



The Board of Regents of the University of Nebraska

*Combined Financial Statements Relating to
the Members of the Obligated Group Under
the Master Trust Indenture for the Years
Ended June 30, 2010 and 2009, Additional
Information, and Independent Auditors' Report*

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

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Independent Auditors' Report

The Board of Regents
University of Nebraska:

We have audited the accompanying combined statements of net assets relating to the Members of the Obligated Group under the Master Trust Indenture of the Board of Regents of the University of Nebraska (the "Obligated Group") as of June 30, 2010 and 2009, and the related combined statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Obligated Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Obligated Group's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in note A, the combined financial statements related to the Obligated Group are intended to present the financial position and the changes in financial position and cash flows, of only that portion of the business-type activities of the Obligated Group that is attributable to the transactions of the Obligated Group. They do not purport to, and do not, present fairly the financial position of the University of Nebraska as of June 30, 2010 and 2009, 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the net assets of the Members of the Obligated Group under the Master Trust Indenture of the Board of Regents of the University of Nebraska at June 30, 2010 and 2009, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 – 7 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the combined financial statements taken as a whole. The accompanying additional information on pages 25 – 43 is presented for purposes of additional analysis and is not a required part of the combined financial statements. The additional information on pages 25 – 30 has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the combined financial statements taken as a whole. The additional information on pages 31 – 43 has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and accordingly, we express no opinion on this information.

KPMG LLP

Lincoln, Nebraska
September 30, 2010

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (Unaudited) (Dollar Amounts in Thousands)

Introduction

The following is an overview of the financial position and changes in net assets of the University of Nebraska Members of the Obligated Group under the Master Trust Indenture (MTI) for the years ended June 30, 2010 and 2009. Management has prepared the following discussion and it is intended to be read in conjunction with the financial statements and related footnotes, which follow this section.

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

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

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

Financial Highlights

The financial position of the Obligated Group remained favorable during the year ended June 30, 2010 with operating income that provided a debt service coverage ratio of 1.4 times, compared to 1.6 times for the year ended June 30, 2009 and 1.8 times for the year ended June 30, 2008. This performance is in line with expectations. The debt service ratio required by the MTI is 1.15 times.

Operations of the overall Obligated Group met expectations during fiscal year 2010 with operating income posting a 8% increase over 2009. This compares to a significant growth of 44% in 2009 over 2008 and which reflected a higher level of revenues in 2009 driven by the completion of new student residences and parking facilities. Operating revenues increased by a modest 4% in 2010, while operating expenses were held to 3%, resulting in an operating income increase of \$1,457. Operating strength is further demonstrated by increases in cash flows from operations of \$5,852 in 2010 and \$3,225 and \$2,822 in 2009 and 2008, respectively. Three new bond issues are discussed briefly below and in further detail in the notes to the financial statements.

The performance of UNL Student Fees is dictated by UNL Housing activity. Housing offers both traditional residence halls and apartment-style units to the campus student community. Due to continuing high enrollment of upper division students, the occupancy of the apartment and suite-style facilities was 95% for the 2010 year. UNL traditional residence halls occupancy remained strong at 96% occupancy. Operating

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revenues increased by 3%. While growing revenues, management held the operating expense increases to 1%, resulting in operating income of \$8,556, an increase of \$984 compared to the prior year. This level of operating income compares to \$7,572 in 2009 and \$5,672 in 2008. UNL Student Fees issued bonds of \$10,680 during the year to finance the renovation of the Abel-Sandoz dining center. This renovation, along with the completion of the new Knoll residence hall during 2010, positions the obligated member to generate additional operating revenue in 2011.

UNL Parking operations experienced relatively flat revenues during 2010 compared to 2009 despite no rate increase for the year. Operating expenses increased by \$109 which yielded operating income of \$3,190 compared to \$3,265 for 2009 and \$2,465 for 2008. Parking demand remains high with over 94% of spaces sold on a permit basis compared to 93% for both 2009 and 2008. UNL Parking issued \$11,560 of new bonds during 2010 to finance the construction of a 1,040 space parking garage. The completion of this facility in August 2010 provides spaces to replace surface parking lost due to Antelope Parkway and Knoll Hall.

In 2010, the UNO Student facilities activity remained strong. The UNO Student Center and the Health, Physical Education and Recreation (HPER) building together comprise the UNO Student Facilities project. Student fees support both the Student Center and HPER and account for \$3,651 (27%) of the UNO Student facilities revenues in 2010, an increase of \$1,544 (73%) over 2009. This increase is due to a combination of planned higher fees (fees are being gradually increased over the period of construction to fund the HPER renovation) and enrollment growth. The HPER project is slated for completion in the fall 2010.

UNO Housing/Parking continues to perform in line with expectations. In 2010, operating income of \$1,431 was derived from revenues of \$8,488. Operating income of \$2,474 and \$788 was achieved in 2009 and 2008. Housing operations continue to enjoy an occupancy rate of nearly 100%, which it has done in each year since its opening in 2004. UNO Housing/Parking issued \$17,230 of bonds in February 2010 to finance the purchase of University Village, a 576 bed privately owned student residence hall on the Dodge Street campus. A second bond issue of \$17,715 was sold in May 2010 to finance the construction of a 480 bed student residence on the Pacific Street campus that is slated for completion in August 2011.

The UNMC Housing Project is comprised of two apartment-style buildings with a combined capacity of 60 units. UNMC Housing experienced a 93% occupancy during 2010 (94% in 2009). UNMC augmented revenues by \$59 in 2010 (compared to \$79 in 2009), enabling the activity to meet debt service obligations.

The financial position of UNK Student Fees Project remains solid as shown by an increase in the operating margin to 19% which follows 13% in both 2009 and 2008. Operating revenues remained flat in 2010 compared to 2009 with modest rate increases being offset by a decline in occupancy. However, operating income for 2010 was \$2,646 compared to \$1,774 and \$1,581 in 2009 and 2008. The 49% increase in operating income for 2010 is attributable to a decrease in non-capital renovation expenses as several planned betterment projects were completed.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (Unaudited) (Dollar Amounts in Thousands)

Using the Financial Statements

The financial statements of MTI include the Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows. These statements are prepared in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities*. The statements are presented on a combined basis to focus on the revenue producing activities and the trustee accounts of the obligated members as a single reporting entity.

The statement of net assets includes the operating facilities of the obligated members and the related trustee accounts of the respective bond issues. The statement of revenues, expenses, and changes in net assets depicts the combined operating revenues and expenses of the obligated members, which, when combined with the non-operating revenues and expenses, provide resources for debt service as well as the purchase, construction, and renovation of the designated facilities. The statement of cash flows shows 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, 2010, 2009, and 2008.

Current assets consist of resources held by the bond trustee that are designated or restricted by the bond covenants for plant construction, bond reserve funds, and related retirement of indebtedness accounts. Non-current assets are primarily capital assets which are presented net of accumulated depreciation of \$73,067, \$66,576, and \$59,271 at June 30, 2010, 2009, and 2008, respectively.

Current liabilities are comprised of accounts and accrued interest payable and amounts due the next year for accrued compensated absences and bond obligations payable. Non-current liabilities represent accrued compensated absences and bond obligations due after one year.

The classification of net assets includes amounts restricted for debt service of \$74,645, \$74,058, and \$65,813 as of June 30, 2010, 2009, and 2008, respectively. These amounts include bond reserves of \$31,691, \$27,340, and \$23,878, as of June 30, 2010, 2009, and 2008.

The condensed statement of revenues, expenses, and changes in net assets depicts 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 \$8,684, \$7,629, and \$7,805 for the years ended June 30, 2010, 2009, and 2008, respectively.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (Unaudited) (Dollar Amounts in Thousands)

	<u>Condensed Statement of Net Assets (thousands)</u>		
	2010	2009	2008
Assets:			
Current assets	\$ 47,725	\$ 45,976	\$ 40,935
Non-current assets	494,716	427,594	376,378
Total assets	<u>542,441</u>	<u>473,570</u>	<u>417,313</u>
Liabilities:			
Current liabilities	48,337	37,766	35,011
Non-current liabilities	378,296	330,294	286,352
Total liabilities	<u>426,633</u>	<u>368,060</u>	<u>321,363</u>
Net Assets:			
Invested in capital assets, net of related debt	13,972	11,618	10,777
Restricted:			
Expendable			
Capital projects	13,487	7,843	7,919
Debt service	74,645	74,058	65,813
Unrestricted	13,704	11,991	11,441
Total net assets	<u>\$ 115,808</u>	<u>\$ 105,510</u>	<u>\$ 95,950</u>

	<u>Condensed Statement of Revenues, Expenses, and Changes in Net Assets (thousands)</u>		
	2010	2009	2008
Operating revenues:			
Room and board	\$ 63,204	\$ 61,609	\$ 55,040
Bookstore	7,969	8,122	7,854
Parking fees	10,561	10,348	9,616
Student fees	9,056	6,942	5,640
Other	3,207	3,387	3,155
Total operating revenues	<u>93,997</u>	<u>90,408</u>	<u>81,305</u>
Operating expenses:			
Compensation and benefits	23,994	23,807	22,611
Supplies, materials and services	43,940	43,050	39,850
Depreciation	8,684	7,629	7,805
Total operating expenses	<u>76,618</u>	<u>74,486</u>	<u>70,266</u>
Operating income	17,379	15,922	11,039
Non-operating expenses	<u>(7,081)</u>	<u>(6,362)</u>	<u>(2,219)</u>
Increase in net assets	10,298	9,560	8,820
Net assets, beginning of year	<u>105,510</u>	<u>95,950</u>	<u>87,130</u>
Net assets, end of year	<u>\$ 115,808</u>	<u>\$ 105,510</u>	<u>\$ 95,950</u>

Economic Outlook and Subsequent Events That Will Affect The Future

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (Unaudited) (Dollar Amounts in Thousands)

UNL residence hall occupancy is expected to remain high. Fall 2010 enrollment is up, demand for renovated and apartment-style rooms is strong, and housing has demonstrated the ability to attract more upper division students. A new 565 bed suite-style residence hall, The Robert E. Knoll Residential Center, opened in fall 2010 at full capacity. Fall 2010 opening occupancy in traditional and suite-style residence halls increased by more than 300 residents which exceeded expectations. Apartment-style halls continue to operate at full capacity. The number of students applying for apartment-style living space remains approximately three times the number of available beds, as it has been the past several years.

Parking operations at UNL are expected to continue to meet expectations. Parking fees did not increase in 2010 but improved and more efficient utilization of available space resulted in increased revenues. Parking permit revenues are forecasted to grow due to increases in demand by students, faculty, and staff.

UNO Student Center revenues are projected to increase slightly as bookstore and food services revenues are expected to show modest increases following a moderate enrollment increase for the fall 2010 semester. Student fee revenue associated with HPER project will increase as the last planned student fee increase to support the project was implemented for the fall 2010 semester. Demand for student housing at UNO continues to be strong with occupancy near 100% for the fall 2010 semester. Additional student housing began construction in June 2010 and is expected to be completed in August 2011. Parking revenues are expected to increase due to parking fee increases.

UNMC Student Housing expects residence hall occupancy to be near full capacity which bodes well for the financial future of the residences. Rental rates were increased by 4% for the fall 2010 which will bolster the debt service coverage without reducing demand. Student enrollment for fall 2010 increased by 7.7% over 2009 to a record high of 3,486 students. The College of Public Health is currently under construction and will increase enrollments and augment the demand for housing. These factors along with the dynamic growth in research activity at UNMC continue to attract students and is driving the need for student housing.

