

Nebraska State Colleges Facilities Corporation
A Component Unit
of the Nebraska State College System
Independent Auditor's Report and Financial Statements

June 30, 2019 and 2018



Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
June 30, 2019 and 2018

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Independent Auditor's Report

Board of Directors
Nebraska State Colleges Facilities Corporation
Lincoln, Nebraska

We have audited the accompanying financial statements of the Nebraska State Colleges Facilities Corporation, a component unit of the Nebraska State College System, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Nebraska State Colleges Facilities Corporation'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 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 Nebraska State Colleges Facilities Corporation as of June 30, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Nebraska State Colleges Facilities Corporation's basic financial statements. The schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BKD, LLP

Lincoln, Nebraska
September 9, 2019

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Management’s Discussion and Analysis
Years Ended June 30, 2019 and 2018

Introduction

The following is an overview of the financial position and changes in net position of the Nebraska State Colleges Facilities Corporation (the Corporation), a component unit of the Nebraska State College System (the System). Management has prepared the following discussion and analysis and it is intended to be read in conjunction with the financial statements and related notes that follow this section.

The Corporation was organized by the Board of Trustees of the System to finance buildings and related improvements. The Corporation is a component unit of the System. The buildings and related improvements financed by the Corporation are not reflected in the accompanying financial statements as they have been transferred to the System and are reported in the System’s financial statements. The bonds issued by the Corporation are secured by a pledge of the System’s fee revenues and legislative appropriations.

The financial statements include the bonded projects for the years ended June 30, 2019 and 2018, for the following:

| Bonds | Financing Objective |
|--|---|
| Building Projects (Series 2014 Bonds) | Rangeland Center Construction at Chadron State College and U.S. Conn Library Renovation at Wayne State College |
| Deferred Maintenance Refunding (Series 2016 Bonds) | Deferred Maintenance Projects – Chadron, Peru and Wayne State Colleges & Refunding of Deferred Maintenance Projects (Series 2006 Bonds) |

Financial Highlights

Revenue sources include state appropriations and designated fee revenues. The State of Nebraska Legislature has reaffirmed the appropriation of funds for its portion of the debt service pertaining to the Deferred Maintenance Refunding of 2016 for the 2019-2021 biennium, which is combined with designated System capital improvement fee revenues for debt service. The Legislature has also reaffirmed the appropriation of funds for the debt service pertaining to the Building Projects of 2014 for the 2019-2021 biennium. During fiscal year 2018-2019, there was a transfer to the System for capital projects in the amount of \$3,061,054, which is due to projects underway from the Deferred Maintenance Refunding 2016 Series issue. During fiscal years 2017-2018 and 2016-2017, transfers to the System for capital projects totaled \$16,100,220 and \$2,211,770, respectively.

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Using the Financial Statements

The financial statements of the Corporation include the statements of net position; the statements of revenues, expenses and changes in net position; and the statements of cash flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The statements are presented on a combined basis to focus on the combined acquisition, construction and related financing activities of the entity as a whole.

The statements of net position include the trustee accounts of the outstanding bond issues. The statements of revenues, expenses and changes in net position depict nonoperating revenues and expenses that provide resources for the purchase, construction and renovation of designated facilities and for debt service. The statements of cash flows show the sources and uses of cash from issuance of bonds, investments, trustee activity and other capital and financing activities.

The Statements

Condensed statements in an all-inclusive format are presented below for the Corporation for the years ended June 30, 2019, 2018 and 2017.

Current assets include certain resources held by the bond trustees, which are restricted by the bond covenants for construction and related retirement of indebtedness accounts. Net position classified as restricted expendable amounts for debt service are \$1,982,080, \$1,802,783, and \$1,210,500, respectively, at June 30, 2019, 2018 and 2017. Decreases in assets, liabilities, and net position from fiscal year 2017 to 2018 reflects the use of bond proceeds for construction costs and the payment of debt principal. The decrease in cash and liabilities and increase in unrestricted net position from fiscal year 2018 to 2019 reflects the use of bond proceeds for construction costs and reduction of bonds payable through scheduled principal payments. The bond reserve account balances for the Series 2014 Bond issue are included in the debt service allocation and meet the individual reserve required by the bond resolution. The Rangeland project related to the Series 2014 Bonds was completed during fiscal year 2016 while the Library project was completed during fiscal year 2017. The deferred maintenance projects related to the Series 2016 Bonds were either completed or nearing the completion stages during fiscal year 2019.

