

Nebraska State Colleges Facilities Corporation

A Component Unit of the Nebraska State College System

Independent Auditor's Report and Financial Statements

June 30, 2023 and 2022

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
June 30, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Nebraska State Colleges Facilities Corporation
Lincoln, Nebraska

Opinion

We have audited the 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, 2023 and 2022, 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.

In our opinion, the accompanying 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, 2023 and 2022, and the changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of the Nebraska State Colleges Facilities Corporation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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 and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nebraska State Colleges Facilities Corporation's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Nebraska State Colleges Facilities Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Nebraska State Colleges Facilities Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

FORVIS, LLP

Lincoln, Nebraska
September 12, 2023

Nebraska State Colleges Facilities Corporation

A Component Unit of the Nebraska State College System

Management's Discussion and Analysis

Years Ended June 30, 2023 and 2022

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, 2023 and 2022, for the following:

Bonds	Financing Objective
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
Facilities Program Refunding (Series 2022A Bonds)	Refunding of Deferred Maintenance Refunding (Series 2016 Bonds)
Facilities Program (Series 2022B Bonds)	Athletic & Recreation Project at Wayne State College and Indoor/Outdoor Athletic Complex at Peru State College

Financial Highlights

Revenue sources include state appropriations and designated fee revenues. The State of Nebraska Legislature has reaffirmed the continuation of the appropriation of funds for the debt service pertaining to funding for the 2020 Series bonds for the 2023-2024 and 2024-2025 biennium. The Legislature has also acknowledged the commitment of the appropriation to continue through 2040 with the continued match from the System and authorized the Board to apply program appropriations for any renewal, replacement, repair, or renovation of any existing facility outlined in Neb. Rev. Stat. § 85-424. The Legislature has also included specific authorization of the

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construction and renovation of the Indoor/Outdoor Recreation Complex at Peru State College and an addition to and renovation of the Wayne State College Rice Auditorium and Kirk Gardner Indoor Athletic Complex (LB1012, 2022). During fiscal year 2022-2023 and 2021-2022, there was a transfer to the System for capital projects in the amount of \$4,887,339 and \$13,457,706, respectively which is mainly due to the completion of the CSC Math Science Project. During fiscal year 2020-2021, transfers to the System for capital projects totaled \$12,732,832.

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, 2023, 2022 and 2021.

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 project construction and debt service are \$675,866, \$253,918, and \$1,839,257, respectively, at June 30, 2023, 2022 and 2021. Decreases in assets, liabilities, and net position in fiscal year 2023 reflect the use of bond proceeds for construction costs and the payment of debt principal. Increases in assets, liabilities, and net position in fiscal year 2022 reflect the use of bond proceeds for construction costs and the payment and advanced refunding of debt. Decreases in assets, liabilities, and net position in fiscal year 2021 reflects the use of bond proceeds for construction costs and the payment of debt principal. The Series 2020 Bond issue was completed in May 2020, while the Chadron State College Math Science Project reached substantial completion status in June 2022. Refunding of the Series 2016 Bonds with Series 2022 bond proceeds was completed in May 2022 while facilities projects related to the Series 2022 Bonds were beginning the planning stages during fiscal year 2022 and started the construction phase in 2023.

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Management's Discussion and Analysis
Years Ended June 30, 2023 and 2022

