

# McGladrey & Pullen

Certified Public Accountants

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December 1, 2008

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

In accordance with your request, we are attaching the accompanying PDF file, which contains an electronic final version of the financial statements for the Academic Building Revenue Bond Funds of State University of Iowa as of and for the year ended June 30, 2008. We understand that your request for the electronic copy has been made as a matter of convenience. You understand that the electronic transmission is not entirely secure and that it is possible for confidential financial information to be intercepted by others.

These financial statements and our report on them are not to be modified in any manner. This final version supersedes all prior drafts. Any preliminary draft version of the financial statements previously provided to you in an electronic format should be deleted from your computer, and all printed copies of any superseded preliminary draft versions should likewise be destroyed.

Professional standards and our firm policies require that we perform certain additional procedures whenever our reports are included, or we are named as accountants, auditors or "experts," in a document used in a public or private offering of equity or debt securities. Accordingly, as provided for and agreed to in the terms of our arrangement letter, the University will not include our reports, or otherwise make reference to us, in any public or private securities offering without first obtaining our consent. Any request to consent is also a matter for which separate arrangements will be necessary. After obtaining our consent, the University also agrees to provide us with printer's proofs or masters of such offering documents for our review and approval before printing and with a copy of the final reproduced material for our approval before it is distributed. In the event our auditor/client relationship has been terminated when the University seeks such consent, we will be under no obligation to grant such consent or approval.

Thank you for the opportunity to serve Academic Building Revenue Bond Funds of State University of Iowa.

**McGladrey & Pullen, LLP**



Sarah Bohnsack, Partner

SB:sdw

Attachment

# Academic Building Revenue Bond Funds State University of Iowa

Financial Report

06.30.2008

**McGladrey & Pullen**  
Certified Public Accountants

McGladrey & Pullen, LLP is a member firm of RSM International –  
an affiliation of separate and independent legal entities.

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# McGladrey & Pullen

Certified Public Accountants

## 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 net assets and cash flows of the Academic Building Revenue Bond Funds of State University of Iowa 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 Academic Building Revenue Bond Funds of State University of Iowa 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 the auditing standards generally accepted in the United States of America. 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 Academic Building Revenue Bond Funds of State University of Iowa and do not purport to, and do not, present fairly the financial position of State University of Iowa as of June 30, 2008 and changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Because the financial statements present only the Academic Building Revenue Bond Funds of State University of Iowa, and do not purport to, and do not present the financial statements of State University of Iowa, management has chosen not to present a Management's Discussion and Analysis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Academic Building Revenue Bond of State University of Iowa as of June 30, 2008, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the combining financial statements referred to above present fairly, in all material respects, the respective financial position of each individual fund of the Academic Building Revenue Bond of State University of Iowa as of June 30, 2008, and the respective changes in financial position of each individual fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In connection with our audit, nothing came to our attention that caused us to believe Academic Building Revenue Bond Funds of State University of Iowa were not in compliance with the accounting requirements of the Board of Regents Resolution for the issuance of the Academic Building Revenue Bond Funds; however, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The information in the schedules of insurance coverage and student enrollment has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of State University of Iowa, the members of the Board of Regents, citizens of the State of Iowa and other parties to whom the State University of Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey & Pullen, LLP*