The fall 2010 enrollment at UNK is up approximately 1%, including an estimated 12% increase in first-time freshmen compared to a year ago. This is the primary factor contributing to a 9% increase in occupancy for fall 2010. The completion of two new apartment style residence buildings, Antelope and Nester Halls, provide living space for an additional 160 and 170 students, respectively. An upgrade to Mantor Hall was completed prior to fall 2009 and an upgrade to Men's Hall was completed prior to fall 2010. An upgrade to Randall Hall is expected to be completed and operational by fall 2011. The completion of the new halls and upgrading of other facilities are part of the UNK Master Plan that is expected to bring a bright future to UNK housing residences and the campus.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

COMBINED STATEMENTS OF NET ASSETS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE JUNE 30, 2010 and 2009 (in thousands)

ASSETS	2010	2009
CURRENT ASSETS:		
Cash and cash equivalents	\$ 18,865	\$ 16,242
Cash and cash equivalents held by trustee - restricted	22,796	22,358
Investments held by trustee - restricted	-	689
Accounts receivable, net	4,080	4,738
Note receivable	100	100
Accrued interest receivable	166	314
Inventories	1,385	1,456
Prepaid expenses and deferred charges	333	79
Total current assets	<u>47,725</u>	<u>45,976</u>
NON-CURRENT ASSETS:		
Cash and cash equivalents held by trustee – restricted	90,067	99,121
Investments held by trustee - restricted	20,382	28,807
Note receivable, net of current portion	1,100	1,200
Bond financial expense, net of accumulated amortization	5,316	5,166
Capital assets, net of accumulated depreciation	377,851	293,300
Total non-current assets	<u>494,716</u>	<u>427,594</u>
Total assets	<u>542,441</u>	<u>473,570</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	25,979	18,425
Accrued interest payable	5,231	4,871
Accrued salaries and wages	1,159	1,204
Accrued compensated absences	1,178	1,128
Bond obligations payable	9,905	8,235
Deferred revenues and other credits	4,885	3,903
Total current liabilities	<u>48,337</u>	<u>37,766</u>
NON-CURRENT LIABILITIES:		
Accrued compensated absences	588	549
Bond obligations payable, net of current portion	373,585	326,305
Deferred revenues and credits	4,123	3,440
Total non-current liabilities	<u>378,296</u>	<u>330,294</u>
Total liabilities	<u>426,633</u>	<u>368,060</u>
NET ASSETS:		
Invested in capital assets, net of related debt	13,972	11,618
Restricted:		
Expendable:		
Plant construction	13,487	7,843
Debt service	74,645	74,058
Unrestricted	<u>13,704</u>	<u>11,991</u>
Total net assets	<u>\$ 115,808</u>	<u>\$ 105,510</u>

See notes to combined financial statements.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (in thousands)

	2010	2009
REVENUES:		
Operating revenues:		
Room and board	\$ 63,204	\$ 61,609
Bookstore and bookstore commissions	7,969	8,122
Parking facilities revenues	10,561	10,348
Student fees	9,056	6,942
Food service	2,481	2,650
Other operating revenues	726	737
Total operating revenues	<u>93,997</u>	<u>90,408</u>
EXPENSES:		
Operating expenses:		
Salaries and wages	18,674	18,744
Benefits	5,320	5,063
Total compensation and benefits	23,994	23,807
Goods purchased for resale	6,187	6,436
Supplies and materials	11,740	11,190
Food and food service contracts	9,016	8,752
Contractual services	4,051	3,826
Repairs and maintenance	5,771	5,556
Utilities	5,429	5,439
Communications	1,746	1,851
Depreciation	8,684	7,629
Total operating expenses	<u>76,618</u>	<u>74,486</u>
OPERATING INCOME	<u>17,379</u>	<u>15,922</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment income, net of investment management fees	1,159	2,074
Increase (decrease) in fair value of investments	(226)	664
Interest on bond obligations	(16,087)	(14,144)
Capitalized interest on bond obligations	5,929	3,740
Amortization of bond financial expense	(218)	(175)
Loss on disposal of capital assets	(134)	-
Net transfer of assets from other University sources	2,305	1,312
Non-operating expenses, net	<u>(7,272)</u>	<u>(6,529)</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	10,107	9,393
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:		
Capital grants and contracts	<u>191</u>	<u>167</u>
INCREASE IN NET ASSETS	10,298	9,560
NET ASSETS:		
Beginning of year	<u>105,510</u>	<u>95,950</u>
End of year	<u>\$ 115,808</u>	<u>\$ 105,510</u>

See notes to combined financial statements.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

COMBINED STATEMENTS OF CASH FLOWS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE FOR THE YEARS ENDED JUNE 30, 2010 and 2009 (in thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Room and board	\$ 64,854	\$ 61,970
Bookstore and bookstore commissions	7,850	7,956
Parking facilities revenues	10,307	10,301
Student fees	9,059	6,915
Food service	2,479	2,655
Other operating receipts	1,000	471
Payments to vendors	(42,844)	(43,774)
Payments to employees	<u>(23,959)</u>	<u>(23,600)</u>
Net cash flows from operating activities	<u>28,746</u>	<u>22,894</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from issuance of bond obligations	57,885	52,301
Transfers from other University sources	2,250	1,312
Capital grants and contracts	124	25
Purchases of capital assets	(80,764)	(54,355)
Interest paid on bond obligations	(15,764)	(12,797)
Principal paid on bond obligations	(8,235)	(7,805)
Payment of bond financial expense	<u>(430)</u>	<u>(534)</u>
Net cash flows from capital and related financing activities	<u>(44,934)</u>	<u>(21,853)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales and maturities of investments	21,771	26,194
Interest on investments	1,533	3,008
Purchases of investments	<u>(13,109)</u>	<u>(3,888)</u>
Net cash flows from investing activities	<u>10,195</u>	<u>25,314</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,993)	26,355
CASH AND CASH EQUIVALENTS - Beginning of year	<u>137,721</u>	<u>111,366</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$131,728</u>	<u>\$137,721</u>
CASH AND CASH EQUIVALENTS - END OF YEAR AS PRESENTED IN STATEMENT OF NET ASSETS:		
Cash and cash equivalents (current)	\$ 18,865	\$ 16,242
Cash and cash equivalents held by trustee - restricted (current)	22,796	22,358
Cash and cash equivalents held by trustee - restricted (non-current)	<u>90,067</u>	<u>99,121</u>
Cash and cash equivalents, end of year	<u>\$131,728</u>	<u>\$137,721</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating income	\$ 17,379	\$ 15,922
Adjustments to reconcile operating income to net cash flows from operating activities:		
Depreciation	8,684	7,629
Changes in assets and liabilities:		
Accounts receivable, net	707	(566)
Inventories	196	113
Prepaid expenses and deferred charges	(62)	4
Accounts payable	956	(765)
Accrued salaries and wages and compensated absences	43	207
Deferred revenues and other credits	<u>843</u>	<u>350</u>
Net cash flows from operating activities	<u>\$ 28,746</u>	<u>\$ 22,894</u>
NON-CASH TRANSACTIONS:		
Capital assets transferred in from other University sources	\$ 1,702	\$ -
Capital grants and contracts	67	142
Increase (decrease) in fair value of investments	(226)	664

See notes to combined financial statements.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

NOTES TO COMBINED FINANCIAL STATEMENTS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE YEARS ENDED JUNE 30, 2010 and 2009 (in thousands)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

These statements have been prepared in accordance with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The GASB has issued GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, as amended by GASB Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*. The Obligated Group follows the “business-type” activities requirements of GASB Statement No. 34. This Statement requires the following components of the basic financial statements:

- Management’s Discussion and Analysis
- Financial statements including a Statement of Net Assets; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows
- Notes to the financial statements

The Obligated Group follows all GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements, Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, and has elected not to apply the FASB Statements and Interpretations issued after November 30, 1989, to their combined financial statements.

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

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

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Accounts Receivable – Accounts receivable consist primarily of student housing and fees receivable. Accounts receivable are recorded net of an allowance for doubtful accounts of \$169 and \$152 at June 30, 2010 and 2009, respectively.

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

Inventories – Inventories represent bookstore merchandise held for resale including textbooks, supplies, clothing and other goods and food services inventories and food items held for resale. Inventories are carried at the lower of cost (first-in, first-out) or market.

Amortization of Bond Financial Expense and Bond Premium – Bond financial expense and bond premium are being amortized on a method that approximates the level-yield method.

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

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

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

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

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

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

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Capital Assets – Land improvements, buildings, and equipment are stated at cost at the date of acquisition. Depreciation is calculated using the straight-line method over the estimated useful life of the related assets for the UNO Student Facilities Project, UNO Student Housing/Parking Project, UNMC Student Housing Project, and UNK Student Fees and Facilities Bonds. The estimated useful lives are 50 years for buildings, 20-30 years for land improvements, and 2-10 years for equipment. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The total interest expense capitalized during 2010 and 2009 was \$5,929 and \$3,740, respectively.

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

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

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

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

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

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

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

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

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B. CASH AND INVESTMENTS

Investments as of June 30, 2010:

Investment Type:	Fair Value	Investment Maturities (in years)				Concentration
		Less Than 1	1-2	3-5	6-7	
Debt Securities:						
Certificates of Deposit	\$ 256	\$ -	\$ -	\$ 256	\$ -	1%
U.S. Treasury Notes	3,852	-	3,852	-	-	19
Federal Farm Credit Bank	2,586	-	1,051	1,535 (1)	-	13
Federal Home Loan Bank	6,587	4,065	109	2,413 (2)	-	32
Federal Home Loan Mortgage Corporation	3,507	-	3,251	-	256	17
Federal National Mortgage Association	3,594	1,809	1,785 (3)	-	-	18
	<u>\$ 20,382</u>	<u>\$ 5,874</u>	<u>\$ 10,048</u>	<u>\$ 4,204</u>	<u>\$ 256</u>	<u>100%</u>

(1) This amount includes \$1,000 of callable bonds, which were subsequently called on July 7, 2010.

(2) This amount includes \$1,505 of callable bonds, which were subsequently called on September 9, 2010.

(3) This amount includes \$1,004 of callable bonds, which are callable in less than one year.

Investments as of June 30, 2009:

Investment Type:	Fair Value	Investment Maturities (in years)			Concentration
		Less Than 1	1-2	3-5	
Debt Securities:					
Certificates of Deposit	\$ 492	\$ -	\$ -	\$ 492	2%
Federal Farm Credit Bank	3,950	2,873	1,077	-	13
Federal Home Loan Bank	14,203	10,118	4,085	-	48
Federal Home Loan Mortgage Corporation	5,793	2,237	3,556	-	20
Federal National Mortgage Association	5,058	4,937	121	-	17
	<u>\$ 29,496</u>	<u>\$ 20,165</u>	<u>\$ 8,839</u>	<u>\$ 492</u>	<u>100%</u>

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 FDIC for up to \$250 per deposit.

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

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

	Fair Value	2010		
		Quality Ratings		
		AAA	Aa3	
Investment Type:				
Debt Securities:				
Negotiable Certificates of Deposit (1)	\$ 256	\$ -	\$ 256	
U.S. Treasury Notes	3,852	3,852	-	
U.S. Agencies	16,274	16,274	-	
	<u>\$ 20,382</u>	<u>\$ 20,126</u>	<u>\$ 256</u>	

	Fair Value	2009		
		Quality Ratings		
		AAA	B-	Unrated
Investment Type:				
Debt Securities:				
Negotiable Certificates of Deposit (1)	\$ 492	\$ -	\$ 247	\$ 245
U.S. Agencies	29,004	29,004	-	-
	<u>\$ 29,496</u>	<u>\$ 29,004</u>	<u>\$ 247</u>	<u>\$ 245</u>

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

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

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C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets:				
Land	\$ 3,173	\$ -	\$ -	\$ 3,173
Land improvements	9,215	495	509	9,201
Buildings	268,557	62,056	1,465	329,148
Equipment	8,197	1,020	353	8,864
Construction in progress	70,734	80,357	50,559	100,532
Total	<u>359,876</u>	<u>143,928</u>	<u>52,886</u>	<u>450,918</u>
Less accumulated depreciation for:				
Land improvements	3,220	401	401	3,220
Buildings	57,749	7,577	1,465	63,861
Equipment	5,607	706	327	5,986
Total	<u>66,576</u>	<u>8,684</u>	<u>2,193</u>	<u>73,067</u>
Capital assets, net	<u>\$ 293,300</u>	<u>\$ 135,244</u>	<u>\$ 50,693</u>	<u>\$ 377,851</u>