Condensed Statements of Net Position

	2023	2022	2021
Assets			
Current assets	\$ 18,666,927	\$ 21,665,649	\$ 18,758,600
Noncurrent assets	43,389	46,094	57,026
Total assets	<u>18,710,316</u>	<u>21,711,743</u>	<u>18,815,626</u>
Liabilities			
Current liabilities	4,470,264	3,467,521	6,059,716
Noncurrent liabilities	58,907,387	61,148,940	46,286,579
Total liabilities	<u>63,377,651</u>	<u>64,616,461</u>	<u>52,346,295</u>
Deferred Inflows of Resources	<u>845,334</u>	<u>965,381</u>	<u>-</u>
Net Position			
Restricted for			
Debt service	675,866	-	1,839,257
Project construction	-	253,918	-
Unrestricted	<u>(46,188,535)</u>	<u>(44,124,017)</u>	<u>(35,369,926)</u>
Total net position	<u><u>\$ (45,512,669)</u></u>	<u><u>\$ (43,870,099)</u></u>	<u><u>\$ (33,530,669)</u></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 2023, 2022 and 2021 are due to expenditures for designated projects under the Series 2016, Series 2020, and Series 2022B Bonds.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	2023	2022	2021
Nonoperating Revenues (Expenses)			
State appropriations	\$ 3,341,000	\$ 3,341,000	\$ 3,341,000
Capital improvement fees	1,482,960	1,507,300	1,472,625
Investment income	610,845	117,420	274,708
Interest expense	(2,146,497)	(1,331,340)	(1,264,104)
Bond issuance costs	-	(447,955)	-
Administrative and other expenses	(43,539)	(68,149)	(31,543)
Other revenue	<u>-</u>	<u>-</u>	<u>9,085</u>
Net nonoperating revenues	3,244,769	3,118,276	3,801,771
Transfers to the System for Capital Projects	(4,887,339)	(13,457,706)	(12,732,832)
Transfers from the System for Bonds Payable	<u>-</u>	<u>-</u>	<u>1,030,851</u>
Decrease in Net Position	(1,642,570)	(10,339,430)	(7,900,210)
Net Position, Beginning of Year	<u>(43,870,099)</u>	<u>(33,530,669)</u>	<u>(25,630,459)</u>
Net Position, End of Year	<u><u>\$ (45,512,669)</u></u>	<u><u>\$ (43,870,099)</u></u>	<u><u>\$ (33,530,669)</u></u>

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Years Ended June 30, 2023 and 2022

Long Term Debt Activity

For fiscal year 2023, the Legislature appropriated \$3,341,000 in General funds for bond repayment for the payment of the 2020 and 2022 Bonds. For fiscal years 2022 and 2021, the Legislature appropriated \$3,341,000 in General funds for bond repayment for the payment of the 2016 and 2020 Bonds.

During the 2021 legislative session, the Legislature passed LB 384 which extended the appropriations relating to the bonds to fiscal year 2040. In order to monetize the value of the funds for current use, the Series 2016 Bonds were refunded and new debt was issued to help fund the renewal, renovation, replacement, or repair of facilities. On May 4, 2022 the Corporation issued \$36,020,000 of which \$17,205,000 was related to new bonds and \$18,815,000 was related to refunding bonds. Settlement of these bonds took place on May 4, 2022, the Series 2016 Bonds were defeased at that time.

The issuance described above increased bonds payable by \$16,425,000 in the year ended June 30, 2022. The Corporation did not issue bonds during the years ended June 30, 2023 and June 30, 2021. Debt service payments decreased Deferred Maintenance Projects Bonds payable by \$1,790,000 and \$1,475,000 in the years ended June 30, 2022 and 2021, respectively. Debt service payments decreased Building Project Bonds payable by \$1,315,000, \$1,265,000, and \$3,325,000 in the years ended June 30, 2023, 2022 and 2021, 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 2022 debt service is cumulatively paid 44% from state appropriations and 56% from the dedicated, per credit hour fee paid by all of the System's students. For the Series 2020 debt service, repayment comes from 100% state appropriations.

The biennial appropriation bill for the 2023-2024 and 2024-2025 fiscal years (LB814, 2023) acknowledged the commitment of the appropriation for the 2020 and 2022 bonds with the continued match from the System and authorized the Board to continue through 2040. For the fiscal year ended June 30, 2023, \$2,368,830 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 \$2,222,982 annual debt service repayment for the Series 2022 Bonds for fiscal year 2023-2024. The Capital Improvement Fee rate for fiscal year 2023-2024 remains at the same level as in the previous year and will remain at \$12 per credit hour. Preliminary enrollment figures at the Colleges for Fall 2023 indicate relatively stable enrollments, which should ensure that more than enough resources will be available to meet the debt service commitment for fees.

