

Audit and Compliance Committee Memorandum
Board of Regents, State of Iowa

Subject: Revenue Bond Fund Audit Reports
Prepared by: Andrea Anania
Date Submitted: January 19, 2005

Recommended Action:

Receive the following Revenue Bond Fund Audit Reports for the fiscal year ended June 30, 2004:

UNIVERSITY OF IOWA

- Academic Building
- Athletic Facilities
- Center for University Advancement
- Department of Residence (Dormitory)
- Iowa Memorial Union
- Parking System
- Recreation Building
- Student Health Facility
- Telecommunications Facilities
- Utility System

IOWA STATE UNIVERSITY

- Academic Building
- Dormitory and Dining Services
- Hilton Coliseum
- Ice Arena Facility (note)
- Indoor Multipurpose and Training Facility
- Parking System
- Recreational Facility
- Regulated Materials Facility
- Student Health Facility
- Telecommunications Facilities
- Utility System

UNIVERSITY OF NORTHERN IOWA

- Academic Building
 - Field House
 - Residence System
 - Student Health System
 - Student Union
-

Executive Summary:

Revenue Bond Fund audit reports are presented to the Audit and Compliance Committee as required by Board policy.

The identified revenue bond fund audit reports of the Regent institutions for the year ended June 30, 2004, indicate that the financial statements of each of the revenue bond funds were presented fairly in all material respects.

No findings were reported regarding financial or compliance issues with the revenue bond resolutions.

Background:

Deloitte & Touche, LLP conducted the ten bonded enterprise audits for the University of Iowa.

The State Auditor's Office completed the eleven Iowa State University audits on bonded enterprises.

Carney, Alexander, Marold & Co., LLP conducted University of Northern Iowa's five bonded enterprise audits.

All audits were conducted in accordance with generally accepted auditing standards to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Representatives from each of these CPA firms will be available for questions.

Analysis:

Financial Statements

The financial statements for each of the bonded enterprises for the year ended June 30, 2004, have been prepared using the accrual method of accounting.

Auditor's Opinion

Deloitte & Touche, auditors for the University of Iowa's bonded enterprises, noted an exception to each of their opinions indicating that the omission of a statement of cash flows results in an incomplete presentation of the financial statements.

While statements of cash flows were not presented for the Iowa State University audits or the University of Northern Iowa audits, their auditors did not make such an exception in the opinions.

Otherwise, the auditor's opinion concluded that the financial statements for each of the listed revenue bond fund audits presented fairly, in all material respects, the financial position as of June 30, 2004, and the related revenues, expenses, and changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

The State Auditor's Office did highlight an insurance coverage deductibility issue on the Hilton Coliseum audit.

Bonds Payable

Principal payments on each of the bonds are due on July 1 of each year except for the Utility System Revenue Bonds which mature on November 1 of each year.

Bond covenants consider the July 1, 2004, principal payments obligations of the prior fiscal year. The table on the following page represents the principal component of the bonds outstanding as of June 30, 2004, which include the July 1 principal payments.

Bonds Payable

Revenue Bonds Outstanding as of June 30, 2004
(includes payments due on July 1, 2004)

Bond Issuance	Principal Balance	Fiscal Year of Final Maturity
UNIVERSITY OF IOWA		
Academic Building	\$59,884,248	2021
Athletic Facilities	10,645,000	2022
Center for University Advancement	10,790,000	2020
Department of Residence (Dormitory)	65,980,000	2025
Iowa Memorial Union	3,785,000	2010
Parking System	27,645,000	2026
Recreation Building	550,000	2009
Student Health Facility	2,580,000	2013
Telecommunications Facilities	27,590,000	2016
Utility System	<u>80,950,000</u>	2026
Total	\$290,399,248	
IOWA STATE UNIVERSITY		
Academic Building	\$ 66,080,000	2021
Dormitory and Dining Services	136,960,000	2030
Hilton Coliseum	1,755,000	2009
Ice Arena Facility (note)	1,298,199	2013
Indoor Multipurpose Use and Training Facility	6,200,000	2021
Parking System	5,925,000	2023
Recreational Facility	7,160,000	2012
Regulated Materials Facility	6,750,000	2020
Student Health Facility	3,530,000	2014
Telecommunications Facilities	3,430,000	2008
Utility System	<u>33,905,000</u>	2025
Total	\$272,993,199	
UNIVERSITY OF NORTHERN IOWA		
Academic Building	\$35,707,182	2020
Field House	23,325,000	2025
Residence System (Dormitory)	37,960,000	2024
Student Health System	3,875,000	2025
Student Union	<u>12,325,000</u>	2022
Total	\$113,192,182	

