

**UTILITY SYSTEM REVENUE BOND FUNDS
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

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

JUNE 30, 2008

Table of Contents

		<u>Page</u>
Independent Auditor's Report		3-4
Basic Financial Statements:	<u>Exhibit</u>	
Statement of Net Assets	A	6
Statement of Revenues, Expenses and Changes in Fund Net Assets	B	7
Statement of Cash Flows	C	8
Notes to Financial Statements		9-14
Supplementary Information:	<u>Schedule</u>	
Combining Fund Financial Statements:		
Combining Statement of Net Assets	1	16-17
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	2	18-19
Schedule of Insurance Coverage	3	20
Schedule of Student Enrollment	4	21
Staff		22



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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 Utility System 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 Utility System 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 Utility System 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.

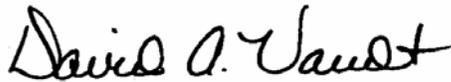
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utility System Revenue Bond Funds of Iowa State University as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity 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 Utility System 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 Utility System Revenue Bonds.

Iowa State University has not presented Management's Discussion and Analysis for the Utility System 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 and 4 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 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

Exhibit AUtility System Revenue Bond Funds
Iowa State University of Science and Technology

Statement of Net Assets

June 30, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 21,233,639
Accounts receivable	2,324
Interfund receivable	233,125
Interest receivable	10
Inventory	2,632,468
Total current assets	<u>24,101,566</u>

Noncurrent assets:

Cash, cash equivalents and investments	6,651,589
Interest receivable	32,806
Capital assets, net	54,454,899
Total noncurrent assets	<u>61,139,294</u>
Total assets	<u>85,240,860</u>

Liabilities

Current liabilities:

Accounts payable	1,043,964
Accrued salaries and wages	57,624
Interfund payable	233,125
Compensated absences payable	167,005
Interest payable	233,125
Revenue bonds payable, current portion	2,745,000
Total current liabilities	<u>4,479,843</u>

Noncurrent liabilities:

Accounts payable	195,907
Revenue bonds payable, noncurrent portion	29,705,137
Total noncurrent liabilities	<u>29,901,044</u>
Total liabilities	<u>34,380,887</u>

Net assets

Invested in capital assets, net of related debt	24,319,904
Restricted for debt service	2,816,841
Restricted for improvements	1,421,806
Unrestricted	22,301,422
Total net assets	<u>\$ 50,859,973</u>

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

Utility System 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>\$ 33,456,277</u>
Operating expenses:	
Operating expenses	27,314,208
Depreciation	<u>2,762,296</u>
Total operating expenses	<u>30,076,504</u>
Operating income	<u>3,379,773</u>
Nonoperating revenues (expenses):	
Investment income	1,361,139
Legal and administrative expenses	(6,364)
Increase in fair value of investments	5,699
Interest expense	<u>(1,444,219)</u>
Net nonoperating revenues (expenses)	<u>(83,745)</u>
Income before transfers	3,296,028
Transfers from other University funds	<u>393,169</u>
Increase in net assets	3,689,197
Net assets beginning of year	<u>47,170,776</u>
Net assets end of year	<u>\$ 50,859,973</u>

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

Exhibit CUtility System 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	\$ 33,455,211
Cash paid for operations	(28,174,319)
Net cash provided by operating activities	<u>5,280,892</u>
Cash flows from capital financing activities:	
Construction of capital assets	(4,711,308)
Principal paid on capital debt	(2,625,000)
Interest paid on capital debt	(1,448,775)
Transfers from other University funds	393,169
Legal and administrative expenses	(5,100)
Net cash used by capital financing activities	<u>(8,397,014)</u>
Cash flows from investing activities:	
Interest on investments	1,458,329
Proceeds from sales of investments	6,523,487
Purchase of investments	(2,518,486)
Net cash provided by investing activities	<u>5,463,330</u>
Net increase in cash and cash equivalents	2,347,208
Cash and cash equivalents beginning of year	<u>24,011,170</u>
Cash and cash equivalents end of year	<u>\$ 26,358,378</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 3,379,415
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,762,654
Changes in assets and liabilities:	
(Increase) in receivable	(1,066)
(Increase) in inventory	(482,085)
(Decrease) in accounts payable	(384,766)
Increase in salaries and wages payable	349
Increase in compensated absences	6,391
Net cash provided by operating activities	<u>\$ 5,280,892</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	\$ 21,233,639
Cash and cash equivalents classified as noncurrent assets	<u>5,124,739</u>
Total cash and cash equivalents	<u>\$ 26,358,378</u>

