

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

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

**JUNE 30, 2006**

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**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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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 Parking System 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 Parking System 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 Parking System 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.

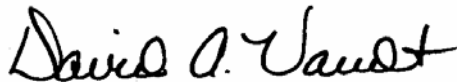
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking System Revenue Bond Funds of Iowa State University as of June 30, 2006, and the changes in its financial position and its cash flows for the year then ended in conformity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

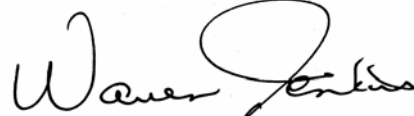
Iowa State University has not presented Management's Discussion and Analysis for the Parking System Revenue Bond Funds that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

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 in Schedule 3 is presented for purposes of additional analysis and is not a required part of the financial statements. 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**

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

## Statement of Net Assets

June 30, 2006

**Assets**

## Current assets:

Cash and cash equivalents	\$ 183,355
Cash with paying agents	346,751
Accounts receivable, less allowance for doubtful accounts of \$25,063	276,540
Interest receivable	382
Prepaid expense	1,512
<b>Total current assets</b>	<u>808,540</u>

## Noncurrent assets:

Cash, cash equivalents and investments	2,126,383
Interest receivable	2,138
Capital assets, net	6,141,377
<b>Total noncurrent assets</b>	<u>8,269,898</u>
<b>Total assets</b>	<u>9,078,438</u>

**Liabilities**

## Current liabilities:

Accounts payable	11,060
Compensated absences payable	77,139
Accrued salaries and wages payable	9,174
Interest payable	121,751
Deferred revenue	174,182
Revenue bonds payable, current portion	225,000
<b>Total current liabilities</b>	<u>618,306</u>

## Noncurrent liabilities:

Revenue bonds payable, noncurrent portion	5,265,000
<b>Total liabilities</b>	<u>5,883,306</u>

**Net assets:**

Invested in capital assets, net of related debt	1,356,627
Restricted for debt service	382
Restricted for improvements	1,840,155
Unrestricted	(2,032)
<b>Total net assets</b>	<u>\$ 3,195,132</u>

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

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

Statement of Revenues, Expenses and Changes in Fund Net Assets

Year ended June 30, 2006

Operating revenues	<u>\$ 3,040,932</u>
Operating expenses:	
Operating expenses	2,194,152
Depreciation	<u>367,077</u>
Total operating expenses	<u>2,561,229</u>
Operating income	<u>479,703</u>
Nonoperating revenues (expenses):	
Investment income	89,310
Net increase in fair value of investments	1,114
Interest expense	(243,502)
Administrative expense	<u>(750)</u>
Net nonoperating revenues (expenses)	<u>(153,828)</u>
Increase in net assets	325,875
Net assets beginning of year	<u>2,869,257</u>
Net assets end of year	<u><u>\$ 3,195,132</u></u>

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

**Exhibit C**Parking System 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	\$ 3,024,080
Cash paid for operations	(2,198,748)
Net cash provided by operating activities	<u>825,332</u>
Cash flows from capital financing activities:	
Additions to capital assets	(316,612)
Principal paid on capital debt	(225,000)
Interest paid on capital debt	(243,502)
Administrative expense	(750)
Net cash used by capital financing activities	<u>(785,864)</u>
Cash flows from investing activities:	
Interest on investments	89,048
Proceeds from sales of investments	11,170
Purchase of investments	(7,699)
Net cash provided by investing activities	<u>92,519</u>
Net increase in cash and cash equivalents	131,987
Cash and cash equivalents beginning of year	<u>1,730,617</u>
Cash and cash equivalents end of year	<u>\$ 1,862,604</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 479,703
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	367,077
(Increase) in accounts receivable	(10,574)
(Decrease) in deferred revenue	(6,279)
(Decrease) in accounts payable	(8,728)
(Increase) in prepaid expense	(1,512)
Increase in compensated absences payable	6,947
(Decrease) in salaries and wages payable	(1,302)
Net cash provided by operating activities	<u>\$ 825,332</u>
<b>Reconciliation of cash and cash equivalents to the Statement of Net Assets</b>	
Cash and cash equivalents classified as current assets	\$ 183,355
Cash and cash equivalents classified as noncurrent assets	<u>1,679,249</u>
Total cash and cash equivalents	<u>\$ 1,862,604</u>

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



Parking System 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 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 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 Parking System 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 Parking System 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 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 and amounts due to the Federal Government. 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, faculty and staff.

