

**INDOOR MULTIPURPOSE USE AND TRAINING FACILITY REVENUE BOND FUNDS
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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

JUNE 30, 2004

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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 Indoor Multipurpose Use and Training Facility Revenue Bond 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 (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 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 discussed in note 1, the financial statements present only the Indoor Multipurpose Use and Training 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, 2004 and changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

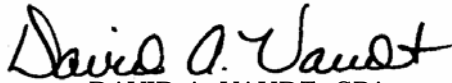
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indoor Multipurpose Use and Training Facility Revenue Bond Funds of Iowa State University of Science and Technology as of June 30, 2004, and the revenues, expenditures and changes in fund balances (deficit) 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 Indoor Multipurpose Use and Training Facility Revenue Bond Funds. It should be noted, however, our audit was not directed primarily toward obtaining knowledge of such non-compliance.

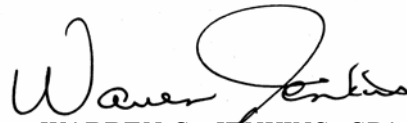
Iowa State University of Science and Technology has not presented Management's Discussion and Analysis for the Indoor Multipurpose Use and Training Facility Revenue Bond Funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part 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

Indoor Multipurpose Use and Training Facility Revenue Bond Funds
Iowa State University of Science and Technology

Balance Sheet

June 30, 2004

	Current Fund Revenue Fund	Unexpended System Fund
Assets		
Cash and investments (note 2)	\$ 130,581	12,290
Cash with paying agent (note 3)	-	-
Accounts receivable (note 5)	3,898,680	-
Interest receivable	-	-
Capital assets (note 4)	-	-
	\$ 4,029,261	12,290
Liabilities and Fund Balances (Deficit)		
Liabilities:		
Deferred revenue (note 5)	\$ 3,898,680	-
Accrued interest payable	-	-
Revenue bonds payable (note 3)	-	-
Total liabilities	3,898,680	-
Fund balances (deficit):		
Net investment in plant	-	-
Reserved for debt service	-	-
Unreserved, designated for specific purposes	130,581	12,290
Total fund balances (deficit)	130,581	12,290
	\$ 4,029,261	12,290

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness			
Sinking Fund	Reserve Fund	Investment in Plant	Total
-	511,650	-	654,521
312,235	-	-	312,235
-	-	-	3,898,680
43	2,036	-	2,079
-	-	9,094,045	9,094,045
312,278	513,686	9,094,045	13,961,560

-	-	-	3,898,680
112,235	-	-	112,235
200,000	518,650	5,393,517	6,112,167
312,235	518,650	-	5,393,517
10,123,082			

-	-	3,700,528	3,700,528
43	(4,964)	-	(4,921)
-	-	-	142,871
43	(4,964)	3,700,528	3,838,478
312,278	513,686	9,094,045	13,961,560

Indoor Multipurpose Use and Training 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, 2004

	Current Fund	Unexpended	
	Revenue Fund	Project Fund	System Fund
Other revenues (expenditures):			
Gift income	\$ 641,721	-	-
Administrative expenses		(3,949)	-
Investment income	1,087	5,781	-
Interest on indebtedness	-	-	-
Net decrease in fair value of investments	-	-	-
Excess (deficiency) of revenues over (under) expenditures	642,808	1,832	-
Other financing sources (uses):			
Additions to capital assets financed by Iowa State University Foundation	-	-	-
Additions to capital assets	-	(2,004,234)	-
Mandatory transfers	(511,140)	-	-
Non-mandatory transfers	(1,087)	3,949	6,436
Transfers to other University funds	(605,768)	-	-
Allocation of student fees from other University funds	605,768	-	-
Transfer of revenue bonds payable	-	1,982,215	-
Total other financing sources (uses)	(512,227)	(18,070)	6,436
Net increase (decrease) for the year	130,581	(16,238)	6,436
Fund balances beginning of year	-	16,238	5,854
Fund balances (deficit) end of year	\$ 130,581	-	12,290

See notes to financial statements.