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

Utility System 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 Utility System 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 defray the costs of equipment and facility enhancement that provide utilities to Iowa State University of Science and Technology. The revenue bonds are issued on behalf of the University.

The financial statements of the Utility System Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Utility System 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 Utility System 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 Utility System Revenue Bonds issued by the University. These fund financial statements reflect only those accounts and transactions related to these Bonds. Certain of these accounts and transactions are included as a portion of the University's Plant Funds. Plant Funds are used to account for the transactions relating to investment in University properties. Plant Funds of the Utility System Revenue Bond 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 used to account for the bond proceeds and other funds to be used in the construction of improvements or extensions to the Utility System. Renewals and Replacements, including the Improvement Fund established by the bond resolution, is comprised of amounts allocated or designated for renewal or replacement of properties. Retirement of Indebtedness, including the Reserve, Bond and Arbitrage Reserve Funds established by the bond resolution, are comprised of amounts to provide for payment of principal, interest and amounts due to the Federal Government. Investment in Plant is comprised of amounts representing the total of buildings, utility system infrastructure and equipment, all net of accumulated depreciation and the related liabilities.

The Current Fund, including the Operating Fund 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, faculty and staff.

The following funds are required by the bond resolution:

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

Construction Fund - The Construction Fund is used to account for the bond proceeds and other funds to be used for the construction of improvements or extensions to the Utility System.

Improvement and Extension Fund (Improvement Fund) - The bond resolution provides for the deposit of any remaining net revenues of the Utility System and proceeds of any Utility System student fees, after first making the required deposits to the Bond and Reserve Funds, in quarterly amounts of \$20,000 commencing not later than the fiscal year beginning July 1, 1989, until \$1,350,000 has been accumulated in the Improvement Fund. All monies credited to the Improvement Fund are used to pay any extraordinary costs of maintaining the Utility System in an efficient operating condition and to pay the costs of necessary repairs, replacements, improvements and extensions.

Debt Service Reserve Fund (Reserve Fund) - The bond resolution provides an initial deposit equal to the maximum annual debt service requirement will be credited to the Reserve Fund from the proceeds of the bond issue. All monies credited to the Reserve Fund shall be transferred to the Bond Fund and used for the payment of principal and interest on the bonds issued and outstanding.

Bond Fund - The bond resolution provides for deposits to the Bond Fund out of net revenues of the Utility System and proceeds of any Utility System student fees from time to time in amounts as are required to make timely payments of principal and interest.

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 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.

Accounts Receivable

Accounts receivable represent unpaid utility services from customers.

Inventory

Inventory is stated at the lower of cost (weighted average) or market.

Capital Assets

Capital assets are defined by the University as assets with an initial individual cost of more than \$5,000 for equipment and \$50,000 for buildings and infrastructure. 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 the 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:

Assets	Years
Equipment	10
Utility system infrastructure	30
Buildings	25

(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 bank of \$21,205,832 is combined with other University funds. The money market balance for the Utility System Revenue Bond Funds is \$5,152,546.