Capital asset activity for the year ended June 30, 2009 is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets:				
Land	\$ 3,173	\$ -	\$ -	\$ 3,173
Land improvements	7,118	2,336	239	9,215
Buildings	231,328	37,229	-	268,557
Equipment	7,715	567	85	8,197
Construction in progress	51,453	57,742	38,461	70,734
Total	<u>300,787</u>	<u>97,874</u>	<u>38,785</u>	<u>359,876</u>
Less accumulated depreciation for:				
Land improvements	3,059	400	239	3,220
Buildings	51,171	6,578	-	57,749
Equipment	5,041	651	85	5,607
Total	<u>59,271</u>	<u>7,629</u>	<u>324</u>	<u>66,576</u>
Capital assets, net	<u>\$ 241,516</u>	<u>\$ 90,245</u>	<u>\$ 38,461</u>	<u>\$ 293,300</u>

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D. ACCRUED COMPENSATED ABSENCES

Accrued compensated absences are as follows as of June 30:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2010	<u>\$ 1,677</u>	<u>\$ 1,350</u>	<u>\$ 1,261</u>	<u>\$ 1,766</u>	<u>\$ 1,178</u>
2009	<u>\$ 1,559</u>	<u>\$ 1,269</u>	<u>\$ 1,151</u>	<u>\$ 1,677</u>	<u>\$ 1,128</u>

E. BOND OBLIGATIONS PAYABLE

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
2010 Revenue bonds	<u>\$ 334,540</u>	<u>\$ 57,185</u>	<u>\$ 8,235</u>	<u>\$ 383,490</u>	<u>\$ 9,905</u>
2009 Revenue bonds	<u>\$ 289,975</u>	<u>\$ 52,370</u>	<u>\$ 7,805</u>	<u>\$ 334,540</u>	<u>\$ 8,235</u>

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	Interest Rate	Annual Installment	2010 Principal Amount Outstanding	2009 Principal Amount Outstanding
University of Nebraska-Lincoln:				
Student Fees and Facilities:				
Series 2002, revenue refunding	4.50 - 5.00%	\$1,070 - \$2,760	\$ 9,640	\$ 10,655
Series 2003A, revenue bonds	3.73 - 5.25%	445 - 1,595	24,680	25,110
Series 2003B, revenue bonds	3.80 - 5.00%	1,085 - 3,890	64,650	66,795
Series 2008A, revenue bonds	3.00 - 5.00%	1,205 - 2,360	30,255	30,255
Series 2009A, revenue bonds	2.00 - 5.25%	650 - 2,990	52,370	52,370
Series 2009B, revenue bonds	2.00 - 5.70%	435 - 1,840	10,680	-
Total Student Fees and Facilities			<u>192,275</u>	<u>185,185</u>
University of Nebraska-Lincoln:				
Parking Project:				
Series 2003, revenue refunding	3.50 - 4.50%	610 - 1,615	4,895	5,485
Series 2005, revenue and refunding	3.50 - 4.50%	425 - 3,825	20,935	22,225
Series 2009A&B, revenue bonds	3.50 - 6.00%	695 - 1,110	11,560	-
Total Parking Project			<u>37,390</u>	<u>27,710</u>
University of Nebraska at Omaha:				
Student Activities project:				
Series 2003, revenue refunding bonds	3.65 - 3.90%	555 - 1,180	2,310	2,850
Series 2008, revenue bonds	2.55 - 5.00%	845 - 2,700	42,920	42,920
Total Student Facilities			<u>45,230</u>	<u>45,770</u>
University of Nebraska at Omaha:				
Student Housing and Parking:				
Series 2003, revenue bonds	3.45 - 5.00%	350 - 945	13,480	13,820
Series 2007, revenue bonds	4.25 - 5.00%	555 - 2,395	28,715	29,250
Series 2010A, revenue bonds	1.00 - 4.83%	670 - 1,175	17,230	-
Series 2010B, revenue bonds	0.90 - 5.00%	370 - 1,060	17,715	-
Total Student Housing and Parking			<u>77,140</u>	<u>43,070</u>
University of Nebraska Medical Center:				
Student Housing:				
Series 2003, revenue bonds	3.30 - 5.00%	125 - 330	4,735	4,860
University of Nebraska at Kearney				
Student Fees and Facilities:				
Series 2003, revenue refunding	2.90%	300	300	765
Series 2005, revenue refunding	3.30 - 4.10%	335 - 1,080	4,570	4,895
Series 2006, revenue bonds	3.60 - 5.00%	490 - 1,385	21,850	22,285
Total Student Fees and Facilities			<u>26,720</u>	<u>27,945</u>
			<u>\$ 383,490</u>	<u>\$ 334,540</u>

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

University of Nebraska-Lincoln Student Fees and Facilities

	<u>Series 2002 Refunding</u>		<u>Series 2003A</u>		<u>Series 2003B</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,070	\$ 441	\$ 445	\$ 1,224	\$ 2,220	\$ 2,999
2012	1,085	393	460	1,207	2,310	2,908
2013	1,140	343	480	1,189	2,395	2,811
2014	1,230	287	495	1,169	2,500	2,710
2015	1,280	224	520	1,147	2,600	2,611
2016-2020	3,835	234	2,960	5,354	14,685	11,284
2021-2025	-	-	3,760	4,529	15,580	7,327
2026-2030	-	-	4,820	3,440	6,305	4,832
2031-2035	-	-	6,190	2,033	8,045	3,047
2036-2040	-	-	4,550	366	8,010	826
	<u>\$ 9,640</u>	<u>\$ 1,922</u>	<u>\$ 24,680</u>	<u>\$ 21,658</u>	<u>\$ 64,650</u>	<u>\$ 41,355</u>

	<u>Series 2008A</u>		<u>Series 2009A</u>		<u>Series 2009B</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ -	\$ 1,263	\$ -	\$ 2,460	\$ -	\$ 462
2012	1,205	1,245	650	2,453	-	462
2013	1,240	1,206	665	2,439	-	462
2014	1,275	1,166	1,420	2,414	435	458
2015	1,325	1,122	1,155	2,381	445	449
2016-2020	7,355	4,840	6,335	11,314	2,405	2,042
2021-2025	9,010	3,107	7,710	9,883	2,855	1,453
2026-2030	8,845	818	10,430	7,717	4,540	920
2031-2035	-	-	10,475	4,983	-	-
2036-2040	-	-	13,530	1,849	-	-
	<u>\$ 30,255</u>	<u>\$ 14,767</u>	<u>\$ 52,370</u>	<u>\$ 47,893</u>	<u>\$ 10,680</u>	<u>\$ 6,708</u>

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University of Nebraska-Lincoln Parking

	Series 2003 Refunding		Series 2005		Series 2009A		Series 2009B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 610	\$ 194	\$ 1,335	\$ 865	\$ -	\$ 257	\$ -	\$ 309
2012	630	173	1,380	819	-	257	-	309
2013	655	150	1,430	767	-	257	-	309
2014	680	126	1,485	710	-	257	-	309
2015	705	100	1,545	654	-	257	-	309
2016-2020	1,615	73	10,675	2,253	2,160	1,122	-	1,546
2021-2025	-	-	3,085	494	4,245	347	955	1,546
2026-2030	-	-	-	-	-	-	4,200	642
	<u>\$ 4,895</u>	<u>\$ 816</u>	<u>\$20,935</u>	<u>\$ 6,562</u>	<u>\$ 6,405</u>	<u>\$ 2,754</u>	<u>\$ 5,155</u>	<u>\$ 5,279</u>

University of Nebraska at Omaha Student Activities

	Series 2003		Series 2008	
	Principal	Interest	Principal	Interest
2011	\$ 555	\$ 88	845	\$ 1,988
2012	575	68	870	1,968
2013	1,180	46	895	1,944
2014	-	-	920	1,917
2015	-	-	950	1,888
2016-2020	-	-	5,285	8,900
2021-2025	-	-	6,515	7,661
2026-2030	-	-	8,315	5,870
2031-2035	-	-	10,605	3,573
2036-2040	-	-	7,720	785
	<u>\$ 2,310</u>	<u>\$ 202</u>	<u>\$42,920</u>	<u>\$36,494</u>

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University of Nebraska at Omaha Student Housing and Parking

	Series 2003		Series 2007		Series 2010A		Series 2010B	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 350	\$ 642	\$ 555	\$ 1,387	\$ 670	\$ 607	\$ -	\$ 723
2012	365	630	580	1,364	675	600	370	745
2013	375	616	605	1,338	685	591	375	737
2014	390	602	630	1,312	695	581	380	736
2015	400	586	660	1,286	705	569	385	730
2016-2020	2,270	2,667	3,770	5,943	3,820	2,571	2,095	3,479
2021-2025	2,910	2,056	4,695	5,016	4,525	1,888	2,485	3,095
2026-2030	3,715	1,252	5,980	3,737	5,455	812	3,025	2,555
2031-2035	2,705	275	6,100	2,068	-	-	3,780	1,791
2036-2040	-	-	5,140	759	-	-	4,820	747
	<u>\$13,480</u>	<u>\$ 9,326</u>	<u>\$28,715</u>	<u>\$24,210</u>	<u>\$17,230</u>	<u>\$ 8,219</u>	<u>\$17,715</u>	<u>\$15,338</u>

University of Nebraska Medical Center Student Housing	Series 2003	
	Principal	Interest
2011	\$ 125	\$ 218
2012	130	214
2013	135	208
2014	140	204
2015	145	199
2016-2020	815	905
2021-2025	1,010	710
2026-2030	1,290	438
2031-2035	945	96
	<u>\$ 4,735</u>	<u>\$ 3,192</u>

University of Nebraska at Kearney Student Fees and Facilities

	Series 2003		Series 2005		Series 2006	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 300	\$ 9	\$ 335	\$ 175	\$ 490	\$ 1,042
2012	-	-	345	164	510	1,025
2013	-	-	360	152	530	1,006
2014	-	-	370	140	550	986
2015	-	-	385	126	570	961
2016-2020	-	-	2,775	394	3,280	4,387
2021-2025	-	-	-	-	4,115	3,555
2026-2030	-	-	-	-	5,500	2,428
2031-2035	-	-	-	-	6,305	976
	<u>\$ 300</u>	<u>\$ 9</u>	<u>\$ 4,570</u>	<u>\$ 1,151</u>	<u>\$ 21,850</u>	<u>\$ 16,366</u>

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Combined Maturities, all Members of the Obligated Group

	Principal	Interest	Total
2011	\$ 9,905	\$ 17,353	\$ 27,258
2012	12,140	17,004	29,144
2013	13,145	16,571	29,716
2014	13,595	16,084	29,679
2015	13,775	15,599	29,374
2016-2020	76,135	69,308	145,443
2021-2025	73,455	52,667	126,122
2026-2030	72,420	35,461	107,881
2031-2035	55,150	18,842	73,992
2036-2040	43,770	5,332	49,102
	<u>\$ 383,490</u>	<u>\$ 264,221</u>	<u>\$ 647,711</u>

The Master Trust Indenture – The Board of Regents has entered into a Master Trust Indenture dated as of June 1, 1995 (as amended and supplemented from time to time, hereinafter the Indenture) with a fiduciary with respect to the facilities (including student housing, student unions, student health facilities, and parking facilities) from which the Board of Regents derives revenues, fees, and earnings. The Master Trust Indenture was created for the purpose of achieving lower borrowing costs through sharing accumulated excess revenues and earnings derived from such facilities. As of June 30, 2010, the members of the Obligated Group are (a) the student housing, student unions, and student health facilities on the University of Nebraska-Lincoln campus (UNL Student Fees and Facilities); (b) the parking facilities on the University of Nebraska-Lincoln campus (UNL Parking); (c) the student center and HPER facility at the University of Nebraska at Omaha (UNO Student Center and HPER); (d) certain student housing and Parking facilities at the University of Nebraska at Omaha (UNO Student Housing and Parking); (e) certain student housing facilities at the University of Nebraska Medical Center (UNMC Student Housing); and (f) the student housing facilities on the University of Nebraska at Kearney campus (UNK Student Fees and Facilities). The accumulated surplus revenues, fees and other payments of the members have been jointly pledged to the payment of the revenue bonds issued with respect to such facilities. Other facilities will be added to the Obligated Group and the revenues, fees, and other payments derived from such facilities will be pledged under the Indenture in the future as circumstances permit.

