



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE November 7, 2002

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Auditor of State Richard Johnson today released reports for the year ended June 30, 2002 on the Iowa State Center Business Office and on the following Revenue Bond Funds of Iowa State University of Science and Technology: Dormitory and Dining Services, Telecommunications Facilities, Utility System, Hilton Coliseum, Recreational Facility, Student Health Center, Parking System and Academic Building; and the Ice Arena Facility Revenue Note Funds.

These reports demonstrate compliance with the provisions included in the various bond agreements. The financial information included in these reports is also included in the Annual Financial Report of Iowa State University of Science and Technology and the Comprehensive Annual Financial Report of the State of Iowa.

Copies of the reports are available for review in the office of the Auditor of State.

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**ACADEMIC BUILDING REVENUE BOND FUNDS
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2002

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Independent Auditor's Report

To the Members of the Board of Regents,
State of Iowa:

We have audited the accompanying balance sheet of the Academic Building Revenue Bond Funds of Iowa State University of Science and Technology as of June 30, 2002, and the related statement of revenues, expenditures and changes in fund balances (deficit) for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and Chapter 11 of the Code of Iowa. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1, the financial statements present only the Academic Building Revenue Bond Funds and do not purport to, and do not, present fairly the financial position of Iowa State University of Science and Technology as of June 30, 2002 and changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academic Building Revenue Bond Funds of Iowa State University of Science and Technology at June 30, 2002, and the revenues, expenditures and changes in fund balances (deficit) for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 5 to the financial statements, for the year ended June 30, 2002, Iowa State University of Science and Technology adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

In connection with our audit, nothing came to our attention that caused us to believe that Iowa State University of Science and Technology was not in compliance with the accounting requirements of the Board of Regents Resolution for the issuance of the Academic Building Revenue Bonds. It should be noted, however, that our audit was not directed primarily toward obtaining knowledge of such non-compliance.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Iowa State University of Science and Technology, the members of the Board of Regents, citizens of the State of Iowa and other parties to whom Iowa State University of Science and Technology may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information, included as Schedule 1, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.

RICHARD D. JOHNSON, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 15, 2002

Financial Statements

Academic Building Revenue Bond Funds
Iowa State University of Science and Technology

Balance Sheet

June 30, 2002

	<u>Unexpended Construction Fund</u>
Assets	
Cash and investments (note 2)	\$ 3,706
Cash with paying agent (note 3)	-
Interest receivable	-
Capital assets, net (note 4)	-
Total assets	<u>\$ 3,706</u>
Liabilities and Fund Balances (Deficit)	
Liabilities:	
Interest payable	\$ -
Rebate payable	-
Revenue bonds payable (note 3)	-
Total liabilities	<u>-</u>
Fund balances:	
Net investment in plant	-
Reserved for debt service	-
Unreserved, designated for specific purposes	3,706
Total fund balances (deficit)	<u>3,706</u>
Total liabilities and fund balances (deficit)	<u>\$ 3,706</u>

See notes to financial statements.

Plant Funds				
Retirement of Indebtedness				
Arbitrage Reserve Fund	Reserve Fund	Sinking Fund	Investment in Plant	Total
242,424	11,793,323	72,520	-	12,111,973
-	-	9,958,644	-	9,958,644
219	-	177,004	-	177,223
-	-	-	62,374,076	62,374,076
242,643	11,793,323	10,208,168	62,374,076	84,621,916
-	-	8,947,434	-	8,947,434
127,243	-	-	-	127,243
-	300,000	7,300,000	64,805,000	72,405,000
127,243	300,000	16,247,434	64,805,000	81,479,677
-	-	-	(2,430,924)	(2,430,924)
115,400	11,493,323	(6,039,266)	-	5,569,457
-	-	-	-	3,706
115,400	11,493,323	(6,039,266)	(2,430,924)	3,142,239
242,643	11,793,323	10,208,168	62,374,076	84,621,916

Academic Building Revenue Bond Funds
Iowa State University of Science and Technology

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Year ended June 30, 2002

	Current Fund Revenue Fund	Unexpended Construction Fund
Revenues:		
Student fees and charges, (net of scholarship allowances of \$27,495,919)	\$ 98,361,791	-
Investment income	-	-
Net increase in fair value of investments	-	-
Total revenues	98,361,791	-
Expenditures before depreciation:		
Arbitrage rebate	-	-
Interest on indebtedness	-	-
Administrative services	-	-
Total expenditures before depreciation	-	-
Excess (deficiency) of revenues over (under) expenditures before depreciation	98,361,791	-
Depreciation	-	-
Excess (deficiency) of revenues over expenditures after depreciation	98,361,791	-
Other financing sources (uses):		
Mandatory transfers	(10,836,267)	-
Transfers to University's General Educational Fund	(87,525,524)	-
Transfer of revenue bonds payable	-	-
Total other financing sources (uses)	(98,361,791)	-
Net increase (decrease) for the year	-	-
Fund balances beginning of year, as restated (note 5)	-	3,706
Fund balances (deficit) end of year	\$ -	3,706

See notes to financial statements.

