

**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, 2005**

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

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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, 2005, 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. Those standards 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, 2005 and changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Iowa State University of Science and Technology declined to present a statement of cash flows for the Indoor Multipurpose Use and Training Facility Revenue Bond Funds for the year ended June 30, 2005. Presentation of such a statement summarizing the Indoor Multipurpose Use and Training Facility Revenue Bond Funds operating, noncapital financing, capital and related financing and investing activities is required by U.S. generally accepted accounting principles.

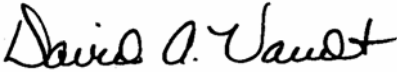
In our opinion, except that the omission of a statement of cash flows results in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Indoor Multipurpose Use and Training Facility Revenue Bond Funds of Iowa State University of Science and Technology as of June 30, 2005, and the changes in its financial position 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 Bonds. 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, 2005

## **Financial Statements**

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

Balance Sheet

June 30, 2005

	Current Fund Revenue Fund	Unexpended System Fund
<b>Assets</b>		
Cash and investments (note 2)	\$ 111	21,426
Cash with paying agents (note 3)	-	-
Accounts receivable (note 5)	3,513,680	-
Interest receivable	-	-
Capital assets (note 4)	-	-
<b>Total assets</b>	<b>\$ 3,513,791</b>	<b>21,426</b>
<b>Liabilities and Fund Balances (Deficit)</b>		
Liabilities:		
Deferred revenue (note 5)	\$ 3,513,680	-
Accrued interest payable	-	-
Revenue bonds payable (note 3)	-	-
Total liabilities	3,513,680	-
Fund balances (deficit):		
Net investment in plant	-	-
Reserved for debt service	-	-
Unreserved, designated for specific purposes	111	21,426
Total fund balances (deficit)	111	21,426
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 3,513,791</b>	<b>21,426</b>

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness			
Sinking Fund	Reserve Fund	Investment in Plant	Total
-	510,751	-	532,288
405,235	-	-	405,235
-	-	-	3,513,680
267	2,129	-	2,396
-	-	9,839,798	9,839,798
405,502	512,880	9,839,798	14,293,397
-	-	-	3,513,680
110,235	-	-	110,235
295,000	518,650	5,103,683	5,917,333
405,235	518,650	5,103,683	9,541,248
-	-	4,736,115	4,736,115
267	(5,770)	-	(5,503)
-	-	-	21,537
267	(5,770)	4,736,115	4,752,149
405,502	512,880	9,839,798	14,293,397

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, 2005

	Current Fund Revenue Fund	Unexpended System Fund
Other revenues (expenditures):		
Gift income	\$ 385,000	-
Administrative expenses	-	(4,093)
Investment income	2,343	-
Interest on indebtedness	-	-
Net decrease in fair value of investments	-	-
Excess (deficiency) of revenues over (under) expenditures before depreciation	387,343	(4,093)
Depreciation	-	-
Excess (deficiency) of revenues over (under) expenditures after depreciation	387,343	(4,093)
Other financing sources (uses):		
Additions to capital assets financed by		
Iowa State University Foundation	-	-
Additions to capital assets	-	-
Mandatory transfers	(515,470)	-
Non-mandatory transfers	(2,343)	13,229
Transfers to other University funds	(549,772)	-
Allocation of student fees from other		
University funds	549,772	-
Transfer of revenue bonds payable	-	-
Total other financing sources (uses)	(517,813)	13,229
Net increase (decrease) for the year	(130,470)	9,136
Fund balances beginning of year	130,581	12,290
Fund balances (deficit) end of year	\$ 111	21,426

See notes to financial statements.

See notes to financial statements.



