

**STUDENT HEALTH FACILITY REVENUE BOND FUNDS
IOWA STATE UNIVERSITY OF SCIENCE AND TECHNOLOGY**

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2005

Table of Contents

		<u>Page</u>
Independent Auditor's Report		3-4
Financial Statements:	<u>Exhibit</u>	
Balance Sheet	A	6-7
Statement of Revenues, Expenditures and Changes in Fund Balances	B	8-9
Notes to Financial Statements		10-14
Supplemental Information:	<u>Schedule</u>	
Student Fee Receipts	1	16
Student Enrollment	2	17
Staff		18



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the Board of Regents,
State of Iowa:

We have audited the accompanying balance sheet of the Student Health Facility Revenue Bond Funds of Iowa State University of Science and Technology as of June 30, 2005, and the related statement of revenues, expenditures and changes in fund balances for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion 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 from 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 opinion.

As discussed in note 1, the financial statements present only the Student Health Facility Revenue Bond Funds and do not purport to, and do not, present fairly the financial position of Iowa State University of Science and Technology as of June 30, 2005 and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

Iowa State University of Science and Technology declined to present a statement of cash flows for the Student Health Facility Revenue Bond Funds for the year ended June 30, 2005. Presentation of such a statement summarizing the Student Health Facility Revenue Bond Funds operating, noncapital financing, capital and related financing and investing activities is required by U.S. generally accepted accounting principles.

In our opinion, except that the omission of a statement of cash flows results in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Student Health Facility Revenue Bond Funds of Iowa State University of Science and Technology as of June 30, 2005, and the changes in its financial position 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 of Science and Technology was not in compliance with the accounting requirements of the Board of Regents Resolution for the issuance of the Student Health Facility Revenue Bonds. It should be noted, however, our audit was not directed primarily toward obtaining knowledge of such non-compliance.

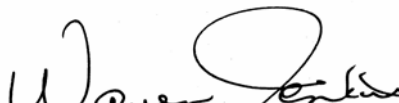
Iowa State University of Science and Technology has not presented Management's Discussion and Analysis for the Student Health Facility Revenue Bond Funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

This report, a public record by law, is intended solely for the information and use of the officials and employees of Iowa State University of Science and Technology, the members of the Board of Regents, citizens of the State of Iowa and other parties to whom Iowa State University of Science and Technology 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 an opinion on the financial statements taken as a whole. The supplemental information included as Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the financial statements. The information included in the schedule of student fee receipts has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole. The information in the schedule of student enrollment has not been subjected to the auditing procedures applied in our audit of the financial statements and, accordingly, we express no opinion on it.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

September 30, 2005

Financial Statements

Student Health Facility Revenue Bond Funds
Iowa State University of Science and Technology

Balance Sheet

June 30, 2005

	Current Operations Fund	Sinking Fund
Assets		
Cash and investments (note 2)	\$ 2,867,416	-
Cash with paying agents (note 3)	-	342,051
Accounts receivable, less allowance for doubtful accounts of \$22,530	340,516	-
Interest receivable	-	230
Prepaid expense	9,252	-
Inventory	198,931	-
Capital assets, net (note 4)	-	-
	\$ 3,416,115	342,281
Total assets		
Liabilities and Fund Balances		
Liabilities:		
Accounts payable	\$ 63,603	-
Accrued salaries and wages	8,594	-
Compensated absences payable	334,635	-
Interest payable	-	87,051
Revenue bonds payable (note 3)	-	255,000
Total liabilities	406,832	342,051
Fund balances:		
Net investment in plant	-	-
Reserved for debt service	-	230
Unreserved, designated for operations	3,009,283	-
Total fund balances	3,009,283	230
	\$ 3,416,115	342,281
Total liabilities and fund balances		

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness			
Reserve Fund	Excess Fund	Investment in Plant	Total
427,263	892,332	-	4,187,011
-	-	-	342,051
-	-	-	340,516
1,090	-	-	1,320
-	-	-	9,252
-	-	-	198,931
-	-	4,609,762	4,609,762
428,353	892,332	4,609,762	9,688,843
-	-	-	63,603
-	-	-	8,594
-	-	-	334,635
-	-	-	87,051
-	-	3,030,000	3,285,000
-	-	3,030,000	3,778,883
-	-	1,579,762	1,579,762
428,353	892,332	-	1,320,915
-	-	-	3,009,283
428,353	892,332	1,579,762	5,909,960
428,353	892,332	4,609,762	9,688,843

Student Health Facility Revenue Bond Funds
Iowa State University of Science and Technology

