

**MEMORIAL UNION 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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**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 Memorial Union 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 Memorial Union 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 Memorial Union 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.

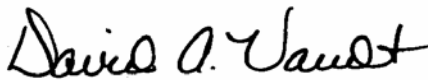
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Memorial Union Revenue Bond Funds of Iowa State University as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity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

Iowa State University has not presented Management's Discussion and Analysis for the Memorial Union 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 included in the schedule of student fee receipts has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The information in the schedule of insurance coverage and the schedule of student enrollment has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

October 2, 2008

## **Basic Financial Statements**

**Exhibit A**Memorial Union Revenue Bond Funds  
Iowa State University of Science and Technology

## Statement of Net Assets

June 30, 2008

**Assets**

## Current assets:

Cash and cash equivalents	\$ 127,354
Cash with paying agents	1,124,175
Accounts receivable	9,800
Interest receivable	277
Prepaid expenses	410
Total current assets	<u>1,262,016</u>

## Noncurrent assets:

Cash, cash equivalents and investments	4,566,316
Interest receivable	15,623
Capital assets, net	<u>31,729,967</u>
Total noncurrent assets	<u>36,311,906</u>
<b>Total assets</b>	<u>37,573,922</u>

**Liabilities**

## Current liabilities:

Accounts payable	6,289
Compensated absences	205,103
Accrued salaries and wages	63,832
Interest payable	479,175
Deferred revenue	20,013
Revenue bonds payable, current portion	<u>645,000</u>
Total current liabilities	<u>1,419,412</u>

## Noncurrent liabilities:

Accounts payable	151,471
Revenue bonds payable, noncurrent portion	<u>22,438,288</u>
Total noncurrent liabilities	<u>22,589,759</u>
<b>Total liabilities</b>	<u>24,009,171</u>

**Net assets**

Invested in capital assets, net of related debt	10,965,679
Restricted for debt service	277
Restricted for improvements	2,886,880
Unrestricted	<u>(288,085)</u>
<b>Total net assets</b>	<u>\$ 13,564,751</u>

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

Memorial Union 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>\$ 2,646,362</u>
Operating expenses:	
Operating expenses	4,530,849
Depreciation	1,389,585
Total operating expenses	<u>5,920,434</u>
Operating loss	<u>(3,274,072)</u>
Nonoperating revenues (expenses):	
Investment income	255,291
Net increase in fair value of investments	35,806
Legal and administrative expenses	(1,700)
Interest expense	(971,610)
Net nonoperating revenues (expenses)	<u>(682,213)</u>
Loss before transfers	<u>(3,956,285)</u>
Other revenues (expenses) and transfers:	
Loss on disposal of capital assets	(7,956)
Allocation of student fees from other University funds	1,338,367
Transfers from other University funds	5,975,749
Total other revenues (expenses) and transfers	<u>7,306,160</u>
Increase in net assets	3,349,875
Net assets beginning of year	<u>10,214,876</u>
Net assets end of year	<u><u>\$ 13,564,751</u></u>

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

**Exhibit C**Memorial Union 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	\$ 2,677,348
Cash paid for operations	(4,514,266)
Net cash used by operating activities	<u>(1,836,918)</u>
Cash flows from capital financing activities:	
Additions to capital assets	(2,695,390)
Student fees received from other University funds	1,338,367
Transfers from other University funds	2,378,050
Principal paid on capital debt	(645,000)
Interest paid on capital debt	(958,350)
Other expenses	(1,700)
Net cash used by capital financing activities	<u>(584,023)</u>
Cash flows from investing activities:	
Interest on investments	287,065
Proceeds from sales of investments	6,160,700
Purchases of investments	(3,306,713)
Net cash provided by investing activities	<u>3,141,052</u>
Net increase in cash and cash equivalents	720,111
Cash and cash equivalents beginning of year	<u>2,295,107</u>
Cash and cash equivalents end of year	<u>\$ 3,015,218</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ (3,274,072)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	1,389,585
Changes in assets and liabilities:	
(Increase) in accounts receivable	(2,862)
(Increase) in prepaid expenses	(212)
(Decrease) in accounts payable	(1,981)
Increase in compensated absences payable	25,597
Increase in salaries and wages payable	8,379
Increase in deferred revenue	18,648
Net cash used by operating activities	<u>\$ (1,836,918)</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets:</b>	
Cash and cash equivalents classified as current assets	\$ 127,354
Cash and cash equivalents classified as noncurrent assets	<u>2,887,864</u>
Total cash and cash equivalents	<u>\$ 3,015,218</u>
<b>Noncash Capital Financing Activities:</b>	
Construction of building financed by other University funds	<u>\$ 3,597,699</u>

