

IOWA SCHOOL FOR THE DEAF

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION
AND OTHER SUPPLEMENTARY INFORMATION

JUNE 30, 2002

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Iowa School for the Deaf

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Cynthia P. Eisenhauer
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

State Board of Regents

Owen J. Newlin, Ph.D.
Neala R. Arnold
Dr. Amir I. Arbisser
Mary Ellen Becker
David J. Fisher
Dr. Clarkson L. Kelly, Jr.
David G. Neil
Sue Erickson Nieland
Dr. Deborah A. Turner
Gregory S. Nichols

President
Member
Member
Member
Member
Member
Member
Member
Member
Executive Director

School

William P. Johnson, Ph.D.
James W. Heuer

Superintendent
Director of Business Operations

Iowa School for the Deaf



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Des Moines, Iowa 50319-0004

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Iowa School for the Deaf, as of and for the year ended June 30, 2002, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 opinions.

As discussed in Note 1 to the financial statements, the financial statements of the Iowa School for the Deaf are intended to present the financial position and the changes in financial position of only that portion of the governmental activities, each major fund, and the aggregate remaining fund information of the State of Iowa that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2002, and the 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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Iowa School for the Deaf as of June 30, 2002, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 9 to the financial statements, during the year ended June 30, 2002, the Iowa School for the Deaf adopted Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement Number 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures. The School also changed the capital asset capitalization threshold as described in Note 9.

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2003 on our consideration of the Iowa School for the Deaf's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The budgetary comparison information on page 24 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Iowa School for the Deaf's basic financial statements. The other supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the aforementioned basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 27, 2003

Basic Financial Statements

Exhibit A

Iowa School for the Deaf

Statement of Net Assets

June 30, 2002

	Assets	<u>Governmental Activities</u>
Current assets:		
Cash		\$ 2,293,825
Investments		760,204
Accounts receivable		21,285
Due from:		
Other state agencies		66,030
State of Iowa		145,949
Inventories		65,044
Prepaid expenses		424
		<u>3,352,761</u>
Noncurrent assets:		
Capital assets, net (note 3)		<u>9,023,881</u>
		<u>12,376,642</u>
	Liabilities	
Current liabilities:		
Accounts payable		20,659
Salaries and benefits payable		612,770
Due to other state agencies		68,361
Deferred revenue		145,949
Compensated absences (note 4)		176,814
		<u>1,024,553</u>
Noncurrent liabilities:		
Compensated absences (note 4)		<u>45,372</u>
		<u>1,069,925</u>
Net Assets		
Invested in capital assets		9,023,881
Unrestricted		2,282,836
		<u>11,306,717</u>
		<u>\$ 11,306,717</u>

See notes to financial statements.

Iowa School for the Deaf

Statement of Activities

Year ended June 30, 2002

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Service	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental activities:					
Instruction	\$ 3,507,250	504,126	-	-	(3,003,124)
Academic support	394,014	40,630	-	-	(353,384)
Student services	2,028,363	215,273	53,926	-	(1,759,164)
Institutional support	764,784	78,758	-	-	(686,026)
Physical plant	1,567,374	288,950	-	-	(1,278,424)
Federal and grant funds	120,218	-	94,578	16,308	(9,332)
Recreation complex	20,186	-	-	4,062,667	4,042,481
Other restricted programs	876,761	1,106	56,201	-	(819,454)
Education	12,925	-	-	-	(12,925)
Depreciation expense - unallocated	279,765	-	-	-	(279,765)
Total	\$ 9,571,640	1,128,843	204,705	4,078,975	(4,159,117)
General revenues:					
State appropriation					9,622,895
Unrestricted grant proceeds					13,892
Principal demutualization proceeds					276,989
Investment income					37,862
Gain on disposal of assets					8,300
Miscellaneous					1,319
Total general revenues					9,961,257
Change in net assets					5,802,140
Net assets beginning of year, as restated (note 9)					5,504,577
Net assets end of year					\$ 11,306,717

See notes to financial statements.

