

**DORMITORY AND DINING SERVICES REVENUE BOND FUNDS
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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

JUNE 30, 2008

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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 Dormitory and Dining Services Revenue Bond Funds of Iowa State University of Science and Technology (Iowa State University) as of and for the year ended June 30, 2008, which collectively comprise the Bond Funds' basic financial statements listed in the table of contents. We have also audited the financial statements of each individual fund of the Dormitory and Dining Services Revenue Bond Funds of Iowa State University as of and for the year ended June 30, 2008 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 Dormitory and Dining Services Revenue Bond Funds and do not purport to, and do not, present fairly the financial position of Iowa State University as of June 30, 2008 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 Dormitory and Dining Services Revenue Bond Funds of Iowa State University as of June 30, 2008, 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 Dormitory and Dining Services Revenue Bond Funds of Iowa State University as of June 30, 2008, 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 Dormitory and Dining Services Revenue Bonds.

Iowa State University has not presented Management's Discussion and Analysis for the Dormitory and Dining Services 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, 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 through 5 is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the schedule of insurance coverage, the schedule of student residence hall occupancy 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

October 6, 2008

Basic Financial Statements

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

Statement of Net Assets

June 30, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 269,591
Cash with paying agents	7,467,839
Accounts receivable, less allowance for doubtful accounts of \$70,625	1,365,397
Interfund receivable	90,538
Interest receivable	196,755
Inventories	1,476,859
Prepaid expense	9,176
Total current assets	<u>10,876,155</u>

Noncurrent assets:

Cash, cash equivalents and investments	44,405,851
Prepaid expense	905
Capital assets, net	128,096,300
Total noncurrent assets	<u>172,503,056</u>
Total assets	<u>183,379,211</u>

Liabilities

Current liabilities:

Accounts payable	496,272
Compensated absences payable	1,425,597
Accrued salaries and wages payable	493,238
Interfund payable	90,538
Deferred revenue	1,003,735
Interest payable	3,308,376
Revenue bonds payable, current portion	4,250,000
Total current liabilities	<u>11,067,756</u>

Noncurrent liabilities:

Accounts payable	805,559
Revenue bonds payable, noncurrent portion	133,479,000
Total noncurrent liabilities	<u>134,284,559</u>
Total liabilities	<u>145,352,315</u>

Net assets

Invested in capital assets, net of related debt	16,231,733
Restricted for debt service	257,045
Restricted for improvements	21,538,118
Total net assets	<u>\$ 38,026,896</u>

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

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2008

Operating revenues	<u>\$ 65,308,392</u>
Operating expenses:	
Operating expenses	48,833,642
Depreciation	4,477,717
Total operating expenses	<u>53,311,359</u>
Operating income	<u>11,997,033</u>
Nonoperating revenues (expenses):	
Investment income	1,523,422
Net increase in fair value of investments	127,415
Administrative and legal expenses	(136,899)
Interest expense	(6,099,844)
Miscellaneous revenues (expenses)	79,992
Net nonoperating revenues (expenses)	<u>(4,505,914)</u>
Income before other expenses and transfers	<u>7,491,119</u>
Other expenses and transfers:	
Loss on disposal of capital assets	(3,978)
Transfers to other University funds	(1,754,384)
Transfer to trustee for defeased debt	(14,331)
Total other expenses and transfers	<u>(1,772,693)</u>
Increase in net assets	5,718,426
Net assets beginning of year	<u>32,308,470</u>
Net assets end of year	<u><u>\$ 38,026,896</u></u>

