

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

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

JUNE 30, 2004

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Independent Auditor's Report

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

We have audited the accompanying balance sheet of the Parking System Revenue Bond Funds of Iowa State University of Science and Technology as of June 30, 2004, and the related statement of revenues, expenditures and changes in fund balances (deficit) 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 and Chapter 11 of the Code of Iowa. Those standards and provisions 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 opinion.

As discussed in note 1, the financial statements present only the Parking System 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, 2004 and changes in its financial position 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 Parking System Revenue Bond Funds of Iowa State University of Science and Technology as of June 30, 2004, and the revenues, expenditures and changes in fund balances (deficit) for the year then ended in conformity with U.S. generally accepted accounting principles.

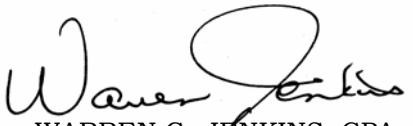
In connection with our audit, nothing came to our attention that caused us to believe Iowa State University of Science and Technology was not in compliance with the accounting requirements of the Board of Regents Resolution for the issuance of the Parking System Revenue Bond Funds. It should be noted, 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 Parking System Revenue Bond Funds that the Governmental Accounting Standards Board has determined 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 Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information 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, 2004

Financial Statements

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

Balance Sheet

June 30, 2004

	<u>Unexpended</u> <u>System</u> <u>Fund</u>
Assets	
Cash and investments (note 2)	\$ 1,627,461
Cash with paying agents (note 3)	-
Accounts receivable, less allowance for doubtful accounts of \$29,033	275,939
Interest receivable	-
Prepaid expense	1,290
Capital assets, net (note 4)	-
Total assets	<u>\$ 1,904,690</u>
Liabilities and Fund Balances (Deficit)	
Liabilities:	
Accounts payable	\$ 4,663
Compensated absences payable	65,161
Accrued salaries and wages	11,140
Interest payable	-
Deferred revenue	161,412
Revenue bonds payable (note 3)	-
Total liabilities	<u>242,376</u>
Fund balances (deficit):	
Net investment in plant	-
Reserved for debt service	-
Unreserved, designated for specific purposes	1,662,314
Total fund balances (deficit)	<u>1,662,314</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,904,690</u>

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness			
Sinking Fund	Reserve Fund	Investment in Plant	Total
-	477,767	-	2,105,228
342,304	-	-	342,304
-	-	-	275,939
-	2,021	-	2,021
-	-	-	1,290
-	-	6,070,979	6,070,979
342,304	479,788	6,070,979	8,797,761
-	-	-	4,663
-	-	-	65,161
-	-	-	11,140
127,304	-	-	127,304
-	-	-	161,412
215,000	480,250	5,229,750	5,925,000
342,304	480,250	5,229,750	6,294,680
-	-	841,229	841,229
-	(462)	-	(462)
-	-	-	1,662,314
-	(462)	841,229	2,503,081
342,304	479,788	6,070,979	8,797,761

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

Statement of Revenues, Expenditures and Changes in Fund Balances

Year ended June 30, 2004

	Current Fund	Unexpended	
	Revenue Fund	Project Fund	System Fund
Revenues (expenditures):			
Operating revenues	\$ 2,698,734	-	-
Operating expenditures	(2,127,696)	-	-
Operating income before depreciation	571,038	-	-
Depreciation	-	-	-
Net operating income (loss)	571,038	-	-
Other revenues (expenditures):			
Investment income	53,708	5,519	-
Net decrease in fair value of investments	-	-	-
Interest on indebtedness	-	-	-
Administrative expenses	-	-	-
Repair and maintenance	-	-	(59,651)
Excess (deficiency) of revenues over (under) expenditures	624,746	5,519	(59,651)
Other financing sources (uses):			
Additions to capital assets, including capitalized interest	-	(2,308,066)	(362,306)
Transfers from/(to) other University funds	(27,506)	-	-
Non-mandatory transfers	(127,632)	(7,109)	145,509
Mandatory transfers	(469,608)	-	-
Transfer of revenue bonds payable	-	2,308,066	-
Total other financing sources (uses)	(624,746)	(7,109)	(216,797)
Net increase (decrease) for the year	-	(1,590)	(276,448)
Fund balances beginning of year, as restated (note 5)	-	1,590	1,938,762
Fund balances (deficit) end of year	\$ -	-	1,662,314

See notes to financial statements.

Plant Funds					
Retirement of Indebtedness					
Sinking Fund	Reserve Fund	Arbitrage Reserve Fund	Investment in Plant	Total	
-	-	-	-	-	2,698,734
-	-	-	-	-	(2,127,696)
-	-	-	-	-	571,038
-	-	-	(322,052)	-	(322,052)
-	-	-	(322,052)	-	248,986
-	12,307	-	-	-	71,534
-	(15,081)	-	-	-	(15,081)
(169,758)	-	-	-	-	(169,758)
-	-	(1,500)	-	-	(1,500)
-	-	-	-	-	(59,651)
(169,758)	(2,774)	(1,500)	(322,052)	-	74,530
(84,890)	-	-	2,755,262	-	-
-	-	-	-	-	(27,506)
40	(12,308)	1,500	-	-	-
469,608	-	-	-	-	-
(215,000)	-	-	(2,093,066)	-	-
169,758	(12,308)	1,500	662,196	-	(27,506)
-	(15,082)	-	340,144	-	47,024
-	14,620	-	501,085	-	2,456,057
-	(462)	-	841,229	-	2,503,081

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

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Accounting Entity and Basis of Accounting