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Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018

Condensed Statements of Net Position

| | 2019 | 2018 | 2017 |
|--------------------------------------|------------------------|------------------------|------------------------|
| Assets | | | |
| Current assets | \$ 2,992,999 | \$ 8,867,487 | \$ 21,421,636 |
| Noncurrent assets | 1,424,687 | 1,435,518 | 1,446,349 |
| Total assets | <u>4,417,686</u> | <u>10,303,005</u> | <u>22,867,985</u> |
| Liabilities | | | |
| Current liabilities | 4,003,713 | 6,931,403 | 3,568,745 |
| Noncurrent liabilities | <u>28,899,317</u> | <u>32,730,834</u> | <u>36,452,351</u> |
| Total liabilities | <u>32,903,030</u> | <u>39,662,237</u> | <u>40,021,096</u> |
| Deferred Inflows of Resources | <u>11,765</u> | <u>23,060</u> | <u>34,355</u> |
| Net Position | | | |
| Restricted for | | | |
| Debt service | 1,982,080 | 1,802,783 | 1,210,500 |
| Unrestricted | <u>(30,479,189)</u> | <u>(31,185,075)</u> | <u>(18,397,966)</u> |
| Total net position | <u>\$ (28,497,109)</u> | <u>\$ (29,382,292)</u> | <u>\$ (17,187,466)</u> |

The condensed statements of revenues, expenses and changes in net position include investment income, revenues designated for debt service, interest expense and other capital related revenues and expenses. The significant transfers to the System for capital projects in fiscal years 2019, 2018 and 2017 are due to expenditures for designated projects under the Series 2014 and Series 2016 Bonds.

Condensed Statements of Revenues, Expenses and Changes in Net Position

| | 2019 | 2018 | 2017 |
|---|------------------------|------------------------|------------------------|
| Nonoperating Revenues (Expenses) | | | |
| State appropriations | \$ 3,341,000 | \$ 3,341,000 | \$ 3,341,000 |
| Capital improvement fees | 1,215,150 | 1,211,775 | 1,212,456 |
| Investment income | 123,374 | 195,957 | 20,349 |
| Interest expense | (716,887) | (830,313) | (894,241) |
| Bond issuance costs | - | - | (339,993) |
| Administrative and other expenses | (16,400) | (13,025) | (16,314) |
| Other revenue | <u>-</u> | <u>-</u> | <u>36</u> |
| Net nonoperating revenues | 3,946,237 | 3,905,394 | 3,323,293 |
| Transfers to the System for Capital Projects | <u>(3,061,054)</u> | <u>(16,100,220)</u> | <u>(2,211,770)</u> |
| Increase (Decrease) in Net Position | 885,183 | (12,194,826) | 1,111,523 |
| Net Position, Beginning of Year | <u>(29,382,292)</u> | <u>(17,187,466)</u> | <u>(18,298,989)</u> |
| Net Position, End of Year | <u>\$ (28,497,109)</u> | <u>\$ (29,382,292)</u> | <u>\$ (17,187,466)</u> |

Nebraska State Colleges Facilities Corporation
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Management's Discussion and Analysis
Years Ended June 30, 2019 and 2018

Long Term Debt Activity

For fiscal years 2019, 2018 and 2017, the Legislature appropriated \$3,341,000 in General funds for bond repayment for the payment of the 2014 and 2016 Bonds.

On August 17, 2016, the Corporation issued \$26,655,000 in Series 2016 Bonds, of which \$19,295,000 was related to new bonds and \$7,360,000 was related to refunding bonds. Settlement of these bonds took place on September 1, 2016. The Series 2006 Bonds were refunded on September 19, 2016. This current refunding reduced total debt service payments by \$854,784 and resulted in an estimated economic gain of \$471,674. Debt service repayment on the Series 2016 Bonds will be through state appropriations and designated fee revenues. The Corporation did not issue bonds during the years ended June 30, 2018 and 2019.

The issuance described above increased Deferred Maintenance Bonds payable by \$16,325,000 in the year ended June 30, 2017. Debt service payments decreased Deferred Maintenance Projects Bonds payable by \$1,420,000 and \$930,000 in the years ended June 30, 2019 and 2018, respectively. Debt service payments decreased Building Project Bonds payable by \$1,795,000, \$1,705,000 and \$1,625,000 in the years ended June 30, 2019, 2018 and 2017, respectively.