Davenport, Iowa  
November 25, 2008

Academic Building Revenue Bond Funds  
State University of Iowa

Statement of Net Assets  
June 30, 2008

<b>Assets</b>	
Current Assets:	
Cash and cash equivalents	\$ 54,531,602
Accounts receivable	20,346,612
Due from other funds	164,487
Interest receivable	166,590
<b>Total current assets</b>	<u>75,209,291</u>
Noncurrent Assets:	
Bond issuance costs	603,347
Investments	11,455,398
Capital assets:	
Nondepreciable	39,844,022
Depreciable, net	227,126,340
<b>Total noncurrent assets</b>	<u>279,029,107</u>
	<u>\$ 354,238,398</u>
<b>Liabilities and Net Assets</b>	
Current Liabilities:	
Checks written in excess of bank balance	\$ 50,327
Accounts payable	35,643
Due to other funds	10,139
Deferred revenue	5,097,126
Accrued interest payable	4,784,344
Revenue bonds payable, current portion	5,717,259
<b>Total current liabilities</b>	<u>15,694,838</u>
Noncurrent Liabilities:	
Revenue bonds payable	108,618,222
Bond premium	124,511
<b>Total noncurrent liabilities</b>	<u>108,742,733</u>
<b>Total liabilities</b>	<u>124,437,571</u>
Net Assets:	
Invested in capital assets, net of related debt	152,510,370
Restricted	77,290,457
<b>Total net assets</b>	<u>229,800,827</u>
<b>Total liabilities and net assets</b>	<u>\$ 354,238,398</u>

See Notes to Basic Financial Statements.

Academic Building Revenue Bond Funds  
State University of Iowa

Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2008

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Operating revenues and expenses:	
Tuition and fees, net of scholarship allowance of \$36,889,987	\$ 214,283,688
	<hr/>
Operating expenses:	
Operating expenses other than depreciation	485,251
Depreciation expense	15,307,931
<b>Total operating expenses</b>	<hr/> <b>15,793,182</b> <hr/>
	<hr/>
<b>Operating income</b>	<b>198,490,506</b> <hr/>
Nonoperating revenues (expenses):	
Investment income	1,550,863
Interest expense	(5,200,977)
Loss on disposal of capital assets	(240,008)
<b>Total nonoperating revenues (expenses)</b>	<hr/> <b>(3,890,122)</b> <hr/>
	<hr/>
<b>Income before transfers</b>	<b>194,600,384</b>
Transfers to other University funds	(193,728,586)
Extraordinary item, net building impairment gain after insurance recovery	<hr/> 11,384,302 <hr/>
	<hr/>
<b>Increase in net assets</b>	<b>12,256,100</b>
Net assets:	
Beginning	217,544,727
Ending	<hr/> <b>\$ 229,800,827</b> <hr/>

See Notes to Basic Financial Statements.

Academic Building Revenue Bond Funds  
State University of Iowa

Statement of Cash Flows  
Year Ended June 30, 2008

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Cash Flows from Operating Activities:	
Tuition and fees received	\$ 215,405,383
Cash paid for operations	(465,099)
<b>Net cash provided by operating activities</b>	<u>214,940,284</u>
Cash Flows from Noncapital Financing Activities:	
Interfund payments	(154,348)
Transfers to other University funds	(193,728,586)
<b>Net cash (used in) noncapital financing activities</b>	<u>(193,882,934)</u>
Cash Flows from Capital Financing Activities:	
Purchases of capital assets	(16,932,385)
Proceeds from issuance of capital debt, net of issuance costs and premium of \$33,131	24,966,869
Principal paid on capital debt	(5,783,916)
Interest paid on capital debt	(4,985,972)
<b>Net cash (used in) capital financing activities</b>	<u>(2,735,404)</u>
Cash Flows from Investing Activities:	
Interest on investments	1,902,805
Purchase of investments	(1,119,847)
<b>Net cash provided by investing activities</b>	<u>782,958</u>
<b>Net increase in cash and cash equivalents</b>	19,104,904
Cash and cash equivalents:	
Beginning	35,426,698
Ending	<u>\$ 54,531,602</u>

(Continued)

Academic Building Revenue Bond Funds  
State University of Iowa

Statement of Cash Flows (Continued)  
Year Ended June 30, 2008

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Reconciliation of Operating Income to Net Cash Provided by	
Operating Activities:	
Operating income	\$ 198,490,506
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	15,307,931
Decrease in accounts receivable	1,121,695
Increase in liabilities:	
Checks written in excess of bank balance	10,638
Accounts payable	9,514
<b>Net cash provided by operating activities</b>	<b><u>\$ 214,940,284</u></b>
Schedule of Noncash Items:	
Operating activity, insurance recovery accounts receivable	\$ 16,540,772
Capital financing activities:	
Transfer of construction in progress to other fund	537
Loss on capital assets due to impairment	5,156,470
Investing activities:	
Unrealized gain on investments	309,252
Amortization of bond issuance cost and premium	19,382

See Notes to Basic Financial Statements.