At June 30, 2008, the Utility System Revenue Bond Funds had the following investments:

Investment Type	Fair Value
Fixed Income:	
Federal Home Loan Bank	<u>\$ 1,526,850</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 Utility System 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:		
Federal Home Loan Bank	<u>\$ 1,526,850</u>	<u>4.09</u>

(3) Capital Assets

The following is a summary of capital assets activity in the Investment in Plant Fund for Utility System assets for the year ended June 30, 2008:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Building	\$ 2,019,009	221,847	-	2,240,856
Utility system infrastructure	76,181,056	3,867,184	-	80,048,240
Equipment	345,775	-	-	345,775
Total capital assets	78,545,840	4,089,031	-	82,634,871
Less accumulated depreciation:				
Building	(559,345)	(89,634)		(648,979)
Utility system infrastructure	(24,524,346)	(2,668,275)	-	(27,192,621)
Equipment	(333,985)	(4,387)	-	(338,372)
Total accumulated depreciation	(25,417,676)	(2,762,296)	-	(28,179,972)
Capital assets, net	\$ 53,128,164	1,326,735	-	54,454,899

The cost of land used for the Utility System is not reflected on 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 \$47,435,000, bear interest at rates ranging from 2.60% to 4.85% per year, payable semi-annually on May 1 and November 1.

The bonds mature on November 1 in annual amounts as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 2,745,000	1,344,627	4,089,627
2010	2,855,000	1,232,403	4,087,403
2011	2,995,000	1,111,795	4,106,795
2012	3,165,000	981,784	4,146,784
2013	3,330,000	841,290	4,171,290
2014	3,510,000	690,719	4,200,719
2015	945,000	594,235	1,539,235
2016	985,000	555,474	1,540,474
2017	1,030,000	514,506	1,544,506
2018	1,065,000	471,225	1,536,225
2019	1,120,000	424,572	1,544,572
2020	1,165,000	374,631	1,539,631
2021	1,220,000	322,497	1,542,497
2022	1,280,000	266,784	1,546,784
2023	1,335,000	207,163	1,542,163
2024	1,400,000	144,506	1,544,506
2025	1,465,000	78,863	1,543,863
2026	515,000	34,350	549,350
2027	535,000	11,703	546,703
	32,660,000	10,203,127	42,863,127
Unamortized discount	(209,863)		
Total	\$ 32,450,137		

Under the provisions of the bond resolution, these bonds, and any additional bonds that may be subsequently issued, will be retired solely from the net revenues of the Utility System, Utility System student fees and interest on investments.

(5) Commitments

The Board of Regents has entered into various agreements with the City of Ames (Ames) for the University to use certain Ames' services, with charges determined based on sharing the cost of improvements to Ames' fire protection facilities, water and wastewater utilities and electrical utilities.

The fire protection facility agreement is effective for an indefinite term and is cancelable annually on July 1 by either party. For the year ended June 30, 2008, \$35,392 was paid to reimburse Ames for payments related to fire protection improvements. Future average annual payments of \$24,506 from 2008 to 2017 are payable to Ames in accordance with this agreement. Also, the University has agreed to pay a portion of the cost for additional fire apparatus. For the year ended June 30, 2008, there were no outstanding obligations relating to the fire apparatus and, therefore, no payments were made to the City.

The term of the wastewater utility agreement is indefinite. The University has agreed to pay a portion of the capital improvements and related interest costs of capital projects from which the University derives benefits. For the year ended June 30, 2008, there were no obligations outstanding and, therefore, no payments were made to the City of Ames.

The term of the electrical utilities agreement is 15 years with an option to renew for an additional 15 years. In accordance with this agreement, the University has agreed to pay a portion of the capital improvements and related interest costs of capital improvement projects from which the University derives benefits. For the year ended June 30, 2008, there were no obligations outstanding and, therefore, no payments were made to the City of Ames.

The term of the domestic water utility agreement is indefinite and is cancelable annually with a 5-year notice on July 1 by either party. The University has agreed to pay a portion of the capital improvements and related interest costs of capital projects from which the University derives benefits. For the year ended June 30, 2008, there were no obligations outstanding and, therefore, no payments were made to the City of Ames.