Economic Outlook and Subsequent Events That Will Affect the Future

Management believes that the Corporation will continue to realize sufficient resources to cover debt service. The Series 2016 debt service is cumulatively paid 45% from state appropriations and 55% from the dedicated, per credit hour fee paid by all the System's students. For the Series 2014 debt service, repayment comes from 100% state appropriations.

The biennial appropriations bill for the 2019-2020 and 2020-2021 fiscal years (LB297, 2019) includes the state appropriations for both years for the Series 2016 and 2014 bonds and acknowledges the future commitment to the remaining appropriations for the subsequent years through completion of the repayment. The State has also acknowledged commitment of appropriation to continue after the 2014 bonds are paid and authorized the Board to renovate and construct an addition to the Math Science Building at Chadron State College. The Board plans to go out for bonding of the Math Science renovation in the spring of 2020. For the fiscal year ended June 30, 2019, \$2,184,199 was realized from the per credit hour fee at Chadron, Peru and Wayne State Colleges. The first priority for funds from this source is the \$1,200,000 transfer required by the appropriations bill to be used toward the \$2,306,918 annual debt service repayment for the Series 2016 Bonds for fiscal year 2018-2019. In fiscal year 2021, the capital improvement fee contribution transfer for debt service is required to increase from \$1,200,000 to \$1,440,000. In anticipation of this increase, the capital improvement fee rate for fiscal year 2019-2020 will increase by \$0.50 to \$12.00 per credit hour. In fiscal year 2017, 2018, and 2019, the capital improvement fee increased by \$0.50 per credit hour per year. In the six fiscal years previous to fiscal year 2017, the capital improvement fee remained at the same \$10 per credit hour level. Preliminary enrollment figures at the Colleges for Fall 2019 indicate relatively stable enrollments, which should ensure that more than enough resources will be available to meet the debt service commitment for fees.

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Additional Information

For additional information with respect to the management's discussion and analysis or for information concerning the financial statements, please contact:

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Vice Chancellor for Finance and Administration,
1327 H Street, Suite 200
Lincoln, NE 68508 or
cmurphy@nscs.edu.

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Statements of Net Position
June 30, 2019 and 2018

Assets

| | 2019 | 2018 |
|--|--------------|--------------|
| Current Assets | | |
| Restricted cash and cash equivalents | \$ 2,975,458 | \$ 8,850,785 |
| Interest receivable | 5,861 | 5,022 |
| Prepaid expenses | 11,680 | 11,680 |
| Total current assets | 2,992,999 | 8,867,487 |
| Noncurrent Assets | | |
| Restricted cash and cash equivalents | 7,192 | 1,346,000 |
| Investments held by trustee-restricted | 1,338,808 | - |
| Prepaid expenses | 78,687 | 89,518 |
| Total noncurrent assets | 1,424,687 | 1,435,518 |
| Total assets | 4,417,686 | 10,303,005 |

Liabilities and Deferred Inflows of Resources

| | | |
|---|-----------------|-----------------|
| Current Liabilities | | |
| Accounts payable | 266,176 | 3,287,165 |
| Interest payable | 412,537 | 429,238 |
| Bonds payable, current portion | 3,325,000 | 3,215,000 |
| Total current liabilities | 4,003,713 | 6,931,403 |
| Noncurrent Liabilities | | |
| Bond premium, net of accumulated amortization | 2,714,317 | 3,220,834 |
| Bonds payable, net of current portion | 26,185,000 | 29,510,000 |
| Total noncurrent liabilities | 28,899,317 | 32,730,834 |
| Total liabilities | 32,903,030 | 39,662,237 |
| Deferred Inflows of Resources | | |
| Deferred gain on bond refunding | 11,765 | 23,060 |
| Net Position | | |
| Restricted for: | | |
| Debt Service | 1,982,080 | 1,802,783 |
| Unrestricted | (30,479,189) | (31,185,075) |
| Total net position | \$ (28,497,109) | \$ (29,382,292) |

Nebraska State Colleges Facilities Corporation
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Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------------------|-------------------------------|
| Nonoperating Revenues (Expenses) | | |
| State appropriations | \$ 3,341,000 | \$ 3,341,000 |
| Capital improvement fees | 1,215,150 | 1,211,775 |
| Investment income | 123,374 | 195,957 |
| Interest expense | (716,887) | (830,313) |
| Administrative and other expenses | <u>(16,400)</u> | <u>(13,025)</u> |
| Net nonoperating revenues | <u>3,946,237</u> | <u>3,905,394</u> |
| Transfer to the System for Capital Projects | <u>(3,061,054)</u> | <u>(16,100,220)</u> |
| Increase (decrease) in net position | 885,183 | (12,194,826) |
| Net Position, Beginning of Year | <u>(29,382,292)</u> | <u>(17,187,466)</u> |
| Net Position, End of Year | <u><u>\$ (28,497,109)</u></u> | <u><u>\$ (29,382,292)</u></u> |

