



***The Board of Regents of the
University of Nebraska***

*Combined Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture
for the Years Ended June 30, 2014 and 2013,
Additional Information, and
Independent Auditors' Report*

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

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KPMG LLP
Suite 300
1212 N. 96th Street
Omaha, NE 68114-2274

Suite 1600
233 South 13th Street
Lincoln, NE 68508-2041

Independent Auditors' Report

The Board of Regents
University of Nebraska:

We have audited the accompanying combined statements of net position relating to the Members of the Obligated Group under the Master Trust Indenture of the Board of Regents of the University of Nebraska (the "Obligated Group") as of June 30, 2014 and 2013, and the related combined statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Obligated Group'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 combined financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position relating to the Members of the Obligated Group under the Master Trust Indenture of the Board of Regents of the University of Nebraska as of June 30, 2014 and 2013, and the respective changes in financial position, and cash flows for the years then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matter

As discussed in note A to the financial statements, the combined financial statements related to the Obligated Group are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the Obligated Group that is attributable to the transactions of the Obligated Group. They do not purport to, and do not, present fairly the financial position of the University of Nebraska as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in Note A to the financial statements, during fiscal year 2014, the Obligated Group adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4-10 be presented to supplement the combined financial statements. Such information, although not a part of the combined financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the combined 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 combined financial statements, and other knowledge we obtained during our audit of the combined 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 and Other Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Obligated Group's basic financial statements. The additional information on pages 29-48 is presented for purposes of additional analysis and is not a required part of the combined financial statements.

The additional information on page 29-35 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated in all material respects in relation to the combined financial statements as a whole.

The additional information on pages 36-42 information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we do not express an opinion or provide any assurance on them.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2014, on our consideration of the Obligated Group's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Obligated Group's internal control over financial reporting and compliance.

KPMG LLP

Lincoln, Nebraska
September 30, 2014

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (Unaudited) (Dollar Amounts in Thousands)

Introduction

The following is an overview of the financial position and changes in net position of the University of Nebraska Members of the Obligated Group under the Master Trust Indenture (MTI) for the years ended June 30, 2014 and 2013. Management has prepared the following discussion and it is intended to be read in conjunction with the financial statements and related footnotes, which follow this section.

The University of Nebraska MTI, dated June 1, 1995, as amended and supplemented, between the Board of Regents of the University of Nebraska (Board) and the Master Trustee, was created for pooling of the facilities and credit resources of the Board that contribute revenues, student fees, and other payments, which have been pledged for the payment of debt service on revenue bonds.

The Board of Regents of the University of Nebraska has issued revenue bonds under the MTI to finance the construction of student housing and parking facilities at the University of Nebraska-Lincoln (UNL), the student center and Health, Physical Education and Recreation buildings (HPER), and certain student housing and parking at the University of Nebraska at Omaha (UNO), certain student housing at the University of Nebraska Medical Center (UNMC), and student housing facilities at the University of Nebraska at Kearney (UNK).

The financial statements include the revenue-producing activities and related bond accounts of the current members of the Obligated Group, which are the UNL Student Fees and Facilities Bonds, the UNL Parking Project, the UNO Student Facilities Project, the UNO Student Housing and Parking Project, the UNMC Student Housing Project, and the UNK Student Fees and Facilities Bonds.

Financial Highlights

The financial position of the Obligated Group remained favorable during the year ended June 30, 2014 with operating income that provided a debt service coverage ratio of 1.60 times, compared to 1.73 times in 2013 and 1.56 times in 2012. This performance is in line with expectations. The debt service ratio required by the MTI is 1.15.

Operations of the overall Obligated Group improved in fiscal year 2014 with operating income posting a 16% increase over 2013. This compares to growth of 6% in 2013. In 2014, revenues increased by 8%, while expenses were held to 5%, creating the operating income increase of \$4,530. Cash flows from operations were \$47,485 in 2014 compared to \$43,125 and \$45,226 in 2013 and 2012, respectively. Strong cash flows afford equally strong debt coverage.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE

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Two new revenue bond issues were sold during fiscal 2014. On July 25, 2013, The Board of Regents issued \$8,615 of University of Nebraska-Lincoln Parking Project Revenue Refunding Bonds, Series 2013. The net proceeds of the bonds were used to pay the cost of acquiring ownership of a multilevel parking garage condominium located on the UNL campus and to redeem \$3,000 of outstanding University of Nebraska-Lincoln Parking Project Revenue Refunding Bonds, Series 2003.

On June 18, 2014, The Board of Regents issued \$11,630 of University of Nebraska at Omaha Student Housing Refunding Bonds, Series 2014. The net proceeds of the bonds were used to refund \$12,000 of outstanding Board of Regents University of Nebraska at Omaha Student Housing Project Bonds, Series 2003 dated November 24, 2003. The reader is directed to the footnotes to the statements for additional information.

The performance of the UNL Student Fees portion of the Obligated Group is dictated by UNL Housing activity. Housing offers apartment-style, suite-style, and traditional halls to the campus student community. Occupancy for apartment and suites remained steady year-over-year with 95% and 96% occupancy in 2014. Traditional hall occupancy grew to 93% in 2014, a 3% increase over 2013. The occupancy increase, when combined with an overall increase of 4.5% in housing rates, created a 13% increase in operating revenues. Operating expenses moved up 5%, in line with expectations. The favorable occupancy lifted operating income to \$17,584 compared to \$12,749 and \$12,034 in 2013 and 2012.

UNL Parking operations revenues increased by \$285 in 2014 reflecting an increase in student fees for outsourced bus service on campus. Expenses increased by \$582 driven by an increase in contracted on-campus bus service partially offset by reductions in other operating expenses. This resulted in a decrease in operating income of \$297. Available parking spaces remained the same in 2014 compared to 2013. Parking demand remains high with over 94% of spaces sold on a permit basis each of the last three years.

The UNO Student Facilities witnessed a slight decrease in operating margins, but overall coverage of debt service by operating income remained strong. Operating income was \$2,767 in 2014, a decrease of \$467 compared to the prior year. Most of the decrease resulted from decreased margins in bookstore operations. The debt service coverage ratio for UNO Student Facilities was favorable at 1.52 times for 2014.

UNO Housing/Parking continues to perform in line with expectations. In 2014, operating income of \$5,784 was derived from revenues of \$15,871. Operating income of \$5,633 and \$4,025 was achieved in 2013 and 2012, respectively. Housing at UNO continues to enjoy an occupancy rate of nearly 100% in each year since it opened in 2004.

The UNMC Housing Project comprises two apartment-style buildings with a combined capacity of 60 units. UNMC Housing experienced nearly full occupancy during 2014, maintaining a level of 94% the past three years. UNMC augmented revenues by \$50 in 2014 (compared to \$47 in 2013), enabling the activity to meet debt service obligations.

**THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (Unaudited)
(Dollar Amounts in Thousands)**

The financial position of UNK Student Fees Project remains strong with a 2014 operating income margin of 22% compared to 21% in 2013 and 25% in 2012. Housing operations revenues increased to \$17,447 in 2014 compared to \$17,158 in 2013 due to an average rate increase of 5% that was offset by a 4% decrease in occupancy. Operating income for the year was \$3,894 compared to \$3,588 in 2013 and \$4,197 in 2012. The activities, occupancy, and movement in Kearney housing are not unexpected as UNK takes facilities offline for planned renovations that are being internally funded by housing operations. The 2014 operating income and investment income provided for a strong debt margin when compared to debt service of \$2,045.

Using the Financial Statements

The financial statements of MTI 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. 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 revenue-producing activities and the trustee accounts of the obligated members as a single reporting entity.

The statements of net position include the operating facilities of the obligated members and the related trustee accounts of the respective bond issues. The statements of revenues, expenses, and changes in net position depicts the combined operating revenues and expenses of the obligated members, which, when combined with the non-operating revenues and expenses, provide resources for debt service as well as the purchase, construction, and renovation of the designated facilities. The statements of cash flows show the sources and uses of cash from operations, investing activities, and capital and other financing activities.

**THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (Unaudited)
(Dollar Amounts in Thousands)**

The Statements

Condensed statements in an all-inclusive format are presented below for the University of Nebraska's Members of the Obligated Group for the years ended June 30, 2014, 2013, and 2012. The reader is referred to footnote A to the statements describing the restatement of July 1, 2012 net position for fiscal year 2013.

Current assets consist of resources held by the bond trustee that are designated or restricted by the bond covenants for current maturities of bonds and related interest. Non-current assets are primarily capital assets that are presented net of accumulated depreciation of \$112,212, \$100,368, and \$88,314 at June 30, 2014, 2013, and 2012, respectively, and resources held by the bond trustee for plant construction and bond reserve funds for retirement of indebtedness accounts.

Current liabilities comprise accounts payable and accrued expenses and amounts due the next year for bond obligations payable. Non-current liabilities represent accrued compensated absences and bond obligations due after one year.

The classification of net position includes amounts restricted for debt service of \$87,428, \$95,401, and \$92,821 as of June 30, 2014, 2013, and 2012, respectively. These amounts include bond reserves of \$34,843, \$34,895, and \$34,473, as of June 30, 2014, 2013, and 2012, respectively.

The condensed statements of revenues, expenses, and changes in net assets depict the combined financial activities of the obligated members. The operating income provides resources to pay debt service on bond obligations. The operating income is net of depreciation of \$14,681, \$13,776, and \$13,648 for the years ended June 30, 2014, 2013, and 2012, respectively.

**THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (Unaudited)
(Dollar Amounts in Thousands)**

Condensed Statement of Net Position (thousands)

	June 30		
	2014	2013	2012
Assets:			
Current assets	\$ 78,855	\$ 71,562	\$ 58,245
Non-current assets	558,702	561,303	551,669
Total assets	<u>637,557</u>	<u>632,865</u>	<u>609,914</u>
Deferred outflows or resources:			
Deferred loss on bond refunding	5,888	6,144	\$ -
Liabilities:			
Current liabilities	41,580	44,128	31,916
Non-current liabilities	421,637	431,593	423,049
Total liabilities	<u>463,217</u>	<u>475,721</u>	<u>454,965</u>
Deferred inflows of resources:			
Deferred service concession arrangement receipts	7,402	8,414	9,233
Net position:			
Net investment in capital assets	44,291	30,709	27,481
Restricted:			
Expendable:			
Plant construction	20,213	10,476	8,471
Debt service	87,428	95,401	92,821
Unrestricted	20,894	18,288	16,943
Total net position	<u>\$ 172,826</u>	<u>\$ 154,874</u>	<u>\$ 145,716</u>

Condensed Statement of Revenue, Expenses, and Changes in Net Position (thousands)

	Year Ended June 30		
	2014	2013	2012
Operating revenues:			
Room and board	\$ 88,011	\$ 80,221	\$ 78,461
Parking fees	11,583	11,559	11,464
Student fees	13,874	12,634	11,273
Bookstore	7,120	7,397	7,436
Other	5,028	4,478	4,428
Total operating revenues	<u>125,616</u>	<u>116,289</u>	<u>113,062</u>
Operating expenses:			
Compensation and benefits	28,025	26,976	26,552
Supplies, materials, and services	50,316	47,473	46,283
Depreciation	14,681	13,776	13,648
Total operating expenses	<u>93,022</u>	<u>88,225</u>	<u>86,483</u>
Operating income	32,594	28,064	26,579
Non-operating income and expenses and capital grants	(14,642)	(13,770)	(7,908)
Increase in net position	17,952	14,294	18,671
Net position, beginning of year	154,874	140,580	127,045
Net position, end of year	<u>\$ 172,826</u>	<u>\$ 154,874</u>	<u>\$ 145,716</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2014 AND 2013 (Unaudited) (Dollar Amounts in Thousands)

Economic Outlook and Subsequent Events That Will Affect the Future

It is management's belief that the Members of the Obligated Group will continue to realize revenues sufficient to cover debt service. Each Obligated Group member budgets expenses prudently while allocating sufficient funds to adequately repair and maintain the facilities so that services can be offered at competitive prices to students and the University community.

UNL residence hall occupancy for 2014-15 opened with approximately 300 more resident contracts than 2013-14. Contributing factors point to an increase in UNL freshmen enrollment and continued strong demand from upper division students for apartment-style and suite-style units. While traditional residence hall occupancy depends primarily on newly enrolled freshmen; suite-style halls attract both new students and returning upper-class students. UNL Housing opened a new suite-style hall in the fall of 2014, increasing the number of suite-style units by 515, bringing the total of suite-style units to 1,571. This facility completes the planned replacement of two older traditional residence halls, which reduced the number of traditional units by 912. UNL Housing is well positioned to accommodate high demand suite-style housing for returning upperclassmen as well as new students produced from UNL's enrollment growth initiatives.

Parking operations at UNL are expected to continue to meet expectations. Parking fees increased slightly in 2014 but demand continued strong for parking spaces. Parking permit revenues are forecasted to grow due to increases in demand by students, faculty, and staff.

UNO Student Center revenues are projected to remain consistent with 2014 as bookstore and food services revenues are expected to remain constant following a slight enrollment decrease for the fall 2014. Student fee revenue associated with HPER project is also expected to remain constant due to fee increases in concert with a slight enrollment decrease. Demand for student housing at UNO continues to be strong with occupancy near 100% for the fall 2014 semester. Parking revenues are expected to increase due to parking fee increases.

UNMC Student Housing expects occupancy to be near full capacity. A majority of the programs at UNMC maintain full enrollment creating a steady demand for student housing. Student enrollment for the fall of 2014 increased to 3,696, the tenth straight year for an increase. The steady demand for housing and the projected revenue increases bodes well for a continued ability to meet debt obligations.

UNK housing expects a rebound in capacity with the completion of the last major phase of its master plan that upgraded its housing facilities. This plan started in 2005 with the construction of new suite-style housing and then executed a planned rotation through the remainder of the housing stock. The last project, the renovation of Centennial Towers, was completed for fall of 2014 classes. The totality of the renewal process was internally funded from housing operations.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
COMBINED STATEMENTS OF NET POSITION
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE
JUNE 30, 2014 and 2013 (in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2014	2013
CURRENT ASSETS:		
Cash and cash equivalents	\$ 31,031	\$ 25,525
Cash and cash equivalents held by trustee – restricted	27,476	34,459
Investments held by trustee – restricted	12,920	4,723
Accounts receivable, net	5,593	4,248
Other current assets	1,835	2,607
Total current assets	<u>78,855</u>	<u>71,562</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents held by trustee – restricted	69,429	101,124
Investments held by trustee – restricted	15,719	13,799
Accounts receivable, net of current portion	4,462	5,282
Capital assets, net of accumulated depreciation	469,092	441,098
Total non-current assets	<u>558,702</u>	<u>561,303</u>
Total assets	<u>637,557</u>	<u>632,865</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on bond refunding	<u>5,888</u>	<u>6,144</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	22,119	25,275
Bond obligations payable	14,294	13,247
Unearned revenues and other credits	5,167	5,606
Total current liabilities	<u>41,580</u>	<u>44,128</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences	758	635
Bond obligations payable, net of current portion	420,879	430,958
Total non-current liabilities	<u>421,637</u>	<u>431,593</u>
Total liabilities	<u>463,217</u>	<u>475,721</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred service concession arrangement receipts	<u>7,402</u>	<u>8,414</u>
NET POSITION:		
Net investment in capital assets	44,291	30,709
Restricted:		
Expendable:		
Plant construction	20,213	10,476
Debt service	87,428	95,401
Unrestricted	20,894	18,288
Total net position	<u>\$ 172,826</u>	<u>\$ 154,874</u>

See accompanying notes to combined financial statements.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
COMBINED STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE
YEARS ENDED JUNE 30, 2014 and 2013 (in thousands)

	<u>2014</u>	<u>2013</u>
REVENUES:		
Operating revenues:		
Room and board	\$ 88,011	\$ 80,221
Student fees	13,874	12,634
Parking facilities revenues	11,583	11,559
Bookstore and bookstore commissions	7,120	7,397
Food service	3,549	3,404
Other operating revenues	1,479	1,074
Total operating revenues	<u>125,616</u>	<u>116,289</u>
EXPENSES:		
Operating expenses:		
Salaries and wages	21,178	20,709
Benefits	6,847	6,267
Total compensation and benefits	<u>28,025</u>	<u>26,976</u>
Goods purchased for resale	5,678	5,793
Supplies and materials	14,634	11,878
Food and food service contracts	10,628	10,454
Contractual services	6,848	5,219
Repairs and maintenance	3,733	6,016
Utilities	7,068	6,434
Communications	1,727	1,679
Depreciation	14,681	13,776
Total operating expenses	<u>93,022</u>	<u>88,225</u>
OPERATING INCOME	<u>32,594</u>	<u>28,064</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income, net of investment management fees	555	680
Increase (decrease) in fair value of investments	24	(153)
Interest on bond obligations	(18,533)	(18,970)
Capitalized interest on bond obligations	2,068	3,721
Bond financial expense	(126)	(248)
Gain (loss) on disposal of capital assets	382	(140)
Net transfer of assets from other University sources	576	796
Non-operating expenses, net	<u>(15,054)</u>	<u>(14,314)</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	17,540	13,750
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
Capital grants and contracts	412	544
INCREASE IN NET POSITION	17,952	14,294
NET POSITION:		
Beginning of year	154,874	140,580
End of year	<u>\$ 172,826</u>	<u>\$ 154,874</u>

See accompanying notes to combined financial statements.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
COMBINED STATEMENTS OF CASH FLOWS
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE
YEARS ENDED JUNE 30, 2014 and 2013 (in thousands)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Room and board	\$ 87,411	\$ 81,457
Student fees	13,874	12,632
Parking facilities revenues	11,723	11,421
Bookstore and bookstore commissions	7,052	7,250
Food service	3,545	3,403
Other operating receipts	1,459	900
Payments to vendors	(50,378)	(47,031)
Payments to employees	(27,201)	(26,907)
Net cash flows from operating activities	<u>47,485</u>	<u>43,125</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bond obligations	20,245	20,690
Transfers from other University sources	578	782
Premium on issuance of bond obligations	534	2,282
Capital grants and contracts	200	452
Purchases of capital assets	(44,403)	(39,632)
Interest paid on bond obligations	(19,228)	(17,765)
Refunding of bond obligations	(15,000)	-
Principal paid on bond obligations	(13,995)	(9,130)
Payment of bond financial expense	(126)	(249)
Net cash flows from capital and related financing activities	<u>(71,195)</u>	<u>(42,570)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	11,296	14,593
Interest on investments	656	355
Purchases of investments	(21,414)	(11,217)
Net cash flows from investing activities	<u>(9,462)</u>	<u>3,731</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(33,172)</u>	<u>4,286</u>
CASH AND CASH EQUIVALENTS – Beginning of year	<u>161,108</u>	<u>156,822</u>
CASH AND CASH EQUIVALENTS – End of year	<u>\$ 127,936</u>	<u>\$ 161,108</u>
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENT OF NET POSITION:		
Cash and cash equivalents (current)	\$ 31,031	\$ 25,525
Cash and cash equivalents held by trustee – restricted (current)	27,476	34,459
Cash and cash equivalents held by trustee – restricted (non-current)	69,429	101,124
Cash and cash equivalents, end of year	<u>\$ 127,936</u>	<u>\$ 161,108</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 32,594	\$ 28,064
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	14,681	13,776
Changes in assets and liabilities:		
Accounts receivable, net	326	1,018
Other assets	846	(108)
Accounts payable and accrued expenses	74	(168)
Deferred revenues, credits, and service concession receipts	(1,036)	543
Net cash flows from operating activities	<u>\$ 47,485</u>	<u>\$ 43,125</u>
NON-CASH TRANSACTIONS:		
Capital grants and contracts	\$ 212	\$ 94
Capital assets transferred in (out) from other University sources	(2)	45
Increase (decrease) in fair value of investments	24	(153)

See accompanying notes to combined financial statements.

