



THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(With Independent Auditors' Report Thereon)

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Table of Contents

	Page(s)
Independent Auditors' Report	1–3
Management's Discussion and Analysis (Unaudited)	4–10
Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses, and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	14–30
Additional Information:	
Combining Statements of Net Position	31–32
Combining Statements of Revenues, Expenses, and Changes in Net Position	33–34
Combining Statements of Cash Flows	35–36
Schedule of Net Revenues (As Defined) and Debt Service Coverage Relating to the Members of the Obligated Group	37
University of Nebraska–Lincoln Student Fees and Facilities Bonds: Facilities Operating Fund Cash Available for Transfer to Trusteed Bond Funds (Unaudited)	38
University of Nebraska–Lincoln Parking Project: Facilities Operating Fund Cash Available for Transfer to Trusteed Bond Funds (Unaudited)	39
University of Nebraska at Omaha Student Center and HPER Projects: Facilities Operating Fund Cash Available for Transfer to Trusteed Bond Funds (Unaudited)	40
University of Nebraska at Omaha Student Housing Project: Facilities Operating Fund Free Cash Flow Due to Suzanne and Walter Scott Foundation (Unaudited)	41

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Table of Contents

	Page
University of Nebraska at Omaha Student Housing Project: Facilities Operating Fund Free Cash Flow (Unaudited)	42
University of Nebraska at Kearney Student Facilities Project: Facilities Operating Fund Cash Available for Transfer to Trusteed Bond Funds (Unaudited)	43
Combined Schedule of Insurance Coverages of Facilities Relating to the Members of the Obligated Group Under the Master Trust Indenture (Unaudited)	44



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

Suite 1120
1248 O Street
Lincoln, NE 68508-1493

Independent Auditors' Report

The Board of Regents
University of Nebraska:

Report on the Financial Statements

We have audited the accompanying financial statements of 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 and for the year ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Obligated Group's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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 financial statements referred to above present fairly, in all material respects, the respective financial position of 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, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.



Emphasis of Matters

As discussed in note 1(a), the 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, 2018 and 2017, 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 the note 1(k) to the financial statements, the Obligated Group adopted Governmental Accounting Standards Board Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period*. 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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 financial statements that collectively comprise the Obligated Group's financial statements. The additional information on pages 31–44 is presented for purposes of additional analysis and is not a required part of the financial statements.

The additional information on pages 31–37 is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information on pages 31–37 is fairly stated in all material respects in relation to the financial statements as a whole.

The additional information on pages 38–44 has not been subjected to the auditing procedures applied in the audit of the 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 October 23, 2018 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of



the Obligated Group's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Obligated Group's internal control over financial reporting and compliance.

KPMG LLP

Omaha, Nebraska
October 23, 2018

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Management's Discussion and Analysis Relating to the Members of the Obligated Group under the Master Trust Indenture

June 30, 2018 and 2017 (Unaudited)

(Dollar amounts in thousands)

Introduction

The following is an overview of the financial position and changes in financial position of the University of Nebraska Members of the Obligated Group under the Master Trust Indenture (Obligated Group) for the years ended June 30, 2018 and 2017. Management has prepared the following discussion and it is intended to be read in conjunction with the financial statements and related notes, which follow this section.

The University of Nebraska Master Trust Indenture (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 has issued revenue bonds under the MTI to finance the construction of student housing, union facilities, parking facilities, and recreation facilities at the four campuses of the University of Nebraska.

The financial statements include the revenue producing activities and related bond accounts of the current members of the Obligated Group, which are the University of Nebraska-Lincoln (UNL) Student Fees and Facilities Bonds, the UNL Parking Project, the University of Nebraska at Omaha (UNO) Student Facilities Project, the UNO Student Housing and Parking Project, Student Housing Project, and the University of Nebraska at Kearney (UNK) Student Facilities Project.

The University of Nebraska Medical Center (UNMC) Student Housing Project was removed from the Obligated Group effective June 1, 2018 as no related bonds are outstanding under the provisions of the related bond resolution.

Financial Highlights – 2018

The financial position of the Obligated Group for the year ended June 30, 2018 continued a trend of positive performance. Operating income provided a debt service coverage ratio of 1.65 times, compared to 1.72 times in 2017 and 1.68 times in 2016. The debt service ratio required by the Obligated Group is 1.15.

Operations of the overall Obligated Group decreased slightly in fiscal year 2018 with operating income, excluding depreciation expense, posting a 5% decrease over 2017. This compares to a decrease of 5% in 2017 and a 4% growth in 2016. Depreciation expense increased 12% in 2018, compared to a decrease of 6% in 17% and an increase of 17% in 2016. In 2018, revenues decreased by 2%, while expenses increased by 1.7% (decrease of < 1% excluding increase in depreciation), yielding an operating income decrease of \$5. Cash flows from operations were \$47,921 in 2018 compared to \$47,357 and \$51,072 in 2017 and 2016, respectively.

Two bond issues were marketed during fiscal 2018:

- \$15,120 UNO Revenue Refunding Bonds, Series 2017A
- \$10,960 UNO Revenue Refunding Bonds, Series 2017B

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Management's Discussion and Analysis Relating to the Members of the Obligated Group under the Master Trust Indenture

June 30, 2018 and 2017 (Unaudited)

(Dollar amounts in thousands)

UNL residence hall occupancy fell slightly for fall 2017-18 opening due to stiff off-campus student housing competition. However, revenues remained strong accompanied with operational efficiencies to produce another solid financial performance. Strong demand from UNL freshmen students in the newer suite-style residence halls coupled with strong demand from upper division students in apartment-style units continues with high occupancy rates. UNL Housing opened a new traditional/pod-style hall on East Campus for the 2017-18 academic year, replacing two older halls, Burr and Fedde. A new dining center also opened in the fall of 2017, replacing the aging CPN dining center on City Campus. These new facilities along with other operational and programming initiatives are designed to create an exceptional living and learning experience for students and play an important part in recruiting for the UNL.

Parking fee revenue at UNL decreased \$230 in 2018 as there was a slight decrease in parking demand. Parking permit revenue is forecasted to grow due to increases in demand by students, faculty, and staff.

The UNO Student Facilities part of the Obligated group experienced an increase in operating income of \$401 compared to a decrease in operating income of \$570 in 2017. The increase in operating income in 2018 is attributable to a decrease in purchases for resale compared to 2017. Accordingly, operating income was \$1,636 in 2018 compared to \$1,235 in 2017.

UNO Housing and Parking continues to perform in line with expectations. In 2018, operating income of \$5,908 was derived from revenues of \$17,522. This compares to operating income of \$5,107 in 2017 derived from revenues of \$17,501. Operating income increased by \$801 in 2018 compared to 2017. Housing at UNO continues to enjoy an occupancy rate of nearly 100% in each year since it opened in 2004.

The UNK Student Facilities Project experienced a decrease in operating income of \$867 in 2018 compared to 2017. Operating revenues were \$17,273 in 2018 and \$17,857 in 2017. The 3% decrease in operating revenues is due to a 4.6% decrease in occupancy partially due to the closing and sale of the 57-year-old off-campus apartment complex at the end of 2017. The occupancy decrease was offset by a modest 1% housing rate increase as part of a comprehensive campus enrollment strategy.

Financial Highlights – 2017

The financial position of the Obligated Group for the year ended June 30, 2017 continued a trend of positive performance. Operating income provided a debt service coverage ratio of 1.72 times, compared to 1.68 times in 2016 and 1.75 times in 2015. The debt service ratio required by the Obligated Group is 1.15.

Operations of the overall Obligated Group decreased slightly in fiscal year 2017 with operating income, excluding depreciation expense, posting a 5% decrease over 2016. This compares to growth of 4% in 2016 and a 5% increase in 2015. Depreciation expense decreased 6% in 2017, compared to increases of 17%, and 12% in 2016, and 2015, respectively. In 2017, revenues increased by 3%, while expenses increased by 6% (8% excluding increase in depreciation), yielding an operating income decrease of \$1,559. Cash flows from operations were \$47,357 in 2017 compared to \$51,072 and \$51,115 in 2016 and 2015, respectively.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Management's Discussion and Analysis Relating to the Members of the Obligated Group under the Master Trust Indenture

June 30, 2018 and 2017 (Unaudited)

(Dollar amounts in thousands)

Three bond issues were marketed during fiscal 2017:

- \$12,690 UNK Revenue Bonds, Series 2017
- \$66,760 UNL Revenue and Refunding Bonds, Series 2016A
- \$37,280 UNO Revenue and Refunding Bonds, Series 2016B

UNL residence hall occupancy remained steady for Fall 2016-17. Strong demand from both UNL freshmen and upper division students in the newer suite-style and upper division apartment-style units continues. UNL Housing will be opening a new traditional/pod-style hall on East Campus for the 2017-18 academic year, replacing two older halls. A new dining center will also open in the fall of 2017, replacing the aging Cather Pound Neihardt (CPN) dining center on City Campus. These new facilities along with other operational and programming initiatives are designed to create an exceptional living and learning experience for students and play an important part in recruiting for the University of Nebraska-Lincoln.

