609	1,246,213	6,405,730	13,932,552
NET ASSETS, end of year	$ 5,262,411	$ 1,328,662	$ 6,722,581	$ 13,313,654

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support:				
Gift/Contributions income	$ 507,824	$ 4,514,537	$ 1,062,405	$ 6,084,766
Interest and dividends	70,892	257,782	6,659	335,333
Net gain (loss) on investments	320,695	2,287,354	111,751	2,719,800
Other non gift income	14,105	130,993	3,286	148,384
Total revenue and other support	913,516	7,190,666	1,184,101	9,288,283
Assets released from restrictions/transfers	4,604,523	(4,638,195)	33,672	-
Expenses:				
General and administrative	242,802	-	-	242,802
Fundraising	302,972	-	-	302,972
Program expenses	4,829,207	-	-	4,829,207
Total expenses before amortization	5,374,981	-	-	5,374,981
Amortization of annuity contracts	14,327	-	70,329	84,656
Total expenses	5,389,308	-	70,329	5,459,637
Administrative support fee	152,447	(152,447)	-	-
Net increase in net assets	281,178	2,400,024	1,147,444	3,828,646
Net assets, beginning of year	2,884,862	6,925,582	16,040,659	25,851,103
NET ASSETS, END OF YEAR	$ 3,166,040	$ 9,325,606	$ 17,188,103	$ 29,679,749

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and Other Support:				
Gift/Contributions income	$ 533,773	$ 2,710,574	$ 2,050,596	$ 5,294,943
Interest and dividends	71,356	281,704	8,951	362,011
Net gain (loss) on investments	(60,737)	(359,854)	(65,345)	(485,936)
Other non gift income	38,922	184,739	3,232	226,893
Total revenue and other support	583,314	2,817,163	1,997,434	5,397,911
Assets released from restrictions/transfers	3,372,508	(3,396,978)	24,470	-
Expenses:				
General and administrative	242,542	-	-	242,542
Fundraising	355,719	-	-	355,719
Program expenses	3,480,245	-	-	3,480,245
Total Expenses Before Amortization	4,078,506	-	-	4,078,506
Amortization of annuity contracts	12,251	-	70,385	82,636
Total Expenses	4,090,757	-	70,385	4,161,142
Administrative support fee	135,019	(135,019)	-	-
Net increase in net assets	84	(714,834)	1,951,519	1,236,769
Net assets, beginning of year	2,884,778	7,640,416	14,089,140	24,614,334
NET ASSETS, END OF YEAR	$ 2,884,862	$ 6,925,582	$ 16,040,659	$ 25,851,103

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, 2017 and 2016

	2017	2016 As Restated
Cash Flows From Operating Activities		
Tuition and Fees	$ 30,838,026	$ 29,371,946
Grants and Contracts	15,234,923	15,056,175
Payments to Suppliers	(31,224,777)	(30,364,958)
Payments for Utilities	(4,051,071)	(4,198,534)
Payments to Employees	(71,249,196)	(68,666,478)
Loans Issued to Students	(148,672)	(243,565)
Collections of Loans to Students	203,550	691,413
Sales and Services of Auxiliary Enterprises	17,327,505	18,479,382
Other Payments	(2,946,839)	(2,957,002)
Net Cash Used in Operating Activities	(46,016,551)	(42,831,621)
Cash Flows From Non-capital Financing Activities		
State Appropriations	50,357,756	50,744,042
Receipt of Flex Contributions	289,575	307,685
Payment of Flex Contributions	(292,834)	(308,742)
Direct Lending Receipts	31,427,557	31,163,936
Direct Lending Payments	(31,427,557)	(31,163,936)
Other Receipts (Payments)	(77,226)	(191,816)
Net Cash Provided by Non-capital Financing Activities	50,277,271	50,551,169
Cash Flows From Capital and Related Financing Activities		
Proceeds from Capital Debt	32,067,551	24,083,796
Capital Contributions	1,855,690	2,364,254
Purchase of Capital Assets	(23,293,579)	(14,049,407)
Disposal of Capital Assets	20,622	3,632
Principal Paid on Capital Debt	(16,309,410)	(8,922,621)
Interest Paid on Capital Debt	(2,483,583)	(1,773,568)
Bond Issuance Costs	(44,103)	(318,876)
Capital Facilities Fees	2,084,928	2,058,473
Other	32,402	(9,980)
Capital Appropriations	4,564,990	4,139,354
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,504,492)	7,575,057
Cash Flows From Investing Activities		
Purchase/Sale of Investments	-	(605,000)
Investment Income	1,361,223	1,176,547
Net Cash Provided by Investing Activities	1,361,223	571,547
Increase in Cash and Cash Equivalents	4,117,451	15,866,152
Cash and Cash Equivalents, Beginning of Year	82,844,488	66,978,336
Cash and Cash Equivalents, End of Year	$ 86,961,939	$ 82,844,488

(Continued)

NEBRASKA STATE COLLEGE SYSTEM – PRIMARY GOVERNMENT
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)

STATEMENTS OF CASH FLOWS

Fiscal Years Ended June 30, 2017 and 2016

	2017	2016 As Restated
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position		
Cash and Cash Equivalents	$ 34,094,591	$ 32,410,624
Restricted Cash and Cash Equivalents - Current	24,881,525	25,484,639
Restricted Cash and Cash Equivalents - Non-current	27,985,823	24,949,225
Total Cash and Cash Equivalents	$ 86,961,939	$ 82,844,488
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities		
Operating Loss	$ (53,969,636)	$ (51,430,985)
Depreciation Expense	8,277,124	8,141,247
Changes in Operating Assets and Liabilities:		
Receivables, Net	650,883	(425,120)
Inventories	6,082	7,422
Accounts Payable and Accrued Liabilities	(831,860)	376,235
Accrued Compensated Absences	8,691	297,286
Other Assets and Liabilities	(157,835)	202,294
Net Cash Used in Operating Activities	$ (46,016,551)	$ (42,831,621)
Supplemental Cash Flows Information		
Accounts Payable Incurred for Capital Asset Purchases	$ 2,544,777	$ 1,955,054

(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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	$ 2,431,251	$ (1,122,104)
Adjustments to Reconcile Increase (Decrease) in Net Assets		
To Net Cash Provided (Used) by Operating Activities		
Depreciation	1,952	1,925
Change in Allowance for Doubtful Accounts	22,000	24,913
Unrealized Loss (Gain) on Investments	(2,083,440)	1,399,544
Realized Loss (Gain) on Investments	315,055	134,859
Reinvested Earnings on Investments	(402,460)	(520,702)
Change in Estate Bequests	-	261,839
Change in Beneficial Interest in Annuity	2,656	3,621
Proceeds from Contributions Restricted for Investment in Named Endowments	(586,150)	(337,265)
(Increase) Decrease In:		
Contributions Receivable	(297,313)	(100,488)
Prepaid Assets	(2,750)	-
Increase (Decrease) In:		
Accounts Payable	23	(19,711)
Accrued Salaries and Benefits	(80,701)	43,409
Scholarships Payable	(211,504)	64,007
Deferred Revenue	(2,656)	(3,621)
Due to Other Agencies	(431)	(14,718)
Net Cash Provided (Used) by Operating Activities	(894,468)	(184,492)
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in Cash Surrender Value of Life Insurance	(16,460)	(866)
Contributions to investment account	(36,924)	-
Distributions from investment account	495,000	479,445
Purchases of Certificates of Deposit	(755,809)	-
Purchase of Property	-	(832)
Net Cash Provided (Used) by Investing Activities	(314,193)	477,747
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Investment in Named Endowments	586,150	337,265
Net Cash Provided by Financing Activities	586,150	337,265
Net Increase (Decrease) in Cash and Cash Equivalents	(622,511)	630,520
Cash and Cash Equivalents, Beginning of Year	1,720,824	1,090,304
Cash and Cash Equivalents, End of Year	$ 1,098,313	$ 1,720,824
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash and Cash Equivalents - Unrestricted	1,070,890	1,692,474
Cash and Cash Equivalents - Restricted	27,423	28,350
Total Cash and Cash Equivalents	$ 1,098,313	$ 1,720,824

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, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net changes to net assets	$ (779,336)	$ (618,898)
Adjustments to reconcile net changes to net assets		
to net cash provided/(used) by operating activities:		
Depreciation	1,164	3,448
Unrealized (gain) loss on investments	(224,837)	754,309
Realized gain on investments	(372,987)	(310,579)
Gift of Property	-	(45,000)
(Increase) decrease in assets:		
Unconditional promises to give	1,296	(820)
Interest receivable	1,543	763
Prepaid expenses	(100,000)	100,455
Increase (decrease) in liabilities:		
Accounts payable	42,858	125,729
Accrued compensation	(35,749)	4,326
Accrued expenses	-	(1,142)
Refundable deposits	(9,006)	490
CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(1,475,054)	13,081
CASH FLOWS FROM INVESTING ACTIVITIES		
Real estate purchase	-	(53,302)
Proceeds from sale of investments	1,779,687	2,822,840
Purchase of investments	(990,851)	(1,664,473)
Gift annuity	-	(783)
Payments received on notes receivable	22,545	21,783
CASH PROVIDED BY INVESTING ACTIVITIES	811,381	1,126,065
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on long term debt	(25,716)	(24,993)
CASH USED FOR FINANCING ACTIVITIES	(25,716)	(24,993)
NET INCREASE (DECREASE) IN CASH	(689,389)	1,114,153
CASH AND CASH EQUIVALENTS, beginning of year	1,279,540	165,387
CASH AND CASH EQUIVALENTS, end of year	$ 590,151	$ 1,279,540
CASH PAID DURING THE YEAR FOR:		
INTEREST	$ 5,117	$ 5,840

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, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 3,828,646	$ 1,236,769
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	4,905	9,729
Amortization of annuity obligations	84,656	82,636
Non cash contributions	(329,139)	(133,877)
Net loss (gain) on investments & (reinvested income)	(2,719,800)	485,936
Net loss (gain) on exchange/sale of assets	95,450	(51,793)
(Increase) decrease in operating non-cash assets:		
Accrued interest receivable, prepaids & other receivables	4,890	1,037
Unconditional promises to give	(163,453)	457,603
Cash value life insurance	7,961	14,208
Increase (decrease) in operating non-cash liabilities:		
Accounts & faculty grants payable	(3,797)	(63,000)
Net cash provided by operating activities	810,319	2,039,248
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of assets	-	127,136
Net sales (purchases) of investments	1,024,964	(1,820,330)
Net cash provided (used) by investing activities	1,024,964	(1,693,194)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on annuity contracts	(118,980)	(117,636)
Net cash (used) by financing activities	(118,980)	(117,636)
NET CHANGE IN CASH & CASH EQUIVALENTS	1,716,303	228,418
Cash & cash equivalents, beginning of year	722,157	493,739
CASH & CASH EQUIVALENTS, END OF YEAR	$ 2,438,460	$ 722,157

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Years Ended June 30, 2017 and 2016

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.