Bond Financing and Refinancing – On September 9, 2009, the Board of Regents issued \$10,680 of Series 2009B Bonds (\$6,140 of revenue and \$4,540 of taxable revenue [Build America Bonds]) (University of Nebraska-Lincoln Student Fees and Facilities). The proceeds will be used to pay the costs of renovations, remodeling, and repairs to the food preparation and dining facilities in the Abel-Sandoz Residence Hall Complex at the University of Nebraska-Lincoln, at a cost of approximately \$10 million.

On November 4, 2009, the Board of Regents issued \$11,560 of Series 2009A Bonds (\$6,405 of revenue and \$5,155 of taxable revenue [Build America Bonds]) (University of Nebraska-Lincoln Parking Project). The proceeds will be used to pay the costs of constructing approximately 1,100 spaces of

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

NOTES TO COMBINED FINANCIAL STATEMENTS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE YEARS ENDED JUNE 30, 2010 and 2009 (in thousands)

parking consisting of a multi-level parking garage, together with incidental surface parking, located on the northwest corner of 19th and Vine Streets on the UNL city campus.

On February 24, 2010, the Board of Regents issued \$17,230 of University of Nebraska at Omaha Student Housing Project Revenue Bonds, Series 2010. The proceeds were used to purchase a privately owned student residence facility, University Village, constructed in 1999. The facility consists of 12 three-story buildings each containing 12 four-bedroom apartments and a commons building for student amenities and support services. The cost of the facility was \$16,180.

On May 26, 2010, the Board of Regents (Board) issued \$17,715, of University of Nebraska at Omaha Student Housing Project Revenue Bonds, Series 2010B. The proceeds will be used to acquire and construct an approximately 480-bed new student residence facility consisting of four three-story buildings with 30 suite style units in each building. The project is being constructed pursuant to a ground lease/purchase agreement between the Board and the Suzanne and Walter Scott Foundation (Scott Foundation.) The total cost of the project is approximately \$23.5 million. The Scott Foundation will transfer its interest in the Project to the Board on August 11, 2011.

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

The bonds are not obligations of the State of Nebraska and no tax shall ever be levied to raise the funds for the principal payment thereof or the interest or premium thereon, and the bonds do not constitute debt of the Board of Regents of the University of Nebraska, but shall be payable solely out of monies derived from the fees and revenues of the specified residence halls, dining facilities, certain married students' apartments, facilities constructed under these resolutions and the specified portion of certain Student Union and Health Center fees.

The bond resolutions specify the funds that need to be established and the required transfers between funds. The bond resolutions also require that specified amounts be deposited with the Trustee for certain funds. At June 30, 2010 and 2009, the Obligated Group is in compliance with those requirements.

Operating Expenses – The bond resolutions also 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. During the years ended June 30, 2010 and 2009, \$306 and \$79, respectively, of University of Nebraska funds were expended for the operation and maintenance of the student housing facilities of UNMC.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

NOTES TO COMBINED FINANCIAL STATEMENTS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE YEARS ENDED JUNE 30, 2010 and 2009 (in thousands)

F. COMMITMENTS AND CONTINGENCIES

The Obligated Group has contracted for the construction of several facilities, which are estimated to cost approximately \$28,228 at June 30, 2010. The projects are as follows:

UNL Abel – Sandoz Dining Renovation	\$ 327
UNL 17th Street Utility Project	647
UNO HPER Project	1,571
UNL 19th & Vine Streets Parking Garage	3,145
UNK Residence Halls repair	3,825
UNO Scott Court Residence Hall	15,037
Total Project	<u>\$ 28,228</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 ASSETS

RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE

JUNE 30, 2010 (in thousands)

ASSETS	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Housing	Combined
CURRENT ASSETS:							
Cash and cash equivalents	\$ 8,244	\$ 2,237	\$ 1,493	\$ 5,272	\$ 73	\$ 1,546	\$ 18,865
Cash and cash equivalents held by trustee - restricted	12,585	3,571	2,834	1,306	270	2,230	22,796
Investments held by trustee - restricted	-	-	-	-	-	-	-
Accounts receivable, net	2,416	748	676	73	71	96	4,080
Note receivable	100	-	-	-	-	-	100
Accrued interest receivable	8	3	51	27	3	74	166
Inventories	148	-	1,237	-	-	-	1,385
Prepaid expenses and deferred charges	160	117	20	36	-	-	333
Total current assets	<u>23,661</u>	<u>6,676</u>	<u>6,311</u>	<u>6,714</u>	<u>417</u>	<u>3,946</u>	<u>47,725</u>
NON-CURRENT ASSETS:							
Cash and cash equivalents held by trustee - restricted	46,848	18,087	4,755	19,102	68	1,207	90,067
Investments held by trustee - restricted	-	-	4,504	4,798	395	10,685	20,382
Note receivable, net of current portion	1,100	-	-	-	-	-	1,100
Bond financial expense, net of accumulated amortization	1,992	800	1,120	841	73	490	5,316
Capital assets, net of accumulated depreciation	189,108	47,928	41,618	54,206	4,754	40,237	377,851
Total non-current assets	<u>239,048</u>	<u>66,815</u>	<u>51,997</u>	<u>78,947</u>	<u>5,290</u>	<u>52,619</u>	<u>494,716</u>
Total assets	<u>262,709</u>	<u>73,491</u>	<u>58,308</u>	<u>85,661</u>	<u>5,707</u>	<u>56,565</u>	<u>542,441</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	13,976	5,861	3,513	1,454	3	1,172	25,979
Accrued interest payable	4,418	127	260	417	9	-	5,231
Accrued salaries and wages	821	80	100	14	4	140	1,159
Accrued compensated absences	789	59	161	11	7	151	1,178
Bond obligations payable	3,735	1,945	1,400	1,575	125	1,125	9,905
Deferred revenues and other credits	2,631	650	19	1,514	26	45	4,885
Total current liabilities	<u>26,370</u>	<u>8,722</u>	<u>5,453</u>	<u>4,985</u>	<u>174</u>	<u>2,633</u>	<u>48,337</u>
NON-CURRENT LIABILITIES:							
Accrued compensated absences	381	60	64	-	7	76	588
Bond obligations payable, net of current portion	188,540	35,445	43,830	75,565	4,610	25,595	373,585
Deferred revenues and credits	1,090	353	-	1,422	13	1,245	4,123
Total non-current liabilities	<u>190,011</u>	<u>35,858</u>	<u>43,894</u>	<u>76,987</u>	<u>4,630</u>	<u>26,916</u>	<u>378,296</u>
Total liabilities	<u>216,381</u>	<u>44,580</u>	<u>49,347</u>	<u>81,972</u>	<u>4,804</u>	<u>29,549</u>	<u>426,633</u>
NET ASSETS:							
Invested in capital assets, net of related debt	(1,774)	11,040	(242)	(8,372)	80	13,240	13,972
Restricted:							
Expendable:							
Plant construction	7,747	781	1,719	2,727	485	28	13,487
Debt service	35,494	15,105	4,334	6,421	338	12,953	74,645
Unrestricted	4,861	1,985	3,150	2,913	-	795	13,704
Total net assets	<u>\$ 46,328</u>	<u>\$ 28,911</u>	<u>\$ 8,961</u>	<u>\$ 3,689</u>	<u>\$ 903</u>	<u>\$ 27,016</u>	<u>\$ 115,808</u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

COMBINING STATEMENT OF NET ASSETS

RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE

JUNE 30, 2009 (in thousands)