Parking fees at UNL increased slightly in 2017 as demand continued strong for parking spaces.

The UNO Student Facilities part of the Obligated group experienced a decrease in operating income of \$570 compared to a decrease in operating income of \$1,179 in 2016. The decrease in operating income in 2017 is attributable to an increase in depreciation from the newly renovated student center. Accordingly, operating income was \$1,235 in 2017 compared to \$1,805 in 2016.

UNO Housing and Parking continues to perform in line with expectations. In 2017, operating income of \$5,107 was derived from revenues of \$17,501. This compares to operating income of \$5,615 in 2016 derived from revenues of \$16,650. Operating income decreased by \$508 in 2017 compared to 2016. Housing at UNO continues to enjoy an occupancy rate of nearly 100% in each year since it opened in 2004.

UNMC Student Housing enjoyed a 96% occupancy in 2017 compared to 92% in 2016. A majority of the programs at UNMC maintain full enrollment creating a steady demand for student housing. The Series 2003 bonds were called in June 2017.

The financial position of UNK Student Facilities Project remained consistent with operating income margins at 16% for the last three years. Operating revenues over the last three years were \$17,857 in 2017, \$17,633 in 2016, and \$17,353 in 2015. The 1.3% increase in operating revenue in 2017 compared to 2016 is due in part to a 1% decrease in occupancy that offset a 4% housing rate increase. As construction of a new apartment complex at University Village began in 2017, the 57-year-old off-campus apartment complex was sold contributing to the \$761 gain on disposal of capital assets.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Management's Discussion and Analysis
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017 (Unaudited)

(Dollar amounts in thousands)

Using the Financial Statements

The financial statements of the Obligated Group 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 trusted 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 trusted accounts of the respective bond issues. The statements of revenues, expenses, and changes in net position depict the combined operating revenues and expenses of the obligated members, which, when combined with the nonoperating 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 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, 2018, 2017, and 2016.

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. Noncurrent assets are primarily capital assets that are presented net of accumulated depreciation of \$162,249, \$147,307, and \$137,527 at June 30, 2018, 2017, and 2016, 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. Noncurrent liabilities represent accrued compensated absences and bond obligations due after one year.

The classification of net position includes amounts restricted for debt service of \$128,585, \$113,284, and \$113,744 as of June 30, 2018, 2017, and 2016, respectively. These amounts include bond reserves of \$37,015, \$37,058, and \$42,926 as of June 30, 2018, 2017, and 2016, respectively.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Management's Discussion and Analysis
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017 (Unaudited)

(Dollar amounts in thousands)

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 \$20,157, \$18,014, and \$19,217 for the years ended June 30, 2018, 2017, and 2016, respectively.

Condensed Statement of Net Position

	June 30		
	<u>2018</u>	<u>2017</u>	<u>2016</u>
Assets:			
Current assets	\$ 68,750	78,612	90,595
Noncurrent assets	<u>678,568</u>	<u>688,821</u>	<u>667,212</u>
Total assets	<u>\$ 747,318</u>	<u>767,433</u>	<u>757,807</u>
Deferred outflows or resources:			
Deferred loss on bond refunding	\$ 16,423	16,228	7,094
Liabilities:			
Current liabilities	45,492	48,768	51,827
Noncurrent liabilities	<u>463,396</u>	<u>483,882</u>	<u>485,280</u>
Total liabilities	<u>\$ 508,888</u>	<u>532,650</u>	<u>537,107</u>
Deferred inflows of resources:			
Deferred service concession arrangement receipts	\$ 4,576	5,503	5,320
Net position:			
Net investment in capital assets	79,431	77,800	46,727
Restricted:			
Expendable:			
Plant construction	25,913	26,258	35,782
Debt service	128,585	113,284	113,744
Unrestricted	<u>16,348</u>	<u>28,166</u>	<u>26,221</u>
Total net position	<u>\$ 250,277</u>	<u>245,508</u>	<u>222,474</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Management's Discussion and Analysis
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017 (Unaudited)

(Dollar amounts in thousands)

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

	Year ended June 30		
	2018	2017	2016
Operating revenues:			
Room and board	\$ 97,602	98,634	96,215
Student fees	14,183	14,262	14,405
Parking fees	13,926	14,002	13,167
Bookstore	6,616	7,255	6,872
Other	5,237	6,122	5,281
Total operating revenues	<u>137,564</u>	<u>140,275</u>	<u>135,940</u>
Operating expenses:			
Compensation and benefits	33,834	31,967	29,192
Supplies, materials, and services	57,600	59,752	55,430
Depreciation	20,157	18,014	19,217
Total operating expenses	<u>111,591</u>	<u>109,733</u>	<u>103,839</u>
Operating income	25,973	30,542	32,101
Nonoperating income and expenses and capital grants	<u>(21,204)</u>	<u>(7,508)</u>	<u>(5,448)</u>
Increase in net position	4,769	23,034	26,653
Net position, beginning of year	<u>245,508</u>	<u>222,474</u>	<u>195,821</u>
Net position, end of year	\$ <u><u>250,277</u></u>	<u><u>245,508</u></u>	<u><u>222,474</u></u>

Economic Outlook and Subsequent Events That Will Affect the Future

UNL residence hall occupancy was down 1.5% in the fall of 2018–19 due to off-campus housing competitive pressures, a slight decline in first time freshmen enrollment and lower international student enrollment. The off-campus student housing market is beginning to saturate by showing some price stabilization, a reduction in large discounts offered, and less leasing incentives offered to students. First time freshmen enrollment for 2018-19 is down 1.8% impacting Housing's incoming freshmen numbers, contributing to lower occupancy. International student enrollment for 2018-19 is down 3.8% adding to occupancy pressures for UNL residence halls. UNL Housing responded with several key occupancy initiatives designed to attract upper division students and help UNL recruit additional students in specific target markets. Further plans to improve the attractiveness of living in on-campus housing, increasing retention, and recruiting new freshmen are being explored.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Management's Discussion and Analysis Relating to the Members of the Obligated Group under the Master Trust Indenture

June 30, 2018 and 2017 (Unaudited)

(Dollar amounts in thousands)

Parking operations at UNL are expected to continue to meet expectations. Parking fees did not increase in 2018 but demand continued to be strong for parking spaces. Parking permit revenue is forecasted to be stable with 96% of spaces sold to date for 2019.

Due to a 2.3% decrease in student headcount in fall 2018, UNO Student Center revenues are expected to slightly decrease in fiscal year 2019. Student fee revenue associated with the H&K project is expected to remain flat due to the decrease in headcount, but an increase in the fee. Demand for student housing at UNO continues to be strong with occupancy near 93% for the fall 2018 semester. Parking revenue is expected to increase slightly due to anticipated increase in purchases of garage permits.

Village Flats, a new three-story, 130-bed residence hall opened to strong demand with all units occupied for fall 2018. The apartment-style units provide an affordable housing option for advanced and independent students (UNK and UNMC). It is the first building to occupy the University Village development.

UNK residence hall occupancy continues to follow declining enrollment trends for fall 2018 opening. However, an increase in both first time, full-time freshmen and residential learning community students provides an optimistic outlook for campus housing.

Overall, the Members of the Obligated Group achieved a 1.65 times debt coverage. Although this likely will weaken due to UNL housing, expectations are that this ratio will still be in the range of the University's 1.4 times internal benchmark (1.15 is required coverage).

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.

Additional financial information may be obtained from the University of Nebraska Central Administration, Varner Hall, 3835 Holdrege, Lincoln, Nebraska 68583-0742.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Statements of Net Position
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(In thousands)

Assets and Deferred Outflows of Resources	2018	2017
Current assets:		
Cash and cash equivalents	\$ 22,610	33,435
Cash and cash equivalents held by trustee – restricted	37,797	36,416
Accounts receivable, net	4,635	6,043
Other current assets	3,708	2,718
Total current assets	68,750	78,612
Noncurrent assets:		
Cash and cash equivalents held by trustee – restricted	115,917	121,938
Investments held by trustee – restricted	12,064	11,935
Accounts receivable, net of current portion	1,260	1,827
Capital assets, net of accumulated depreciation	549,327	553,121
Total noncurrent assets	678,568	688,821
Total assets	747,318	767,433
Deferred outflows of resources:		
Deferred loss on bond refunding	16,423	16,228
	16,423	16,228
Liabilities, Deferred Inflows of Resources, and Net Position		
Current liabilities:		
Accounts payable and accrued expenses	19,737	25,026
Bond obligations payable	21,364	19,062
Unearned revenues and other credits	4,391	4,680
Total current liabilities	45,492	48,768
Noncurrent liabilities:		
Accrued compensated absences	696	733
Bond obligations payable, net of current portion	462,700	483,149
Total noncurrent liabilities	463,396	483,882
Total liabilities	508,888	532,650
Deferred inflows of resources:		
Deferred service concession arrangement receipts	4,576	5,503
	4,576	5,503
Net position:		
Net investment in capital assets	79,431	77,800
Restricted:		
Expendable:		
Plant construction	25,913	26,258
Debt service	128,585	113,284
Unrestricted	16,348	28,166
Total net position	\$ 250,277	245,508