The annual payments to Ames under these contracts are included in the budget estimates used to calculate the rates charged by the Utility System.

(6) Related Party Transactions

Included in operating revenues are revenues generated from the auxiliary enterprises and other current funds of the University of \$8,674,687 and \$24,781,590, respectively.

(7) Debt Service Coverage

Utility System Revenue Bond principal and interest payments totaling \$4,073,775 due November 1, 2007 and May 1, 2008 require debt service coverage of a minimum of 120%, or \$4,888,530. Utility System operating income before depreciation of \$6,142,069 and investment income of \$1,361,139 provided debt service coverage of \$7,503,208, or 184% of the principal and interest due for the year ended June 30, 2008.

The debt service coverage for the current year 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	\$ 4,073,775	4,888,530	7,503,208	120%	184%
2007	3,841,125	4,609,350	6,392,849	120	166
2006	3,473,711	4,168,453	7,258,506	120	209

Supplementary Information

Utility System Revenue Bond Funds
Iowa State University of Science and Technology

Combining Statement of Net Assets

June 30, 2008

	<u>Current Fund</u> Operating Fund	<u>Unexpended</u> Construction Fund
Assets		
Current assets:		
Cash and cash equivalents	\$ 21,226,721	-
Accounts receivable	2,324	-
Interfund receivable	-	-
Interest receivable	-	-
Inventory	2,632,468	-
Total current assets	<u>23,861,513</u>	<u>-</u>
Noncurrent assets:		
Cash, cash equivalents and investments	-	930,870
Interest receivable	-	3,667
Capital assets, net	-	-
Total noncurrent assets	<u>-</u>	<u>934,537</u>
Total assets	<u>23,861,513</u>	<u>934,537</u>
Liabilities		
Current liabilities:		
Accounts payable	1,042,700	-
Accrued salaries and wages	57,624	-
Interfund payable	233,125	-
Compensated absences payable	167,005	-
Interest payable	-	-
Revenue bonds payable, current portion	-	-
Total current liabilities	<u>1,500,454</u>	<u>-</u>
Noncurrent liabilities:		
Accounts payable	58,373	137,534
Revenue bonds payable, noncurrent portion	-	774,401
Total noncurrent liabilities	<u>58,373</u>	<u>911,935</u>
Total liabilities	<u>1,558,827</u>	<u>911,935</u>
Net assets		
Net investment in plant	-	-
Restricted for debt service	-	-
Restricted for improvements	-	22,602
Unrestricted	22,302,686	-
Total net assets	<u>\$ 22,302,686</u>	<u>22,602</u>

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

Plant Funds						
Renewals and Replacements Improvement Fund	Retirement of Indebtedness			Investment in Plant	Total	
	Reserve Fund	Bond Fund	Arbitrage Reserve Fund			
-	-	6,918	-	-	21,233,639	
-	-	-	-	-	2,324	
-	-	233,125	-	-	233,125	
-	-	10	-	-	10	
-	-	-	-	-	2,632,468	
-	-	240,053	-	-	24,101,566	
1,397,176	4,323,543	-	-	-	6,651,589	
2,028	27,111	-	-	-	32,806	
-	-	-	-	54,454,899	54,454,899	
1,399,204	4,350,654	-	-	54,454,899	61,139,294	
1,399,204	4,350,654	240,053	-	54,454,899	85,240,860	
-	-	-	1,264	-	1,043,964	
-	-	-	-	-	57,624	
-	-	-	-	-	233,125	
-	-	-	-	-	167,005	
-	-	233,125	-	-	233,125	
-	-	-	-	2,745,000	2,745,000	
-	-	233,125	1,264	2,745,000	4,479,843	
-	-	-	-	-	195,907	
-	1,540,741	-	-	27,389,995	29,705,137	
-	1,540,741	-	-	27,389,995	29,901,044	
-	1,540,741	233,125	1,264	30,134,995	34,380,887	
-	-	-	-	24,319,904	24,319,904	
-	2,809,913	6,928	-	-	2,816,841	
1,399,204	-	-	-	-	1,421,806	
-	-	-	(1,264)	-	22,301,422	
1,399,204	2,809,913	6,928	(1,264)	24,319,904	50,859,973	