Exhibit C

Iowa School for the Deaf

Balance Sheet
Governmental Funds

June 30, 2002

	General	Special Revenue	Total
Assets			
Cash	\$ 2,289,041	4,784	2,293,825
Investments	-	760,204	760,204
Accounts receivable	21,285	-	21,285
Due from:			
Other state agencies	66,030	-	66,030
State of Iowa	145,949	-	145,949
Inventories	65,044	-	65,044
Prepaid expenditures	424	-	424
Total assets	\$ 2,587,773	764,988	3,352,761
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 20,659	-	20,659
Salaries and benefits payable	612,770	-	612,770
Due to other state agencies	68,361	-	68,361
Deferred revenue	145,949	-	145,949
Total liabilities	847,739	-	847,739
Fund balances:			
Reserved for:			
Inventories/prepaid expenditures	65,468	-	65,468
Specific purposes	1,275,907	764,988	2,040,895
Encumbrances/contracts	398,659	-	398,659
Total fund balances	1,740,034	764,988	2,505,022
Total liabilities and fund balances	\$ 2,587,773	764,988	3,352,761

See notes to financial statements.

Iowa School for the Deaf

Reconciliation of the Balance Sheet – Governmental Funds
to the Statement of Net Assets

June 30, 2002

Total governmental fund balances (page 10) \$ 2,505,022

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$16,756,611 and the accumulated depreciation is \$7,732,730. 9,023,881

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year-end consist of compensated absences. (222,186)

Net assets of governmental activities (page 8) \$ 11,306,717

See notes to financial statements.

Exhibit E

Iowa School for the Deaf

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds

Year ended June 30, 2002

	General	Special Revenue	Total
Revenues:			
State appropriation	\$ 9,622,895	-	9,622,895
Intergovernmental	1,067,720	-	1,067,720
Principal demutualization proceeds	-	276,989	276,989
Net decrease in fair value of investments	-	(60,991)	(60,991)
Investment income	98,641	212	98,853
Sales, rents, and services	304,628	-	304,628
Miscellaneous	-	1,019	1,019
Total revenues	<u>11,093,884</u>	<u>217,229</u>	<u>11,311,113</u>
Expenditures:			
Instruction	3,515,238	-	3,515,238
Academic support	393,993	-	393,993
Student services	2,043,415	-	2,043,415
Institutional support	764,748	-	764,748
Physical plant	1,613,527	-	1,613,527
Federal and grant funds	120,218	-	120,218
Recreation complex	1,260,709	-	1,260,709
Other restricted programs	945,015	-	945,015
Education	-	12,925	12,925
Total expenditures	<u>10,656,863</u>	<u>12,925</u>	<u>10,669,788</u>
Net change in fund balances	437,021	204,304	641,325
Fund balances beginning of year, as restated (note 9)	<u>1,303,013</u>	<u>560,684</u>	<u>1,863,697</u>
Fund balances end of year	<u>\$ 1,740,034</u>	<u>764,988</u>	<u>2,505,022</u>

See notes to financial statements.

Iowa School for the Deaf

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances –
Governmental Funds to the Statement of Activities

Year ended June 30, 2002

**Amounts reported for governmental activities in the statement
of activities (page 9) are different because:**

Net change in fund balances - total governmental funds (page 12)		\$ 641,325
In the statement of activities, capital outlay and equipment contributed by the ISD Foundation for the Recreation Complex are reported as program revenues. However, these revenues are not included in the governmental funds.		4,062,667
Governmental funds report capital outlay as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Capital outlay exceeded depreciation expense in the current year as follows:		
Capital outlay	\$ 1,378,402	
Depreciation expense	<u>(279,765)</u>	1,098,637
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These activities consist of compensated absences.		<u>(489)</u>
Change in net assets of governmental activities (page 9)		<u><u>\$5,802,140</u></u>

See notes to financial statements.

Exhibit G

Iowa School for the Deaf
Statement of Changes in Fiduciary Net Assets
Agency Fund
Yaer Ended June 30, 2002

	<u>Balance</u> <u>Beginning of</u> <u>Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>End of Year</u>
Assets				
Cash	\$ 59,757	118,517	115,082	63,192
Liabilities				
Deposits held in custody for others	\$ 59,757	118,517	115,082	63,192

See notes to financial statements.

Iowa School for the Deaf
Notes to Financial Statements
June 30, 2002

(1) Summary of Significant Accounting Policies

The Iowa School for the Deaf (School) is located on a 147-acre campus, three and one-half miles south of Council Bluffs, Iowa, on Highway 275. The School is a tax-supported institution governed by the Board of Regents, State of Iowa.