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|----------------------|
| Capital and Related Financing Activities | | |
| State appropriations | \$ 3,341,000 | \$ 3,341,000 |
| Capital improvement fees | 1,215,150 | 1,211,775 |
| Principal paid on bonds payable | (3,215,000) | (2,635,000) |
| Interest paid on bonds payable | (1,240,569) | (1,349,318) |
| Administrative and other expenses | (16,400) | (13,025) |
| Transfer to the System for capital projects | <u>(6,082,043)</u> | <u>(13,305,539)</u> |
| Net cash used in capital and related financing activities | <u>(5,997,862)</u> | <u>(12,750,107)</u> |
| Investing Activities | | |
| Purchase of investments | (1,320,082) | - |
| Interest received on investments | <u>103,809</u> | <u>198,499</u> |
| Net cash provided by (used in) investing activities | <u>(1,216,273)</u> | <u>198,499</u> |
| Decrease in Cash and Cash Equivalents | <u>(7,214,135)</u> | <u>(12,551,608)</u> |
| Cash and Cash Equivalents, Beginning of Year | <u>10,196,785</u> | <u>22,748,393</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 2,982,650</u> | <u>\$ 10,196,785</u> |
| Supplemental Cash Flows Information | | |
| Accounts payable incurred for System capital projects | \$ 266,176 | \$ 3,287,165 |
| Reconciliation of Cash and Cash Equivalents to the Statements of Net Position | | |
| Restricted cash and cash equivalents | | |
| Current | \$ 2,975,458 | \$ 8,850,785 |
| Noncurrent | <u>7,192</u> | <u>1,346,000</u> |
| Total cash and cash equivalents | <u>\$ 2,982,650</u> | <u>\$ 10,196,785</u> |

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Notes to Financial Statements
June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Nebraska State Colleges Facilities Corporation (the Corporation) is a nonprofit corporation incorporated in 1983 created by the Nebraska State College System (the System) to finance its repair or construction of buildings or the acquisition of equipment for use by the System. The Corporation is a component unit of the System.

Basis of Accounting and Presentation

The financial statements of the Corporation have been prepared on the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities and deferred inflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated nonexchange transactions (principally state appropriations) are recognized when all applicable eligibility requirements are met. Government-mandated nonexchange transactions that are not program specific (state appropriations), investment income and interest on capital asset-related debt are included in nonoperating revenues and expenses.

The financial statements include all accounts cited in the bond resolution issued by the Corporation in conjunction with the Building Projects (Series 2014 Bonds) and the Deferred Maintenance Refunding (Series 2016 Bonds). Assets relating to capital project costs have not been reflected in the accompanying financial statements as these assets have been transferred to the System and are reported in the System's financial statements.

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, 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.

Restricted Cash Equivalents

The Corporation considers all liquid investments with original maturities of three months or less to be cash equivalents. These funds are held by the bond trustee in money market accounts with brokers and pooled funds invested by the Nebraska State Investment Officer. Cash equivalents are restricted for debt service and project construction.

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System

Notes to Financial Statements
June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Restricted Cash Equivalents - Continued

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 Corporation based upon average daily balances. From time to time, the Nebraska State Investment Officer, as allowed by statute, participates in securities lending transactions, which may make use of amounts on deposit from the Corporation. Securities lending transactions cannot be specifically identified to amounts on deposit from the Corporation and, as such, are not included in the financial statements for the year ended June 30, 2019.

Investments and Investment Income

All investments are carried at fair value. Fair value is determined using quoted market prices. Investment income consists of dividend and interest income and the net change for the year in the fair value of investments carried at fair value. These funds are held by the bond trustee as fixed rate callable bonds.

Unamortized Bond Premium

The bond premiums incurred on the deferred maintenance and building project bond issues are being amortized over the life of the bonds using the straight-line method. Total amortization for the years ended June 30, 2019 and 2018, was \$506,517 each year.

