



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

Richard D. Johnson, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**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.

# # #



**STUDENT HEALTH 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 Student Health 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 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 Student Health 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 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 financial position of the Student Health Facility Revenue Bond Funds of Iowa State University of Science and Technology at June 30, 2002, and the revenues, expenditures and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 7 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 Student Health Facility Revenue Bond 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 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.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 15, 2002

## **Financial Statements**

Student Health Facility Revenue Bond Funds  
Iowa State University of Science and Technology

Balance Sheet

June 30, 2002

	Current	Sinking
	Operations	Fund
	Fund	Fund
<b>Assets</b>		
Cash and investments (note 2)	\$ 1,015,627	-
Cash with paying agents (note 3)	-	328,971
Accounts receivable, less allowance for doubtful accounts of \$19,572	329,943	-
Interest receivable	-	111
Due from other University funds	-	-
Prepaid expense	2,052	-
Inventory	167,483	-
Capital assets, net (note 4)	-	-
	\$ 1,515,105	329,082
	\$ 1,515,105	329,082
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Accounts payable	\$ 23,373	-
Accrued salaries and wages	6,583	-
Compensated absences payable	308,401	-
Interest payable	-	103,971
Revenue bonds payable (note 3)	-	225,000
Total liabilities	338,357	328,971
	338,357	328,971
Fund balances:		
Net investment in plant	-	-
Reserved for debt service	-	111
Unreserved, designated for operations	1,176,748	-
Total fund balances	1,176,748	111
	1,176,748	111
<b>Total liabilities and fund balances</b>	\$ 1,515,105	329,082

See notes to financial statements.



<u>Plant Funds</u>				
<u>Retirement of Indebtedness</u>				
<u>Reserve Fund</u>	<u>Excess Fund</u>	<u>Arbitrage Reserve Fund</u>	<u>Investment In Plant</u>	<u>Total</u>
443,373	651,872	-	-	2,110,872
-	-	-	-	328,971
-	-	-	-	329,943
10,782	-	-	-	10,893
-	12,813	-	-	12,813
-	-	-	-	2,052
-	-	-	-	167,483
-	-	-	4,972,478	4,972,478
<b>454,155</b>	<b>664,685</b>	<b>-</b>	<b>4,972,478</b>	<b>7,935,505</b>
-	-	-	-	23,373
-	-	-	-	6,583
-	-	-	-	308,401
-	-	-	-	103,971
-	-	-	3,765,000	3,990,000
-	-	-	3,765,000	4,432,328
-	-	-	1,207,478	1,207,478
454,155	664,685	-	-	1,118,951
-	-	-	-	1,176,748
<b>454,155</b>	<b>664,685</b>	<b>-</b>	<b>1,207,478</b>	<b>3,503,177</b>
<b>454,155</b>	<b>664,685</b>	<b>-</b>	<b>4,972,478</b>	<b>7,935,505</b>

Student Health Facility Revenue Bond Funds  
Iowa State University of Science and Technology

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2002

	Current Operations Fund	Sinking Fund
Revenues (expenditures):		
Operating revenues	\$ 5,840,505	-
Operating expenditures before depreciation	(6,044,394)	-
Operating loss before depreciation	(203,889)	-
Depreciation	-	-
Net operating loss	(203,889)	-
Other revenues (expenditures):		
Investment Income	-	784
Net increase in fair value of investments	-	-
Interest on indebtedness	-	(207,943)
Administrative expenses	-	-
Miscellaneous income	-	-
Excess (deficiency) of revenues over (under) expenditures	(203,889)	(207,159)
Other financing sources (uses):		
Allocation of student fees from other University funds	-	-
Additions to capital assets	(43,234)	-
Elimination of book value of capital assets transferred	-	-
Transfers from other University funds	-	-
Non-mandatory transfers	(1,180)	-
Mandatory transfers	-	431,976
Transfer of revenue bonds payable	-	(225,000)
Total other financing sources (uses)	(44,414)	206,976
Net increase (decrease) for the year	(248,303)	(183)
Fund balances beginning of year, as restated (note 7)	1,425,051	294
Fund balances end of year	\$ 1,176,748	111

See notes to financial statements.