The following funds are required by the bond resolution:

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. There were no transactions or balances in this fund during the year ended June 30, 2006.

System Fund - The bond resolution provides 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 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 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 - Money credited to the Arbitrage Reserve Fund shall be used for the payment of arbitrage rebates and related administrative expenses.

#### Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and are reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recorded when earned and expenses are recorded when the liability is incurred.

Purchases of facilities providing future benefits are capitalized and depreciated.

#### Cash, Cash Equivalents and Investments

The University deposits the cash of most funds in commingled bank accounts and makes disbursements from the combined cash balances. An individual fund's cash balance represents that fund's cumulative deposits to and disbursements from the University's bank accounts. For purposes of the Statement of Net Assets and the Statement of Cash Flows, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments are reported at fair value.

#### Accounts Receivable

Accounts receivable represent unpaid parking fees and fines.

#### 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, 2006, no interest costs were capitalized.

Depreciation for land improvements is computed using the straight-line method over an estimated useful life of 25 years.

#### Deferred Revenue

Deferred revenue includes such things as parking fees not earned during the current year.

### **(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 \$1,833,943 is combined with other University funds. The money market balance for the Parking System Revenue Bond Funds is \$28,661, which is considered to be a cash equivalent.

At June 30, 2006 the Parking System Revenue Bond Funds had the following investments:

Investment Type	Fair Value
Fixed Income:	
U.S. Government Treasury Notes	<u>\$ 447,134</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 Parking System 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.

Interest Rate Sensitivity - Duration

Investment Type	Fair Value	Duration
Fixed Income:		
U.S. Government Treasury Notes	<u>\$ 447,134</u>	<u>0.38</u>

**(3) 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, 2006:

	Balance July 1, 2005	Additions	Transfers	Deletions	Balance June 30, 2006
Capital assets, nondepreciable:					
Construction in progress	\$ 15,126	316,478	(264,237)		67,367
Capital assets, depreciable:					
Land improvements	6,984,390	-	264,237	-	7,248,627
Less accumulated depreciation	(807,540)	(367,077)	-	-	(1,174,617)
Land improvements, net of accumulated depreciation	6,176,850	(367,077)	264,237	-	6,074,010
Total capital assets, net	<u>\$ 6,191,976</u>	<u>(50,599)</u>	<u>-</u>	<u>-</u>	<u>6,141,377</u>

The cost of land used for the System is not reflected on the Statement of Net Assets. This land is included in other accounts of the University.

#### (4) Revenue Bonds Payable

The bonds, issued on June 1, 2003 for \$6,110,000, were 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 were used to construct a single level parking deck on the University campus. Bond proceeds could also be used for other construction or improvement projects of the Parking System.

The bonds bear interest at rates ranging from 3.10% to 5.00% per year, payable semi-annually on January 1 and July 1. The bonds mature on July 1 of each year, in annual amounts as follows:

Year Ending June 30,	Principal	Interest	Total
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	\$ 5,490,000	2,469,001	7,959,001

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, 2006, cash with paying agents of \$346,751 was on deposit in the Agency Fund of the University for the purpose of paying current obligations of bond principal and interest.

