



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

NEWS RELEASE

FOR RELEASE July 19, 2005

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Petroleum Underground Storage Tank Board (UST Board) for the year ended June 30, 2004.

The responsibilities of the UST Board include expending moneys for remedial (cleanup) action, underground storage tank improvement and maintaining existing loan guarantees.

Vaudt reported the UST Board had total revenues of \$19,868,312, which includes \$17,000,023 of motor vehicle use tax collections and \$1,887,657 of interest on investments. Expenses totaled \$23,638,821, and include \$13,584,649 for remedial claims, \$3,554,325 for innocent landowner claims, \$1,967,349 for program administrative costs and \$3,028,018 for interest expense and trustee fees on revenue bonds.

Net assets restricted for underground storage tank remedial activities total \$25,440,496 at June 30, 2004. Revenue bonds outstanding at June 30, 2004 total \$64,260,000. Estimates of potential claims for clean-up charges total \$111 million.

A copy of the audit report is available for review in the Office of Auditor of State.

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**IOWA PETROLEUM UNDERGROUND STORAGE TANK BOARD
STATE OF IOWA**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2004

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**Iowa Petroleum Underground Storage Tank Board
State of Iowa**

Officials

Name

Title

State

Honorable Thomas J. Vilsack	Governor
Michael L. Tramontina	Director, Department of Management
Dennis C. Prouty	Director, Legislative Services Agency

Board

Therese M. Vaughan	Chairperson (Through December 31, 2004)
Susan E. Voss	Chairperson (Effective January 1, 2005)
Douglas M. Beech	Member
Honorable Michael L. Fitzgerald	Member
James M. Holcomb	Member
Delia A. Meier	Member
Jeffrey W. Robinson	Member
Cathy A. Rottinghaus	Member
Jeffrey R. Vonk	Member

Administrator

Scott Scheidel	AON Risk Services, Inc.
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**Iowa Petroleum Underground Storage Tank Board
State of Iowa**



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

Independent Auditor's Report

To the Members of the Iowa Petroleum
Underground Storage Tank Board:

We have audited the accompanying financial statements of the governmental activities and the major fund of the Iowa Petroleum Underground Storage Tank Board as of and for the year ended June 30, 2004. These financial statements are the responsibility of the Board'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, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 opinions.

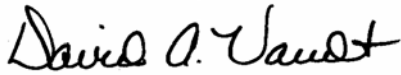
As discussed in Note 1, the financial statements of the Iowa Petroleum Underground Storage Tank Board are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the State of Iowa that is attributable to the transactions of the Board. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2004, and the 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 respective financial position of the governmental activities and the major fund of the Iowa Petroleum Underground Storage Tank Board as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

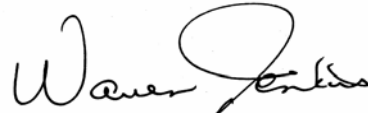
In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2005 on our consideration of the Iowa Petroleum Underground Storage Tank Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 10 and 20 through 21 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied to our audit of the aforementioned financial statements and, in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 31, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Iowa Petroleum Underground Storage Tank Board (Board) provides an overview of the Board's financial activities for the fiscal year ended June 30, 2004 and is provided for consideration in conjunction with the Board's financial statements, which follow.

2004 FINANCIAL HIGHLIGHTS

- The Board received \$19,868,312 during the fiscal year from a combination of motor vehicle use tax appropriations, environmental protection charge (EPC) collections, tank fees, cost recovery proceeds, interest and miscellaneous receipts. This was a 3.4% reduction compared to the previous fiscal year due almost entirely to reduced interest on investments.
- Claim payments increased by 51.3%, or approximately \$6.2 million, over the fiscal year ended June 30, 2003 due to increased corrective action on claimant sites.
- The Board's net assets decreased by 9.9%, or approximately \$4.0 million, mainly due to the increase in claim payments.

USING THIS FINANCIAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the financial statements and provides an analytical overview of the Board's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of the Board as a whole and present an overall view of the Board's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending.

The financial statements also include notes and required and other supplementary information that explain some of the information in the statements and provide more detailed data.

REPORTING THE BOARD'S FINANCIAL ACTIVITIES

Entity-wide Financial Statements

One of the most important questions asked about the Board's finances is, "Is the Board as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Board as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents all of the Board's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases or decreases in the Board's net assets may serve as a useful indicator of whether the financial position of the Board is improving or deteriorating.