Plant Funds				
Retirement of Indebtedness				
Reserve Fund	Excess Fund	Arbitrage Reserve Fund	Investment in Plant	Total
-	-	-	-	5,840,505
-	-	-	-	(6,044,394)
-	-	-	-	(203,889)
-	-	-	(311,154)	(311,154)
-	-	-	(311,154)	(515,043)
18,290	40,832	18	-	59,924
8,962	-	-	-	8,962
-	-	-	-	(207,943)
-	-	(1,200)	-	(1,200)
-	15	-	-	15
27,252	40,847	(1,182)	(311,154)	(655,285)
-	475,861	-	-	475,861
-	-	-	43,234	-
-	-	-	34,963	34,963
-	-	-	(506)	(506)
-	-	1,180	-	-
(13,224)	(418,752)	-	-	-
-	-	-	225,000	-
(13,224)	57,109	1,180	302,691	510,318
14,028	97,956	(2)	(8,463)	(144,967)
440,127	566,729	2	1,215,941	3,648,144
454,155	664,685	-	1,207,478	3,503,177

Student Health 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 Student Health 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, improve and equip a Student Health Center 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 Student Health Facility Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Student Health 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 Student Health 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 include the following funds: (1) Retirement of Indebtedness, and (2) Investment in Plant. Retirement of Indebtedness, including the Sinking, Reserve, Excess and Arbitrage 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, improvements and equipment, all net of accumulated depreciation and the related liabilities.

The Current Fund, including the Operations Fund, is classified as a University Auxiliary Enterprise to account for transactions of substantially self-supporting activities that primarily perform a service to students.

Operations Fund

The Operations Fund is used to account for all financial activity of the Facility, except those to be accounted for in another Fund.

### Bond Sinking Fund (Sinking Fund)

The bond resolution provides that during each fiscal year, as the Student Health Facility Fees are received and collected, they shall be segregated and deposited in the Bond Sinking Fund, until there has been accumulated therein an amount equal to the full amount of principal and interest which will become due and payable on and prior to the next succeeding January 1 and July 1 on all Bonds then outstanding. The Bond Sinking Fund shall be used solely and only and is hereby pledged for the purpose of paying the principal of and interest on the Bonds hereby authorized and bonds ranking on a parity therewith and for no other purpose.

### Debt Service Reserve Fund (Reserve Fund)

The bond resolution establishes a Debt Service Reserve Fund as additional security for the bonds. The Debt Service Reserve Fund will be funded in an amount equal to the lesser of (i) ten percent of the stated principal amount of the Bonds; (ii) the maximum annual payments of principal of and interest on the Bonds, or (iii) 125% of the average annual principal and interest requirements on the Bonds (the "Debt Service Reserve Requirement"). The Debt Service Reserve Fund was funded at Bond closing in the amount of \$434,703. All moneys credited to the Debt Service Reserve Fund shall be transferred to the Bond Sinking Fund and used for the payment of the principal of and interest on the Bonds whenever for any reason the funds on deposit in the Bond Sinking Fund are insufficient to pay such principal and interest when due. All amounts in excess of the Debt Service Reserve requirement shall be transferred to the Excess Fund.

### Excess Fund

The bond resolution provides that all Student Health Facility Fees, not required to be deposited into the Bond Sinking Fund, be deposited into the Excess Fund. In addition, all excess amounts in the Bond Sinking Fund and Debt Service Reserve Fund shall be deposited in the Excess Fund. All moneys deposited in the Excess Fund shall be (a) transferred and credited to the Bond Sinking Fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the Bonds or parity bonds, or (b) transferred and credited to the Debt Service Reserve Fund whenever any deficiency may exist in the Debt Service Reserve Fund or whenever necessary to replace funds transferred from the Debt Service Reserve Fund to the Bond Sinking Fund. Until so used, moneys credited to the Excess Fund may be used for any lawful purpose, as determined by the Board of Regents, including without limitation the following: (1) to purchase Bonds or parity bonds prior to maturity; and (2) to pay the cost of constructing, acquiring and improving the Project or extraordinary costs of operating, repairing or maintaining the Project.

### Arbitrage Reserve Fund

Moneys credited to the Arbitrage Reserve 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.

Accounts Receivable

Accounts receivable represent unpaid pharmacy services from customers and unpaid student health fees.

Inventory

Inventory is stated at the lower of cost (weighted average) or market.

