

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

**INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2007**

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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 statement of net assets, and the related statements of revenues, expenses and changes in fund net assets and cash flows, of the Ice Arena Facility Revenue Note Funds of Iowa State University of Science and Technology (Iowa State University) as of and for the year ended June 30, 2007, which collectively comprise the Note Funds' basic financial statements listed in the table of contents. We have also audited the financial statements of each individual fund of the Ice Arena Facility Revenue Note Funds of Iowa State University as of and for the year ended June 30, 2007 presented in the combining fund financial statements in the supplementary information listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express opinions 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 opinions.

As discussed 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 as of June 30, 2007 and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

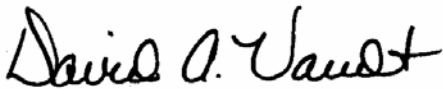
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ice Arena Facility Revenue Note Funds of Iowa State University as of June 30, 2007, and the changes in its financial position and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. In addition, in our opinion, the combining fund financial statements referred to above present fairly, in all material respects, the respective financial position of each individual fund of the Ice Arena Facility Revenue Note Funds of Iowa State University as of June 30, 2007, and the respective changes in financial position of each individual fund 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 was not in compliance with the accounting requirements of the Board of Regents Resolution for the issuance of the Ice Arena Facility Revenue Note.

Iowa State University 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, the members of the Board of Regents, citizens of the State of Iowa and other parties to whom Iowa State University 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 opinions on the financial statements taken as a whole. The supplementary information included as Schedules 3 and 4 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 28, 2007

## **Basic Financial Statements**

**Exhibit A**

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

## Statement of Net Assets

June 30, 2007

**Assets**

## Current assets:

Cash with paying agents \$ 98,403

## Noncurrent assets:

Cash and cash equivalents 466,172Capital assets, net 3,194,896Total noncurrent assets 3,661,068**Total assets** 3,759,471**Liabilities**

## Current liabilities:

Interest payable 27,125Revenue note payable, current portion 144,678Total current liabilities 171,803

## Noncurrent liabilities:

Revenue note payable, noncurrent portion 767,071**Total liabilities** 938,874**Net assets:**Invested in capital assets, net of related debt 2,354,425Restricted for improvements 466,172**Total net assets** \$ 2,820,597

See the accompanying notes which are an integral part of these financial statements.

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

## Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2007

Operating income	\$ -
Operating expenses:	
Depreciation	<u>100,908</u>
Operating loss	<u>(100,908)</u>
Nonoperating revenues (expenses):	
Investment income	27,117
Interest expense	<u>(56,308)</u>
Net nonoperating revenues (expenses)	<u>(29,191)</u>
Loss before other revenues and transfers	<u>(130,099)</u>
Other revenues and transfers:	
Transfers to other University funds	(20,000)
Allocation of student fees from other University funds	<u>202,202</u>
Total other revenues and transfers	<u>182,202</u>
Increase in net assets	52,103
Net assets beginning of year	<u>2,768,494</u>
Net assets end of year	<u><u>\$ 2,820,597</u></u>

See the accompanying notes which are an integral part of these financial statements.

**Exhibit C**

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

## Statement of Cash Flows

Year ended June 30, 2007

Cash flows from operating activities	<u>\$ -</u>
Cash flows from capital financing activities:	
Student fees received from other University funds	202,202
Transfers to other University funds	(20,000)
Principal paid on capital debt	(140,498)
Interest paid on capital debt	<u>(56,308)</u>
Net cash used by capital financing activities	<u>(14,604)</u>
Cash flows from investing activities:	
Interest on investments	<u>27,117</u>
Net increase in cash and cash equivalents	12,513
Cash and cash equivalents beginning of year	<u>453,659</u>
Cash and cash equivalents end of year	<u><u>\$ 466,172</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (100,908)
Adjustment to reconcile operating loss to net cash provided by operating activities:	
Depreciation	<u>100,908</u>
Net cash provided by operating activities	<u><u>\$ -</u></u>

See the accompanying notes which are an integral part of these financial statements.



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

Notes to Financial Statements

June 30, 2007

**(1) Summary of Significant Accounting Policies**

Reporting Entity

The Ice Arena Facility Revenue Note Funds were created by resolution of the Board of Regents, State of Iowa which authorized the issuance of revenue notes to be used to construct and furnish an ice arena, acquired jointly with the City of Ames, Iowa, under an intergovernmental agreement pursuant to Chapter 28E of the Code of Iowa. The ice arena is operated by and owned jointly with the City of Ames, Iowa under a second intergovernmental agreement.

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 financial statements present only a portion of the funds of the University.

Basis of Presentation

Basic Financial Statements – The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Fund Net Assets and the Statement of Cash Flows report information on all of the activities of the Ice Arena Facility Revenue Note Funds. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Assets presents assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Revenues, Expenses and Changes in Fund Net Assets demonstrates how net assets changed during the fiscal year.

The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, capital financing and investing activities.

Fund Financial Statements – 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. 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) 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.

The following funds are required by the note resolution:

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.

#### Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and are reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Purchases of facilities providing future benefits are capitalized and depreciated.

### Cash and Cash Equivalents

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. For purposes of the Statement of Net Assets and the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

### 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, 2007, 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 and Cash Equivalents**

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 \$466,172 is combined with other University funds.

## **(3) 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, 2007:

	Balance		Balance
	July 1, 2006	Additions	June 30, 2007
Building	\$ 3,902,859	-	3,902,859
Less accumulated depreciation	(607,055)	(100,908)	(707,963)
Capital assets, net	\$ 3,295,804	(100,908)	3,194,896

The cost of land for the Ice Arena Facility is not reflected on the Statement of Net Assets. This land is owned by the City of Ames.

**(4) Revenue Note Payable**

The note, issued on March 1, 2000 for \$1,735,000, was 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:

Year Ending June 30,	Principal	Interest	Total
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	\$ 911,749	170,684	1,082,433

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.

At June 30, 2007, 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.

## **Supplementary Information**

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

Combining Statement of Net Assets

June 30, 2007

	Unexpended Improvement Fund	Plant Funds Retirement of Indebtedness Sinking Fund
<b>Assets</b>		
Current assets:		
Cash with paying agents	\$ -	98,403
Noncurrent assets:		
Cash and cash equivalents	466,172	-
Capital assets, net	-	-
Total noncurrent assets	466,172	-
<b>Total assets</b>	466,172	98,403
<b>Liabilities</b>		
Current liabilities:		
Interest payable	-	27,125
Revenue note payable, current portion	-	71,278
Total current liabilities	-	98,403
Noncurrent liabilities:		
Revenue note payable, noncurrent portion	-	-
<b>Total liabilities</b>	-	98,403
<b>Net assets:</b>		
Invested in capital assets, net of related debt	-	-
Restricted for improvements	466,172	-
<b>Total net assets</b>	\$ 466,172	-

See the accompanying notes which are an integral part of these financial statements.

Investment in Plant	Total
-	98,403
-	466,172
3,194,896	3,194,896
3,194,896	3,661,068
3,194,896	3,759,471
-	27,125
73,400	144,678
73,400	171,803
767,071	767,071
840,471	938,874
2,354,425	2,354,425
-	466,172
2,354,425	2,820,597

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

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2007

	<u>Unexpended Improvement Fund</u>
Operating income	\$ -
Operating expenses:	
Depreciation	-
Operating loss	-
Nonoperating revenues (expenses):	
Investment income	-
Interest expense	-
Net nonoperating revenues (expenses)	-
Loss before other revenues and transfers	-
Other revenues and transfers:	
Transfers to other University funds	(20,000)
Transfer of revenue note payable	-
Mandatory transfers	-
Non-mandatory transfers	32,513
Allocation of student fees from other University funds	-
Total other revenues and transfers	<u>12,513</u>
Increase in net assets	12,513
Net assets beginning of year	<u>453,659</u>
Net assets end of year	<u>\$ 466,172</u>

See the accompanying notes which are an integral part of these financial statements



Plant Funds			
Retirement of Indebtedness			
Sinking Fund	Revenue Fund	Investment in Plant	Total
-	-	-	-
-	-	100,908	100,908
-	-	(100,908)	(100,908)
-	27,117	-	27,117
(56,308)	-	-	(56,308)
(56,308)	27,117	-	(29,191)
(56,308)	27,117	(100,908)	(130,099)
-	-	-	(20,000)
(140,498)	-	140,498	-
196,806	(196,806)	-	-
-	(32,513)	-	-
-	202,202	-	202,202
56,308	(27,117)	140,498	182,202
-	-	39,590	52,103
-	-	2,314,835	2,768,494
-	-	2,354,425	2,820,597

**Schedule 3**

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

Student Fee Receipts

Year ended June 30, 2007

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	Student Fees
Summer Semester, 2006*	\$ 5,324
Fall Semester, 2006	97,213
Spring Semester, 2007	88,961
Summer Semester, 2007**	10,704
	<hr/> <u>\$ 202,202</u> <hr/>

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. In addition, the Spring semester amount includes additional fees of \$1,974 collected from "Continuing Student Pass" fees. These fees are collected from students who are not officially enrolled as students but meet other requirements and want access to the Recreation Services facilities.

\* Summer Semester 2006 fees exclude \$10,645 of fees recognized in fiscal year 2006.

\*\* Summer Semester 2007 fees exclude \$7,051 of deferred revenue representing fees applicable to fiscal year 2008.

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, 2007

Enrollment at Iowa State University of Science and Technology for the year ended June 30, 2007  
was as follows:

Summer Semester, 2006	9,076
Fall Semester, 2006	25,462
Spring Semester, 2007	23,710

See accompanying independent auditor's report.

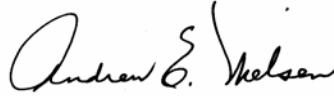
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Ice Arena Facility Revenue Note Funds  
Iowa State University of Science and Technology

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Philip J. Cloos, 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'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State