In accordance with Chapter 270 of the Code of Iowa, the School provides an education commensurate with the needs of students with hearing loss which is too severe to acquire an education in the public schools.

The School's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the School has included all funds, organizations, agencies, boards, commissions, and authorities. The School has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the School to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the School. The School has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Entity-wide Financial Statements

The statement of net assets and statement of activities report information on all non-fiduciary activities of the School. Governmental activities generally are financed through appropriations, charges for service and federal grant funds.

The statement of net assets presents the School's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in two categories:

Invested in capital assets consists of capital assets net of accumulated depreciation.

Unrestricted net assets consist of net assets that are not invested in capital assets, as defined in the preceding category, and do not have constraints placed on them from external sources or imposed by law through constitutional provisions or enabling legislation. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include (1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Appropriations and other items not meeting the definition of program revenues are instead reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental and fiduciary funds even though the latter are excluded from the entity-wide statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Financial Statement Presentation

The School reports the following major governmental funds:

The General Fund is utilized to account for the transactions related to the School's state-appropriated budget as approved by the Iowa Legislature and the Board of Regents and for funds received through the Iowa Department of Education. These funds are expended in performing the primary and support objectives of the School, i.e. instruction, student services, academic and institutional support, physical plant, federal and grant funds, recreation complex and other restricted programs.

The Special Revenue Fund accounts for the proceeds of specific revenue sources that are to be expended for a specified purpose. The fund includes general contributions, scholarships and memorials. Accounts which comprise the Special Revenue Fund include investments in the Clara PeSchong Fund and the Marty Scholarship. The monies in the Clara PeSchong Fund may be used for the benefit of the school and students. The Marty Scholarship is to be used for Gallaudet-bound students with good citizenship abilities.

In addition, the School reports the following fund type:

Agency Funds are used to account for assets held by the School in a purely custodial capacity. This account includes items such as student activity fees, Recreation Center/Teen Center concessions, Booster Club and yearbook receipts. Funds are used for class trips, concessions, various student activities and uniforms.

D. Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The entity-wide and fiduciary fund financial statements are reported using the economic resources measurement focus. The entity-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when

earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if funds are collected within 60 days after year end.

Appropriations, grants, reimbursements from other governments and interest are considered to be susceptible to accrual. All other revenues are considered to be measurable and available only when cash is received by the School.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

In reporting the financial activity in the entity-wide financial statements, the School applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

E. Budgets and Budgetary Accounting

Budgetary control is exercised over the School through the budgetary process prescribed in Chapter 8 of the Code of Iowa. Each agency of the state prepares estimates of expenditures and income for each ensuing year. These estimates are transmitted to the Department of Management which prepares and submits a tentative budget to the Governor. After holding public hearings, the Governor prepares and transmits the budget to the Iowa Legislature. The Legislature appropriates funds to the various agencies based on the budget as adjusted through the appropriation process. Formal and legal budgetary control is based on total operating expenditures by appropriation unit.

The budget for the General Fund is adopted on a basis consistent with U.S. generally accepted accounting principles, adjusted for the net change in inventory, prepaid expenditures and encumbrances. Encumbrances outstanding at year end are charged against the School's budget, but are reported as a reservation of fund balance on the balance sheet since they do not constitute expenditures or liabilities.

The School does not adopt a formal, legal budget for its Special Revenue Fund.

There were no material violations of finance-related legal and contractual provisions. The budgetary comparison schedule and related information is reported as Required Supplementary Information.

F. Investments

Investments are stated at fair value.

G. Due from State of Iowa

Due from State of Iowa represents the amount due from the tax-exempt bond proceeds restricted capital fund account for capital projects in progress at the School. Although the receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until earned (i.e. when claims have been paid on the capital projects).

H. Inventories

Inventories are valued at cost using the first-in, first-out method. Inventories in the General Fund consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are purchased. Reported inventories in the governmental fund financial statements are equally offset by a fund balance reserve which indicates that they are not available to liquidate current obligations.