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, 2017:

Condensed Statement of Net Position

	NSCS	Corporation	2017 Total
Current Assets	$ 60,135,000	$ 1,756,736	$ 61,891,736
Non-current Assets			
Capital Assets, Net	220,659,478	-	220,659,478
Other Non-current Assets	8,599,259	21,111,249	29,710,508
Total Assets	289,393,737	22,867,985	312,261,722
Deferred Outflow of Resources	39,737	-	39,737
Current Liabilities	13,473,280	3,568,745	17,042,025
Non-current Liabilities	46,637,360	36,452,351	83,089,711
Total Liabilities	60,110,640	40,021,096	100,131,736
Deferred Inflow of Resources	-	34,355	34,355
Net Position			
Net Investment in Capital Assets	180,904,423	(18,397,966)	162,506,457
Restricted	21,608,777	1,210,500	22,819,277
Unrestricted	26,809,634	-	26,809,634
Total Net Position	$ 229,322,834	$ (17,187,466)	$ 212,135,368

1. Summary of Significant Accounting Policies (Continued)

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

	NSCS	Corporation	2017 Total
Operating Revenues			
Tuition and Fees, Net	$ 30,618,960	$ -	$ 30,618,960
Federal and State Grants and Contracts	13,938,455	-	13,938,455
Private Grants and Contracts	1,217,839	-	1,217,839
Auxiliary Enterprises, Net	17,395,090	-	17,395,090
Other Operating Revenues	1,445,984	-	1,445,984
Total Operating Revenues	64,616,328	-	64,616,328
Operating Expenses			
Depreciation	8,277,124	-	8,277,124
Other Operating Expenses	110,308,840	-	110,308,840
Total Operating Expenses	118,585,964	-	118,585,964
Operating Loss	(53,969,636)	-	(53,969,636)
Non-operating Revenues (Expenses)			
State Appropriations	50,357,756	-	50,357,756
Investment Income	1,342,614	20,349	1,362,963
Interest on Capital Asset-Related Debt	(872,381)	(382,418)	(1,254,799)
Gain on Disposal of Asset	20,733	-	20,733
Bond Issuance Costs	(44,103)	(339,993)	(384,096)
Other Non-operating Revenues (Expenses)	2,057	(16,278)	(14,221)
Net Non-operating Revenues (Expenses)	50,806,676	(718,340)	50,088,336
Loss Before Other Revenues, Expenses, Or Gains (Losses)	(3,162,960)	(718,340)	(3,881,300)
Other Revenues (Expenses) or Gains (Losses)			
Capital Appropriations and Grants	3,439,990	1,125,000	4,564,990
Capital Contributions	1,855,690	-	1,855,690
Operating Transfers In (Out)	(704,863)	704,863	-
Capital Facilities Fee	2,093,812	-	2,093,812
Net Other Revenues (Expenses) Or Gains (Losses)	6,684,629	1,829,863	8,514,492
Increase in Net Position	3,521,669	1,111,523	4,633,192
Net Position, Beginning of Year	225,801,165	(18,298,989)	207,502,176
Net Position, End of Year	$ 229,322,834	$ (17,187,466)	$ 212,135,368

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

Condensed Statement of Cash Flows

	NSCS	Corporation	2017 Total
Cash Flows from Operating Activities	$ (46,016,551)	$ -	$ (46,016,551)
Cash Flows from Non-capital Financing Activities	50,277,271	-	50,277,271
Cash Flows from Capital and Related Financing Activities	(19,575,531)	18,071,039	(1,504,492)
Cash Flows from Investing Activities	1,348,295	12,928	1,361,223
Increase (Decrease) in Cash and Cash Equivalents	(13,966,516)	18,083,967	4,117,451
Cash and Cash Equivalents, Beginning of Year	78,180,062	4,664,426	82,844,488
Cash and Cash Equivalents, End of Year	$ 64,213,546	$ 22,748,393	$ 86,961,939

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

	NSCS As Restated	Corporation	2016 Total As Restated
Current Assets	$ 59,354,578	$ 2,372,476	$ 61,727,054
Non-current Assets			
Capital Assets, Net	204,168,107	-	204,168,107
Other Non-current Assets	24,121,853	2,332,597	26,454,450
Total Assets	287,644,538	4,705,073	292,349,611
Deferred Outflow of Resources	43,515	-	43,515
Current Liabilities	12,895,850	4,586,943	17,482,793
Non-current Liabilities	48,991,038	18,417,119	67,408,157
Total Liabilities	61,886,888	23,004,062	84,890,950
Net Position			
Net Investment in Capital Assets	179,639,848	(20,436,517)	159,203,331
Restricted	22,847,098	2,137,528	24,984,626
Unrestricted	23,314,219	-	23,314,219
Total Net Position	$ 225,801,165	$ (18,298,989)	$ 207,502,176

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

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

	NSCS As Restated	Corporation	2016 Total As Restated
Operating Revenues			
Tuition and Fees, Net	$ 29,438,090	$ -	$ 29,438,090
Federal and State Grants and Contracts	14,217,826	-	14,217,826
Private Grants and Contracts	962,338	-	962,338
Auxiliary Enterprises, Net	18,888,599	-	18,888,599
Other Operating Revenues	1,613,651	-	1,613,651
Total Operating Revenues	65,120,504	-	65,120,504
Operating Expenses			
Depreciation	8,141,247	-	8,141,247
Other Operating Expenses	108,410,242	-	108,410,242
Total Operating Expenses	116,551,489	-	116,551,489
Operating Loss	(51,430,985)	-	(51,430,985)
Non-operating Revenues (Expenses)			
State Appropriations	50,744,042	-	50,744,042
Investment Income	1,200,493	740	1,201,233
Interest on Capital Asset-Related Debt	(717,576)	(494,073)	(1,211,649)
Gain on Disposal of Asset	14,858	-	14,858
Bond Issuance Costs	(318,876)	-	(318,876)
Other Non-operating Revenues (Expenses)	(44,446)	(18,987)	(63,433)
Net Non-operating Revenues (Expenses)	50,878,495	(512,320)	50,366,175
Loss Before Other Revenues, Expenses, Or Gains (Losses)	(552,490)	(512,320)	(1,064,810)
Other Revenues (Expenses) or Gains (Losses)			
Capital Appropriations and Grants	3,014,354	1,125,000	4,139,354
Capital Contributions	2,364,254	-	2,364,254
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)	9,521,204	(959,096)	8,562,108
Increase (Decrease) in Net Position	8,968,714	(1,471,416)	7,497,298
Net Position, Beginning of Year	216,832,451	(16,827,573)	200,004,878
Net Position, End of Year	$ 225,801,165	$ (18,298,989)	$ 207,502,176

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

Condensed Statement of Cash Flows

	NSCS As Restated	Corporation	2016 Total As Restated
Cash Flows from Operating Activities	$ (42,831,621)	$ -	$ (42,831,621)
Cash Flows from Non-capital Financing Activities	50,551,169	-	50,551,169
Cash Flows from Capital and Related Financing Activities	13,471,348	(5,896,291)	7,575,057
Cash Flows from Investing Activities	570,929	618	571,547
Increase (Decrease) in Cash and Cash Equivalents	21,761,825	(5,895,673)	15,866,152
Cash and Cash Equivalents, Beginning of Year	56,418,237	10,560,099	66,978,336
Cash and Cash Equivalents, End of Year	$ 78,180,062	$ 4,664,426	$ 82,844,488

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 12).

1. Summary of Significant Accounting Policies (Continued)

During the years ended June 30, 2017 and 2016, Chadron State, Wayne State, and Peru State Foundations distributed $1,047,218, $4,475,833 and $1,217,802; and $1,168,531, $3,236,202, and $2,320,803, 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.

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 $19,664,900 and unrestricted net position deficit of $18,397,966 in 2017. Reclassifications for 2016 included the Corporation's current restricted cash and cash equivalents of $956,872 and unrestricted net position deficit of $20,436,517. 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, $511,823 and $255,264 of interest expense related to Corporation debt is capitalized in 2017 and 2016, respectively.

Certain other reclassifications have been made to the 2016 financial statements to conform to the 2017 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

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, 2017 and 2016.

The NSCS considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2017 and 2016, 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 mainly 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 $1,444,551 and $1,416,439 at June 30, 2017 and 2016, respectively, and is identified by College as follows:

	2017	2016
CSC	$ 846,310	$ 922,123
PSC	393,583	301,183
WSC	189,448	182,314
NSCS Office	15,210	10,819

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, 2017 and 2016, was $476,529 and $272,081 for premiums and $12,276 and $10,392 for discounts, respectively, and it is identified by College as follows:

	2017	2016
CSC	$ 7,555	$ 7,555
PSC	5,062	3,178
WSC	8,560	5,248
NSCS Office	467,628	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 was $97,369 and $131,375 at June 30, 2017 and 2016, respectively, and is identified by College as follows:

	2017	2016
CSC	$ -	$ 1,849
WSC	97,369	129,526

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:

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 inflows and outflows of resources of the NSCS consist of unamortized bond refunding amounts.

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.

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, 2017 and 2016, as calculated under the NACUBO method, were $11,351,727 and $4,179,177; and $11,359,707 and $4,185,997, respectively, and are identified by College as follows:

	2017		2016	
	Tuition and Fees	**Auxiliary Enterprises**	**Tuition and Fees**	**Auxiliary Enterprises**
CSC	$ 3,987,648	$ 1,365,042	$ 4,199,337	$ 1,287,769
PSC	2,857,093	1,005,928	2,626,112	904,400
WSC	4,506,986	1,808,207	4,534,258	1,993,828

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Restatement of Prior Year Net Position

The prior year beginning net position was restated as a result of an overstatement of $244,801 in receivables and an understatement of $181,873 in prepaid expenses. In addition to those amounts, the fiscal year 2016 ending net position was restated as a result of an overstatement of $196,618 in receivables and an understatement of $39,820 in prepaid expenses.

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, 2017 and 2016, cash and cash equivalents of $54,549,091 and $60,370,628, 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) and clicking "APA Reports Issued."

Cash on hand at June 30, 2017 and 2016, was $6,750. The carrying amount of the NSCS's deposits not with the State Treasurer at June 30, 2017 and 2016, were $2,739,089 and $1,577,312, respectively, and the bank balances were $2,731,516 and $1,584,845, respectively. Of the carrying amounts noted above, $128,228 and $143,624, 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.

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

Investments

Management of the assets of the Corporation, the revenue bond program, and the Flex Spending program is 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, 2017 and 2016, money market mutual funds totaling $29,667,009 and $20,889,798, respectively, were held by the trustees, and had weighted average maturities of 37-53 days and 23-37 days, respectively. All money market mutual funds were reported as cash equivalents.

At June 30, 2017, the NSCS had the following securities and maturities:

		Maturities in Years		
	Fair Value	**Less than 1**	**1-5**	**6-10**
Investment Type:				
Debt Securities:				
FNMA	$ 604,238	$ -	$ 604,238	$ -

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

		Maturities in Years		
	Fair Value	**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.

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.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

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

Credit Risk. The NSCS may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities and in bank repurchase agreements. Two money market mutual funds are rated Aaa-mf by Moody's and AAAm by S&P and the other is rated Aaa by Moody's and AAAm by S&P. The one investment in the Federal National Mortgage Association is rated AAA by Moody's and AA+ by S&P.