Plant Funds				
Retirement of Indebtedness			Investment in Plant	Total
Sinking Fund	Reserve Fund	Arbitrage Reserve Fund		
-	-	-	-	641,721
-	-	(1,500)	-	(5,449)
223	10,612	-	-	17,703
(22,870)	-	-	-	(22,870)
-	(13,174)	-	-	(13,174)
(22,647)	(2,562)	(1,500)	-	617,931
-	-	-	3,228,225	3,228,225
(300,296)	-	-	2,304,530	-
511,140	-	-	-	-
(183)	(10,615)	1,500	-	-
-	-	-	-	(605,768)
-	-	-	-	605,768
(194,833)	-	-	(1,787,382)	-
15,828	(10,615)	1,500	3,745,373	3,228,225
(6,819)	(13,177)	-	3,745,373	3,846,156
6,862	8,213	-	(44,845)	(7,678)
43	(4,964)	-	3,700,528	3,838,478

Indoor Multipurpose Use and Training Facility Revenue Bond Funds
Iowa State University of Science and Technology

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Accounting Entity and Basis of Accounting

The Indoor Multipurpose Use and Training 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 equip an indoor multipurpose use and training 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 Indoor Multipurpose Use and Training Facility Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Indoor Multipurpose Use and Training 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 Indoor Multipurpose Use and Training Facility Revenue Bond Funds issued by the University. These fund financial statements reflect only those accounts and transactions related to these bonds. Certain of 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 Indoor Multipurpose Use and Training Facility Revenue Bond Funds include the following funds: (1) Unexpended, (2) Retirement of Indebtedness and (3) Investment in Plant. Unexpended, including the Project and System Funds established by the bond resolution, is comprised of amounts allocated or designated for constructing, acquiring and improving the Indoor Multipurpose Use and Training Facility. Retirement of Indebtedness, including the Sinking and Reserve 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 construction in progress and the related liabilities.

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

Revenue Fund

The Revenue Fund is used to account for the gross revenues and gift income of the Indoor Multipurpose Use and Training Facility (System). All monies credited to the Revenue Fund must first be disbursed to pay current expenses of the System and thereafter must be deposited in the Sinking Fund. The Revenue Fund will be used to account for the operations of the Indoor Multipurpose Use and Training Facility scheduled to open during the year ending June 30, 2005.

Project Fund

The Project Fund accounts for the receipts of the bond proceeds, less the initial deposits required in the Reserve Fund. These proceeds, together with such other funds as may be lawfully available for the purpose, are disbursed and used to pay project construction costs as required by the bond resolution.

System Fund

The bond resolution provides that all net revenues not required to be deposited into the Sinking Fund or the Reserve Fund, be deposited into the System Fund. All moneys deposited in the System Fund shall be (a) transferred and credited to the 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 Reserve Fund whenever any deficiency may exist in the Reserve Fund or whenever necessary to replace funds transferred from the Reserve Fund to the Sinking Fund. Until so used, moneys credited to the System Fund may be used for any lawful purpose, as determined by the Board of Regents, including without limitation the following: (1) to pay principal of and interest on any other obligations which by their terms shall be payable from the Net Revenues and which have been issued for the purposes of extensions and improvements to the System, (2) to retire the Bonds in advance of maturity, or (3) to pay for extraordinary repairs or replacements to the System.

Revenue Bond and Interest Sinking Fund (Sinking Fund)

The bond resolution provides that the required amount to be deposited from the Revenue Fund to the Sinking Fund during any fiscal year must be the amount necessary to pay in full the installment of principal and interest due on each January 1 and July 1 of each fiscal year.

Revenue Bond Debt Service Reserve Fund (Reserve Fund)

The bond resolution provides that money in the Revenue Fund shall next be disbursed to maintain a Reserve Fund in an amount equal to the Reserve Fund requirement. All monies credited to the Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the Bonds and any Parity Bonds for which there are insufficient funds available in the Sinking Fund.

Arbitrage Reserve Fund

Moneys credited to the Arbitrage Reserve Fund shall be used for the payment of arbitrage rebates and related administrative expenses.

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.

Deferred Revenue

Deferred revenue represents gift income from the Iowa State University Foundation (Foundation) to be collected in subsequent periods.

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 repair 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, \$300,296 in interest costs were capitalized.

Depreciation is computed using the straight-line method over an estimated useful life of 40 years.

(2) Cash and Investments

Cash in excess of immediate needs for debt service is primarily invested in U.S. government 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 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, 2004 are as follows:

	<u>Fair Value</u>
Cash and cash equivalents	\$ 198,757
U.S. government securities	<u>455,764</u>
Total	<u>\$ 654,521</u>

(3) Revenue Bonds Payable

The bonds, issued on February 1, 2003 for \$6,200,000, are to be used to construct and equip the Indoor Multipurpose Use and Training Facility that will consist of a 92,000 square foot enclosed field that will include a regulation size NCAA football field and associated storage, offices and rest rooms.