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2005

	Current Operations Fund	Sinking Fund
Revenues (expenditures):		
Operating revenues	\$ 7,619,844	-
Operating expenditures before depreciation	(6,965,887)	-
Operating gain before depreciation	653,957	-
Depreciation	-	-
Net operating gain (loss)	653,957	-
Other revenues (expenditures):		
Investment income	-	1,266
Net increase in fair value of investments	-	-
Interest on indebtedness	-	(174,103)
Administrative expenses	-	-
Miscellaneous income	-	-
Excess (deficiency) of revenues over (under) expenditures	653,957	(172,837)
Other financing sources (uses):		
Additions to capital assets	(239,165)	-
Allocation of student fees from other University funds	-	413,465
Transfers from other University funds	28,970	-
Non-mandatory transfers	(750)	7,366
Mandatory transfers	-	7,183
Transfer of revenue bonds payable	-	(255,000)
Total other financing sources (uses)	(210,945)	173,014
Net increase for the year	443,012	177
Fund balances beginning of year	2,566,271	53
Fund balances end of year	\$ 3,009,283	230

See notes to financial statements.

Plant Funds					
Retirement of Indebtedness					
Reserve Fund	Excess Fund	Arbitrage Reserve Fund	Investment in Plant	Total	
-	-	-	-	7,619,844	
-	-	-	-	(6,965,887)	
-	-	-	-	653,957	
-	-	-	(212,855)	(212,855)	
-	-	-	(212,855)	441,102	
7,217	29,729	-	-	38,212	
829	-	-	-	829	
-	-	-	-	(174,103)	
-	-	(750)	-	(750)	
-	80	-	-	80	
8,046	29,809	(750)	(212,855)	305,370	
-	-	-	239,165	-	
-	-	-	-	413,465	
-	-	-	-	28,970	
-	(7,366)	750	-	-	
(7,183)	-	-	-	-	
-	-	-	255,000	-	
(7,183)	(7,366)	750	494,165	442,435	
863	22,443	-	281,310	747,805	
427,490	869,889	-	1,298,452	5,162,155	
428,353	892,332	-	1,579,762	5,909,960	

Student Health Facility Revenue Bond Funds
Iowa State University of Science and Technology

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Accounting Entity and Basis of Accounting

The Student Health Facility 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 construct, improve and equip a Student Health Center 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 Student Health Facility Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Student Health Facility Revenue Bond Funds. These fund financial statements present only a portion of the funds of the University.

The financial statements have been prepared on the accrual basis.

Fund Accounting

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 Student Health Facility 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) Retirement of Indebtedness and (2) Investment in Plant. Retirement of Indebtedness, including the Sinking, Reserve, Excess 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, improvements and equipment, all net of accumulated depreciation and the related liabilities.

The Current Fund, including the Operations Fund, is classified as a University Auxiliary Enterprise to account for transactions of substantially self-supporting activities that primarily perform a service to students.

Operations Fund

The Operations Fund is used to account for all financial activity of the Student Health Facility, except those to be accounted for in another fund.

Bond Sinking Fund (Sinking Fund)

The bond resolution provides all Student Health Facility Fees received and collected shall be segregated and deposited into the Bond Sinking Fund until there has been accumulated therein an amount equal to the full amount of principal and interest which will become due and payable on and prior to the next succeeding January 1 and July 1 on all Bonds then outstanding. The Bond Sinking Fund shall be used solely and only and is pledged for the purpose of paying the principal of and interest on the Bonds authorized and bonds ranking on a parity therewith and for no other purpose.

Debt Service Reserve Fund (Reserve Fund)

The bond resolution establishes a Debt Service Reserve Fund as additional security for the bonds. The Debt Service Reserve Fund will be funded in an amount equal to the lesser of (i) ten percent of the stated principal amount of the Bonds, (ii) the maximum annual payments of principal of and interest on the Bonds or (iii) 125% of the average annual principal and interest requirements on the Bonds (the "Debt Service Reserve Requirement"). The Debt Service Reserve Fund was funded at Bond closing in the amount of \$434,703. All moneys credited to the Debt Service Reserve Fund shall be transferred to the Bond Sinking Fund and used for the payment of the principal of and interest on the Bonds whenever for any reason the funds on deposit in the Bond Sinking Fund are insufficient to pay such principal and interest when due. All amounts in excess of the Debt Service Reserve requirement shall be transferred to the Excess Fund.

Excess Fund

The bond resolution provides all Student Health Facility Fees not required to be deposited into the Bond Sinking Fund be deposited into the Excess Fund. In addition, all excess amounts in the Bond Sinking Fund and Debt Service Reserve Fund shall be deposited in the Excess Fund. All moneys deposited in the Excess Fund shall be (a) transferred and credited to the Bond 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 Debt Service Reserve Fund whenever any deficiency may exist in the Debt Service Reserve Fund or whenever necessary to replace funds transferred from the Debt Service Reserve Fund to the Bond Sinking Fund. Until so used, moneys credited to the Excess Fund may be used for any lawful purpose, as determined by the Board of Regents, including without limitation the following: (1) to purchase Bonds or parity bonds prior to maturity and (2) to pay the cost of constructing, acquiring and improving the Project or extraordinary costs of operating, repairing or maintaining the Project.