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NOTES TO COMBINED FINANCIAL STATEMENTS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE YEARS ENDED JUNE 30, 2014 and 2013 (in thousands)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Scope of Statements – The accompanying combined financial statements as presented have been prepared on the accrual basis of accounting and include only the accounts relating to the Members of the Obligated Group under the Master Trust Indenture (Obligated Group) dated June 1, 1995, as amended and supplemented, between the Board of Regents of the University of Nebraska (the Board) and the Master Trustee. The Obligated Group was created for pooling of the facilities and credit resources from which the Board derives revenues, fees, and other payments that have been pledged for the payment of revenue bonds. Current members of the Obligated Group are as follows:

- University of Nebraska-Lincoln (UNL) Student Fees and Facilities Bonds
- University of Nebraska-Lincoln (UNL) Parking Project
- University of Nebraska at Omaha (UNO) Student Activities Project
- University of Nebraska at Omaha (UNO) Student Housing/Parking Project
- University of Nebraska Medical Center (UNMC) Student Housing Project
- University of Nebraska at Kearney (UNK) Student Fees and Facilities Bonds

These statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

Recent Accounting Pronouncements

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement reclassifies certain items that were previously reported as assets and liabilities as deferred outflows of resources, deferred inflows of resources, or current period outflows and inflows. This statement requires that debt issuance costs should be reported as an expense in the period incurred. This guidance was effective and was adopted by the Obligated Group for the year ended June 30, 2014, and required the Obligated Group to write off all prior unamortized debt issuance costs. Beginning net position was restated as follows to adopt GASB Statement No. 65:

	<u>Combined</u>
Net Position, July 1, 2012, as previously reported	\$ 145,716
Change in accounting principle adjustment required to adopt GASB No. 65	<u>(5,136)</u>
Net position, July 1, 2012, as restated	<u>\$ 140,580</u>

In April 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-exchange Financial Guarantees*. This statement provides additional guidance on recognition and disclosure of financial guarantees made and received by a government. This statement was effective and was adopted

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by the Obligated Group for the year ended June 30, 2014, and required the Obligated Group to add further disclosures surrounding non-exchange financial guarantees.

Cash and Cash Equivalents – Cash and cash equivalents are stated at fair value. Cash used in operations is deposited with the Nebraska State Treasurer on a pooled basis in a State fund. Income earned by the pool is allocated to the Obligated Group based upon average daily balances. Cash and cash equivalents held by trustee – restricted represent cash and similar assets held by the Bond Trustees for construction and debt service.

For purposes of the statements of cash flows, cash includes cash and cash equivalents, both unrestricted and restricted, and investments with an original maturity of three months or less when purchased.

Accounts Receivable – Current accounts receivable consist primarily of student housing and fees receivable. Accounts receivable are recorded net of an allowance for doubtful accounts of \$311 and \$288 at June 30, 2014 and 2013, respectively.

Non-current accounts receivable consists of amounts due to the UNL Student Fees and Facilities Bonds from the University of Nebraska-Lincoln Athletic Department for repayment of surplus funds borrowed for renovation of the Campus Recreation and Cook Pavilion facilities.

Amortization of Bond Discount and Bond Premium – Bond discount and bond premium are being amortized on a method that approximates the level-yield method.

Investments Held by Trustee-Restricted – Investments, which are primarily held by the Bond Trustees, are stated at fair value and consist of U.S. government securities and mortgage-backed securities. Securities that are publicly traded are valued based upon quoted market prices. Investments that do not have an established market are reported at estimated fair value.

Accrued Compensated Absences – Staff and certain University faculty members earn 12 to 25 days of vacation annually. Vacation is no longer earned once an employee accrues 280 hours of unused vacation. Any unused vacation balance is carried over into the next year. Vacation may be used or received as a cash payment upon retirement or termination. In addition, certain classified staff members receive a cash payment of one-fourth of accrued sick leave upon retirement from the Obligated Group members. The Obligated Group has recognized a liability for sick and annual leave earned but not yet taken by its faculty and staff members. Certain Obligated Group faculty and staff members also earn four floating holidays each year, which may be taken at any time during the year subject to a 32-hour cap.

Service Concession Arrangement – The Board of Regents entered into a service concession arrangement with an outside vendor on July 1, 2011, which provides food service for the student residence halls and student union at the University of Nebraska-Kearney campus. Under the contract, the vendor will pay UNK a total of \$9 million in support and capital improvements over a 10-year period for the right to provide food service to the campus. In exchange, UNK assigned food service facilities to the vendor for use in providing food service on campus. The University retained ownership

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of the food service facilities and use will revert to the University at the end of the contract period. The capital improvements to the food service facilities are reported as a capital asset with a carrying value of \$2,256 at June 30, 2014 and \$2,579 at June 30, 2013. The present value of the remaining accounts receivable due from the vendor at June 30, 2014 is \$3,353 and \$3,836 at June 30, 2013. These assets are offset by a deferred inflow of resources of \$6,133 and \$6,864 at June 30, 2014 and 2013, respectively.

The Board of Regents entered into a service concession arrangement with an outside vendor on March 5, 2012 to manage and operate a bookstore at the University of Nebraska-Kearney campus. Under the contract, the vendor will pay UNK a total of \$1.9 million in support and capital improvements over a 7-year period in exchange for the right to provide text books and other merchandise sales on the UNK campus. The University retained ownership of the facility and will recover full use at the end of the contract period. The accounts receivable due from the vendor at June 30, 2014 is \$1,161, discounted to present value, and is offset by a deferred inflow of resources of \$1,269. The accounts receivable due from the vendor at June 30, 2013 was \$1,399, discounted to present value, and was offset by a deferred inflow of resources of \$1,550.

Classification of Revenues – The Obligated Group has classified its revenues as either operating or non-operating revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as student tuition and fees and sales and services of auxiliary enterprises.

Non-operating Revenues – Non-operating revenues include activities that have the characteristics of non-exchange transactions.

Tax Status – The University of Nebraska qualifies as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for federal or state income taxes is required. However, income from unrelated activities is subject to federal and state income taxes. No provision is deemed necessary for any income taxes associated with unrelated activities.

Capital Assets – Land improvements, buildings, and equipment are stated at cost at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful life of the related assets for the UNO Student Facilities Project, UNO Student Housing/Parking Project, UNMC Student Housing Project, and UNK Student Fees and Facilities Bonds. The estimated useful lives are 50 years for buildings, 20-30 years for land improvements, and 2-10 years for equipment. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense capitalized during 2014 and 2013 was \$2,068 and \$3,721, respectively.

Assets for the UNL Student Fees and Facilities Bonds and the UNL Parking Project are componentized and depreciated using the straight-line method over their estimated useful life. The estimated useful lives are 25-40 years for buildings and their components. The straight-line method is used for land improvements and equipment with useful lives of 20-30 years and 2-10 years, respectively.

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Capital assets with an initial, individual cost of the following are capitalized:

Assets	Threshold
Land improvements	\$ 100
Infrastructure	250
Buildings	500
Equipment	5

Maintenance repairs and minor replacements are charged to expense as incurred.

Unearned Revenue and Credits Unearned revenue and credits consist primarily of fall semester housing contract deposits and prepaid student and employee parking permits, both of which are received in May-June for the ensuing year. The balances are amortized on a straight-line basis over the term of the related contracts or permits. The long-term balance consists primarily of premiums paid on bonds.

Overhead – Management has determined that overhead expenses, which cannot be specifically identified and charged as such to the operations of the facilities, shall be reimbursed to the University of Nebraska at the rates ranging from three to five percent of defined revenues, depending upon the facility. Overhead expenses are included in supplies and materials.

Restricted Resources – When both restricted and unrestricted resources are available for use, it is the Obligated Group's policy to use restricted resources first, and then unrestricted resources as they are needed.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassification – Certain balances have been reclassified to conform to the current year presentation.

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B. CASH AND INVESTMENTS

Investments as of June 30, 2014:

	Fair Value	Investment Maturities (in years)			Concentration
		Less Than 1	1-2	3-5	
Investment Type:					
Debt Securities:					
U.S. Treasury Note	\$ 12,435	\$ 4,623	\$ 7,812	\$ -	43%
Federal Home Loan Bank	8,542	5,726	2,816	-	30
Federal Home Loan Mortgage Corporation	6,569	3,241	2,342	986	23
Federal Farm Credit Bank	1,093	114	-	979	4
	<u>\$ 28,639</u>	<u>\$ 13,704</u>	<u>\$ 12,970</u>	<u>\$ 1,965</u>	<u>100%</u>

At June 30, 2014, no bonds held were callable.

Investments as of June 30, 2013:

	Fair Value	Investment Maturities (in years)			Concentration
		Less Than 1	1-2	3-5	
Investment Type:					
Debt Securities:					
Certificates of Deposit	\$ 253	\$ 253	\$ -	\$ -	1%
Federal Home Loan Bank	788	788	-	-	4
Federal Home Loan Bank Consolidated	326	220	106	-	2
Federal Home Loan Mortgage Corporation	1,407	-	449	958	8
Federal Home Loan Mortgage Association	10,117	5,573	3,572	972	55
Federal National Mortgage Association	3,236	-	3,236	-	17
Federal National Mortgage	2,395	2,395	-	-	13
	<u>\$ 18,522</u>	<u>\$ 9,229</u>	<u>\$ 7,363</u>	<u>\$ 1,930</u>	<u>100%</u>

At June 30, 2013, no bonds held were callable.

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of the failure of the counterparty, the University would not be able to recover the value of its deposits and investments that are in the possession of an outside party. The University is exposed to custodial credit risk on its deposits and investments, as they are unregistered and uninsured, with the exception of the certificates of deposit, which are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250 per deposit.