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

Exhibit C

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

Statement of Cash Flows

Year ended June 30, 2008

Cash flows from operating activities:	
Cash received from operations	\$ 65,280,790
Cash paid for operations	(48,729,025)
Net cash provided by operating activities	<u>16,551,765</u>
Cash flows from capital financing activities:	
Additions to capital assets	(5,618,309)
Bond proceeds	23,629,669
Transfers from other University funds	(600)
Principal paid on capital debt	(4,250,000)
Interest paid on capital debt	(6,009,306)
Transfer to trustee for defeased debt	(10,445,000)
Miscellaneous income (expense)	(56,906)
Net cash used by capital financing activities	<u>(2,750,452)</u>
Cash flows from investing activities:	
Interest on investments	1,487,237
Proceeds from sales of investments	47,925,244
Purchases of investments	(51,019,273)
Net cash used by investing activities	<u>(1,606,792)</u>
Net increase in cash and cash equivalents	12,194,521
Cash and cash equivalents beginning of year	<u>12,764,245</u>
Cash and cash equivalents end of year	<u>\$ 24,958,766</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 11,997,033
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,477,717
Increase in receivables	(118,522)
Decrease in prepaid expense	5,609
Increase in inventory	(317,551)
Increase in accounts payables	250,239
Increase in compensated absences	111,201
Increase in salaries and wages payable	54,298
Increase in deferred revenue	91,741
Net cash provided by operating activities	<u>\$ 16,551,765</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	\$ 269,591
Cash and cash equivalents classified as noncurrent assets	<u>24,689,175</u>
Total cash and cash equivalents	<u>\$ 24,958,766</u>

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

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

Reporting Entity

The Dormitory and Dining Services Revenue Bond Funds were created by resolutions of the Board of Regents, State of Iowa which authorized the issuance of revenue bonds to be used to defray the costs of constructing and furnishing dormitory system facilities 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 Dormitory and Dining Services Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Dormitory and Dining Services Revenue Bond 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 Dormitory and Dining Services Revenue Bond 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 bonds 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 Dormitory and Dining Services Revenue Bonds issued by the University. These fund financial statements reflect only those accounts and transactions related to these bonds. 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) Renewals and Replacements, (3) Retirement of Indebtedness and (4) Investment in Plant. Unexpended, including the Construction Fund established by the bond resolution, is comprised of amounts allocated or designated for construction of new dormitory and dining facilities. Renewals and Replacements, including the Surplus and Improvement Funds established by the bond resolution, is comprised of amounts allocated or designated for renewal or replacement of properties. Retirement of Indebtedness, including the Reserve, Sinking and Arbitrage Reserve Funds established by the bond resolution, is comprised of amounts to provide for payment of principal, interest and rebates. Investment in Plant is comprised of amounts representing the total of buildings and equipment, all net of accumulated depreciation and the related liabilities.

The Current Fund, including the Revenue and Operation and Maintenance Funds established by the bond resolution, is classified as a University Auxiliary Enterprise to account for transactions of substantially self-supporting activities that primarily perform a service to students.

The following funds are required by the bond resolution:

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 bond resolution, the excess of revenues over expenditures in the Dormitory and Dining Services Facilities (Facilities) is irrevocably assigned as collateral for the payment of the principal and interest on the bonds.

Operation and Maintenance Fund - The Operation and Maintenance Fund is used to pay the reasonable current expenses of operating the Facilities, excluding any University overhead expenses not primarily related to the day to day operations of the Facilities, capital expenditures and allowances for depreciation.

Construction Fund – The Construction Fund accounts for the receipts of the bond proceeds, less the initial deposit required in the Reserve Fund. These proceeds are disbursed and used to pay project construction costs as required by the bond resolution.

Surplus Fund – The bond resolution provides all remaining net rents, profits and income of the Facilities are deposited to the Surplus Fund. Monies deposited to the Surplus Fund are used and applied to the payment of necessary operating and maintenance expenses whenever, for any reason, no other funds are available for such purpose, transferred and credited to the Sinking Fund to prevent or remedy a default in the payment of principal and interest on the outstanding bonds and credited to the Reserve Fund whenever any deficiency may exist.

Improvement Fund – The bond resolution provides semi-annual installments will be credited to the Improvement Fund from the net rents, profits and income of the Facilities remaining after first making the required payments into the Sinking and Reserve Funds in the sum of \$300,000 or a greater amount as determined by the Board of Regents, State of Iowa. All monies credited to the Improvement Fund are used to pay any extraordinary cost of maintaining the Facilities in an efficient operating condition and to pay the cost of purchasing or constructing buildings for use as residence halls and dining facilities.

