

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

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

JUNE 30, 2004

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 Fee Receipts	1	14
Student Enrollment	2	15
Staff		16



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, 2004, 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 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, 2004 and changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

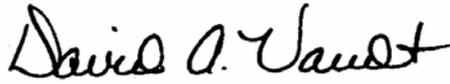
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ice Arena Facility Revenue Note Funds of Iowa State University of Science and Technology as of June 30, 2004, and the revenues, expenditures and changes in fund balances for the year then ended in conformity with U.S. generally accepted accounting principles.

In connection with our audit, nothing came to our attention that caused us to believe 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, our audit was not directed primarily toward obtaining knowledge of such non-compliance.

Iowa State University of Science and Technology has not presented Management's Discussion and Analysis for the Ice Arena Facility Revenue Note Funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

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 and 2 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 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 30, 2004

Financial Statements

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

Balance Sheet

June 30, 2004

	<u>Unexpended</u> <u>Improvement</u> <u>Fund</u>
Assets	
Cash and investments (note 2)	\$ 517,068
Cash with paying agent (note 3)	-
Interest receivable	-
Capital assets, net (note 4)	-
Total assets	<u>\$ 517,068</u>
Liabilities and Fund Balances	
Liabilities:	
Interest payable	\$ -
Revenue notes payable (note 3)	-
Total liabilities	<u>-</u>
Fund balances:	
Net investment in plant	-
Unreserved, designated for specific purposes	517,068
Total fund balances	<u>517,068</u>
Total liabilities and fund balances	<u>\$ 517,068</u>

See notes to financial statements.

Plant Funds		
Retirement of Indebtedness		
Sinking Fund	Investment in Plant	Total
-	-	517,068
98,403	-	98,403
-	-	-
-	3,497,620	3,497,620
98,403	3,497,620	4,113,091
38,622	-	38,622
59,781	1,238,418	1,298,199
98,403	1,238,418	1,336,821
-	2,259,202	2,259,202
-	-	517,068
-	2,259,202	2,776,270
98,403	3,497,620	4,113,091

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, 2004

	Unexpended Improvement Fund
Revenues:	
Investment income	\$ 92
Expenditures before depreciation:	
Administrative expenses	-
Interest on indebtedness	-
Repair and maintenance	27,125
Total expenditures before depreciation	27,125
Excess (deficiency) of revenues over (under) expenditures before depreciation	(27,033)
Depreciation	-
Excess (deficiency) of revenues over (under) expenditures	(27,033)
Other financing sources (uses):	
Transfer to other University funds	(56,896)
Transfer of revenue notes payable	35,000
Mandatory transfers	-
Non-mandatory transfers	39,388
Allocation of student fees from other University funds	-
Total other financing sources (uses)	17,492
Net decrease for the year	(9,541)
Fund balances beginning of year	526,609
Fund balances end of year	\$ 517,068

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness			
Sinking Fund	Revenue Fund	Investment in Plant	Total
-	15,892		15,984
-	143	-	143
78,969	-	-	78,969
-	-	-	27,125
78,969	143	-	106,237
(78,969)	15,749	-	(90,253)
-	-	(102,182)	(102,182)
(78,969)	15,749	(102,182)	(192,435)
-	-		(56,896)
(117,837)	-	82,837	-
196,806	(196,806)	-	-
-	(39,388)	-	-
-	220,445	-	220,445
78,969	(15,749)	82,837	163,549
-	-	(19,345)	(28,886)
-	-	2,278,547	2,805,156
-	-	2,259,202	2,776,270

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

Notes to Financial Statements

June 30, 2004

(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, is comprised of amounts to provide for payment of principal and interest. Investment in Plant is comprised of amounts representing the total of buildings, 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.

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 individual cost of more than \$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, 2004, no interest costs were capitalized.

Depreciation is computed using the straight-line method over an estimated useful life of 25 or 40 years on various components of the building.

(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, 2004 are as follows:

	<u>Fair Value</u>
Cash	<u>\$ 517,068</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
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>\$ 1,298,199</u>	<u>374,652</u>	<u>1,672,851</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, 2004, 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, 2004:

	Balance July 1, 2003	Additions	Balance June 30, 2004
Building	\$ 3,902,859	-	3,902,859
Less accumulated depreciation	(303,057)	(102,182)	(405,239)
Capital assets, net	<u>\$ 3,599,802</u>	<u>(102,182)</u>	<u>3,497,620</u>

The cost of land for the Ice Arena Facility is not reflected on the balance sheet. This land is owned by the City of Ames.

Supplemental Information

Schedule 1

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

Student Fee Receipts

Year ended June 30, 2004

	Student Fees
Spring Semester, 2003*	\$ 1,886
Summer Semester, 2003**	6,369
Fall Semester, 2003	104,470
Spring Semester, 2004	95,963
Summer Semester, 2004***	11,757
	<u>\$ 220,445</u>

Ice Arena Facility fees (\$2.10 for Summer and \$4.20 for Spring and Fall) are collected from students who are enrolled for more than two credit hours.

* Spring Semester 2003 fees that were not paid until fiscal year 2004.

** Summer Semester 2003 fees exclude \$10,848 of fees recognized in fiscal year 2003.

*** Summer Semester 2004 fees exclude \$6,884 of deferred revenues representing fees applicable to fiscal year 2005.

See accompanying independent auditor's report.

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

Student Enrollment
(Unaudited)

Year ended June 30, 2004

Enrollment at Iowa State University of Science and Technology for the year ended June 30, 2004 was as follows:

Summer Semester, 2003	9,966
Fall Semester, 2003	27,380
Spring Semester, 2004	25,282

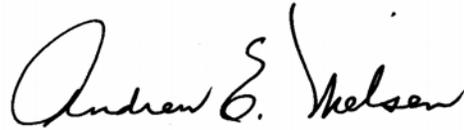
See accompanying independent auditor's report.

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

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Marc D. Johnson, Staff Auditor
Curtis J. Schroeder, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State