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, 97% and 86% were in U.S. Treasury Money Market Funds, 1% and 11% were in Government Money Market Funds, and 2% and 3% were in Federal National Mortgage Association Securities at June 30, 2017 and 2016, 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:

	2017	2016
Carrying Value		
Cash	$ 6,750	$ 6,750
Deposits:		
Bank Deposits	1,998,121	1,577,312
Certificates of Deposit	740,968	-
Short Term Investment Pool	54,549,091	60,370,628
Trustee Debt Securities	604,238	605,121
Trustee Money Market Mutual Funds	29,667,009	20,889,798
Total as of June 30	$ 87,566,177	$ 83,449,609
Included in the Statements of Net Position		
Cash and Cash Equivalents	$ 34,094,591	$ 32,410,624
Restricted Cash and Cash Equivalents	52,867,348	50,433,864
Restricted Investments	604,238	605,121
Total	$ 87,566,177	$ 83,449,609

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Capital Assets

The NSCS capital assets activity for the year ended June 30, 2017, was:

Capital Assets

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Land	$ 1,102,993	$ 13,500	$ -	$ -	$ 1,116,493
Building and Improvements	229,506,488	-	(369,520)	19,526,691	248,663,659
Infrastructure	30,246,475	-	-	3,868,940	34,115,415
Furniture, Fixtures, and Equipment	17,929,117	391,466	(298,364)	113,682	18,135,901
Construction in Progress	26,035,368	24,483,223	(118,304)	(23,509,313)	26,890,974
Total Capital Assets	$ 304,820,441	$ 24,888,189	$ (786,188)	$ -	$ 328,922,442

Accumulated Depreciation

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Building and Improvements	$ (74,562,835)	$ (5,391,135)	$ 369,520	$ 591,690	$ (78,992,760)
Infrastructure	(14,481,788)	(1,229,653)	-	(591,690)	(16,303,131)
Furniture, Fixtures, and Equipment	(11,607,711)	(1,656,337)	296,975	-	(12,967,073)
Total Accumulated Depreciation	(100,652,334)	(8,277,125)	666,495	-	(108,262,964)
Net Capital Assets	$ 204,168,107	$ 16,611,064	$ (119,693)	$ -	$ 220,659,478

Net Capital Assets by College

	CSC	PSC	WSC	NSCS Office	Total
Land	$ 49,395	$ 17,761	$ 1,049,337	$ -	$ 1,116,493
Building and Improvements	49,666,904	42,603,593	77,400,402	-	169,670,899
Infrastructure	4,140,522	5,217,532	8,454,230	-	17,812,284
Furniture, Fixtures, and Equipment	1,362,585	483,676	938,194	2,384,373	5,168,828
Construction in Progress	812,301	10,244,106	15,834,567	-	26,890,974
Net Capital Assets	$ 56,031,707	$ 58,566,668	$ 103,676,730	$ 2,384,373	$ 220,659,478

3. Capital Assets (Continued)

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

Capital Assets

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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	$ 290,967,925	$ 14,156,246	$ (303,730)	$ -	$ 304,820,441

Accumulated Depreciation

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
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	(92,805,014)	(8,141,247)	293,927	-	(100,652,334)
Net Capital Assets	$ 198,162,911	$ 6,014,999	$ (9,803)	$ -	$ 204,168,107

Net Capital Assets by College

	CSC	PSC	WSC	NSCS Office	Total
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	$ 57,423,810	$ 50,111,388	$ 93,370,387	$ 3,262,522	$ 204,168,107

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

3. Capital Assets (Concluded)

Interest expense capitalized, net of related interest income, was $885,084 and $535,618 for the fiscal years ended June 30, 2017 and 2016, respectively. Total interest expense during the fiscal years ended June 30, 2017 and 2016, was $2,139,885 and $1,737,494, respectively.

4. Long-term Liabilities

The following is a summary of long-term obligation transactions for the NSCS for the year ended June 30, 2017:

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Loan Obligations Payable	$ 72,481	$ -	$ (23,334)	$ 49,147	$ 24,151
Master Lease Payable	776,450	-	(227,574)	548,876	230,621
Revenue and Refunding Bonds	45,590,000	2,865,000	(4,305,000)	44,150,000	1,740,000
Corporation Bonds	20,610,000	26,655,000	(11,905,000)	35,360,000	2,635,000
Total Long-term Debt	67,048,931	29,520,000	(16,460,908)	80,108,023	4,629,772
Accrued Compensated Absences	3,994,281	352,991	(344,300)	4,002,972	353,052
Unamortized Bond Premium	1,528,992	2,963,981	(557,651)	3,935,322	-
Unamortized Bond Discount	(235,360)	-	12,154	(223,206)	-
Other Liabilities	920,225	12,160	(322,250)	610,135	360,711
Total Other Long-term Liabilities	6,208,138	3,329,132	(1,212,047)	8,325,223	713,763
Total Long-term Liabilities	$ 73,257,069	$ 32,849,132	$ (17,672,955)	$ 88,433,246	$ 5,343,535

4. Long-term Liabilities (Continued)

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

	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
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	52,106,044	24,015,000	(9,072,113)	67,048,931	5,155,908
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	6,381,603	483,940	(657,405)	6,208,138	693,004
Total Long-term Liabilities	$ 58,487,647	$ 24,498,940	$ (9,729,518)	$ 73,257,069	$ 5,848,912

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

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, 2017, four employees at CSC, one employee at PSC, and two employees at WSC were participating in the NSCS's voluntary/early retirement programs. As of June 30, 2016, eight employees at CSC, two employees at PSC, and four 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.

	2017		2016	
	Ending Balance	**Current Portion**	**Ending Balance**	**Current Portion**
CSC	$ 55,504	$ 38,117	$ 117,818	$ 60,342
PSC	50,212	16,737	60,308	15,983
WSC	32,061	13,044	42,128	37,939
Total	$ 137,777	$ 67,898	$ 220,254	$ 114,264

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.

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, could be redeemed, in part or in whole, on or after July 1, 2016.

On December 19, 2016, PSC's outstanding Revenue Bonds, Series 2011 principal was called using proceeds from the issuance of Revenue Refunding Bonds, Series 2016C.

Student Fees and Facilities Revenue 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 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.

4. Long-term Liabilities (Continued)

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 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 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 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

4. Long-term Liabilities (Continued)

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.

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 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.

Student Fees and Facilities Revenue Refunding Bonds Series 2016C

In November 2016, the Board authorized the issuance of $2,865,000 of Student Fees and Facilities Revenue Refunding Bonds Series 2016C. The purpose of the issuance was to redeem in full the outstanding principal amount of the Student Fees and Facilities Revenue Bonds Series 2011. On December 19, 2016, the net proceeds from Series

4. Long-term Liabilities (Continued)

2016C bonds were used to redeem the Series 2011 bonds. This current refunding reduced total debt service payments over the remaining 14 years by $604,271. Bond refunding resulted in an estimated economic gain of $407,674. 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 $2,865,000 in bonds bear interest at rates from 0.95% to 3.2%, with payments due from fiscal years 2018 to 2032. Bonds maturing on or after July 1, 2022, can be redeemed, in part or in whole, on or after December 19, 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 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 were scheduled to continue until July 15, 2020. Bonds maturing on or after July 15, 2017, were callable at the option of the Corporation beginning July 15, 2016. On September 19, 2016, the Corporation's outstanding Deferred Maintenance Bonds, Series 2006 principal was called using proceeds from the issuance of Deferred Maintenance and Refunding Bonds, Series 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.

4. Long-term Liabilities (Continued)

In June 2016, the Corporation authorized the issuance of $26,655,000 of Deferred Maintenance Refunding Bonds Series 2016, of which $19,295,000 was related to new bonds and $7,360,000 was related to refunding bonds. The purpose of the issuance was to redeem in full the outstanding principal amount of the Deferred Maintenance Series 2006 bonds and allow for the issuance of new bond proceeds 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. On September 19, 2016, the Series 2006 bonds were advance refunded. This refunding of the Series 2006 bonds resulted in a reduction of total debt service payments by $854,784 and an estimated economic gain of $471,674. 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 old bonds. 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. The bonds bear interest, payable semiannually, at rates of 2.00% to 5.00%. Principal maturities, due in annual installments, begin July 15, 2017, and continue until July 15, 2030. Bonds maturing on or after July 15, 2027, are able to be redeemed, in part or in whole, on or after July 15, 2026.

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, 2017 and 2016, and were net of accumulated depreciation of $68,854 in 2017 and $38,252 in 2016.

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

Year Ending June 30	Principal	Interest	Total
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	675,000	213,044	888,044
2023-2027	3,605,000	808,015	4,413,015
2028-2032	2,905,000	337,110	3,242,110
2033-2034	985,000	29,775	1,014,775
Total	$ 10,755,000	$ 2,358,122	$ 13,113,122

CSC Master Lease Obligation Summary

Year Ending June 30	Principal	Interest	Total
2018	$ 153,532	$ 4,557	$ 158,089
2019	144,213	2,505	146,718
2020	102,475	745	103,220
Total	$ 400,220	$ 7,807	$ 408,027

PSC Loan Obligation Payable

Year Ending June 30	Principal	Interest	Total
2018	$ 24,151	$ 1,720	$ 25,871
2019	24,996	875	25,871
Total	$ 49,147	$ 2,595	$ 51,742

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Long-term Liabilities (Continued)

PSC Revenue and Refunding Bonds

Year Ending June 30	Principal	Interest	Total
2018	$ 260,000	$ 391,202	$ 651,202
2019	560,000	384,565	944,565
2020	570,000	377,430	947,430
2021	570,000	369,111	939,111
2022	585,000	359,488	944,488
2023-2027	3,115,000	1,604,039	4,719,039
2028-2032	2,585,000	1,210,381	3,795,381
2033-2037	1,550,000	888,363	2,438,363
2038-2042	1,840,000	586,265	2,426,265
2043-2047	2,205,000	212,719	2,417,719
Total	$ 13,840,000	$ 6,383,563	$ 20,223,563

PSC Master Lease Obligation Summary

Year Ending June 30	Principal	Interest	Total
2018	$ 77,089	$ 1,501	$ 78,590
2019	71,567	474	72,041
Total	$ 148,656	$ 1,975	$ 150,631

WSC Revenue and Refunding Bonds

Year Ending June 30	Principal	Interest	Total
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	905,000	486,184	1,391,184
2023-2027	4,900,000	2,044,754	6,944,754
2028-2032	3,270,000	1,377,859	4,647,859
2033-2037	1,965,000	1,031,313	2,996,313
2038-2042	2,305,000	678,509	2,983,509
2043-2047	2,735,000	245,788	2,980,788
Total	$ 19,555,000	$ 7,974,090	$ 27,529,090

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

4. Long-term Liabilities (Concluded)

Corporation Bonds

Year Ending June 30	Principal	Interest	Total
2018	$ 2,635,000	$ 1,349,318	$ 3,984,318
2019	3,215,000	1,240,568	4,455,568
2020	3,325,000	1,122,168	4,447,168
2021	4,800,000	976,843	5,776,843
2022	1,790,000	728,968	2,518,968
2023-2027	10,020,000	2,606,490	12,626,490
2028-2031	9,575,000	532,639	10,107,639
Total	$ 35,360,000	$ 8,556,994	$ 43,916,994

NSCS Loan Obligation and Bond Summary

Year Ending June 30	Principal	Interest	Total
2018	$ 4,629,772	$ 2,553,117	$ 7,182,889
2019	5,515,776	2,412,843	7,928,619
2020	5,532,475	2,259,475	7,791,950
2021	6,915,000	2,078,008	8,993,008
2022	3,955,000	1,787,684	5,742,684
2023-2027	21,640,000	7,063,298	28,703,298
2028-2032	18,335,000	3,457,989	21,792,989
2033-2037	4,500,000	1,949,451	6,449,451
2038-2042	4,145,000	1,264,774	5,409,774
2043-2047	4,940,000	458,507	5,398,507
Total	$ 80,108,023	$ 25,285,146	$ 105,393,169

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, 2017 and 2016, 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 2022. 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).

5. Operating Leases (Concluded)

Future noncancellable operating lease payments as of June 30, 2017, were:

2018	$	306,360
2019		193,826
2020		90,392
2021		38,900
2022		3,197
Total	$	632,675

The NSCS's operating lease payments for the year ended June 30, 2017, and June 30, 2016, were $883,761 and $862,359, respectively.