Reserve Fund – The bond resolution provides semi-annual installments will be credited to the Reserve Fund from the net rents, profits and income of the Facilities remaining after first making the required payments into the Sinking Fund in the sum of \$100,000 or a greater amount as determined by the Board of Regents, State of Iowa. This fund is not to be funded by more than the annual debt service requirement. Whenever the amount in this fund equals or exceeds the maximum amount of principal and interest due in any fiscal year on these bonds, the amount of such excess may be transferred to the Improvement Fund or may be used to purchase or redeem bonds.

Sinking Fund – The bond resolution provides equal semi-annual installments shall be set aside from the net rents, profits and income derived from the Facilities to the Sinking Fund sufficient for the principal and interest payment that will become due and payable on and prior to the next succeeding July 1.

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

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 and equipment providing future benefits are capitalized and depreciated.

Cash, Cash Equivalents 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. For the 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.

Investments are reported at fair value.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market.

Deferred Revenue

Deferred revenue represents student rents and fees collected in advance for periods subsequent to year end.

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. 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, 2008, 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>
Equipment	5-12
Buildings	25-40

(2) Cash, Cash Equivalents 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 State 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 \$10,004,997 is combined with other University funds. The money market balance for the Dormitory and Dining Services Revenue Bond Funds is \$14,953,769 and is considered to be a cash equivalent.

At June 30, 2008, the Dormitory and Dining Services Revenue Bond Funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Fixed Income: U.S. Government Treasury Notes	<u>\$19,716,676</u>

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the University. At June 30, 2008, the Dormitory and Dining Services 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.

Investment Type	Fair Value	Duration
Fixed Income:		
U.S. Government Treasury Notes	<u>\$19,716,676</u>	<u>1.45</u>

(3) Capital Assets

The following is a summary of capital assets activity in the Investment in Plant Fund for Dormitory and Dining Services assets for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Transfers	Deletions	Balance June 30, 2008
Capital assets, nondepreciable:					
Construction in progress	\$ 1,225,075	4,057,837	(2,144,794)	-	3,138,118
Capital assets, depreciable:					
Buildings	194,565,289	-	2,144,794	-	196,710,083
Equipment	1,865,551	122,611	-	(70,547)	1,917,615
Capital assets, depreciable	196,430,840	122,611	2,144,794	(70,547)	198,627,698
Accumulated depreciation:					
Buildings	(67,975,708)	(4,364,283)	-	-	(72,339,991)
Equipment	(1,282,660)	(113,434)	-	66,569	(1,329,525)
Total accumulated depreciation	(69,258,368)	(4,477,717)	-	66,569	(73,669,516)
Depreciable capital assets, net	127,172,472	(4,355,106)	2,144,794	(3,978)	124,958,182
Total capital assets, net	\$ 128,397,547	(297,269)	-	(3,978)	128,096,300

Additions to construction in progress have been reduced for transfers to other University funds of \$1,753,784.

The cost of land used for Dormitory and Dining Services is not reflected in the Statement of Net Assets. This land is included in other accounts of the University.

(4) Revenue Bonds Payable

The bonds, originally issued in the aggregate amount of \$148,365,000, bear interest at rates ranging from 3.00% to 5.50% per year, payable semi-annually on January 1 and July 1. The bonds mature on July 1, in annual amounts as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 4,250,000	6,258,542	10,508,542
2010	4,860,000	5,797,581	10,657,581
2011	5,185,000	5,590,470	10,775,470
2012	5,415,000	5,379,636	10,794,636
2013	5,650,000	5,161,386	10,811,386
2014	5,875,000	4,930,908	10,805,908
2015	6,095,000	4,686,705	10,781,705
2016	6,355,000	4,429,186	10,784,186
2017	6,625,000	4,156,934	10,781,934
2018	6,895,000	3,868,675	10,763,675
2019	7,180,000	3,562,802	10,742,802
2020	7,500,000	3,238,710	10,738,710
2021	6,840,000	2,916,687	9,756,687
2022	7,185,000	2,597,078	9,782,078
2023	7,530,000	2,259,525	9,789,525
2024	7,890,000	1,903,371	9,793,371
2025	8,255,000	1,528,958	9,783,958
2026	8,015,000	1,148,453	9,163,453
2027	7,425,000	785,278	8,210,278
2028	6,580,000	456,938	7,036,938
2029	4,945,000	184,809	5,129,809
2030	1,435,000	33,184	1,468,184
Total	137,985,000	70,875,816	208,860,816
Unamortized loss on refunding	(55,000)		
Unamortized discount	(201,000)		
Total	\$ 137,729,000		

Under the provisions of the bond resolution, these bonds, and additional parity bonds that may be subsequently issued, will be retired solely from the net rents, profits and income from the Dormitory and Dining Services Facilities of the University.