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



Memorial Union 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 Memorial Union 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 improve, remodel, repair and construct additions to the Memorial Union Building and the Memorial Union Parking Facility on the campus of Iowa State University of Science and Technology. The bonds were also used to refund the outstanding First Mortgage Notes, Series 2000. The revenue bonds are issued on behalf of the University.

The financial statements of the Memorial Union Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Memorial Union 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 Memorial Union 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 Memorial Union Revenue Bonds issued by the University. These fund financial statements reflect only those accounts and transactions related to these bonds. Certain of these accounts and transactions are included as a portion of the University's Plant Funds. Plant Funds are used to account for the transactions relating to investment in University properties. Plant Funds include the following funds: (1) Unexpended, (2) Retirement of Indebtedness and (3) Investment in Plant. Unexpended, including the Project and System Funds established by the bond resolution, is comprised of amounts allocated or designated for improving, remodeling, repairing or constructing additions to the Memorial Union Building and the Memorial Union Parking Facility. Retirement of Indebtedness, including the Sinking, Reserve and Arbitrage Reserve Funds established by the bond resolution, is comprised of amounts to provide for payment of principal and interest. Investment in Plant is comprised of amounts representing the total of buildings and equipment, all net of accumulated depreciation, construction in progress and the related liabilities.

The Current Fund, including the Revenue 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:

Revenue Fund - The Revenue Fund is used to account for the gross revenues from the operations of the Memorial Union. All monies credited to the Revenue Fund must first be disbursed to pay current expenses of the Memorial Union and thereafter must be deposited in the Sinking Fund, Reserve Fund or System Fund as needed. The Revenue Fund will be used to account for the operations of the Memorial Union.

Project Fund - The Project Fund accounts for the bond proceeds, less the initial deposits required in the Reserve Fund. These proceeds, together with such other funds as may be lawfully available for the purpose, are disbursed and used to pay project construction costs and bond issuance costs as required by the bond resolution.

Memorial Union System Fund (System Fund) - The bond resolution provides all net revenues not required to be deposited into the Sinking Fund or the Reserve Fund be deposited into the System Fund. All moneys deposited in the System Fund shall be (a) transferred and credited to the Sinking Fund whenever necessary to prevent or remedy a default in the payment of the principal of or interest on the Bonds or parity bonds or (b) transferred and credited to the Reserve Fund whenever any deficiency may exist in the Reserve Fund or whenever necessary to replace funds transferred from the Reserve Fund to the Sinking Fund. Until so used, moneys credited to the System Fund may be used for any lawful purpose, as determined by the Board of Regents, including without limitation the following: (1) to pay principal of and interest on any other obligations which by their terms shall be payable from the net revenues and which have been issued for the purposes of extensions and improvements to the System, (2) to retire the Bonds in advance of maturity or (3) to pay for extraordinary repairs or replacements to the System.

Sinking Fund - The bond resolution provides the required amount to be deposited from the Revenue Fund to the Sinking Fund during any fiscal year shall be the amount necessary to pay in full the installment of principal and interest coming due on the next January 1 and July 1.

Reserve Fund - The bond resolution provides money in the Revenue Fund shall next be disbursed to maintain a debt service reserve in an amount equal to the Reserve Fund requirement. All monies credited to the Reserve Fund shall be used solely for the purpose of paying principal at maturity of or interest on the Bonds and any Parity Bonds for which there are insufficient funds available in the Sinking Fund.

