

**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, 2006**

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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, 2006, 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, 2006 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, 2006 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.

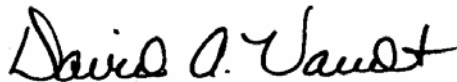
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Dormitory and Dining Services Revenue Bond Funds of Iowa State University as of June 30, 2006, and the changes in its financial position and its cash flows for the year then 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, 2006, 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

September 29, 2006

## **Basic Financial Statements**

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

## Statement of Net Assets

June 30, 2006

**Assets**

## Current assets:

Cash and cash equivalents	\$ 21,242
Cash with paying agents	6,048,628
Accounts receivable, less allowance for doubtful accounts of \$59,166	2,381,722
Interfund receivable	186,048
Interest receivable	159,624
Inventories	1,339,092
Prepaid expense	19,559
Total current assets	<u>10,155,915</u>

## Noncurrent assets:

Cash, cash equivalents and investments	22,103,206
Capital assets, net	131,160,270
Total noncurrent assets	<u>153,263,476</u>
<b>Total assets</b>	<u>163,419,391</u>

**Liabilities**

## Current liabilities:

Accounts payable	340,836
Compensated absences payable	1,168,135
Accrued salaries and wages	486,304
Interfund payable	186,048
Deferred revenue	819,662
Interest payable	2,902,426
Revenue bonds payable, current portion	3,320,000
Total current liabilities	<u>9,223,411</u>

## Noncurrent liabilities:

Accounts payable	185,995
Revenue bonds payable, noncurrent portion	127,950,000
Total noncurrent liabilities	<u>128,135,995</u>
<b>Total liabilities</b>	<u>137,359,406</u>

**Net assets:**

Invested in capital assets, net of related debt	13,164,006
Restricted for debt service	135,181
Restricted for improvements	12,863,291
Unrestricted	(102,493)
<b>Total net assets</b>	<u>\$ 26,059,985</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, Expenditures and Changes in Fund Net Assets

Year ended June 30, 2006

Operating revenues	<u>\$ 57,932,525</u>
Operating expenses:	
Operating expenses	44,671,860
Depreciation	4,315,425
Total operating expenses	<u>48,987,285</u>
Operating income	<u>8,945,240</u>
Nonoperating revenues (expenses):	
Investment income	926,454
Net increase in fair value of investments	12,611
Administrative and legal expenses	(18,563)
Interest expense	(6,287,447)
Miscellaneous income	10,940
Net nonoperating revenues (expenses)	<u>(5,356,005)</u>
Income before other revenues (expenses) and transfers	<u>3,589,235</u>
Other revenues (expenses) and transfers:	
Loss on disposal of capital assets	(534,225)
Transfers from other University funds	163,187
Loss on refunding bonds	(410,000)
Transfer to trustee for defeased debt	(605,879)
Total other revenues (expenses) and transfers	<u>(1,386,917)</u>
Increase in net assets	2,202,318
Net assets beginning of year	<u>23,857,667</u>
Net assets end of year	<u>\$ 26,059,985</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, 2006

Cash flows from operating activities:	
Cash received from operations	\$ 56,553,343
Cash paid for operations	(44,913,416)
Net cash provided by operating activities	<u>11,639,927</u>
Cash flows from capital financing activities:	
Additions to capital assets	(1,457,616)
Transfers from other University funds	3,425
Principal paid on capital debt	(3,320,000)
Interest paid on capital debt	(6,113,649)
Transfer to trustee for defeased debt	(605,879)
Miscellaneous income (expense)	(7,623)
Net cash used by capital financing activities	<u>(11,501,342)</u>
Cash flows from investing activities:	
Interest on investments	909,384
Proceeds from sales of investments	24,696,678
Purchases of investments	(22,876,265)
Net cash provided by investing activities	<u>2,729,797</u>
Net increase in cash and cash equivalents	2,868,382
Cash and cash equivalents beginning of year	<u>4,108,509</u>
Cash and cash equivalents end of year	<u>\$ 6,976,891</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 8,945,240
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	4,315,425
(Decrease) in receivables	(1,278,537)
Increase in inventory	41,955
(Decrease) in accounts payables	(334,977)
Increase in compensated absences	1,059
Increase in salaries and wages payable	45,971
(Decrease) in deferred income	(96,210)
Net cash provided by operating activities	<u>\$ 11,639,927</u>