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Interest Rate Risk: The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: State statutes authorize the University to invest funds in accordance with the prudent man rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The University does not follow a more restrictive policy. Credit ratings for these investments that are rated are as follows:

	Fair Value	2014 Quality Ratings	
		Aaa	
Investment Type:			
Debt Securities:			
U.S. Treasury Note	\$ 12,435	\$ 12,435	
U.S. agencies	16,204	16,204	
	<u>\$ 28,639</u>	<u>\$ 28,639</u>	

	Fair Value	2013 Quality Ratings	
		Aaa	Aa3
Investment Type:			
Debt Securities:			
Negotiable Certificates of Deposit (1)	\$ 253	\$ -	\$ 253
U.S. Treasury Note	788	788	-
U.S. agencies	17,481	17,481	-
	<u>\$ 18,522</u>	<u>\$ 18,269</u>	<u>\$ 253</u>

(1) Guaranteed by the Federal Deposit Insurance Corporation to a maximum of \$250.

Concentration of Credit Risk: The University places no limit on the amount that may be invested in any one issuer. Concentration percentages by investment type are included in the above tables.

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C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets:				
Land	\$ 3,173	\$ -	\$ -	\$ 3,173
Land improvements	13,381	2,012	-	15,393
Buildings	453,113	45,853	2,888	496,078
Equipment	7,712	654	929	7,437
Construction in progress	64,087	19,982	24,846	59,223
Total	<u>541,466</u>	<u>68,501</u>	<u>28,663</u>	<u>581,304</u>
Less accumulated depreciation for:				
Land improvements	4,532	668	-	5,200
Buildings	90,350	13,467	1,951	101,866
Equipment	5,486	546	886	5,146
Total	<u>100,368</u>	<u>14,681</u>	<u>2,837</u>	<u>112,212</u>
Capital assets, net	<u>\$ 441,098</u>	<u>\$ 53,820</u>	<u>\$ 25,826</u>	<u>\$ 469,092</u>

Capital asset activity for the year ended June 30, 2013 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets:				
Land	\$ 3,173	\$ -	\$ -	\$ 3,173
Land improvements	12,006	1,448	73	13,381
Buildings	453,421	275	583	453,113
Equipment	8,289	632	1,209	7,712
Construction in progress	16,140	47,947	-	64,087
Total	<u>493,029</u>	<u>50,302</u>	<u>1,865</u>	<u>541,466</u>
Less accumulated depreciation for:				
Land improvements	3,935	663	66	4,532
Buildings	78,427	12,506	583	90,350
Equipment	5,952	607	1,073	5,486
Total	<u>88,314</u>	<u>13,776</u>	<u>1,722</u>	<u>100,368</u>
Capital assets, net	<u>\$ 404,715</u>	<u>\$ 36,526</u>	<u>\$ 143</u>	<u>\$ 441,098</u>

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D. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows as of June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2014	<u>\$ 2,030</u>	<u>\$ 1,392</u>	<u>\$ 1,336</u>	<u>\$ 2,086</u>	<u>\$ 1,328</u>
2013	<u>\$ 1,981</u>	<u>\$ 1,419</u>	<u>\$ 1,370</u>	<u>\$ 2,030</u>	<u>\$ 1,395</u>

E. BOND OBLIGATIONS PAYABLE

Debt of the members of the obligated group is as follows as of June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2014	<u>\$ 425,280</u>	<u>\$ 20,245</u>	<u>\$ 28,995</u>	<u>\$ 416,530</u>	<u>\$ 14,985</u>
2013	<u>\$ 413,720</u>	<u>\$ 20,690</u>	<u>\$ 9,130</u>	<u>\$ 425,280</u>	<u>\$ 13,930</u>

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	Interest Rate	Annual Installment	Principal Amount Outstanding	
			2,014	2,013
University of Nebraska-Lincoln:				
Student Fees and Facilities:				
Series 2008A, revenue bonds	3.50 - 5.00%	1,325 - 2,360	\$ 26,535	\$ 27,810
Series 2009A, revenue bonds	2.75 - 5.25%	1,155 - 2,990	49,635	51,055
Series 2009B, revenue bonds	2.00 - 5.70%	435 - 1,840	10,245	10,680
Series 2011, revenue bonds	2.00 - 5.00%	1,435 - 4,095	63,475	63,475
Series 2012, revenue bonds	3.99 - 5.00%	1,220 - 4,780	76,250	80,180
Series 2012B, revenue bonds	1.50 - 5.00%	350 - 1,640	20,060	20,690
Total Student Fees and Facilities			<u>246,200</u>	<u>253,890</u>
University of Nebraska-Lincoln:				
Parking:				
Series 2003, revenue refunding			-	3,000
Series 2005, revenue and refunding	4.00 - 4.50%	425 - 3,825	15,305	16,790
Series 2009A&B, revenue bonds	3.50 - 6.00%	695 - 1,110	11,560	11,560
Series 2013, revenue refunding	2.00 - 4.00%	260 - 1,210	7,870	-
Total Parking Project			<u>34,735</u>	<u>31,350</u>
University of Nebraska at Omaha:				
Student Facilities:				
Series 2008, revenue bonds	3.15 - 5.00%	920 - 2,700	39,390	40,310
Total Student Facilities			<u>39,390</u>	<u>40,310</u>
University of Nebraska at Omaha:				
Student Housing and Parking:				
Series 2003, revenue bonds			-	12,390
Series 2007, revenue bonds	4.50 - 5.00%	605 - 2,395	26,345	26,975
Series 2010A, revenue bonds	2.00 - 4.83%	685 - 1,175	14,505	15,200
Series 2010B, revenue bonds	2.25 - 5.00%	375 - 1,060	16,590	16,970
Series 2014, revenue bonds	.25 - 3.25%	530 - 790	11,630	-
Total Student Housing and Parking			<u>69,070</u>	<u>71,535</u>
University of Nebraska Medical Center:				
Student Housing:				
Series 2003, revenue bonds	3.70 - 5.00%	140 - 330	4,205	4,345
University of Nebraska at Kearney				
Student Fees and Facilities:				
Series 2005, revenue refunding	3.75 - 4.10%	385 - 1,080	3,160	3,530
Series 2006, revenue bonds	4.38 - 5.00%	550 - 1,385	19,770	20,320
Total Student Fees and Facilities			<u>22,930</u>	<u>23,850</u>
Subtotal Bonds Payable			416,530	425,280
Add unamortized bond premium			19,595	19,940
Less unamortized bond discount			952	1,015
Total bonds payable			<u>\$ 435,173</u>	<u>\$ 444,205</u>

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Annual maturities subject to mandatory redemption for the years ended June 30 are as follows:

University of Nebraska-Lincoln Student Fees and Facilities

	<u>Series 2008A</u>		<u>Series 2009A</u>		<u>Series 2009B</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,325	\$ 1,122	\$ 1,155	\$ 2,381	\$ 445	\$ 449
2016	1,365	1,075	1,185	2,347	460	437
2017	1,415	1,024	1,220	2,310	460	424
2018	1,470	970	1,265	2,267	480	410
2019	1,525	915	1,305	2,221	495	394
2020-2024	8,610	3,520	7,380	10,228	2,750	1,688
2025-2029	10,825	1,261	9,325	8,211	3,315	1,009
2030-2034	-	-	10,955	5,542	1,840	52
2035-2040	-	-	15,845	2,619	-	-
	<u>\$ 26,535</u>	<u>\$ 9,887</u>	<u>\$ 49,635</u>	<u>\$ 38,126</u>	<u>\$ 10,245</u>	<u>\$ 4,863</u>

	<u>Series 2011</u>		<u>Series 2012</u>		<u>Series 2012B</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ -	\$ 2,864	\$ 4,265	\$ 3,394	\$ 960	\$ 739
2016	-	2,864	4,185	3,218	985	710
2017	-	2,864	4,780	3,029	1,015	687
2018	1,435	2,850	3,455	2,858	1,030	672
2019	1,460	2,819	3,620	2,702	1,045	656
2020-2024	7,955	13,391	20,785	10,744	5,765	2,660
2025-2029	9,860	11,396	12,165	6,889	7,270	1,127
2030-2034	12,215	9,017	15,640	4,515	1,990	46
2035-2039	15,305	5,799	7,355	1,482	-	-
2040-2043	15,245	1,571	-	-	-	-
	<u>\$ 63,475</u>	<u>\$ 55,435</u>	<u>\$ 76,250</u>	<u>\$ 38,831</u>	<u>\$ 20,060</u>	<u>\$ 7,297</u>

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University of Nebraska-Lincoln Parking

	<u>Series 2005</u>		<u>Series 2009A & B</u>		<u>Series 2013</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,545	\$ 654	\$ -	\$ 566	\$ 960	\$ 245
2016	1,615	585	-	566	1,210	226
2017	1,680	520	695	566	260	202
2018	1,740	453	720	542	265	197
2019	1,815	384	745	515	270	192
2020-2024	5,645	748	4,245	2,064	1,470	830
2025-2029	1,265	57	5,155	951	1,765	539
2030-2034	-	-	-	-	1,670	170
	<u>\$ 15,305</u>	<u>\$ 3,401</u>	<u>\$ 11,560</u>	<u>\$ 5,770</u>	<u>\$ 7,870</u>	<u>\$ 2,601</u>

University of Nebraska at Omaha Student Facilities

	<u>Series 2008</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 950	\$ 1,888
2016	985	1,856
2017	1,010	1,822
2018	1,055	1,784
2019	1,095	1,742
2020-2024	6,225	7,954
2025-2029	7,915	6,264
2030-2034	10,100	4,078
2035-2039	10,055	1,902
	<u>\$ 39,390</u>	<u>\$ 29,290</u>

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University of Nebraska at Omaha Student Housing and Parking

	<u>Series 2007</u>		<u>Series 2010A</u>		<u>Series 2010B</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 660	\$ 1,284	\$ 705	\$ 568	\$ 385	\$ 730
2016	690	1,254	720	554	395	720
2017	720	1,223	735	536	405	710
2018	750	1,190	760	516	420	697
2019	790	1,154	795	494	430	684
2020-2024	4,485	5,221	4,335	2,042	2,395	3,180
2025-2029	5,695	4,021	5,280	1,070	2,905	2,678
2030-2034	6,585	2,398	1,175	56	3,605	1,966
2035-2039	5,970	1,057	-	-	4,590	977
2040-2044	-	-	-	-	1,060	53
	<u>\$ 26,345</u>	<u>\$ 18,802</u>	<u>\$ 14,505</u>	<u>\$ 5,836</u>	<u>\$ 16,590</u>	<u>\$ 12,395</u>