Arbitrage Reserve Fund – Money 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.

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. 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>Assets</u>	<u>Years</u>
Equipment	7-15
Building	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 banks of \$2,744,708 is combined with other University funds. The money market balance for the Memorial Union Revenue Bond Funds is \$270,510 and is considered to be a cash equivalent.

At June 30, 2008, the Memorial Union Revenue Bond Funds had the following investments:

Investment Type	Fair Value
Fixed Income:	
U.S. Government Treasury Notes	<u>\$1,678,452</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 Memorial Union 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>\$1,678,452</u>	<u>0.21</u>

### (3) Capital Assets

The following is a summary of capital assets activity in the Investment in Plant Fund for Memorial Union 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	\$ 16,524,460	5,265,343	(21,048,977)	-	740,826
Capital assets, depreciable:					
Buildings	13,580,572	-	21,048,977	-	34,629,549
Equipment	38,746	71,434	-	(13,322)	96,858
Capital assets, depreciable	<u>13,619,318</u>	<u>71,434</u>	<u>21,048,977</u>	<u>(13,322)</u>	<u>34,726,407</u>
Accumulated depreciation:					
Buildings	(2,339,805)	(1,385,182)	-	-	(3,724,987)
Equipment	(13,242)	(4,403)	-	5,366	(12,279)
Total accumulated depreciation	<u>(2,353,047)</u>	<u>(1,389,585)</u>	<u>-</u>	<u>5,366</u>	<u>(3,737,266)</u>
Depreciable assets, net	<u>11,266,271</u>	<u>(1,318,151)</u>	<u>21,048,977</u>	<u>(7,956)</u>	<u>30,989,141</u>
Capital assets, net	<u>\$ 27,790,731</u>	<u>3,947,192</u>	<u>-</u>	<u>(7,956)</u>	<u>31,729,967</u>

The cost of land used for the Memorial Union 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, issued on December 1, 2004 for \$24,625,000, are to be used to improve, remodel, repair and construct additions to the Memorial Union Building and the Memorial Union Parking Facility and were used to refund the outstanding First Mortgage Notes, Series 2000.

The bonds bear interest at rates ranging from 3.00% to 4.63% per year, payable semi-annually on January 1 and July 1. The bonds mature on January 1 and July 1 of each year, in annual amounts as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 645,000	948,675	1,593,675
2010	665,000	929,025	1,594,025
2011	680,000	908,850	1,588,850
2012	705,000	887,722	1,592,722
2013	730,000	864,932	1,594,932
2014	755,000	840,235	1,595,235
2015	785,000	813,662	1,598,662
2016	815,000	785,153	1,600,153
2017	845,000	754,537	1,599,537
2018	880,000	721,094	1,601,094
2019	920,000	685,094	1,605,094
2020	960,000	647,494	1,607,494
2021	1,000,000	608,294	1,608,294
2022	1,045,000	566,088	1,611,088
2023	1,090,000	520,719	1,610,719
2024	1,140,000	471,906	1,611,906
2025	1,195,000	419,369	1,614,369
2026	1,255,000	364,244	1,619,244
2027	1,315,000	305,597	1,620,597
2028	1,380,000	243,275	1,623,275
2029	1,450,000	177,831	1,627,831
2030	1,520,000	109,150	1,629,150
2031	1,600,000	37,000	1,637,000
	23,375,000	13,609,946	36,984,946
Unamortized discount	(291,712)		
Total	\$ 23,083,288		

Under the provisions of the bond resolution, these bonds will be retired solely from the net revenues and other system income of the Memorial Union.

In accordance with the provisions of the bond resolution, all principal and interest maturing July 1 of each year shall be considered to be obligations of the then immediately preceding fiscal year and, as such, are reflected in the Sinking Fund.