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

Statement of Cash Flows

Year ended June 30, 2006

**Reconciliation of cash and cash equivalents to  
the Statement of Net Assets**

Cash and cash equivalents classified as current assets	\$ 21,242
Cash and cash equivalents classified as noncurrent assets	<u>6,955,649</u>
Total cash and cash equivalents	<u><u>\$ 6,976,891</u></u>

**Noncash Capital Financing Activities**

Construction of building financed by other University funds	\$ 147,737
Equipment financed by other University funds	<u>12,025</u>
Total noncash capital financing activities	<u><u>\$ 159,762</u></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, 2006

**(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, non-capital financing, 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 System, 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 repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Outlays for capital assets are capitalized as projects are constructed. During the year ended June 30, 2006 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 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 \$4,798,192 is combined with other University funds. The money market balance for the Dormitory and Dining Services Revenue Bond Funds is \$2,178,699 and is considered to be a cash equivalent.

At June 30, 2006, 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>\$15,147,557</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, 2006, 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.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration</u>
Fixed Income:		
U.S. Government Treasury Notes	<u>\$15,147,557</u>	<u>1.15</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, 2006:

	Balance July 1, 2005	Additions	Transfers	Deletions	Balance June 30, 2006
Capital assets, nondepreciable:					
Construction in progress	\$ 783,353	1,641,517	(2,008,276)	-	416,594
Capital assets, depreciable:					
Buildings	196,728,333	-	2,008,276	(4,950,869)	193,785,740
Equipment	1,817,395	74,513	28,386	(81,380)	1,838,914
Capital assets, depreciable	198,545,728	74,513	2,036,662	(5,032,249)	195,624,654
Accumulated depreciation:					
Buildings	(63,936,708)	(4,189,731)	-	4,445,352	(63,681,087)
Equipment	(1,110,508)	(125,694)	(16,361)	52,672	(1,199,891)
Total accumulated depreciation	(65,047,216)	(4,315,425)	(16,361)	4,498,024	(64,880,978)
Depreciable capital assets, net	133,498,512	(4,240,912)	2,020,301	(534,225)	130,743,676
Total capital assets, net	\$ 134,281,865	(2,599,395)	12,025	(534,225)	131,160,270

Included in additions to construction in progress are transfers from other university funds of \$147,737. Included in transfers for equipment are transfers from other University funds of \$28,386, net of accumulated depreciation of \$16,361.

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 for \$140,540,000, bear interest at rates ranging from 3.00% to 6.25% 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
2007	\$ 3,320,000	5,894,709	9,214,709
2008	3,825,000	5,890,100	9,715,100
2009	4,205,000	5,694,738	9,899,738
2010	4,415,000	5,491,131	9,906,131
2011	4,620,000	5,285,628	9,905,628
2012	4,840,000	5,077,531	9,917,531
2013	5,060,000	4,862,109	9,922,109
2014	5,290,000	4,635,696	9,925,696
2015	5,540,000	4,395,088	9,935,088
2016	5,805,000	4,140,211	9,945,211
2017	6,080,000	3,871,409	9,951,409
2018	6,375,000	3,586,110	9,961,110
2019	6,680,000	3,282,551	9,962,551
2020	6,995,000	2,961,103	9,956,103
2021	6,100,000	2,652,107	8,752,107
2022	6,400,000	2,356,692	8,756,692
2023	6,725,000	2,044,845	8,769,845
2024	7,065,000	1,715,754	8,780,754
2025	7,415,000	1,369,473	8,784,473
2026	7,105,000	1,018,877	8,123,877
2027	6,470,000	687,629	7,157,629
2028	5,610,000	392,653	6,002,653
2029	3,895,000	161,184	4,056,184
2030	1,435,000	33,184	1,468,184
Total	\$ 131,270,000	77,500,512	208,770,512