	<u>Series 2014</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 530	\$ 303
2016	495	332
2017	500	328
2018	510	320
2019	530	312
2020-2024	2,800	1,395
2025-2029	3,300	902
2030-2034	<u>2,965</u>	<u>238</u>
	<u>\$ 11,630</u>	<u>\$ 4,130</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

NOTES TO COMBINED FINANCIAL STATEMENTS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE YEARS ENDED JUNE 30, 2014 and 2013 (in thousands)

University of Nebraska Medical Center Student Housing

	<u>Series 2003</u>	
	<u>Principal</u>	<u>Interest</u>
2015	\$ 145	\$ 199
2016	150	194
2017	155	188
2018	165	182
2019	170	174
2020-2024	965	755
2025-2029	1,225	499
2030-2034	<u>1,230</u>	<u>158</u>
	<u>\$ 4,205</u>	<u>\$ 2,349</u>

University of Nebraska at Kearney Student Fees and Facilities

	<u>Series 2005</u>		<u>Series 2006</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 385	\$ 126	\$ 570	\$ 961
2016	400	112	595	936
2017	415	96	625	910
2018	430	80	655	879
2019	450	62	690	846
2020-2024	1,080	44	3,930	3,739
2025-2029	-	-	5,190	2,685
2030-2034	-	-	6,130	1,283
2035-2039	<u>-</u>	<u>-</u>	<u>1,385</u>	<u>69</u>
	<u>\$ 3,160</u>	<u>\$ 520</u>	<u>\$ 19,770</u>	<u>\$ 12,308</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

NOTES TO COMBINED FINANCIAL STATEMENTS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE YEARS ENDED JUNE 30, 2014 and 2013 (in thousands)

Current maturities, all Members of the Obligated Group

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 14,985	\$ 18,473	\$ 33,458
2016	15,435	17,986	33,421
2017	16,090	17,439	33,529
2018	16,605	16,867	33,472
2019	17,230	16,266	33,496
2020-2024	90,820	70,203	161,023
2025-2029	92,455	49,559	142,014
2030-2034	76,100	29,519	105,619
2035-2039	57,515	13,827	71,342
2040-2044	19,295	1,702	20,997
	<u>\$ 416,530</u>	<u>\$ 251,841</u>	<u>\$ 668,371</u>

The Master Trust Indenture – The Board of Regents has entered into a Master Trust Indenture dated as of June 1, 1995 (as amended and supplemented from time to time, hereinafter the Indenture) with a fiduciary with respect to the facilities (including student housing, student unions, student health facilities, and parking facilities) from which the Board of Regents derives revenues, fees, and earnings. The Master Trust Indenture was created for the purpose of achieving lower borrowing costs through sharing accumulated excess revenues and earnings derived from such facilities. As of June 30, 2014, the members of the Obligated Group are (a) the student housing, student unions, and student health facilities on the University of Nebraska-Lincoln campus (UNL Student Fees and Facilities); (b) the parking facilities on the University of Nebraska-Lincoln campus (UNL Parking); (c) the student center and HPER facility at the University of Nebraska at Omaha (UNO Facilities); (d) certain student housing and Parking facilities at the University of Nebraska at Omaha (UNO Student Housing and Parking); (e) certain student housing facilities at the University of Nebraska Medical Center (UNMC Student Housing); and (f) the student housing facilities on the University of Nebraska at Kearney campus (UNK Student Fees and Facilities). The accumulated surplus revenues, fees, and other payments of the members have been jointly pledged to the payment of the revenue bonds issued with respect to such facilities. Other facilities will be added to the Obligated Group and the revenues, fees, and other payments derived from such facilities will be pledged under the Indenture in the future as circumstances permit.

Bond Issuances - On July 25, 2013, The Board of Regents issued \$8,615 of University of Nebraska-Lincoln Parking Project Revenue Refunding Bonds, Series 2013. The net proceeds of the bonds were used to pay the cost of acquiring ownership of a multilevel parking garage condominium located on the UNL campus and to redeem \$3,000 of outstanding University of Nebraska-Lincoln Parking Project Revenue Refunding Bonds, Series 2003. The refunding reduced total debt service

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

NOTES TO COMBINED FINANCIAL STATEMENTS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE YEARS ENDED JUNE 30, 2014 and 2013 (in thousands)

payments by approximately \$194 and resulted in an economic gain of approximately \$169. The accounting gain of \$15 is deferred and amortized over the life of the 2013 bonds.

On June 18, 2014, The Board of Regents issued \$11,630 of University of Nebraska at Omaha Student Housing Refunding Bonds, Series 2014. The net proceeds of the bonds were used to refund \$12,000 of outstanding Board of Regents University of Nebraska at Omaha Student Housing Project Bonds, Series 2003 dated November 24, 2003. The refunding reduced total debt service payments by approximately \$2,829 and resulted in an economic gain of approximately \$2,153. The accounting gain of \$30 is deferred and amortized over the life of the 2014 bonds.

On September 12, 2012, The Board of Regents issued \$20,690 of University of Nebraska-Lincoln Student Fees and Facilities Revenue Bonds, Series 2012B. The proceeds of the bonds were used to pay the cost of acquiring, constructing, equipping, and furnishing facilities for health, physical education, and recreation facilities at the University of Nebraska-Lincoln campus.

Pledged Revenues – Pledged revenues are defined in the Obligated Group as all of the revenues of each member that remain after payment of the expenses of such member. Pledged revenues do not include any balances in any debt service fund or debt service reserve fund, but shall include any balances in any other reserve, replacement, or contingency fund and any surplus fund held for and on behalf of such member under a Related Bond Resolution (as defined in the Obligated Group).

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, and the bonds do not constitute debt of the Board of Regents of the University of Nebraska, but shall be payable solely out of monies derived from the fees and revenues of the specified residence halls, dining facilities, certain married students' apartments, facilities constructed under these resolutions, and the specified portion of certain Student Union and Health Center fees.

The bond resolutions specify the funds that need to be established and the required transfers between funds. The bond resolutions also require that specified amounts be deposited with the Trustee for certain funds. At June 30, 2014 and 2013, the Obligated Group is in compliance with those requirements.

Operating Expenses – The bond resolutions provide that in the event the revenues pledged under the bond issues are not sufficient to make the payments required, the Board of Regents of the University of Nebraska shall, to the extent of any such deficiency, pay operating expenses for certain student facilities, extensions, or additions without charging the same against the revenues, fees, and earnings derived from their operation until such a time that pledged revenues are sufficient to make the required payments. During the years ended June 30, 2014 and 2013, \$50 and \$47, respectively, of University of Nebraska funds were expended for the operation and maintenance of the student housing facilities of UNMC. The terms of the Indenture do not require repayment of funds expended for operation and maintenance.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

NOTES TO COMBINED FINANCIAL STATEMENTS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE YEARS ENDED JUNE 30, 2014 and 2013 (in thousands)

F. COMMITMENTS AND CONTINGENCIES

The Obligated Group has contracted for the construction of several facilities, which are estimated to cost approximately \$13,323 at June 30, 2014. The projects are as follows:

UNL 19th & R Residence & Land Improvements	\$	1,842
Campus Recreation Renovation		10,584
18th & R Parking Garage		60
Surplus resolutions		837
Total Project	\$	<u>13,323</u>

The University of Nebraska has other claims and litigation pending, none of which is expected to result in any material loss to the Obligated Group.

G. SUBSEQUENT EVENTS

On July 18, 2014, The Board of Regents approved the architect selection for the Milo Bail Student Center renovation (UNO Student Activities). The Board approved the financing resolution, program statement and a preliminary budget on May 30, 2014. The preliminary budget includes net financing of approximately \$9,000 from new bonds (total issuance not to exceed \$10,700) and \$10,500 from UNO bond surplus and other campus funds for a total of \$19,500.

The Obligated Group has evaluated subsequent events from the combined statement of net position date through September 30, 2014, the date at which the financial statements were available to be issued.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
ADDITIONAL INFORMATION
COMBINING STATEMENT OF NET POSITION
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE
JUNE 30, 2014 (in thousands)

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Housing	Combined
CURRENT ASSETS:							
Cash and cash equivalents	\$ 12,531	\$ 1,831	\$ 6,554	\$ 8,547	\$ 86	\$ 1,482	\$ 31,031
Cash and cash equivalents held by trustee – restricted	19,099	3,971	610	1,495	259	2,042	27,476
Investments held by trustee – restricted	2,403	4,619	2,228	3,670	-	-	12,920
Accounts receivable, net	2,468	377	481	1,427	19	821	5,593
Other current assets	213	28	1,575	-	-	19	1,835
Total current assets	36,714	10,826	11,448	15,139	364	4,364	78,855
NON-CURRENT ASSETS:							
Cash and cash equivalents held by trustee – restricted	56,312	4,559	405	1,686	331	6,136	69,429
Investments held by trustee – restricted	-	-	1,923	7,981	380	5,435	15,719
Accounts receivable, net of current portion	700	-	-	-	-	3,762	4,462
Capital assets, net of accumulated depreciation	242,411	61,497	39,995	68,189	4,338	52,662	469,092
Total non-current assets	299,423	66,056	42,323	77,856	5,049	67,995	558,702
Total assets	336,137	76,882	53,771	92,995	5,413	72,359	637,557
DEFERRED OUTFLOWS OF RESOURCES:							
Deferred loss on bond refunding	5,888	-	-	-	-	-	5,888
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION							
CURRENT LIABILITIES:							
Accounts payable and accrued expenses	15,460	1,719	1,263	2,529	26	1,122	22,119
Bond obligations payable	7,392	2,515	927	2,360	145	955	14,294
Deferred revenues and other credits	2,678	467	14	1,906	30	72	5,167
Total current liabilities	25,530	4,701	2,204	6,795	201	2,149	41,580
NON-CURRENT LIABILITIES:							
Accrued compensated absences	469	59	162	3	9	56	758
Bond obligations payable, net of current portion	255,862	32,367	37,907	68,358	4,070	22,315	420,879
Total non-current liabilities	256,331	32,426	38,069	68,361	4,079	22,371	421,637
Total liabilities	281,861	37,127	40,273	75,156	4,280	24,520	463,217
Deferred service concession arrangement receipts	-	-	-	-	-	7,402	7,402
NET POSITION:							
Net investment in capital assets	(8,015)	26,614	1,162	(2,529)	123	26,936	44,291
Restricted:							
Expendable:							
Plant construction	12,715	789	1,643	4,375	669	22	20,213
Debt service	46,327	11,161	6,356	10,445	341	12,798	87,428
Unrestricted	9,137	1,191	4,337	5,548	-	681	20,894
Total net position	60,164	39,755	13,498	17,839	1,133	40,437	172,826

