

**HILTON COLISEUM 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**

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 Hilton Coliseum 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 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 Hilton Coliseum 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 Hilton Coliseum Revenue Bond Funds for the year ended June 30, 2005. Presentation of such a statement summarizing Hilton Coliseum Revenue Bond Funds operating, noncapital financing, capital and related financing and investing activities is required by U.S. generally accepted accounting principles.

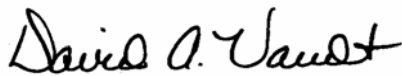
In our opinion, except that the omission of a statement of cash flows results in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Hilton Coliseum Revenue Bond Funds of 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 Hilton Coliseum Revenue Bonds, except the bond resolution requires insurance coverage with a maximum \$5,000 deductible whereas the University has a \$10,000 deductible policy. As noted in Schedule 2, University management considers the difference to be self-insured. It should be noted, however, our audit was not directed primarily toward obtaining knowledge of such non-compliance.

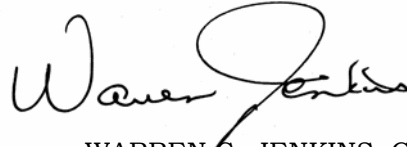
Iowa State University of Science and Technology has not presented Management's Discussion and Analysis for the Hilton Coliseum Revenue Bond Funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

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 through 3 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 insurance coverage and 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**

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Hilton Coliseum Revenue Bond Funds  
Iowa State University of Science and Technology

Balance Sheet

June 30, 2005

	<u>Renewals and Replacement Surplus Fund</u>
<b>Assets</b>	
Cash and investments (note 2)	\$ 1,963,562
Cash with paying agents (note 4)	-
Interest receivable	15,154
Inventories	42,227
Capital assets, net (note 3)	-
<b>Total assets</b>	<u><u>\$ 2,020,943</u></u>
<b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts payable	\$ 12,115
Interest payable	-
Revenue bonds payable (note 4)	-
Total liabilities	<u>12,115</u>
Fund balances:	
Net investment in plant	-
Reserved for debt service	-
Unreserved, designated for improvements	2,008,828
Total fund balances	<u>2,008,828</u>
<b>Total liabilities and fund balances</b>	<u><u>\$ 2,020,943</u></u>

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness			
Reserve Fund	Sinking Fund	Investment in Plant	Total
1,235,490	-	-	3,199,052
-	396,753	-	396,753
-	-	-	15,154
-	-	-	42,227
-	-	3,418,127	3,418,127
1,235,490	396,753	3,418,127	7,071,313
-	-	-	12,115
-	36,753	-	36,753
-	360,000	1,070,000	1,430,000
-	396,753	1,070,000	1,478,868
-	-	2,348,127	2,348,127
1,235,490	-	-	1,235,490
-	-	-	2,008,828
1,235,490	-	2,348,127	5,592,445
1,235,490	396,753	3,418,127	7,071,313

Hilton Coliseum Revenue Bond Funds  
Iowa State University of Science and Technology

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2005

	Current Funds	
	Hilton Coliseum Operating Fund	Student Special Building Fund
Revenues (expenditures):		
Operating revenues (note 6)	\$ 2,306,257	-
Operating expenditures before depreciation (notes 5 and 6)	(2,664,133)	-
Operating loss before depreciation	(357,876)	-
Depreciation	-	-
Net operating loss	(357,876)	-
Other revenues (expenditures):		
Endowment and other income	230,034	-
Investment income	-	-
Interest on indebtedness	-	-
Net decrease in fair value of investments	-	-
Excess (deficiency) of revenues over (under) expenditures	(127,842)	-
Other financing sources (uses):		
Mandatory transfers	-	(448,724)
Non-mandatory transfers	(131,105)	-
Transfers from other University funds	258,947	-
Allocation of student fees from other University funds	-	448,724
Transfer of revenue bonds payable	-	-
Total other financing sources (uses)	127,842	-
Net increase for the year	-	-
Fund balances beginning of year	-	-
Fund balances end of year	\$ -	-

See notes to financial statements.