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, 2017 and 2016, is summarized as follows:

6. Revenue Bond Program (Continued)

Condensed Statement of Net Position

	2017	2016
Current Assets	$ 17,602,050	$ 18,357,596
Non-current Assets		
Capital Assets	56,769,776	40,307,321
Other Non-current Assets	6,590,068	22,187,950
Total Assets	80,961,894	80,852,867
Deferred Outflow of Resources	39,737	43,515
Current Liabilities	5,949,450	4,088,253
Non-current Liabilities	42,939,927	45,150,634
Total Liabilities	48,889,377	49,238,887
Net Position		
Net Investment in Capital Assets	18,000,511	16,114,191
Restricted		
Expendable		
Debt Service	1,768,620	1,401,110
By Enabling Legislation	12,343,123	14,142,194
Total Net Position	$ 32,112,254	$ 31,657,495

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

	2017	2016
Operating Revenues	$ 19,746,361	$ 21,193,277
Operating Expenses		
Depreciation	1,606,390	1,630,316
Other	17,282,126	16,741,572
Total Operating Expenses	18,888,516	18,371,888
Operating Income	857,845	2,821,389
Non-operating Revenues (Expenses)	(403,086)	(741,028)
Increase in Net Position	454,759	2,080,361
Net Position, Beginning of Year	31,657,495	29,577,134
Net Position, End of Year	$ 32,112,254	$ 31,657,495

6. Revenue Bond Program (Concluded)

Condensed Statement of Cash Flows

	2017	2016
Cash Flows from Operating Activities	$ 2,665,925	$ 4,316,857
Cash Flows from Capital and Related Financing Activities	(19,264,288)	15,469,149
Cash Flows from Investing Activities	518,033	(330,733)
Increase in Cash and Cash Equivalents	(16,080,330)	19,455,273
Cash and Cash Equivalents, Beginning of Year	39,326,367	19,871,094
Cash and Cash Equivalents, End of Year	$ 23,246,037	$ 39,326,367

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 2017 and 2016, 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, 2017 and 2016, by plan members and the NSCS were $2,712,323 and $3,616,423; and $2,663,638 and $3,553,022, respectively. At June 30, 2017 and 2016, the plan had 780 and 778 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.

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 $980,484 to the SRA, $116,402 to the Roth 403(b), and $92,496 to the 457 plan in 2017 while in 2016 plan members contributed $1,041,962 to the SRA, $89,350 to the Roth 403(b), and $65,392 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 $50,000 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 NSCS contributions. Workers' compensation is funded in the Workers' Compensation Internal Service Fund through assessments on each State agency based on total agency payroll

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 $11,405,000 and $21,980,000, as of June 30, 2017 and 2016, 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:

	2017	2016
CSC	$ 582,000	$ 438,000
PSC	5,751,000	9,084,000
WSC	5,072,000	12,458,000

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.

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 $16,792,517 and $18,049,443 in fiscal years 2017 and 2016, respectively, was restricted due to enabling legislation.

11. Joint Operation

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. On September 6, 2016, WSC entered into a new interlocal agreement with NECC to continue to operate CCSSC.

NECC administers the accounts payable related to joint operation and maintenance costs and provides WSC with quarterly reports and an invoice for WSC's share of expenses accompanied by supporting documentation. Both parties agree the expense allocation between the parties shall be split equally (50%-50%) for all expenses for the term of the Agreement. CCSSC is governed by CCSSC's Administrative Council, which is a four-member voting board composed of two appointees from NECC and two appointees from WSC. In addition to the voting members, the following individuals shall serve on the Council in an ex officio capacity: Facilities Manager and two institutional leaders (one appointed by each President). The chairperson of the Council shall be selected on a rotating basis with a WSC representative in even-numbered years and a Northeast representative in odd-numbered years. Ownership of land and facilities are shared 50%-50% by NECC and WSC. Either party can terminate the agreement with at least twelve (12) months prior notice, giving the other party right of first refusal on purchase of the exiting party's interest in the building, contents, and land.

12. 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:

Foundation	Years Ended	Pages
Chadron State	June 30, 2017 and 2016	69 - 86
Peru State	December 31, 2016 and 2015	87 - 96
Wayne State	June 30, 2017 and 2016	97 - 110

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.

CHADRON STATE FOUNDATION (Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

CHADRON STATE FOUNDATION (Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

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, 2017 and 2016, was $28,008 and $64,874, 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.

CHADRON STATE FOUNDATION (Continued)

Note 1 – Summary of Significant Accounting Policies (Continued)

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

	Capitalization Policy	Estimated Useful Life
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.

CHADRON STATE FOUNDATION (Continued)

Note 1 – Summary of Significant Accounting Policies (Concluded)

As of June 30, 2017, 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 2014. 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, 2017 and 2016, respectively. The total bank balance represents the amount held by the bank. The carrying balance represents the reconciled general ledger balance at June 30, 2017 and 2016.

Category 1 – Insured by FDIC

Category 2 – Uninsured by FDIC, uncollateralized

Category 3 – Collateralized by United States Government Securities

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 2 – Cash Deposits (Concluded)

June 30, 2017

Type of Deposits	Total Bank Balance	Total Carrying Balance	Custody Credit Risk Category 1	Category 2	Category 3
Demand Deposits:					
Bank of the West					
Operating Account	$ 720,998	$ 720,998	$ 250,000	$ -	$ 470,998
North Platte Bank					
Operating Account	422,552	316,947	250,000	-	172,552
Credit Card Account	9,309	9,309	-	-	9,309
First National Bank – Chadron					
Custodial Account	27,423	27,423	27,423	-	-
Edward Jones					
Money Market	23,636	23,636	-	23,636	-
Certificates of Deposit	755,809	755,809	755,809	-	-
	$ 1,959,727	$1,854,122	$ 1,283,232	$ 23,636	$ 652,859

June 30, 2016

Type of Deposits	Total Bank Balance	Total Carrying Balance	Custody Credit Risk Category 1	Category 2	Category 3
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	-
	$ 1,742,263	$1,720,824	$ 528,517	$ 23,625	$ 1,190,121

CHADRON STATE FOUNDATION (Continued)

Note 3 – Contributions

Contributions receivable at June 30, 2017 and 2016, were as follows:

	2017	2016
Receivable in Less Than One Year	$ 376,171	$ 218,595
Receivable in One to Five Years	560,112	416,277
Receivable in Six to Ten Years	3,212	2,500
Total Contributions Receivable	$ 939,495	$ 637,372
Less Unamortized Discounts to Net Present Value	(18,242)	(13,432)
Less Allowance for Uncollectable Accounts	(84,000)	(62,000)
Net Contributions Receivable	$ 837,253	$ 561,940

The discount rates used on long-term promises to give were 1.89% and 1.15% for the years ended June 30, 2017 and 2016, respectively.

Note 4 – Investments

Investments are stated at fair value and are shown below as of June 30, 2017 and 2016:

	Cost 06/30/2017	Market Value 06/30/2017	Unrealized Appreciation
Mutual Funds			
Large Cap	$ 4,149,206	$ 5,063,948	$ 914,742
Mid Cap	994,781	1,036,485	41,704
Small Cap	979,420	1,026,106	46,686
International	3,262,493	3,325,913	63,420
Emerging Markets	1,217,036	1,357,827	140,791
Fixed Income	960,775	940,454	(20,321)
Floating rate corporate loans	1,443,573	1,432,812	(10,761)
Commodities	1,216,737	845,888	(370,849)
Low correlated hedge funds	516,476	524,916	8,440
Publicly Traded Limited Partnership	933,209	836,585	(96,624)
Hedge Funds	2,110,000	2,339,887	229,887
Total Investments	$ 17,783,706	$ 18,730,821	$ 947,115

CHADRON STATE FOUNDATION (Continued)

Note 4 – Investments (Continued)

	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)

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.

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, 2017, 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, 2017 and 2016:

		Fair Value Measurements Using		
June 30, 2017	**Fair Value**	**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	$ 5,063,948	$ 5,063,948	$ -	$ -
Mid Cap	1,036,485	1,036,485	-	-
Small Cap	1,026,106	1,026,106	-	-
International	3,325,913	3,325,913	-	-
Emerging markets	1,357,827	1,357,827	-	-
Fixed Income	940,454	940,454	-	-
Corporate Loans	1,432,812	1,432,812	-	-
Commodities	845,888	845,888	-	-
Low correlated hedge funds	524,916	524,916	-	-
Publicly traded limited partnership	836,585	836,585	-	-
Hedge Funds	2,339,887	-	2,339,887	-
Total Investments	$ 18,730,821	$ 16,390,934	$ 2,339,887	$ -

CHADRON STATE FOUNDATION (Continued)

Note 4 – Investments (Concluded)

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	$ 17,018,052	$ 14,818,129	$ 2,199,923	$ -

The following schedule summarizes the investment return in the Statement of Activities for the years ended June 30, 2017 and 2016:

	2017	2016
Interest and dividend income	$ 442,954	$ 561,607
Net realized/unrealized gains (losses)	1,768,385	(1,534,403)
Management fees	(40,494)	(39,940)
Total	$ 2,170,845	$ (1,012,736)

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, 2017 and 2016, were as follows:

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

CHADRON STATE FOUNDATION (Continued)

Note 5 – Other Assets (Concluded)

2017	Fair Value	Level 1	Level 2	Level 3
Cash Surrender Value of Life Insurance	$ 43,926	$ -	$ -	$ 43,926
Beneficial Interest in Annuity	13,385	13,385	-	-
Total Other Assets	$ 57,311	$ 13,385	$ -	$ 43,926

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	$ 43,507	$ 16,041	$ -	$ 27,466

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

2017	Cash Surrender Value of Life Insurance
Beginning balance, July 1, 2016	$ 27,466
Purchases, issuance, settlements	13,827
Total gains (realized, unrealized)	2,633
Ending balance, June 30, 2017	$ 43,926

2016	Beneficial Interest in Richards Estate	Cash Surrender Value of Life Insurance
Beginning balance, July 1, 2015	$ 261,839	$ 26,600
Purchases, issuance, settlements	(261,839)	-
Total gains (realized, unrealized)	-	866
Ending balance, June 30, 2016	$ -	$ 27,466

CHADRON STATE FOUNDATION (Continued)

Note 6 – Property and Equipment

Property and equipment at June 30, 2017 and 2016, consisted of the following:

	2017	2016
Land	$ 38,500	$ 38,500
Office Equipment	97,096	97,096
	$ 135,596	$ 135,596
Less Accumulated Depreciation	(95,788)	(93,836)
Property and Equipment, Net of Accumulated Depreciation	$ 39,808	$ 41,760

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 various organizations of Chadron State College. It maintains the cash accounts and provides bookkeeping services for these organizations. At June 30, 2017 and 2016, the restricted cash balance was $27,423 and $28,350, respectively. The total due to other agencies balance was $25,183 and $25,614, respectively.

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, 2017 and 2016, the Board of Directors had designated $648,939 and $554,720, 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.

CHADRON STATE FOUNDATION (Continued)

Note 8 – Accounting for Investments and Endowments (Continued)

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 30th 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 350 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 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

CHADRON STATE FOUNDATION (Continued)

Note 8 – Accounting for Investments and Endowments (Continued)

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.

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, 2017, is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Donor-restricted endowment funds	$ -	$ 1,988,424	$ 16,174,441	$ 18,162,865
Board-designated endowment funds	648,939	-	-	648,939
Total funds	$ 648,939	$ 1,988,424	$ 16,174,441	$ 18,811,804

Changes in endowment net assets as of June 30, 2017, were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Endowment Assets
Endowment net assets, beginning of year	$ 554,720	$ 861,229	$ 15,566,578	$ 16,982,527
Contributions	20,592	-	586,150	606,742
Investment Income, net of fees	5,658	77,108	-	82,766
Net appreciation	65,114	1,687,943	-	1,753,057
Transfers	15,711	-	21,713	37,424
Amounts appropriated for expenditures	(12,856)	(637,856)	-	(650,712)
Endowment net assets, end of year	$ 648,939	$ 1,988,424	$ 16,174,441	$ 18,811,804

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
Total funds	$ 554,720	$ 861,229	$ 15,566,578	$ 16,982,527

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, 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)
Endowment net assets, end of year	$ 554,720	$ 861,229	$15,566,578	$ 16,982,527

Note 9 – Temporarily Restricted Net Assets

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

	2017	2016
Scholarships and College Use	$ 3,308,564	$ 1,834,510
Total Temporarily Restricted Net Assets	$ 3,308,564	$ 1,834,510

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

	2017	2016
Purpose Restriction Accomplished:		
Scholarships	$ 435,281	$ 645,621
College Use	499,929	579,798
Management Fees	295,686	281,108
Investment Fees	32,848	32,541
Total Restrictions Released	$ 1,263,744	$ 1,539,068

CHADRON STATE FOUNDATION (Continued)

Note 10 – Permanently Restricted Net Assets

As of June 30, 2017 and 2016, net assets were permanently restricted for the endowment in the amount of $16,174,441 and $15,566,578, respectively. The income from the endowment can be used to support Chadron State College. At June 30, 2017 and 2016, the fair value of investments related to the restricted endowment was $17,624,923 and $16,095,941, leaving the amount assigned to individual donor restricted endowments required to be maintained in perpetuity with an excess balance of $1,450,482 and $529,363 for 2017 and 2016, 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, 2017 and 2016, were $29,238 and $28,428, respectively.