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
ADDITIONAL INFORMATION
COMBINING STATEMENT OF NET POSITION
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE
JUNE 30, 2013 (in thousands)

ASSETS AND DEFERRED OUTFLOWS OR RESOURCES

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Housing	Combined
CURRENT ASSETS:							
Cash and cash equivalents	\$ 10,138	\$ 1,779	\$ 3,214	\$ 8,267	\$ 79	\$ 2,048	\$ 25,525
Cash and cash equivalents held by trustee – restricted	18,852	3,567	5,069	4,661	265	2,045	34,459
Investments held by trustee – restricted	-	4,066	-	657	-	-	4,723
Accounts receivable, net	2,161	581	476	159	14	857	4,248
Other current assets	160	26	2,372	11	-	38	2,607
Total current assets	31,311	10,019	11,131	13,755	358	4,988	71,562
NON-CURRENT ASSETS:							
Cash and cash equivalents held by trustee – restricted	82,930	7,600	2,082	4,530	127	3,855	101,124
Investments held by trustee – restricted	-	-	-	3,026	533	10,240	13,799
Accounts receivable, net of current portion	800	-	-	-	-	4,482	5,282
Capital assets, net of accumulated depreciation	227,082	51,311	41,157	69,646	4,442	47,460	441,098
Total non-current assets	310,812	58,911	43,239	77,202	5,102	66,037	561,303
Total assets	342,123	68,930	54,370	90,957	5,460	71,025	632,865
DEFERRED OUTFLOWS OF RESOURCES							
Deferred loss on bond refunding	6,144	-	-	-	-	-	6,144
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION							
CURRENT LIABILITIES:							
Accounts payable and accrued expenses	17,030	3,811	1,953	1,247	23	1,211	25,275
Bond obligations payable	6,964	2,175	897	2,151	140	920	13,247
Deferred revenues and other credits	2,672	518	19	2,290	25	82	5,606
Total current liabilities	26,666	6,504	2,869	5,688	188	2,213	44,128
NON-CURRENT LIABILITIES:							
Accrued compensated absences	435	60	83	-	9	48	635
Bond obligations payable, net of current portion	264,738	29,251	38,853	70,636	4,216	23,284	430,958
Total non-current liabilities	265,173	29,311	38,916	70,636	4,225	23,332	431,593
Total liabilities	291,839	35,815	41,785	76,324	4,413	25,545	475,721
Deferred service concession arrangement receipts	-	-	-	-	-	8,414	8,414
NET POSITION:							
Net investment in capital assets	(8,225)	19,884	1,427	(3,142)	87	20,678	30,709
Restricted:							
Expendable:							
Plant construction	3,653	788	1,333	3,991	621	90	10,476
Debt service	54,571	10,918	5,626	8,761	339	15,186	95,401
Unrestricted	6,429	1,525	4,199	5,023	-	1,112	18,288
Total net position	\$ 56,428	\$ 33,115	\$ 12,585	\$ 14,633	\$ 1,047	\$ 37,066	\$ 154,874

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
ADDITIONAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/Parking	UNMC Housing	UNK Student Fees	Combined
REVENUES:							
Operating revenues:							
Room and board	\$ 61,500	\$ -	\$ -	\$ 11,272	\$ 604	\$ 14,635	\$ 88,011
Student fees	4,553	1,155	4,975	1,826	-	1,365	13,874
Parking facilities revenues	-	8,721	-	2,397	-	465	11,583
Bookstore and bookstore commissions	-	-	6,910	-	-	210	7,120
Food service	1,143	-	2,406	-	-	-	3,549
Other operating revenues	150	-	181	376	-	772	1,479
Total operating revenues	67,346	9,876	14,472	15,871	604	17,447	125,616
EXPENSES:							
Operating expenses:							
Salaries and wages	13,948	995	2,410	799	70	2,956	21,178
Benefits	4,744	247	677	204	23	952	6,847
Total compensation and benefits	18,692	1,242	3,087	1,003	93	3,908	28,025
Goods purchased for resale	-	-	5,678	-	-	-	5,678
Supplies and materials	9,074	1,319	1,030	1,924	29	1,258	14,634
Food and food service contracts	6,216	-	-	-	-	4,412	10,628
Contractual services	1,147	2,501	279	2,682	15	224	6,848
Repairs and maintenance	1,114	661	141	1,386	72	359	3,733
Utilities	4,399	239	303	826	53	1,248	7,068
Communications	1,039	41	20	382	-	245	1,727
Depreciation	8,081	1,546	1,167	1,884	104	1,899	14,681
Total operating expenses	49,762	7,549	11,705	10,087	366	13,553	93,022
OPERATING INCOME	17,584	2,327	2,767	5,784	238	3,894	32,594
NON-OPERATING REVENUES (EXPENSES):							
Investment income, net of investment management fees	131	18	82	167	5	152	555
Increase (decrease) in fair value of investments	-	(6)	-	6	(3)	27	24
Interest on bond obligations	(10,594)	(1,509)	(1,936)	(3,179)	(204)	(1,111)	(18,533)
Capitalized interest on bond obligations	1,899	169	-	-	-	-	2,068
Bond financial expense	-	(126)	-	-	-	-	(126)
Loss on disposal of capital assets	(4)	(42)	-	428	-	-	382
Net transfer of assets from other University sources	(5,280)	5,809	-	-	50	(3)	576
Non-operating expenses, net	(13,848)	4,313	(1,854)	(2,578)	(152)	(935)	(15,054)
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	3,736	6,640	913	3,206	86	2,959	17,540
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:							
Capital grants and contracts	-	-	-	-	-	412	412
INCREASE IN NET POSITION	3,736	6,640	913	3,206	86	3,371	17,952
NET POSITION:							
Beginning of year	56,428	33,115	12,585	14,633	1,047	37,066	154,874
End of year	60,164	39,755	13,498	17,839	1,133	40,437	172,826

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
ADDITIONAL INFORMATION
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/Parking	UNMC Housing	UNK Student Fees	Combined
REVENUES:							
Operating revenues:							
Room and board	\$ 54,585	\$ -	\$ -	\$ 10,624	\$ 557	\$ 14,455	\$ 80,221
Student fees	3,859	717	4,878	1,743	-	1,437	12,634
Parking facilities revenues	-	8,874	-	2,291	-	394	11,559
Bookstore and bookstore commissions	-	-	7,187	-	-	210	7,397
Food service	965	-	2,439	-	-	-	3,404
Other operating revenues	150	-	180	82	-	662	1,074
Total operating revenues	59,559	9,591	14,684	14,740	557	17,158	116,289
EXPENSES:							
Operating expenses:							
Salaries and wages	13,624	1,159	2,339	705	73	2,809	20,709
Benefits	4,147	290	685	196	17	932	6,267
Total compensation and benefits	17,771	1,449	3,024	901	90	3,741	26,976
Goods purchased for resale	-	-	5,793	-	-	-	5,793
Supplies and materials	5,910	1,029	830	1,509	15	1,420	11,878
Food and food service contracts	-	-	-	-	-	4,544	10,454
Contractual services	1,239	1,418	204	2,144	25	189	5,219
Repairs and maintenance	2,531	1,078	123	1,514	43	727	6,016
Utilities	4,094	244	285	779	44	988	6,434
Communications	1,003	36	22	376	-	242	1,679
Depreciation	7,187	1,713	1,169	1,884	104	1,719	13,776
Total operating expenses	46,810	6,967	11,450	9,107	321	13,570	88,225
OPERATING INCOME	12,749	2,624	3,234	5,633	236	3,588	28,064
NON-OPERATING REVENUES (EXPENSES):							
Investment income, net of investment management fees	132	17	99	204	9	219	680
Increase (decrease) in fair value of investments	-	6	(11)	(9)	(6)	(133)	(153)
Interest on bond obligations	(10,924)	(1,466)	(2,003)	(3,224)	(209)	(1,144)	(18,970)
Capitalized interest on bond obligations	3,463	258	-	-	-	-	3,721
Bond financial expense	(248)	-	-	-	-	-	(248)
Loss on disposal of capital assets	(1)	(130)	(5)	-	-	(4)	(140)
Net transfer of assets from other University sources	432	303	-	-	47	14	796
Non-operating expenses, net	(7,146)	(1,012)	(1,920)	(3,029)	(159)	(1,048)	(14,314)
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	5,603	1,612	1,314	2,604	77	2,540	13,750
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:							
Capital grants and contracts	-	-	-	-	-	544	544
INCREASE IN NET POSITION	5,603	1,612	1,314	2,604	77	3,084	14,294
NET POSITION:							
Beginning of year	50,825	31,503	11,271	12,029	970	33,982	140,580
End of year	\$ 56,428	\$ 33,115	\$ 12,585	\$ 14,633	\$ 1,047	\$ 37,066	\$ 154,874

See accompanying independent auditors' report.

**THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
ADDITIONAL INFORMATION
COMBINING STATEMENT OF CASH FLOWS
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands)**

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/Parking	UNMC Student Housing	UNK Student Fees	Combined
CASH FLOWS FROM OPERATING ACTIVITIES:							
Room and board	\$ 61,260	\$ -	\$ -	\$ 10,912	\$ 604	\$ 14,635	\$ 87,411
Student fees	4,553	1,155	4,975	1,826	-	1,365	13,874
Parking facilities revenues	-	8,870	-	2,397	-	456	11,723
Bookstore and bookstore commissions	-	-	6,866	-	-	186	7,052
Food service	1,143	-	2,402	-	-	-	3,545
Other operating receipts	150	-	219	376	-	714	1,459
Payments to vendors	(23,535)	(4,511)	(7,264)	(7,136)	(167)	(7,765)	(50,378)
Payments to employees	(17,885)	(1,248)	(3,084)	(993)	(93)	(3,898)	(27,201)
Net cash flows from operating activities	25,686	4,266	4,114	7,382	344	5,693	47,485
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from issuance of bond obligations	-	8,615	-	11,630	-	-	20,245
Transfers to and from other University sources	(5,280)	5,808	-	-	50	-	578
Premium on issuance of bond obligations	-	81	-	453	-	-	534
Capital grants and contracts	-	-	-	-	-	200	200
Purchases of capital assets	(23,300)	(13,948)	(5)	(3,306)	(205)	(7,150)	(44,403)
Interest paid on bond obligations	(11,162)	(1,513)	(1,917)	(3,306)	(205)	(1,125)	(19,228)
Refunding of bond obligations	-	(3,000)	-	(12,000)	-	-	(15,000)
Principal paid on bond obligations	(7,690)	(2,230)	(920)	(2,095)	(140)	(920)	(13,995)
Payment of bond financial expense	-	(126)	-	-	-	-	(126)
Net cash flows from capital and related financing activities	(47,432)	(6,313)	(2,842)	(5,318)	(295)	(8,995)	(71,195)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments	-	4,060	453	1,798	153	4,832	11,296
Interest on investments	171	21	83	196	3	182	656
Purchases of investments	(2,403)	(4,619)	(4,604)	(9,788)	-	-	(21,414)
Net cash flows from investing activities	(2,232)	(538)	(4,068)	(7,794)	156	5,014	(9,462)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(23,978)	(2,585)	(2,796)	(5,730)	205	1,712	(33,172)
CASH AND CASH EQUIVALENTS - Beginning of year	111,920	12,946	10,365	17,458	471	7,948	161,108
CASH AND CASH EQUIVALENTS - End of year	\$ 87,942	\$ 10,361	\$ 7,569	\$ 11,728	\$ 676	\$ 9,660	\$ 127,936
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:							
Operating income	\$ 17,584	\$ 2,327	\$ 2,767	\$ 5,784	\$ 238	\$ 3,894	\$ 32,594
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	8,081	1,546	1,167	1,884	104	1,899	14,681
Changes in assets and liabilities:							
Accounts receivable, net	(345)	200	(5)	(41)	(4)	521	326
Other assets	45	(7)	797	11	-	-	846
Accounts payable and accrued expenses	315	251	(607)	128	2	(15)	74
Deferred revenues, credits, and service concession receipts	6	(51)	(5)	(384)	4	(606)	(1,036)
Net cash flows from operating activities	\$ 25,686	\$ 4,266	\$ 4,114	\$ 7,382	\$ 344	\$ 5,693	\$ 47,485
NON-CASH TRANSACTIONS:							
Capital grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212	\$ 212
Capital assets transferred in from other University sources	-	-	-	-	-	(3)	(3)
Increase (decrease) in fair value of investments	-	(6)	-	6	(3)	27	24

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
ADDITIONAL INFORMATION
COMBINING STATEMENT OF CASH FLOWS
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE MASTER TRUST INDENTURE
FOR THE YEAR ENDED JUNE 30, 2013 (in thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/Parking	UNMC Student Housing	UNK Student Fees	Combined
CASH FLOWS FROM OPERATING ACTIVITIES:							
Room and board	\$ 55,055	\$ -	\$ -	\$ 11,419	\$ 548	\$ 14,435	\$ 81,457
Student fees	3,859	717	4,878	1,743	-	1,435	12,632
Parking facilities revenues	-	8,725	-	2,289	-	407	11,421
Bookstore and bookstore commissions	-	-	7,040	-	-	210	7,250
Food service	965	-	2,438	-	-	-	3,403
Other operating receipts	150	-	142	82	-	526	900
Payments to vendors	(22,543)	(3,898)	(6,971)	(6,055)	(128)	(7,436)	(47,031)
Payments to employees	(17,771)	(1,452)	(2,997)	(893)	(89)	(3,705)	(26,907)
Net cash flows from operating activities	19,715	4,092	4,530	8,585	331	5,872	43,125
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from issuance of bond obligations	20,690	-	-	-	-	-	20,690
Premium on issuance of bond obligations	2,282	-	-	-	-	-	2,282
Transfers to and from other University sources	432	303	-	-	47	-	782
Capital grants and contracts	-	-	-	-	-	452	452
Purchases of capital assets	(31,594)	(2,585)	(25)	(3,287)	(209)	(5,428)	(39,632)
Interest paid on bond obligations	(9,638)	(1,484)	(1,989)	(2,040)	(135)	(1,158)	(17,765)
Principal paid on bond obligations	(1,905)	(2,085)	(2,075)	(2,040)	(135)	(890)	(9,130)
Payment of bond financial expense	(249)	-	-	-	-	-	(249)
Net cash flows from capital and related financing activities	(19,982)	(5,851)	(4,089)	(5,327)	(297)	(7,024)	(42,570)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments	-	1,719	2,985	4,701	26	6,207	14,593
Interest on investments	86	13	105	225	1	(75)	355
Purchases of investments	-	(4,060)	(1,037)	(1,245)	(224)	(4,651)	(11,217)
Net cash flows from investing activities	86	(3,347)	2,053	3,681	(223)	1,481	3,731
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(181)	(5,106)	2,494	6,939	(189)	329	4,286
CASH AND CASH EQUIVALENTS – Beginning of year	112,101	18,052	7,871	10,519	660	7,619	156,822
CASH AND CASH EQUIVALENTS – End of year	111,920	12,946	10,365	17,458	471	7,948	161,108
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:							
Operating income	\$ 12,749	\$ 2,624	\$ 3,234	\$ 5,633	\$ 236	\$ 3,588	\$ 28,064
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	7,187	1,713	1,169	1,884	104	1,719	13,776
Changes in assets and liabilities:							
Accounts receivable, net	189	(86)	(186)	96	(5)	1,010	1,018
Other assets	25	(4)	(148)	(12)	-	31	(108)
Accounts payable and accrued expenses	(716)	(92)	461	287	-	(108)	(168)
Deferred revenues, credits, and service concession receipts	281	(63)	-	697	(4)	(368)	543
Net cash flows from operating activities	19,715	4,092	4,530	8,585	331	5,872	43,125
NON-CASH TRANSACTIONS:							
Capital grants and contracts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 94	\$ 94
Capital assets transferred in from other University sources	31	-	-	-	-	14	45
Increase (decrease) in fair value of investments	-	6	(11)	(9)	(6)	(133)	(153)

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

**ADDITIONAL INFORMATION
COMBINED SCHEDULE OF NET REVENUES (AS DEFINED) AND DEBT SERVICE
COVERAGE RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE JUNE 1, 1995 MASTER TRUST INDENTURE
YEAR ENDED JUNE 30, 2014 (in thousands except ratio information)**

REVENUES:	
Operating revenues	\$ 111,035
Student fees	13,874
Other	1,280
	<hr/>
Total revenues	126,189
EXPENSES:	
Operating expense	72,431
Operating funds expended for plant	734
Administrative expenses	96
	<hr/>
Total expenses	73,261
NET REVENUES	<u><u>\$ 52,928</u></u>

Principal and interest due during the year

	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
UNL Housing Series 2008A	\$ 1,275	1,124	2,399
UNL Housing Series 2009A	1,420	2,379	3,799
UNL Housing Series 2009B	435	449	884
UNL Housing Series 2011	-	2,864	2,864
UNL Housing Series 2012	3,930	3,464	7,394
UNL Housing Series 2012B	630	750	1,380
UNL Parking Series 2005	1,485	760	2,245
UNL Parking Series 2009A&B	-	566	566
UNL Parking Series 2013	745	232	977
UNO Housing Series 2003	390	675	1,065
UNO Student Housing/Parking Series 2007	630	1,313	1,943
UNO HPER Series 2008	920	1,943	2,863
UNO Housing Series 2010A	695	581	1,276
UNO Housing Series 2010B	380	736	1,116
UNMC Housing Series 2003	140	204	344
UNK Housing Series 2003	-	-	-
UNK Housing Series 2005	370	139	509
UNK Housing Series 2006	550	986	1,536
	<hr/>	<hr/>	<hr/>
Total	<u><u>\$ 13,995</u></u>	<u><u>\$ 19,165</u></u>	<u><u>\$ 33,160</u></u>

RATIO OF NET REVENUES TO TOTAL DEBT SERVICE

1.60

REQUIRED RATIO

1.15

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
ADDITIONAL INFORMATION
FACILITIES OPERATING FUND CASH AVAILABLE FOR TRANSFER TO
TRUSTEED BOND FUNDS
RELATING TO THE MEMBERS OF THE OBLIGATED GROUP
UNDER THE JUNE 1, 1995 MASTER TRUST INDENTURE
(UNIVERSITY OF NEBRASKA – LINCOLN STUDENT FEES AND FACILITIES BONDS)
JUNE 30, 2014 (in thousands) (UNAUDITED)

Cash	\$	12,531	
Add:			
Accounts receivable, net		2,345	
Inventory		174	
		<u> </u>	15,050
Deduct net cash restricted:			
Accounts payable		1,356	
Accrued salaries and wages		545	
Unearned revenues and credits		2,678	
		<u> </u>	4,579
Cash available to transfer to trustee	\$		<u><u>10,471</u></u>
Cash to be transferred subsequent to June 30, 2014:			
Surplus Fund – UPPF	\$	139	
Surplus Fund		10,332	
	\$	<u> </u>	<u><u>10,471</u></u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