Plant Funds				
Retirement of Indebtedness				
Arbitrage Reserve Fund	Reserve Fund	Sinking Fund	Investment in Plant	Total
-	-	-	-	98,361,791
3,710	-	682,198	-	685,908
-	-	42,694	-	42,694
3,710	-	724,892	-	99,090,393
127,243	-	-	-	127,243
-	-	4,342,369	-	4,342,369
14,000	-	-	-	14,000
141,243	-	4,342,369	-	4,483,612
(137,533)	-	(3,617,477)	-	94,606,781
-	-	-	5,086,747	5,086,747
(137,533)	-	(3,617,477)	(5,086,747)	89,520,034
117,520	(375,625)	11,094,372	-	-
-	-	-	-	(87,525,524)
-	-	(7,300,000)	7,300,000	-
117,520	(375,625)	3,794,372	7,300,000	(87,525,524)
(20,013)	(375,625)	176,895	2,213,253	1,994,510
135,413	11,868,948	(6,216,161)	(4,644,177)	1,147,729
115,400	11,493,323	(6,039,266)	(2,430,924)	3,142,239

Academic Building Revenue Bond Funds
Iowa State University of Science and Technology

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

Accounting Entity and Basis of Accounting

The Academic Building Revenue Bond Funds were created by resolution of the Board of Regents, State of Iowa which authorized the issuance of revenue bonds to be used to defray the costs of constructing, furnishing, and equipping academic facilities on the campus of Iowa State University of Science and Technology. The revenue bonds are issued on behalf of the University.

The financial statements of the Academic Building Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Academic Building Revenue Bond Funds. These fund financial statements present only a portion of the funds of the University.

The financial statements have been prepared on the accrual basis.

Fund Accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the University, the accounts of the University are maintained in accordance with the principles of "fund accounting" under which resources for various projects are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified.

The University's accounts and transactions include those related to the Academic Building Revenue Bonds issued by the University. These fund financial statements reflect only those accounts and transactions related to these bonds. These accounts and transactions are included as a portion of the University's Plant Funds. Plant Funds are used to account for the transactions relating to investment in University properties. Plant Funds for the Academic Building Revenue Bonds, include the following funds: (1) Unexpended, (2) Retirement of Indebtedness, and (3) Investment in Plant. Unexpended, including the Construction Fund established by the bond resolution, is comprised of amounts allocated or designated for buildings, improvements and equipment. Retirement of Indebtedness, including the Sinking and Reserve Funds established by the bond resolution and the Arbitrage Reserve Fund, is comprised of amounts to provide for payment of principal, interest and amounts due to the Federal Government. Investment in Plant is comprised of amounts representing the total of buildings, infrastructure and equipment, all net of accumulated depreciation and the related liabilities.

The Current Fund, including the Revenue Fund established by the bond resolution, is classified under the University General Educational Fund.

Revenue Fund

The Revenue Fund is used to account for student fees and charges such as tuitions, rates, and fees levied against the students attending the University. In accordance with the provisions and terms of the bond resolution, these student fees and charges are irrevocably assigned as collateral to the payment of the principal and interest on the bonds. Student fees and charges that remain after the required transfers to the Sinking and Reserve Funds are transferred to the other University General Educational Fund accounts.

Construction Fund

The bond resolution provides that the balance of bond proceeds remaining after first making required deposits to the Academic Building Revenue Sinking Fund shall be deposited to the Construction Fund. The funds are to be held as a trust fund, and disbursed, together with such other funds as may be lawfully available for the purpose, to pay for project costs.

Arbitrage Reserve Fund

Moneys credited to the Arbitrage Reserve Fund shall be used for the payment of arbitrage rebates.

Bond Reserve Fund (Reserve Fund)

The bond resolution provides that semi-annual installments will be credited to the Bond Reserve Fund, from the student fees and charges remaining after first making the required payments into the Academic Building Revenue Reserve Sinking Fund, of an amount equal to 12% of the principal and interest due in the current fiscal year until the Bond Reserve Fund is equal to the maximum annual principal and interest coming due in any succeeding fiscal year. However, amounts credited to the Bond Reserve Fund in excess of the maximum amount of principal and interest due in any succeeding fiscal year shall be deposited in the University's General Educational Fund. All moneys credited to the Bond Reserve Fund shall be used for the payment of principal and interest on the bonds issued and outstanding.

Bond Sinking Fund (Sinking Fund)

The bond resolution provides for semi-annual installments to be set aside from the student fees and charges derived from the Revenue Fund to the Sinking Fund sufficient for the principal and interest payment that will become due and payable on and prior to the next succeeding July 1. The Sinking Fund shall be used solely for and is pledged for the purpose of paying the principal and interest of the bonds.

Cash and Investments

The University deposits the cash of most funds in commingled bank accounts and makes disbursements from the combined cash balances. An individual fund's cash balance represents that fund's cumulative deposits to and disbursements from the University's bank accounts.