I. Capital Assets

Capital assets are reported in the entity-wide financial statements at historical cost. Donated capital assets are reported at estimated fair market value at the date of donation. 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. Reportable capital assets are defined by the School as assets above the following thresholds:

Land, building and improvements	\$50,000
Equipment and vehicles	2,000

Capital assets are depreciated over their useful lives using the straight-line depreciation method. The entity-wide financial statements report depreciation expense. The following useful lives are used:

Buildings	20 years
Improvements other than buildings	20 years
Equipment	5 years
Vehicles	5 years

J. Compensated Absences

Earned vacation and sick pay related to governmental funds are recorded as liabilities in the entity-wide financial statements. School employees accrue vacation and sick leave at rates specified in the Code of Iowa and/or collective bargaining agreements. Accumulated unused vacation leave is payable upon termination of employment. Accumulated unused sick leave is payable only upon retirement and only to limits specified in the Code of Iowa and/or collective bargaining agreements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The liabilities for compensated absences are based on rates of pay in effect at June 30, 2002.

K. State Appropriations and Reversions

The Iowa Legislature makes annual appropriations of state funds to the various agencies. No payment of an obligation for goods and services can be charged to an appropriation subsequent to the last day of the fiscal term for which the appropriation is made unless such goods or services are received on or before June 30. Notwithstanding Section 8.62 of the Code of Iowa, if the agency has

unobligated balances of operational appropriations at the end of the fiscal year, the balance shall revert to the general fund of the state as provided in Section 8.33.

(2) Cash and Investments

The School's cash-on-hand at June 30, 2002, is \$250. The bank and book balances are \$2,556,539 and \$2,357,017, respectively. Except for \$225,684 of uninsured, uncollateralized money market mutual funds, the School's deposits throughout the period and at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

In accordance with the Board of Regents' policy, the School's operating portfolio may be invested in obligations of the U.S. Government or its agencies, certain highly rated commercial paper, highly rated corporate bonds, certain limited maturity zero coupon securities, fully insured or collateralized certificates of deposits and savings, eligible bankers acceptances of 180 days or less, certain repurchase agreements, high quality money market funds, and highly rated guaranteed investment contracts. The School's endowment portfolio may invest in all of the above as well as certain listed investment grade securities, certain shares of investment companies, and new issues of investment grade common stock.

The School's investments at June 30, 2002 are part of an investment pool operated by Iowa State University's Endowment Fund with a fair value of \$760,204.

The School's investments are categorized to give an indication of the level of risk assumed by the School at year end. The School's investments are all Category 3 which means that the investments are uninsured and unregistered with securities held by Iowa State University's agent in the name of the University.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2002 was as follows:

	Balance Beginning of Year	Adjustments	Balance Beginning of Year (as restated, note 9)	Additions	Deletions	Balance End of Year
Governmental activities:						
Capital assets, not being depreciated:						
Land	\$ 7,365	(7,365)	-	-	-	-
Construction in progress	2,765,940	253,537	3,019,477	5,299,060	-	8,318,537
Total capital assets, not being depreciated	2,773,305	246,172	3,019,477	5,299,060	-	8,318,537
Capital assets, being depreciated:						
Building and improvements	6,268,848	-	6,268,848	-	-	6,268,848
Equipment and vehicles	2,129,965	-	2,129,965	142,009	(102,748)	2,169,226
Total capital assets being depreciated	8,398,813	-	8,398,813	142,009	(102,748)	8,438,074
Total capital assets	11,172,118	246,172	11,418,290	5,441,069	(102,748)	16,756,611
Less accumulated depreciation for:						
Buildings and improvements	-	6,268,848	6,268,848	-	-	6,268,848
Equipment and vehicles	-	1,286,865	1,286,865	279,765	(102,748)	1,463,882
Total accumulated depreciation	-	7,555,713	7,555,713	279,765	(102,748)	7,732,730
Governmental activities capital assets, net	\$ 11,172,118	(7,309,541)	3,862,577	5,161,304	-	9,023,881

(4) Compensated Absences

Changes in compensated absences for the year ended June 30, 2002 are summarized as follows:

Compensated absences:	
Balance beginning of year	\$ 221,697
Increases	187,485
Decreases	<u>(186,996)</u>
Balance end of year	<u>\$ 222,186</u>

(5) Pension and Retirement Benefits

Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF):

The School contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA administers the retirement plan for the School. The defined contribution retirement plan provides individual annuities for each plan participant. The Board of Regents, State of Iowa, establishes and amends the plan's provision and contribution requirements. As required by Board policy, all eligible School employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. The plan requires a minimum contribution of 3.70% by the employee and 5.75% by the employer. The School's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2002 were \$198,586 and \$175,271 respectively.