ASSETS	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/ Parking	UNMC Student Housing	UNK Student Housing	Combined
CURRENT ASSETS:							
Cash and cash equivalents	\$ 6,292	\$ 2,742	\$ 1,706	\$ 4,417	\$ 347	\$ 738	\$ 16,242
Cash and cash equivalents held by trustee - restricted	11,978	3,009	1,946	2,935	-	2,490	22,358
Investments held by trustee - restricted	-	-	689	-	-	-	689
Accounts receivable, net	3,217	413	529	140	19	420	4,738
Note receivable	100	-	-	-	-	-	100
Accrued interest receivable	21	3	185	-	3	102	314
Inventories	123	-	1,333	-	-	-	1,456
Prepaid expenses and deferred charges	24	23	-	32	-	-	79
Total current assets	<u>21,755</u>	<u>6,190</u>	<u>6,388</u>	<u>7,524</u>	<u>369</u>	<u>3,750</u>	<u>45,976</u>
NON-CURRENT ASSETS:							
Cash and cash equivalents held by trustee - restricted	70,314	10,448	14,686	2,710	62	901	99,121
Investments held by trustee - restricted	-	-	14,983	-	397	13,427	28,807
Note receivable, net of current portion	1,200	-	-	-	-	-	1,200
Bond financial expense, net of accumulated amortization	2,099	841	1,179	432	76	539	5,166
Capital assets, net of accumulated depreciation	<u>153,309</u>	<u>38,229</u>	<u>20,750</u>	<u>38,563</u>	<u>4,858</u>	<u>37,591</u>	<u>293,300</u>
Total non-current assets	<u>226,922</u>	<u>49,518</u>	<u>51,598</u>	<u>41,705</u>	<u>5,393</u>	<u>52,458</u>	<u>427,594</u>
Total assets	<u>248,677</u>	<u>55,708</u>	<u>57,986</u>	<u>49,229</u>	<u>5,762</u>	<u>56,208</u>	<u>473,570</u>
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES:							
Accounts payable	12,654	245	3,761	383	1	1,381	18,425
Accrued interest payable	4,248	94	262	258	9	-	4,871
Accrued salaries and wages	883	76	98	11	3	133	1,204
Accrued compensated absences	754	64	158	7	8	137	1,128
Bond obligations payable	3,590	1,880	540	875	125	1,225	8,235
Deferred revenues and other credits	<u>2,454</u>	<u>532</u>	<u>17</u>	<u>821</u>	<u>25</u>	<u>54</u>	<u>3,903</u>
Total current liabilities	<u>24,583</u>	<u>2,891</u>	<u>4,836</u>	<u>2,355</u>	<u>171</u>	<u>2,930</u>	<u>37,766</u>
NON-CURRENT LIABILITIES:							
Accrued compensated absences	339	55	69	-	7	79	549
Bond obligations payable, net of current portion	181,595	25,830	45,230	42,195	4,735	26,720	326,305
Deferred revenues and credits	<u>1,280</u>	<u>327</u>	<u>-</u>	<u>564</u>	<u>13</u>	<u>1,256</u>	<u>3,440</u>
Total non-current liabilities	<u>183,214</u>	<u>26,212</u>	<u>45,299</u>	<u>42,759</u>	<u>4,755</u>	<u>28,055</u>	<u>330,294</u>
Total liabilities	<u>207,797</u>	<u>29,103</u>	<u>50,135</u>	<u>45,114</u>	<u>4,926</u>	<u>30,985</u>	<u>368,060</u>
NET ASSETS:							
Invested in capital assets, net of related debt	(3,042)	11,033	(1,120)	(4,639)	62	9,324	11,618
Restricted:							
Expendable:							
Plant construction	2,926	630	1,766	2,048	436	37	7,843
Debt service	37,087	12,720	4,585	3,885	338	15,443	74,058
Unrestricted	<u>3,909</u>	<u>2,222</u>	<u>2,620</u>	<u>2,821</u>	<u>-</u>	<u>419</u>	<u>11,991</u>
Total net assets	<u>\$ 40,880</u>	<u>\$ 26,605</u>	<u>\$ 7,851</u>	<u>\$ 4,115</u>	<u>\$ 836</u>	<u>\$ 25,223</u>	<u>\$ 105,510</u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/Parking	UNMC Housing	UNK Student Fees	Combined
REVENUES:							
Operating revenues:							
Room and board	\$ 46,464	\$ -	\$ -	\$ 5,030	\$ 532	\$ 11,178	63,204
Bookstore and bookstore commissions	-	-	7,699	-	-	270	7,969
Parking facilities revenues	-	8,275	-	1,933	-	353	10,561
Student fees	2,112	405	3,651	1,514	-	1,374	9,056
Food service	500	-	1,981	-	-	-	2,481
Other operating revenues	150	-	111	11	-	454	726
Total operating revenues	<u>49,226</u>	<u>8,680</u>	<u>13,442</u>	<u>8,488</u>	<u>532</u>	<u>13,629</u>	<u>93,997</u>
EXPENSES:							
Operating expenses:							
Salaries and wages	12,693	1,129	2,106	371	68	2,307	18,674
Benefits	3,603	278	616	90	15	718	5,320
Total compensation and benefits	16,296	1,407	2,722	461	83	3,025	23,994
Goods purchased for resale	-	-	6,187	-	-	-	6,187
Supplies and materials	6,336	772	1,937	1,479	20	1,196	11,740
Food and food service contracts	5,457	-	-	-	-	3,559	9,016
Contractual services	1,080	771	159	1,884	14	143	4,051
Repairs and maintenance	2,180	912	638	1,662	50	329	5,771
Utilities	3,734	183	119	372	34	987	5,429
Communications	1,211	31	20	149	1	334	1,746
Depreciation	4,376	1,414	330	1,050	104	1,410	8,684
Total operating expenses	<u>40,670</u>	<u>5,490</u>	<u>12,112</u>	<u>7,057</u>	<u>306</u>	<u>10,983</u>	<u>76,618</u>
OPERATING INCOME	<u>8,556</u>	<u>3,190</u>	<u>1,330</u>	<u>1,431</u>	<u>226</u>	<u>2,646</u>	<u>17,379</u>
NON-OPERATING REVENUES (EXPENSES):							
Investment income, net of investment management fees	186	54	300	186	10	423	1,159
Increase (decrease) in fair value of investments	-	-	(91)	36	(3)	(168)	(226)
Interest on bond obligations	(8,703)	(1,487)	(2,093)	(2,325)	(222)	(1,257)	(16,087)
Capitalized interest on bond obligations	3,826	291	1,723	87	-	2	5,929
Amortization of bond financial expense	(33)	(63)	(59)	(21)	(3)	(39)	(218)
Gain (loss) on disposal of assets	(21)	(108)	-	-	-	(5)	(134)
Net transfer of assets from other University sources	1,637	429	-	180	59	-	2,305
Non-operating expenses, net	<u>(3,108)</u>	<u>(884)</u>	<u>(220)</u>	<u>(1,857)</u>	<u>(159)</u>	<u>(1,044)</u>	<u>(7,272)</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	5,448	2,306	1,110	(426)	67	1,602	10,107
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:							
Capital grants and contracts	-	-	-	-	-	191	191
INCREASE (DECREASE) IN NET ASSETS	5,448	2,306	1,110	(426)	67	1,793	10,298
NET ASSETS:							
Beginning of year	40,880	26,605	7,851	4,115	836	25,223	105,510
End of year	<u>\$ 46,328</u>	<u>\$ 28,911</u>	<u>\$ 8,961</u>	<u>\$ 3,689</u>	<u>\$ 903</u>	<u>\$ 27,016</u>	<u>\$ 115,808</u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS RELATING TO THE MEMBERS OF THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/Parking	UNMC Housing	UNK Student Fees	Combined
REVENUES:							
Operating revenues:							
Room and board	\$ 45,607	\$ -	\$ -	\$ 4,356	\$ 502	\$ 11,144	\$ 61,609
Bookstore and bookstore commissions	-	-	7,854	-	-	268	8,122
Parking facilities revenues	-	8,230	-	1,786	-	332	10,348
Student fees	1,512	416	2,107	1,495	-	1,412	6,942
Food service	558	-	2,092	-	-	-	2,650
Other operating revenues	150	-	71	15	-	501	737
Total operating revenues	<u>47,827</u>	<u>8,646</u>	<u>12,124</u>	<u>7,652</u>	<u>502</u>	<u>13,657</u>	<u>90,408</u>
EXPENSES:							
Operating expenses:							
Salaries and wages	12,748	1,151	2,289	268	77	2,211	18,744
Benefits	3,397	282	610	58	20	696	5,063
Total compensation and benefits	<u>16,145</u>	<u>1,433</u>	<u>2,899</u>	<u>326</u>	<u>97</u>	<u>2,907</u>	<u>23,807</u>
Goods purchased for resale	-	-	6,436	-	-	-	6,436
Supplies and materials	6,092	882	827	1,078	25	2,286	11,190
Food and food service contracts	5,283	-	-	-	-	3,469	8,752
Contractual services	999	702	205	1,801	12	107	3,826
Repairs and maintenance	2,993	873	667	749	30	244	5,556
Utilities	3,770	186	110	279	30	1,064	5,439
Communications	1,214	33	22	92	1	489	1,851
Depreciation	<u>3,759</u>	<u>1,272</u>	<u>324</u>	<u>853</u>	<u>104</u>	<u>1,317</u>	<u>7,629</u>
Total operating expenses	<u>40,255</u>	<u>5,381</u>	<u>11,490</u>	<u>5,178</u>	<u>299</u>	<u>11,883</u>	<u>74,486</u>
OPERATING INCOME	<u>7,572</u>	<u>3,265</u>	<u>634</u>	<u>2,474</u>	<u>203</u>	<u>1,774</u>	<u>15,922</u>
NON-OPERATING REVENUES (EXPENSES):							
Investment income, net of investment management fees	288	54	849	340	10	533	2,074
Increase (decrease) in fair value of investments	-	-	470	(36)	2	228	664
Interest on bond obligations	(7,323)	(1,185)	(2,057)	(2,064)	(225)	(1,290)	(14,144)
Capitalized interest on bond obligations	2,443	-	980	207	-	110	3,740
Amortization of bond financial expense	(7)	(53)	(59)	(16)	(2)	(38)	(175)
Net transfer of assets from other University sources	<u>(1,127)</u>	<u>2,360</u>	<u>-</u>	<u>-</u>	<u>79</u>	<u>-</u>	<u>1,312</u>
Non-operating revenues (expenses), net	<u>(5,726)</u>	<u>1,176</u>	<u>183</u>	<u>(1,569)</u>	<u>(136)</u>	<u>(457)</u>	<u>(6,529)</u>
INCOME BEFORE OTHER REVENUES, EXPENSES, GAINS, OR LOSSES	1,846	4,441	817	905	67	1,317	9,393
OTHER REVENUES, EXPENSES, GAINS, OR LOSSES:							
Capital grants and contracts	-	-	-	-	-	167	167
INCREASE (DECREASE) IN NET ASSETS	1,846	4,441	817	905	67	1,484	9,560
NET ASSETS:							
Beginning of year	39,034	22,164	7,034	3,210	769	23,739	95,950
End of year	<u>\$ 40,880</u>	<u>\$ 26,605</u>	<u>\$ 7,851</u>	<u>\$ 4,115</u>	<u>\$ 836</u>	<u>\$ 25,223</u>	<u>\$ 105,510</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 FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/Parking	UNMC Student Housing	UNK Student Fees	Combined
CASH FLOWS FROM OPERATING ACTIVITIES:							
Room and board	\$ 47,442	\$ -	\$ -	\$ 5,702	\$ 536	\$ 11,174	\$ 64,854
Bookstore and bookstore commissions	-	-	7,557	-	-	293	7,850
Parking facilities revenues	-	8,020	-	1,935	-	352	10,307
Student fees	2,111	405	3,651	1,514	-	1,378	9,059
Food service	500	-	1,979	-	-	-	2,479
Other operating receipts	150	-	110	11	-	729	1,000
Payments to vendors	(20,230)	(2,494)	(8,857)	(4,393)	(117)	(6,753)	(42,844)
Payments to employees	(16,282)	(1,403)	(2,722)	(454)	(83)	(3,015)	(23,959)
Net cash flows from operating activities	<u>13,691</u>	<u>4,528</u>	<u>1,718</u>	<u>4,315</u>	<u>336</u>	<u>4,158</u>	<u>28,746</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from issuance of bond obligations	10,542	11,509	-	35,834	-	-	57,885
Transfers to and from other University sources	1,637	429	-	180	4	-	2,250
Capital grants and contracts	-	-	-	-	-	124	124
Purchases of capital assets	(34,853)	(5,490)	(19,850)	(16,606)	-	(3,965)	(80,764)
Interest paid on bond obligations	(8,532)	(1,454)	(2,095)	(2,197)	(222)	(1,264)	(15,764)
Principal paid on bond obligations	(3,590)	(1,880)	(540)	(875)	(125)	(1,225)	(8,235)
Payment of bond financial expense	-	-	-	(430)	-	-	(430)
Net cash flows from capital and related financing activities	<u>(34,796)</u>	<u>3,114</u>	<u>(22,485)</u>	<u>15,906</u>	<u>(343)</u>	<u>(6,330)</u>	<u>(44,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments	-	-	13,739	296	-	7,736	21,771
Interest on investments	198	54	610	208	7	456	1,533
Purchases of investments	-	-	(2,838)	(5,107)	2	(5,166)	(13,109)
Net cash flows from investing activities	<u>198</u>	<u>54</u>	<u>11,511</u>	<u>(4,603)</u>	<u>9</u>	<u>3,026</u>	<u>10,195</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(20,907)	7,696	(9,256)	15,618	2	854	(5,993)
CASH AND CASH EQUIVALENTS - Beginning of year	<u>88,584</u>	<u>16,199</u>	<u>18,338</u>	<u>10,062</u>	<u>409</u>	<u>4,129</u>	<u>137,721</u>
CASH AND CASH EQUIVALENTS - End of year	<u>\$ 67,677</u>	<u>\$ 23,895</u>	<u>\$ 9,082</u>	<u>\$ 25,680</u>	<u>\$ 411</u>	<u>\$ 4,983</u>	<u>\$ 131,728</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:							
Operating income	\$ 8,556	\$ 3,190	\$ 1,330	\$ 1,431	\$ 226	\$ 2,646	\$ 17,379
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	4,376	1,414	330	1,050	104	1,410	8,684
Changes in assets and liabilities:							
Accounts receivable, net	801	(334)	(147)	67	3	317	707
Inventories	100	-	96	-	-	-	196
Prepaid expenses and deferred charges	(38)	-	(20)	(4)	-	-	(62)
Accounts payable	(195)	175	127	1,071	2	(224)	956
Accrued salaries and wages and compensated absences	14	4	-	7	-	18	43
Deferred revenues and other credits	77	79	2	693	1	(9)	843
Net cash flows from operating activities	<u>\$ 13,691</u>	<u>\$ 4,528</u>	<u>\$ 1,718</u>	<u>\$ 4,315</u>	<u>\$ 336</u>	<u>\$ 4,158</u>	<u>\$ 28,746</u>
NON-CASH TRANSACTIONS:							
Capital assets transferred in from other University sources	\$ 1,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,702
Capital grants and contracts	-	-	-	-	-	67	67
Increase (decrease) in fair value of investments	-	-	(91)	36	(3)	(168)	(226)

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

COMBINING STATEMENT OF CASH FLOWS RELATING TO THE MEMBERS OF

THE OBLIGATED GROUP UNDER THE MASTER TRUST INDENTURE FOR THE YEAR ENDED JUNE 30, 2009 (in thousands)

