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NEWS RELEASE

FOR RELEASE

November 7, 2002

Contact: **Andy Nielsen**
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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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**RECREATIONAL FACILITY 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 Recreational Facility 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 Recreational Facility 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 Recreational Facility 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 6 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 Number. 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 Recreational Facility 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 Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the financial statements. The information included in the schedule of student fee receipts has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The information in the schedule of insurance coverage and the schedule of student enrollment 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

Recreational Facility Revenue Bond Funds
Iowa State University of Science and Technology

Balance Sheet

June 30, 2002

	<u>Excess Fund</u>
Assets	
Cash and investments (note 2)	\$ 717,803
Cash with paying agent (note 3)	-
Interest receivable	-
Interfund receivable	-
Capital assets, net (note 4)	-
Total assets	<u><u>\$ 717,803</u></u>
Liabilities and Fund Balances (Deficit)	
Liabilities:	
Interest payable	\$ -
Interfund payable	-
Revenue bonds payable (note 3)	-
Total liabilities	<u>-</u>
Fund balances:	
Net investment in plant	-
Reserved for debt service	-
Unreserved, designated for improvements	717,803
Total fund balances (deficit)	<u><u>717,803</u></u>
Total liabilities and fund balances (deficit)	<u><u>\$ 717,803</u></u>

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness		Investment in Plant	Total
Reserve Fund	Sinking Fund		
1,338,687	-	-	2,056,490
-	1,070,480	-	1,070,480
24,445	853	-	25,298
976	-	-	976
-	-	5,968,062	5,968,062
<u>1,364,108</u>	<u>1,071,333</u>	<u>5,968,062</u>	<u>9,121,306</u>
-	210,480	-	210,480
-	976	-	976
-	860,000	8,640,000	9,500,000
-	1,071,456	8,640,000	9,711,456
-	-	(2,671,938)	(2,671,938)
1,364,108	(123)	-	1,363,985
-	-	-	717,803
<u>1,364,108</u>	<u>(123)</u>	<u>(2,671,938)</u>	<u>(590,150)</u>
<u>1,364,108</u>	<u>1,071,333</u>	<u>5,968,062</u>	<u>9,121,306</u>

Recreational Facility 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

	Excess Fund
Revenues:	
Investment income	\$ 34,905
Net increase in fair value of investments	-
Total revenues	34,905
Expenditures before depreciation:	
Interest on bonds payable	-
Administrative expense	1,200
Repair, maintenance and supplies	1,986
Total expenditures before depreciation	3,186
Excess (deficiency) of revenues over (under) expenditures before depreciation	31,719
Depreciation	-
Excess (deficiency) of revenues over (under) expenditures after depreciation	31,719
Other financing sources (uses):	
Transfer from athletic department	390
Transfer of revenue bonds payable	-
Mandatory transfers	(821,382)
Allocation of student fees from University funds	940,084
Total other financing sources (uses)	119,092
Net increase (decrease) for the year	150,811
Fund balances beginning of year, as restated (note 6)	566,992
Fund balances (deficit) at end of year	\$ 717,803

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness		Investment in Plant	Total
Reserve Fund	Sinking Fund		
56,850	7,756	-	99,511
23,707	-	-	23,707
80,557	7,756	-	123,218
-	420,960	-	420,960
-	-	-	1,200
-	-	-	1,986
-	420,960	-	424,146
80,557	(413,204)	-	(300,928)
-	-	529,834	529,834
80,557	(413,204)	(529,834)	(830,762)
-	395,480	-	395,870
-	(860,000)	860,000	-
(56,370)	877,752	-	-
-	-	-	940,084
(56,370)	413,232	860,000	1,335,954
24,187	28	330,166	505,192
1,339,921	(151)	(3,002,104)	(1,095,342)
1,364,108	(123)	(2,671,938)	(590,150)

Recreational Facility 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 Recreational Facility 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 construct and furnish a multi-purpose recreation athletic facility 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 Recreational Facility Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Recreational Facility 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 Recreational Facility 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 of the Recreational Facility Revenue Bond Funds include the following funds: (1) Retirement of Indebtedness, and (2) Investment in Plant. Retirement of Indebtedness, including the Recreational Facility Excess, Sinking and Reserve Funds established by the bond resolution, is comprised of amounts to provide for payment of principal and interest. Investment in Plant is comprised of amounts representing the total of buildings, infrastructure and equipment, all net of accumulated depreciation and the related liabilities.

Recreational Facility Excess Fund (Excess Fund)

All student recreational fees not required to be deposited into the Sinking Fund will be deposited into the Excess Fund. These moneys may then be used to purchase bonds prior to maturity or pay the costs of constructing, acquiring or improving the project.

Debt Service Reserve Fund (Reserve Fund)

The bond resolution provides that the fund shall be maintained at the lesser of the maximum amount permitted by State and federal law or the maximum annual principal and interest coming due in any succeeding fiscal year on the outstanding bonds. All moneys credited to the 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 that the proceeds from student recreational fees are to be deposited in the Sinking Fund until there is an amount equal to 67.5% of the principal payments of the bonds maturing on the next principal payment date and the interest due on the next interest payment date. The bond resolution also provides that beginning June 10, 1988 and on December 10 and June 10 of each succeeding year, the Department of Intercollegiate Athletics will transfer an amount equal to 32.5% of the interest due on the next interest payment date and 16.25% of the bond principal payments maturing on the next principal payment date. (However, interest income from invested funds shall be credited toward the Sinking Fund obligation before determining the Department of Intercollegiate Athletics obligation.) This fund is designed primarily to achieve a proper matching of revenues and debt service. Funds in the Sinking Fund will be paid to bondholders within thirteen months of receipt and the Sinking Fund will be depleted annually except for a reasonable carryover amount.