The Statement of Activities presents information showing how the Board's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Board's governmental activities are displayed in the Statement of Net Assets and the Statement of Activities. Governmental activities include claim payments, administrative costs and payments to other state agencies.

ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position.

The Board's combined net assets decreased in comparison to a year ago. Our analysis below focuses on the net assets and the change in net assets of the Board's governmental activities.

	Net Assets of Governmental Activities			
	June 30,		Decrease	Percentage Decrease
	2004	2003		
Assets	\$ 105,405,028	114,839,089	(9,434,061)	(8.2%)
Liabilities	69,169,289	74,632,841	(5,463,552)	(7.3%)
Net Assets	36,235,739	40,206,248	(3,970,509)	(9.9%)

Net assets of the Board decreased by 9.9% (\$36.2 million compared to \$40.2 million). This reduction was the result of increased claim payments and reduced interest on investments.

The Statement of Net Assets does not include estimated long-term liabilities associated with claim reserves of \$111,226,510.

Change in Net Assets of Governmental Activities

	June 30,	
	2004	2003
Revenues:		
Motor vehicle use tax	\$ 17,000,023	17,000,000
Groundwater tank management fees	431,144	410,526
License and application fees	402,408	80,996
Environmental protection charges, cost recovery and community remediation by-ins	147,080	58
Interest on investments	1,887,657	3,073,236
Total revenues	19,868,312	20,564,816
Expenses:		
Administrative costs	1,967,349	2,163,560
Innocent landowner claims	3,554,325	3,368,558
Remedial claims	13,584,649	8,470,451
Tank closure claims	1,264,697	322,280
Payments to other state agencies	239,783	244,121
Interest and trustee fees	3,028,018	3,345,108
Total expenses	23,638,821	17,914,078
Transfers out to the:		
Iowa Department of Natural Resources for administrative expenses	(200,000)	(75,000)
State General Fund for budgetary purposes	-	(10,000,000)
Iowa Department of Education for the teacher quality program	-	(8,900,000)
Department of Management for the Salary Adjustment Fund	-	(11,100,000)
Total transfers out	(200,000)	(30,075,000)
Change in net assets	(3,970,509)	(27,424,262)
Net assets beginning of year	40,206,248	67,630,510
Net assets end of year	\$ 36,235,739	40,206,248

The Board's expenses increased by approximately \$5.7 million. The increase in overall expenses was due to an increase in claim payments, but was offset slightly by a 9% reduction in administrative costs.

DEBT ADMINISTRATION

At June 30, 2004, the Board had \$64,260,000 in bond principal outstanding versus \$70,633,450 at June 30, 2003. In November 2004, the Board issued \$19,765,000 in Iowa Underground Storage Tank Fund Revenue Refunding Bonds to advance refund the \$23.5 million of outstanding 1994 Series A Serial Bonds, which resulted in a net present value savings of \$1,209,992 over the life of the bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for 2005 includes estimates for revenues to be fairly flat along with all expenses except for claims which are estimated to continue to increase as overall payments for corrective action activities continue to escalate. In addition, no transfers to the State, such as have occurred in the previous three years, are planned.

The Board has estimated potential long-term claim liabilities of \$111 million. Claim payments are budgeted based on historical trends with emphasis on more recent activity. Claim payments, however, are directly affected by the speed with which claimants (parties responsible for contamination) move the corrective action forward at their site. Board activities seek to encourage expediting those actions by claimants.

CONTACTING THE UST BOARD FINANCIAL MANAGEMENT

This financial report is designed to provide our claimants, the citizens of Iowa and creditors with a general overview of the Board's finances to demonstrate the Board's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Iowa Petroleum Underground Storage Board at 2700 Westown Parkway, Suite 320, West Des Moines, IA 50266.