Iowa Public Employees Retirement System (IPERS):

The School contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117 Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the School is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The School's contributions to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$107,655, \$110,515, and \$120,555, respectively, equal to the required contributions for each year.

(6) Post Retirement Benefits

In addition to the retirement systems described above, professional employees who meet certain specifications are eligible for participation in the early retirement incentives program (ERIP) approved by the Board of Regents, effective July 1, 1986. This program was in effect until June 30, 1992. This same program was approved for Merit System employees by the Board of Regents effective July 1, 1990 for a one year trial period with an extension until June 1992. Effective July 1, 1992 through June 30, 1997 and renewed through June 30, 2002, the Board of Regents approved a new early retirement incentive program for all employees. In July 2001, the Board of Regents approved discontinuation of the program upon its expiration on June 30, 2002. The Board of Regents has authorized the Superintendent to exercise discretion as to whether employees who are qualified at June 30, 2002 may have two years after expiration of the program to request participation.

To be eligible for ERIP, an employee must be 57 to 64 years of age with 15 or more years of service. The employee's participation must be approved by the employee's department head and the appropriate administrative officers.

All incentive payments are financed on a pay-as-you-go basis. An employee approved for participation in the program will receive the following incentives until age 65, unless otherwise specified:

- 1) Health and Dental Insurance – The employer's contributions are made until the employee is eligible for Medicare coverage.
- 2) Group Life Insurance – The employer provides a paid-up life insurance policy which varies in amounts between \$2,000 and \$4,000.
- 3) TIAA/CREF or IPERS Contributions – The employer's and employee's contributions are made for up to three years; employer's contributions are made up to an additional two years; and employer's contributions are payable for a maximum of five years or until the employee is eligible for full Social Security benefits, whichever occurs first.

An employee may elect, prior to approval of participation in the program, to accept the present value of all or part of the incentives as a lump sum payment on the beginning date of participation in the program. The rate of interest used to calculate the present value is established annually by the Board of Regents. The rate used for this fiscal year is 3.70%.

Early Retirement Incentive Program contributions for the fiscal year ended June 30, 2002 amounted to \$70,817 for the 26 participants in the program.

(7) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage for the prior year and settlements have not exceeded coverage for the past three fiscal years. The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, property damage and torts.

The School is also exposed to various risks of loss related to damage to and destruction of assets and natural disasters. These risks are covered by the purchase of commercial insurance. In addition, a contingent fund exists under Chapter 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses).

The state maintains an employee fidelity bond where the first \$100,000 in losses are the responsibility of the School. Losses in excess of the \$100,000 deductible are insured up to \$2,000,000. Coverage extends to all School employees.

The School is self-insured for various risks of loss related to the operation of its motor vehicle fleet. The Regent's Motor Vehicle Liability Self-Insurance Fund services liability and property damage claims.

(8) Related Organization

The Iowa School for the Deaf Foundation (the Foundation) was organized under Section 501(c)(3), of the Internal Revenue Code to promote the welfare of the Iowa School for the Deaf and its faculty, students, staff and alumni.

The significant revenues for the Foundation are contributions and investment income which are used for designated projects and scholarships. The Foundation's total assets and total equity at December 31, 2001 were \$977,705. The Foundation reported contributions of \$1,707,105, interest income of \$86,830 and total disbursements of \$2,312,427 during the year ended December 31, 2001.

(9) Accounting Change

During fiscal year 2002, the School implemented several new accounting standards issued by the Government Accounting Standards Board: Statement Number 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement Number 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement Number 38, Certain Financial Statement Note Disclosures.

Statement Number 34, as amended by Statement Number 37, creates new basic financial statements for reporting the School’s financial activities. The financial statements now include entity-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Statement Number 38 requires certain note disclosures when Statement Number 34 is implemented.

The School also implemented new capitalization thresholds. The provisions of these standards and the changes in the capitalization policy have been incorporated into the financial statements and notes.

The entity-wide financial statements report the School’s governmental activities. Beginning net assets for governmental activities has been restated to include fund reclassifications, capital assets and the changes in assets and liabilities at July 1, 2001 resulting from the conversion to the accrual basis of accounting.

