

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

June 30, 2020 and 2019

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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
August 20, 2020

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Management’s Discussion and Analysis
Years Ended June 30, 2020 and 2019

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, 2020 and 2019, 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)
CSC Math Science Project (Series 2020 Bonds)	Math Science Construction Project at Chadron State College

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 expressed its intent to continue the same appropriation of funds for the debt service pertaining to the Building Projects of 2014 for the 2019-2021 biennium and extended the appropriations to allow for the issuance and funding of the new 2020 Series bonds. During fiscal year 2019-2020, there was a transfer to the System for capital projects in the amount of \$824,269, which is due to the wrap up of projects from the Deferred Maintenance Refunding 2016 Series issue and the start of the CSC Math Science Project. During fiscal years 2018-2019 and 2017-2018, transfers to the System for capital projects totaled \$3,061,054 and \$16,100,220, respectively.

Nebraska State Colleges Facilities Corporation
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Management's Discussion and Analysis
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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, 2020, 2019 and 2018.

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 \$3,446,568, \$1,982,080, and \$1,802,783, respectively, at June 30, 2020, 2019 and 2018. Increases in assets, liabilities, and net position for fiscal year 2020 reflects the issuance of Series 2020 Bonds net of the use of bond proceeds for construction costs and the payment of principal. Decreases in assets, liabilities, and net position from fiscal year 2018 to 2019 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 also 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 deferred maintenance projects related to the Series 2016 Bonds were either completed or nearing the completion stages during fiscal year 2019, and fully completed during 2020. The Series 2020 Bond issue was completed in May 2020, while the Chadron State College Math Science Project was in the early construction phase during fiscal year 2020.

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Management's Discussion and Analysis
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Condensed Statements of Net Position

	2020	2019	2018
Assets			
Current assets	\$ 30,147,037	\$ 2,992,999	\$ 8,867,487
Noncurrent assets	67,857	1,424,687	1,435,518
Total assets	<u>30,214,894</u>	<u>4,417,686</u>	<u>10,303,005</u>
Liabilities			
Current liabilities	5,796,884	4,003,713	6,931,403
Noncurrent liabilities	<u>50,047,998</u>	<u>28,899,317</u>	<u>32,730,834</u>
Total liabilities	<u>55,844,882</u>	<u>32,903,030</u>	<u>39,662,237</u>
Deferred Inflows of Resources	<u>471</u>	<u>11,765</u>	<u>23,060</u>
Net Position			
Restricted for			
Debt service	3,446,568	1,982,080	1,802,783
Unrestricted	<u>(29,077,027)</u>	<u>(30,479,189)</u>	<u>(31,185,075)</u>
Total net position	<u>\$ (25,630,459)</u>	<u>\$ (28,497,109)</u>	<u>\$ (29,382,292)</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 transfers to the System for capital projects in fiscal years 2020, 2019 and 2018 are due to expenditures for designated projects under the Series 2014, Series 2016, and Series 2020 Bonds.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	2018
Nonoperating Revenues (Expenses)			
State appropriations	\$ 3,341,000	\$ 3,341,000	\$ 3,341,000
Capital improvement fees	1,217,250	1,215,150	1,211,775
Investment income	51,124	123,374	195,957
Interest expense	(618,793)	(716,887)	(830,313)
Bond issuance costs	(280,912)	-	-
Administrative and other expenses	<u>(18,750)</u>	<u>(16,400)</u>	<u>(13,025)</u>
Net nonoperating revenues	3,690,919	3,946,237	3,905,394
Transfers to the System for Capital Projects	<u>(824,269)</u>	<u>(3,061,054)</u>	<u>(16,100,220)</u>
Increase (Decrease) in Net Position	2,866,650	885,183	(12,194,826)
Net Position, Beginning of Year	<u>(28,497,109)</u>	<u>(29,382,292)</u>	<u>(17,187,466)</u>
Net Position, End of Year	<u>\$ (25,630,459)</u>	<u>\$ (28,497,109)</u>	<u>\$ (29,382,292)</u>

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Management's Discussion and Analysis
Years Ended June 30, 2020 and 2019

Long Term Debt Activity

For fiscal years 2020, 2019, and 2018, the Legislature appropriated \$3,341,000 in General funds for bond repayment for the payment of the 2014 and 2016 Bonds.