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Management's Discussion and Analysis
Years Ended June 30, 2023 and 2022

Additional Information

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

Monte Kramer
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1233 Lincoln Mall, Suite 100
Lincoln, NE 68508 or
mkramer@nscs.edu.

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Statements of Net Position
June 30, 2023 and 2022

Assets

	2023	2022
Current Assets		
Restricted cash and cash equivalents	\$ 18,588,445	\$ 21,649,680
Restricted interest receivable	75,319	12,182
Prepaid expenses	3,163	3,787
Total current assets	<u>18,666,927</u>	<u>21,665,649</u>
Noncurrent Assets		
Prepaid expenses	43,389	46,094
Total noncurrent assets	<u>43,389</u>	<u>46,094</u>
Total assets	<u>18,710,316</u>	<u>21,711,743</u>

Liabilities and Deferred Inflows of Resources

Current Liabilities		
Accounts payable	1,726,318	1,863,229
Interest payable	793,946	289,292
Bonds payable, current portion	1,950,000	1,315,000
Total current liabilities	<u>4,470,264</u>	<u>3,467,521</u>
Noncurrent Liabilities		
Bond premium, net of accumulated amortization	3,952,387	4,243,940
Bonds payable, net of current portion	54,955,000	56,905,000
Total noncurrent liabilities	<u>58,907,387</u>	<u>61,148,940</u>
Total liabilities	<u>63,377,651</u>	<u>64,616,461</u>
Deferred Inflows of Resources		
Deferred gain on bond refunding	845,334	965,381
Net Position		
Restricted for:		
Debt service	675,866	-
Project construction	-	253,918
Unrestricted	(46,188,535)	(44,124,017)
Total net position	<u>\$ (45,512,669)</u>	<u>\$ (43,870,099)</u>

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, 2023 and 2022

	2023	2022
Nonoperating Revenues (Expenses)		
State appropriations	\$ 3,341,000	\$ 3,341,000
Capital improvement fees	1,482,960	1,507,300
Investment income	610,845	117,420
Bond issuance costs	-	(447,955)
Interest expense	(2,146,497)	(1,331,340)
Administrative and other expenses	<u>(43,539)</u>	<u>(68,149)</u>
Net nonoperating revenues	<u>3,244,769</u>	<u>3,118,276</u>
Transfers to the System for Capital Projects	<u>(4,887,339)</u>	<u>(13,457,706)</u>
Decrease in net position	(1,642,570)	(10,339,430)
Net Position, Beginning of Year	<u>(43,870,099)</u>	<u>(33,530,669)</u>
Net Position, End of Year	<u><u>\$ (45,512,669)</u></u>	<u><u>\$ (43,870,099)</u></u>

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
Capital and Related Financing Activities		
State appropriations	\$ 3,341,000	\$ 3,341,000
Capital improvement fees	1,482,960	1,507,300
Net proceeds from bond issuance	-	18,809,301
Net transfer to bond escrow agent	-	(1,493,303)
Principal paid on bonds payable	(1,315,000)	(3,055,000)
Interest paid on bonds payable	(2,050,693)	(1,675,669)
Administrative and other expenses	(42,960)	(116,550)
Bond issuance costs	-	(312,880)
Transfers to the System for capital projects	(5,024,250)	(14,205,595)
	<u>(3,608,943)</u>	<u>2,798,604</u>
Net cash provided by (used in) capital and related financing activities		
Investing Activities		
Interest received on investments	547,708	126,228
	<u>547,708</u>	<u>126,228</u>
Net cash provided by investing activities		
	<u>547,708</u>	<u>126,228</u>
Change in Cash and Cash Equivalents	<u>(3,061,235)</u>	<u>2,924,832</u>
Cash and Cash Equivalents, Beginning of Year	<u>21,649,680</u>	<u>18,724,848</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 18,588,445</u></u>	<u><u>\$ 21,649,680</u></u>
Supplemental Cash Flows Information		
Accounts payable incurred for System capital projects	\$ 1,726,318	\$ 1,863,229
Refunding bond proceeds delivered to escrow agent	\$ -	\$ 20,394,934

Nebraska State Colleges Facilities Corporation

A Component Unit of the Nebraska State College System

Notes to Financial Statements

June 30, 2023 and 2022

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 Deferred Maintenance Refunding (Series 2016 Bonds), the Math Science Project (Series 2020 Bonds), the Facilities Program Refunding (Series 2022A Bonds), and the Facilities Program (Series 2022B 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, 2023 and 2022

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, 2023 and 2022.