**Academic Building Revenue Bond Funds**  
**State University of Iowa**

**Notes to Basic Financial Statements**

**Note 1. Significant Accounting Policies**

**Reporting entity:**

The accompanying financial statements include only the Academic Building Revenue Bond Funds Series S.U.I. 1989, 1991, 2004, 2007 and 2008 and the Academic Building Revenue Refunding Bond Funds Series S.U.I. 2002, 2003, 2004 and 2005 (collectively the Funds), enterprise funds of the State University of Iowa (University), which were created by various resolutions of the State of Iowa Board of Regents which authorized the issuance of revenue bonds and notes to fund the costs of constructing and renovating academic buildings of the University. The Revenue Bonds and the Revenue Refunding Bonds are issued on behalf of the University. Under the provisions of the resolutions, the net assets of the Funds are, in general, restricted to provide for the construction of buildings and retirement of the outstanding bonds of the Funds. The following summarizes the bond series, dates of resolution and original issuance amounts of the Revenue Bonds and the Revenue Refunding Bonds outstanding as of June 30, 2008:

Bond Series	Resolution Date	Original Issuance Amount
S.U.I. 1989	February 23, 1989	\$ 8,999,891
S.U.I. 1991	March 20, 1991	14,999,748
S.U.I. 2002 Refunding	May 1, 2002	14,580,000
S.U.I. 2003 Refunding	May 1, 2003	10,530,000
S.U.I. 2004 Refunding	May 1, 2004	6,695,000
S.U.I. 2004	October 1, 2004	25,000,000
S.U.I. 2005 Refunding	April 1, 2005	15,200,000
S.U.I. 2007	June 1, 2007	27,475,000
S.U.I. 2008	June 1, 2008	25,000,000
		<u>\$ 148,479,639</u>

These financial statements present only the Academic Building Revenue Bond Funds and do not purport to, and do not, present the financial position of the State University of Iowa as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. The Funds' financial statements are presented to comply with bond agreements.

Academic Building Revenue Bond Funds  
State University of Iowa

Notes to Basic Financial Statements

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Note 1. Significant Accounting Policies (Continued)

Basic financial statements:

The statement of net assets and the statement of revenues, expenses and changes in net assets report information on all of the activities of the Academic Building 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, notes 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 Funds first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

The statement of revenues, expenses and changes in 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, noncapital financing, capital financing and investing activities.

Fund accounting:

In order to ensure the observance of limitations and restrictions placed on the use of available resources, the accounts are maintained in accordance with the principles of fund accounting. Each fund provides a separate set of self-balancing accounts which comprises its assets, liabilities, reserves, net assets, revenues and expenses. Fund accounting is the procedure by which resources for various purposes are classified, for accounting and reporting purposes, into funds according to the activities or objectives specified.

The following funds are used to account for transactions:

**Revenue Fund** – The Revenue Fund is used to record all revenues and expenses related to operations.

**Investment in Plant Fund** – The Investment in Plant Fund is used to account for buildings, construction in progress and accumulated depreciation. Additions to the Investment in Plant Fund are made via transfers from other funds in which the costs of the assets are initially accumulated.

Academic Building Revenue Bond Funds  
State University of Iowa

Notes to Basic Financial Statements

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**Note 1. Significant Accounting Policies (Continued)**

*Construction Fund* – The Construction Fund is used to record payments made for the costs of the project, including buildings and improvements.

*Bond Sinking Fund* – The Bond Sinking Fund is used to make principal and interest payments.

*Debt Service Reserve Fund* – The Debt Service Reserve Fund represents bond sinking reserves to provide payment of principal and interest, in the event there are no sufficient funds in the Bond Sinking Fund to make such payments.

**Basis of presentation:**

The Funds' financial statements have been prepared on the basis of the proprietary fund concept, which pertains to financial activities that operate in a manner similar to private business enterprises and are financed through fees and charges assessed primarily to the users of the services. Accordingly, the financial statements have been prepared using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the Funds have elected not to apply the provisions of pronouncements of the Financial Accounting Standards Board issued after November 30, 1989.