On May 13, 2020, the Corporation issued Math Science Project Bonds, Series 2020 to finance the renovation of the Math Science building at Chadron State College. Bond proceeds from this issuance totaled \$26,480,186.

The issuance described above increased bonds payable by \$23,465,000 in the year ended June 30, 2020. Debt service payments decreased Deferred Maintenance Projects Bonds payable by \$1,445,000, \$1,420,000 and \$930,000 in the years ended June 30, 2020, 2019 and 2018, respectively. Debt service payments decreased Building Project Bonds payable by \$1,880,000, \$1,795,000 and \$1,705,000 in the years ended June 30, 2020, 2019 and 2018, 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 48% from state appropriations and 52% from the dedicated, per credit hour fee paid by all of the System's students. For the Series 2014 debt service, repayment comes from 100% state appropriations, which will continue for the repayment of the Series 2020 debt service.

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. For the fiscal year ended June 30, 2020, \$2,347,397 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 \$1,440,000 transfer required by the appropriations bill to be used toward the \$2,285,593 annual debt service repayment for the Series 2016 Bonds for fiscal year 2020-2021. 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. The Capital Improvement Fee rate for fiscal year 2020-2021 remains at the same level as in the previous year. In fiscal year 2017, 2018, 2019 and 2020, the capital improvement fee increased by \$0.50 per credit hour per year, to incrementally get to \$12 per credit hour. 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 2020 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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For the upcoming fiscal year, the Corporation does not foresee a significant impact from the COVID-19 pandemic. The revenue sources are expected to stay fairly stable, as the State appropriations have already been appropriated for fiscal year 2020-2021 and the Capital Improvement Fee is charged on all classes, whether on-campus or online. Also, there is no anticipated impact on construction as a general contractor is already in place and there is good interest from subcontractors. In addition, the architect and general contractor will work to minimize material sourcing issues.

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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Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Statements of Net Position
June 30, 2020 and 2019

Assets

	2020	2019
Current Assets		
Restricted cash and cash equivalents	\$ 30,135,119	\$ 2,975,458
Interest receivable	239	5,861
Prepaid expenses	11,679	11,680
Total current assets	30,147,037	2,992,999
Noncurrent Assets		
Restricted cash and cash equivalents	-	7,192
Investments held by trustee-restricted	-	1,338,808
Prepaid expenses	67,857	78,687
Total noncurrent assets	67,857	1,424,687
Total assets	30,214,894	4,417,686

Liabilities and Deferred Inflows of Resources

Current Liabilities		
Accounts payable	555,755	266,176
Interest payable	441,129	412,537
Bonds payable, current portion	4,800,000	3,325,000
Total current liabilities	5,796,884	4,003,713
Noncurrent Liabilities		
Bond premium, net of accumulated amortization	5,197,998	2,714,317
Bonds payable, net of current portion	44,850,000	26,185,000
Total noncurrent liabilities	50,047,998	28,899,317
Total liabilities	55,844,882	32,903,030
Deferred Inflows of Resources		
Deferred gain on bond refunding	471	11,765
Net Position		
Restricted for:		
Debt Service	3,446,568	1,982,080
Unrestricted	(29,077,027)	(30,479,189)
Total net position	\$ (25,630,459)	\$ (28,497,109)

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Nonoperating Revenues (Expenses)		
State appropriations	\$ 3,341,000	\$ 3,341,000
Capital improvement fees	1,217,250	1,215,150
Investment income	51,124	123,374
Bond issuance costs	(280,912)	-
Interest expense	(618,793)	(716,887)
Administrative and other expenses	<u>(18,750)</u>	<u>(16,400)</u>
Net nonoperating revenues	<u>3,690,919</u>	<u>3,946,237</u>
Transfer to the System for Capital Projects	<u>(824,269)</u>	<u>(3,061,054)</u>
Increase in net position	2,866,650	885,183
Net Position, Beginning of Year	<u>(28,497,109)</u>	<u>(29,382,292)</u>
Net Position, End of Year	<u><u>\$ (25,630,459)</u></u>	<u><u>\$ (28,497,109)</u></u>

