

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

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

JUNE 30, 2005

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

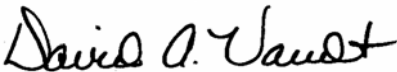
In our opinion, except that the omission of a statement of cash flows results in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Ice Arena Facility Revenue Note Funds 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 Ice Arena Facility Revenue Note. 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, 2005

Financial Statements

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

Balance Sheet

June 30, 2005

	<u>Unexpended Improvement Fund</u>
Assets	
Cash (note 2)	\$ 446,070
Cash with paying agent (note 3)	-
Capital assets, net (note 4)	-
Total assets	<u>\$ 446,070</u>
Liabilities and Fund Balances	
Liabilities:	
Interest payable	\$ -
Revenue note payable (note 3)	-
Total liabilities	<u>-</u>
Fund balances:	
Net investment in plant	-
Unreserved, designated for specific purposes	446,070
Total fund balances	<u>446,070</u>
Total liabilities and fund balances	<u>\$ 446,070</u>

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness			
Sinking Fund	Investment in Plant		Total
-	-		446,070
98,403	-		98,403
-	3,396,712		3,396,712
98,403	3,396,712		3,941,185
35,012	-		35,012
63,391	1,113,466		1,176,857
98,403	1,113,466		1,211,869
-	2,283,246		2,283,246
-	-		446,070
-	2,283,246		2,729,316
98,403	3,396,712		3,941,185

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, 2005

	Unexpended Improvement Fund
Revenues:	
Investment income	\$ -
Expenditures before depreciation:	
Administrative expense	10
Interest on indebtedness	-
Total expenditures before depreciation	10
Excess (deficiency) of revenues over (under) expenditures before depreciation	(10)
Depreciation	-
Excess (deficiency) of revenues over (under) expenditures after depreciation	(10)
Other financing sources (uses):	
Transfer to other University funds	(100,000)
Transfer of revenue note payable	-
Mandatory transfers	-
Non-mandatory transfers	29,012
Allocation of student fees from other University funds	-
Total other financing sources (uses)	(70,988)
Net increase (decrease) for the year	(70,998)
Fund balance beginning of year	517,068
Fund balances end of year	\$ 446,070

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness			
Sinking Fund	Revenue Fund	Investment in Plant	Total
-	16,414	-	16,414
-	-	-	10
71,854	-	-	71,854
71,854	-	-	71,864
(71,854)	16,414	-	(55,450)
-	-	(100,908)	(100,908)
(71,854)	16,414	(100,908)	(156,358)
-	-	-	(100,000)
(124,952)	-	124,952	-
196,806	(196,806)	-	-
-	(29,012)	-	-
-	209,404	-	209,404
71,854	(16,414)	124,952	109,404
-	-	24,044	(46,954)
-	-	2,259,202	2,776,270
-	-	2,283,246	2,729,316

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

Notes to Financial Statements

June 30, 2005

(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 the note. 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 receipt 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 equal semi-annual installments shall be set aside from the net rents, profits and income derived from the Ice Arena 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

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.

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, 2005, 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

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 \$446,070 is combined with other University funds.

(3) Revenue Note Payable

The note, 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 note bears an interest rate of 5.95% per year, payable semi-annually on January 1 and July 1. The note matures on January 1 and July 1, in annual amounts as follows:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 1,176,857</u>	<u>299,188</u>	<u>1,476,045</u>

Under the provisions of the note resolution, the note 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, 2005, cash with paying agents of \$98,403 was on deposit in the Agency Fund of the University for the purpose of paying current obligations of note 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, 2005:

	Balance July 1, 2004	Additions	Balance June 30, 2005
Building	\$ 3,902,859	-	3,902,859
Less accumulated depreciation	(405,239)	(100,908)	(506,147)
Capital assets, net	<u>\$ 3,497,620</u>	<u>(100,908)</u>	<u>3,396,712</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, 2005

	Student Fees
Summer Semester, 2004*	\$ 6,884
Fall Semester, 2004	101,582
Spring Semester, 2005	89,690
Summer Semester, 2005**	<u>11,248</u>
	<u>\$ 209,404</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.

* Summer Semester 2004 fees exclude \$11,757 of fees recognized in fiscal year 2004.

** Summer Semester 2005 fees exclude \$6,046 of deferred revenues representing fees applicable to fiscal year 2006.

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, 2005

Enrollment at Iowa State University of Science and Technology for the year ended June 30, 2005 was as follows:

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

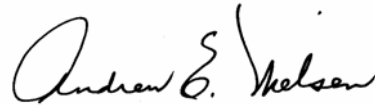
See accompanying independent auditor's report.

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

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State