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. Therefore, such debt is reflected in the Sinking Fund.

In November 2007, the University issued \$13,400,000 in Dormitory Revenue Bonds, Series I.S.U. 2007, for the purpose of paying the costs of constructing, improving and furnishing East Campus dining facilities at the University, funding a Reserve Fund and paying the costs of issuance. The proceeds were \$13,241,200, including accrued interest of \$42,200. The discount on bonds payable was \$201,000. The bonds bear interest at rates ranging from 4.00% to 4.50% per year, payable semi-annually on January 1 and July 1.

In April 2008, the University issued \$10,500,000 of Dormitory Revenue Refunding Bonds, Series I.S.U. 2008, the proceeds of which were held by the University Treasurer to defease \$10,445,000 of Dormitory Revenue Bonds, Series I.S.U. 1998. The refunding of these bonds resulted in the recognition of an accounting loss of \$55,000, permitting the University to realize an economic gain (the difference between the present value of the debt service payments on the old and new debt) of \$846,598 and will reduce future aggregate debt service payments over the next 12 years by \$632,326.

At June 30, 2008, cash with paying agents of \$7,467,839 was on deposit in the Agency Fund of the University for the purpose of paying current obligations of bond principal and interest.

(5) Debt Service Coverage

Dormitory and Dining Services Revenue Bond principal and interest payments totaling \$10,259,306 due January 1 and July 1, 2008 require debt service coverage of a minimum of 135%, or \$13,850,063. Dormitory and Dining Services operating income before depreciation of \$17,770,408, charges for administrative overhead of \$1,784,826 and investment income of \$1,523,422 provided debt service coverage of \$21,078,656, or 205% of the principal and interest due for the year ended June 30, 2008.

The debt service coverage for the current and two prior years is as follows:

Year Ended June 30,	Principal and Interest	Required Debt Service Coverage	Actual Debt Service Coverage	Required Coverage Percentage	Actual Coverage Percentage
2008	\$ 10,259,306	13,850,063	21,078,656	135%	205%
2007	9,953,060	13,436,631	19,708,449	135	198
2006	9,433,649	12,735,426	18,054,965	135	191

(6) Related Party Transactions

The Dormitory and Dining Services Revenue Bond Funds utilize certain administrative services from the University. The Statement of Revenues, Expenses and Changes in Fund Net Assets for the year ended June 30, 2008 includes charges for administrative overhead of \$1,784,826. In addition, in the course of operations, the Dormitory and Dining Services Facilities provide services to and incur intramural charges for other University funds. The revenues and expenditures related to these charges have not been separately identified.

Dormitory and Dining Services Revenue Bond Funds

Supplementary Information

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

Combining Statement of Net Assets

June 30, 2008

	Plant		
	Unexpended	Renewals and Replacements	
	Construction Fund	Surplus Fund	Improvement Fund
Assets			
Current assets:			
Cash and cash equivalents	\$ -	185,198	-
Cash with paying agents	-	-	-
Accounts receivable, less allowance for doubtful accounts of \$70,625	-	1,365,397	-
Interfund receivable	-	-	-
Interest receivable	-	196,755	-
Inventories	-	1,476,859	-
Prepaid expense	-	9,176	-
Total current assets	-	3,233,385	-
Noncurrent assets:			
Cash, cash equivalents and investments	11,034,234	20,487,306	1,792,018
Prepaid expense	-	-	905
Capital assets, net	-	-	-
Total noncurrent assets	11,034,234	20,487,306	1,792,923
Total assets	11,034,234	23,720,691	1,792,923
Liabilities			
Current liabilities:			
Accounts payable	-	295,396	200,876
Compensated absences payable	-	1,425,597	-
Accrued salaries and wages payable	-	493,238	-
Interfund payable	-	90,538	-
Deferred revenue	-	1,003,735	-
Interest payable	-	-	-
Revenue bonds payable, current portion	-	-	-
Total current liabilities	-	3,308,504	200,876
Noncurrent liabilities:			
Accounts payable	331,455	-	474,104
Revenue bonds payable, noncurrent portion	10,694,791	-	-
Total noncurrent liabilities	11,026,246	-	474,104
Total liabilities	11,026,246	3,308,504	674,980
Net assets			
Net investment in plant	-	-	-
Restricted for debt service	-	-	-
Restricted for improvements	7,988	20,412,187	1,117,943
Total net assets	\$ 7,988	20,412,187	1,117,943