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 April 2006, the University issued \$16,785,000 in Dormitory Revenue Refunding Bonds, Series I.S.U. 2006, the proceeds of which were held by the University Treasurer to defease \$16,375,000 of Dormitory Revenue Bonds, Series I.S.U. 1999B. The refunding of these bonds resulted in the recognition of an accounting loss of \$410,000, permitted the University to realize an economic gain (difference between present values of the old debt and new debt service payments) of \$1,053,992, and will reduce future aggregate debt service payments over the next 22 years by \$2,414,199.

In April 2006, the University transferred \$605,879 to the escrow agent for interest of \$225,879 accrued from April 1 to July 1, 2006 and principal of \$380,000 due July 1, 2006.

At June 30, 2006, cash with paying agents of \$6,048,628 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 Funds principal and interest payments totaling \$9,433,649 due January 1 and July 1, 2006 require debt service coverage of a minimum of 135%, or \$12,735,426. Dormitory and Dining Services operating income before depreciation of \$16,501,094, add back charges for administrative overhead of \$627,417, and investment income of \$926,454 provided debt service coverage of \$18,054,965, or 191% of the principal and interest due for the year ended June 30, 2006.

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

Year Ended	Principal and Interest	Required Debt Service Coverage	Actual Debt Service Coverage	Required Coverage Percentage	Actual Coverage Percentage
2006	\$ 9,433,649	12,735,426	18,054,965	135%	191%
2005	10,067,310	13,590,869	15,829,777	135	157
2004	9,649,041	13,026,205	14,345,054	135	149

#### **(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, 2006 includes charges for administrative overhead of \$627,417. In addition, in the course of operations, the Dormitory and Dining Services System provides services to and incurs intramural charges for other University funds. The revenues and expenditures related to these charges have not been separately identified.

**(7) Subsequent Event**

Subsequent to June 30, 2006, the Board of Regents, State of Iowa, authorized the sale of Dormitory Revenue Refunding Bonds, Series I.S.U. 2006A for \$9,200,000 to be issued on September 1, 2006. These bonds will bear interest at rates ranging from 4.0% to 4.375% and will mature in varying amounts from July 1, 2007 through July 1, 2027. The proceeds of these bonds will be used to refund in advance of maturity the July 1, 2007 through July 1, 2027 maturities of the Board's \$9,525,000 Dormitory Revenue Bonds, Series I.S.U. 2000A and to pay for the cost of issuance. These bonds will be payable only from the net rent, profits and income of the Residence System of the University.



**Supplementary Information**

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

Combining Statement of Net Assets

June 30, 2006

	Plant Funds		
	Unexpended	Renewals and Replacements	
	Construction Fund	Surplus Fund	Improvement Fund
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ -	-	-
Cash with paying agents	-	-	-
Accounts receivable, less allowance for doubtful accounts of \$59,166	-	2,381,722	-
Interfund receivable	-	12,250	-
Interest receivable	-	159,624	-
Inventories	-	1,339,092	-
Prepaid expense	-	19,559	-
Total current assets	-	3,912,247	-
Noncurrent assets:			
Cash, cash equivalents and investments	2,977	12,032,554	-
Capital assets, net	-	-	-
Total noncurrent assets	2,977	12,032,554	-
<b>Total assets</b>	2,977	15,944,801	-
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	-	332,765	8,071
Compensated absences payable	-	1,168,135	-
Accrued salaries and wages payable	-	486,304	-
Interfund payable	-	173,798	12,250
Deferred revenue	-	819,662	-
Interest payable	-	-	-
Revenue bonds payable, current portion	-	-	-
Total current liabilities	-	2,980,664	20,321
Noncurrent liabilities:			
Accounts payable	-	103,823	82,172
Revenue bonds payable, noncurrent portion	-	-	-
Total noncurrent liabilities	-	103,823	82,172
<b>Total liabilities</b>	-	3,084,487	102,493
<b>Net assets:</b>			
Net investment in plant	-	-	-
Restricted for debt service	-	-	-
Restricted for improvements	2,977	12,860,314	-
Unrestricted	-	-	(102,493)
<b>Total net assets</b>	\$ 2,977	12,860,314	(102,493)

