



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

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NEWS RELEASE

FOR RELEASE

November 7, 2002

Contact: Andy Nielsen
515/281-5515

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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**ICE ARENA FACILITY REVENUE NOTE FUNDS
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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

JUNE 30, 2002

Table of Contents

		<u>Page</u>
Independent Auditor's Report		3-4
Financial Statements:	<u>Exhibit</u>	
Balance Sheet	A	6-7
Statement of Revenues, Expenditures and Changes in Fund Balances	B	8-9
Notes to Financial Statements		10-12
Supplemental Information:	<u>Schedule</u>	
Student Enrollment	1	14
Staff		15



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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 Ice Arena Facility Revenue Note 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 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 of 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 described in note 1, the financial statements present only the Ice Arena Facility Revenue Note 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 Ice Arena Facility Revenue Note Funds of Iowa State University of Science and Technology as of June 30, 2002, and the revenues, expenditures and changes in fund balances 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 Ice Arena Facility Revenue Note Funds. 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 on 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

Ice Arena Facility Revenue Note Funds
Iowa State University of Science and Technology

Balance Sheet

June 30, 2002

	<u>Unexpended Improvement Fund</u>
Assets	
Cash and investments (note 2)	\$ 493,291
Cash with paying agent (note 3)	-
Interest receivable	39
Capital assets, net (note 4)	-
Total assets	<u><u>\$ 493,330</u></u>
Liabilities and Fund Balances	
Liabilities:	
Interest payable	\$ -
Revenue notes payable (note 3)	35,000
Total liabilities	<u>35,000</u>
Fund balances:	
Net investment in plant	-
Unreserved, designated for specific purposes	458,330
Total fund balances	<u>458,330</u>
Total liabilities and fund balances	<u><u>\$ 493,330</u></u>

See notes to financial statements.

Plant Funds					
Retirement of Indebtedness					
Sinking Fund	Revenue Fund	Arbitrage Fund	Investment In Plant		Total
-	-	-	-		493,291
98,403	-	-	-		98,403
-	-	-	-		39
-	-	-	3,667,585		3,667,585
98,403	-	-	3,667,585		4,259,318
45,237	-	-	-		45,237
53,166	-	-	1,432,380		1,520,546
98,403	-	-	1,432,380		1,565,783
-	-	-	2,235,205		2,235,205
-	-	-	-		458,330
-	-	-	2,235,205		2,693,535
98,403	-	-	3,667,585		4,259,318

Ice Arena Facility Revenue Note Funds
Iowa State University of Science and Technology

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	<u>Unexpended Improvement Fund</u>
Revenues:	
Investment income	\$ 759
Expenditures before depreciation:	
Administrative expense	-
Interest on indebtedness	-
Total expenditures before depreciation	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures before depreciation	759
Depreciation	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>759</u>
Other financing sources (uses):	
Additions to capital assets financed from other sources	-
Transfer of revenue notes payable	-
Mandatory transfers	-
Nonmandatory transfers	391,192
Allocation of student fees from other University funds	-
Total other financing sources (uses)	<u>391,192</u>
Net increase (decrease) for the year	391,951
Fund balance beginning of year, as restated (note 5)	<u>66,379</u>
Fund balances end of year	<u>\$ 458,330</u>

See notes to financial statements.

Plant Funds				
Retirement of Indebtedness				
Sinking Fund	Revenue Fund	Arbitrage Fund	Investment in Plant	Total
-	23,258	-	-	24,017
-	-	1,200	-	1,200
92,008	-	-	-	92,008
92,008	-	1,200	-	93,208
(92,008)	23,258	(1,200)	-	(69,191)
-	-	-	99,634	99,634
(92,008)	23,258	(1,200)	(99,634)	(168,825)
-	-	-	156,157	156,157
(104,798)	-	-	104,798	-
196,806	(196,806)	-	-	-
-	(392,392)	1,200	-	-
-	258,909	-	-	258,909
92,008	(330,289)	1,200	260,955	415,066
-	(307,031)	-	161,321	246,241
-	307,031	-	2,073,884	2,447,294
-	-	-	2,235,205	2,693,535

Ice Arena Facility Revenue Note Funds
Iowa State University of Science and Technology