	<u>Amount</u>
Net assets, June 30, 2001, as previously reported	\$ 1,303,013
GASB 34 adjustments:	
Reclassification of Expendable Trust Fund to Special Revenue Fund	560,684
Capital assets, net of accumulated depreciation of \$7,555,713	3,616,405
Compensated absences	(221,697)
Change in capitalization policy	(7,365)
Correction of prior year error in recording of construction in progress	<u>253,537</u>
Net assets, July 1, 2001, as restated	<u>\$ 5,504,577</u>

Required Supplementary Information

Iowa School for the Deaf

Budgetary Comparison Schedule
and Budget to GAAP Reconciliation
Required Supplementary Information
General Fund

Year ended June 30, 2002

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
Revenues:					
General:					
State appropriation	\$ 8,564,660	8,508,134	9,622,895	-	9,622,895
Intergovernmental	1,110,798	1,110,798	1,067,719	1	1,067,720
Interest	83,000	83,000	98,641	-	98,641
Sales and service	322,693	322,693	304,628	-	304,628
Total revenues	10,081,151	10,024,625	11,093,883	1	11,093,884
Expenditures:					
Salaries and wages	7,230,326	7,171,717	6,927,332	-	6,927,332
Professional/scientific supplies	1,142,436	1,406,186	1,366,236	2,986 (1)	1,369,222
Library acquisitions	13,226	8,226	5,362	-	5,362
Utilities	383,020	383,020	220,663	-	220,663
Building repair and improvements	1,077,000	827,000	2,081,686	(150,881) (2)	1,930,805
Audit and accounting	62,000	57,000	46,029	-	46,029
Equipment	173,143	171,476	157,450	-	157,450
Total expenditures	10,081,151	10,024,625	10,804,758	(147,895)	10,656,863
Excess of revenues over expenditures	-	-	289,125	147,896	437,021
Balance beginning of year	-	-	1,303,013	-	1,303,013
Balance end of year	\$ -	-	1,592,138	147,896	1,740,034

Explanation of differences:

- (1) Net change in inventory, prepaid expenditures and encumbrances.
- (2) Net change in encumbrances.

See accompanying independent auditor's report.

Other Supplementary Information

Iowa School for the Deaf

Expenditures by Object

General Fund

Year ended June 30, 2002

	Instruction	Academic Support	Student Services	Institutional Support
Salaries and wages	\$ 3,303,100	287,335	1,775,196	498,691
Professional/scientific supplies	205,023	97,238	263,041	220,028
Library acquisitions	-	5,362	-	-
Utilities	-	4,719	-	-
Building repair and improvements	-	-	-	-
Audit and accounting	-	-	-	46,029
Equipment	7,115	(661)	5,178	-
Total	<u>\$ 3,515,238</u>	<u>393,993</u>	<u>2,043,415</u>	<u>764,748</u>

See accompanying independent auditor's report.

Physical Plant	Federal and Grant Funds	Recreation Complex	Other Restricted Programs	Total
669,249	112,120	-	281,641	6,927,332
203,395	4,932	-	375,565	1,369,222
-	-	-	-	5,362
215,944	-	-	-	220,663
421,255	-	1,260,709	248,841	1,930,805
-	-	-	-	46,029
103,684	3,166	-	38,968	157,450
1,613,527	120,218	1,260,709	945,015	10,656,863

Schedule 2

Iowa School for the Deaf

Cost per Student
(Unaudited)

For the Last Five Fiscal Years

Year	Average Number of Students	Cost Per Student
2002	134	\$ 70,052 *
2001	138	70,247 *
2000	138	68,468
1999	149	61,229
1998	116	66,322

* For fiscal years 2002 and 2001, construction in progress totaling \$1,269,838 and \$2,765,940, respectively, that were paid by the Iowa School for the Deaf, were removed from costs for purposes of this computation.

See accompanying independent auditor's report.



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David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

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

We have audited the financial statements of the Iowa School for the Deaf, as of and for the year ended June 30, 2002 and have issued our report thereon dated March 27, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Iowa School for the Deaf's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa School for the Deaf's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa School for the Deaf during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 27, 2003

Iowa School for the Deaf

Staff

This audit was performed by:

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