See accompanying notes to financial statements.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

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, 2018 and 2017

(In thousands)

	<u>2018</u>	<u>2017</u>
Revenues:		
Operating revenues:		
Room and board	\$ 97,602	98,634
Student fees	14,183	14,262
Parking facilities revenues	13,926	14,002
Bookstore and bookstore commissions	6,616	7,255
Other operating revenues	<u>5,237</u>	<u>6,122</u>
Total operating revenues	<u>137,564</u>	<u>140,275</u>
Expenses:		
Operating expenses:		
Compensation and benefits	33,834	31,967
Purchase for resale	5,249	6,057
Supplies and services	52,351	53,695
Depreciation	<u>20,157</u>	<u>18,014</u>
Total operating expenses	<u>111,591</u>	<u>109,733</u>
Operating income	<u>25,973</u>	<u>30,542</u>
Nonoperating revenues (expenses):		
Investment income, net of investment management fees	1,846	1,044
Interest on bond obligations	(17,710)	(17,757)
Other nonoperating revenues (expenses)	<u>(6,163)</u>	<u>8,764</u>
Nonoperating expenses, net	<u>(22,027)</u>	<u>(7,949)</u>
Income before other revenues, expenses, gains, or losses	3,946	22,593
Other revenues, expenses, gains, or losses:		
Capital grants and contracts	<u>823</u>	<u>441</u>
Increase in net position	4,769	23,034
Net position:		
Beginning of year	<u>245,508</u>	<u>222,474</u>
End of year	<u>\$ 250,277</u>	<u>245,508</u>

See accompanying notes to financial statements.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Statements of Cash Flows
Relating to the Members of the Obligated Group
under the Master Trust Indenture

Years ended June 30, 2018 and 2017

(In thousands)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Room and board	\$ 98,800	97,745
Student fees	14,182	14,262
Parking facilities revenues	14,128	13,562
Bookstore and bookstore commissions	6,418	7,662
Other operating receipts	5,103	6,118
Payments to vendors	(57,031)	(60,297)
Payments to employees	<u>(33,679)</u>	<u>(31,695)</u>
Net cash provided by operating activities	<u>47,921</u>	<u>47,357</u>
Cash flows from capital and related financing activities:		
Proceeds from issuance of bond obligations	26,080	116,730
Premium on issuance of bond obligations	2,504	10,601
Transfers to and from other University sources	(2,831)	4,408
Capital grants and contracts	200	1,288
Refunding of bond obligations	(29,457)	(115,130)
Purchases of capital assets	(25,846)	(65,004)
Interest paid on bond obligations	(18,812)	(19,221)
Principal paid on bond obligations	<u>(16,560)</u>	<u>(20,585)</u>
Net cash used in capital and related financing activities	<u>(64,722)</u>	<u>(86,913)</u>
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	—	16,860
Interest on investments	1,597	775
Purchases of investments	<u>(261)</u>	<u>(4,804)</u>
Net cash provided by investing activities	<u>1,336</u>	<u>12,831</u>
Change in cash and cash equivalents	(15,465)	(26,725)
Cash and cash equivalents – beginning of year	<u>191,789</u>	<u>218,514</u>
Cash and cash equivalents – end of year	\$ <u>176,324</u>	\$ <u>191,789</u>
Cash and cash equivalents – end of year as presented in statement of net position:		
Cash and cash equivalents (current)	\$ 22,610	33,435
Cash and cash equivalents held by trustee – restricted (current)	37,797	36,416
Cash and cash equivalents held by trustee – restricted (noncurrent)	<u>115,917</u>	<u>121,938</u>
Cash and cash equivalents, end of year	\$ <u>176,324</u>	\$ <u>191,789</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 25,973	30,542
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	20,157	18,014
Changes in assets and liabilities:		
Accounts receivable, net	1,630	(735)
Other assets	(644)	249
Accounts payable and accrued expenses	1,179	(420)
Unearned revenue, credits, and deferred inflows of service concession receipts	<u>(374)</u>	<u>(293)</u>
Net cash provided by operating activities	\$ <u>47,921</u>	\$ <u>47,357</u>
Noncash transactions:		
Capital assets transferred in from other University sources	\$ 63	63
Decrease in fair value of investments	(132)	(164)
Capital assets transferred to the University	(4,207)	—
Capital assets in accounts payable	—	6,266
Capital assets transferred in	831	—

See accompanying notes to financial statements.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

(1) Summary of Significant Accounting Policies

(a) Scope of Statements

The accompanying financial statements as presented have been prepared using the business-type activity model with an economic resources measurement focus and the accrual basis of accounting, and include only the accounts relating to the Members of the Obligated Group under the Master Trust Indenture (the 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 revenue, 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 Facilities Project
- University of Nebraska at Omaha (UNO) Student Housing/Parking Project
- University of Nebraska at Kearney (UNK) Student Facilities Project

The University of Nebraska Medical Center (UNMC) Student Housing Project was removed from the Obligated Group effective June 1, 2018, as no related bonds are outstanding under the provisions of the related bond resolution.

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

(b) Net Position and Classification

The Statement of Net Position includes all of the assets, deferred outflows, liabilities, and deferred inflows of the University and its component units on the accrual basis of accounting.

Net position is divided into three parts:

- Net investment in capital assets: The Obligated Group's total investment in capital assets, net of accumulated depreciation and reduced by outstanding bond obligations incurred to acquire, construct, or improve those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included.
- Restricted: These include expendable funds that are externally restricted by creditors, grantors, or donors and include funds for plant construction and debt service on bond obligations.
- Unrestricted: Comprised of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

(c) 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 on 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.

(d) Accounts Receivable, Net

Current accounts receivable consist primarily of service concession arrangements student housing and fees receivable. Non-current accounts receivable consists of the present value of amounts due from vendors resulting from service concession arrangements for the provision of certain services to the University. Accounts receivable are recorded net of an allowance for doubtful accounts of \$323 and \$327 at June 30, 2018 and 2017, respectively.

Noncurrent accounts receivable consist 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.

(e) Amortization of Bond Discount and Bond Premium

Bond discount and bond premium are being amortized on a method that approximates the level-yield method.

(f) 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 on quoted market prices.

(g) Other current assets

Other current assets include operating inventories that are stated at the lower of cost or market.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

(h) *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.

(i) *Deferred Inflows and Deferred Outflows*

Deferred inflows represent the unamortized deferred inflow of resources resulting from service concession arrangements for the provision of certain services to the University. Deferred outflows represent the unamortized losses/gains on bond refundings, which are deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt.

(j) *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 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 \$967 at June 30, 2018 and \$1,289 at June 30, 2017. The present value of the remaining accounts receivable due from the vendor is \$1,453 and \$1,917 at June 30, 2018 and 2017, respectively. These assets are offset by a deferred inflow of resources of \$4,245 and \$5,091 at June 30, 2018 and 2017, respectively.

The Board of Regents entered into a service concession arrangement with an outside vendor on July 1, 2015 to manage and operate a bookstore at the UNK campus. Under the contract, the vendor will pay UNK a total of \$91 in support and renovations (excluding commissions) over a five-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 discounted to present value is \$5 and \$7 at June 30, 2018 and June 30, 2017, respectively. These assets are offset by a deferred inflow of resources of \$36 and \$54 at June 30, 2018 and June 30 2017.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

The Board of Regents entered into a service concession arrangement with an outside vendor on July 18, 2014 to provide a full-service branch bank on UNL's City Campus to offer checking account, debit card, deposit transfer services, and other financial services to each current University student, faculty, and staff member. As part of that contract, the vendor provided capital improvements to support banking services in the Nebraska Student Union. These improvements will revert to the University at the end of the contract period. The capital improvements are reported with a carrying value of \$438 and \$459 at June 30, 2018 and June 30, 2017, respectively. The asset is offset by a deferred inflow of resources of \$295 and \$358 at June 30, 2018 and June 30, 2017, respectively.

(k) Classification of Revenues

The Obligated Group has classified its revenues as either operating or nonoperating 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.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions.

(l) Tax Status

The University of Nebraska qualifies as a nonprofit 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.

H.R. 1, originally known as the Tax Cuts and Jobs Act (the Act), was signed into law on December 22, 2017. The Act contains various provisions affecting both for-profit and not-for-profit entities. Tax-exempt entities are impacted in part by the inclusion of a new excise tax on excess compensation for covered employees, changes to unrelated business income, as well as their ability to advance refund bonds. In addition, tax-exempt entities may be impacted through certain for-profit subsidiaries and/or joint ventures based on the Act's provisions for tax rates, measurement of deferred taxes as well as other limitations on deductions. The Act's provisions may also impact donor incentives for charitable giving. Management is currently assessing the overall impact of the Act and its impact on the financial statements.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

(m) 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 Facilities Project. 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 in 2017. The total interest expense capitalized during 2018 and 2017 was \$0 and \$3,723, respectively.