Financial Statements

Exhibit AIowa Petroleum Underground Storage Tank Board
State of Iowa

Governmental Fund Balance Sheet and Statement of Net Assets

June 30, 2004

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and investments	\$ 104,372,991	-	104,372,991
Accounts receivable	263,861	-	263,861
Due from other state agencies	768,176	-	768,176
Total assets	\$ 105,405,028	-	105,405,028
Liabilities			
Accounts payable	\$ 1,933,363	-	1,933,363
Accrued interest payable	-	2,921,468	2,921,468
Due to other state agencies	54,458	-	54,458
Deferred revenue	9,400	(9,400)	-
Revenue bonds payable:			
Due within one year	-	6,695,000	6,695,000
Due after one year	-	57,565,000	57,565,000
Total liabilities	1,997,221	67,172,068	69,169,289
Fund balances/Net assets			
Fund balances:			
Reserved for:			
Underground storage tank remedial activities	92,612,564	(92,612,564)	-
Payment on defaulted loans	1,109,306	(1,109,306)	-
Capital reserve	9,685,937	(9,685,937)	-
Total fund balances	103,407,807	(103,407,807)	-
Total liabilities and fund balances	\$ 105,405,028		
Net assets			
Restricted for:			
Underground storage tank remedial activities		25,440,496	25,440,496
Payment on defaulted loans		1,109,306	1,109,306
Capital reserve		9,685,937	9,685,937
Total net assets		\$ 36,235,739	36,235,739

See notes to financial statements.

Iowa Petroleum Underground Storage Tank Board
State of Iowa

Governmental Fund Statement of Revenues, Expenditures
and Changes in Fund Balance and Statement of Activities

Year ended June 30, 2004

	General Fund	Adjustments	Statement of Activities
Revenues:			
Motor vehicle use tax	\$ 17,000,023	-	17,000,023
Groundwater tank management fees	431,144	-	431,144
License and application fees	402,408	-	402,408
Environmental protection charges, cost recovery and community remediation buy-ins	147,080	-	147,080
Interest on investments	1,887,657	-	1,887,657
Total revenues	<u>19,868,312</u>	<u>-</u>	<u>19,868,312</u>
Expenditures/expenses:			
Administrative costs	1,967,349	-	1,967,349
Innocent landowner claims	3,554,325	-	3,554,325
Remedial claims	13,594,049	(9,400)	13,584,649
Tank closure claims	1,264,697	-	1,264,697
Payments to other state agencies	239,783	-	239,783
Debt service:			
Principal repayment	6,480,000	(6,480,000)	-
Interest and trustee fees	3,138,518	(110,500)	3,028,018
Total expenditures/expenses	<u>30,238,721</u>	<u>(6,599,900)</u>	<u>23,638,821</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	(10,370,409)	6,599,900	(3,770,509)
Other financing uses:			
Transfers out to the Iowa Department of Natural Resources for administrative expenses	(200,000)	-	(200,000)
Deficiency of revenues under expenditures/expenses and other financing uses	(10,570,409)	10,570,409	-
Change in net assets	-	(3,970,509)	(3,970,509)
Fund balance/net assets beginning of year	<u>113,978,216</u>	<u>(73,771,968)</u>	<u>40,206,248</u>
Fund balance/net assets end of year	<u>\$ 103,407,807</u>	<u>(67,172,068)</u>	<u>36,235,739</u>

See notes to financial statements.

**Iowa Petroleum Underground Storage Tank Board
State of Iowa**

Iowa Petroleum Underground Storage Tank Board
State of Iowa

Notes to Financial Statements

June 30, 2004

(1) Summary of Significant Accounting Policies

Statutory authority for the Iowa Petroleum Underground Storage Tank Board, State of Iowa, is found in Chapter 455G of the Code of Iowa. The Iowa Petroleum Underground Storage Tank Board's responsibilities include expending funds for remedial action and maintaining existing loan guarantees for remedial action and underground storage tank improvements.

The financial statements of the Iowa Petroleum Underground Storage Tank Board have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The more significant of the Iowa Petroleum Underground Storage Tank Board's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Iowa Petroleum Underground Storage Tank Board has included all funds. The Iowa Petroleum Underground Storage Tank Board has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Iowa Petroleum Underground Storage Tank Board are such that exclusion would cause the Iowa Petroleum Underground Storage Tank Board's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Board to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Board. The Board has no component units which meet the Governmental Accounting Standards Board criteria.

B. Entity-wide and Fund Financial Statements

The financial statements on pages 12 and 13 combine both an entity-wide perspective and a governmental fund perspective.

The General Fund comprises the Iowa Petroleum Underground Storage Tank Board's (Board) governmental fund type. This fund is the general operating fund of the Board and the difference between assets and liabilities of the fund is referred to as "fund balance."

The entity-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Board. Governmental activities are those which normally are supported by tax and intergovernmental revenues.

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the “economic resources measurement focus” and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the “current financial resources measurement focus” and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgements, are recorded only when payment is due.

D. Budget

The Administrator for the Iowa Petroleum Underground Storage Tank Board prepares an annual budget for the Board's general operations. This budget is approved and monitored by the Iowa Petroleum Underground Storage Tank Board.