At June 30, 2008, cash with paying agents of \$1,124,175 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**

Memorial Union Revenue Bond principal and interest payments totaling \$1,603,350 due January 1 and July 1, 2008 requires debt service coverage of a minimum of 120%, or \$1,924,020. Transfers from other University funds of \$2,378,050, student fees of \$1,338,367, Revenue Fund operating loss of \$(1,884,487), investment income of \$255,291 and funds on deposit or credited to the System Fund of \$2,968,584 provided debt service coverage of \$5,055,805, or 315% 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	\$ 1,603,350	1,924,020	5,055,805	120%	315%
2007	1,604,100	1,924,920	5,387,241	120	336
2006	1,609,600	1,931,520	4,517,893	120	281

**(6) Related Party Transactions**

Included in operating expenses are costs for utilities purchased from the University's Utility System of \$706,685. Included in operating revenues are certain revenues generated from other auxiliary enterprises and current funds of the University.

**Supplementary Information**

Memorial Union Revenue Bond Funds  
Iowa State University of Science and Technology

Combining Statement of Net Assets

June 30, 2008

	Current	Unexpended	
	Fund	Project	System
	Revenue Fund	Fund	Fund
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 127,354	-	-
Cash with paying agents	-	-	-
Accounts receivable	9,800	-	-
Interest receivable	-	-	-
Prepaid expenses	410	-	-
Total current assets	137,564	-	-
Noncurrent assets:			
Cash, cash equivalents and investments	-	-	2,886,612
Interest receivable	-	268	-
Capital assets, net	-	-	-
Total noncurrent assets	-	268	2,886,612
<b>Total assets</b>	137,564	268	2,886,612
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	6,289	-	-
Compensated absences	205,103	-	-
Accrued salaries and wages	63,832	-	-
Interest payable	-	-	-
Deferred revenue	20,013	-	-
Revenue bonds payable, current portion	-	-	-
Total current liabilities	295,237	-	-
Noncurrent liabilities:			
Accounts payable	151,471	-	-
Revenue bonds payable, noncurrent portion	-	-	-
Total noncurrent liabilities	151,471	-	-
<b>Total liabilities</b>	446,708	-	-
<b>Net assets</b>			
Net investment in plant	-	-	-
Restricted for debt service	-	-	-
Restricted for improvements	-	268	2,886,612
Unrestricted	(309,144)	-	-
<b>Total net assets</b>	\$ (309,144)	268	2,886,612

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



Plant Funds				
Retirement of Indebtedness				
Sinking Fund	Reserve Fund	Investment in Plant		Total
-	-	-	-	127,354
1,124,175	-	-	-	1,124,175
-	-	-	-	9,800
277	-	-	-	277
-	-	-	-	410
1,124,452	-	-	-	1,262,016
-	1,679,704	-	-	4,566,316
-	15,355	-	-	15,623
-	-	31,729,967	-	31,729,967
-	1,695,059	31,729,967	-	36,311,906
1,124,452	1,695,059	31,729,967	-	37,573,922
-	-	-	-	6,289
-	-	-	-	205,103
-	-	-	-	63,832
479,175	-	-	-	479,175
-	-	-	-	20,013
645,000	-	-	-	645,000
1,124,175	-	-	-	1,419,412
-	-	-	-	151,471
-	1,674,000	20,764,288	-	22,438,288
-	1,674,000	20,764,288	-	22,589,759
1,124,175	1,674,000	20,764,288	-	24,009,171
-	-	10,965,679	-	10,965,679
277	-	-	-	277
-	-	-	-	2,886,880
-	21,059	-	-	(288,085)
277	21,059	10,965,679	-	13,564,751