Regent Bonds
Issued During
FY 2004*

Date Sold	Bond Issuance	Bond Type	Bond Amount
UNIVERSITY OF IOWA			
Sep 2003	Dormitory	Revenue	25,000,000
Nov 2003	Telecommunications Facilities	Revenue	14,060,000
Mar 2004	Utility System	Revenue	25,000,000
Apr 2004	Academic Building	Refunding	6,695,000
May 2004	Parking System	Revenue	18,250,000
Jun 2004	Center for University Advancement	Refunding	<u>9,595,000</u>
	Total SUI		\$98,600,000
IOWA STATE UNIVERSITY			
Oct 2003	Academic Building	Refunding	\$7,790,000
Oct 2003	Regulated Materials Facility	Revenue	6,750,000
Nov 2003	Utility System	Revenue	13,280,000
Apr 2004	Academic Building	Refunding	8,565,000
Apr 2004	Recreational Facility	Refunding	<u>6,210,000</u>
	Total ISU		\$42,595,000
UNIVERSITY OF NORTHERN IOWA			
Jul 2003	Academic Building	Refunding	\$4,225,000
Feb 2004	Student Health System	Revenue	3,875,000
Feb 2004	Field House	Revenue	<u>10,000,000</u>
	Total UNI		\$18,100,000
REGENT UNIVERSITIES			
FY 2004	Total		\$159,295,000

* This listing does not include the issuance of SUI Facilities Corporation Revenue Bonds.

Bond Issuance
Activity During
FY 2004

UNIVERSITY OF IOWA

In September 2003, the Board sold Dormitory Revenue Bonds in the amount of \$25,000,000 for the purpose of paying costs of repairing, remodeling, and constructing improvements to and equipping existing residence halls and related facilities located on the campus of The State University of Iowa, including funding the debt service reserve fund, and paying costs of issuing the Bonds.

In November 2003, the Board sold Telecommunications Facilities Revenue Bonds in the amount of \$14,060,000 for the purpose of refunding outstanding Telecommunications Facilities Revenue Bonds, Series S.U.I. 1995, and defraying the costs of equipping telecommunications facilities for The State University of Iowa, paying the costs of issuance, and funding a reserve fund.

In March 2004, the Board sold Utility System Revenue Bonds in the amount of \$25,000,000 to fund the Upgrade of the Health Sciences Campus - Purified Water System project and a portion of the cost of the West Campus Chilled Water Plant Development / Expansion project.

In April 2004, the Board sold Academic Building Revenue Refunding Bonds in the amount of \$6,695,000 for the purpose of refunding the 2006 through 2015 maturities of the \$8,935,000 Academic Building Revenue Bonds, Series S.U.I. 1993, dated September 1, 1993; and for the purpose of refunding the 2006 through 2015 maturities of the \$1,345,000 Academic Building Revenue Refunding Bonds, Series S.U.I. 1994, dated July 1, 1994.

In May 2004, the Board sold Parking System Revenue Bonds in the amount of \$18,250,000 for the purpose of financing all or a part of the costs of constructing, extending, equipping and improving University parking facilities on the campus of The State University of Iowa, funding a debt service reserve fund, and paying the costs of issuing the Bonds.

In June 2004, the Board sold Center for University Advancement Revenue Refunding Bonds in the amount of \$9,595,000 to pay the costs of refunding the 2005 through 2012 maturities of the Center for University Advancement Revenue Bonds, Series S.U.I. 1995, dated May 1, 1995, funding the debt service reserve fund, and paying costs of issuance and approving a Refunding Trust Agreement.

