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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 13, 2015 immediately following the Board of Trustees meeting. 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

Ms. Michelle Suarez
Lincoln, NE

Mr. Gary Bieganski
Chadron, NE

Mr. Cap Peterson
Wayne, NE

Mr. John Chaney
Auburn, NE

Mr. Jess Zeiss
Omaha, NE

Mr. Bob Engles
Auburn, NE

Mr. Matt Blomstedt
Lincoln, NE

November 2015

**Board of Directors
NSCS Facilities Corporation**

AGENDA

**November 13, 2015
Wayne State College
Wayne, Nebraska**

1. Roll Call
2. Approval of Agenda
3. Approval of Minutes from the November 7, 2014 Meeting
4. Acceptance of Audit
5. Acceptance of Annual Report
6. Adjournment

THE NEBRASKA STATE COLLEGE SYSTEM FACILITIES CORPORATION

**November 7, 2014
LINCOLN, NEBRASKA**

MINUTES

A meeting of the Nebraska State College System Facilities Corporation was called to order at 9:47 a.m. on Friday, November 7, 2014, at Chadron State College, Chadron, Nebraska by President, Michelle Suarez.

Directors present were: Michelle Suarez, President, Lincoln; Gary Bieganski, Chadron; Bob Engles, Auburn; Cap Peterson, Wayne; and John Chaney, Auburn.

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 15, 2013 meeting were unanimously approved.

AUDIT REPORT

The audit report for the Facilities Corporation for the period from July 1, 2013 to June 30, 2014 was unanimously accepted.

ANNUAL REPORT

The Facilities Corporation annual report was unanimously approved. Carolyn Murphy, Managing Officer, summarized the projects outlined in the report.

ADJOURNMENT – The meeting was adjourned at 9:58 a.m.

Respectfully submitted,

Carolyn Murphy
Managing Officer

Facilities Corporation

Michelle Suarez, President

Gary Bieganski

John Chaney

Cap Peterson

Jess Zeiss

Bob Engles

Matt Blomstedt

November 13, 2015

**ACTION: Accept the Audit Report for the Facilities Corporation for the Period from
 July 1, 2014 to June 30, 2015**

The audit firm BKD, LLP conducted an audit of the Nebraska State Colleges Facilities Corporation covering the period July 1, 2014 to June 30, 2015. The fee negotiated for the audit is \$8,815.

The audit includes financial activity related to the LB 605 bond issue and the 2014 Building Bonds. 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 information from this audit will be included in our state audit, being performed by the Auditor of Public Accounts.

The letter to the Board indicates that, in the opinion of the BKD, LLP auditors, the financial statements "present fairly, in all material respects, the financial position of the Nebraska State Colleges Facilities Corporation as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NEBRASKA STATE COLLEGES FACILITIES CORPORATION

Annual Report Fiscal Year July 1, 2014 through June 30, 2015

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 (LB 410) 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 State appropriated \$400,000 annually to the Board of Trustees. Matching funds were provided from the NSCS Capital Improvement Fund, derived from a per-credit-hour charge on all students attending a state college.

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

Final payment to the bondholders was made in September, 2009.

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.

LB 605 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 were 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.

LB 605 Projects

A listing of eligible projects is provided in LB 605. 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 final list of projects and the amounts for each approved from LB 605 are as follows:

Chadron Academic/Administration Building renovation	\$ 4,912,803
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>
	\$ 23,176,853

Updates on Project Status

All approved projects are complete.

Payments to Retire LB 605 Bonds

Wells Fargo made a principal and interest payment of \$2,021,766 on July 15, 2014 and an interest payment of \$258,766 on January 15, 2015 in accordance with the debt service schedule.

LB 605 Construction Fund

The initial deposit into the LB605 Construction Fund was \$21,778,193. With all projects complete, the balance in the Construction Fund on June 30, 2015 was \$0.00.

Other LB 605 Funds

The Debt Service fund had a balance on June 30, 2015 of \$2,144,605. A Debt Service Reserve Fund is not 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, 2015 of \$521.

BUILDING BONDS, 2014

During the 2013 legislative session, LB198 was passed which authorized the appropriation of state funds that may be used for payment of new Facility Corporation bonds. Bond proceeds are to be used for construction of the Chadron State College Rangeland Project, Phase II and for the renovation of the U.S. Conn

Library at Wayne State College. The appropriation includes \$2,216,000 for each of the fiscal years FY 2013-2014 and FY 2014-2015. LB198 also included intent language to continue the annual appropriations through FY 2020-21.

In September, 2013, the Board of Directors approved the bond resolution and related bond documents. Bonds in the par amount of \$13,460,000 were sold on November 20, 2013 and the sale closed on January 3, 2014. The bonds were given an “AA+” rating with a stable outlook by Standard and Poor’s. The average coupon rate for the bond issue was 4.78% and the true interest cost was 2.0%. Ameritas Investment Corporation was designated as the Underwriter for the bonds; and BOK Financial is the Trustee. Michael Rogers of Gilmore & Bell served as bond counsel.

Building Bonds Projects

The projects receiving funds from the 2014 Building Bonds are:

Chadron State College Rangeland Project, Phase II	\$ 3,696,470
Wayne State College U.S. Conn Library	<u>\$12,000,000</u>
	\$15,696,470

Updates on Project Status

As of June 30, 2015, construction on the Chadron Rangeland Project, Phase II project is well underway. Architect for the project is BVH Architects. The Construction Manager at Risk is Sampson Construction.

Construction on the Wayne U.S. Conn Library project also continues. Architect for the project is Jackson, Jackson & Assoc. The Construction Manager at Risk is Beckenhauer Construction, Inc.

Costs of Issuance

Costs paid through the Cost of Issuance account included the following:

Gilmore & Bell (legal services)	\$35,000
Standard & Poors (bond rating)	\$17,000
Trustee Fees	\$ 2,250

In addition, an underwriter’s discount of \$119,121 was deducted from the bond proceeds. The balance remaining in the cost of issuance account of \$29,678 was transferred to the Bond Fund on July 10, 2014. The balance in the Cost of Issuance Account on June 30, 2015 is \$0.00.

Payments to Retire Bonds

BOK made an interest payment in the amount of \$297,450 on December 15, 2014 and a principal and interest payment in the amount of \$1,847,450 on June 15, 2015 in accordance with the debt service schedule. The balance in the Debt Service Fund on June 30, 2015 was \$103,099.

Construction Fund

As of June 30, 2015, there was \$8,730,729 (cash basis) in accumulated expenditures for construction projects. The balance in the construction fund on June 30, 2015 was \$6,965,874.

Debt Service Reserve Fund

The Debt Service Reserve Fund was established at a balance of \$1,346,000. The balance of the fund on June 30, 2015 was \$1,346,000.

Audit

In March, 2015, the Board approved extending the contract with BKD to perform the audit of the Facilities Corporation for the fiscal year ending June 30, 2015 at a cost of \$8,815. The audit 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 financial position of the Nebraska State Colleges Facilities Corporation as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.”

Respectfully submitted,

Carolyn Murphy
Managing Officer