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

Retirement of Indebtedness			
Reserve Fund	Sinking Fund	Investment in Plant	Total
-	21,242	-	21,242
-	6,048,628	-	6,048,628
-	-	-	2,381,722
-	173,798	-	186,048
-	-	-	159,624
-	-	-	1,339,092
-	-	-	19,559
-	6,243,668	-	10,155,915
10,067,675	-	-	22,103,206
-	-	131,160,270	131,160,270
10,067,675	-	131,160,270	153,263,476
10,067,675	6,243,668	131,160,270	163,419,391
-	-	-	340,836
-	-	-	1,168,135
-	-	-	486,304
-	-	-	186,048
-	-	-	819,662
-	2,902,426	-	2,902,426
-	3,320,000	-	3,320,000
-	6,222,426	-	9,223,411
-	-	-	185,995
9,953,736	-	117,996,264	127,950,000
9,953,736	-	117,996,264	128,135,995
9,953,736	6,222,426	117,996,264	137,359,406
-	-	13,164,006	13,164,006
113,939	21,242	-	135,181
-	-	-	12,863,291
-	-	-	(102,493)
113,939	21,242	13,164,006	26,059,985

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, 2006

	Current Funds		Unexpended
	Revenue Fund	Operation and Maintenance Fund	Construction Fund
Operating revenues	\$ 57,932,525	-	-
Operating expenses:			
Operating expenses	-	41,431,431	-
Depreciation	-	-	-
Total operating expenses	-	41,431,431	-
Operating income	57,932,525	(41,431,431)	-
Nonoperating revenues (expenses):			
Investment income	926,454	-	-
Net increase (decrease) in fair value of investments	230,416	-	-
Administrative and legal expenses	-	-	-
Interest expense	-	-	-
Miscellaneous income	-	-	2,977
Net nonoperating revenues (expenses)	1,156,870	-	2,977
Income (loss) before other revenues (expenses) and transfers	59,089,395	(41,431,431)	2,977
Other revenues (expenses) and transfers:			
Additions to capital assets	(6,923)	-	(2,090,841)
Loss on disposal of capital assets	-	-	-
Mandatory transfers	(10,128,689)	-	-
Non-mandatory transfers	(48,432,937)	41,431,431	-
Transfers from other University funds	3,425	-	-
Loss on refunding bonds	-	-	-
Transfer to trustee for defeased debt	(524,271)	-	-
Transfers of revenue bonds payable	-	-	2,088,773
Total other revenues (expenses) and transfers	(59,089,395)	41,431,431	(2,068)
Increase (decrease) in net assets	-	-	909
Net assets beginning of year	-	-	2,068
Net assets (deficit) end of year	\$ -	-	2,977