Note 12 – Commitments

The Foundation agreed to provide the College with $2 million for the Rangeland Center Project. As of June 30, 2017, $1,653,270 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, 2017, $2,588,460 has been provided to the College.

In 2013, 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, 2017, $148,000 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.

CHADRON STATE FOUNDATION (Concluded)

Note 13 – Subsequent Events

On August 25, 2017, the Chadron State Foundation Board approved the named endowment and grant to campus payouts for the 2018-2019 academic year. This will result in a liability at December 31, 2017, of $428,509 for the named endowments and 17,352 for quasi endowments.

The Foundation has evaluated subsequent events through October 20, 2017, the date which the financial statements were issued.

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 objectively. 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 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.

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 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.

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, 2016 and 2015, cash balances exceeded federally insured limits by $77,000 and $674,000, respectively.

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.

PERU STATE FOUNDATION (Continued)

Note A – Accounting Policies (Continued)

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 though 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 estimates the amount of compensation for future compensated absences and, accordingly, recognizes the liability as part of accrued compensation in the accompanying financial statements.

PERU STATE FOUNDATION (Continued)

Note A – Accounting Policies (Concluded)

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 the years ended December 31, 2016 and 2015.

The Foundation's federal Exempt Organization Tax Returns (Form 990) for 2013, 2014 and 2015 are subject to examination by the IRS, generally for three years after they were filed.

Subsequent Events

Management has evaluated subsequent events through April 26, 2017, 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.

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, 2016 consist of the following:

Fixed Income Funds	**Cost**	**Gross Unrealized Gain**	**Fair Market Value**
Westwood Cash Reserves, LLC	$ 473,927	$ 1,128	$ 475,055
Westwood Core Income, LLC	1,725,560	124,988	1,850,548
Westwood Total Return, LLC	1,386,643	949,747	2,336,390
Equity Funds:			
Westwood Tactical Opportunity, LLC	221,797	349,401	571,198
Westwood Diversified Core Equity, LLC	1,161,050	1,773,878	2,934,928
Westwood Focused Core Equity, LLC	303,186	885,528	1,188,714
Westwood Diversified Small/Mid Cap Equity, LLC	190,939	595,027	785,966
Westwood Focused Small Cap Equity, LLC	211,621	259,444	471,065
Westwood International Equity, LLC	997,748	165,182	1,162,930
	$ 6,672,471	$ 5,104,323	$ 11,776,794

PERU STATE FOUNDATION (Continued)

Note C – Investments (Concluded)

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

Fixed Income Funds	Cost	Gross Unrealized Gain	Fair Market Value
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
	$ 6,806,977	$ 5,160,829	$ 11,967,806

Investment expense which consists of management fees totaled $82,334 and $80,474 for the years ended December 31, 2016 and 2015, respectively.

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

	2016	2015
Fair Value of Endowed Assets	$ 9,246,512	$ 8,920,086
Historical Dollar Value of Endowed Assets	(6,871,450)	(6,722,581)
Net Appreciation - Endowed Assets	$ 2,375,062	$ 2,197,505

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.

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:

	2016	2015
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.	$ 72,481	$ 95,026
Less current portion of note receivable	23,334	22,545
	$ 49,147	$ 72,481

The aggregate maturities of the note receivable is as follows:

2017	$ 23,334
2018	24,151
2019	24,996
	$ 72,481

PERU STATE FOUNDATION (Continued)

Note F – Refundable Deposits

Beginning in 2003, the Peru Booster Club had entered into intermediary agreements with the Foundation. Funds are held in a cash account by the Foundation as an agent of the organization 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 this entity totaling $20,347 and $29,353 as of December 31, 2016 and 2015, respectively.

Note H – Notes Payable

At December 31, 2016, the Foundation has an $115,086 short-term bank loan that bears interest at 3.50%.

Note I – Net Assets

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

	2016	2015
Designated for scholarship	$ 600,620	$ 600,620
Designated for work stipends	508,044	532,177
Designated for campus improvements	5,500	5,500
	$ 1,114,164	$ 1,138,297

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

	2016	2015
Restricted for scholarships	$ 695,594	$ 609,083
Restricted for education and athletic departments	951,397	719,579
	$ 1,646,991	$ 1,328,662

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 2016 and 2015 amounted to $174,885 and $75,178, respectively.

PERU STATE FOUNDATION (Continued)

Note I – Net Assets (Concluded)

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

	2016	2015
Purpose restriction accomplished:		
Scholarships	$ 36,475	$ 8,567
Departmental and athletic gifts to College	8,828	54,009
Oakbowl Renovations and fundraising	5,117	5,840
Management fees	-	17,059
	$ 50,420	$ 85,475

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:

	2016	2015
Salary and wage reimbursement	$ 376,998	$ 379,366
Gifts and campus improvements	1,527,408	1,386,119
Departmental expenses	71,661	79,464
	$ 1,976,067	$ 1,844,949

The Foundation owed the College for salary and wage expenses paid to its employees by the College in the amount of $30,310 and $59,157 at December 31, 2016 and 2015, 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 $18,055 and $18,244 for the years ended December 31, 2016 and 2015, respectively, and is included in salaries and wages on the statement of functional expenses.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

PERU STATE FOUNDATION (Concluded)

Note L – Concentrations

During 2016, the Foundation received approximately 35% of its contributions from two individuals/estates. During 2015, the Foundation received approximately 70% of its contributions from one individual.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION

Note A – Foundation

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 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

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, 2016 and 2015, from which the summarized information was derived.

WAYNE STATE FOUNDATION (Continued)

Note B – Summary of Significant Accounting Policies (Continued)

Contributions

Contributions, including unconditional promises to give, are recorded as made. All contributions are available for unrestricted use unless specifically restricted by the donor. Conditional promises to give are recognized when the conditions on which they depend are substantially met. 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. Depreciation expense was $4,905 for the year ended June 30, 2017.

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.

WAYNE STATE FOUNDATION (Continued)

Note B – Summary of Significant Accounting Policies (Concluded)

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 2014. 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, 2017, was $12,250.

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, 2017) for potential recognition or disclosure in the financial statements. Management has evaluated subsequent events through September 15, 2017, 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

At times the Foundation may have uninsured bank deposits. At June 30, 2017, the Foundation had bank deposits of $3,683,229, of which $401,343 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 $516,103. In June 2016 the Finance Committee approved exceeding the approved policy amount for EVB&T.

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, 2017, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Unconditional promises to give	$ -	$ 1,258,833	$ 135,081	$ 1,393,914
Less discount to present value	-	(112,053)	(5,992)	(118,045)
Less allowance for uncollectible prom.	-	(15,925)	-	(15,925)
Net unconditional promises to give	$ -	$ 1,130,855	$ 129,089	$ 1,259,944

Estimated future cash flows of unconditional promises are as follows:

	Estimated Cash Flows	Discount	Discounted Value
Due 6/30/2017	$ 14,600	$ -	$ 14,600
6/30/2018	595,444	(22,902)	572,542
6/30/2019	279,745	(21,105)	258,640
6/30/2020	179,700	(19,947)	159,753
6/30/2021	168,500	(24,466)	144,034
6/30/2022	60,000	(10,684)	49,316
More than 5 years 6/30/2023-2028	80,000	(18,941)	61,059
	$ 1,377,989	$ (118,045)	$ 1,259,944

The allowance for uncollectible promises represents the unpaid portion of the Phonathon pledges. All other pledges are considered collectible. At June 30, 2017, $14,600 of other pledges were past due including $4,500 that were over 90 days past due. Other pledges written off for the fiscal year ended June 30, 2017, were $2,250.

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note E – Investments

Investments as of June 30, 2017 are summarized as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	6/30/17 Total
Money markets	$ 4,237	$ 197,220	$ 154,055	$ 355,512
Certificates of Deposits	35,000	643,978	250,000	928,978
Commonfund- Equity Fund	1,756,132	4,380,821	10,893,152	17,030,105
Commonfund- Bond Fund	762,904	717,698	4,451,687	5,932,289
Subtotal Commonfund	2,519,036	5,098,519	15,344,839	22,962,394
Other Securities	-	96,660	37,157	133,817
Totals	2,558,273	6,036,377	15,786,051	24,380,701
Investments restricted for annuity contracts:				
Commonfund- Equity Fund	294,165	-	361,977	656,142
Commonfund- Bond Fund	114,399	-	141,094	255,493
Totals	408,564	-	503,071	911,635
Investments held in perpetual trust:				
Money Markets	-	-	20,731	20,731
Bonds and notes	-	-	257,884	257,884
Equities	-	-	585,544	585,544
Alternatives	-	-	51,464	51,464
Totals	-	-	915,623	915,623
Total all investments	$ 2,966,837	$ 6,036,377	$ 17,204,745	$ 26,207,959

WAYNE STATE FOUNDATION (Continued)

Note E – Investments (Continued)

Market Risk from Concentration of Investments with Advisor

At June 30, 2017 the Foundation had investments (including reserved for annuities) with Commonfund of $23,874,029, which represents approximately 91% 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, 2017 in valuing the Foundation's investments:

June 30, 2017	Level 1	Level 2	Level 3	Total
Short Term Cash Investments and Certificates of Deposit	$ 21,962	$ 1,284,491	$ -	$ 1,306,453
U.S. Equity	585,141	14,679,585	8,988	15,273,714
International Equity	115,324	2,122,349	-	2,237,673
Emerging Markets Equity	12,458	884,312	-	896,770
Fixed Income	305,567	6,187,782	-	6,493,349
Total	$ 1,040,452	$ 25,158,519	$ 8,988	$ 26,207,959

WAYNE STATE FOUNDATION (Continued)

Note E – Investments (Concluded)

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, 2017.

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.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Investment Management Fees	$ 7,975	$ 54,196	$ 10,419	$ 72,590

Note F – Property

During the year ended June 30, 2017, Wayne State Foundation traded property at 1308 Main for property at 211 East 10th Street. The property at 211 East 10th Street was donated on June 30, 2017 to the college for the criminal justice lab.

	Bressler Alumni House	1308 Main	Total
Land	$ 20,000	$ -	$ 20,000
Building	134,417	-	134,417
Subtotal	154,417	-	154,417
Accumulated Depreciation	(65,327)	-	(65,327)
Net 6/30/17	$ 89,090	$ -	$ 89,090
Depreciation Exp. FYE 6/30/17	$ 3,555	$ 1,350	$ 4,905

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. A policy with the cash value of $25,000 was cashed in the year ended June 30, 2017. The policies contain cash values, which are summarized as follows:

	Policy Amount	6/30/17 Cash Value
Unrestricted	$ 323,146	$ 43,620
Temporarily Restricted	25,000	1,683
Permanently Restricted	130,499	34,553
Totals	$ 478,645	$ 79,856

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 8.2% and life expectancies of annuity beneficiaries based on IRS tables.