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.

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, 2023 and 2022, was \$291,553 and \$435,627 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, 2023 and 2022, 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 \$1,440,000 were appropriated each year from the State of Nebraska for the years ended June 30, 2023 and 2022, respectively. In addition, \$42,960 and \$67,300, respectively, was also transferred to pay for administrative expenses of the Corporation for the years ended June 30, 2023 and 2022.

Nebraska State Colleges Facilities Corporation

A Component Unit of the Nebraska State College System

Notes to Financial Statements

June 30, 2023 and 2022

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, 2023 and 2022.

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.

Nebraska State Colleges Facilities Corporation

A Component Unit of the Nebraska State College System

Notes to Financial Statements

June 30, 2023 and 2022

Note 2: Investments - Continued

At June 30, 2023 and 2022, the Corporation's investments with the State Treasurer totaled \$35 and \$2,232,709 respectively. At June 30, 2023 and 2022, the Corporation's investments included money market mutual funds totaling \$18,588,410 and \$17,759,601, 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. Investments with the State Treasurer are measured at fair value using the net asset value (NAV) per share practical expedient. The investments carried at net asset value have no unfunded commitments and can be redeemed at any time.

At June 30, 2022, the Corporation had an investment in a U.S. Treasury Bill totaling \$1,657,370, that matured on July 14, 2022. At June 30, 2023, the Corporation held no such investments.

The investments at June 30, 2023 and 2022 are rated as follows by Moody's and S&P:

Investment	Moody's	S&P
Money market mutual funds	Aaa-mf	AAAm
State Treasurer	Not rated	Not rated
U.S. Treasury Bill	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. Investments with State Treasurer measured at fair value using the NAV practical expedient and money market mutual funds carried at amortized cost have not been classified in the fair value hierarchy. The U.S. Treasury Bill is classified in Level 1 of the fair value hierarchy and is 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 June 30, 2023 and 2022

Note 3: Bonds Payable

The following is a summary of bonds payable transactions for the Corporation for the years ended June 30, 2023 and 2022:

2023	Beginning Balance	Additions	Deductions	Ending Balance	Current Portion
Bonds payable	\$ 58,220,000	\$ -	\$ (1,315,000)	\$ 56,905,000	\$ 1,950,000
Bond premium, net of accumulated amortization	4,243,940	-	(291,553)	3,952,387	-
Total bonds payable	<u>\$ 62,463,940</u>	<u>\$ -</u>	<u>\$ (1,606,553)</u>	<u>\$ 60,857,387</u>	<u>\$ 1,950,000</u>
 2022					
Bonds payable	\$ 44,850,000	\$ 36,020,000	\$ (22,650,000)	\$ 58,220,000	\$ 1,315,000
Bond premium, net of accumulated amortization	4,491,579	1,668,820	(1,916,459)	4,243,940	-
Total bonds payable	<u>\$ 49,341,579</u>	<u>\$ 37,688,820</u>	<u>\$ (24,566,459)</u>	<u>\$ 62,463,940</u>	<u>\$ 1,315,000</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.

Deferred Maintenance Refunding Bonds Payable

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 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. Bonds maturing on or after July 15, 2027, are able to be redeemed, in part or in whole, on or after July 15, 2026. The Series 2006 Bonds were refunded on September 19, 2016. This current refunding reduced total debt service payments by approximately \$850,000 and resulted in an economic gain of approximately \$470,000. 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. Issuance of new bond proceeds were used 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.