In 2018, the Obligated Group adopted GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The implementation of GASB Statement No. 89 discontinues the capitalization of interest costs incurred during construction on a prospective basis.

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.

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

<u>Assets</u>	<u>Threshold</u>
Land improvements	\$ 100
Infrastructure	250
Buildings	500
Equipment	5

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

(n) Unearned Revenue and Other 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.

(o) 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 3 – 5% of defined revenues, depending on the facility. Overhead expenses are included in supplies and services expense.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

(p) 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.

(q) 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.

(r) Reclassifications

Certain balances from 2017 financial statements have been reclassified to conform to the current year presentation.

(2) Investments

The Obligated Group utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3).

In certain cases, the inputs used to measure fair value may fall in different levels of fair value hierarchy. The three levels are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Obligated Group has ability to access at the measurement date. Instruments categorized in Level 1 primarily consist of broadly traded range of equity and debt securities.
- Level 2 inputs are those other than quoted prices included in Level 1 that are observable for the asset or liability, whether directly or indirectly.
- Level 3 inputs are unobservable and significant to the fair value measurement of the asset or liability.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

The tables below present by level the asset balances at estimated fair value on a recurring basis. There were no Level 3 investments as of June 30, 2018 and 2017.

	Assets at fair value as of June 30, 2018		
	Level 1	Level 2	Total
Investment type:			
Debt securities:			
U.S. Treasury note	\$ 763	—	763
U.S. agencies	—	11,301	11,301
	<u>\$ 763</u>	<u>11,301</u>	<u>12,064</u>

	Assets at fair value as of June 30, 2017		
	Level 1	Level 2	Total
Investment type:			
Debt securities:			
U.S. Treasury note	\$ 504	—	504
U.S. agencies	—	11,431	11,431
	<u>\$ 504</u>	<u>11,431</u>	<u>11,935</u>

Investment maturities and concentration as of June 30, 2018 are as follows:

	Fair value	Investment maturities (in years)			Concentration
		Less than 1	1-2	3-5	
Investment type:					
Debt securities:					
U.S. Treasury note	\$ 763	503	260	—	6 %
Federal Home Loan Mortgage Corporation	991	—	991	—	8
Federal Farm Credit Bank	8,033	4,223	1,465	2,345	67
Federal National Mortgage Association	2,277	—	2,277	—	19
	<u>\$ 12,064</u>	<u>4,726</u>	<u>4,993</u>	<u>2,345</u>	<u>100 %</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

Investment maturity and concentration as of June 30, 2017 are as follows:

	Fair value	Investment maturities (in years)			Concentration
		Less than 1	1-2	3-5	
Investment type:					
Debt securities:					
U.S. Treasury note	\$ 504	—	504	—	4 %
Federal Home Loan Bank	5,736	—	4,732	1,004	48
Federal Home Loan Mortgage Corporation	999	—	999	—	9
Federal Farm Credit Bank	2,379	—	996 (1)	1,383	20
Federal National Mortgage Association	2,317	—	2,317	—	19
	<u>\$ 11,935</u>	<u>—</u>	<u>9,548</u>	<u>2,387</u>	<u>100 %</u>

(1) These bonds are callable in less than one month.

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 for up to \$250 per deposit.

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. All investments are rated Aaa at June 30, 2018 and 2017.

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.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

(3) Capital Assets, Net

Capital asset activity for the year ended June 30, 2018 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Capital assets:				
Land	\$ 3,168	—	182	2,986
Land improvements	17,346	6,288	102	23,532
Buildings	599,604	61,298	8,356	652,546
Equipment	12,048	713	624	12,137
Construction in progress	68,262	16,216	64,103	20,375
Total	<u>700,428</u>	<u>84,515</u>	<u>73,367</u>	<u>711,576</u>
Less accumulated depreciation for:				
Land improvements	6,049	989	101	6,937
Buildings	134,382	18,014	4,512	147,884
Equipment	6,876	1,154	602	7,428
Total	<u>147,307</u>	<u>20,157</u>	<u>5,215</u>	<u>162,249</u>
Capital assets, net	\$ <u>553,121</u>	<u>64,358</u>	<u>68,152</u>	<u>549,327</u>

Capital asset activity for the year ended June 30, 2017 is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending balance</u>
Capital assets:				
Land	\$ 3,173	—	5	3,168
Land improvements	15,336	2,342	332	17,346
Buildings	559,551	49,231	9,178	599,604
Equipment	10,596	2,669	1,217	12,048
Construction in progress	53,986	32,770	18,494	68,262
Total	<u>642,642</u>	<u>87,012</u>	<u>29,226</u>	<u>700,428</u>
Less accumulated depreciation for:				
Land improvements	5,656	725	332	6,049
Buildings	124,866	16,242	6,726	134,382
Equipment	7,005	1,047	1,176	6,876
Total	<u>137,527</u>	<u>18,014</u>	<u>8,234</u>	<u>147,307</u>
Capital assets, net	\$ <u>505,115</u>	<u>68,998</u>	<u>20,992</u>	<u>553,121</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

(4) Accrued Compensated Absences

Accrued compensated absences activity is as follows for the years ended June 30, 2018 and 2017:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
2018	\$ 2,274	1,413	1,405	2,282	1,586
2017	\$ 2,140	1,372	1,238	2,274	1,541

(5) Bond Obligations Payable

Debt activity of the members of the obligated group, exclusive of premiums and discounts is as follows for the years ended June 30, 2018 and 2017:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
2018	\$ 467,365	26,080	44,310	449,135	19,520
2017	\$ 476,715	116,730	126,080	467,365	17,350

	<u>Interest rate (coupon)</u>	<u>Annual installment</u>	<u>Principal amount outstanding</u>	
			<u>2018</u>	<u>2017</u>
University of Nebraska–Lincoln:				
Student Fees and Facilities:				
Series 2009B, revenue bonds	3.00–5.70%	\$ 495–1,840	\$ 8,400	8,880
Series 2011, revenue bonds	2.00–5.00%	1,460–4,095	62,040	63,475
Series 2012, revenue bonds	3.99–5.00%	1,220–4,560	59,565	63,020
Series 2012B, revenue bonds	1.50–5.00%	350–1,640	16,070	17,100
Series 2015A, revenue bonds	2.00–5.00%	1,260–4,100	66,615	66,615
Series 2016A, revenue bonds	3.00–5.00%	1,995–4,365	64,175	66,760
Total Student Fees and Facilities			276,865	285,850

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

	<u>Interest rate (coupon)</u>	<u>Annual installment</u>	<u>Principal amount outstanding</u>	
			<u>2018</u>	<u>2017</u>
University of Nebraska–Lincoln:				
Parking:				
Series 2009A&B, revenue bonds	3.50–6.00%	745–1,110	10,145	10,865
Series 2013, revenue refunding	2.00–4.00%	270–440	5,175	5,440
Series 2015, revenue refunding	2.00–5.00%	505–1,965	6,625	8,425
Total Parking Project			<u>21,945</u>	<u>24,730</u>
University of Nebraska at Omaha:				
Student Facilities:				
Series 2015B, revenue bonds	2.00–5.00%	370–640	8,165	8,540
Series 2016B, revenue bonds	1.5–5.00%	915–2,295	35,200	36,365
Total Student Facilities			<u>43,365</u>	<u>44,905</u>
University of Nebraska at Omaha:				
Student Housing and Parking:				
Series 2010A, revenue bonds	2.75–5.00%	735–1,175	—	12,345
Series 2010B, revenue bonds	3.00–5.00%	405–1,060	—	15,405
Series 2014, revenue bonds	1.50–5.00%	500–790	9,595	10,105
Series 2015, revenue bonds	1.20–5.00%	890–2,580	41,545	43,080
Series 2017A, revenue bonds	1.30–5.00%	125–955	14,995	—
Series 2017B, revenue bonds	1.30–5.00%	265–1,075	10,695	—
Total Student Housing and Parking			<u>76,830</u>	<u>80,935</u>
University of Nebraska at Kearney:				
Student Facilities:				
Series 2015, revenue bonds	2.00–3.15%	830–1,270	17,440	18,255
Series 2017, revenue bonds	2.00–4.00%	275–675	12,690	12,690
Total Student Facilities			<u>30,130</u>	<u>30,945</u>
Subtotal bonds payable			449,135	467,365
Add unamortized bond premium			35,158	35,111
Less unamortized bond discount			<u>229</u>	<u>265</u>
Total bonds payable			<u>\$ 484,064</u>	<u>502,211</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

Annual maturities subject to mandatory redemption as of June 30, 2018 are as follows:

University of Nebraska–Lincoln Student Fees and Facilities

	Series 2009B		Series 2011		Series 2012	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 495	394	1,460	2,819	3,620	2,702
2020	510	377	1,495	2,780	3,795	2,539
2021	530	359	1,540	2,735	3,945	2,365
2022	550	339	1,585	2,688	4,145	2,162
2023	570	318	1,635	2,631	4,340	1,950
2024–2028	3,175	1,178	9,390	11,866	12,285	7,433
2029–2033	2,570	178	11,745	9,509	11,785	4,996
2034–2038	—	—	14,580	6,546	14,430	2,155
2039–2043	—	—	18,610	2,418	1,220	31
2044–2048	—	—	—	—	—	—
	<u>\$ 8,400</u>	<u>3,143</u>	<u>62,040</u>	<u>43,992</u>	<u>59,565</u>	<u>26,333</u>