State Appropriations

State appropriations consist of designated appropriations of funds from the State of Nebraska to pay debt service for the bonds. Total appropriations for the years ended June 30, 2019 and 2018, were \$3,341,000 each year.

Capital Improvement Fees

Capital improvement fees are a per credit hour fee charged to students of Chadron, Peru and Wayne State Colleges (Colleges). The fees are collected by the Colleges and a designated amount is appropriated from the State of Nebraska to pay debt service for the bonds. Funds of \$1,200,000 were appropriated each year from the State of Nebraska for the years ended June 30, 2019 and 2018. In addition, \$15,150 and \$11,775, respectively, was also transferred to pay for administrative expenses of the Corporation for the years ended June 30, 2019 and 2018.

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Notes to Financial Statements
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Note 1: Nature of Operations and Summary of Significant Accounting Policies - Continued

Deferred Outflows of Resources and Deferred Inflows of Resources

A deferred outflow of resources is a consumption of net position by the Corporation that is applicable to a future reporting period and a deferred inflow of resources is an acquisition of net position by the Corporation 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 of resources of the Corporation consist of the unamortized deferred gain on bond refunding. The Corporation has no deferred outflows of resources as of June 30, 2019 and 2018.

Net Position

Net position of the Corporation is classified in two components. Restricted net position consists of noncapital assets that must be used for a particular purpose as specified by creditors external to the Corporation, including amounts deposited with trustees as required by bond indentures, and state legislation, reduced by the outstanding balances of any related borrowings. Unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted. The Corporation first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Income Taxes

As a state institution, the income of the Corporation is generally exempt from federal and state income taxes under Section 115(a) of the Internal Revenue Code and a similar provision of state law. However, the Corporation is subject to federal income tax on any unrelated business taxable income.

Note 2: Deposits and Investments

Deposits

All Corporation deposits are either insured or collateralized. By state statute, the State Treasurer is required to ensure that all state funds are either insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by securities held by the cognizant Federal Reserve Bank or invested in U.S. government obligations. The Corporation'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.

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Notes to Financial Statements
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Note 2: Deposits and Investments - Continued

Investments

All investments of the Corporation are held by the bond trustee or the Nebraska State Treasurer and invested in accordance with the bond resolution. The bond resolution allows investment of bond proceeds 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 (rated in either of the two highest rating categories at the time of purchase); bank repurchase agreements; certificates of deposit or other securities or investments within the State investing guidelines. Management of Corporation funds is delegated to the bond trustee as appointed by the Board.

At June 30, 2019 and 2018, the Corporation's investments with the State Treasurer totaled \$0 and \$6,097,153 respectively. The account with the State Treasurer was expended for construction projects during the fiscal year. At June 30, 2019 and 2018, the Corporation's investments included money market mutual funds totaling \$2,982,650 and \$4,099,632, respectively, held by the bond trustees, which were entirely covered by collateral in the trustee's name. All money market investments are redeemable in full immediately, but are shown as restricted cash and cash equivalents in the statements of net position as they are held for debt service or project construction. All money market mutual funds are valued using amortized cost.

At June 30, 2019, the Corporation had the following investments and maturities:

| | Fair Value | Maturities in Years | | |
|-------------------|--------------|---------------------|--------------|------|
| | | Less than 1 | 1-5 | 6-10 |
| Investment type: | | | | |
| U.S. Agency bonds | \$ 1,338,808 | \$ - | \$ 1,338,808 | \$ - |

The investments are rated as follows by Moody's and S&P:

| Investment | Moody's | S&P |
|---------------------------|---------|------|
| Money market mutual funds | Aaa-mf | AAAm |
| U.S. Agency bonds | Aaa | AA+ |

The Corporation categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The U.S. Agency bonds are classified in Level 1 of the fair value hierarchy and are valued using prices quoted in active markets.

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Notes to Financial Statements
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Note 3: Bonds Payable