**Parking System Revenue Bond Funds**

## **Supplementary Information**

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

Combining Statement of Net Assets

June 30, 2006

	Unexpended System Fund
<b>Assets</b>	
Current assets:	
Cash, cash equivalents and investments	\$ 183,355
Cash with paying agents	-
Accounts receivable, less allowance for doubtful accounts of \$25,063	276,540
Interest receivable	-
Prepaid expense	1,512
Total current assets	461,407
Noncurrent assets:	
Cash, cash equivalents and investments	1,650,303
Interest receivable	-
Capital assets, net	-
Total noncurrent assets	1,650,303
<b>Total assets</b>	2,111,710
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	11,060
Compensated absences payable	77,139
Accrued salaries and wages payable	9,174
Interest payable	-
Deferred revenue	174,182
Revenue bonds payable, current portion	-
Total current liabilities	271,555
Noncurrent liabilities:	
Revenue bonds payable, noncurrent portion	-
<b>Total liabilities</b>	271,555
<b>Net assets:</b>	
Net investment in plant	-
Restricted for debt service	-
Restricted for improvements	1,840,155
Unrestricted	-
<b>Total net assets</b>	\$ 1,840,155

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



Plant Funds			
Retirement of Indebtedness			
Sinking Fund	Reserve Fund	Investment In Plant	Total
-	-	-	183,355
346,751	-	-	346,751
-	-	-	276,540
382	-	-	382
-	-	-	1,512
347,133	-	-	808,540
-	476,080	-	2,126,383
-	2,138	-	2,138
-	-	6,141,377	6,141,377
-	478,218	6,141,377	8,269,898
347,133	478,218	6,141,377	9,078,438
-	-	-	11,060
-	-	-	77,139
-	-	-	9,174
121,751	-	-	121,751
-	-	-	174,182
225,000	-	-	225,000
346,751	-	-	618,306
-	480,250	4,784,750	5,265,000
346,751	480,250	4,784,750	5,883,306
-	-	1,356,627	1,356,627
382	-	-	382
-	-	-	1,840,155
-	(2,032)	-	(2,032)
382	(2,032)	1,356,627	3,195,132

Parking System 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 Fund Revenue Fund	Unexpended System Fund
Operating revenues	\$ 3,040,932	-
Operating expenses		
Operating expenses	2,048,143	146,009
Depreciation	-	-
Total operating expenses	2,048,143	146,009
Operating income (loss)	992,789	(146,009)
Nonoperating revenues (expenses):		
Investment income	74,190	-
Net increase in fair value of investments	-	-
Interest expense	-	-
Administrative expense	-	-
Net nonoperating revenues (expenses)	74,190	-
Income (loss) before other revenues (expenses) and transfers	1,066,979	(146,009)
Other revenues (expenses) and transfers:		
Additions to capital assets	-	(316,478)
Non-mandatory transfers	(598,477)	612,586
Mandatory transfers	(468,502)	-
Transfer of revenue bonds payable	-	-
Total other revenues (expenses) and transfers	(1,066,979)	296,108
Increase in net assets	-	150,099
Net assets (deficit) beginning of year	-	1,690,056
Net assets (deficit) end of year	\$ -	1,840,155

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

Plant Funds				
Retirement of Indebtedness				
Sinking Fund	Reserve Fund	Arbitrage Reserve Fund	Investment in Plant	Total
-	-	-	-	3,040,932
-	-	-	-	2,194,152
-	-	-	367,077	367,077
-	-	-	367,077	2,561,229
-	-	-	(367,077)	479,703
1,917	13,203	-	-	89,310
-	1,114	-	-	1,114
(243,502)	-	-	-	(243,502)
-	-	(750)	-	(750)
(241,585)	14,317	(750)	-	(153,828)
(241,585)	14,317	(750)	(367,077)	325,875
-	-	-	316,478	-
(1,734)	(13,125)	750	-	-
468,502	-	-	-	-
(225,000)	-	-	225,000	-
241,768	(13,125)	750	541,478	-
183	1,192	-	174,401	325,875
199	(3,224)	-	1,182,226	2,869,257
382	(2,032)	-	1,356,627	3,195,132

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Parking System 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.

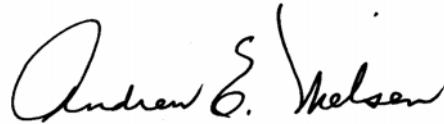
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Parking System Revenue Bond Funds  
Iowa State University of Science and Technology

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager  
Ernest H. Ruben, Jr., 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' and 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State