	Series 2012B		Series 2015A		Series 2016A	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,045	656	1,260	2,995	2,785	2,437
2020	1,060	633	1,280	2,970	2,895	2,324
2021	1,095	589	1,305	2,944	3,015	2,191
2022	1,150	533	1,335	2,897	3,165	2,036
2023	1,205	480	1,400	2,829	3,320	1,874
2024–2028	6,940	1,455	8,130	13,003	19,275	6,681
2029–2033	3,575	144	10,265	10,794	12,860	3,422
2034–2038	—	—	13,110	7,886	11,680	1,674
2039–2043	—	—	16,700	4,245	5,180	156
2044–2048	—	—	11,830	722	—	—
	<u>\$ 16,070</u>	<u>4,490</u>	<u>66,615</u>	<u>51,285</u>	<u>64,175</u>	<u>22,795</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

University of Nebraska–Lincoln Parking

	Series 2009A&B		Series 2013		Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 745	514	270	192	1,875	301
2020	780	479	275	185	1,965	207
2021	820	443	285	177	505	109
2022	850	413	290	168	515	98
2023	880	382	305	156	1,765	88
2024–2028	4,960	1,231	1,700	600	—	—
2029–2033	1,110	67	2,050	252	—	—
2034–2038	—	—	—	—	—	—
	<u>\$ 10,145</u>	<u>3,529</u>	<u>5,175</u>	<u>1,730</u>	<u>6,625</u>	<u>803</u>

University of Nebraska at Omaha Student Facilities

	Series 2015B		Series 2016B	
	Principal	Interest	Principal	Interest
2019	\$ 385	286	1,210	1,221
2020	390	279	1,255	1,173
2021	400	271	1,320	1,105
2022	405	263	1,335	1,090
2023	415	255	1,405	1,024
2024–2028	2,265	1,087	8,115	4,027
2029–2033	2,660	694	9,625	2,522
2034–2038	1,245	94	10,935	992
2039–2043	—	—	—	—
	<u>\$ 8,165</u>	<u>3,229</u>	<u>35,200</u>	<u>13,154</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

University of Nebraska at Omaha Student Housing and Parking

	Series 2014		Series 2015		Series 2017A&B	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 530	312	1,565	1,466	1,170	1,045
2020	535	304	1,580	1,447	1,220	988
2021	545	294	1,620	1,416	1,280	925
2022	560	283	1,650	1,383	1,320	886
2023	570	266	1,680	1,350	1,360	845
2024–2028	3,165	1,033	9,545	5,616	7,650	3,374
2029–2033	3,690	355	11,385	3,766	5,570	1,605
2034–2038	—	—	9,940	1,559	4,340	714
2039–2043	—	—	2,580	93	1,780	84
	<u>\$ 9,595</u>	<u>2,847</u>	<u>41,545</u>	<u>18,096</u>	<u>25,690</u>	<u>10,466</u>

University of Nebraska at Kearney Student Facilities

	Series 2015		Series 2017	
	Principal	Interest	Principal	Interest
2019	\$ 830	510	275	425
2020	835	494	280	420
2021	865	477	285	414
2022	890	451	295	405
2023	915	425	305	397
2024–2028	4,995	1,704	1,665	1,844
2029–2033	5,785	920	1,935	1,569
2034–2038	2,325	106	2,315	1,189
2039–2043	—	—	2,765	740
2044–2048	—	—	2,570	229
	<u>\$ 17,440</u>	<u>5,087</u>	<u>12,690</u>	<u>7,632</u>

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

Current maturities, all members of the Obligated Group

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 19,520	6,272	25,792
2020	20,150	5,976	26,126
2021	19,355	5,631	24,986
2022	20,040	5,440	25,480
2023	22,070	5,188	27,258
2024–2028	103,255	20,516	123,771
2029–2033	96,610	11,750	108,360
2034–2038	84,900	4,654	89,554
2039–2043	48,835	917	49,752
2044–2048	14,400	229	14,629
	<u>\$ 449,135</u>	<u>66,573</u>	<u>515,708</u>

(a) 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, 2018, the members of the Obligated Group are (a) the student housing, student unions, student recreation, 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); and (e) the student housing facilities on the University of Nebraska at Kearney campus (UNK Student 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.

(b) Bond Issuances

On December 20, 2017, the Board of Regents issued \$15,120 University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2017A. The net proceeds of the bonds, together with other funds available, were used to defease \$15,405 of Series 2010B Bonds dated May 26, 2010. The refunding reduced total debt service payments by approximately \$2,589 and resulted in an economic gain of approximately \$1,646. The accounting loss of \$673 is deferred and amortized over the remaining life of the refunded issues or the life of the 2017A Bonds, whichever is shorter.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements Relating to the Members of the Obligated Group under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

On December 20, 2017, the Board of Regents issued \$10,960 University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2017B. The net proceeds of the bonds, together with other funds available, were used to advance refund \$12,345 of Series 2010 Bonds dated February 24, 2010. The refunding reduced total debt service payments by approximately \$1,501 and resulted in an economic gain of approximately \$866. The accounting loss of \$416 is deferred and amortized over the remaining life of the refunded issues or the life of the 2017B Bonds, whichever is shorter.

On May 4, 2017, the Board of Regents issued \$12,690 of University of Nebraska at Kearney Revenue Bonds, Series 2017. The net proceeds of the bonds, together with other funds available, will be used to pay the costs of acquiring, constructing, equipping, and furnishing student housing facilities on the campus of the University of Nebraska at Kearney.

On July 28, 2016, the Board of Regents issued \$66,760 of University of Nebraska-Lincoln Revenue and Refunding Bonds, Series 2016A. The net proceeds of the bonds, together with other funds available, were used to advance refund \$22,430 of Series 2008A Bonds dated June 5, 2008 and \$46,075 of Series 2009A Bonds dated January 9, 2009. The refunding reduced total debt service payments by approximately \$13,555 and resulted in an economic gain of approximately \$10,487. The accounting loss of \$6,268 is deferred and amortized over the remaining life of the refunded issues or the life of the 2016A Bonds, whichever is shorter.

On July 28, 2016, the Board of Regents issued \$37,280 of University of Nebraska at Omaha Revenue and Refunding Bonds, Series 2016B. The net proceeds of the bonds, together with other funds available, were used to advance refund \$37,455 of Series 2008 Bonds dated March 15, 2008. The refunding reduced total debt service payments by approximately \$8,627 and resulted in an economic gain of approximately \$6,577. The accounting loss of \$3,678 is deferred and amortized over the remaining life of the refunded issue or the life of the 2016B Bonds, whichever is shorter.

(c) 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 moneys 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 BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Notes to Financial Statements
Relating to the Members of the Obligated Group
under the Master Trust Indenture

June 30, 2018 and 2017

(Dollar amounts in thousands)

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, 2018 and 2017, the Obligated Group is in compliance with those requirements.

(d) 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, 2018 and 2017, \$0 and \$2,586, 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.

(e) Defeased Bonds

During the year ended June 30, 2018 the Obligated Group defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the Obligated Group financial statements. The amount of in substance defeased debt outstanding at June 30, 2018 for the UNO Series 2010 and UNO Series 2010B is \$11,585 and \$14,985, respectively.

(6) Commitments and Contingencies

The Obligated Group has contracted for the construction of several facilities, with an estimated remaining cost of approximately \$6,421 at June 30, 2018. The projects are as follows:

East Campus Residence Hall	\$	2,033
Union Fire Alarm Upgrade		293
East Campus Parking		388
Village Flats Apartment Project		1,377
Nebraskan Student Union		<u>2,330</u>
Total Project	\$	<u>6,421</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.