Utility System 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 Fund Operating Fund	Unexpended Construction Fund
Operating revenues	\$ 33,456,277	-
Operating expenses:		
Operating expenses	27,314,208	-
Depreciation	-	-
Total operating expenses	27,314,208	-
Operating income (loss)	6,142,069	-
Nonoperating revenues (expenses):		
Investment income	944,374	142,746
Legal and administrative expenses	-	-
Net increase in fair value of investments	-	-
Interest expense	-	-
Net nonoperating revenues (expenses)	944,374	142,746
Income (loss) before other revenues (expenses) and transfers	7,086,443	142,746
Other revenues (expenses) and transfers:		
Net additions to capital assets	(1,382,072)	(2,706,959)
Mandatory transfers	(3,252,954)	(226,546)
Non-mandatory transfers	(5,100)	-
Transfers from other University funds	393,169	-
Transfer of revenue bonds payable	-	2,691,405
Total other revenues (expenses) and transfers	(4,246,957)	(242,100)
Increase (decrease) in net assets	2,839,486	(99,354)
Net assets beginning of year	19,463,200	121,956
Net assets (deficit) end of year	\$ 22,302,686	22,602

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

Plant Funds					
Renewals and Replacements Improvement Fund	Retirement of Indebtedness			Investment in Plant	Total
	Reserve Fund	Bond Fund	Arbitrage Reserve Fund		
	-	-	-	-	33,456,277
-	-	-	-	-	27,314,208
-	-	-	-	2,762,296	2,762,296
-	-	-	-	2,762,296	30,076,504
-	-	-	-	(2,762,296)	3,379,773
52,840	211,832	9,347	-	-	1,361,139
-	-	-	(6,364)	-	(6,364)
3,375	2,324	-	-	-	5,699
-	-	(1,444,219)	-	-	(1,444,219)
56,215	214,156	(1,434,872)	(6,364)	-	(83,745)
56,215	214,156	(1,434,872)	(6,364)	(2,762,296)	3,296,028
-	-	-	-	4,089,031	-
(67,685)	(393,545)	3,940,730	-	-	-
-	-	-	5,100	-	-
-	-	-	-	-	393,169
-	-	(2,612,881)	-	(78,524)	-
(67,685)	(393,545)	1,327,849	5,100	4,010,507	393,169
(11,470)	(179,389)	(107,023)	(1,264)	1,248,211	3,689,197
1,410,674	2,989,302	113,951	-	23,071,693	47,170,776
1,399,204	2,809,913	6,928	(1,264)	24,319,904	50,859,973

Schedule 3

Utility System Revenue Bond Funds
Iowa State University of Science and Technology

Insurance Coverage
(Unaudited)

June 30, 2008

Insurer

Travelers Insurance Company

Description of Coverage

Power plant and on-site substation, all risk, \$1,000,000 deductible per occurrence or accident

Amount of Coverage

\$293,926,860

Policy Number

KTK-CMB-544D989-2-07

Term of Policy

July 1, 2007 to July 1, 2008

See accompanying independent auditor's report.

Utility System 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

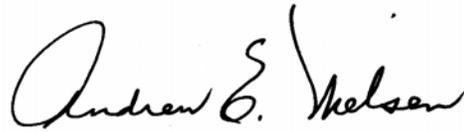
See accompanying independent auditor's report.

Utility System Revenue Bond Funds
Iowa State University of Science and Technology

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Adam D. Steffensmeier, Staff Auditor
Scott G. Anderson, Assistant 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' and 'N'.

Andrew E. Nielsen, CPA
Deputy Auditor of State