Annuity assets and liabilities as of June 30, 2017, are summarized as follows:

	Unrestricted	Permanently Restricted	Total
Investments restricted for annuity contracts	$ 408,564	$ 503,071	$ 911,635
Annuities Payable	$ 55,095	$ 281,486	$ 336,581

WAYNE STATE FOUNDATION (Continued)

Note I – Unrestricted Net Assets

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

Board Designated:		
Quasi-Endowment	$	369,893
Total board designated	$	369,893

Note J – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes at June 30, 2017:

Program Activities:		
Scholarships and Grants	$	5,211,633
Renovation projects		3,430,511
College Departments		523,864
SSC College Center		11,575
Time Only Restriction (Unrestricted receivables)		139,956
Other Designated Programs		8,067
Total Temporarily Restricted Net Assets	$	9,325,606

Note K – Permanently Restricted Net Assets

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

Note L – Endowment Funds

The Foundation's endowment consists of approximately 352 individual funds established for a variety of purposes. Its endowment includes both donor restricted funds and funds designated by the Executive Committee to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds including funds designated by the Executive Committee to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Executive Committee of the Foundation has interpreted the Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note L – Endowment Funds (Continued)

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, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 4,815,741	$ 15,886,638	$ 20,702,379
Board-designated endowment funds	369,893	-	-	369,893
Total Funds	$ 369,893	$ 4,815,741	$ 15,886,638	$ 21,072,272

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

WAYNE STATE FOUNDATION (Continued)

Note L – Endowment Funds (Continued)

Changes in Endowment Net Assets for the Fiscal Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beg. of year	$ 319,370	$ 3,131,631	$ 14,724,417	$ 18,175,418
Contributions	-	-	1,128,549	1,128,549
Transfers	-	(27,272)	33,672	6,400
Net investment income	4,419	233,809	-	238,228
Net appreciation	46,104	2,243,430	-	2,289,534
Amounts appropriated for expenditure	-	(765,857)	-	(765,857)
Endowment net assets, end of year	$ 369,893	$ 4,815,741	15,886,638	$ 21,072,272
Other permanently restricted net assets:				
Interest in Robert Cunningham Perpetual Trust			915,623	
Cash Value of Life Insurance to Fund Permanently Restricted Endowment Funds			34,553	
Charitable Gift Annuity Net Assets to Fund Permanently Restricted Endowments at a Future Date			222,200	
Promises to Fund Permanently Restricted Endowment Funds			129,089	
Total Permanently Restricted Net Assets			$ 17,188,103	

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 was $0 as of June 30, 2017. Deficiencies, if any, 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 decrease in promises to fund permanently restricted endowment funds (net endowment receivables) of $66,143.

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

WAYNE STATE FOUNDATION (Continued)

Note L – Endowment Funds (Concluded)

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 three years through June 30th 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

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

The Foundation receives donated accounting services, secretarial services and rent from Wayne State College. The estimated fair value for these services are $164,111 for the year ended June 30, 2017. The amounts have been recognized in the financial statements.

Note O – Pension Plan

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 $19,261 for the year ended June 30, 2017.

Note P – Vacation, Sick Pay, and Other Employee Benefit Amounts

The costs of sick pay and vacation pay are accrued. Total accumulated sick pay at June 30, 2017 was $129,292 and up to 25% of sick pay is payable upon retirement or death under the Foundation's policies. Therefore, the accrued sick pay payable was $32,323. Accumulated vacation is payable upon termination and at June 30, 2017 was $26,285.

WAYNE STATE FOUNDATION (Continued)

Note Q – Commitments

U.S. Conn Library Renovation

A three-year renovation of the U.S. Conn Library began in May 2014 and was completed in June 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. The Foundation has reimbursed the College $1,347,049 and at June 30, 2017, the Foundation had $860,298 in funds available and $509,759 pledges receivable, for a total of $1,370,057 remaining for the U.S. Conn Library renovation project. The Foundation also has $393,211 for a maintenance reserve for the Library.

Press Box Replacement

The Wayne State Foundation agreed to raise up to $1 million toward the approximate $3 million project. As of June 30, 2017, approximately $1,047,209 has been raised in gifts and pledges. Construction is scheduled to begin in fall 2017.

Center for Applied Technology

Wayne State College secured $8.9 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 Wayne State Foundation is working to secure $1.5 million in private support for this project. Construction began in August 2017 and is scheduled to be completed in December 2018. As of June 30, 2017, the Foundation had $543,002 in gifts and pledges for this project.

Criminal Justice Lab

In FY 2017, the Wayne State Foundation gifted a piece of land to Wayne State College that will be the site of a Criminal Justice Investigation Facility. In addition to the land donation, the Wayne State Foundation agreed to raise $150,000 to support this project. As of June 30, 2017, $135,000 has been raised in gifts and pledges.

Note R – Related Parties

For the year ended June 30, 2017 the Foundation provided direct support to Wayne State College of $4,469,403 and reimbursed the College for $371,394 for payroll and other operating expenses. Direct support consisted of $2,138,089 for annual scholarships, $526,924 for endowed scholarships, $17,500 for Neihardt stipends, $353,111 for athletic scholarships; $1,155,559 for capital improvements to U.S. Conn Library; $253,828 for athletics administration support; and $24,392 for general budget support college departments. The Foundation also provided $151,950 of indirect support, including land donated for the criminal justice lab of $106,378.

WAYNE STATE FOUNDATION (Concluded)

Note R – Related Parties (Concluded)

The Foundation leases a vehicle from Arnie's Ford, which is owned by one of the board members of the Foundation (see Note S).

The Foundation had cash totaling $335,240 as of June 30, 2017, at State Nebraska Bank & Trust, where one of the board members of the Foundation is the chairman.

Board members, trustees, and employees may pledge amounts to the Foundation for various projects and campaigns for support. At June 30, 2017 the outstanding pledge balances due from these individuals totaled $1,034,007.

Note S – Leases

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 the year ending June 30, 2018.

Note T – Recently Issued Accounting Pronouncements

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 communicating 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, 2017

	CSC	PSC	WSC	NSCS Office	Total
Assets					
Current Assets					
Cash and Cash Equivalents	$ 6,593,630	$ 5,181,477	$ 19,867,414	$ 2,452,070	$ 34,094,591
Restricted Cash and Cash Equivalents	6,769,430	3,747,574	8,827,662	5,536,859	24,881,525
Accounts Receivable, Net of Allowance	230,820	721,608	145,268	28,924	1,126,620
Other Receivables	157,026	107,066	152,058	23,262	439,412
Inventories	17,729	47,442	12,004	-	77,175
Loans to Students, Net	-	-	222,437	-	222,437
Prepaid Expenses	366,424	221,812	398,849	57,476	1,044,561
Deposits with Vendors	-	-	1,310	4,105	5,415
Total Current Assets	14,135,059	10,026,979	29,627,002	8,102,696	61,891,736
Non-current Assets					
Restricted Cash and Cash Equivalents	1,041,624	2,835,541	3,097,758	21,010,900	27,985,823
Restricted Investments	-	-	604,238	-	604,238
Loans to Students, Net	-	-	898,169	-	898,169
Prepaid Expenses	16,450	29,421	74,652	101,755	222,278
Capital Assets, Net	56,031,707	58,566,668	103,676,730	2,384,373	220,659,478
Total Non-current Assets	57,089,781	61,431,630	108,351,547	23,497,028	250,369,986
Total Assets	71,224,840	71,458,609	137,978,549	31,599,724	312,261,722
Deferred Outflow of Resources					
Unamortized Bond Refunding Amount, Net	21,514	6,491	11,732	-	39,737
Total Deferred Outflow of Resources	21,514	6,491	11,732	-	39,737
Liabilities					
Current Liabilities					
Accounts Payable and Accrued Liabilities	2,535,320	2,023,893	4,412,803	917,161	9,889,177
Accrued Compensated Absences	130,399	57,460	146,667	18,526	353,052
Unearned Revenue	76,648	23,372	717,635	-	817,655
Interest Payable	130,622	197,688	276,691	441,261	1,046,262
Master Lease Payable	153,532	77,089	-	-	230,621
Long-term Debt	635,000	284,151	845,000	2,635,000	4,399,151
Deposits Held in Custody for Others	110,644	51,038	39,826	104,599	306,107
Total Current Liabilities	3,772,165	2,714,691	6,438,622	4,116,547	17,042,025
Non-current Liabilities					
Accrued Compensated Absences	1,243,422	577,242	1,583,120	246,136	3,649,920
Unearned Revenue	-	-	249,424	-	249,424
Master Lease Payable	246,689	71,566	-	-	318,255
Long-term Debt	10,074,371	13,482,533	18,862,857	36,452,351	78,872,112
Total Non-current Liabilities	11,564,482	14,131,341	20,695,401	36,698,487	83,089,711
Total Liabilities	15,336,647	16,846,032	27,134,023	40,815,034	100,131,736
Deferred Inflow of Resources					
Unamortized Bond Refunding Amount, Net	-	-	-	34,355	34,355
Total Deferred Inflow of Resources	-	-	-	34,355	34,355
Net Position					
Net Investment in Capital Assets	46,240,922	46,372,957	85,906,171	(16,013,593)	162,506,457
Restricted for:					
Expendable:					
Loans	-	-	1,280,398	-	1,280,398
Debt Service	636,776	259,605	852,239	1,210,500	2,959,120
Plant	119,476	152,326	599,683	3,326,473	4,197,958
Other	5,218,731	2,558,592	6,220,924	383,554	14,381,801
Unrestricted	3,693,802	5,275,588	15,996,843	1,843,401	26,809,634
Total Net Position	$ 55,909,707	$ 54,619,068	$ 110,856,258	$ (9,249,665)	$ 212,135,368

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF NET POSITION
June 30, 2016

	CSC As Restated	PSC As Restated	WSC As Restated	NSCS Office As Restated	Total
Assets					
Current Assets					
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	3,377,403	9,141,911	5,797,574	25,484,639
Accounts Receivable, Net of Allowance	336,923	931,400	315,578	24,430	1,608,331
Other Receivables	331,436	180,675	88,456	16,127	616,694
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	494,458	85,689	1,237,636
Deposits with Vendors	-	-	1,310	4,971	6,281
Total Current Assets	13,786,485	9,112,367	29,464,241	9,363,961	61,727,054
Non-current Assets					
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	58,360,301	59,906,191	106,754,302	5,601,763	230,622,557
Total Assets	72,146,786	69,018,558	136,218,543	14,965,724	292,349,611
Deferred Outflow of Resources					
Unamortized Bond Refunding Amount, Net	23,470	7,140	12,905	-	43,515
Total Deferred Outflow of Resources	23,470	7,140	12,905	-	43,515
Liabilities					
Current Liabilities					
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	3,505,168	2,123,069	5,439,674	6,414,882	17,482,793
Non-current Liabilities					
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	12,329,176	14,545,572	21,846,614	18,686,795	67,408,157
Total Liabilities	15,834,344	16,668,641	27,286,288	25,101,677	84,890,950
Net Position					
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	5,664,324	3,025,009	7,050,621	373,192	16,113,146
Unrestricted	2,540,632	3,713,209	15,283,819	1,776,559	23,314,219
Total Net Position	$ 56,335,912	$ 52,357,057	$ 108,945,160	$ (10,135,953)	$ 207,502,176