Renewals and Replacements	Plant Funds			Investment in Plant	Total
	Surplus Fund	Retirement of Indebtedness Reserve Fund	Sinking Fund		
-	-	-	-	-	2,306,257
-	-	-	-	-	(2,664,133)
-	-	-	-	-	(357,876)
-	-	-	(115,533)	-	(115,533)
-	-	-	(115,533)	-	(473,409)
-	-	-	-	-	230,034
99,500	-	-	-	-	99,500
-	-	(69,200)	-	-	(69,200)
(28,240)	-	-	-	-	(28,240)
71,260	-	(69,200)	(115,533)	-	(241,315)
(476)	30,000	419,200	-	-	-
131,105	-	-	-	-	-
-	-	-	-	-	258,947
-	-	-	-	-	448,724
-	-	(350,000)	350,000	-	-
130,629	30,000	69,200	350,000	-	707,671
201,889	30,000	-	234,467	-	466,356
1,806,939	1,205,490	-	2,113,660	-	5,126,089
2,008,828	1,235,490	-	2,348,127	-	5,592,445

Hilton Coliseum 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 Hilton Coliseum 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 furnish a multi-purpose fieldhouse-auditorium 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 Hilton Coliseum Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Hilton Coliseum 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 Hilton Coliseum 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 include the following funds: (1) Renewals and Replacements, (2) Retirement of Indebtedness and (3) Investment in Plant. Renewals and Replacements, including the Surplus Fund established by the bond resolution, is comprised of amounts allocated or designated for buildings, improvements other than buildings and equipment. Retirement of Indebtedness, including Reserve and Sinking 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, infrastructure, equipment, all net of accumulated depreciation and the related liabilities.

Current Funds, including the Hilton Coliseum Operating and Student Special Building Funds established by the bond resolution, are 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.

Hilton Coliseum Operating Fund

The Hilton Coliseum Operating Fund is used to account for all financial activity resulting from the operation of Hilton Coliseum except those to be accounted for in another Fund.

### Student Special Building Fund

The Student Special Building Fund is used to collect Student Fieldhouse-Auditorium Fees for allocation to the Sinking, Reserve and Surplus Funds in accordance with the bond resolution.

### Surplus Fund

The bond resolution provides any remaining Student Fieldhouse-Auditorium Fees and net income revenues from the Fieldhouse-Auditorium Operations Fund are to be deposited to the Surplus Fund. Monies deposited to the Surplus Fund may be used to: (1) purchase bonds prior to maturity, (2) create a fund for the construction of extensions, additions or improvements to the Fieldhouse-Auditorium, (3) transfer to the Sinking Fund or Reserve Fund and (4) pay the principal and interest on subordinate bonds of the Board of Regents, State of Iowa issued in connection with the Fieldhouse-Auditorium.

### Bond and Interest Reserve Fund (Reserve Fund)

The bond resolution provides, from the balance of the Student Fieldhouse-Auditorium Fees remaining after first making the required payment into the Sinking Fund, the annual sum of \$30,000 be deposited into the Reserve Fund. Also, for each fiscal year, one-half of the remaining Student Fieldhouse-Auditorium fees will be deposited in the Reserve Fund until the fund is equal to the maximum amount of principal and interest due in any succeeding fiscal year. All monies credited to the Reserve Fund are to be used for payment of principal and interest on the bonds. If for any reason the funds on deposit in the Sinking Fund are insufficient to pay such principal and interest when due, then amounts on deposit in the Reserve Fund in excess of the maximum amount of principal and interest due on the outstanding bonds may be used to service the indebtedness due.

### Bond Sinking Fund (Sinking Fund)

The bond resolution provides the proceeds from the Student Fieldhouse-Auditorium Fees are to be deposited in the Sinking Fund until an amount equal to the principal and interest payment due on and prior to the next succeeding July 1 of each succeeding year has been accumulated. The Sinking Fund shall be used solely for the purpose of paying principal and interest payments on the bonded indebtedness.

### 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.

### Inventories

Inventories are stated at average cost, which approximates the value that would be reported had inventories been stated at lower of cost or market, as required by U.S. generally accepted accounting principles.

### Capital Assets

Capital assets are defined by the University as assets with an initial individual cost of more than \$5,000 for equipment or \$50,000 for buildings and infrastructure. 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, 2005, 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	25-40
Infrastructure	30
Equipment	10

### **(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 \$126,455 is combined with other University funds. The money market balance for the Hilton Coliseum Revenue Bond Funds is \$128,665

At June 30, 2005 the Hilton Coliseum Revenue Bond Funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Fixed Income:	
U.S. Government Treasury Notes	<u>\$ 2,943,932</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 Hilton Coliseum 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>\$2,943,932</u>	<u>1.41</u>