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

Plant Funds							
Renewals and Replacements		Retirement of Indebtedness			Investment in Plant	Total	
Surplus Fund	Improvement Fund	Reserve Fund	Sinking Fund	Arbitrage Reserve Fund			
-	-	-	-	-	-	57,932,525	
2,012,403	1,228,026	-	-	-	-	44,671,860	
-	-	-	-	-	4,315,425	4,315,425	
2,012,403	1,228,026	-	-	-	4,315,425	48,987,285	
(2,012,403)	(1,228,026)	-	-	-	(4,315,425)	8,945,240	
-	-	-	-	-	-	926,454	
(164,430)	-	(53,375)	-	-	-	12,611	
(9,563)	-	-	-	(9,000)	-	(18,563)	
-	-	-	(6,287,447)	-	-	(6,287,447)	
7,963	-	-	-	-	-	10,940	
(166,030)	-	(53,375)	(6,287,447)	(9,000)	-	(5,356,005)	
(2,178,433)	(1,228,026)	(53,375)	(6,287,447)	(9,000)	(4,315,425)	3,589,235	
1,146,182	(616,711)	-	-	-	1,568,293	-	
-	-	-	-	-	(534,225)	(534,225)	
-	500,000	-	9,628,689	-	-	-	
5,842,506	1,150,000	-	-	9,000	-	-	
-	-	-	-	-	159,762	163,187	
-	-	-	-	-	(410,000)	(410,000)	
-	-	(81,608)	-	-	-	(605,879)	
-	-	-	(3,320,000)	-	1,231,227	-	
6,988,688	1,033,289	(81,608)	6,308,689	9,000	2,015,057	(1,386,917)	
4,810,255	(194,737)	(134,983)	21,242	-	(2,300,368)	2,202,318	
8,050,059	92,244	248,922	-	-	15,464,374	23,857,667	
12,860,314	(102,493)	113,939	21,242	-	13,164,006	26,059,985	

**Schedule 3**

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

Insurance Coverage  
(Unaudited)

June 30, 2006

Insurer	Policy Number	Term of Policy	
		From	To
Travelers Insurance Company	KTK-CMB- 544D989-2-05	7/1/2005	7/1/2006

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	\$ 2,878,480	99,275	-
Birch-Welch-Roberts	14,714,713	855,901	-
Elm-Oak	17,024,549	1,040,570	-
Freeman Hall	3,426,016	111,193	-
Friley Hall	45,212,022	3,053,212	-
Helser Hall	25,677,122	837,345	-
Knapp-Storm Halls	31,877,449	1,576,621	-
Linden	14,877,733	913,988	-
Lyon	2,985,007	105,310	-
Maple, Willow and Larch Halls	52,749,608	2,464,506	-
Wallace – Wilson Halls	33,212,645	1,789,953	-
Buchanan	11,638,449	850,000	-
Union Drive Community Center	11,539,419	863,785	-
Union Drive Suite 1	12,729,600	899,641	-
Martin Hall - Union Drive Suite 2	5,600,000	900,000	-
University Village:			
Laundry Building	312,879	-	-
500 units	29,650,080	368,431	-
Schilleter Village, 64 - 4 unit buildings	25,756,137	833,269	-
Modular four-plex	408,827	6,035	-
Frederiksen Court	42,498,833	4,977,692	-
Service interruption - building rents	-	-	24,040,195
Total - residence	\$ 384,769,568	22,546,727	24,040,195

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, 2006

Type of Housing	Design Capacity July 1, 2005	Occupancy		
		Summer Semester 2005	Fall Semester 2005	Spring Semester 2006
Dormitory housing (1)	6,166	223	5,441	5,017
Single student housing	2,279	453	2,155	2,074
Family housing	469	389	350	259
Total	8,914	1,065	7,946	7,350

1) Wilson Hall (598 beds) was taken off line in May 2005.

See accompanying independent auditor's report.

**Schedule 5**

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

Student Enrollment  
(Unaudited)

Year ended June 30, 2006

Enrollment at Iowa State University of Science and Technology for the year ended June 30, 2006 was as follows:

Summer Semester, 2005	9,364
Fall Semester, 2005	25,741
Spring Semester, 2006	23,709

See accompanying independent auditor's report.



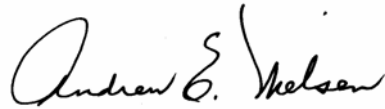
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Dormitory and Dining Services Revenue Bond Funds  
Iowa State University of Science and Technology

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Scott P. Boisen, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA  
Deputy Auditor of State