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, 2017

	CSC	PSC	WSC	NSCS Office	Total
Operating Revenues					
Tuition and Fees, Net of Scholarship Allowances and Institutional Waivers	$ 10,876,670	$ 6,977,809	$ 12,764,481	$ -	$ 30,618,960
Federal Grants and Contracts	4,030,157	3,264,001	4,548,286	-	11,842,444
State Grants and Contracts	478,463	568,445	1,049,103	-	2,096,011
Private Grants and Contracts	194,100	235,056	765,090	23,593	1,217,839
Auxiliary Enterprises, Net of Scholarship Allowances and Institutional Waivers	6,188,167	3,654,117	7,552,806	-	17,395,090
Other Operating Revenues	834,095	199,228	412,661	-	1,445,984
Total Operating Revenues	22,601,652	14,898,656	27,092,427	23,593	64,616,328
Operating Expenses					
Compensation and Benefits	24,390,583	13,827,428	30,040,177	1,807,505	70,065,693
Contractual Services	1,493,790	1,518,870	1,975,452	737,844	5,725,956
Supplies, Materials, and Other	5,607,413	2,869,327	5,703,165	263,299	14,443,204
Scholarships and Fellowships	1,416,173	1,393,574	1,640,444	-	4,450,191
Depreciation	2,374,196	1,761,912	3,262,867	878,149	8,277,124
Utilities	1,417,764	720,434	1,743,796	-	3,881,994
Repairs and Maintenance	1,995,245	926,119	2,474,774	-	5,396,138
Communications	126,495	164,356	164,069	-	454,920
Food Service	2,133,265	1,296,700	2,460,779	-	5,890,744
Total Operating Expenses	40,954,924	24,478,720	49,465,523	3,686,797	118,585,964
Operating Loss	(18,353,272)	(9,580,064)	(22,373,096)	(3,663,204)	(53,969,636)
Non-operating Revenue (Expenses)					
State Appropriations	17,179,001	9,704,951	21,332,564	2,141,240	50,357,756
Investment Income	241,508	231,908	726,847	162,700	1,362,963
Interest on Capital Asset-Related Debt	(264,566)	(256,691)	(351,125)	(382,417)	(1,254,799)
Gain (Loss) on Disposal of Asset	15,579	5,154	-	-	20,733
Bond Issuance Costs	-	(44,103)	-	(339,993)	(384,096)
Other Non-operating Revenue (Expense)	-	11,716	(43,187)	17,250	(14,221)
Net Non-operating Revenues (Expenses)	17,171,522	9,652,935	21,665,099	1,598,780	50,088,336
Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)	(1,181,750)	72,871	(707,997)	(2,064,424)	(3,881,300)
Other Revenues (Expenses) or Gains (Losses)					
Capital Facilities Fees	-	-	-	2,093,812	2,093,812
Capital Contributions	288,679	786,314	780,697	-	1,855,690
Operating Transfers In (Out)	(1,749,134)	862,450	1,454,784	(568,100)	-
Capital Appropriations and Grants	2,216,000	540,376	383,614	1,425,000	4,564,990
Net Other Revenues (Expenses) or Gains (Losses)	755,545	2,189,140	2,619,095	2,950,712	8,514,492
Increase (Decrease) in Net Position	(426,205)	2,262,011	1,911,098	886,288	4,633,192
Net Position, Beginning of Year	56,335,912	52,357,057	108,945,160	(10,135,953)	207,502,176
Net Position, End of Year	$ 55,909,707	$ 54,619,068	$ 110,856,258	$ (9,249,665)	$ 212,135,368

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

	CSC As Restated	PSC As Restated	WSC As Restated	NSCS Office As Restated	Total
Operating Revenues					
Tuition and Fees, Net of Scholarship Allowances and Institutional Waivers	$ 10,152,669	$ 6,891,515	$ 12,393,906	$ -	$ 29,438,090
Federal Grants and Contracts	4,152,356	3,201,573	4,827,396	-	12,181,325
State Grants and Contracts	521,019	452,729	1,062,753	-	2,036,501
Private Grants and Contracts	227,156	220,859	492,788	21,535	962,338
Auxiliary Enterprises, Net of Scholarship Allowances and Institutional Waivers	6,479,429	3,676,519	8,732,651	-	18,888,599
Other Operating Revenues	886,948	165,327	561,376	-	1,613,651
Total Operating Revenues	22,419,577	14,608,522	28,070,870	21,535	65,120,504
Operating Expenses					
Compensation and Benefits	23,831,329	13,582,735	30,083,807	1,685,669	69,183,540
Contractual Services	1,347,170	1,085,589	2,062,455	710,281	5,205,495
Supplies, Materials, and Other	6,081,005	2,833,124	5,271,150	272,530	14,457,809
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	115,566	154,172	163,244	12,436	445,418
Food Service	2,151,791	1,312,672	2,563,359	-	6,027,822
Total Operating Expenses	40,723,332	23,310,931	48,958,169	3,559,057	116,551,489
Operating Loss	(18,303,755)	(8,702,409)	(20,887,299)	(3,537,522)	(51,430,985)
Non-operating Revenue (Expenses)					
State Appropriations	17,402,028	9,808,485	21,642,044	1,891,485	50,744,042
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)	(494,073)	(1,211,649)
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)	-	8,905	(58,270)	(14,068)	(63,433)
Net Non-operating Revenues (Expenses)	17,377,979	9,629,706	21,827,512	1,530,978	50,366,175
Income (Loss) Before Other Revenues, Expenses, Gains or (Losses)	(925,776)	927,297	940,213	(2,006,544)	(1,064,810)
Other Revenues (Expenses) or Gains (Losses)					
Capital Facilities Fees	-	-	-	2,058,500	2,058,500
Capital Contributions	316,338	1,976,043	71,873	-	2,364,254
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
Net Other Revenues (Expenses) or Gains (Losses)	1,067,166	2,871,737	4,311,113	312,092	8,562,108
Increase (Decrease) in Net Position	141,390	3,799,034	5,251,326	(1,694,452)	7,497,298
Net Position, Beginning of Year	56,194,522	48,558,023	103,693,834	(8,441,501)	200,004,878
Net Position, End of Year	$ 56,335,912	$ 52,357,057	$ 108,945,160	$ (10,135,953)	$ 207,502,176

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

SCHEDULE OF CASH FLOWS

Fiscal Year Ended June 30, 2017

	CSC	PSC	WSC	NSCS Office	Total
Cash Flows From Operating Activities					
Tuition and Fees	$ 10,933,858	$ 7,041,486	$ 12,862,682	$ -	$ 30,838,026
Grants and Contracts	4,723,204	4,131,500	6,356,900	23,319	15,234,923
Payments to Suppliers	(11,055,868)	(6,768,895)	(12,480,483)	(919,531)	(31,224,777)
Payments for Utilities	(1,406,330)	(734,754)	(1,909,987)	-	(4,051,071)
Payments to Employees	(24,380,861)	(13,838,329)	(30,094,165)	(2,935,841)	(71,249,196)
Loans Issued to Students	(4)	-	(148,668)	-	(148,672)
Collections of Loans to Students	10,671	-	192,879	-	203,550
Sales and Services of Auxiliary Enterprises	6,268,420	3,721,935	7,337,150	-	17,327,505
Other Payments	(462,053)	(1,208,186)	(1,276,600)	-	(2,946,839)
Net Cash Used in Operating Activities	(15,368,963)	(7,655,243)	(19,160,292)	(3,832,053)	(46,016,551)
Cash Flows From Non-capital Financing Activities					
State Appropriations	17,179,001	9,704,951	21,332,564	2,141,240	50,357,756
Receipt of Flex Contributions	-	-	-	289,575	289,575
Payment of Flex Contributions	-	-	-	(292,834)	(292,834)
Direct Lending Receipts	10,825,747	9,166,109	11,435,701	-	31,427,557
Direct Lending Payments	(10,825,747)	(9,166,109)	(11,435,701)	-	(31,427,557)
Other Receipts (Payments)	(151,499)	46,096	(6,724)	34,901	(77,226)
				-	
Net Cash Provided by Non-capital Financing Activities	17,027,502	9,751,047	21,325,840	2,172,882	50,277,271
Cash Flows From Capital and Related Financing Activities					
Proceeds from Capital Debt	-	2,865,000	-	29,202,551	32,067,551
Capital Contributions	288,679	786,314	780,697	-	1,855,690
Purchase of Capital Assets	(698,140)	(9,260,051)	(13,335,388)	-	(23,293,579)
Disposal of Capital Assets	14,079	6,543	-	-	20,622
Principal Paid on Capital Debt	(630,000)	(3,324,410)	(450,000)	(11,905,000)	(16,309,410)
Interest Paid on Capital Debt	(367,823)	(570,899)	(822,132)	(722,729)	(2,483,583)
Bond Issuance Costs	-	(44,103)	-	-	(44,103)
Capital Facilities Fees	-	-	-	2,084,928	2,084,928
Transfers In (Out)	(1,925,031)	934,992	2,138,065	(1,148,026)	-
Other	-	-	-	32,402	32,402
Capital Appropriations	2,216,000	540,376	383,614	1,425,000	4,564,990
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,102,236)	(8,066,238)	(11,305,144)	18,969,126	(1,504,492)
Cash Flows From Investing Activities					
Investment Income	238,952	229,483	738,530	154,258	1,361,223
Net Cash Provided by Investing Activities	238,952	229,483	738,530	154,258	1,361,223
Increase (Decrease) in Cash and Cash Equivalents	795,255	(5,740,951)	(8,401,066)	17,464,213	4,117,451
Cash and Cash Equivalents, Beginning of Year	13,609,429	17,505,543	40,193,900	11,535,616	82,844,488
Cash and Cash Equivalents, End of Year	$ 14,404,684	$ 11,764,592	$ 31,792,834	$ 28,999,829	$ 86,961,939

(Continued)

NEBRASKA STATE COLLEGE SYSTEM
(A COMPONENT UNIT OF THE STATE OF NEBRASKA)
SCHEDULE OF CASH FLOWS
Fiscal Year Ended June 30, 2017

	CSC	PSC	WSC	NSCS Office	Total
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
Cash and Cash Equivalents	$ 6,593,630	$ 5,181,477	$ 19,867,414	$ 2,452,070	$ 34,094,591
Restricted Cash and Cash Equivalents - Current	6,769,430	$ 3,747,574	8,827,662	5,536,859	24,881,525
Restricted Cash and Cash Equivalents - Non-current	1,041,624	2,835,541	3,097,758	21,010,900	27,985,823
Total Cash and Cash Equivalents	$ 14,404,684	$ 11,764,592	$ 31,792,834	$ 28,999,829	$ 86,961,939
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities					
Operating Loss	$ (18,353,272)	$ (9,580,064)	$ (22,373,096)	$ (3,663,204)	$ (53,969,636)
Depreciation Expense	2,374,196	1,761,912	3,262,867	878,149	8,277,124
Changes in Operating Assets and Liabilities:					
Receivables, Net	283,069	255,461	107,962	4,391	650,883
Inventories	(1,661)	3,074	4,669	-	6,082
Accounts Payable and Accrued Liabilities	283,282	(84,103)	29,329	(1,060,368)	(831,860)
Accrued Compensated Absences	4,295	(17,917)	47,625	(25,312)	8,691
Other Assets and Liabilities	41,128	6,394	(239,648)	34,291	(157,835)
Net Cash Used in Operating Activities	$ (15,368,963)	$ (7,655,243)	$ (19,160,292)	$ (3,832,053)	$ (46,016,551)
Supplemental Cash Flows Information					
Accounts Payable Incurred for Capital Asset Purchases	$ 3,145	$ 872,379	$ 1,176,769	$ 492,484	$ 2,544,777

(Concluded)