Nebraska State Colleges Facilities Corporation

A Component Unit of the Nebraska State College System

Notes to Financial Statements

June 30, 2023 and 2022

Note 3: Bonds Payable - Continued

On April 20, 2022, the Corporation issued \$18,815,000 in 2022A Facilities Program Refunding Bonds. Settlement of these bonds took place on May 4, 2022. The bond proceeds were used to provide for payment of the principal and interest on the \$19,595,000 outstanding Series 2016 Bonds, through the redemption date of July 15, 2026, and to redeem any remaining balance of the Series 2016 Bonds on that redemption date. The refunding reduced total debt service payments by approximately \$9,800,000 and resulted in an economic gain of approximately \$1,500,000. 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. At June 30, 2023, \$17,715,000 of Series 2016 bonds remain outstanding.

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, began 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 were 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.

Facilities Program Bonds Payable

In February 2022, the Corporation authorized the issuance of Facilities Program Bonds Series 2022. On May 4, 2022, the Corporation issued \$17,205,000 in 2022B Facilities Program Bonds. The bonds bear interest, payable semiannually, at rates of 4.00% to 5.00%. Principal maturities, due in annual installments, begin July 15, 2023, and continue until July 15, 2040. Proceeds from the issuance of these bonds will be used to help fund the Wayne State College Athletic and Recreation Project and the Peru State College Indoor/Outdoor Athletic Complex.

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 out of moneys derived from legislative appropriations and capital improvement fees. Bonds maturing on or after July 15, 2033, are able to be redeemed, in part or in whole, on or after July 15, 2032.

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

Notes to Financial Statements
June 30, 2023 and 2022

Note 3: Bonds Payable - Continued

Debt Service Requirements

The debt service requirements as of June 30, 2023, are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 1,950,000	\$ 2,486,482	\$ 4,436,482
2025	2,360,000	2,398,301	4,758,301
2026	2,455,000	2,299,253	4,754,253
2027	2,555,000	2,195,446	4,750,446
2028	2,660,000	2,086,769	4,746,769
2029 - 2033	15,330,000	8,403,112	23,733,112
2034 - 2038	16,455,000	4,935,418	21,390,418
2039 - 2041	13,140,000	893,638	14,033,638
	<u>\$ 56,905,000</u>	<u>\$ 25,698,419</u>	<u>\$ 82,603,419</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, 2023

Projects authorized	Authorization	Accumulated Costs			Unexpended Authorization June 30, 2023
		Prior Years	Year Ended June 30, 2023	Total	
Math Science Project (2020):					
CSC Math Science	<u>\$ 27,271,100</u>	<u>\$ 26,561,285</u>	<u>\$ 709,815</u>	<u>\$ 27,271,100</u>	<u>\$ -</u>
Total Math Science Project (2020)	<u><u>\$ 27,271,100</u></u>	<u><u>\$ 26,561,285</u></u>	<u><u>\$ 709,815</u></u>	<u><u>\$ 27,271,100</u></u>	<u><u>\$ -</u></u>
Facilities Program Bond (2022B):					
WSC Athletic and Recreation Project	\$ 11,247,138	\$ 135,480	\$ 3,227,785	\$ 3,363,265	\$ 7,883,873
PSC Indoor/Outdoor Athletic Complex	<u>8,521,379</u>	<u>-</u>	<u>949,739</u>	<u>949,739</u>	<u>7,571,640</u>
Total Facilities Program Bond (2022B)	<u><u>\$ 19,768,517</u></u>	<u><u>\$ 135,480</u></u>	<u><u>\$ 4,177,524</u></u>	<u><u>\$ 4,313,004</u></u>	<u><u>\$ 15,455,513</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, 2023
(With Comparative Totals for 2022)