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

Funds			
Retirement of Indebtedness			
Reserve Fund	Sinking Fund	Investment in Plant	Total
-	84,393	-	269,591
-	7,467,839	-	7,467,839
-	-	-	1,365,397
-	90,538	-	90,538
-	-	-	196,755
-	-	-	1,476,859
-	-	-	9,176
-	7,642,770	-	10,876,155
11,092,293	-	-	44,405,851
-	-	-	905
-	-	128,096,300	128,096,300
11,092,293	-	128,096,300	172,503,056
11,092,293	7,642,770	128,096,300	183,379,211
-	-	-	496,272
-	-	-	1,425,597
-	-	-	493,238
-	-	-	90,538
-	-	-	1,003,735
-	3,308,376	-	3,308,376
-	4,250,000	-	4,250,000
-	7,558,376	-	11,067,756
-	-	-	805,559
10,919,642	-	111,864,567	133,479,000
10,919,642	-	111,864,567	134,284,559
10,919,642	7,558,376	111,864,567	145,352,315
-	-	16,231,733	16,231,733
172,651	84,394	-	257,045
-	-	-	21,538,118
172,651	84,394	16,231,733	38,026,896

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

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

Year ended June 30, 2008

	Current Funds		Unexpended Construction Fund
	Revenue Fund	Operation and Maintenance Fund	
Operating revenues	\$ 65,308,392	-	-
Operating expenses:			
Operating expenses	-	47,537,984	-
Depreciation	-	-	-
Total operating expenses	-	47,537,984	-
Operating income (loss)	65,308,392	(47,537,984)	-
Nonoperating revenues (expenses):			
Investment income	1,523,422	-	-
Net increase in fair value of investments	-	-	-
Administrative and legal expenses	-	-	(116,355)
Interest expense	-	-	-
Miscellaneous revenues (expenses)	-	-	-
Net nonoperating revenues (expenses)	1,523,422	-	(116,355)
Income (loss) before other revenues (expenses) and transfers	66,831,814	(47,537,984)	(116,355)
Other revenues (expenses) and transfers:			
Additions to capital assets	(59,154)	-	(1,331,317)
Loss on disposal of capital assets	-	-	-
Mandatory transfers	(10,858,898)	-	(75,340)
Non-mandatory transfers	(55,913,162)	47,537,984	-
Transfers to other University funds	(600)	-	-
Transfer (to) from trustee for defeased debt	-	-	129,669
Transfer of revenue bonds payable	-	-	1,394,303
Total other revenues (expenses) and transfers	(66,831,814)	47,537,984	117,315
Increase in net assets	-	-	960
Net assets beginning of year	-	-	7,028
Net assets end of year	\$ -	-	7,988