Nebraska State Colleges Facilities Corporation
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Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Capital and Related Financing Activities		
State appropriations	\$ 3,341,000	\$ 3,341,000
Capital improvement fees	1,217,250	1,215,150
Proceeds from bond issuance	26,480,186	-
Principal paid on bonds payable	(3,325,000)	(3,215,000)
Interest paid on bonds payable	(1,122,169)	(1,240,569)
Administrative and other expenses	(18,750)	(16,400)
Bond issuance costs	(268,412)	-
Transfer to the System for capital projects	(547,190)	(6,082,043)
	<hr/>	<hr/>
Net cash provided by (used in) capital and related financing activities	25,756,915	(5,997,862)
	<hr/>	<hr/>
Investing Activities		
Purchase of investments	-	(1,320,082)
Sale of investments	1,350,000	-
Interest received on investments	45,554	103,809
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	1,395,554	(1,216,273)
	<hr/>	<hr/>
Change in Cash and Cash Equivalents	27,152,469	(7,214,135)
	<hr/>	<hr/>
Cash and Cash Equivalents, Beginning of Year	2,982,650	10,196,785
	<hr/>	<hr/>
Cash and Cash Equivalents, End of Year	<u>\$ 30,135,119</u>	<u>\$ 2,982,650</u>
	<hr/>	<hr/>
Supplemental Cash Flows Information		
Accounts payable incurred for System capital projects	\$ 543,255	\$ 266,176
	<hr/>	<hr/>
Reconciliation of Cash and Cash Equivalents to the Statements of Net Position		
Restricted cash and cash equivalents		
Current	\$ 30,135,119	\$ 2,975,458
Noncurrent	-	7,192
	<hr/>	<hr/>
Total cash and cash equivalents	<u>\$ 30,135,119</u>	<u>\$ 2,982,650</u>
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Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Notes to Financial Statements
June 30, 2020 and 2019

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), the Deferred Maintenance Refunding (Series 2016 Bonds), and the Math Science Project (Series 2020 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. 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, 2020 and 2019

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

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 are being amortized over the life of the bonds using the straight-line method. Total amortization for the years ended June 30, 2020 and 2019, was \$531,505 and \$506,517 respectively.

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, 2020 and 2019, 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, 2020 and 2019. In addition, \$17,250 and \$15,150, respectively, was also transferred to pay for administrative expenses of the Corporation for the years ended June 30, 2020 and 2019.

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, 2020 and 2019.

Nebraska State Colleges Facilities Corporation
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Notes to Financial Statements
June 30, 2020 and 2019

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

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: 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, 2020 and 2019, the Corporation's investments included money market mutual funds totaling \$30,135,119 and \$2,982,650 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.

Nebraska State Colleges Facilities Corporation
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Notes to Financial Statements
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Note 2: Investments - Continued

The investments at June 30, 2020 are rated as follows by Moody's and S&P:

Investment	Moody's	S&P
Money market mutual funds	Aaa-mf	AAAm

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 at June 30, 2019 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
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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, 2020 and 2019:

2020	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds payable	\$ 29,510,000	\$ 23,465,000	\$ (3,325,000)	\$ 49,650,000	\$ 4,800,000
Bond premium, net of accumulated amortization	<u>2,714,317</u>	<u>3,015,186</u>	<u>(531,505)</u>	<u>5,197,998</u>	<u>-</u>
Total bonds payable	<u>\$ 32,224,317</u>	<u>\$ 26,480,186</u>	<u>\$ (3,856,505)</u>	<u>\$ 54,847,998</u>	<u>\$ 4,800,000</u>
2019					
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>

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.