	UNL Student Fees	UNL Parking	UNO Student Facilities	UNO Housing/Parking	UNMC Student Housing	UNK Student Fees	Combined
CASH FLOWS FROM OPERATING ACTIVITIES:							
Room and board	\$ 45,679	\$ -	\$ -	\$ 4,564	\$ 493	\$ 11,234	\$ 61,970
Parking facilities revenues	-	8,188	-	1,771	-	342	10,301
Bookstore and bookstore commissions	-	-	7,736	-	-	220	7,956
Student fees	1,512	416	2,107	1,495	-	1,385	6,915
Food service	558	-	2,097	-	-	-	2,655
Other operating receipts	150	-	82	15	-	224	471
Payments to vendors	(20,998)	(2,692)	(7,829)	(4,668)	(97)	(7,490)	(43,774)
Payments to employees	(15,963)	(1,424)	(2,916)	(310)	(98)	(2,889)	(23,600)
Net cash flows from operating activities	10,938	4,488	1,277	2,867	298	3,026	22,894
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:							
Proceeds from issuance of bond obligations	52,301	-	-	-	-	-	52,301
Transfers to and from other University sources	(1,127)	2,360	-	-	79	-	1,312
Capital grants and contracts	-	-	-	-	-	25	25
Purchases of capital assets	(34,568)	(652)	(10,785)	(2,805)	-	(5,545)	(54,355)
Interest paid on bond obligations	(5,647)	(1,190)	(2,349)	(2,089)	(225)	(1,297)	(12,797)
Principal paid on bond obligations	(3,490)	(1,725)	(520)	(845)	(120)	(1,105)	(7,805)
Payment of bond financial expense	(534)	-	-	-	-	-	(534)
Net cash flows from capital and related financing activities	6,935	(1,207)	(13,654)	(5,739)	(266)	(7,922)	(21,853)
CASH FLOWS FROM INVESTING ACTIVITIES:							
Proceeds from sales and maturities of investments	-	-	22,718	2,417	20	1,039	26,194
Interest on investments	343	63	1,699	331	12	560	3,008
Purchases of investments	-	-	-	(164)	(242)	(3,482)	(3,888)
Net cash flows from investing activities	343	63	24,417	2,584	(210)	(1,883)	25,314
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	18,216	3,344	12,040	(288)	(178)	(6,779)	26,355
CASH AND CASH EQUIVALENTS - Beginning of year	70,368	12,855	6,298	10,350	587	10,908	111,366
CASH AND CASH EQUIVALENTS - End of year	\$ 88,584	\$ 16,199	\$ 18,338	\$ 10,062	\$ 409	\$ 4,129	\$ 137,721
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:							
Operating income	\$ 7,572	\$ 3,265	\$ 634	\$ 2,474	\$ 203	\$ 1,774	\$ 15,922
Adjustments to reconcile operating income to net cash flows from operating activities:							
Depreciation	3,759	1,272	324	853	104	1,317	7,629
Changes in assets and liabilities:							
Accounts receivable, net	48	(131)	(102)	(140)	(6)	(235)	(566)
Inventories	19	-	94	-	-	-	113
Prepaid expenses and deferred charges	2	-	-	2	-	-	4
Accounts payable	(667)	(16)	344	(585)	-	159	(765)
Accrued salaries and wages and compensated absences	182	9	(17)	16	(1)	18	207
Deferred revenues and other credits	23	89	-	247	(2)	(7)	350
Net cash flows from operating activities	\$ 10,938	\$ 4,488	\$ 1,277	\$ 2,867	\$ 298	\$ 3,026	\$ 22,894
NON-CASH TRANSACTIONS:							
Capital assets transferred in from other University sources	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital grants and contracts	-	-	-	-	-	142	142
Increase (decrease) in fair value of investments	-	-	470	(36)	2	228	664

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

COMBINED SCHEDULE OF NET REVENUES (AS DEFINED) AND DEBT SERVICE COVERAGE RELATING TO THE MEMBERS OF THE OBLIGATED GROUP

UNDER THE JUNE 1, 1995 MASTER TRUST INDENTURE

YEAR ENDED JUNE 30, 2010 (in thousands except ratio information)

REVENUES:

Operating revenues	\$ 84,009
Student fees	9,048
Other	<u>1,148</u>
Total revenues	<u>94,205</u>

EXPENSES:

Operating expense	60,481
Operating funds expended for plant	389
Administrative expenses	<u>64</u>
Total expenses	<u>60,934</u>

NET REVENUES \$ 33,271

Debt and Interest Due During the Year

	Debt	Interest	Total Debt Service
UNL Housing Series 2002	\$ 1,015	\$ 488	\$ 1,503
UNL Housing Series 2003A	430	1,240	1,670
UNL Housing Series 2003B	2,145	3,081	5,226
UNL Housing Series 2008A	-	1,263	1,263
UNL Housing Series 2009A	-	2,316	2,316
UNL Housing Series 2009-1&2	-	143	143
UNL Parking Series 2003	590	218	808
UNL Parking Series 2005	1,290	911	2,201
UNL Parking Series 2009A&B	-	326	326
UNO Housing Series 2003	340	653	993
UNO Housing Series 2010	-	136	136
UNO Student Center Series 2003	540	106	646
UNO Student Housing/Parking Series 2007	535	1,407	1,942
UNO HPER Series 2008	-	1,989	1,989
UNMC Housing Series 2003	125	222	347
UNK Housing Series 2003	465	21	486
UNK Housing Series 2005	325	186	511
UNK Housing Series 2006	<u>435</u>	<u>1,058</u>	<u>1,493</u>
Total	<u><u>\$ 8,235</u></u>	<u><u>\$ 15,764</u></u>	<u><u>\$ 23,999</u></u>
RATIO OF NET REVENUES TO TOTAL DEBT SERVICE			<u><u>1.39</u></u>
REQUIRED RATIO			<u><u>1.15</u></u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

**ADDITIONAL INFORMATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY FUND
RELATING TO STUDENT FEES AND FACILITIES BONDS UNDER THE DECEMBER 1, 1964 RESOLUTION AND
SUPPLEMENTAL RESOLUTIONS (UNIVERSITY OF NEBRASKA - LINCOLN)
YEAR ENDED JUNE 30, 2010 (in thousands)**

	Housing Operating Fund	Unexpended Construction Funds	Renewal and Replacement Fund	Retirement of Indebtedness Funds	Investment in Plant Fund	Total Plant Before GASB Reclasses	GASB Reclasses	Total Plant Funds	Total All Funds
REVENUES:									
Operating revenues:									
Room and board	\$ 46,464	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$46,464
Student fees	2,112	-	-	-	-	-	-	-	2,112
Food service	500	-	-	-	-	-	-	-	500
Other operating revenues	150	-	-	-	-	-	-	-	150
Total operating revenues	<u>49,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,226</u>
EXPENSES:									
Operating expenses:									
Salaries and wages	12,693	-	-	-	-	-	-	-	12,693
Benefits	3,603	-	-	-	-	-	-	-	3,603
Total compensation and benefits	16,296	-	-	-	-	-	-	-	16,296
Supplies and materials	4,713	-	-	-	-	-	1,623	1,623	6,336
Food	5,457	-	-	-	-	-	-	-	5,457
Contractual services	946	-	-	-	-	-	134	134	1,080
Repairs and maintenance	729	-	-	-	-	-	1,451	1,451	2,180
Utilities	3,734	-	-	-	-	-	-	-	3,734
Communications	1,125	-	-	-	-	-	86	86	1,211
Expended for plant	128	37,623	1,874	-	4,376	39,497	(39,625)	(128)	-
Depreciation	-	-	-	-	-	4,376	-	4,376	4,376
Total operating expenses	<u>33,128</u>	<u>37,623</u>	<u>1,874</u>	<u>-</u>	<u>4,376</u>	<u>43,873</u>	<u>(36,331)</u>	<u>7,542</u>	<u>40,670</u>
TRANSFERS:									
Mandatory debt service transfers	(15,191)	-	-	15,191	-	15,191	-	15,191	-
Other transfers	-	41,187	1,694	(15,337)	(27,544)	-	-	-	-
Total transfers	<u>(15,191)</u>	<u>41,187</u>	<u>1,694</u>	<u>(146)</u>	<u>(27,544)</u>	<u>15,191</u>	<u>-</u>	<u>15,191</u>	<u>-</u>
Operating income	<u>907</u>	<u>3,564</u>	<u>(180)</u>	<u>(146)</u>	<u>(31,920)</u>	<u>(28,682)</u>	<u>36,331</u>	<u>7,649</u>	<u>8,556</u>
NON-OPERATING REVENUES (EXPENSES):									
Investment income, net of investment management fees	-	79	9	98	-	186	-	186	186
Interest on bond obligation	-	-	-	(8,703)	-	(8,703)	-	(8,703)	(8,703)
Capitalized interest on bond obligations	-	-	-	-	-	-	3,826	3,826	3,826
Amortization of bond financial expense and premium	-	(148)	-	-	115	(33)	-	(33)	(33)
Issuance of bond obligations	-	-	-	-	(10,680)	(10,680)	10,680	-	-
Bond proceeds	-	-	-	10,680	-	10,680	(10,680)	-	-
Prem/disc on bonds	-	-	-	11	(11)	-	-	-	-
Retirement of indebtedness	-	-	-	-	3,590	3,590	(3,590)	-	-
Payment of bonds payable	-	-	-	(3,590)	-	(3,590)	3,590	-	-
Expended for plant	-	-	-	-	40,157	40,157	(40,157)	-	-
Disposal of plant assets	-	-	-	-	(21)	(21)	-	(21)	(21)
Other non-operating activity	28	-	-	57	-	57	-	57	85
Transfer of cash to other funds	17	1,497	-	-	38	1,535	-	1,535	1,552
Net non-operating revenues (expenses)	<u>45</u>	<u>1,428</u>	<u>9</u>	<u>(1,447)</u>	<u>33,188</u>	<u>33,178</u>	<u>(36,331)</u>	<u>(3,153)</u>	<u>(3,108)</u>
INCREASE (DECREASE) IN NET ASSETS	952	4,992	(171)	(1,593)	1,268	4,496	-	4,496	5,448
NET ASSETS:									
Beginning of year	3,909	(714)	3,640	37,087	(3,042)	36,971	-	36,971	40,880
End of year	<u>\$ 4,861</u>	<u>\$ 4,278</u>	<u>\$ 3,469</u>	<u>\$ 35,494</u>	<u>\$ (1,774)</u>	<u>\$ 41,467</u>	<u>\$ -</u>	<u>\$ 41,467</u>	<u>\$46,328</u>
See accompanying independent auditors' report.									

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

SCHEDULE OF OPERATING FUND REVENUES, EXPENSES AND CHANGES IN NET ASSETS (EXCLUDING DEPRECIATION EXPENSE) BY FACILITY RELATING TO STUDENT FEES AND FACILITIES BONDS UNDER THE DECEMBER 1, 1964 RESOLUTION AND SUPPLEMENTAL RESOLUTIONS (UNIVERSITY OF NEBRASKA - LINCOLN) YEAR ENDED JUNE 30, 2010 (in thousands)

	Student Fees	Selleck Quadrangle	Neihardt, Cather and Pound Halls	Burr-Fedde Halls	Abel and Sandoz Halls	Harper, Schramm and Smith Halls	Special Halls (LV & HH)	Husker Village	Husker Courtyards	Kauffman Residential Center	Apartment Complexes	Combined
REVENUES:												
Room and board	\$ -	\$10,818	\$7,408	\$1,446	\$8,617	\$10,880	\$ 328	\$2,856	\$2,550	\$ 610	\$ 951	\$46,464
Student fees	2,112	-	-	-	-	-	-	-	-	-	-	2,112
Other operating	150	-	-	-	-	-	-	-	-	-	-	150
Food service	-	86	96	-	19	-	-	299	-	-	-	500
Total operating revenues	<u>2,262</u>	<u>10,904</u>	<u>7,504</u>	<u>1,446</u>	<u>8,636</u>	<u>10,880</u>	<u>328</u>	<u>3,155</u>	<u>2,550</u>	<u>610</u>	<u>951</u>	<u>49,226</u>
EXPENSES:												
Operating expenses:												
Salaries and wages	-	3,016	2,673	477	2,535	2,965	45	366	244	137	235	12,693
Benefits	-	818	796	225	751	851	-	60	57	44	1	3,603
Total compensation and benefits	-	3,834	3,469	702	3,286	3,816	45	426	301	181	236	16,296
Purchase for resale	-	-	-	-	-	-	-	-	-	-	-	-
Supplies and materials	-	920	688	166	937	1,007	53	458	190	37	257	4,713
Food	-	1,892	667	677	966	1,250	1	1	2	1	-	5,457
Contractual services	53	142	152	43	184	245	32	11	10	10	64	946
Repairs and maintenance	-	52	138	41	145	179	10	55	39	30	40	729
Utilities	-	348	810	136	737	827	45	347	217	180	87	3,734
Communications	-	108	198	38	237	222	20	121	118	29	34	1,125
Total operating expenses	<u>53</u>	<u>7,296</u>	<u>6,122</u>	<u>1,803</u>	<u>6,492</u>	<u>7,546</u>	<u>206</u>	<u>1,419</u>	<u>877</u>	<u>468</u>	<u>718</u>	<u>33,000</u>
Expended for plant facilities	-	36	16	3	10	42	1	4	13	-	3	128
Total expenditures	<u>53</u>	<u>7,332</u>	<u>6,138</u>	<u>1,806</u>	<u>6,502</u>	<u>7,588</u>	<u>207</u>	<u>1,423</u>	<u>890</u>	<u>468</u>	<u>721</u>	<u>33,128</u>
Excess of revenues over (under) expenditures available for debt services	<u>\$2,209</u>	<u>\$ 3,572</u>	<u>\$1,366</u>	<u>\$ (360)</u>	<u>\$2,134</u>	<u>\$ 3,292</u>	<u>\$ 121</u>	<u>\$1,732</u>	<u>\$1,660</u>	<u>\$ 142</u>	<u>\$ 230</u>	<u>16,098</u>
Mandatory transfer for debt service requirements												(15,191)
Other transfers/non-operating activity												45
Net increase in net assets												<u>\$ 952</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 - LINCOLN STUDENT FEES AND FACILITIES BONDS) JUNE 30, 2010 (in thousands)

