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FACILITIES CORPORATION
Board of Directors
Annual Meeting Notice

Notice is hereby given that the annual meeting of the Board of Directors of the Nebraska State Colleges Facilities Corporation will convene at Wayne State College, Wayne, Nebraska on November 12, 2010 immediately before the Board of Trustees meeting at 8:30 a.m. This notice and accompanying agenda are being distributed to members of the Board of Directors, the presidents of the state colleges, the Associated Press and selected Nebraska newspapers.

**Board of Directors
Nebraska State College System Facilities Corporation**

Membership List

Mr. Larry Teahon
Chadron, NE

Mr. Cap Peterson
Wayne, NE

Mr. Gary Bieganski
Chadron, NE

Mr. Floyd Vrtiska
Table Rock, NE

Ms. Michelle Suarez
Lincoln, NE

Mr. Bill Roskens
Omaha, NE

Dr. Roger Breed
Lincoln, NE

November 2010

**Board of Directors
NSCS Facilities Corporation**

AGENDA

**November 12, 2010
Wayne State College
Wayne, Nebraska**

1. Roll Call
2. Approval of Agenda
3. Approval of Minutes from the November 13, 2009 Meeting
4. Acceptance of Audit
5. Acceptance of Annual Report
6. Adjournment

THE NEBRASKA STATE COLLEGE SYSTEM FACILITIES CORPORATION

**November 13, 2009
LINCOLN, NEBRASKA**

MINUTES

A meeting of the Nebraska State College System Facilities Corporation was called to order at 12:14 p.m. on Friday, November 13, 2009, at the Nebraska State College System Office, 1115 K Street, Suite 102, Lincoln, Nebraska by President, Larry Teahon.

Directors present were: Larry Teahon, President, Chadron; Cap Peterson, Wayne; Gary Bieganski, Chadron; Michelle Suarez, Lincoln; Floyd Vrtiska, Table Rock; Bill Roskens, Omaha; and Roger Breed, Lincoln.

Other corporation officers in attendance were: Carolyn Murphy, Managing Officer, Lincoln and Stan Carpenter, Secretary-Treasurer, Lincoln.

APPROVAL OF THE AGENDA

The meeting agenda was unanimously approved.

APPROVAL OF MINUTES

The minutes of the November 14, 2008 meeting were unanimously approved.

AUDIT REPORT

The audit report for the Facilities Corporation for the period from July 1, 2008 to June 30, 2009 was unanimously accepted.

ANNUAL REPORT

The Facilities Corporation annual report was unanimously approved. Carolyn Murphy, Managing Officer, noted the only remaining debt for the NSCS Facilities Corporation was the LB 605 bonds. The LB 1 bond account had been closed during 2008-2009. The LB 1100 final bond payment had been made September 15, 2009 and was not reflected in the annual report as it covered the period of July 1, 2008 to June 30, 2009.

ADJOURNMENT – The meeting was adjourned at 12:17 p.m.

Respectfully submitted,

Carolyn Murphy
Managing Officer

Facilities Corporation

Larry Teahon, Chair
Cap Peterson
Gary Bieganski
Floyd Vrtiska
Michelle Suarez
Bill Roskens
Roger Breed

November 12, 2010

**ACTION: Accept the Audit Report for the Facilities Corporation for the Period from
 July 1, 2009 to June 30, 2010**

The audit firm KPMG LLP conducted an audit of the Nebraska State Colleges Facilities Corporation covering the period July 1, 2009 to June 30, 2010. The fee negotiated for the audit is \$8,400 and is paid from Corporation funds.

The audit includes financial activity related to LB 1100, LB 1, and LB605 bond issues. The information from this audit will be included in our state audit, being performed by the Auditor of Public Accounts.

LB 1100 activity during the year included the final bond payment to bondholders and closeout of bond accounts. The only LB 1 activity was the return of residual interest earnings to the State of Nebraska. Project funds expended this year all related to LB 605 funds. The capital assets accrue to the colleges, while the debt remains a responsibility of the Facilities Corporation, resulting in the negative net assets (deficit) at the end of the year.

The letter to the Board of Directors indicates that, in the opinion of the auditors, the financial statements present fairly, in all material respects, the net assets of the Facilities Corporation and the changes in financial position and cash flows for the year, in conformity with U.S. generally accepted accounting principles.

NEBRASKA STATE COLLEGES FACILITIES CORPORATION

Annual Report for Fiscal Year July 1, 2009 through June 30, 2010

Background Information

The organizational meeting of the Nebraska State Colleges Facilities Corporation was held on July 22, 1983. The corporation was formed in response to the passage of legislation (LB410) allowing the Board of Trustees to make certain renovations and land purchases at the colleges. The bill authorized the sale of long-term bonds to pay for projects, with the state obligating cigarette tax revenues to make the required principal and interest payments. The Facilities Corporation issued bonds in October of 1983 that were repaid by September of 1994.