Arbitrage Reserve Fund

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

Cash 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.

Investments are reported at fair value.

Accounts Receivable

Accounts receivable represent unpaid pharmacy services from customers and unpaid student health fees.

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 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, 2005, 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>
Buildings	25-40
Equipment	5-12

(2) Cash 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 \$3,759,847 is combined with other University funds. The money market balance for the Student Health Facility Revenue Bond Funds is \$22,416.

At June 30, 2005 the Student Health Facility Revenue Bond Funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Fixed Income:	
U.S. Government Treasury Notes	<u>\$ 404,748</u>

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the University. As of June 30, 2005, the Student Health Facility 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	\$ 404,748	0.85

(3) Revenue Bonds Payable

The bonds, issued on July 1, 1995 for \$5,140,000, were to be used to construct, improve and equip a Student Health Center on the campus of the University. The bonds bear interest at rates ranging from 4.80% to 5.50% per year, payable semi-annually on January 1 and July 1. The bonds mature on July 1, in annual amounts as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 255,000	167,855	422,855
2007	270,000	154,858	424,858
2008	285,000	140,840	425,840
2009	300,000	125,772	425,772
2010	315,000	109,625	424,625
2011	330,000	92,450	422,450
2012	345,000	74,308	419,308
2013	365,000	55,046	420,046
2014	820,000	22,550	842,550
Total	\$ 3,285,000	943,304	4,228,304

Under the provisions of the bond resolution, these bonds will be retired solely from proceeds of Student Health Facility Fees and project income from Student Health Center operations. The bonds are also payable from, but not secured by, gift and other income. The bonds are subject to redemption prior to their respective maturities, at the option of the Board of Regents, State of Iowa.

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.

At June 30, 2005, cash with paying agents of \$342,051 was on deposit in the Agency Fund of the University for the purpose of paying current obligations of bond principal and interest.

(4) Capital Assets

The following is a summary of capital assets activity in the Investment in Plant Fund for the Student Health Center for the year ended June 30, 2005:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Capital assets, nondepreciable:				
Construction in progress	\$ -	2,810	-	2,810
Capital assets, depreciable:				
Building	6,373,719	-	-	6,373,719
Equipment	328,371	236,355	-	564,726
Total capital assets, depreciable	6,702,090	236,355	-	6,938,445
Less accumulated depreciation:				
Buildings	(1,889,753)	(141,685)	-	(2,031,438)
Equipment	(228,885)	(71,170)	-	(300,055)
Total accumulated depreciation	(2,118,638)	(212,855)	-	(2,331,493)
Depreciable assets, net	4,583,452	23,500	-	4,606,952
Total capital assets, net	\$ 4,583,452	26,310	-	4,609,762

(5) Debt Service Coverage

Student Health Facility Revenue Bond Funds principal and interest payments totaling \$429,103 due January 1 and July 1, 2005 require debt service coverage of a minimum of 120%, or \$514,924. Student Health Facility fees of \$413,465, investment income of \$38,212 and excess funds available of \$892,332 provided debt service coverage of \$1,344,009, or 313% of the principal and interest due for the year ended June 30, 2005.

Supplemental Information

Schedule 1

Student Health Facility Revenue Bond Funds
Iowa State University of Science and Technology

Student Fee Receipts

Year ended June 30, 2005

	Student Health Facility		Student Health Service	
	Fee Rate	Fees Collected	Fee Rate	Fees Collected
Fall Semester, 2004*	\$ 8.00	\$ 207,129	\$ 85.00	\$ 2,397,682
Spring Semester, 2005	8.00	198,352	85.00	2,036,898
Summer Semester 2005**	4.00	<u>7,984</u>	42.50	<u>52,712</u>
		<u>\$ 413,465</u>		<u>\$ 4,487,292</u>

* Includes fee receipts for the period from July to December, 2004 primarily related to the Fall Semester.

** Summer Semester 2005 fees that were collected in June 2005 and not deferred.

See accompanying independent auditor's report.

Student Health Facility Revenue Bond Funds
Iowa State University of Science and Technology

Student Enrollment
(Unaudited)

Year ended June 30, 2005

Enrollment at Iowa State University of Science and Technology for the year ended June 30, 2005 was as follows:

Summer Semester, 2004	9,720
Fall Semester, 2004	26,380
Spring Semester, 2005	24,426

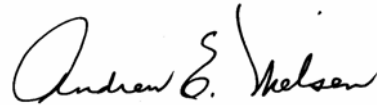
See accompanying independent auditor's report.

Student Health Facility Revenue Bond Funds
Iowa State University of Science and Technology

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Donna R. Neubauer, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State