**Cash and cash equivalents:**

Cash and cash equivalents are stated at cost which approximates fair value due to their short-term nature. Cash and cash equivalents represent amounts in cash accounts or the Funds' share of the Pooled Investment Fund of the University. The Pooled Investment Fund is composed of cash and short-term U.S. government securities, and a monthly allocation is made of the interest received based on the percentage of each participant's investment.

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:**

Investments are stated at fair value. Fair value is based on quoted market prices. Investments with an original maturity of one year or less are reported as current in the statement of net assets.

**Academic Building Revenue Bond Funds  
State University of Iowa**

**Notes to Basic Financial Statements**

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**Note 1. Significant Accounting Policies (Continued)**

**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 and infrastructure. 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, 2008, \$1,281,300 of interest costs was capitalized.

Buildings and construction in progress are stated at cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the capital assets, generally 40 to 50 years for buildings.

**Fringe benefits:**

The University utilizes the fringe benefits pool method to account for fringe benefits. Under the fringe benefits pool method, fringe benefits are expensed as a percentage of actual salary or wage costs. The use of fringe benefits rates rather than actual fringe benefits costs is accepted by the federal government and widely used by universities. Rates are reviewed annually, prior to the beginning of the fiscal year, and adjusted to reflect differences between the rates charged and actual benefits costs as well as future benefit projections. The federal government must approve the annual rate study.

**Deferred revenue:**

Deferred revenue includes student tuition related to a future fiscal year that has not yet been earned.

**Operating and nonoperating activities:**

Operating activities, as reported in the statement of revenues, expenses and changes in net assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include transactions such as investment earnings and interest expense.

**Use of estimates:**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Bond issuance costs and premium:**

Bond issuance costs and premium are deferred and amortized over the life of the bonds using the effective interest rate method.

Academic Building Revenue Bond Funds  
State University of Iowa

Notes to Basic Financial Statements

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**Note 1. Significant Accounting Policies (Continued)**

**Transfers in (out):**

After meeting certain requirements specified in the bond agreements, the balance of net receipts may be transferred to the University for its general operations. However, all such monies that have been transferred shall be returned by the University, if necessary, to satisfy the requirements of the bond indentures.

**Note 2. Cash and Cash Equivalents and Investments**

In accordance with the Code of Iowa and the bond resolutions, the Funds may invest in direct obligations of the U.S. government.

Investments held by the Funds are recorded at fair value, as determined by quoted market prices. As of June 30, 2008, the Funds' investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
U.S. government treasuries, notes, bonds	\$ 11,455,398	2.976

**Interest rate risk:**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration. The maximum duration of the University's operating portfolio may not exceed the duration of the Merrill 1-3 years Government/Corporate Index by more than 20%. Effective maturities are limited to 63 months.

**Credit risk:**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the University. Investments are limited to direct obligations of the U.S. government, which are backed by the full faith and credit of the U.S. government.

**Concentration of credit risk:**

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. Investments are limited to direct obligations of the U.S. government.

**Custodial credit risk:**

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Funds' deposits may not be returned. Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the Funds will not be able to recover the value of their investments or collateral securities that are in the possession of an outside party.

Academic Building Revenue Bond Funds  
State University of Iowa

Notes to Basic Financial Statements

**Note 3. Capital Assets**

A summary of changes in buildings and construction in progress for the year ended June 30, 2008 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets being depreciated:				
Buildings	\$ 521,779,922	\$ 13,202,911	\$ (13,734,860)	\$ 521,247,973
Less accumulated depreciation	(287,843,363)	(15,307,931)	9,029,661	(294,121,633)
	<u>233,936,559</u>	<u>(2,105,020)</u>	<u>(4,705,199)</u>	<u>227,126,340</u>
Capital assets not being depreciated, construction in progress	36,805,827	18,981,877	(15,943,682)	39,844,022
<b>Capital assets, net</b>	<u>\$ 270,742,386</u>	<u>\$ 16,876,857</u>	<u>\$ (20,648,881)</u>	<u>\$ 266,970,362</u>