IOWA STATE UNIVERSITY

In October 2003, the Board sold Academic Building Revenue Refunding Bonds in the amount of \$7,790,000 for the purpose of refunding the \$7,000,000 Academic Building Revenue Project Notes, Series I.S.U. 2002, dated August 1, 2002, presently outstanding and heretofore issued by the Board to defray costs of building construction projects on the campus of Iowa State University of Science and Technology, including the debt service reserve fund, and paying costs of issuing the Bonds.

In October 2003, the Board sold Regulated Materials Facility Revenue Bonds in the amount of \$6,750,000 to pay the costs of constructing, furnishing, and equipping a regulated materials facility, including the debt service reserve fund, and paying costs of issuance.

In November 2003, the Board sold Utility System Revenue Bonds in the amount of \$13,280,000 for the purpose of increasing the electrical generating capacity of the University's power plant to serve all of the campus electrical needs.

In April 2004, the Board sold Academic Building Revenue Refunding Bonds in the amount of \$8,565,000 for the issuance and securing the payment of \$5,430,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004A, for the purpose of refunding the 2006 through 2020 maturities of the \$6,545,000 Academic Building Revenue Bonds Series I.S.U. 1994, dated October 1, 1994; and \$3,135,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 2004B, for the purpose of refunding the 2005 through 2012 maturities of the \$5,315,000 Academic Building Revenue Refunding Bonds, Series I.S.U. 1994, dated January 1, 1994.

In April 2004, the Board sold Recreational Facility Revenue Refunding Bonds in the amount of \$6,210,000 to pay the costs of refunding the 2005 through 2010 maturities of the Recreational Facility Revenue Refunding Bonds, Series I.S.U. 1994, dated March 1, 1994, including the debt service reserve fund, and paying costs of issuance.

UNIVERSITY OF NORTHERN IOWA

In July 2003, the Board sold Academic Building Revenue Refunding Bonds in the amount of \$4,225,000 for the purpose of refunding the 2004 through 2012 maturities of the \$6,520,000 Academic Building Revenue Refunding Bonds, Series U.N.I. 1993, dated November 1, 1993 presently outstanding and heretofore issued by the Board to refund bonds issued to defray costs of building construction projects on the campus of the University of Northern Iowa.

In February 2004, the Board sold Student Health System Revenue Bonds in the amount of \$3,875,000 to pay the costs of constructing, furnishing, and equipping an addition to the Student Health Center Building and improving, remodeling, and repairing the existing Student Health Center Building, including the debt service reserve fund, and paying costs of issuance.

In February 2004, the Board sold Field House Revenue Bonds in the amount of \$10,000,000 for the purpose of constructing, equipping, and furnishing an addition to the UNI-Dome Field House, and improving and remodeling the UNI-Dome Field House, funding a reserve fund and paying the costs of issuance.

Bonds Issued Subsequent to FY 2004*	Date Sold	Bond Issuance	Bond Type	Bond Amount
UNIVERSITY OF IOWA				
	Sep 2004	Academic Building	Revenue	\$25,000,000
IOWA STATE UNIVERSITY				
	Nov 2004	Memorial Union	Revenue	\$24,625,000
REGENT UNIVERSITIES				
	Total			\$49,625,000

* This listing does not include the issuance of SUI Facilities Corporation Revenue Bonds.

Bond Issuance
Activity
Subsequent to
FY 2004

UNIVERSITY OF IOWA

In September 2004, the Board sold Academic Building Revenue Bonds in the amount of \$25,000,000 to defray costs of building construction and improvement projects on the campus of The State University of Iowa.

IOWA STATE UNIVERSITY

In November 2004, the Board sold Memorial Union Revenue Bonds in the amount of \$24,625,000 to finance the:

- Memorial Union Renovation - Phase 1 project, approved by the Board at its April 2004 meeting with a project budget of \$17,000,000; and
- Memorial Union Parking Facility - Structural Repairs project for which the Board granted permission to proceed with project planning at its August 2004 meeting (estimated project cost of \$3,400,000).