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

SCHEDULE OF CASH FLOWS

Fiscal Year Ended June 30, 2016

	CSC As Restated	PSC As Restated	WSC As Restated	NSCS Office As Restated	Total
Cash Flows From Operating Activities					
Tuition and Fees	$ 10,355,650	$ 6,766,482	$ 12,249,814	$ -	$ 29,371,946
Grants and Contracts	4,848,701	3,820,326	6,376,175	10,973	15,056,175
Payments to Suppliers	(11,214,684)	(5,646,858)	(12,635,882)	(867,534)	(30,364,958)
Payments for Utilities	(1,436,154)	(863,937)	(1,898,443)	-	(4,198,534)
Payments to Employees	(23,569,008)	(13,576,060)	(29,857,671)	(1,663,739)	(68,666,478)
Loans Issued to Students	(680)	-	(242,885)	-	(243,565)
Collections of Loans to Students	435,398	-	256,015	-	691,413
Sales and Services of Auxiliary Enterprises	6,446,821	3,569,220	8,463,341	-	18,479,382
Other Payments	(640,382)	(1,169,013)	(1,146,391)	(1,216)	(2,957,002)
Net Cash Used in Operating Activities	(14,774,338)	(7,099,840)	(18,435,927)	(2,521,516)	(42,831,621)
Cash Flows From Non-capital Financing Activities					
State Appropriations	17,402,028	9,808,485	21,642,044	1,891,485	50,744,042
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)	(149,492)	15,187	(58,270)	759	(191,816)
Net Cash Provided by Non-capital Financing Activities	17,252,536	9,823,672	21,583,774	1,891,187	50,551,169
Cash Flows From Capital and Related Financing Activities					
Proceeds from Capital Debt	-	8,817,564	15,266,232	-	24,083,796
Capital Contributions	316,338	1,976,043	71,873	-	2,364,254
Purchase of Capital Assets	(2,295,899)	(4,178,326)	(7,575,182)	-	(14,049,407)
Disposal of Capital Assets	3,592	40	-	-	3,632
Principal Paid on Capital Debt	(620,000)	(402,621)	(4,515,000)	(3,385,000)	(8,922,621)
Interest Paid on Capital Debt	(280,290)	(190,344)	(505,350)	(797,584)	(1,773,568)
Bond Issuance Costs	-	(119,214)	(199,662)	-	(318,876)
Capital Facilities Fees	-	-	-	2,058,473	2,058,473
Transfers In (Out)	(710,672)	183,462	4,261,085	(3,733,875)	-
Other	-	-	-	(9,980)	(9,980)
Capital Appropriations	2,216,000	498,354	-	1,425,000	4,139,354
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,370,931)	6,584,958	6,803,996	(4,442,966)	7,575,057
Cash Flows From Investing Activities					
Purchase/Sale of Investments	-	-	(605,000)	-	(605,000)
Investment Income	224,048	127,131	679,193	146,175	1,176,547
Net Cash Provided by Investing Activities	224,048	127,131	74,193	146,175	571,547
Increase (Decrease) in Cash and Cash Equivalents	1,331,315	9,435,921	10,026,036	(4,927,120)	15,866,152
Cash and Cash Equivalents, Beginning of Year	12,278,114	8,069,622	30,167,864	16,462,736	66,978,336
Cash and Cash Equivalents, End of Year	$ 13,609,429	$ 17,505,543	$ 40,193,900	$ 11,535,616	$ 82,844,488

(Continued)

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

SCHEDULE OF CASH FLOWS

Fiscal Year Ended June 30, 2016

	CSC As Restated	PSC As Restated	WSC As Restated	NSCS Office As Restated	Total
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position					
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	3,377,403	9,141,911	5,797,574	25,484,639
Restricted Cash and Cash Equivalents - Non-current	927,248	9,794,803	11,924,302	2,302,872	24,949,225
Total Cash and Cash Equivalents	$ 13,609,429	$ 17,505,543	$ 40,193,900	$ 11,535,616	$ 82,844,488
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities					
Operating Loss	$ (18,303,755)	$ (8,702,409)	$ (20,887,299)	$ (3,537,522)	$ (51,430,985)
Depreciation Expense	2,332,629	1,745,687	3,184,790	878,141	8,141,247
Changes in Operating Assets and Liabilities:					
Receivables, Net	(26,142)	(327,724)	(68,610)	(2,644)	(425,120)
Inventories	(3,335)	(2,507)	13,264	-	7,422
Accounts Payable and Accrued Liabilities	580,290	128,393	(430,409)	97,961	376,235
Accrued Compensated Absences	165,861	12,515	94,943	23,967	297,286
Other Assets and Liabilities	480,114	46,205	(342,606)	18,581	202,294
Net Cash Used in Operating Activities	$ (14,774,338)	$ (7,099,840)	$ (18,435,927)	$ (2,521,516)	$ (42,831,621)
Supplemental Cash Flows Information					
Accounts Payable Incurred for Capital Asset Purchases	$ 1,933	$ 118,304	$ 762,408	$ 1,072,409	$ 1,955,054

(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, 2017 and 2016, and the related notes to the financial statements, which collectively comprise Nebraska State College System's basic financial statements, and have issued our report thereon dated December 11, 2017. 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 assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the NSCS's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency to be a material weakness: Comment Number 2017-001 (Financial Statement Preparation and Errors).

- The NSCS lacked personnel with the required knowledge and expertise to prepare accurate financial statements in accordance with governmental accounting standards. Additionally, the NSCS control environment was not conducive to fair and complete financial reporting as there were no review procedures in place to ensure accurate financial statements were prepared in accordance with the required governmental accounting standards. In general, one individual at each campus was responsible for preparing the financial statements, with no other review procedures in place to ensure accuracy and consistency among campuses.

  As a result of this lack of expertise and control procedures, the NSCS submitted draft financial statements that were materially misstated and required numerous adjustments and revisions. The excessive number of financial statement errors led one campus to contract with two separate outside CPAs for assistance, resulting in a complete revision of the financials, significant timing delays, and $22,500 in payments made for such assistance. In the end, the inadequate NSCS control environment caused adjustments to 74 of the 96 financial statement line items – for an overall error rate of 77% of the available line items. The financial line item changes ranged from $60 to $19,714,900. The table below summarizes the errors by campus and by financial statement for fiscal year ended June 30, 2017.

Financial Statement	**Statement of Net Position**	**Statement of Changes**	**Cash Flows Statement**	**Totals**
Available Line Items	32	27	37	**96**
Peru State College (PSC) Lines Revised	16	20	28	**64**
PSC Error Rate	50%	74%	76%	**67%**
Wayne State College (WSC) Lines Revised	11	14	20	**45**
WSC Error Rate	34%	52%	54%	**47%**
System Office (SO) Lines Revised	5	9	15	**29**
SO Error Rate	16%	33%	41%	**30%**
Chadron State College (CSC) Lines Revised	2	8	17	**27**
CSC Error Rate	6%	30%	46%	**28%**
NSCS Total Lines Revised	**19**	**23**	**32**	**74**
NSCS Total Error Rate	**59%**	**85%**	**86%**	**77%**

It is important to note that the number of errors illustrated in the above table does not account for instances in which the same financial statement line item was revised numerous times. Such instances occurred frequently. As an example of one such instance, the following table illustrates the hours spent corresponding with Peru State College (PSC) on multiple occasions regarding a one-sided credit-only entry that was found in PSC's financial statements.

Date	Description
9/25/2017	The APA questioned a manual adjusting entry made to the financial statements that appeared to be a one-sided credit-only entry, which should have caused the financial statements to be out of balance.
9/26/2017	The APA met with PSC staff to discuss the question. Some additional documentation was provided; however, the question could not be adequately addressed.
9/27/2017	According to PSC, removal of this entry would prevent the financials from balancing. The APA responded by asking why the financials did not balance. The APA met with PSC staff again and discussed the need to determine why the financials did not balance.
10/3/2017	The APA met with SO staff and discussed PSC's financials, which did not balance. It was determined that PSC would revise its financials with the assistance of an outside CPA firm.
10/17/2017	The APA received completely revised and reformatted financial statements from PSC with the assistance of an outside CPA firm. The same manual entry was still included, now with a debit directly to the beginning fund balance.
10/25/2017	The APA again questioned why the same manual entry was being made. PSC responded that the amount was not included in tuition revenue in the accounting system but should be. The APA requested the specific account codes used to verify that the amount was not included in tuition revenue in the accounting system. PSC provided account codes. The APA outlined our understanding of how tuition and fees are processed through the accounting system, which would result in the manually adjusted amount already being included in the account codes noted.
10/26/2017	PSC stated that this instance differed from the normal process because cash was not received.
10/30/2017	The APA agreed that cash was not received but noted an entry had already been made in the accounting system to adjust for that; therefore, the manual entry appeared to duplicate tuition revenue.
11/1/2017	The APA met with PSC staff and PSC agreed to remove the manual entry.
11/2/2017	The APA requested revised financial statements.
11/3/2017	The APA again requested revised financials. PSC responded that the financials did not balance after removing the manual entry, and they could not determine why.
11/3/2017	The APA spent a significant amount of time investigating the balancing error and discovered that PSC had recorded entries in the accounting system for fiscal year ended June 30, 2016, in December 2016 despite that prior fiscal year having been audited and issued already. These entries were not recorded in the prior financial statements and therefore caused a balancing error. PSC sent revised financial statements with the necessary corrections made.

Furthermore, the amounts disclosed in the footnotes, Foundations' financials, and MD&A were found to contain several additional errors. Lastly, the APA noted numerous other errors that were not significant enough to require correction. All material adjustments were subsequently corrected by the NSCS.

A similar finding was noted as a significant deficiency in the prior year.

A good internal control plan requires the NSCS to maintain staff with adequate knowledge and expertise of governmental accounting standards to ensure financial statements are prepared in accordance with such standards. Furthermore, the NSCS should have sufficient review procedures in place to ensure the financials are prepared accurately and consistently among campuses based upon the underlying financial information. The NSCS's lack of such knowledge and procedures increases the risk that material misstatements may occur and remain undetected. More details of the adjusted errors are included in the separately issued management letter dated December 11, 2017.

NSCS's Response: The NSCS will look at ways to improve existing procedures for the financial statement preparation in order to reduce financial statement errors. The NSCS plans to meet as a group to improve consistency and address concerns that arose during the audit, as well as implement 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. Many of the items noted were due to "reclassifications", which moved balances from one line item to another, with no resulting changes in total net assets. The one specific instance noted for PSC was a journal entry of $9,181, which is immaterial to the financial statement. However, we understand that the entries are the responsibility of the NSCS. We will re-examine the closing process to determine how to better capture reclassifications and ensure proper support for the end of year transactions being made at the college level while preparing the financial statements.

APA Response: An audit of the financial statements in accordance with *Government Auditing Standards* requires evaluation of all the financial statement line items. Reclassifications are a major component of whether financial statement line items are materially accurate; therefore, focusing only on net position would have caused material misstatements within the financial statements. Though immaterial, the illustrative example provided was included to show the amount of time spent on, as well as the apparent confusion related to, one entry with multiple errors. In addition, the APA was required to investigate the entry despite its immaterial amount, as it was entirely unsupported and unexplained, yet removal of the entry caused the financial statements to be completely out of balance. The APA would also like to emphasize that this was only one example. There were numerous other errors for more significant dollar amounts that required similar back-and-forth correspondence.

A *significant deficiency* is a deficiency or 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. We consider the following deficiency in the NSCS's internal control to be a significant deficiency: Comment Number 2017-002 (Wayne State College Athletics Department's Control Environment).

- The control environment within the Wayne State College (WSC) Athletics Department (Department) was inadequate. This defect was due primarily to the fact that, despite a significant amount of high-risk cash transactions collected by the Department, virtually no procedures were in place to prevent someone from perpetuating or concealing fraud or irregularities. In particular, the WSC Assistant Athletic Director of Business Management (AADBM) was entirely in control of all cash transactions that flowed through the Department, with little or no review by any other individuals.

  A good internal control plan requires procedures be in place to prevent an individual from concealing fraud or irregularities related to high-risk cash transactions and ensure accuracy of financial reporting over these transactions. However, as a result of the insufficient control environment, numerous errors were noted during the APA's review of the various types of Department revenues. These errors not only give rise to serious concerns about the possibility of theft but also produced evidence – including an actual admission – of altered records, which is a criminal offense. Details of the errors were disclosed in an early management letter dated September 13, 2017, and are also included in the separately issued management letter dated December 11, 2017.

NSCS's Response: Existing procedures have been reviewed and updated to establish a strong control environment within the WSC Athletics Department and include the items noted by the APA. The reporting structure for the athletic business position has moved to the Administration and Finance area. Additional training will be provided in the future, as well as an improved communication structure. Program sales revenue is now deposited with the College rather than the Wayne State Foundation.

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 have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NSCS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 and Responses

We also noted in our separately issued management letter dated December 11, 2017, certain other matters that we reported to management of the NSCS. The NSCS's responses to the findings identified in our audit are described above and in the separately issued management letter. The NSCS's responses were not subjected to the auditing procedures applied in the audit of the financial statements; accordingly, we express no opinion on them.

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

December 11, 2017

Kris Kucera, CPA, CFE
Audit Manager