Cash	\$ 8,244	
Add:		
Accounts receivable, net	2,416	
Inventory	<u>148</u>	
		\$ 10,808
Deduct net cash restricted:		
Accounts payable	1,461	
Accrued salaries and wages	821	
Deferred revenues and credits	<u>2,531</u>	
		<u>4,813</u>
Cash available to transfer to trustee		<u>\$ 5,995</u>
Cash to be transferred subsequent to June 30, 2010		
Surplus Fund - UPPF		\$ 143
Surplus Fund		<u>5,852</u>
		<u>\$ 5,995</u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY FUND

RELATING TO THE UNIVERSITY OF NEBRASKA REVENUE BONDS, SERIES 2003 REFUNDING REVENUE BONDS

AND SERIES 2000 AND REVENUE REFUNDING BONDS, SERIES 2003 (UNIVERSITY OF NEBRASKA - LINCOLN PARKING PROJECT)

YEAR ENDED JUNE 30, 2010 (in thousands)

	Parking Operating Fund	Unexpended Construction Funds	Renewal and Replacement Fund	Retirement of Indebtedness	Investment in Plant Fund	Total Plant Before GASB Reclasses	GASB Reclasses	Total Plant Funds	Total All Funds
REVENUES:									
Operating revenues:									
Parking facilities revenues	\$ 8,275	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,275
Student fees	405	-	-	-	-	-	-	-	405
Total operating revenues	<u>8,680</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,680</u>
EXPENSES:									
Operating expenses:									
Salaries and wages	1,129	-	-	-	-	-	-	-	1,129
Benefits	278	-	-	-	-	-	-	-	278
Total compensation and benefits	1,407	-	-	-	-	-	-	-	1,407
Supplies and materials	702	-	-	-	-	-	70	70	772
Contractual services	771	-	-	-	-	-	-	-	771
Repairs and maintenance	578	-	-	-	-	-	334	334	912
Utilities	183	-	-	-	-	-	-	-	183
Communications	31	-	-	-	-	-	-	-	31
Expended for plant	-	9,633	-	1,701	-	11,334	(11,334)	-	-
Depreciation	-	-	-	-	1,414	1,414	-	1,414	1,414
Total operating expenses	<u>3,672</u>	<u>9,633</u>	<u>-</u>	<u>1,701</u>	<u>1,414</u>	<u>12,748</u>	<u>(10,930)</u>	<u>1,818</u>	<u>5,490</u>
TRANSFERS:									
Mandatory debt service transfers	(5,307)	-	-	5,307	-	5,307	-	5,307	-
Transfer for change in unspent proceeds	-	-	-	-	-	-	-	-	-
Other transfers	-	9,927	-	(9,927)	-	-	-	-	-
Total transfers	<u>(5,307)</u>	<u>9,927</u>	<u>-</u>	<u>(4,620)</u>	<u>-</u>	<u>5,307</u>	<u>-</u>	<u>5,307</u>	<u>-</u>
Operating income	<u>(299)</u>	<u>294</u>	<u>-</u>	<u>(6,321)</u>	<u>(1,414)</u>	<u>(7,441)</u>	<u>10,930</u>	<u>3,489</u>	<u>3,190</u>
NON-OPERATING REVENUES (EXPENSES):									
Investment income, net of investment management fees	-	8	2	44	-	54	-	54	54
Interest on bond obligation	-	-	-	(1,487)	-	(1,487)	-	(1,487)	(1,487)
Capitalized interest on bonds	-	-	-	-	-	-	291	291	291
Amortization of bond financial expense/premium	-	(153)	-	102	(12)	(63)	-	(63)	(63)
Issuance of Bond Obligations	-	-	-	11,560	-	11,560	(11,560)	-	-
Bond Proceeds	-	-	-	-	(11,560)	(11,560)	11,560	-	-
Retirement of indebtedness	-	-	-	-	1,880	1,880	(1,880)	-	-
Payment of bonds payable	-	-	-	(1,880)	-	(1,880)	1,880	-	-
Loss on disposal of plant assets	-	-	-	-	(108)	(108)	-	(108)	(108)
Expended for plant	-	-	-	-	11,221	11,221	(11,221)	-	-
Transfers from other funds	62	-	-	367	-	367	-	367	429
Net non-operating revenues (expenses)	<u>62</u>	<u>(145)</u>	<u>2</u>	<u>8,706</u>	<u>1,421</u>	<u>9,984</u>	<u>(10,930)</u>	<u>(946)</u>	<u>(884)</u>
INCREASE IN NET ASSETS	(237)	149	2	2,385	7	2,543	-	2,543	2,306
NET ASSETS:									
Beginning of year	2,222	(149)	779	12,720	11,033	24,383	-	24,383	26,605
End of year	<u>\$ 1,985</u>	<u>\$ -</u>	<u>\$ 781</u>	<u>\$ 15,105</u>	<u>\$ 11,040</u>	<u>\$26,926</u>	<u>\$ -</u>	<u>\$26,926</u>	<u>\$28,911</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, 2010 (in thousands)

Cash	\$ 2,237	
Add:		
Accounts receivable, net	<u>748</u>	\$ 2,985
Deduct net cash restricted:		
Accounts payable	212	
Accrued salaries and wages	80	
Deferred revenues and credits	<u>612</u>	
		<u>904</u>
Cash available to transfer to trustee		<u>\$ 2,081</u>
Cash to be transferred subsequent to June 30, 2010:		
Surplus fund		<u>\$ 2,081</u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY FUND RELATING TO THE UNIVERSITY OF NEBRASKA REVENUE REFUNDING BONDS, SERIES 2003 AND 2008 (UNIVERSITY OF NEBRASKA AT OMAHA STUDENT FACILITIES PROJECTS)

YEAR ENDED JUNE 30, 2010 (in thousands)

	Student Center Operating Funds	HPER Operating Fund	Unexpended Construction Fund	Renewal and Replacement Fund	Retirement of Indebtedness	Investment in Plant Fund	GASB Reclasses	Total All Funds
REVENUES:								
Operating revenues:								
Bookstore	\$ 7,699	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,699
Student fees	1,453	2,198	-	-	-	-	-	3,651
Food service	1,981	-	-	-	-	-	-	1,981
Other operating revenues	33	78	-	-	-	-	-	111
Total operating revenues	11,166	2,276	-	-	-	-	-	13,442
EXPENSES:								
Operating expenses:								
Salaries and wages	2,106	-	-	-	-	-	-	2,106
Benefits	616	-	-	-	-	-	-	616
Total compensation and benefits	2,722	-	-	-	-	-	-	2,722
Goods purchased for resale	6,187	-	-	-	-	-	-	6,187
Supplies and materials	743	10	1,008	188	-	-	(12)	1,937
Contractual services	89	-	438	70	-	-	(438)	159
Repairs and maintenance	47	-	18,927	591	-	-	(18,927)	638
Utilities	119	-	-	-	-	-	-	119
Communications	20	-	98	-	-	-	(98)	20
Depreciation	-	-	-	-	-	330	-	330
Total operating expenses	9,927	10	20,471	849	-	330	(19,475)	12,112
TRANSFERS:								
Mandatory debt service transfers	(1,017)	(1,745)	-	-	2,762	-	-	-
Transfer for plant improvements	-	(284)	-	776	(492)	-	-	-
Reclassification of bond proceeds, capitalized expenses, bond discounts and premiums	-	-	20,471	-	-	(20,471)	-	-
Total transfers	(1,017)	(2,029)	20,471	776	2,270	(20,471)	-	-
OPERATING INCOME (LOSS)	222	237	-	(73)	2,270	(20,801)	19,475	1,330
NON-OPERATING REVENUES (EXPENSES):								
Investment income, net	53	18	137	1	91	-	-	300
Increase (decrease) in fair value of investments	-	-	(112)	-	21	-	-	(91)
Interest on bond obligation	-	-	-	-	(2,093)	-	-	(2,093)
Capitalized interest on bond obligations	-	-	-	-	-	-	1,723	1,723
Capitalized bond financial expense	-	-	-	-	-	-	-	-
Amortization of bond financial expense	-	-	-	-	-	(59)	-	(59)
Expended for plant	-	-	-	-	-	21,198	(21,198)	-
Retirement of indebtedness	-	-	-	-	-	540	(540)	-
Payment of bonds payable	-	-	-	-	(540)	-	540	-
Net non-operating revenues (expenses)	53	18	25	1	(2,521)	21,679	(19,475)	(220)
INCREASE (DECREASE) IN NET ASSETS	275	255	25	(72)	(251)	878	-	1,110
NET ASSETS:								
Beginning of year	2,620	-	632	1,134	4,585	(1,120)	-	7,851
End of year	\$ 2,895	\$ 255	\$ 657	\$ 1,062	\$ 4,334	\$ (242)	\$ -	\$ 8,961

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY FUND RELATING TO THE UNIVERSITY OF NEBRASKA REVENUE BONDS,
SERIES 2003 AND 2007 (UNIVERSITY OF NEBRASKA AT OMAHA STUDENT HOUSING AND PARKING PROJECTS)
YEAR ENDED JUNE 30, 2010 (in thousands)

	Student Housing Operating Fund	Student Housing Stabilization Reserve Fund	Parking Operation Fund	Unexpended Construction Fund	Renewal and Replacement Fund	Retirement of Indebtedness	Investment in Plant Fund	GASB Reclasses	Total All Funds
REVENUES:									
Operating revenues:									
Parking facilities revenues	\$ -	\$ -	\$ 1,933	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,933
Board and room	5,030	-	-	-	-	-	-	-	5,030
Student fees	93	-	1,421	-	-	-	-	-	1,514
Other operating revenues	11	-	-	-	-	-	-	-	11
Total operating revenues	<u>5,134</u>	<u>-</u>	<u>3,354</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,488</u>
EXPENSES:									
Operating expenses:									
Salaries and wages	255	-	116	-	-	-	-	-	371
Benefits	77	-	13	-	-	-	-	-	90
Total compensation and benefits	<u>332</u>	<u>-</u>	<u>129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>461</u>
Supplies and materials	398	-	686	395	-	-	-	-	1,479
Contractual services	765	-	1,035	1,320	-	-	-	(1,236)	1,884
Repairs and maintenance	277	-	417	16,540	228	-	-	(15,800)	1,662
Utilities	372	-	-	-	-	-	-	-	372
Communications	145	-	4	-	-	-	-	-	149
Depreciation	-	-	-	-	-	-	1,050	-	1,050
Total operating expenses	<u>2,289</u>	<u>-</u>	<u>2,271</u>	<u>18,255</u>	<u>228</u>	<u>-</u>	<u>1,050</u>	<u>(17,036)</u>	<u>7,057</u>
TRANSFERS:									
Mandatory debt service transfers	(2,465)	-	(1,225)	-	-	3,690	-	-	-
Plant improvements	(293)	-	-	1,134	593	(1,434)	-	-	-
Reclassification of bond proceeds, capitalized expenses, bond premiums, and discounts	-	-	-	(15,142)	-	-	15,142	-	-
Total transfers	<u>(2,758)</u>	<u>-</u>	<u>(1,225)</u>	<u>(14,008)</u>	<u>593</u>	<u>2,256</u>	<u>15,142</u>	<u>-</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>87</u>	<u>-</u>	<u>(142)</u>	<u>(32,263)</u>	<u>365</u>	<u>2,256</u>	<u>14,092</u>	<u>17,036</u>	<u>1,431</u>
NON-OPERATING REVENUES (EXPENSES):									
Investment income, net	29	22	96	-	5	34	-	-	186
Increase (decrease) in fair value of investments	-	-	-	-	2	34	-	-	36
Capitalized bond financial expense	-	-	-	-	-	-	430	(430)	-
Interest on bond obligation	-	-	-	-	-	(2,356)	31	-	(2,325)
Proceeds from the issuance of bond obligations	-	-	-	32,390	-	3,443	-	(35,833)	-
Issuance of bond obligations	-	-	-	-	-	-	(34,945)	34,945	-
Capitalized interest on bond obligations	-	-	-	-	-	-	-	87	87
Amortization of bond financial expense	-	-	-	-	-	-	(21)	-	(21)
Premium on bond obligations	-	-	-	-	-	-	(888)	888	-
Net transfer of assets from other University Sources	-	-	-	180	-	-	-	-	180
Expended for plant facilities	-	-	-	-	-	-	16,693	(16,693)	-
Retirement of indebtedness	-	-	-	-	-	-	875	(875)	-
Payment on bonds payable	-	-	-	-	-	(875)	-	875	-
Net non-operating revenues (expenses)	<u>29</u>	<u>22</u>	<u>96</u>	<u>32,570</u>	<u>7</u>	<u>280</u>	<u>(17,825)</u>	<u>(17,036)</u>	<u>(1,857)</u>
INCREASE IN NET ASSETS	<u>116</u>	<u>22</u>	<u>(46)</u>	<u>307</u>	<u>372</u>	<u>2,536</u>	<u>(3,733)</u>	<u>-</u>	<u>(426)</u>
NET ASSETS (DEFICIT):									
Beginning of year	393	652	1,776	155	1,893	3,885	(4,639)	-	4,115
End of year	<u>\$ 509</u>	<u>\$ 674</u>	<u>\$ 1,730</u>	<u>\$ 462</u>	<u>\$ 2,265</u>	<u>\$ 6,421</u>	<u>\$ (8,372)</u>	<u>\$ -</u>	<u>\$ 3,689</u>