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, 2018

(In thousands)

Assets and Deferred Outflows of Resources	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Facilities	Combined
Current assets:							
Cash and cash equivalents	\$ 10,845	2,084	(315)	6,196	—	3,800	22,610
Cash and cash equivalents held by trustee – restricted	22,669	3,896	3,103	6,088	—	2,041	37,797
Accounts receivable, net	2,453	858	664	81	—	579	4,635
Other current assets	712	215	2,466	22	—	293	3,708
Total current assets	36,679	7,053	5,918	12,387	—	6,713	68,750
Noncurrent assets:							
Cash and cash equivalents held by trustee – restricted	83,341	11,178	4,160	10,179	—	7,059	115,917
Investments held by trustee – restricted	—	—	—	763	—	11,301	12,064
Accounts receivable, net of current portion	300	—	—	—	—	960	1,260
Capital assets, net of accumulated depreciation	283,425	56,509	53,168	92,551	—	63,674	549,327
Total noncurrent assets	367,066	67,687	57,328	103,493	—	82,994	678,568
Total assets	403,745	74,740	63,246	115,880	—	89,707	747,318
Deferred outflows of resources:							
Deferred loss on bond refunding	10,454	—	3,355	2,128	—	486	16,423
Liabilities, Deferred Inflows of Resources, and Net Position							
Current liabilities:							
Accounts payable and accrued expenses	12,278	809	1,139	2,143	—	3,368	19,737
Bond obligations payable	11,948	3,034	1,746	3,531	—	1,105	21,364
Unearned revenue and other credits	2,552	582	20	1,172	—	65	4,391
Total current liabilities	26,778	4,425	2,905	6,846	—	4,538	45,492
Noncurrent liabilities:							
Accrued compensated absences	478	39	113	5	—	61	696
Bond obligations payable, net of current portion	291,352	19,772	44,549	77,669	—	29,358	462,700
Total noncurrent liabilities	291,830	19,811	44,662	77,674	—	29,419	463,396
Total liabilities	318,608	24,236	47,567	84,520	—	33,957	508,888
Deferred inflows of resources:							
Deferred service concession arrangement receipts	295	—	—	—	—	4,281	4,576
Net position:							
Net investment in capital assets	(10,158)	33,704	10,228	13,479	—	32,178	79,431
Restricted:							
Expendable:							
Plant construction	18,478	2,116	858	4,614	—	(153)	25,913
Debt service	80,729	12,827	5,645	11,689	—	17,695	128,585
Unrestricted	6,247	1,857	2,303	3,706	—	2,235	16,348
Total net position	\$ 95,296	50,504	19,034	33,488	—	51,955	250,277

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, 2017

(In thousands)

Assets and Deferred Outflows of Resources	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Facilities	Combined
Current assets:							
Cash and cash equivalents	\$ 17,445	2,329	543	7,658	16	5,444	33,435
Cash and cash equivalents held by trustee – restricted	21,328	3,897	3,102	6,255	—	1,834	36,416
Accounts receivable, net	3,916	1,048	489	—	35	555	6,043
Other current assets	480	165	2,018	9	—	46	2,718
Total current assets	43,169	7,439	6,152	13,922	51	7,879	78,612
Noncurrent assets:							
Cash and cash equivalents held by trustee – restricted	80,222	9,628	3,285	11,251	—	17,552	121,938
Investments held by trustee – restricted	—	—	—	504	—	11,431	11,935
Accounts receivable, net of current portion	400	—	—	—	—	1,427	1,827
Capital assets, net of accumulated depreciation	292,548	58,191	54,803	94,016	4,027	49,536	553,121
Total noncurrent assets	373,170	67,819	58,088	105,771	4,027	79,946	688,821
Total assets	416,339	75,258	64,240	119,693	4,078	87,825	767,433
Deferred outflows of resources:							
Deferred loss on bond refunding	11,064	—	3,524	1,125	—	515	16,228
Liabilities, Deferred Inflows of Resources, and Net Position							
Current liabilities:							
Accounts payable and accrued expenses	14,977	1,094	982	6,068	18	1,887	25,026
Bond obligations payable	10,267	2,929	1,691	3,360	—	815	19,062
Unearned revenue and other credits	2,672	532	20	1,378	33	45	4,680
Total current liabilities	27,916	4,555	2,693	10,806	51	2,747	48,768
Noncurrent liabilities:							
Accrued compensated absences	489	58	102	3	1	80	733
Bond obligations payable, net of current portion	303,300	22,806	46,295	80,270	—	30,478	483,149
Total noncurrent liabilities	303,789	22,864	46,397	80,273	1	30,558	483,882
Total liabilities	331,705	27,419	49,090	91,079	52	33,305	532,650
Deferred inflows of resources:							
Deferred service concession arrangement receipts	358	—	—	—	—	5,145	5,503
Net position:							
Net investment in capital assets	(7,901)	32,455	10,341	11,511	4,026	27,368	77,800
Restricted:							
Expendable:							
Plant construction	21,618	2,316	821	1,341	—	162	26,258
Debt service	67,430	10,800	5,035	11,185	—	18,834	113,284
Unrestricted	14,193	2,268	2,477	5,702	—	3,526	28,166
Total net position	\$ 95,340	47,839	18,674	29,739	4,026	49,890	245,508

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Additional Information

Combining Statement of Revenue, Expenses, and Changes in Net Position
Relating to the Members of the Obligated Group
under the Master Trust Indenture

Year ended June 30, 2018

(In thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Facilities	Combined
Revenues:							
Operating revenues:							
Room and board	\$ 70,690	—	—	11,972	—	14,940	97,602
Student fees	4,948	1,254	4,865	1,976	—	1,140	14,183
Parking facilities revenues	—	10,117	—	3,313	—	496	13,926
Bookstore and bookstore commissions	—	—	6,454	—	—	162	6,616
Other operating revenues	1,381	—	3,060	261	—	535	5,237
Total operating revenues	<u>77,019</u>	<u>11,371</u>	<u>14,379</u>	<u>17,522</u>	<u>—</u>	<u>17,273</u>	<u>137,564</u>
Expenses:							
Operating expenses:							
Compensation and benefits	22,738	1,153	3,658	1,425	—	4,860	33,834
Purchase for resale	—	—	5,249	—	—	—	5,249
Supplies and services	29,495	4,811	2,197	7,558	—	8,290	52,351
Depreciation	11,758	2,014	1,639	2,631	—	2,115	20,157
Total operating expenses	<u>63,991</u>	<u>7,978</u>	<u>12,743</u>	<u>11,614</u>	<u>—</u>	<u>15,265</u>	<u>111,591</u>
Operating income	<u>13,028</u>	<u>3,393</u>	<u>1,636</u>	<u>5,908</u>	<u>—</u>	<u>2,008</u>	<u>25,973</u>
Nonoperating revenues (expenses):							
Investment income, net	873	139	107	326	—	401	1,846
Interest on bond obligations	(11,520)	(957)	(1,573)	(2,695)	—	(965)	(17,710)
Other nonoperating revenues (expenses)	(2,488)	90	190	210	(4,026)	(139)	(6,163)
Nonoperating revenues/(expenses), net	<u>(13,135)</u>	<u>(728)</u>	<u>(1,276)</u>	<u>(2,159)</u>	<u>(4,026)</u>	<u>(703)</u>	<u>(22,027)</u>
Income (loss) before other revenues, expenses, gains, or losses	<u>(107)</u>	<u>2,665</u>	<u>360</u>	<u>3,749</u>	<u>(4,026)</u>	<u>1,305</u>	<u>3,946</u>
Other revenues, expenses, gains, or losses:							
Capital grants and contracts	63	—	—	—	—	760	823
Increase (decrease) in net position	<u>(44)</u>	<u>2,665</u>	<u>360</u>	<u>3,749</u>	<u>(4,026)</u>	<u>2,065</u>	<u>4,769</u>
Net position:							
Beginning of year	95,340	47,839	18,674	29,739	4,026	49,890	245,508
End of year	\$ <u>95,296</u>	<u>50,504</u>	<u>19,034</u>	<u>33,488</u>	<u>—</u>	<u>51,955</u>	<u>250,277</u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Additional Information

Combining Statement of Revenue, Expenses, and Changes in Net Position
Relating to the Members of the Obligated Group
under the Master Trust Indenture

Year ended June 30, 2017

(In thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Facilities	Combined
Revenues:							
Operating revenues:							
Room and board	\$ 70,434	—	—	12,141	669	15,390	98,634
Student fees	4,949	1,282	4,855	1,970	—	1,206	14,262
Parking facilities revenues	—	10,319	—	3,150	—	533	14,002
Bookstore and bookstore commissions	—	—	7,096	—	—	159	7,255
Other operating revenues	2,052	—	3,261	240	—	569	6,122
Total operating revenues	<u>77,435</u>	<u>11,601</u>	<u>15,212</u>	<u>17,501</u>	<u>669</u>	<u>17,857</u>	<u>140,275</u>
Expenses:							
Operating expenses:							
Compensation and benefits	21,109	1,202	3,692	1,324	92	4,548	31,967
Purchase for resale	—	—	6,057	—	—	—	6,057
Supplies and services	28,220	5,237	2,617	9,128	172	8,321	53,695
Depreciation	10,260	1,984	1,611	1,942	104	2,113	18,014
Total operating expenses	<u>59,589</u>	<u>8,423</u>	<u>13,977</u>	<u>12,394</u>	<u>368</u>	<u>14,982</u>	<u>109,733</u>
Operating income	<u>17,846</u>	<u>3,178</u>	<u>1,235</u>	<u>5,107</u>	<u>301</u>	<u>2,875</u>	<u>30,542</u>
Nonoperating revenues (expenses):							
Investment income, net of investment management fees	412	78	65	208	—	281	1,044
Interest on bond obligations	(11,621)	(1,045)	(1,288)	(2,994)	(187)	(622)	(17,757)
Other nonoperating revenues (expenses)	4,143	243	290	857	2,586	645	8,764
Nonoperating revenues/(expenses), net	<u>(7,066)</u>	<u>(724)</u>	<u>(933)</u>	<u>(1,929)</u>	<u>2,399</u>	<u>304</u>	<u>(7,949)</u>
Income (loss) before other revenues, expenses, gains, or losses	10,780	2,454	302	3,178	2,700	3,179	22,593
Other revenues, expenses, gains, or losses:							
Capital grants and contracts	63	—	—	—	—	378	441
Increase in net position	<u>10,843</u>	<u>2,454</u>	<u>302</u>	<u>3,178</u>	<u>2,700</u>	<u>3,557</u>	<u>23,034</u>
Net position:							
Beginning of year	84,497	45,385	18,372	26,561	1,326	46,333	222,474
End of year	\$ <u>95,340</u>	<u>47,839</u>	<u>18,674</u>	<u>29,739</u>	<u>4,026</u>	<u>49,890</u>	<u>245,508</u>