The bonds bear interest at rates ranging from 2.00% to 4.50% per year, payable semi-annually on January 1 and July 1. The bonds mature on January 1 and July 1 of each year, in annual amounts as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 200,000	222,470	422,470
2006	295,000	217,520	512,520
2007	300,000	211,270	511,270
2008	305,000	204,615	509,615
2009	315,000	197,086	512,086
2010	325,000	188,037	513,037
2011	335,000	177,635	512,635
2012	345,000	165,984	510,984
2013	355,000	153,293	508,293
2014	370,000	139,325	509,325
2015	385,000	124,225	509,225
2016	400,000	108,525	508,525
2017	415,000	91,447	506,447
2018	435,000	72,853	507,853
2019	450,000	53,494	503,494
2020	475,000	32,963	507,963
2021	495,000	11,137	506,137
	<u>6,200,000</u>	<u>2,371,879</u>	<u>8,571,879</u>
Unamortized Discount	<u>(87,833)</u>		
Total	<u>\$ 6,112,167</u>		

Under the provisions of the bond resolution, these bonds will be retired solely from the net revenues and gift income of the Indoor Multipurpose Use and Training Facility.

In accordance with the provisions of the bond resolution, all principal and interest maturing on 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.

At June 30, 2004, cash with paying agents of \$312,235 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 Indoor Multipurpose Use and Training Facility assets for the year ended June 30, 2004:

	Balance		Balance
	July 1,		June 30,
	2003	Additions	2004
Construction in Progress	\$ 3,561,290	5,532,755	9,094,045

The building construction financed by the Indoor Multipurpose Use and Training Facility revenue bond proceeds was in progress at June 30, 2004. Therefore, no depreciation has been recorded as of June 30, 2004.

The cost of land used for the System is not reflected on the balance sheet. This land is included in other accounts of the University.

(5) Related Party Transaction

The Iowa State University Foundation (Foundation) has entered into an agreement with the Board of Regents, State of Iowa (Board), which obligates the Foundation to make gifts to the Board to be used to pay costs of constructing and equipping the Indoor Multipurpose Use and Training Facility, including principal of and interest on the Indoor Multipurpose Use and Training Facility Revenue Bonds. The gifts are scheduled to be paid annually in varying amounts from November 1, 2003 to November 1, 2018. The outstanding amount as of June 30, 2004 is \$3,898,680, which is reported as accounts receivable and deferred revenue.

(6) Debt Service Coverage

Indoor Multipurpose Use and Training Facility Revenue Bond Fund principal and interest payments totaling \$517,999 due January 1 and July 1, 2004 require debt service coverage of a minimum of 135%, or \$699,299. Indoor Multipurpose Use and Training Facility student fees of \$605,768, investment income of \$17,703, gift income of \$641,721, and cash in the System Fund of \$12,290 provided debt service coverage of \$1,277,482, or 247% of the principal and interest due for the year ended June 30, 2004.

Supplemental Information

Schedule 1

Indoor Multipurpose Use and Training Facility Revenue Bond Funds
Iowa State University of Science and Technology

Student Fee Receipts

Year ended June 30, 2004

	Student Fees
Spring Semester, 2003*	\$ 4,939
Summer Semester, 2003**	45,095
Fall Semester, 2003	273,613
Spring Semester, 2004	251,330
Summer Semester, 2004***	<u>30,791</u>
	<u>\$ 605,768</u>

Indoor Multipurpose Use and Training Facility Fees are collected from students who are enrolled for more than two credit hours.

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

** All Summer Semester 2003 fees were recognized in fiscal year 2004.

*** Summer Semester 2004 fees exclude \$18,030 of deferred revenues representing fees applicable to fiscal year 2005.

See accompanying independent auditor's report.

Indoor Multipurpose Use and Training Facility Revenue Bond 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

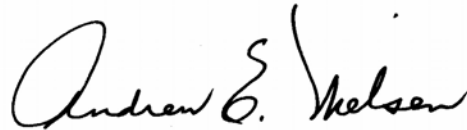
See accompanying independent auditor's report.

Indoor Multipurpose Use and Training Facility Revenue Bond Funds
Iowa State University of Science and Technology

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Sarah D. McFadden, CPA, Staff 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