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>Asset</u>	<u>Years</u>
Buildings	25
Equipment	5-12

**(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. Cash and investments at June 30, 2002 are as follows:

	<u>Fair Value</u>
Cash	\$ 1,667,800
U.S. government securities	413,500
Money market accounts	<u>29,572</u>
Total	<u>\$ 2,110,872</u>

The money market accounts are not subject to risk categorization.

**(3) Revenue Bonds Payable**

The bonds, issued on July 1, 1995 for \$5,140,000, were to be used to construct, improve and equip a Student Health Center on the campus of the University. The bonds bear interest at rates ranging from 4.75% to 5.50% per year, payable semi-annually 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	\$ 225,000	202,542	427,542
2004	235,000	191,503	426,503
2005	245,000	179,982	424,982
2006	255,000	167,855	422,855
2007	270,000	154,858	424,858
2008	285,000	140,840	425,840
2009	300,000	125,772	425,772
2010	315,000	109,625	424,625
2011	330,000	92,450	422,450
2012	345,000	74,308	419,308
2013	365,000	55,046	420,046
2014	820,000	22,550	842,550
	<u>\$ 3,990,000</u>	<u>1,517,331</u>	<u>5,507,331</u>

Under the provisions of the bond resolution, these bonds will be retired solely from proceeds of Student Health Facility Fees, net income from Student Health Center operations and gift income. The bonds are subject to redemption prior to their respective maturities, at the option of the Board of Regents, State of Iowa.

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 \$328,971 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 Student Health Center for the year ended June 30, 2002:

	Balance July 1, 2001 as restated, (note 7)	Additions	Deletions	Balance June 30, 2002
Buildings	\$ 6,373,719	-	-	6,373,719
Equipment	386,056	78,197	(3,033)	461,220
Total capital assets	<u>6,759,775</u>	<u>78,197</u>	<u>(3,033)</u>	<u>6,834,939</u>
Less accumulated depreciation:				
Buildings	(1,351,435)	(254,949)	-	(1,606,384)
Equipment	(202,399)	(56,205)	2,527	(256,077)
Total accumulated depreciation	<u>(1,553,834)</u>	<u>(311,154)</u>	<u>2,527</u>	<u>(1,862,461)</u>
Capital assets, net	<u>\$ 5,205,941</u>	<u>(232,957)</u>	<u>(506)</u>	<u>4,972,478</u>

**(5) Commitments**

Encumbrances outstanding at June 30, 2002 totaled \$32,160 and represent commitments for other goods or services that have been entered on the University's purchase order system.

**(6) Debt Service Coverage**

Student Health Facility Revenue Bond Fund principal and interest payments totaling \$432,943 due January 1 and July 1, 2002 require debt service coverage of a minimum of 120%, or \$519,531. Student Health facility fees of \$477,041, investment income of \$59,924, and excess funds available of \$651,872 provided debt service coverage of \$1,188,837, or 275% of the principal and interest due for the year ended June 30, 2002.

**(7) 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	\$ 6,373,719
Equipment	386,056
Total capital assets, as previously reported at June 30, 2001	<u>6,759,775</u>
Less accumulated depreciation at June 30, 2001 for:	
Buildings	(1,351,435)
Equipment	(202,399)
Total accumulated depreciation	<u>(1,553,834)</u>
Capital assets, net, at July 1, 2001 as restated	<u>\$ 5,205,941</u>



## **Supplemental Information**

**Schedule 1**

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Student Health Facility Revenue Bond Funds  
Iowa State University of Science and Technology

Fee Receipts

Year ended June 30, 2002

	Student Health Facility		Student Health Service	
	Fee Rate	Fees Collected	Fee Rate	Fees Collected
Fall Semester, 2001*	\$ 4.00/8.00	\$ 224,687	\$ 27.50/55.00	\$ 1,450,237
Spring Semester, 2002	8.00	242,726	55.00	1,410,462
Summer Semester 2002**	4.00	<u>8,448</u>	32.50	<u>43,216</u>
		<u>\$ 475,861</u>		<u>\$ 2,903,915</u>

\* Includes fee receipts for the period from July to December, 2001 primarily related to the Fall Semester.

\*\* Summer Semester 2002 fees that were collected in June 2002 and not deferred.

See accompanying independent auditor's report.

**Student Health 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.

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**Student Health 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  
Gina L. Cunningham, CPA, Senior Auditor  
Billie Jo Heth, Staff Auditor**

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