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:

Assets	Years
Equipment	5-12
Infrastructure	10
Buildings	25

(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	\$ 694,116
Money market accounts	19,725
U.S. government securities	<u>1,342,649</u>
Total	<u>\$ 2,056,490</u>

(3) Revenue Bonds Payable

In March 1994, the University issued Recreational Facility Revenue Refunding Bonds Series 1994 for \$13,060,000, bearing interest rates ranging from 4.0% to 4.6% per year, payable semiannually on January 1 and July 1. The bonds mature on July 1, in annual amounts as follows:

Year Ending June 30,	Principal	Interest	Total
2003	\$ 860,000	403,330	1,263,330
2004	900,000	366,800	1,266,800
2005	950,000	327,475	1,277,475
2006	990,000	285,270	1,275,270
2007	1,040,000	240,090	1,280,090
2008	1,110,000	191,715	1,301,715
2009	1,160,000	140,640	1,300,640
2010	1,215,000	86,595	1,301,595
2011	1,275,000	29,325	1,304,325
	<u>\$ 9,500,000</u>	<u>2,071,240</u>	<u>11,571,240</u>

The Board of Regents, an agency of the State of Iowa, has title in fee simple to the Recreational Facility site and is not to sell, lease, mortgage, abandon or in any manner dispose of any buildings or facilities constructed from the proceeds of the bonds until all bonds have been paid in full or unless provisions have been made for the payment of the bonds and interest in full. Also, the student recreational fees and student athletic fees as allocated by the bond resolution are pledged to the payment of the bonds.

The bonds are subject to redemption prior to their respective maturities, at the option of the Board of Regents. Redemption of bonds shall be at a price of par.

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.

As of June 30, 2002, cash with paying agents in the amount of \$1,070,480 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 the Recreational Facility assets for the year ended June 30, 2002:

	Balance July 1, 2001, as restated (note 6)	Additions	Deletions	Balance June 30, 2002
Building	\$ 13,227,681	-	-	13,227,681
Infrastrucutre	84,163	-	-	84,163
Equipment	114,495	-	13,390	101,105
Total capital assets	<u>13,426,339</u>	-	13,390	<u>13,412,949</u>
Less accumulated depreciation:				
Buildings	(6,732,410)	(529,107)	-	(7,261,517)
Infrastructure	(84,163)	-	-	(84,163)
Equipment	(111,870)	(727)	(13,390)	(99,207)
Total accumulated depreciation	<u>(6,928,443)</u>	<u>(529,834)</u>	<u>(13,390)</u>	<u>(7,444,887)</u>
Capital assets, net	<u>\$ 6,497,896</u>	<u>(529,834)</u>	-	<u>5,968,062</u>

(5) Debt Service Coverage

Recreational Facility Revenue Bond Fund principal and interest payments totaling \$1,280,960 due January 1 and July 1, 2002 require debt service coverage of a minimum of 120%, or \$1,537,152. Recreational facility student fees of \$940,084, Reserve Fund investment income of \$56,850, athletic department support of \$395,870, and excess funds available of \$717,803 provided debt service coverage of \$2,110,607, or 165% of the principal and interest due for the year ended June 30, 2002.

(6) 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.

Buildings	\$ 13,227,681
Infrastructure	84,163
Equipment	114,495
Total capital assets, as previously reported at June 30, 2001	<u>13,426,339</u>
Less accumulated depreciation at June 30, 2002 for:	
Buildings	(6,732,410)
Infrastructure	(84,163)
Equipment	(111,870)
Total accumulated depreciation	<u>(6,928,443)</u>
Capital assets, net, at July 1, 2001 as restated	<u>\$ 6,497,896</u>

Recreational Facility Revenue Bond Funds

Supplemental Information

Schedule 1

Recreational Facility Revenue Bond Funds
Iowa State University of Science and Technology

Student Fee Receipts

Year ended June 30, 2002

	Student Enrollment For Which Recreational- Facility Fees Were Paid*	Fee Rate	Student Fees
Spring Semester, 2001**	282	\$ 15.25	4,300
Summer Semester, 2001	8,169	15.25	124,577
Fall Semester, 2001	25,787	15.25	393,252
Spring Semester, 2002	23,830	15.25	363,408
Summer Semester, 2002 ***	5,920	15.25	54,547
			<u>\$ 940,084</u>

* Recreational facility fees are collected from students who are enrolled for more than two credit hours and only if the student's tuition and fees have been paid in full.

** Spring Semester 2001 fees that were not paid until Fall Semester 2001.

*** Summer Semester 2002 fees exclude \$35,733 (39.58%) of deferred revenues representing fees applicable to fiscal year 2003.

See accompanying independent auditor's report.

Recreational Facility Revenue Bond Funds
Iowa State University of Science and Technology

Insurance Coverage
(Unaudited)

Year ended June 30, 2002

Insurer

Employers Mutual Casualty Company (EMC)

Description of Coverage

All risk \$100,000 deductible per occurrence - Recreational Facility

Amount of Coverage

\$17,394,979

Policy Number

IA50891

Term of Policy

July 1, 2001 to July 1, 2002

See accompanying independent auditor's report.

Schedule 3

Recreational Facility 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.

**Recreational Facility Revenue Bond 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
Billie Jo Heth, Staff Auditor**

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