**Note 4. Revenue Bonds Payable**

A summary of revenue bonds payable activity for the year ended June 30, 2008 is as follows:

Beginning balance	\$ 95,119,397
Issuance	25,000,000
Payments	5,783,916
Ending balance	<u>\$ 114,335,481</u>
 Due within one year	 <u>\$ 5,717,259</u>

A summary of bond principal and interest maturities as of June 30, 2008 is as follows:

	Principal	Interest	Total
Year ending June 30:			
Due on demand	\$ 41,789	\$ -	\$ 41,789
2009	5,675,470	7,042,454	12,717,924
2010	5,417,550	6,153,725	11,571,275
2011	5,600,672	6,104,671	11,705,343
2012	6,375,000	3,981,618	10,356,618
2013	6,915,000	3,718,354	10,633,354
2014 - 2018	26,975,000	15,033,666	42,008,666
2019 - 2023	26,080,000	9,803,547	35,883,547
2024 - 2028	22,730,000	4,317,184	27,047,184
2029 - 2031	8,525,000	513,172	9,038,172
	<u>\$ 114,335,481</u>	<u>\$ 56,668,391</u>	<u>\$ 171,003,872</u>

The bonds bear interest at rates ranging from 3.00% to 8.38% per year.

Academic Building Revenue Bond Funds  
State University of Iowa

Notes to Basic Financial Statements

**Note 4. Revenue Bonds Payable (Continued)**

Under provisions of the bond agreements, specified amounts of net receipts are to be retained by the Funds to pay for the cost of remodeling and to provide for the payment of interest and the retirement of outstanding bonds. After meeting such requirements, the balance of the net receipts may be transferred to the University for its general operations.

Certain revenue bonds payable as of June 30, 2008 may be called at par value as follows:

Bond Series	Call Date	Amount Callable
S.U.I. 2002 Refunding	After July 1, 2012	\$ 4,260,000
S.U.I. 2004	After July 1, 2014	18,705,000
S.U.I. 2005 Refunding	After July 1, 2015	3,035,000
S.U.I. 2007	After July 1, 2017	19,225,000
S.U.I. 2008	After July 1, 2018	21,075,000
		<u>\$ 66,300,000</u>

The Fund has pledged future customer revenues, net of specified operating expenses, to repay \$8,999,891, \$14,999,748, \$25,000,000, \$27,475,000 and \$25,000,000 in revenue bonds and \$14,580,000, \$10,530,000, \$6,695,000 and \$15,200,000 in refunding revenue bonds issued February, 1989, March, 1991, October, 2004, June, 2007, June, 2008, May, 2002, May, 2003, May, 2004 and April, 2005, respectively. Proceeds from the bonds were used to fund the costs of constructing and renovating academic buildings of the University. The bonds are payable solely from gross student fees and charges and other income received by the University and are payable through 2031. The total principal and interest remaining to be paid on the bonds is \$171,003,872. Principal and interest paid for the current year and total pledged revenues were \$12,071,052 and \$215,834,551, respectively.

**Note 5. Related Party Transactions**

Included in the statement of revenues, expenses and changes in net assets are expenses of \$94 for services purchased from various University departments.

**Note 6. Commitments**

As of June 30, 2008, the University has entered into \$34,773,530 of contract commitments for construction projects.

Academic Building Revenue Bond Funds  
State University of Iowa

Notes to Basic Financial Statements

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**Note 7. Extraordinary Event – Net Building Impairment Gain After Insurance Recoveries**

The University of Iowa sustained significant damage to property and impairment to capital assets as a result of the June 2008 flooding of the Iowa River. A net impairment gain associated with the 18 impaired buildings in the enterprise has been calculated as required by GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

The gross impairment loss is calculated using the restoration cost approach. As a result, assets fully depreciated prior to the flood would have an impairment loss of zero, regardless of damage. The expected cost to restore the 18 impaired buildings (excluding building content) is \$47,111,759 and the estimated building replacement cost is \$510,045,771. The carrying value at year-end is \$45,872,355, resulting in a gross impairment loss of \$5,156,470. Realizable insurance recovery associated with building impairment to be \$16,540,772, resulting in a net impairment gain of \$11,384,302.