Memorial Union 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	Unexpended	
	Revenue Fund	Project Fund	System Fund
Operating revenues	\$ 2,646,362	-	-
Operating expenses:			
Operating expenses	4,530,849	-	-
Depreciation	-	-	-
Total operating expenses	4,530,849	-	-
Operating loss	(1,884,487)	-	-
Nonoperating revenues (expenses):			
Investment income	163,318	30,331	-
Net increase in fair value of investments	-	1,288	-
Legal and administrative expenses	-	-	-
Interest expense	-	-	-
Net nonoperating revenues (expenses)	163,318	31,619	-
Income (loss) before other revenues (expenses) and transfers	(1,721,169)	31,619	-
Other revenues (expenses) and transfers:			
Additions to capital assets	(784,145)	(954,933)	-
Loss on disposal of capital assets	-	-	-
Mandatory transfers	(1,603,350)	-	-
Non-mandatory transfers	204,020	(61,215)	(81,972)
Allocation of student fees from other University funds	1,338,367	-	-
Transfers from other University funds	2,378,050	-	-
Transfer of revenue bonds payable	-	954,933	-
Total other revenues (expenses) and transfers	1,532,942	(61,215)	(81,972)
Increase (decrease) in net assets	(188,227)	(29,596)	(81,972)
Net assets (deficit) beginning of year	(120,917)	29,864	2,968,584
Net assets (deficit) end of year	\$ (309,144)	268	2,886,612

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

Plant Funds				
Retirement of Indebtedness				
Sinking Fund	Reserve Fund	Arbitrage Reserve Fund	Investment in Plant	Total
-	-	-	-	2,646,362
-	-	-	-	4,530,849
-	-	-	1,389,585	1,389,585
-	-	-	1,389,585	5,920,434
-	-	-	(1,389,585)	(3,274,072)
3,341	58,301	-	-	255,291
-	34,518	-	-	35,806
-	-	(1,700)	-	(1,700)
(971,610)	-	-	-	(971,610)
(968,269)	92,819	(1,700)	-	(682,213)
(968,269)	92,819	(1,700)	(1,389,585)	(3,956,285)
-	-	-	1,739,078	-
-	-	-	(7,956)	(7,956)
1,603,350	-	-	-	-
(4,204)	(58,329)	1,700	-	-
-	-	-	-	1,338,367
-	-	-	3,597,699	5,975,749
(631,740)	-	-	(323,193)	-
967,406	(58,329)	1,700	5,005,628	7,306,160
(863)	34,490	-	3,616,043	3,349,875
1,140	(13,431)	-	7,349,636	10,214,876
277	21,059	-	10,965,679	13,564,751

**Schedule 3**

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Memorial Union Revenue Bond Funds  
Iowa State University of Science and Technology

Student Fees

Year ended June 30, 2008

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	Student Fees
Summer Semester, 2007*	\$ 33,116
Fall Semester, 2007	652,947
Spring Semester, 2008	588,781
Summer Semester, 2008**	<u>63,523</u>
	<u><u>\$ 1,338,367</u></u>

Memorial Union Fees of \$27.55 are collected from students who are enrolled for more than two credit hours.

\* Summer Semester 2007 fees exclude \$70,178 of fees recognized in fiscal year 2007.

\*\* Summer Semester 2008 fees exclude \$38,423 of deferred revenue representing fees applicable to fiscal year 2009.

See accompanying independent auditor's report.

Memorial Union Revenue Bond Funds  
Iowa State University of Science and Technology

Insurance Coverage  
(Unaudited)

June 30, 2008

<b>Term of Policy</b>	Effective 7/01/07 to 7/01/08
<b>Insurer</b>	Travelers Insurance Company
<b>Description of Coverage</b>	General property coverage with a \$5,000 deductible for each occurrence for each item
<b>Amount of Coverage</b>	
<b>Building</b>	\$70,000,000
<b>Contents</b>	2,000,000
<b>Ramp</b>	8,000,000
<b>Business Interruption</b>	1,147,609
<b>Policy Number</b>	P-630-932K3865-PHX-07

See accompanying independent auditor's report.

**Schedule 5**

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Memorial Union 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.

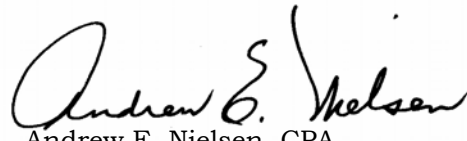
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Memorial Union Revenue Bond Funds  
Iowa State University of Science and Technology

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Jenny R. Schneider, Staff Auditor  
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