The following is a summary of bonds payable transactions for the Corporation for the years ended June 30, 2019 and 2018:

| 2019 | Beginning Balance | Additions | Deductions | Ending Balance | Current Portion |
|---|------------------------------|------------------|-----------------------|---------------------------|----------------------------|
| Bonds payable | \$ 32,725,000 | \$ - | \$ (3,215,000) | \$ 29,510,000 | \$ 3,325,000 |
| Bond premium, net of accumulated amortization | <u>3,220,834</u> | <u>-</u> | <u>(506,517)</u> | <u>2,714,317</u> | <u>-</u> |
| Total bonds payable | <u>\$ 35,945,834</u> | <u>\$ -</u> | <u>\$ (3,721,517)</u> | <u>\$ 32,224,317</u> | <u>\$ 3,325,000</u> |
| 2018 | | | | | |
| Bonds payable | \$ 35,360,000 | \$ - | \$ (2,635,000) | \$ 32,725,000 | \$ 3,215,000 |
| Bond premium, net of accumulated amortization | <u>3,727,351</u> | <u>-</u> | <u>(506,517)</u> | <u>3,220,834</u> | <u>-</u> |
| Total bonds payable | <u>\$ 39,087,351</u> | <u>\$ -</u> | <u>\$ (3,141,517)</u> | <u>\$ 35,945,834</u> | <u>\$ 3,215,000</u> |

The official statements define an event of default as missing principal and/or interest payments on the due date for a period of 60 days after written notice has been given to the Corporation by any registered owner. In the event of such default, the outstanding bonds contain a provision stating that the registered owners of 25% of the aggregate principal amount of the Bonds then outstanding may declare the principal of all bonds then outstanding to be due and payable immediately.

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Notes to Financial Statements
June 30, 2019 and 2018

Note 3: Bonds Payable - Continued

Building Projects Bonds Payable

On January 3, 2014, the Corporation issued \$13,460,000 of Series 2014 Bonds. The bonds bear interest, payable semiannually, at rates of 2.00% to 5.00%. Principal maturities, due in annual installments, began June 15, 2015, and continue until June 15, 2021. Proceeds from the issuance of these bonds were used to help build a portion of the Rangeland Center at Chadron State College and were also used to help renovate the U.S. Conn Library at Wayne State College. The bonds are not obligations of the State of Nebraska, and no tax shall ever be levied to raise the funds for the principal payment thereof or the interest or premium thereon. The bonds do not constitute debt of the Board of Trustees of the Nebraska State Colleges, but shall be payable solely out of moneys derived from legislative appropriations. The bonds are not subject to redemption prior to maturity.

Deferred Maintenance Refunding Bonds Payable

In June 2016, the Corporation authorized the issuance of Deferred Maintenance Refunding Bonds Series 2016. 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 Chadron State College, the renovation of the Theatre/Event Center at Peru State College and the construction of applied technology programmatic space at Wayne State College.

On August 17, 2016, the Corporation issued \$26,655,000 in Series 2016 Bonds, of which \$19,295,000 was related to new bonds and \$7,360,000 was related to refunding bonds. Settlement of these bonds took place on September 1, 2016. The Series 2006 Bonds were refunded on September 19, 2016. This current refunding reduced total debt service payments over the remaining 3 years by \$854,784, and resulted in an 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.

The bonds bear interest, payable semiannually, at rates of 2.00% to 5.00%. Principal maturities, due in annual installments, began July 15, 2017, and continue until July 15, 2030. The bonds are not obligations of the State of Nebraska, and no tax shall ever be levied to raise the funds for the principal payment thereof or the interest or premium thereon. The bonds do not constitute debt of the Board of Trustees of the Nebraska State Colleges, but shall be payable solely out of moneys derived from legislative appropriations. Bonds maturing on or after July 15, 2027, are able to be redeemed, in part or in whole, on or after July 15, 2026.

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Notes to Financial Statements
June 30, 2019 and 2018

Note 3: Bonds Payable - Continued

Debt Service Requirements

The debt service requirements as of June 30, 2019, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---------------------------------|----------------------|---------------------|----------------------|
| 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 | 1,880,000 | 656,018 | 2,536,018 |
| 2024 | 1,935,000 | 598,793 | 2,533,793 |
| 2025 - 2029 | 10,825,000 | 1,767,515 | 12,592,515 |
| 2030 - 2031 | 4,955,000 | 116,803 | 5,071,803 |
| | <u>\$ 29,510,000</u> | <u>\$ 5,967,108</u> | <u>\$ 35,477,108</u> |