From the first sale through 1997, the Facilities Corporation issued bonds amounting to \$36,065,000, including the following:

- 1987, for the purchase of computer equipment for the state college system;
- 1987, to renovate the Education Building at Peru State College and to add to and renovate the Cushing Coliseum at Kearney State College; and
- 1992, to build the Gardner Business Building at Wayne State College

The last of the historical bonds matured in 1997, and an audit of the Facilities Corporation was conducted by KPMG Peat Marwick for the time period ending October 31, 1997. The report was accepted at the February 1998 meeting of the Board of Directors.

The Facilities Corporation next issued LB 1100 (1998) bonds in 1999. The final report on that bond issue is provided below.

In 2002, the Facilities Corporation issued LB 1 (Oct., 2001) bonds. Payments for the debt service were provided by the State. Funding from the bond issue provided for completion of the Peru Library/ARC (now CATS) renovation and the Wayne Energy Plant purchase and renovation. Total expenditures from the bond proceeds were \$6,758,530 for the Peru Library/ARC project and \$4,149,219 for the Wayne Energy Plant project. Final payment to the bondholders was made in September, 2009. The Legislature approved the use of \$83,000 of funds remaining after closeout to be used toward the final payment on the LB 1100 bonds in September, 2009. Residual interest earnings of \$3,329 reverted to the State of Nebraska.

LB 1100 Bonds – 1999 (FINAL REPORT)

In March of 1998, the Legislature approved and the Governor signed LB 1100, which appropriated \$400,000 annually to the Board of Trustees and indicated continuation of that funding for a period of ten years beginning July 1, 1999 and continuing through the fiscal year ending June 30, 2009, to undertake maintenance, repair and renovation projects at the State Colleges. The final appropriation for the LB1100 bonds was in LB320 (2007 session).

Matching funds were required by the Board of Trustees on a one-to-one basis up to \$400,000 per year, to a total of \$4 million. The matching funds were provided from the NSCS Capital Improvement Fund, which is derived from a per-credit-hour charge on all students attending a state college.

In June of 1999, the Board of Directors approved the bond resolution and related bond documents. Bonds in the amount of \$6,845,000 were sold in July of 1999. The bonds were given an “A” rating by Standard & Poor’s, and the average coupon rate for the bond issuance was 4.81%.

LB 1100 Projects

A listing of eligible projects is shown in LB 1100, but funding constraints required the Board to select those projects from the list that would be undertaken. The list of final expenditures for each approved project is provided below:

Chadron Memorial Hall renovation	\$2,145,984
Chadron Chilled Water Piping Extension	250,000
Peru Campus Services Building renovation/addition	1,912,720
Peru Boiler Replacement/Distribution System	155,463
Wayne Ramsey Theatre renovation	1,827,196
Wayne Relocate Broadcast Studio	297,235
Wayne Hahn Administration Asbestos Survey	39,738
Wayne Memorial Stadium Design/Development	25,000
Wayne Mem Stdm Impr/Rice Floor Replacement	<u>327,018</u>
Total	\$6,980,354

Payments to Retire the LB 1100 Bonds

Wells Fargo made the final principal and interest payment of \$1,476,360 on September 15, 2009 in accordance with the debt service schedule. During the 2009 legislative session, it was approved to allow \$83,000 of funds remaining after the close-out of LB 1 Bonds to be used toward the final payment of LB 1100 bonds. As had been anticipated, additional funding beyond the \$83,000 approved was required for the final debt service payment on the LB 1100 bonds. The additional funding

required came from interest earnings on the Capital Improvement Fund in the amount of \$28,774.

Fund Balances

All funds related to the bond issue were cleared to make the final payment and no residual amounts remain in the accounts.

LB605 Bonds - 2006

In April of 2006, the Legislature approved and the Governor signed LB 605, which appropriated \$1,125,000 annually to the Board of Trustees for the first biennium period and expressed intent to continue such funding for fourteen years beginning July 1, 2006 and continuing through the fiscal year ending June 30, 2020, to undertake maintenance, repair and renovation projects at the State Colleges. Matching funds are required by the Board of Trustees in the amount of \$200,000 in 2006-07, \$400,000 in 2007-08, \$600,000 in 2008-09 and \$1,200,000 for each of the remaining 11 years. The matching funds are provided from the State Colleges' Capital Improvement Fund, which is derived from a per-credit-hour charge on all students attending a state college.

In August, 2006, the Board of Directors approved the bond resolution and related bond documents. Bonds in the amount of \$21,915,000 were issued. The bonds were given an "A" rating with a stable outlook by Standard and Poor's and an "A2" rating with a stable outlook by Moody's. The average coupon rate for the bond issue was 4.32%. Ameritas Investment Corporation was designated as Underwriter for the bonds; and Wells Fargo Bank Nebraska, N.A. is the Trustee. Lauren Wismer of Gilmore & Bell served as bond counsel.