Investments are reported at fair value.

Capital Assets

Capital assets are defined by the University as assets with an initial individual cost of more than \$2,000 for equipment or \$50,000 for buildings and infrastructure. Such assets are recorded at historical cost when purchased or constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Outlays for capital assets are capitalized as projects are constructed. During the year ended June 30, 2002, no interest costs were capitalized.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	11-25
Infrastructure	30
Equipment	10

(2) Cash and Investments

Cash in excess of immediate needs for debt service is invested primarily in United States government agency securities. The University's investments are categorized to give an indication of the level of risk assumed by the University at year end. The University's investments in U.S government securities are Category 2 investments, which means that the investments are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the University's name. The money market accounts are not subject to risk categorization. Cash and investments at June 30, 2002 are as follows:

	<u>Fair Value</u>
Cash	\$ (132,575)
U.S. government securities	12,041,231
Money market accounts	<u>203,317</u>
Total	<u>\$ 12,111,973</u>

(3) Revenue Bonds Payable

The bonds, originally issued in an aggregate amount of \$119,335,000, bear interest at rates ranging from 4.0% to 7.5% per year. The bonds mature on July 1, in annual amounts as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2003	\$ 7,300,000	4,153,210	11,453,210
2004	6,900,000	4,236,174	11,136,174
2005	7,670,000	3,939,686	11,609,686
2006	5,195,000	3,767,705	8,962,705
2007	5,085,000	3,511,647	8,596,647
2008	4,765,000	3,240,988	8,005,988
2009	5,220,000	2,862,071	8,082,071
2010	5,215,000	1,327,490	6,542,490
2011	5,500,000	1,085,203	6,585,203
2012	5,810,000	825,123	6,635,123
2013	4,190,000	589,841	4,779,841
2014	3,985,000	392,294	4,377,294

Year Ending June 30,	Principal	Interest	Total
2015	1,595,000	253,419	1,848,419
2016	1,680,000	167,554	1,847,554
2017	410,000	112,542	522,542
2018	430,000	90,072	520,072
2019	460,000	66,150	526,150
2020	480,000	40,770	520,770
2021	515,000	13,905	528,905
Total	<u>\$ 72,405,000</u>	<u>30,675,844</u>	<u>103,080,844</u>

Under provisions of the bond resolutions, all bonds, and any additional parity bonds that may be subsequently issued, shall be retired solely from the student fees and charges levied against students attending the University.

In accordance with the provisions of the bond resolution, all principal and interest maturing July 1 of each year shall be considered to be obligations of the then immediately preceding fiscal year. Therefore, such debt is reflected in the Sinking Fund. Also, the bond resolutions require the Sinking Fund to remit funds to the paying agents in accordance with the bond resolution and are reported as deposits with paying agents as of June 30, 2002.

As of June 30, 2002, cash with paying agents in the amount of \$9,958,644 was on deposit in the Agency Fund of the University for the purpose of paying current obligations of bond principal and interest.

(4) Capital Assets

The following is a summary of capital assets activity in the Investment in Plant Fund for Academic Building assets for the year ended June 30, 2002:

	Balance July 1, 2001, as restated (note 5)	Additions	Deletions	Balance June 30, 2002
Buildings, infrastructure and equipment	\$ 151,344,111	-	-	151,344,111
Less accumulated depreciation	(83,883,288)	(5,086,747)	-	(88,970,035)
Capital assets, net	<u>\$ 67,460,823</u>	<u>(5,086,747)</u>	-	<u>62,374,076</u>

(5) Restatement of Beginning Balance

The beginning fund balance of the Plant Fund – Investment in Plant has been retroactively restated at July 1, 2001. This restatement was made to record the accumulated depreciation as of June 30, 2001 in accordance with Governmental Accounting Standards Board Statement No. 34 effective, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, for financial statements for periods beginning after June 15, 2001.

Buildings, infrastructure and equipment, as previously reported at June 30, 2001	\$ 151,344,111
Less accumulated depreciation at June 30, 2001	<u>(83,883,288)</u>
Capital assets, net, at July 1, 2001 as restated	<u>\$ 67,460,823</u>

Academic Building Revenue Bond Funds
Iowa State University of Science and Technology

Supplemental Information

Schedule 1

Academic Building Revenue Bond Funds
Iowa State University of Science and Technology

Student Enrollment
(Unaudited)

Year ended June 30, 2002

Enrollment at Iowa State University of Science and Technology for the year ended June 30, 2002
was as follows:

Summer Semester, 2001	9,829
Fall Semester, 2001	27,823
Spring Semester, 2002	25,875

See accompanying independent auditor's report.

Academic Building Revenue Bond Funds
Iowa State University of Science and Technology

Staff

This audit was performed by:

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Jennifer Campbell, CPA, Staff Auditor
Billie Jo Heth, Staff Auditor
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Andrew E. Nielsen, CPA
Deputy Auditor of State