E. Cash and Cash Equivalents

The cash balances of the Board are pooled and invested by the Treasurer of State.

F. Due from Other State Agencies

Receivables consist primarily of accrued interest on deposits invested by the State Treasurer.

G. Reserved Fund Balances/Restricted Net Assets

The portion reserved/restricted for “underground storage tank remedial activities” represents the amount available for cleanup of contamination caused by releases from underground storage tanks.

The portion reserved/restricted for “payment on defaulted loans” represents the amount available for the actual payment of claims on guaranteed loans in default status.

The portion reserved/restricted for "capital reserve" represents the amount set up to maintain the capital reserve requirement as specified in the Master Trust Indenture for bonds.

(2) Deposits and Investments

The Board’s deposits with the Treasurer of State throughout the period and at June 30 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. Earned interest, \$1,877,657 for the year ended June 30, 2004, is retained in the fund holding the cash balance.

(3) Revenue Bonds Payable

(a) Revenue Bonds Payable:

Iowa Underground Storage Tank Fund revenue bonds have been issued by the Iowa Finance Authority to fund the Iowa Petroleum Underground Storage Tank (UST) Fund established under Chapter 455G of the Code of Iowa. The UST Fund is administered by the UST Board and its moneys and accounts are held by the State Treasurer. The revenue bonds are payable solely from specific pledged revenues and assets of the UST Fund, including portions of the State of Iowa's motor vehicle use tax and annual storage tank management fee.

The Iowa Petroleum Underground Storage Tank Fund revenue bonds payable at June 30, 2004 are as follows:

Type	Amount Outstanding	Maturities		Interest Rates
		First Year	Last Year	
Capital appreciation bonds	\$ 1,745,000	2001	2004	6.40-6.60%
Serial bonds	49,360,000	1991	2012	2.90-6.35
Term bonds	13,155,000	2010	2015	5.13
Total	<u>\$ 64,260,000</u>			

Debt service requirements to maturity for revenue bonds payable at June 30, 2004 are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 6,695,000	2,921,468	9,616,468
2006	6,910,000	2,651,163	9,561,163
2007	7,230,000	2,323,644	9,553,644
2008	7,570,000	1,976,130	9,546,130
2009	7,925,000	1,600,158	9,525,158
2010-2014	25,030,000	3,043,968	28,073,968
2015	2,900,000	74,312	2,974,312
Total	<u>\$ 64,260,000</u>	<u>14,590,843</u>	<u>78,850,843</u>

(b) Advance Refunded Bonds:

In prior years, the Iowa Finance Authority defeased certain Iowa Underground Storage Tank Fund Revenue Bonds by placing the proceeds of new bonds in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1990 and 1991 Series term bonds. As a result, the 1990 and 1991 Series term bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Assets.

At June 30, 2004, the outstanding revenue bonds considered defeased are as follows:

Revenue Bond Series 1990A	\$ 24,870,000
Revenue Bond Series 1991A	<u>14,815,000</u>
Total	<u>\$ 39,685,000</u>

(4) Commitments and Contingencies

The Iowa Underground Storage Tank Financial Responsibility Program provides payment for remediation claims of contamination of ground water sites due to leakage, spill or release of petroleum products by owner/operators. Potential claims for clean-up charges are estimated to total \$111 million. The payment of claims is limited to funds made available by charges to owner/operators and from the collection of environmental protection charges, underground storage tank fees, recoveries, Federal assistance and earnings of the General Fund.

(5) Explanation of the Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets

Total fund balance - General Fund	\$ 103,407,807
Long term liabilities applicable to the Board's governmental activities are not due and payable in the current period and, therefore, are not reported as fund liabilities.	(64,260,000)
Some interest expense reported in the Statement of Activities did not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental fund.	(2,921,468)
Certain revenues are earned but not available and, therefore, deferred in the funds	<u>9,400</u>
Net assets of governmental activities	<u><u>\$ 36,235,739</u></u>

(6) Explanation of the Differences between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities

Net change in fund balance – General Fund	\$ (10,570,409)
Interest expense reported in the Statement of Activities did not require the use of current financial resources and, therefore, was not reported as an expenditure in the governmental fund, as follows:	
Accrued interest	217,050
Amortization of unamortized discount on capital appreciation bonds	(106,550)
Principal repayment on bonds is reported as an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets.	6,480,000
Because some revenues will not be collected for several months after the fiscal year end, they are not considered available revenues and, therefore, are deferred in the governmental fund.	<u>9,400</u>
Change in net assets of governmental activities	<u><u>\$ (3,970,509)</u></u>