Supplementary Information

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Schedule of Project Authorization, Accumulated Costs and Unexpended Authorization
June 30, 2019

| Projects authorized | Authorization | Accumulated Costs | | | Unexpended Authorization June 30, 2019 |
|--|----------------------|--------------------------|---|----------------------|---|
| | | Prior Years | Year Ended June 30, 2019 | Total | |
| Building Projects (2014): | | | | | |
| CSC Rangeland | \$ 3,696,470 | \$ 3,696,470 | \$ - | \$ 3,696,470 | \$ - |
| WSC Library | <u>12,000,000</u> | <u>12,000,000</u> | <u>-</u> | <u>12,000,000</u> | <u>-</u> |
| Total Building Projects (2014) | <u>\$ 15,696,470</u> | <u>\$ 15,696,470</u> | <u>\$ -</u> | <u>\$ 15,696,470</u> | <u>\$ -</u> |
| Deferred Maintenance Refunding (2016): | | | | | |
| CSC Stadium | \$ 6,435,610 | \$ 5,234,695 | \$ 971,071 | \$ 6,205,766 | \$ 229,844 |
| PSC Theatre/Event Center | 6,138,234 | 4,048,251 | 2,089,983 | 6,138,234 | - |
| WSC Applied Technology | <u>8,931,000</u> | <u>8,931,000</u> | <u>-</u> | <u>8,931,000</u> | <u>-</u> |
| Total Deferred Maintenance Refunding (2016) | <u>\$ 21,504,844</u> | <u>\$ 18,213,946</u> | <u>\$ 3,061,054</u> | <u>\$ 21,275,000</u> | <u>\$ 229,844</u> |

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Statement of Revenues, Expenses and Changes in Net Position by Account
Building Projects (Series 2014 Bonds)
Year Ended June 30, 2019
(With Comparative Totals for 2018)

| | 2019 | | | | | | 2019 | Total 2018 |
|--|--------------------------------------|------------------------------------|--------------------------------|----------------------------|------------------------------------|--|---------------------|---------------------|
| | Rangeland Construction Account | Library Construction Account | Cost of Issuance Account | Retirement of Indebtedness | | | | |
| | | | | Debt Service Account | Debt Service Reserve Account | Total Retirement of Indebtedness | | |
| Nonoperating Revenues (Expenses): | | | | | | | | |
| State appropriations | \$ - | \$ - | \$ - | \$ 2,216,000 | \$ - | \$ 2,216,000 | \$ 2,216,000 | \$ 2,216,000 |
| Capital improvement fee | - | - | - | 1,250 | - | 1,250 | 1,250 | 1,250 |
| Investment income | - | - | - | 21,583 | 36,656 | 58,239 | 58,239 | 17,211 |
| Interest expense | - | - | - | (101,053) | - | (101,053) | (101,053) | (186,487) |
| Administrative and other expenses | - | - | - | (1,250) | - | (1,250) | (1,250) | (1,250) |
| Total net nonoperating revenues | - | - | - | 2,136,530 | 36,656 | 2,173,186 | 2,173,186 | 2,046,724 |
| Transfers: | | | | | | | | |
| Transfers to the System for capital projects | - | - | - | - | - | - | - | - |
| Change in net position before interfund transfers | - | - | - | 2,136,530 | 36,656 | 2,173,186 | 2,173,186 | 2,046,724 |
| Interfund Transfers in (out), Net | - | - | - | 37,657 | (37,657) | - | - | - |
| Change in net position | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,174,187</u> | <u>\$ (1,001)</u> | <u>\$ 2,173,186</u> | <u>\$ 2,173,186</u> | <u>\$ 2,046,724</u> |

Note: Additional administrative and other expenses of \$13,900 and \$10,525 in fiscal years 2019 and 2018, respectively, were paid directly by the Nebraska State College System from the capital improvement fund, not transferred to the bond trustee accounts.

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Schedule of Principal and Interest Payments
Building Projects (Series 2014 Bonds)
June 30, 2019

| Fiscal Year | Due Dates | Principal Due | Interest Rate | Interest Due | Fiscal Year Debt Service |
|--------------------|------------------|----------------------|----------------------|---------------------|---------------------------------|
| 2020 | December 15 | \$ - | | \$ 130,125 | \$ - |
| | June 15 | 1,880,000 | 5.000 % | 130,125 | 2,140,250 |
| 2021 | December 15 | - | | 83,125 | - |
| | June 15 | <u>3,325,000</u> | 5.000 | <u>83,125</u> | <u>3,491,250</u> |
| | | <u>\$ 5,205,000</u> | | <u>\$ 426,500</u> | <u>\$ 5,631,500</u> |