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)

FOR THE YEAR ENDED JUNE 30, 2010 (in thousands)

REVENUES:

Room and board	52
Student fees	\$ 2,481
Other operating revenues	9
Total operating revenues	<u>2,542</u>

EXPENSES:

Contractual services	341
Utilities	186
Repairs and maintenance	176
Supplies and materials	73
Communications	74
Total operating expenses	<u>850</u>

TRANSFERS:

Mandatory debt service transfer	(1,110)
Transfer of prior year operating income to surplus fund	161
Plant improvements	(113)
Total transfers	<u>(1,062)</u>

OPERATING INCOME 630

DEVELOPMENT FEE TO SCOTT FOUNDATION 378

OPERATING INCOME BEFORE ADMINISTRATIVE FEE 252

ADMINISTRATIVE FEE 51

OPERATING INCOME TO BE TRANSFERRED TO SURPLUS FUND
SUBSEQUENT TO JUNE 30, 2010 \$ 201

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY FUND
RELATING TO STUDENT FEES AND FACILITIES BONDS UNDER THE JUNE 15, 1966 RESOLUTION AND
SUPPLEMENTAL RESOLUTIONS (UNIVERSITY OF NEBRASKA AT KEARNEY)
YEAR ENDED JUNE 30, 2010 (in thousands)**

	Facilities Operating Fund	Unexpended Construction Funds	Renewal and Replacement Fund	Retirement of Indebtedness Funds	Investment in Plant Fund	Total All Funds
REVENUES:						
Operating revenues:						
Room and board	\$ 11,178	\$ -	\$ -	\$ -	\$ -	\$ 11,178
Parking facilities revenues	353	-	-	-	-	353
Student fees	1,374	-	-	-	-	1,374
Bookstore commission	270	-	-	-	-	270
Other operating revenue	454	-	-	-	-	454
Total operating revenues	<u>13,629</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,629</u>
EXPENSES:						
Operating expenses:						
Salaries and wages	2,307	-	-	-	-	2,307
Benefits	718	-	-	-	-	718
Total compensation and benefits	<u>3,025</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,025</u>
Supplies and materials	1,185	(1)	5	7	-	1,196
Food service contracts	3,559	-	-	-	-	3,559
Contractual services	104	-	6	33	-	143
Repair and maintenance	259	-	21	49	-	329
Utilities	987	-	-	-	-	987
Communications	334	-	-	-	-	334
Depreciation	-	-	-	-	1,410	1,410
Total operating expense	<u>9,453</u>	<u>(1)</u>	<u>32</u>	<u>89</u>	<u>1,410</u>	<u>10,983</u>
TRANSFERS:						
Mandatory debt service transfers	-	-	-	-	-	-
Additions from facilities operating fund	(13,651)	-	-	13,651	-	-
Remitted for facilities operations and maintenance	6,500	-	-	(6,500)	-	-
Remitted for food service contract payments	3,559	-	-	(3,559)	-	-
Non-mandatory other	-	(11)	-	67	(56)	-
Total transfers	<u>(3,592)</u>	<u>(11)</u>	<u>-</u>	<u>3,659</u>	<u>(56)</u>	<u>-</u>
Operating income	<u>584</u>	<u>(10)</u>	<u>(32)</u>	<u>3,570</u>	<u>(1,466)</u>	<u>2,646</u>
NON-OPERATING REVENUES (EXPENSES):						
Investment income, net	(6)	-	-	429	-	423
Increase (decrease) in fair value of investments	-	-	-	(168)	-	(168)
Interest on bond obligations	-	-	-	(1,257)	-	(1,257)
Capitalized interest on bond obligations	-	-	-	2	-	2
Principal paid on bond obligations	-	-	-	(1,225)	1,225	-
Amortization of bond financial expense and premiums	-	-	-	-	(39)	(39)
Expended on capital assets	(202)	(1)	-	(3,841)	4,044	-
Capital grants and gifts	-	-	34	-	157	191
Loss on disposal of plant assets	-	-	-	-	(5)	(5)
Net non-operating revenues (expenses)	<u>(208)</u>	<u>(1)</u>	<u>34</u>	<u>(6,060)</u>	<u>5,382</u>	<u>(853)</u>
INCREASE (DECREASES) IN NET ASSETS	376	(11)	2	(2,490)	3,916	1,793
NET ASSETS:						
Beginning of year	419	11	26	15,443	9,324	25,223
End of year	<u>\$ 795</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 12,953</u>	<u>\$ 13,240</u>	<u>\$ 27,016</u>

See accompanying independent auditors' report.

THE BOARD OF REGENTS OF THE UNIVERSITY OF NEBRASKA

ADDITIONAL INFORMATION

SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS BY FUND RELATING TO THE UNIVERSITY OF NEBRASKA REVENUE REFUNDING SERIES 2003 (UNIVERSITY OF NEBRASKA MEDICAL CENTER STUDENT HOUSING PROJECT)

YEAR ENDED JUNE 30, 2010 (in thousands)

	Student Housing Operating Fund	Renewal and Replacement Fund	Retirement of Indebtedness Funds	Investment in Plant Fund	GASB Reclasses	Total All Funds
REVENUES:						
Operating revenues:						
Room and board	\$ 532	\$ -	\$ -	\$ -	\$ -	\$ 532
Expended for plant	-	-	-	-	-	-
Total operating revenues	<u>532</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>532</u>
EXPENSES:						
Operating expenses:						
Salaries and wages	68	-	-	-	-	68
Benefits	15	-	-	-	-	15
Total compensation and benefits	83	-	-	-	-	83
Supplies and materials	20	-	-	-	-	20
Contractual services	14	-	-	-	-	14
Repairs and maintenance	50	-	-	-	-	50
Utilities	34	-	-	-	-	34
Communications	1	-	-	-	-	1
Depreciation	-	-	-	104	-	104
Total operating expenses	<u>202</u>	<u>-</u>	<u>-</u>	<u>104</u>	<u>-</u>	<u>306</u>
TRANSFERS:						
Mandatory debt service transfers	(347)	-	347	-	-	-
Other transfers	17	43	(1)	-	-	59
Total transfers	<u>(330)</u>	<u>43</u>	<u>346</u>	<u>-</u>	<u>-</u>	<u>59</u>
OPERATING INCOME (LOSS)	<u>-</u>	<u>43</u>	<u>346</u>	<u>(104)</u>	<u>-</u>	<u>285</u>
NON-OPERATING REVENUES (EXPENSES):						
Investment income, net of investment management fees	-	5	5	-	-	10
Increase in fair value of investments	-	-	(3)	-	-	(3)
Interest on bond obligation	-	-	(222)	-	-	(222)
Amortization of bond financial expense	-	-	-	(3)	-	(3)
Retirement of indebtedness	-	-	(125)	-	125	-
Payment of bonds payable	-	-	-	125	(125)	-
Amortization of bond premium	-	-	-	-	-	-
Net non-operating revenues (expenses)	<u>-</u>	<u>5</u>	<u>(345)</u>	<u>122</u>	<u>-</u>	<u>(218)</u>
INCREASE (DECREASE) IN NET ASSETS	<u>-</u>	<u>48</u>	<u>1</u>	<u>18</u>	<u>-</u>	<u>67</u>
NET ASSETS (DEFICIT):						
Beginning of year	<u>-</u>	<u>436</u>	<u>338</u>	<u>62</u>	<u>-</u>	<u>836</u>
End of year	<u>\$ -</u>	<u>\$ 484</u>	<u>\$ 339</u>	<u>\$ 80</u>	<u>\$ -</u>	<u>\$ 903</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, 2010 (in thousands, except for Note A) (Unaudited)

Facility	Amount of Insurance Coverage (Note A)		
	Fire and Extended Coverage		Business Interruption 100% Contribution
	Buildings (Note B)	Contents	
University of Nebraska-Lincoln:			
Student Fees and Facilities:			
Selleck Quadrangle	\$ 33,250	\$ 2,660	\$ 2,351
Neihardt, Cather and Pound Halls	66,300	5,304	2,759
Burr-Fedde Halls	12,090	967	830
Park Apartments	3,492	277	334
Abel and Sandoz Halls	94,899	7,101	3,580
Harper, Schramm and Smith Halls	110,008	6,012	3,600
Health Center	9,320	746	3,973
Nebraska Union - City Campus	62,166	4,558	5,325
Nebraska Union - East Campus	13,850	1,108	832
Husker Hall	2,364	250	110
Love Memorial Co-op	2,149	712	82
The Courtyards	35,905	1,798	1,077
The Village	41,355	2,166	1,297
Recreation Facility	9,879	790	620
Parking:			
Stadium Drive Parking Garage	10,631	851	500
14th and Avery Parking Garage	15,373	1,230	610
17th and "R" Parking Garage	26,578	2,126	515
University of Nebraska at Omaha:			
Student Facilities:			
Student Center	21,954	1,658	11,166
Health Physical Education and Recreation	20,431	1,278	2,276
Student Housing and Parking:			
Scott Village	12,202	976	2,542
Maverick Village	14,655	1,172	1,925
University Village	17,500	380	2,931
Parking Structure – University Drive South	10,541	50	169
University of Nebraska Medical Center Housing	5,202	903	502
University of Nebraska at Kearney:			
University Heights Apartments	5,273	422	285
Antelope Hall	11,113	889	720
Centennial Towers East	13,693	1,095	925
Centennial Towers West	13,693	1,095	930
Conrad Hall	3,106	248	160
Mantor Hall	10,002	800	780
Martin Hall	4,653	372	260
Men's Hall	6,055	484	320
Nester Hall	12,684	1,015	650
Randall Hall	4,883	391	375
Stout Hall	2,646	212	215
Nebraskan Student Union	20,917	2,510	5,450
University Residence North	5,136	411	890
University Residence South	5,136	411	900

See following page for Note explanations.

Note A – Insurance policies:

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

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

All real property, personal property, and liabilities (excluding land, crop, and animals) for all campuses - \$6,485,426.

The property coverage contains a \$200 self-insurance deductible. The General liability is fully self-insured. The University has established a self-insurance trust for these amounts.

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

See accompanying independent auditors' report.