The Parking System Revenue Bond Funds were created by resolution of the Board of Regents, State of Iowa which authorized the issuance of revenue bonds to be used to construct and improve parking 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 Parking System Revenue Bond Funds of Iowa State University of Science and Technology (University) include only the financial position and operating activities of the Parking System 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 Parking System Revenue Bond Funds issued by the University. These fund financial statements reflect only those accounts and transactions related to these bonds. Certain of these accounts and transactions are included as a portion of the University's Plant Funds. Plant Funds are used to account for the transactions relating to investment in University properties. Plant Funds include the following funds: (1) Unexpended, (2) Retirement of Indebtedness, and (3) Investment in Plant. Unexpended, including the Project and System Funds established by the bond resolution, is comprised of amounts allocated or designated for constructing, acquiring and improving the Parking System. Retirement of Indebtedness, including the Sinking, Reserve and Arbitrage Reserve Funds established by the bond resolution, is comprised of amounts to provide for payment of principal and interest. Investment in Plant is comprised of amounts representing land improvements, net of accumulated depreciation, and the related liabilities.

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

Revenue Fund

The Revenue Fund is used to account for the income and revenues of the Parking System. All monies credited to the Revenue Fund must first be disbursed to pay current expenses of the Parking System and thereafter must be deposited in the Sinking Fund, Reserve Fund or System Fund as needed.

Project Fund

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

System Fund

The bond resolution provides that all net revenue not required to be deposited into the Sinking Fund or the Reserve Fund shall be deposited in the System Fund. Monies credited to the System Fund shall be used to prevent a default in the payment of principal or interest on the Bonds, remedy a deficiency in the Reserve Fund, or for any lawful System purpose.

Revenue Bond and Interest Sinking Fund (Sinking Fund)

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

Revenue Bond Debt Service Reserve Fund (Reserve Fund)

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

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.

Capital Assets

Capital assets are defined by the University as assets with an initial individual cost of more than \$50,000 for land improvements. Such assets are recorded at historical cost when purchased or constructed.

The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized.

Outlays for capital assets are capitalized as projects are constructed. During the year ended June 30, 2004, interest costs of \$84,890 were capitalized.

Depreciation for land improvements is computed using the straight-line method over an estimated useful life of 20 years.

(2) Cash and Investments

Cash in excess of immediate needs for debt service is primarily invested in U.S. government securities. The University's investments are categorized to give an indication of the level of risk assumed by the University at year end. The University's investments in U.S. government securities are Category 2 investments, which means the investments are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the University's name. The money market accounts are not subject to risk categorization. Cash and investments at June 30, 2004 are as follows:

	<u>Fair Value</u>
Cash and cash equivalents	\$ 1,649,463
U.S. government securities	<u>455,765</u>
Total	<u>\$ 2,105,228</u>

(3) Revenue Bonds Payable

The bonds, issued on June 1, 2002 for \$6,110,000, are to be used to recondition and expand vehicle parking spaces with the construction of a connecting roadway at the University's Jack Trice Stadium. In addition, the bonds are to be used to construct a single level parking deck on the University campus. Bond proceeds may also be used for other construction or improvement projects of the Parking System.

The bonds bear interest at rates ranging from 2.3% to 5.00% per year, payable semi-annually on January 1 and July 1. The bonds mature on January 1 and July 1 of each year, in annual amounts as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 215,000	252,135	467,135
2006	220,000	246,583	466,583
2007	225,000	240,015	465,015
2008	235,000	232,650	467,650
2009	245,000	224,362	469,362
2010	255,000	215,108	470,108
2011	265,000	204,963	469,963
2012	275,000	194,025	469,025
2013	285,000	182,402	467,402
2014	300,000	169,968	469,968
2015	310,000	156,697	466,697
2016	325,000	142,484	467,484
2017	340,000	127,185	467,185
2018	355,000	110,937	465,937
2019	375,000	93,501	468,501
2020	395,000	74,829	469,829
2021	415,000	54,875	469,875
2022	435,000	33,625	468,625
2023	455,000	11,375	466,375
Total	<u>\$ 5,925,000</u>	<u>2,967,719</u>	<u>8,892,719</u>

Under the provisions of the bond resolution, these bonds will be retired solely from the net revenues of the University's Parking System.

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, 2004, cash with paying agents of \$342,304 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 Parking System assets for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Transfers	Balance June 30, 2004
Capital assets, nondepreciable:				
Construction in progress	\$ 960,394	2,755,262	(3,622,741)	92,915
Capital assets, depreciable:				
Land improvements	2,818,290	-	3,622,741	6,441,031
Less accumulated depreciation	(140,915)	(322,052)	-	(462,967)
Land improvements, net of accumulated depreciation	2,677,375	(322,052)	3,622,741	5,978,064
Total capital assets, net	\$ 3,637,769	2,433,210	-	6,070,979

The cost of land used for the System is not reflected on the balance sheet. This land is included in other accounts of the University.

(5) Prior Period Adjustment

A liability for deferred revenue for unearned parking permit revenue was recognized, resulting in a decrease in the fund balance of the Unexpended Plant – System Fund of \$133,990 at June 30, 2003.

Parking System Revenue Bond Funds

Supplemental Information

Schedule 1

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

Student Enrollment
(Unaudited)

Year ended June 30, 2004

Enrollment at Iowa State University of Science and Technology for the year ended June 30, 2004 was as follows:

Summer Semester, 2003	9,966
Fall Semester, 2003	27,380
Spring Semester, 2004	25,282

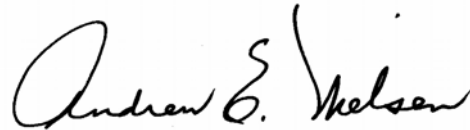
See accompanying independent auditor's report.

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

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Patricia J. King, CPA, Senior Auditor II

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

Andrew E. Nielsen, CPA
Deputy Auditor of State