Plant Funds				
Retirement of Indebtedness				
Sinking Fund	Reserve Fund	Arbitrage Reserve Fund	Investment in Plant	Total
-	-	-	-	385,000
-	-	(1,500)	-	(5,593)
1,440	11,263	-	-	15,046
(20,212)	-	-	-	(20,212)
-	(899)	-	-	(899)
(18,772)	10,364	(1,500)	-	373,342
-	-	-	(252,302)	(252,302)
(18,772)	10,364	(1,500)	(252,302)	121,040
-	-	-	792,631	792,631
(205,424)	-	-	205,424	-
515,470	-	-	-	-
(1,216)	(11,170)	1,500	-	-
-	-	-	-	(549,772)
-	-	-	-	549,772
(289,834)	-	-	289,834	-
18,996	(11,170)	1,500	1,287,889	792,631
224	(806)	-	1,035,587	913,671
43	(4,964)	-	3,700,528	3,838,478
267	(5,770)	-	4,736,115	4,752,149

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

Notes to Financial Statements

June 30, 2005

**(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 Bonds 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 System Fund 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, 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 the total of buildings, net of accumulated depreciation 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.

### System Fund

The bond resolution provides 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 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 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, 2005, \$205,424 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**

The University's deposits were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. In the unlikely event a bank fails, the State Treasurer first determines the amount of the loss and validates the amount of applicable FDIC insurance. He is empowered by this chapter to cover the remaining loss from the state sinking fund for public deposits in banks. If the balance in the sinking fund is inadequate to pay the entire loss, he is empowered to make assessments against other banks to insure there will be no loss of public funds. Cash in banks of \$21,980 is combined with other University funds. The money market balance for the Indoor Multipurpose Use and Training Facility Revenue Bond Funds is \$60,817.

At June 30, 2005 the Indoor Multipurpose Use and Training Facility Revenue Bond Funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Fixed Income:	
U.S. Government Treasury Notes	<u>\$ 449,491</u>

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the University. As of June 30, 2005, the Indoor Multipurpose Use and Training Facility Revenue Bond Funds fixed income assets were 100% government guaranteed.

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the University's investment in a single issue. Except for U.S. Government investments, no one issuer represents 5% or more of the total assets.

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration</u>
Fixed Income:		
U.S. Government Treasury Notes	<u>\$ 449,491</u>	<u>1.32</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
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>6,000,000</u>	<u>2,149,409</u>	<u>8,149,409</u>
Unamortized Discount	<u>(82,667)</u>		
Total	<u>\$ 5,917,333</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, 2005, cash with paying agents of \$405,235 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, 2005:

	Balance				Balance
	July 1,				June 30,
	2004	Additions	Transfers	Deletions	2005
Capital assets, nondepreciable:					
Construction in progress	\$ 9,094,045	998,055	(10,092,100)	-	-
Capital assets, depreciable:					
Building	-	-	10,092,100	-	10,092,100
Less accumulated depreciation	-	(252,302)	-	-	(252,302)
Depreciable assets, net	-	(252,302)	10,092,100	-	9,839,798
Total capital assets, net	\$ 9,094,045	745,753	-	-	9,839,798

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, 2005 is \$3,513,680, 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 \$515,470 due January 1 and July 1, 2005 require debt service coverage of a minimum of 135%, or \$695,885. Indoor Multipurpose Use and Training Facility student fees of \$549,772, investment income of \$15,046, gift income of \$385,000 and cash in the System Fund of \$21,426 provided debt service coverage of \$971,244, or 188% of the principal and interest due for the year ended June 30, 2005.

**Supplemental Information**

**Schedule 1**

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

Student Fee Receipts

Year ended June 30, 2005

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	Student Fees
Spring Semester, 2004*	\$ 1,331
Summer Semester, 2004**	18,030
Fall Semester, 2004	266,048
Spring Semester, 2005	234,903
Summer Semester, 2005***	<u>29,460</u>
	<u><u>\$ 549,772</u></u>

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

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

\*\* Summer Semester 2004 fees exclude fees of \$30,791 recognized in fiscal year 2004.

\*\*\* Summer Semester 2005 fees exclude \$15,835 of deferred revenues representing fees applicable to fiscal year 2006.

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, 2005

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

Summer Semester, 2004	9,720
Fall Semester, 2004	26,380
Spring Semester, 2005	24,426

See accompanying independent auditor's report.

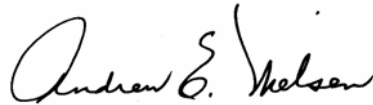
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Indoor Multipurpose Use and Training Facility Revenue Bond Funds  
Iowa State University of Science and Technology

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Marc D. Johnson, 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