**ADDITIONAL INFORMATION
FACILITIES OPERATING FUND CASH AVAILABLE FOR TRANSFER TO
TRUSTEED BOND FUNDS RELATING TO THE MEMBERS OF THE OBLIGATED
GROUP (UNIVERSITY OF NEBRASKA – LINCOLN PARKING PROJECT)
JUNE 30, 2014 (in thousands) (UNAUDITED)**

Cash	\$	1,832	
Add accounts receivable, net		<u>374</u>	2,206
Deduct net cash restricted:			
Accounts payable		415	
Accrued salaries and wages		39	
Unearned revenues and credits		<u>466</u>	
			<u>920</u>
Cash available to transfer to trustee	\$		<u><u>1,286</u></u>
Cash to be transferred subsequent to June 30, 2014:			
Surplus fund	\$		<u><u>1,286</u></u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA
ADDITIONAL INFORMATION
FACILITIES OPERATING FUND CASH AVAILABLE FOR TRANSFER TO
TRUSTEED BOND FUNDS RELATING TO THE MEMBERS OF THE OBLIGATED
GROUP UNDER THE JUNE 1, 1995 MASTER TRUST INDENTURE
(UNIVERSITY OF NEBRASKA AT OMAHA STUDENT CENTER AND HPER PROJECTS)
FOR THE YEAR ENDED JUNE 30, 2014 (in thousands) (UNAUDITED)

	Student Center Series 2003	HPER Series 2008	Total
REVENUES:			
Student fees	\$ 1,576	\$ 3,399	\$ 4,975
Bookstore	6,910	-	6,910
Food service	2,406	-	2,406
Other operating revenues	43	138	181
Total operating revenues	<u>10,935</u>	<u>3,537</u>	<u>14,472</u>
EXPENSES:			
Compensation and benefits	3,010	77	3,087
Goods purchased for resale	5,678	-	5,678
Supplies and materials	924	16	940
Contractual services	134	8	142
Repairs and maintenance	53	14	67
Utilities	145	158	303
Communications	20	-	20
Total operating expenses	<u>9,964</u>	<u>273</u>	<u>10,237</u>
TRANSFERS:			
Mandatory debt service transfer	(349)	(3,329)	(3,678)
Transfer of prior year operating income to surplus fund	349	493	842
Plant improvements	(489)	-	(489)
Total transfers	<u>(489)</u>	<u>(2,836)</u>	<u>(3,325)</u>
OPERATING INCOME	482	428	910
INVESTMENT INCOME	<u>55</u>	<u>15</u>	<u>70</u>
NET OPERATING INCOME AND INVESTMENT INCOME	537	443	910
STUDENT CENTER LOSS PAID FROM FUND BALANCE	<u>(455)</u>	<u>-</u>	<u>(455)</u>
OPERATING INCOME TO BE TRANSFERRED TO SURPLUS FUND SUBSEQUENT TO JUNE 30, 2014	<u>\$ 992</u>	<u>\$ 443</u>	<u>\$ 1,365</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

**ADDITIONAL INFORMATION
 FACILITIES OPERATING FUND FREE CASH FLOW DUE TO
 SUZANNE AND WALTER SCOTT FOUNDATION
 RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER
 THE JUNE 1, 1995 MASTER TRUST INDENTURE
 (UNIVERSITY OF NEBRASKA AT OMAHA STUDENT HOUSING PROJECT)
 FOR THE YEAR ENDED JUNE 30, 2014 (in thousands) (UNAUDITED)**

	Scott Village Series 2014	Scott Court Series 2010B
	<u>2014</u>	<u>2010B</u>
REVENUES:		
Room and board	\$ 2,644	\$ 2,872
Student fees	20	22
Other operating revenues	220	74
Total operating revenues	<u>2,884</u>	<u>2,968</u>
EXPENSES:		
Supplies and materials	215	218
Contractual services	412	362
Repairs and maintenance	180	184
Utilities	241	152
Communications	73	76
Total operating expenses	<u>1,121</u>	<u>992</u>
TRANSFERS:		
Mandatory debt service transfer	(1,045)	(1,439)
Transfer of prior year operating income to surplus fund	59	334
Plant improvements	(126)	(112)
Total transfers	<u>(1,112)</u>	<u>(1,217)</u>
OPERATING INCOME	651	759
DEVELOPMENT FEE TO SCOTT FOUNDATION	<u>321</u>	<u>326</u>
OPERATING INCOME BEFORE ADMINISTRATIVE FEE	330	433
ADMINISTRATIVE FEE	<u>58</u>	<u>89</u>
OPERATING INCOME TO BE TRANSFERRED TO SURPLUS FUND SUBSEQUENT TO JUNE 30, 2014	<u>\$ 272</u>	<u>\$ 344</u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

**ADDITIONAL INFORMATION
 FACILITIES OPERATING FUND FREE CASH FLOW
 RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER
 THE JUNE 1, 1995 MASTER TRUST INDENTURE
 (UNIVERSITY OF NEBRASKA AT OMAHA STUDENT HOUSING PROJECT)
 FOR THE YEAR ENDED JUNE 30, 2014 (in thousands) (UNAUDITED)**

	Maverick Village Series 2007	Student Parking Series 2007	University Village Series 2010
REVENUES:			
Room and board	\$ 2,438	\$ -	\$ 3,318
Parking facilities revenues	-	2,397	-
Student fees	47	1,671	65
Other operating revenues	4	74	4
Total operating revenues	<u>2,489</u>	<u>4,142</u>	<u>3,387</u>
EXPENSES:			
Compensation and benefits	180	363	485
Supplies and materials	248	558	302
Contractual services	60	1,115	71
Repairs and maintenance	27	230	78
Utilities	167	-	266
Communications	82	4	118
Total operating expenses	<u>764</u>	<u>2,270</u>	<u>1,320</u>
TRANSFERS:			
Mandatory debt service transfer	(1,695)	(1,873)	(1,949)
Transfer of prior year operating income to surplus fund	575	1,062	686
Plant improvements	-	-	(13)
Total transfers	<u>(1,120)</u>	<u>(811)</u>	<u>(1,276)</u>
OPERATING INCOME	<u>610</u>	<u>1,061</u>	<u>810</u>
INVESTMENT INCOME	<u>25</u>	<u>73</u>	<u>30</u>
NET OPERATING INCOME AND INVESTMENT INCOME	<u>635</u>	<u>1,134</u>	<u>840</u>
EXCESS REVENUE RETAINED BY THE UNIVERSITY	-	(73)	-
OPERATING INCOME TO BE TRANSFERRED TO SURPLUS FUND SUBSEQUENT TO JUNE 30, 2014	<u>\$ 640</u>	<u>\$ 1,061</u>	<u>\$ 859</u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION
 COMBINED SCHEDULE OF INSURANCE COVERAGES OF FACILITIES
 RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE
 JUNE 1, 1995 MASTER TRUST INDENTURE
 YEAR ENDED JUNE 30, 2014 (in thousands, except for Note A) (UNAUDITED)

Facility	Amount of Insurance Coverage (Note A)		
	Fire and Extended Coverage		Business Interruption 100% Contribution
	Buildings (Note B)	Contents	
University of Nebraska-Lincoln:			
Student Fees and Facilities:			
Selleck Quadrangle	\$ 35,009	\$ 2,810	\$ 2,425
Neihardt, Cather, and Pound Halls	69,807	5,465	2,800
Burr-Fedde Halls	12,729	1,175	905
Park Apartments	3,676	279	336
Abel and Sandoz Halls	99,918	7,814	3,625
Harper, Schramm, and Smith Halls	115,826	6,190	3,634
Health Center	9,813	768	4,105
Nebraska Union – City Campus	65,454	4,695	5,435
Nebraska Union – East Campus	14,582	1,145	845
Husker Hall	2,490	252	112
Love Memorial Co-op	2,262	714	84
The Courtyards	37,804	1,851	1,113
The Village	43,542	2,230	1,305
Recreation Facility	10,402	814	677
Parking:			
Stadium Drive Parking Garage	11,193	876	514
14th and Avery Parking Garage	16,186	1,266	643
17th and “R” Parking Garage	27,984	2,189	564
University of Nebraska at Omaha:			
Student Fees and Facilities:			
Student Center	28,075	2,246	10,935
Health Physical Education and Recreation	50,024	4,002	3,537
Student Housing and Parking:			
Scott Village	22,891	1,831	2,884
Maverick Village	18,786	1,503	2,490
University Village	21,899	1,752	3,387
Scott Court	23,910	1,913	2,968
Parking Structure – University Drive South	13,706	75	210
University of Nebraska Medical Center Housing	4,645	903	502
University of Nebraska at Kearney:			
University Heights Apartments	5,552	444	350
Antelope Hall	11,701	936	950
Centennial Towers East	14,418	1,153	1,500
Centennial Towers West	14,418	1,153	1,500
Conrad Hall	3,270	256	-
Mantor Hall	10,531	262	1,200
Martin Hall	4,899	392	-
Men’s Hall	6,376	510	500
Nester Hall	13,093	1,068	840
Randall Hall	5,141	411	670
Nebraskan Student Union	22,024	2,643	6,500
University Residence North	5,408	433	1,320
University Residence South	5,408	433	1,320

See following page for note explanations.

Note A – Insurance policies:

The University has several blanket insurance policies in the following amounts, covering all residence halls:

General liability - Property damage/bodily injury - \$1,000,000.

All real property, personal property, and liabilities (excluding land, crop, and animals) for all campuses - \$7,206,253.

The property coverage contains a \$500 self-insurance deductible. The General liability is fully self-insured. The University has established a self-insurance trust for these amounts.

Note B – Insurance coverage equals the estimated replacement cost of buildings. Valuations on all buildings are estimated based on engineering studies, which are unaudited. The University is required to complete an engineering survey biannually to determine accurate and up-to-date valuations.

See accompanying independent auditors' report.