

**MEMORANDUM**

**To:** Banking Committee  
**From:** Board Office  
**Subject:** Revenue Note Fund Audit Report (ISU)  
**Date:** June 1, 2001

**Recommended Action:**

Receive the audit on the Ice Arena Facility Revenue Note Funds of Iowa State University for the fiscal year ended June 30, 2000.

**Executive Summary:**

An independent audit was conducted on the Ice Arena Facility Revenue Note Funds of Iowa State University for the fiscal year ended June 30, 2000, as required by the note covenant. The audit report indicated that the financial statements were presented fairly in all material respects. No findings were reported.

**Background:**

The Ames/ISU ice arena is a joint project between the City of Ames and ISU, with a total project cost of \$3.8 million for the 36,300 gross square foot facility. Financing included \$1.8 million from the City of Ames, \$300,000 in private funds raised by the Iowa State University Foundation, and \$1.7 million in debt financing from the University supported by designated tuition. The facility, constructed on University land immediately adjacent to the old ice arena located south of the campus, includes a regulation-size rink and spectator seating.

Under Iowa Code §262.48, the Board may borrow money and issue notes, bonds, or other evidence of indebtedness in anticipation of the collection of income or revenues from the facility and from student fees or charges. The University share of \$1.7 million was too small for a conventional bond issue. The Board authorized the University to solicit proposals from a number of interested financial institutions to arrange financing. In January 2000, the Board approved the sale and award of a \$1,735,000 Ice Arena Facility Revenue Note. The covenants of the note resolution require that an annual audit be conducted. In accordance with the Regent Procedural Guide §1.06, audit reports are presented to the Banking Committee.

The Board approved an allocation of designated tuition to provide the debt service payments for the University's share of the cost of the new facility. The designated tuition for this note, as approved by the Board in May 2000, is \$8.40 for the 2001-2002 academic year and \$4.20 for the summer session. The allocation of designated tuition for the debt service of the ice arena was first approved by the Board for the 1998-1999 academic year.

**Analysis:**

The Office of Auditor of State conducted the independent audit for the Ice Arena Facility Revenue Note Funds at Iowa State University for the fiscal year ended June 30, 2000.

The audit, as required by the note resolution, was conducted in accordance with generally accepted auditing standards and Iowa Code Chapter 11 to obtain reasonable assurance that the financial statements were free of material misstatement.

The auditor's opinion concluded that the financial statements presented fairly, in all material respects, the financial position of the Ice Arena Facility Revenue Note Funds at June 30, 2000, and that the revenues, expenditures, and changes in fund balances were in conformity with generally accepted accounting principles.

The financial statements of the note funds have been prepared on the accrual basis of accounting following the reporting model for colleges and universities. The statements are intended to present only that portion of the funds attributable to the transactions related to the revenue notes.

The auditor noted no findings regarding financial or compliance issues.

The revenue notes were issued on March 1, 2000, for \$1,735,000 and with an interest rate of 5.95% per year, payable semi-annually with notes maturing on January 1 and July 1. Fiscal year debt service payments total \$196,806 with payments of \$98,403 in FY 2001 and FY 2002. The outstanding principal as of June 30, 2000, was \$1,671,007.