	2023								Total	
	Stadium Renov Construction Account	Theatre/ Event Cntr Construction Account	Applied Tech Construction Account	General Account	Construction Interest Account	Debt Service Account	Debt Service Reserve Account	Total Retirement of Indebtedness	2023	2022
Nonoperating Revenues (Expenses):										
State appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,125,000
Capital improvement fee	-	-	-	-	-	-	-	-	-	1,441,250
Investment income	-	-	-	-	-	-	-	-	-	129
Interest expense	-	-	-	-	-	-	-	-	-	(162,859)
Administrative and other expenses	-	-	-	-	-	-	-	-	-	(1,462)
Total net nonoperating revenues	-	-	-	-	-	-	-	-	-	2,402,058
Transfers:										
Transfers to the System for capital projects	-	-	-	-	-	-	-	-	-	(86,290)
Change in net position before interfund transfers	-	-	-	-	-	-	-	-	-	2,315,768
Interfund Transfers in (out), Net	-	-	-	-	-	-	-	-	-	-
Change in net position	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,315,768

Note: Additional administrative and other expenses of \$39,210 and \$64,800 in fiscal years 2023 and 2022, 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
Statement of Revenues, Expenses and Changes in Net Position by Account
Math Science Project (Series 2020 Bonds)
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023						
			Retirement of Indebtedness				
	Math Science Construction Account	Cost of Issuance Account	Debt Service Account	Debt Service Reserve Account	Total Retirement of Indebtedness	2023	Total 2022
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	28,026	-	29,680	-	57,706	57,706	102,158
Other revenues	-	-	-	-	-	-	-
Bond issuance cost	-	-	-	-	-	-	-
Interest expense	-	(694,043)	-	-	(694,043)	(694,043)	(744,724)
Administrative and other expenses	-	-	(2,164)	-	(2,164)	(2,164)	(1,887)
Total net nonoperating revenues	28,026	(694,043)	2,244,766	-	1,578,749	1,578,749	1,572,797
Transfers:							
Transfers to the System for capital projects	(709,815)	-	-	-	(709,815)	(709,815)	(13,235,936)
Change in net position before interfund transfers	(681,789)	(694,043)	2,244,766	-	868,934	868,934	(11,663,139)
Interfund Transfers in (out), Net	-	-	-	-	-	-	-
Change in net position	\$ (681,789)	\$ (694,043)	\$ 2,244,766	\$ -	\$ 868,934	\$ 868,934	\$ (11,663,139)

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, 2023

Fiscal Year	Due Dates	Principal Due	Interest Rate	Interest Due	Fiscal Year Debt Service
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	2,150,000	3.000	32,250	2,214,500
		<u>\$ 20,885,000</u>		<u>\$ 5,667,000</u>	<u>\$ 26,552,000</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
Facilities Program Refunding and Athletic & Recreation Projects (Series 2022A and 2022B Bonds)
Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023						Total 2023	Total 2022
	WSC Construction Account	PSC Construction Account	General 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	\$ -
Capital improvement fee	-	-	-	1,442,500	-	1,442,500	1,442,500	-
Investment income	277,141	245,767	1,104	29,127	-	29,127	553,139	15,133
Bond issuance cost	-	-	-	-	-	-	-	(447,955)
Interest expense	-	-	-	(1,452,454)	-	(1,452,454)	(1,452,454)	(423,757)
Administrative and other expenses	-	-	-	(2,165)	-	(2,165)	(2,165)	-
				-				
Total net nonoperating revenues	277,141	245,767	1,104	1,142,008	-	1,142,008	1,666,020	(856,579)
Transfers:								
Transfers to the System for capital projects	(3,227,785)	(949,739)	-	-	-	-	(4,177,524)	(135,480)
Change in net position before interfund transfers	(2,950,644)	(703,972)	1,104	1,142,008	-	1,142,008	(2,511,504)	(992,059)
Interfund Transfers in (out), Net	-	-	-	-	-	-	-	-
Change in net position	\$ (2,950,644)	\$ (703,972)	\$ 1,104	\$ 1,142,008	\$ -	\$ 1,142,008	\$ (2,511,504)	\$ (992,059)

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Schedule of Principal and Interest Payments
Facilities Program Refunding (Series 2022A Bonds)
June 30, 2023