The June 2008 flood is treated as an extraordinary event as it meets the criteria for being both unusual in nature and infrequent in occurrence. The net impairment gain is recorded as an extraordinary item in the financial statements. The future costs that will be expended to restore impaired buildings will be recorded as separate transactions as restoration occurs.

**Note 8. Pending Pronouncements**

The Funds adopted the following Governmental Accounting Standards Board (GASB) statement during the year ended June 30, 2008:

GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This Statement establishes accounting and financial reporting standards for transactions in which an entity receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for entities that pledge or commit future cash flows from a specific revenue source. In addition, this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues. The effect of the adoption of this Statement to the Funds was the addition of a note disclosure regarding pledged revenue for long-term obligations.

As of June 30, 2008, the GASB had issued the following statements not yet implemented by the Funds. The Statements which might impact the Funds are as follows:

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, issued November 2006, will be effective for the Funds' financial statements beginning with its year ending June 30, 2009. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This Statement requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

Academic Building Revenue Bond Funds  
State University of Iowa

Notes to Basic Financial Statements

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**Note 8. Pending Pronouncements (Continued)**

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the Funds' financial statements beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new Statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This Statement provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new Statement, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the Funds' financial statements beginning with its year ending June 30, 2010, with earlier application encouraged. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

The University has not yet determined the effect, if any, these Statements will have on the Revenue Bond Funds.

Academic Building Revenue Bond Funds  
State University of Iowa

Combining Statement of Net Assets  
June 30, 2008

	Revenue Fund	Investment in Plant Fund
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 982,382	\$ -
Accounts receivable	3,805,840	-
Due from other funds	164,487	-
Interest receivable	166,590	-
<b>Total current assets</b>	<b>5,119,299</b>	<b>-</b>
Noncurrent Assets:		
Bond issuance costs	-	-
Investments	-	-
Capital assets:		
Nondepreciable	-	39,844,022
Depreciable, net	-	227,126,340
<b>Total noncurrent assets</b>	<b>-</b>	<b>266,970,362</b>
	<b>\$ 5,119,299</b>	<b>\$ 266,970,362</b>
<b>Liabilities and Net Assets</b>		
Current Liabilities:		
Checks written in excess of bank balance	\$ 22,088	\$ -
Accounts payable	85	-
Due to other funds	-	-
Deferred revenue	5,097,126	-
Accrued interest payable	-	-
Revenue bonds payable, current portion	-	-
<b>Total current liabilities</b>	<b>5,119,299</b>	<b>-</b>
Noncurrent Liabilities:		
Revenue bonds payable	-	-
Bond premium	-	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>5,119,299</b>	<b>-</b>
Net Assets:		
Invested in capital assets, net of related debt	-	266,970,362
Restricted	-	-
<b>Total net assets</b>	<b>-</b>	<b>266,970,362</b>
<b>Total liabilities and net assets</b>	<b>\$ 5,119,299</b>	<b>\$ 266,970,362</b>

Construction Fund	Bond Sinking Fund	Debt Service Reserve Fund	Total
\$ 41,946,912	\$ 11,036,834	\$ 565,474	\$ 54,531,602
16,540,772	-	-	20,346,612
-	-	-	164,487
-	-	-	166,590
<u>58,487,684</u>	<u>11,036,834</u>	<u>565,474</u>	<u>75,209,291</u>
603,347	-	-	603,347
-	-	11,455,398	11,455,398
-	-	-	39,844,022
-	-	-	227,126,340
<u>603,347</u>	<u>-</u>	<u>11,455,398</u>	<u>279,029,107</u>
<u>\$ 59,091,031</u>	<u>\$ 11,036,834</u>	<u>\$ 12,020,872</u>	<u>\$ 354,238,398</u>
\$ 28,239	\$ -	\$ -	\$ 50,327
35,558	-	-	35,643
-	-	10,139	10,139
-	-	-	5,097,126
-	4,784,344	-	4,784,344
-	5,717,259	-	5,717,259
<u>63,797</u>	<u>10,501,603</u>	<u>10,139</u>	<u>15,694,838</u>
-	108,618,222	-	108,618,222
-	124,511	-	124,511
-	108,742,733	-	108,742,733
<u>63,797</u>	<u>119,244,336</u>	<u>10,139</u>	<u>124,437,571</u>
-	(114,459,992)	-	152,510,370
59,027,234	6,252,490	12,010,733	77,290,457
<u>59,027,234</u>	<u>(108,207,502)</u>	<u>12,010,733</u>	<u>229,800,827</u>
<u>\$ 59,091,031</u>	<u>\$ 11,036,834</u>	<u>\$ 12,020,872</u>	<u>\$ 354,238,398</u>