LB605 Projects

A listing of eligible projects is shown in LB605. It states "the Board of Trustees of the Nebraska State Colleges is authorized to make expenditures for the State college Facilities Program of 2006 for the following state college projects: (a) Deferred maintenance, repair, and renovation of Chadron State College Academic/ Administration Building; (b) design and placement of a new Peru State College emergency power generator; (c) replacement of existing Peru State College Al Wheeler Activity Center bleachers; (d) addition to Wheeler Activity Center; (e) addition to and deferred maintenance, repair, and renovation of Wayne State College Campus Services building; (f) deferred maintenance, repair, and renovation of Wayne State College Rice Auditorium; (g) deferred maintenance, repair, and renovation of Wayne State College Memorial Stadium; and (h) systemwide miscellaneous fire and life safety, energy conservation, deferred repair, federal Americans with Disabilities Act of 1990, and asbestos removal projects."

The initial round of projects approved by the Board from LB 605 funding included:

Chadron Academic/Administration Building renovation	\$ 4,681,357
Peru emergency power generator	802,500
Peru Al Wheeler Activity Center (AWAC) bleachers replacement	167,990
Peru Al Wheeler Activity Center renovation/addition	4,846,933
Wayne Campus Services Building renovation/addition	4,981,587
Wayne Memorial Stadium/Rice Auditorium lower level renovation	<u>3,610,671</u>
	\$19,091,038

At its June, 2007 meeting, the Board approved an allocation for the Wayne Street Improvement Project as well as additional allocations for each of the other projects as follows:

Wayne Street Improvement Project	\$1,516,000
Chadron Academic/Administration Building renovation	183,965
Peru emergency power generator	30,000
Peru AWAC renovation/addition & bleachers replacement	215,550
Wayne Campus Services Building renovation/addition	203,879
Wayne Memorial Stadium/Rice Auditorium lower level renovation	155,940

At its November, 2008 meeting, the Board approved the following transfer:

PSC Al Wheeler Activity Center project	\$ 179,500
Peru emergency power generator	(179,500)

At its June, 2008 meeting, the Board approved additional allocations as follows:

CSC Street/Drainage Improvement	\$ 500,000
PSC Al Wheeler Activity Center project	300,000
WSC Carhart Science	500,000

At its January, 2009 meeting, the Board approved the following transfer:

PSC Al Wheeler Activity Center project	\$ 18,661
Peru emergency power generator	(18,661)

Finally, at its June, 2009 meeting, the Board approved the following additional allocations:

Chadron Academic/Administration Building renovation	\$ 50,000
Peru AWAC renovation/addition and bleachers replacement	133,000
Wayne Carhart Science project	300,000

And the following transfer:

PSC Al Wheeler Activity Center project	\$ 463
Peru emergency power generator	(463)

With these additions and transfers, the current projects approved from LB605 are as follows:

Chadron Academic/Administration Building renovation	\$ 4,915,322
Chadron Street/Drainage Improvement	500,000
Peru emergency power generator	633,876
Peru AWAC renovation/addition & bleachers replacement	5,862,097
Wayne Carhart Science	800,000
Wayne Campus Services Building renovation/addition	5,185,466
Wayne Memorial Stadium/Rice Auditorium lower level renovation	3,766,611
Wayne Street Improvement Project	<u>1,516,000</u>
	\$ 23,179,372

Updates on Project Status

All approved projects are now substantially complete. The Wayne Carhart Science project funding provided relates only to the first phase of the renovation, which is now complete. Balances remain in the Chadron Administration Building project in the amount of \$64,717 and the Wayne Campus Services project in the amount of \$37,181, which will be used to complete artwork and for project close-out.

Payments to Retire LB605 Bonds

Wells Fargo made a principal and interest payment of \$1,273,597 on July 15, 2009 and an interest payment of \$433,541 on January 15, 2010 in accordance with the debt service schedule.

LB605 Construction Fund

The initial deposit into the LB605 Construction Fund was \$21,778,193. As of June 30, 2010 there was \$23,077,474 in accumulated expenditures for construction projects. With interest earnings added to the account, the balance in the Construction Fund on June 30, 2010 was \$103,951.

Other LB605 Funds

The Debt Service fund had a balance on June 30, 2010 of \$1,897,807. No Debt Service Reserve Fund is required because of bond insurance that was purchased in lieu of establishing a Debt Service Reserve.

The General Fund had a balance on June 30, 2010 of \$11,720. The rebate fund had a balance on June 30, 2010 of \$57,134.

Audit

In April of 2010, the Board approved extending the contract for KPMG to perform the audit for the Facilities Corporation for the year ending June 30, 2010. This is the sixth year of having the Facilities Corporation audit completed by a private auditing firm. For the several years prior to that, audit work for the Facilities Corporation had been accomplished by the Nebraska Auditor of Public Accounts (APA) in conjunction with our state audit. Since that portion of the NSCS audit work seemed to create a matter of concern in negotiating with the APA, having the work done by a private auditor was deemed the most expeditious way to accomplish our audits beginning in FY2004-05.

KPMG has completed the audit at a cost of \$8,400, and it is presented for the acceptance of the Board of Directors at this meeting. The report states that the auditors found that the financial statements “present fairly, in all material respects, the net assets of the Nebraska State Colleges Facilities Corporation as of June 30, 2010, and the changes in its financial position and cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.”

Respectfully submitted,

Carolyn Murphy
Managing Officer