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Statement of Revenues, Expenses and Changes in Net Position by Account
Deferred Maintenance Refunding (Series 2016 Bonds)
Year Ended June 30, 2019
(With Comparative Totals for 2018)

| | 2019 | | | | | | | | 2019 | Total 2018 |
|--|--|---|---|--------------------|-------------------------------------|----------------------------|------------------------------------|--|-----------------------|------------------------|
| | Stadium Renov Construction Account | Theatre/ Event Cntr Construction Account | Applied Tech Construction Account | General Account | Construction Interest Account | Retirement of Indebtedness | | | | |
| | | | | | | Debt Service Account | Debt Service Reserve Account | Total Retirement of Indebtedness | | |
| Nonoperating Revenues (Expenses): | | | | | | | | | | |
| State appropriations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,125,000 | \$ - | \$ 1,125,000 | \$ 1,125,000 | \$ 1,125,000 |
| Capital improvement fee | - | - | - | - | - | 1,200,000 | - | 1,200,000 | 1,200,000 | 1,200,000 |
| Investment income | 1,946 | 3,925 | 347 | 1,479 | 37,669 | 19,769 | - | 19,769 | 65,135 | 178,746 |
| Interest expense | - | - | - | - | - | (615,834) | - | (615,834) | (615,834) | (643,826) |
| Administrative and other expenses | - | - | - | - | - | (1,250) | - | (1,250) | (1,250) | (1,250) |
| Total net nonoperating revenues | 1,946 | 3,925 | 347 | 1,479 | 37,669 | 1,727,685 | - | 1,727,685 | 1,773,051 | 1,858,670 |
| Transfers: | | | | | | | | | | |
| Transfers to the System for capital projects | (971,071) | (2,089,983) | - | - | - | - | - | - | (3,061,054) | (16,100,220) |
| Change in net position before interfund transfers | (969,125) | (2,086,058) | 347 | 1,479 | 37,669 | 1,727,685 | - | 1,727,685 | (1,288,003) | (14,241,550) |
| Interfund Transfers in (out), Net | 214,564 | - | - | - | (214,564) | - | - | - | - | - |
| Change in net position | <u>\$ (754,561)</u> | <u>\$ (2,086,058)</u> | <u>\$ 347</u> | <u>\$ 1,479</u> | <u>\$ (176,895)</u> | <u>\$ 1,727,685</u> | <u>\$ -</u> | <u>\$ 1,727,685</u> | <u>\$ (1,288,003)</u> | <u>\$ (14,241,550)</u> |

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Schedule of Principal and Interest Payments
Deferred Maintenance Refunding (Series 2016 Bonds)
June 30, 2019

| Fiscal Year | Due Dates | Principal Due | Interest Rate | Interest Due | Fiscal Year Debt Service |
|-------------|------------|----------------------|---------------|---------------------|--------------------------|
| 2020 | July 15 | \$ 1,445,000 | 2.000 % | \$ 438,184 | \$ 2,306,918 |
| | January 15 | - | | 423,734 | - |
| 2021 | July 15 | 1,475,000 | 5.000 | 423,734 | 2,285,593 |
| | January 15 | - | | 386,859 | - |
| 2022 | July 15 | 1,790,000 | 5.000 | 386,859 | 2,518,968 |
| | January 15 | - | | 342,109 | - |
| 2023 | July 15 | 1,880,000 | 3.000 | 342,109 | 2,536,018 |
| | January 15 | - | | 313,909 | - |
| 2024 | July 15 | 1,935,000 | 3.000 | 313,909 | 2,533,793 |
| | January 15 | - | | 284,884 | - |
| 2025 | July 15 | 1,995,000 | 3.000 | 284,884 | 2,534,843 |
| | January 15 | - | | 254,959 | - |
| 2026 | July 15 | 2,055,000 | 5.000 | 254,959 | 2,513,543 |
| | January 15 | - | | 203,584 | - |
| 2027 | July 15 | 2,155,000 | 5.000 | 203,584 | 2,508,293 |
| | January 15 | - | | 149,709 | - |
| 2028 | July 15 | 2,265,000 | 4.000 | 149,709 | 2,519,118 |
| | January 15 | - | | 104,409 | - |
| 2029 | July 15 | 2,355,000 | 4.000 | 104,409 | 2,516,718 |
| | January 15 | - | | 57,309 | - |
| 2030 | July 15 | 2,450,000 | 2.250 | 57,309 | 2,537,056 |
| | January 15 | - | | 29,747 | - |
| 2031 | July 15 | <u>2,505,000</u> | 2.375 | <u>29,747</u> | <u>2,534,747</u> |
| | | <u>\$ 24,305,000</u> | | <u>\$ 5,540,608</u> | <u>\$ 29,845,608</u> |