(7) Subsequent Event

On November 1, 2004, the Iowa Finance Authority issued \$19,765,000 in Iowa Underground Storage Tank Fund Revenue Refunding Bonds with an average interest rate of 3.75 percent to advance refund \$23.5 million of outstanding 1994 Series A Bonds with interest rates of 4.500 to 5.125 percent. The net proceeds of \$20,550,050 (after payment of \$249,209 in underwriting fees, insurance, and other issuance costs and the net issuance premium of \$1,034,259) were deposited in an escrow fund and were used, with other resources, to retire all the outstanding 1994 Series A Serial Bonds.

Required Supplementary Information

Iowa Petroleum Underground Storage Tank Board
State of Iowa

Budgetary Comparison Schedule of
Revenues, Expenditures and Changes
in Fund Balance – Actual and Budget
General Fund

Year ended June 30, 2004

	Actual	Budget	Favorable (Unfavorable) Variance
Revenues:			
Motor vehicle use tax	\$ 17,000,023	17,000,000	23
Groundwater tank management fees	431,144	374,000	57,144
License and application fees	402,408	9,325	393,083
Environmental protection charges, cost recovery and community remediation buy-ins	147,080	25,000	122,080
Interest on investments	1,887,657	5,560,000	(3,672,343)
Total revenues	19,868,312	22,968,325	(3,100,013)
Expenditures:			
Administrative costs	1,967,349	1,913,550	(53,799)
Innocent landowner claims	3,554,325	2,400,000	(1,154,325)
Remedial claims	13,594,049	17,600,000	4,005,951
Tank closure claims	1,264,697	500,000	(764,697)
Payments to other state agencies	239,783	207,844	(31,939)
Debt service:			
Principal repayment	6,480,000	6,480,000	-
Interest and trustee fees	3,138,518	3,138,518	-
Total expenditures	30,238,721	32,239,912	2,001,191
Deficiency of revenues under expenditures	(10,370,409)	<u>\$ (9,271,587)</u>	<u>(1,098,822)</u>
Other financing uses:			
Transfers out to the Iowa Department of Natural Resources for administrative expenses	<u>(200,000)</u>		
Deficiency of revenues under expenditures and other financing uses	(10,570,409)		
Fund balance beginning of year	<u>113,978,216</u>		
Fund balance end of year	<u><u>\$ 103,407,807</u></u>		

See accompanying independent auditor's report.

Iowa Petroleum Underground Storage Tank Board
State of Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2004

The Administrator for the Iowa Petroleum Underground Storage Tank Board prepares an annual budget for the Board's general operations. This budget is approved and monitored by the Iowa Petroleum Underground Storage Tank Board.

**Iowa Petroleum Underground Storage Tank Board
State of Iowa**

Other Supplementary Information

Iowa Petroleum Underground Storage Tank Board
State of Iowa

Expenditures by Object
General Fund

Year ended June 30, 2004

Classification	Administrative Costs	Innocent Landowner Claims	Remedial Claims	Tank Closure Claims
Contractual services	\$ 1,967,349	780,073	13,594,049	1,264,697
Claims and miscellaneous	-	2,774,252	-	-
Total	<u>\$ 1,967,349</u>	<u>3,554,325</u>	<u>13,594,049</u>	<u>1,264,697</u>

See accompanying independent auditor's report.

Payments to other State Agencies	Debt Service - Principal, Interest and Trustee Fees	Total
239,783	-	17,845,951
-	9,618,518	12,392,770
239,783	9,618,518	30,238,721

**Iowa Petroleum Underground Storage Tank Board
State of Iowa**



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 on Compliance
and on Internal Control over Financial Reporting

To the Members of the Iowa Petroleum
Underground Storage Tank Board:

We have audited the financial statements of the Iowa Petroleum Underground Storage Tank Board as of and for the year ended June 30, 2004 and have issued our report thereon dated March 31, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Iowa Petroleum Underground Storage Tank Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Petroleum Underground Storage Tank Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Petroleum Underground Storage Tank Board during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

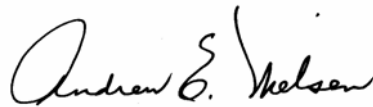
March 31, 2005

Iowa Petroleum Underground Storage Tank Board
State of Iowa

Staff

This audit was performed by:

Kay F. Dunn, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor
Heather L. Templeton, Staff Auditor
Trevor L. Theulen, Staff Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State