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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, 2020 and 2019

Note 3: Bonds Payable - Continued

Math Science Project Bonds Payable

In May 2020, the Corporation issued \$23,465,000 of Series 2020 Bonds. The bonds bear interest, payable semiannually, at rates of 3.00% to 5.00%. Principal maturities, due in annual installments, begin June 15, 2022, and continue until June 15, 2035. Proceeds from the issuance of these bonds will be used to renovate the Math Science Building at Chadron 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 the first two interest payments will be paid with funds from Chadron State College and the remaining debt payments shall be payable solely out of moneys derived from legislative appropriations. The bonds are not subject to redemption prior to maturity.

Debt Service Requirements

The debt service requirements as of June 30, 2020, are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 4,800,000	\$ 2,007,694	\$ 6,807,694
2022	3,055,000	1,675,668	4,730,668
2023	3,195,000	1,552,118	4,747,118
2024	3,305,000	1,442,293	4,747,293
2025	3,420,000	1,328,543	4,748,543
2026 - 2030	19,345,000	4,307,628	23,652,628
2031 - 2035	12,530,000	1,071,647	13,601,647
	<u>\$ 49,650,000</u>	<u>\$ 13,385,591</u>	<u>\$ 63,035,591</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, 2020

Projects authorized	Authorization	Accumulated Costs			Unexpended Authorization June 30, 2020
		Prior Years	Year Ended June 30, 2020	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	\$ 6,437,518	\$ 6,205,766	\$ 231,752	\$ 6,437,518	\$ -
PSC Theatre/Event Center	6,138,234	6,138,234	-	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>\$ 21,506,752</u>	<u>\$ 21,275,000</u>	<u>\$ 231,752</u>	<u>\$ 21,506,752</u>	<u>\$ -</u>
Math Science Project (2020):					
CSC Math Science	<u>\$ 26,197,774</u>	<u>\$ -</u>	<u>\$ 592,517</u>	<u>\$ 592,517</u>	<u>25,605,257</u>
Total Math Science Project (2020)	<u>\$ 26,197,774</u>	<u>\$ -</u>	<u>\$ 592,517</u>	<u>\$ 592,517</u>	<u>\$25,605,257</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, 2020
(With Comparative Totals for 2019)

	2020						2020	Total 2019
	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	-	-	-	9,167	30,248	39,415	39,415	58,239
Interest expense	-	-	-	(11,129)	-	(11,129)	(11,129)	(101,053)
Administrative and other expenses	-	-	-	(1,250)	-	(1,250)	(1,250)	(1,250)
Total net nonoperating revenues	-	-	-	2,214,038	30,248	2,244,286	2,244,286	2,173,186
Transfers:								
Transfers to the System for capital projects	-	-	-	-	-	-	-	-
Change in net position before interfund transfers	-	-	-	2,214,038	30,248	2,244,286	2,244,286	2,173,186
Interfund Transfers in (out), Net	-	-	-	30,476	(30,476)	-	-	-
Change in net position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,244,514</u>	<u>\$ (228)</u>	<u>\$ 2,244,286</u>	<u>\$ 2,244,286</u>	<u>\$ 2,173,186</u>

Note: Additional administrative and other expenses of \$14,750 and \$13,900 in fiscal years 2020 and 2019, 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, 2020

Fiscal Year	Due Dates	Principal Due	Interest Rate	Interest Due	Fiscal Year Debt Service
2021	December 15	\$ -	5.000 %	\$ 83,125	\$ -
	June 15	<u>3,325,000</u>		<u>83,125</u>	<u>3,491,250</u>
		<u><u>\$ 3,325,000</u></u>		<u><u>\$ 166,250</u></u>	<u><u>\$ 3,491,250</u></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, 2020
(With Comparative Totals for 2019)