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

Plant Funds							
Renewals and Replacements		Retirement of Indebtedness			Investment	Total	
Surplus Fund	Improvement Fund	Reserve Fund	Sinking Fund	Arbitrage Reserve Fund	in Plant		
-	-	-	-	-	-	65,308,392	
25,690	1,269,968	-	-	-	-	48,833,642	
-	-	-	-	-	4,477,717	4,477,717	
25,690	1,269,968	-	-	-	4,477,717	53,311,359	
(25,690)	(1,269,968)	-	-	-	(4,477,717)	11,997,033	
-	-	-	-	-	-	1,523,422	
68,767	-	58,648	-	-	-	127,415	
(9,494)	-	-	-	(11,050)	-	(136,899)	
-	-	-	(6,099,844)	-	-	(6,099,844)	
(8)	80,000	-	-	-	-	79,992	
59,265	80,000	58,648	(6,099,844)	(11,050)	-	(4,505,914)	
33,575	(1,189,968)	58,648	(6,099,844)	(11,050)	(4,477,717)	7,491,119	
-	(4,543,761)	-	-	-	5,934,232	-	
-	-	-	-	-	(3,978)	(3,978)	
-	500,000	-	10,434,238	-	-	-	
2,529,128	5,835,000	-	-	11,050	-	-	
-	-	-	-	-	(1,753,784)	(1,754,384)	
-	-	(144,000)	-	-	-	(14,331)	
-	-	144,000	(4,250,000)	-	2,711,697	-	
2,529,128	1,791,239	-	6,184,238	11,050	6,888,167	(1,772,693)	
2,562,703	601,271	58,648	84,394	-	2,410,450	5,718,426	
17,849,484	516,672	114,003	-	-	13,821,283	32,308,470	
20,412,187	1,117,943	172,651	84,394	-	16,231,733	38,026,896	

Schedule 3

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

Insurance Coverage
(Unaudited)

June 30, 2008

Insurer	Policy Number	Term of Policy	
		From	To
Travelers Insurance Company	KTK-CMB-544D989-2-07	7/1/2007	7/1/2008

Coverage	Buildings	Contents	Other
General property insurance with a \$100,000 deductible for each single loss. The coverage protects against the risks of fire, flood, business interruption and extended coverage for general loss.			
Barton Hall	\$ 3,083,472	311,246	-
Birch-Welch-Roberts	15,762,628	916,842	-
Elm-Oak	18,236,960	1,114,659	-
Freeman Hall	3,670,002	323,641	-
Friley Hall	48,431,817	3,270,601	-
Helser Hall	27,505,730	896,963	-
Knapp-Storm Commons	6,542,669	981,400	-
Linden	15,937,257	979,063	-
Lyon	3,197,586	327,048	-
Maple, Willow and Larch Halls	50,893,579	2,639,980	-
Wallace - Wilson Halls	35,577,899	1,917,397	-
Buchanan	14,060,850	910,520	-
Union Drive Community Center	12,322,506	925,286	-
Union Drive Suite 1	13,608,000	963,694	-
Martin Hall - Union Drive Suite 2	13,608,000	964,080	-
University Village:			
Laundry Building	335,156	-	-
500 units	31,761,166	394,663	-
Family Community Center	936,000	83,200	-
200 UV Shop and Warehouse	558,000	55,800	-
Schilleter Village, 64 - 4 unit buildings	27,602,729	899,062	-
Frederiksen Court	45,524,750	5,332,103	-
Service interruption - building rents	-	-	23,546,447
Total - residence	\$ 389,156,756	24,207,248	23,546,447

See accompanying independent auditor's report.

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

Student Residence Hall Occupancy
(Unaudited)

Year ended June 30, 2008

Type of Housing	Design Capacity July 1, 2007	Occupancy		
		Summer Semester 2007	Fall Semester 2007	Spring Semester 2008
Dormitory housing	6,336	169	5,920	5,463
Single student housing	2,691	789	2,401	2,259
Family housing	203	293	222	192
Total	<u>9,230</u>	<u>1,251</u>	<u>8,543</u>	<u>7,914</u>

See accompanying independent auditor's report.

Schedule 5

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

Student Enrollment
(Unaudited)

Year ended June 30, 2008

Enrollment at Iowa State University of Science and Technology for the year ended June 30, 2008 was as follows:

Summer Semester, 2007	9,312
Fall Semester, 2007	26,160
Spring Semester, 2008	24,445

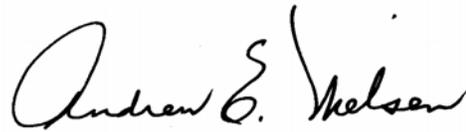
See accompanying independent auditor's report.

Dormitory and Dining Services Revenue Bond Funds
Iowa State University of Science and Technology

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Jenny R. Schneider, Staff Auditor
Daryl L. Hart, Auditor Intern
Curtis M. Powers, Auditor Intern

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