Fiscal Year	Due Dates	Principal Due	Interest Rate	Interest Due	Fiscal Year Debt Service
2024	July 15	\$ 135,000	2.789	\$ 413,395	\$ -
	January 15	-		411,512	959,907
2025	July 15	300,000	2.990	411,512	-
	January 15	-		407,014	1,118,526
2026	July 15	310,000	3.258	407,014	-
	January 15	-		401,964	1,118,978
2027	July 15	320,000	3.473	401,964	-
	January 15	-		396,407	1,118,371
2028	July 15	330,000	3.573	396,407	-
	January 15	-		390,512	1,116,919
2029	July 15	340,000	3.711	390,511	-
	January 15	-		384,203	1,114,714
2030	July 15	355,000	3.841	384,203	-
	January 15	-		377,385	1,116,588
2031	July 15	370,000	4.069	377,385	-
	January 15	-		369,857	1,117,242
2032	July 15	385,000	4.069	369,857	-
	January 15	-		362,025	1,116,882
2033	July 15	400,000	4.069	362,025	-
	January 15	-		353,886	1,115,911
2034	July 15	415,000	4.169	353,887	-
	January 15	-		345,236	1,114,123
2035	July 15	430,000	4.269	345,236	-
	January 15	-		336,058	1,111,294
2036	July 15	450,000	4.369	336,058	-
	January 15	-		326,227	1,112,285
2037	July 15	2,685,000	4.469	326,227	-
	January 15	-		266,231	3,277,458
2038	July 15	2,805,000	4.519	266,231	-
	January 15	-		202,852	3,274,083
2039	July 15	2,935,000	4.569	202,852	-
	January 15	-		135,802	3,273,654
2040	July 15	3,065,000	4.619	135,802	-
	January 15	-		65,016	3,265,818
2041	July 15	2,785,000	4.699	65,016	2,850,016
		<u>\$ 18,815,000</u>		<u>\$ 11,477,769</u>	<u>\$ 30,292,769</u>

Nebraska State Colleges Facilities Corporation
A Component Unit of the Nebraska State College System
Schedule of Principal and Interest Payments
Athletic and Recreation Projects (Series 2022B Bonds)
June 30, 2023

Fiscal Year	Due Dates	Principal Due	Interest Rate	Interest Due	Fiscal Year Debt Service
2024	July 15	\$ 445,000	5.000	\$ 414,600	\$ -
	January 15	-		403,475	1,263,075
2025	July 15	635,000	5.000	403,475	-
	January 15	-		387,600	1,426,075
2026	July 15	665,000	5.000	387,600	-
	January 15	-		370,975	1,423,575
2027	July 15	695,000	5.000	370,975	-
	January 15	-		353,600	1,419,575
2028	July 15	730,000	5.000	353,600	-
	January 15	-		335,350	1,418,950
2029	July 15	770,000	5.000	335,350	-
	January 15	-		316,100	1,421,450
2030	July 15	805,000	5.000	316,100	-
	January 15	-		295,975	1,417,075
2031	July 15	845,000	5.000	295,975	-
	January 15	-		274,850	1,415,825
2032	July 15	890,000	5.000	274,850	-
	January 15	-		252,600	1,417,450
2033	July 15	935,000	5.000	252,600	-
	January 15	-		229,225	1,416,825
2034	July 15	980,000	5.000	229,225	-
	January 15	-		204,725	1,413,950
2035	July 15	1,035,000	5.000	204,725	-
	January 15	-		178,850	1,418,575
2036	July 15	1,085,000	5.000	178,850	-
	January 15	-		151,725	1,415,575
2037	July 15	1,140,000	5.000	151,725	-
	January 15	-		123,225	1,414,950
2038	July 15	1,195,000	5.000	123,225	-
	January 15	-		93,350	1,411,575
2039	July 15	1,250,000	5.000	93,350	-
	January 15	-		62,100	1,405,450
2040	July 15	1,315,000	4.000	62,100	-
	January 15	-		35,800	1,412,900
2041	July 15	1,790,000	4.000	35,800	1,825,800
		<u>\$ 17,205,000</u>		<u>\$ 8,553,650</u>	<u>\$ 25,758,650</u>