	2020								2020	Total 2019
	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	-	-	-	-	-	1,201,250	-	1,201,250	1,201,250	1,200,000
Investment income	1,009	899	-	839	-	8,619	-	8,619	11,366	65,135
Interest expense	-	-	-	-	-	(586,955)	-	(586,955)	(586,955)	(615,834)
Administrative and other expenses	-	-	-	-	-	(1,250)	-	(1,250)	(1,250)	(1,250)
Total net nonoperating revenues	1,009	899	-	839	-	1,746,664	-	1,746,664	1,749,411	1,773,051
Transfers:										
Transfers to the System for capital projects	(231,752)	-	-	-	-	-	-	-	(231,752)	(3,061,054)
Change in net position before interfund transfers	(230,743)	899	-	839	-	1,746,664	-	1,746,664	1,517,659	(1,288,003)
Interfund Transfers in (out), Net	11,597	(8,030)	(3,567)	-	-	-	-	-	-	-
Change in net position	<u>\$ (219,146)</u>	<u>\$ (7,131)</u>	<u>\$ (3,567)</u>	<u>\$ 839</u>	<u>\$ -</u>	<u>\$ 1,746,664</u>	<u>\$ -</u>	<u>\$ 1,746,664</u>	<u>\$ 1,517,659</u>	<u>\$ (1,288,003)</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, 2020

Fiscal Year	Due Dates	Principal Due	Interest Rate	Interest Due	Fiscal Year Debt Service
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>\$ 22,860,000</u>		<u>\$ 4,678,690</u>	<u>\$ 27,538,690</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
Math Science Project (Series 2020 Bonds)
Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020						Total 2020	Total 2019
	Math Science 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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Capital improvement fee	-	-	-	-	-	-	-	
Investment income	343	-	-	-	-	343	-	
Bond issuance cost	-	(280,912)	-	-	-	(280,912)	-	
Interest expense	-	(20,709)	-	-	-	(20,709)	-	
Administrative and other expenses	-	(1,500)	-	-	-	(1,500)	-	
Total net nonoperating revenues	343	(303,121)	-	-	-	(302,778)	-	
Transfers:								
Transfers to the System for capital projects	(592,517)	-	-	-	-	(592,517)	-	
Change in net position before interfund transfers	(592,174)	(303,121)	-	-	-	(895,295)	-	
Interfund Transfers in (out), Net	-	-	-	-	-	-	-	
Change in net position	<u>\$ (592,174)</u>	<u>\$ (303,121)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (895,295)</u>	<u>\$ -</u>	

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Schedule of Principal and Interest Payments
Math Science Project (Series 2020 Bonds)
June 30, 2020

Fiscal Year	Due Dates	Principal Due	Interest Rate	Interest Due	Fiscal Year Debt Service
2021	December 15	\$ -		\$ 557,501	\$ -
	June 15	-	4.000 %	473,350	1,030,851
2022	December 15	-		473,350	-
	June 15	1,265,000	4.000	473,350	2,211,700
2023	December 15	-		448,050	-
	June 15	1,315,000	4.000	448,050	2,211,100
2024	December 15	-		421,750	-
	June 15	1,370,000	4.000	421,750	2,213,500
2025	December 15	-		394,350	-
	June 15	1,425,000	4.000	394,350	2,213,700
2026	December 15	-		365,850	-
	June 15	1,480,000	4.000	365,850	2,211,700
2027	December 15	-		336,250	-
	June 15	1,540,000	4.000	336,250	2,212,500
2028	December 15	-		305,450	-
	June 15	1,600,000	5.000	305,450	2,210,900
2029	December 15	-		265,450	-
	June 15	1,680,000	5.000	265,450	2,210,900
2030	December 15	-		223,450	-
	June 15	1,765,000	5.000	223,450	2,211,900
2031	December 15	-		179,325	-
	June 15	1,855,000	4.000	179,325	2,213,650
2032	December 15	-		142,225	-
	June 15	1,930,000	4.000	142,225	2,214,450
2033	December 15	-		103,625	-
	June 15	2,005,000	4.000	103,625	2,212,250
2034	December 15	-		63,525	-
	June 15	2,085,000	3.000	63,525	2,212,050
2035	December 15	-		32,250	-
	June 15	<u>2,150,000</u>	3.000	<u>32,250</u>	<u>2,214,500</u>
		<u>\$ 23,465,000</u>		<u>\$ 8,540,651</u>	<u>\$ 32,005,651</u>