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

Year ended June 30, 2018

(In thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Facilities	Combined
Cash flows from operating activities:							
Room and board	\$ 72,133	—	—	11,719	—	14,948	98,800
Student fees	4,948	1,254	4,865	1,976	—	1,139	14,182
Parking facilities revenues	—	10,358	—	3,279	—	491	14,128
Bookstore and bookstore commissions	—	—	6,256	—	—	162	6,418
Other operating receipts	1,381	—	3,060	261	—	401	5,103
Payments to vendors	(28,830)	(5,082)	(7,577)	(7,362)	—	(8,180)	(57,031)
Payments to employees	(22,733)	(1,189)	(3,618)	(1,414)	—	(4,725)	(33,679)
Net cash flows from operating activities	26,899	5,341	2,986	8,459	—	4,236	47,921
Cash flows from capital and related financing activities:							
Proceeds from issuance of bond obligations	—	—	—	26,080	—	—	26,080
Premium on issuance of bond obligations	—	—	—	2,504	—	—	2,504
Transfers to and from other University sources	(3,315)	90	198	212	(16)	—	(2,831)
Capital grants and contracts	—	—	—	—	—	200	200
Refunding of bond obligations	—	—	—	(29,457)	—	—	(29,457)
Purchases of capital assets	(5,075)	(333)	(166)	(5,270)	—	(15,002)	(25,846)
Interest paid on bond obligations	(12,342)	(1,112)	(1,561)	(2,846)	—	(951)	(18,812)
Principal paid on bond obligations	(8,985)	(2,785)	(1,540)	(2,435)	—	(815)	(16,560)
Net cash flows from capital and related financing activities	(29,717)	(4,140)	(3,069)	(11,212)	(16)	(16,568)	(64,722)
Cash flows from investing activities:							
Proceeds from sales and maturities of investments	—	—	—	—	—	—	—
Interest on investments	678	103	101	313	—	402	1,597
Purchases of investments	—	—	—	(261)	—	—	(261)
Net cash flows from investing activities	678	103	101	52	—	402	1,336
Change in cash and cash equivalents	(2,140)	1,304	18	(2,701)	(16)	(11,930)	(15,465)
Cash and cash equivalents – beginning of year	118,995	15,854	6,930	25,164	16	24,830	191,789
Cash and cash equivalents – end of year	\$ 116,855	17,158	6,948	22,463	—	12,900	176,324
Reconciliation of operating income to net cash flows from operating activities:							
Operating income	\$ 13,028	3,393	1,636	5,908	—	2,008	25,973
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	11,758	2,014	1,639	2,631	—	2,115	20,157
Changes in assets and liabilities:							
Accounts receivable, net	1,463	191	(198)	(81)	—	255	1,630
Other assets	67	(50)	(419)	—	—	(242)	(644)
Accounts payable and accrued expenses	703	(257)	328	207	—	198	1,179
Unearned revenue, credits, and deferred inflows of service concession receipts	(120)	50	—	(206)	—	(98)	(374)
Net cash flows from operating activities	\$ 26,899	5,341	2,986	8,459	—	4,236	47,921
Noncash transactions:							
Capital assets transferred in from other University sources	\$ 63	—	—	—	—	—	63
Increase (decrease) in fair value of investments	—	—	—	(2)	—	(130)	(132)
Capital assets transferred to the University	—	—	—	—	4,207	—	4,207

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

Year ended June 30, 2017

(In thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Facilities	Combined
Cash flows from operating activities:							
Room and board	\$ 69,380	—	—	12,314	660	15,391	97,745
Student fees	4,949	1,282	4,855	1,970	—	1,206	14,262
Parking facilities revenues	—	9,884	—	3,150	—	528	13,562
Bookstore and bookstore commissions	—	—	7,509	—	—	153	7,662
Other operating receipts	2,052	—	3,251	240	—	575	6,118
Payments to vendors	(28,296)	(5,243)	(8,761)	(9,360)	(188)	(8,449)	(60,297)
Payments to employees	(20,938)	(1,179)	(3,657)	(1,319)	(102)	(4,500)	(31,695)
Net cash flows from operating activities	27,147	4,744	3,197	6,995	370	4,904	47,357
Cash flows from capital and related financing activities:							
Proceeds from issuance of bond obligations	66,760	—	37,280	—	—	12,690	116,730
Premium on issuance of bond obligations	7,616	—	2,796	—	—	189	10,601
Transfers to and from other University sources	1,117	251	241	213	2,586	—	4,408
Capital grants and contracts	—	—	—	—	—	1,288	1,288
Refunding of bond obligations	(74,970)	—	(40,160)	—	—	—	(115,130)
Purchases of capital assets	(41,694)	(580)	(2,573)	(20,537)	—	380	(65,004)
Interest paid on bond obligations	(12,806)	(1,194)	(1,342)	(3,087)	(195)	(597)	(19,221)
Principal paid on bond obligations	(8,890)	(2,710)	(1,750)	(2,530)	(3,910)	(795)	(20,585)
Net cash flows from capital and related financing activities	(62,867)	(4,233)	(5,508)	(25,941)	(1,519)	13,155	(86,913)
Cash flows from investing activities:							
Proceeds from sales and maturities of investments	11,375	496	1,991	1,495	503	1,000	16,860
Interest on investments	186	39	62	218	1	269	775
Purchases of investments	—	—	(641)	(1,770)	—	(2,393)	(4,804)
Net cash flows from investing activities	11,561	535	1,412	(57)	504	(1,124)	12,831
Change in cash and cash equivalents	(24,159)	1,046	(899)	(19,003)	(645)	16,935	(26,725)
Cash and cash equivalents – beginning of year	143,154	14,808	7,829	44,167	661	7,895	218,514
Cash and cash equivalents – end of year	\$ 118,995	15,854	6,930	25,164	16	24,830	191,789
Reconciliation of operating income to net cash flows from operating activities:							
Operating income	\$ 17,846	3,178	1,235	5,107	301	2,875	30,542
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	10,260	1,984	1,611	1,942	104	2,113	18,014
Changes in assets and liabilities:							
Accounts receivable, net	(1,028)	(476)	401	105	(10)	273	(735)
Other assets	249	(43)	42	1	—	—	249
Accounts payable and accrued expenses	(54)	60	(94)	(228)	(25)	(79)	(420)
Unearned revenue, credits, and deferred inflows of service concession receipts	(126)	41	2	68	—	(278)	(293)
Net cash flows from operating activities	\$ 27,147	4,744	3,197	6,995	370	4,904	47,357
Noncash transactions:							
Capital assets transferred in from other University sources	\$ 63	—	—	—	—	—	63
Increase (decrease) in fair value of investments	20	(2)	(1)	(3)	—	(178)	(164)

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Additional Information

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, 2018

(In thousands except ratio information)

Revenues:	
Operating revenues	\$ 122,640
Student fees	14,183
Other	<u>2,494</u>
Total revenues	<u>139,317</u>
Expenses:	
Operating expense	80,657
Operating funds expended for plant	71
Administrative expenses	<u>99</u>
Total expenses	<u>80,827</u>
Net revenues	<u>\$ 58,490</u>

Principal and interest due during the year	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
UNL Housing Series 2009B	\$ 480	410	890
UNL Housing Series 2011	1,435	2,850	4,285
UNL Housing Series 2012	3,455	2,858	6,313
UNL Housing Series 2012B	1,030	672	1,702
UNL Housing Series 2015	—	3,007	3,007
UNL Housing Series 2016A	2,585	2,545	5,130
UNL Parking Series 2009A&B	720	542	1,262
UNL Parking Series 2013	265	197	462
UNL Parking Series 2015	1,800	372	2,172
UNO Housing Series 2014	510	320	830
UNO Student Center Series 2015B	375	294	669
UNO Student Housing/Parking Series 2015	1,535	1,496	3,031
UNO HPER Series 2016B	1,165	1,268	2,433
UNO Housing Series 2017B	265	445	710
UNO Housing Series 2017A	125	585	710
UNK Housing Series 2015	815	526	1,341
UNK Housing Series 2017	<u>—</u>	<u>425</u>	<u>425</u>
Total	<u>\$ 16,560</u>	<u>18,812</u>	<u>35,372</u>
Ratio of net revenues to total debt service			1.65 Times
Required ratio			1.15 Times

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, 2018 (Unaudited)

(In thousands)