### (3) Capital Assets

The following is a summary of capital assets activity in the Investment in Plant Fund for Hilton Coliseum assets for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Building	\$ 12,305,304	-	-	12,305,304
Infrastructure	223,000	-	-	223,000
Equipment	519,571	-	-	519,571
Total capital assets	13,047,875	-	-	13,047,875
Less accumulated depreciation:				
Building	(8,771,644)	(115,533)	-	(8,887,177)
Infrastructure	(223,000)	-	-	(223,000)
Equipment	(519,571)	-	-	(519,571)
Total accumulated depreciation	(9,514,215)	(115,533)	-	(9,629,748)
Capital assets, net	\$ 3,533,660	(115,533)	-	3,418,127

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

### (4) Revenue Bonds Payable

The bonds were issued on July 1, 1968 for \$6,800,000 and bear interest at rates ranging from 4.5% to 5.25% per year, payable semiannually on January 1 and July 1. The bonds mature on July 1, in annual amounts as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 360,000	62,603	422,603
2007	350,000	42,950	392,950
2008	360,000	25,200	385,200
2009	360,000	8,100	368,100
Total	\$ 1,430,000	138,853	1,568,853

Under the provisions of the bond resolution, these bonds will be retired solely from proceeds of Student Fieldhouse-Auditorium fees, revenues derived from Fieldhouse-Auditorium operations and interest on invested funds. The bonds are subject to redemption prior to their respective maturities, at the option of the Board of Regents, State of Iowa, upon payment of certain premium rates ranging from 1% to 4% over the stated bond value.

The principal and interest amounts for the year ended June 30, 2006 of \$360,000 and \$62,603, respectively, include unpaid principal of \$10,000 and due and unpaid principal and interest coupons of \$2,153, respectively, at June 30, 2005.

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 and, as such, are reflected in the Sinking Fund.

At June 30, 2005, cash with paying agents of \$396,753 was on deposit in the Agency Fund of the University for the purpose of paying current obligations of bond principal and interest.

**(5) Commitments**

The Board of Regents entered into a management agreement with SMG Corporation effective August 1, 2001 through June 30, 2006. The agreement provides for SMG Corporation to receive a management fee, initially established at \$120,000 per year. The management fee is subject to annual adjustments during the term of the agreement, not to exceed the annual percentage increase or decrease reflected in the consumer price index, with a maximum annual increase of 2.75% to be applied to the following year's payment. In addition, SMG Corporation is to receive a 10% commission on net concession and merchandise sales, limited to the amount of the management fee for that year.

**(6) Related Party Transactions**

Included in operating expenditures are costs for utilities purchased from the University's Utility System of \$355,057. Included in operating revenues are certain revenues generated from other auxiliary enterprises and current funds of the University.

**Hilton Coliseum Revenue Bond Funds**

**Supplemental Information**



Hilton Coliseum Revenue Bond Funds  
Iowa State University of Science and Technology

Student Fee Receipts

Year ended June 30, 2005

	Student Fees
Spring Semester, 2004*	\$ 169
Summer Semester, 2004**	14,583
Fall Semester, 2004	217,676
Spring Semester, 2005	192,193
Summer Semester, 2005***	24,103
	<u>\$ 448,724</u>

Fieldhouse-Auditorium Fees (\$4.50 for Summer and \$9.00 for Spring and Fall) 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 \$25,193 of fees recognized in fiscal year 2004.

\*\*\* Summer Semester 2005 fees exclude \$12,743 of deferred revenues representing fees applicable to fiscal year 2006.

See accompanying independent auditor's report.

**Schedule 2**

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Hilton Coliseum Revenue Bond Funds  
Iowa State University of Science and Technology

Insurance Coverage  
(Unaudited)

June 30, 2005

**Insurer**

St. Paul Travelers

**Description of Coverage**

General property coverage with a \$10,000 deductible for each occurrence for each item. (1)

**Amount of Coverage**

Building – \$59,090,168  
Contents – \$4,565,580  
Business interruption – \$1,089,444

**Policy Number**

KTK-CMB-544D989-2-04

**Term of Policy**

July 1, 2004 to July 1, 2005

(1) The bond resolution stipulates a maximum deductible of \$5,000 for each loss. However, University management feels the surplus fund is adequate to constitute self-insurance for the deductible differential.

See accompanying independent auditor's report.

Hilton Coliseum 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.

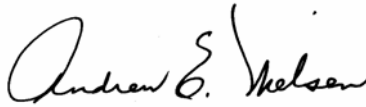
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Hilton Coliseum Revenue Bond Funds  
Iowa State University of Science and Technology

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Donna R. Neubauer, 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