Academic Building Revenue Bond Funds  
State University of Iowa

Combining Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended June 30, 2008

	Revenue Fund	Investment in Plant Fund
Operating revenues and expenses:		
Tuition and fees, net of scholarship allowance of \$36,889,987	\$ 214,283,688	\$ -
Operating expenses:		
Operating expenses other than depreciation	459,184	-
Depreciation	-	15,307,931
<b>Total operating expenses</b>	<b>459,184</b>	<b>15,307,931</b>
<b>Operating income (loss)</b>	<b>213,824,504</b>	<b>(15,307,931)</b>
Nonoperating revenues (expenses):		
Investment income	1,232,442	-
Interest expense	-	-
Loss on disposal of capital assets	-	(240,008)
<b>Total nonoperating revenues (expenses)</b>	<b>1,232,442</b>	<b>(240,008)</b>
<b>Income (loss) before transfers</b>	<b>215,056,946</b>	<b>(15,547,939)</b>
Transfers:		
Transfers from (to) other University funds	(203,457,360)	9,797,131
Mandatory transfers in (out)	(11,599,586)	(9,405,518)
Nonmandatory transfers in (out)	-	-
<b>Total other revenues and transfers</b>	<b>(215,056,946)</b>	<b>391,613</b>
Extraordinary item, net building impairment gain after insurance recovery	-	11,384,302
<b>Increase (decrease) in net assets</b>	<b>-</b>	<b>(3,772,024)</b>
Net assets:		
Beginning	-	270,742,386
Ending	\$ -	\$ 266,970,362

Construction Fund	Bond Sinking Fund	Debt Service Reserve Fund	Total
\$ -	\$ -	\$ -	\$ 214,283,688
26,067	-	-	485,251
-	-	-	15,307,931
26,067	-	-	15,793,182
(26,067)	-	-	198,490,506
-	9,169	309,252	1,550,863
-	(5,200,977)	-	(5,200,977)
-	-	-	(240,008)
-	(5,191,808)	309,252	(3,890,122)
(26,067)	(5,191,808)	309,252	194,600,384
(58,218)	-	(10,139)	(193,728,586)
35,427,217	(13,968,937)	(453,176)	-
334,557	(334,557)	-	-
35,703,556	(14,303,494)	(463,315)	(193,728,586)
-	-	-	11,384,302
35,677,489	(19,495,302)	(154,063)	12,256,100
23,349,745	(88,712,200)	12,164,796	217,544,727
\$ 59,027,234	\$ (108,207,502)	\$ 12,010,733	\$ 229,800,827

**Academic Building Revenue Bond Funds  
State University of Iowa**

**Schedule of Insurance Coverage  
(Unaudited)  
June 30, 2008**

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**Insurer:**

FM Global Insurance Company

**Description and amount of coverage:**

The Academic Facilities are insured under the State University of Iowa's policies which have blanket coverage of \$1,000,000,000 that applies to buildings, contents, income and property in the course of construction. Coverage applies to all risk property/boiler and machinery.

**Policy number:**

FS026

**Term of policy:**

September 1, 2008 to September 1, 2009

Academic Building Revenue Bond Funds  
State University of Iowa

Schedule of Student Enrollment  
(Unaudited)  
Year Ended June 30, 2008

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

Summer semester, 2007	11,358
Fall semester, 2007	30,409
Spring semester, 2008	28,808