Cash	\$	10,845	
Add:			
Accounts receivable, net		2,353	
Inventory		<u>205</u>	
			13,403
Deduct net cash restricted:			
Accounts payable		2,265	
Accrued salaries and wages		852	
Unearned revenues and credits		<u>2,552</u>	
			<u>5,669</u>
Cash available to transfer to trustee	\$		<u><u>7,734</u></u>
Cash to be transferred subsequent to June 30, 2018:			
Surplus Fund – UPPF	\$	155	
Surplus Fund		<u>7,579</u>	
	\$		<u><u>7,734</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
Trusted Bond Funds Relating to the Members of the Obligated
Group (University of Nebraska – Lincoln Parking Project)

June 30, 2018 (Unaudited)

(In thousands)

Cash	\$	2,084	
Add accounts receivable, net		<u>858</u>	
			2,942
Deduct net cash restricted:			
Accounts payable		496	
Accrued salaries and wages		47	
Unearned revenues and credits		<u>582</u>	
			<u>1,125</u>
Cash available to transfer to trustee	\$		<u><u>1,817</u></u>
Cash to be transferred subsequent to June 30, 2018:			
Surplus fund	\$		<u><u>1,817</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)

Year ended June 30, 2018 (Unaudited)

(In thousands)

	Student Center Series 2015	HPER Series 2016B	Total
Revenues:			
Student fees	\$ 1,805	3,060	4,865
Bookstore	6,454	—	6,454
Food service	2,580	—	2,580
Other operating revenues	321	159	480
	<hr/>	<hr/>	<hr/>
Total operating revenues	11,160	3,219	14,379
Expenses:			
Compensation and benefits	3,569	89	3,658
Goods purchased for resale	5,249	—	5,249
Supplies and materials	1,106	28	1,134
Contractual services	123	14	137
Repairs and maintenance	60	16	76
Utilities	145	158	303
Communications	23	—	23
	<hr/>	<hr/>	<hr/>
Total operating expenses	10,275	305	10,580
Transfers:			
Mandatory debt service transfer	(945)	(3,044)	(3,989)
Transfer of prior year operating income to surplus fund	278	620	898
Plant improvements	—	—	—
	<hr/>	<hr/>	<hr/>
Total transfers	(667)	(2,424)	(3,091)
Operating income	218	490	708
Investment income	10	22	32
	<hr/>	<hr/>	<hr/>
Net operating income and investment income	228	512	740
Excess revenue retained by University	107	—	107
	<hr/>	<hr/>	<hr/>
Operating income to be transferred to surplus fund subsequent to June 30, 2018	\$ 335	512	847
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying independent auditors' report.

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)

Year ended June 30, 2018 (Unaudited)

(In thousands)

	Scott Village Series 2014	Scott Court Series 2010B
	<hr/>	<hr/>
Revenues:		
Room and board	\$ 3,000	3,048
Student fees	14	17
Other operating revenues	108	114
	<hr/>	<hr/>
Total operating revenues	3,122	3,179
	<hr/>	<hr/>
Expenses:		
Supplies and materials	222	215
Contractual services	482	434
Repairs and maintenance	145	196
Utilities	223	153
Communications	68	73
	<hr/>	<hr/>
Total operating expenses	1,140	1,071
	<hr/>	<hr/>
Transfers:		
Mandatory debt service transfer	(1,069)	(1,212)
Transfer of prior year operating income to surplus fund	241	203
Plant improvements	(140)	(125)
	<hr/>	<hr/>
Total transfers	(968)	(1,134)
	<hr/>	<hr/>
Operating income	1,014	974
Investment income	1	1
	<hr/>	<hr/>
Net operating income and investment income	1,015	975
Development fee to Scott Foundation	609	505
	<hr/>	<hr/>
Operating income before administrative fee	406	470
Administrative fee	94	95
	<hr/>	<hr/>
Operating income to be transferred to surplus fund subsequent to June 30, 2018	\$ 312	375
	<hr/> <hr/>	<hr/> <hr/>

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)

Year ended June 30, 2018 (Unaudited)

(In thousands)

	Maverick Village Series 2016	Student Parking Series 2016	University Village Series 2010
Revenues:			
Student fees	\$ 68	1,787	90
Room and board	2,580	—	3,344
Parking facilities revenues	—	3,313	—
Other operating revenues	4	29	6
	<hr/>	<hr/>	<hr/>
Total operating revenues	2,652	5,129	3,440
Expenses:			
Compensation and benefits	367	511	548
Supplies and materials	205	218	283
Contractual services	58	1,099	87
Repairs and maintenance	61	171	111
Utilities	165	—	231
Communications	155	10	231
	<hr/>	<hr/>	<hr/>
Total operating expenses	1,011	2,009	1,491
Transfers:			
Mandatory debt service transfer	(1,782)	(3,381)	(1,858)
Transfer of prior year operating income to surplus fund	765	1,373	671
Plant improvements	—	—	—
	<hr/>	<hr/>	<hr/>
Total transfers	(1,017)	(2,008)	(1,187)
Operating income	624	1,112	762
Investment income:			
Net operating income and investment income	29	72	29
	<hr/>	<hr/>	<hr/>
Excess revenue retained by the University	653	1,184	791
Previously retained funds used by the University	—	—	—
	<hr/>	<hr/>	<hr/>
Operating income to be transferred to surplus fund subsequent to June 30, 2018	\$ 653	1,184	791
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

Additional Information

Facilities Operating Fund Cash Available for Transfer to
Trusted Bond Funds Relating to the Members of the Obligated
Group (University of Nebraska at Kearney Student Facilities Project)

June 30, 2018 (Unaudited)

(In thousands)

Cash	\$	3,010	
Add accounts receivable, net		<u>82</u>	
			3,092
Deduct net cash restricted:			
Accounts payable		217	
Accrued salaries and wages		153	
Unearned revenues and credits		<u>65</u>	
			<u>435</u>
Cash available to transfer to trustee	\$		<u>2,657</u>
Cash to be transferred subsequent to June 30, 2018:			
Surplus fund	\$		<u><u>2,657</u></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, 2018 (Unaudited)

(In thousands)

Facility	Amount of Insurance Coverage (Note A)		
	Fire and Extended Coverage		Business Interruption
	Buildings (Note B)	Contents	100% Contribution
University of Nebraska-Lincoln:			
Student Fees and Facilities:			
Selleck Quadrangle	\$ 35,957	2,877	2,493
Neihardt, Cather and Pounds Halls	36,648	2,612	2,520
Burr-Fedde Halls	900	—	58
Vine and U Street Apartments	10,565	653	720
Colonial Terrace	6,587	—	423
Abel and Sandoz Halls and Food Service	102,625	8,213	7,715
Harper, Schramm and Smith Halls	118,963	6,503	8,054
Health Center	10,079	806	699
Nebraska Union – City Campus	68,352	4,930	4,704
Nebraska Union – East Campus	15,114	1,198	1,047
Jackie Gaughan Multicultural Center	7,315	525	503
Husker Hall	2,557	—	164
Love Memorial Co-op	2,324	186	161
Kauffman Academic Residential Center	17,750	1,420	1,231
The Courtyards	38,828	1,945	2,617
The Village	44,721	2,343	3,021
Knoll Residential Center	29,307	2,352	2,032
Eastside Suites	30,407	1,414	2,043
University Suites	31,858	—	2,045
Massengale Residential Hall	37,883	—	2,432
Willa Cather Dining	33,419	—	2,175
SAPP Recreation Facility	10,684	855	741
Outdoor Adventure Center	5,423	—	348
Recreation and Wellness Center	12,399	—	796
Parking:			
Stadium Drive Parking Garage	11,497	920	797
14th and Avery Parking Garage	16,625	1,330	1,153
17th and "R" Parking Garage	28,742	2,300	1,993
18th & "R" Parking Garage	13,902	—	892
19th and Vine Parking Garage	11,487	—	737
University of Nebraska at Omaha:			
Student Facilities:			
Student Center	48,816	5,781	3,505
Health Physical Education and Recreation	51,379	10,337	3,962
Student Housing and Parking:			1,605
Scott Village	23,512	1,486	1,319
Maverick Village	19,295	1,258	1,536
University Village	22,482	1,429	1,688
Scott Court	24,558	1,737	905
West Parking Garage	14,077	20	1,616
East Parking Garage	22,232	2,939	
Pacific Parking Garage	19,816	—	1,272
University of Nebraska at Kearney:			
Antelope Hall	12,018	953	833
Centennial Towers East	17,186	1,174	1,179
Centennial Towers West	17,186	1,174	1,179
Conrad Hall	3,359	266	233
Mantor	11,060	858	765
Martin Hall	5,032	399	349
Men's Hall	6,548	519	454
Nester Hall	13,717	1,089	950
Randall Hall	7,088	418	482
Nebraskan Student Union	22,620	2,690	1,625
University Residence North	5,554	440	385
University Residence South	5,554	440	385

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 – \$8,342,830.

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 periodic engineering studies, historical costs, and inflationary factors, all of which are unaudited.

See accompanying independent auditors' report.