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

Basis of Accounting and Reporting Model

The financial statements of the Ice Arena Facility Revenue Note Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Ice Arena Facility Revenue Note Funds. These fund financial statements present only a portion 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 Ice Arena Facility Revenue Note Funds issued by the University. These fund financial statements reflect only those accounts and transactions related to these notes. 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 include the following funds: (1) Unexpended, (2) Retirement of Indebtedness, and (3) Investment in Plant. Unexpended, including the Improvement Fund established by the note resolution, is comprised of amounts allocated or designated for constructing, acquiring, and improving the Ice Arena Facility. Retirement of Indebtedness, including the Sinking and Revenue Funds established by the note resolution and the Arbitrage 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, improvements other than buildings, all net of accumulated depreciation and the related liabilities.

Construction and Improvement Fund (Improvement Fund)

The Improvement Fund accounts for the receipts of the note proceeds, together with such other funds as may be lawfully available for the purpose, to pay project construction costs as required by the note resolution.

Note Sinking Fund (Sinking Fund)

The note resolution provides that equal semi-annual installments shall be set aside from the net rents, profits and income derived from the Facility to the Sinking Fund sufficient for the principal and interest payment that will become due and payable on and prior to the next succeeding January 1 or July 1. Any excess amount shall be transferred to the Improvement Fund.

Revenue Fund

The Revenue Fund is used to account for all financial resources, except those to be accounted for in another fund. In accordance with the provisions and terms of the note resolution, the net revenues of the Ice Arena Facility and the Ice Arena Facility student fees received by the University shall be deposited as collected in this fund.

Arbitrage Fund

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

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. 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>Assets</u>	<u>Years</u>
Buildings	25

(2) Cash and Investments

Cash in excess of immediate needs for debt service is invested in money market accounts. 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	\$ 458,291
Money market accounts	<u>35,000</u>
Total	<u>\$ 493,291</u>

(3) Revenue Notes Payable

The notes, issued on March 1, 2000, for \$1,735,000, were to be used to construct, improve, and equip an Ice Arena Facility for the University. The notes bear an interest rate of 5.95% per year, payable semi-annually on January 1 and July 1. The notes mature on January 1 and July 1, in annual amounts as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 107,915	88,891	196,806
2004	114,432	82,374	196,806
2005	121,342	75,464	196,806
2006	128,669	68,137	196,806
2007	136,439	60,367	196,806
2008	144,678	52,128	196,806
2009	153,414	43,392	196,806
2010	162,678	34,128	196,806
2011	172,501	24,305	196,806
2012	182,918	13,888	196,806
2013	95,560	2,843	98,403
Total	<u>\$ 1,520,546</u>	<u>545,917</u>	<u>2,066,463</u>

Under the provisions of the note resolution, these notes will be retired solely from the net revenues from the Ice Arena Facility of the University.

In accordance with the provisions of the note 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.

As of June 30, 2002, cash with paying agents in the amount of \$98,403 was on deposit in the Agency Fund of the University for the purpose of paying current obligations of bond and principal and interest.

(4) Capital Assets

The following is a summary of capital asset activity in the Investment in Plant Fund for Ice Arena Facility assets for the year ended June 30, 2002:

	Balance July 1, 2001, as restated (note 5)	Additions	Deletions	Balance June 30, 2002
Building	\$ 3,714,852	156,157	-	3,871,009
Less accumulated depreciation	(103,790)	(99,634)	-	(203,423)
Capital assets, net	<u>\$ 3,611,062</u>	<u>56,524</u>	<u>-</u>	<u>3,667,585</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, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, effective for financial statements for periods beginning after June 15, 2001.

Building, as previously reported at June 30, 2002	\$ 3,714,852
Less accumulated depreciation at June 30, 2001	<u>(103,790)</u>
Capital assets, net, at July 1, 2001 as restated	<u>\$ 3,611,062</u>

Supplemental Information

Schedule 1

**Ice Arena Facility Revenue Note 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.

**Ice Arena Facility Revenue Note Funds
Iowa State University of Science and Technology**

Staff

This audit was performed by:

**Ronald D. Swanson, CPA, Manager
Patricia J. King, CPA, Senior Auditor II
Jennifer Campbell, CPA, Staff Auditor
Sheila Jensen, Assistant Auditor**

**Andrew E. Nielsen, CPA
Deputy Auditor of State**