

MEMORANDUM

To: Banking Committee
From: Board Office
Subject: Revenue Bond Fund Audit Reports (ISU)
Date: December 4, 2003

Recommended Action:

Receive the following Iowa State University Revenue Bond Fund Audit Reports for the fiscal year ended June 30, 2003:

- a. Academic Building
 - b. Dormitory and Dining Services
 - c. Hilton Coliseum
 - d. Ice Arena Facility (note)
 - e. Indoor Multipurpose Use and Training Facility
 - f. Parking System
 - g. Recreational Facility
 - h. Student Health Facility
 - i. Telecommunications Facilities
 - j. Utility System
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Executive Summary:

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

The identified revenue bond fund audit reports of Iowa State University for the year ended June 30, 2003, 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:

The State Auditor conducted ten audits on ISU bonded enterprises as listed above.

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.

Analysis:

Financial Statements

The financial statements for each of the bonded enterprises for the year ended June 30, 2003, have been prepared using the accrual method of accounting.

Principal payments on all 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.

Auditor's Opinion

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, 2003, and the related revenues, expenses, and changes in fund balances for the year then ended in conformity with generally accepted accounting principles.

The Recreational Facility Revenue Bond Funds financial statements included a prior period adjustment to retroactively restate the beginning balance of accumulated depreciation for buildings at July 1, 2002, to correct an error in accumulated depreciation as of June 30, 2002.

The Telecommunications Facility Revenue Bond Funds financial statements included a restatement of the beginning fund balance at July 1, 2002, to correct the unintentional unremitted sales tax liabilities to the State of Iowa at June 30, 2002.

Bonds Payable

Revenue Bonds Outstanding as of June 30, 2003
(includes payments due on July 1, 2003)

Bond Issuance	Principal Balance	Fiscal Year of Final Maturity
Academic Building	\$ 65,105,000	2021
Dormitory and Dining Services	145,240,000	2030
Hilton Coliseum	2,075,000	2009
Ice Arena Facility (note)	1,412,631	2013
Indoor Multipurpose Use and Training Facility	6,200,000	2021
Parking System	6,110,000	2023
Recreational Facility	8,640,000	2011
Student Health Facility	3,765,000	2014
Telecommunications Facilities	4,200,000	2008
Utility System	<u>22,185,000</u>	2014
Total	\$264,932,631	

July 1, 2003, principal payments have not been deducted from June 30, 2003, payables, although under the bond covenants they are obligations of the prior fiscal year.

Date Sold	Bond Issuance	Type	Bond Amount
Jul 2002	Academic Building	Revenue Notes	\$ 7,000,000
Jan 2003	Multipurpose	Revenue	6,200,000
Mar 2003	Dormitory	Revenue	21,575,000
May 2003	Dormitory	Revenue	<u>9,360,000</u>
	Total		\$44,135,000

Bond Issuance Activity during FY 2003

In July 2002, the Board sold Academic Building Revenue Project Notes, Series ISU 2002, to provide interim financing for the Engineering Teaching and Research, Phase II project. This was authorized by legislation from the Second Extraordinary Session of the 2002 General Assembly subsequent to the deappropriation of \$7,000,000 for the project.

In January 2003, the Board sold Indoor Multipurpose Use and Training Facility Revenue Bonds in the amount of \$6,200,000 to partially finance the construction of the new facility.

In March 2003, the Board sold Dormitory Revenue Bonds in the amount of \$21,575,000 to partially finance the Union Drive Suite Building 2 project.

In May 2003, the Board sold Dormitory Revenue Bonds in the amount of \$9,360,000 to partially finance the Buchanan Hall Renovation project.

Bond Issuance Activity Subsequent to FY 2003

In October 2003, the Board sold Regulated Materials Facility Revenue Bonds, Series I.S.U. 2003, in the amount of \$6,750,000 to partially finance the Environmental Health and Safety Services Building. This is a new bonded enterprise.

To replace the interim financing from the July 2002 sale of Project Notes, the Board sold Academic Building Revenue Bonds, Series I.S.U. 2003, in the amount of \$7,790,000 in October 2003.

In November 2003, the Board sold Utility System Revenue Bonds, ISU 2003, in the amount of \$13,280,000 to finance the project which will increase the electrical generating capacity of the University's power plant.