

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

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

JUNE 30, 2005

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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. 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 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, 2005 and changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

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

In our opinion, except that the omission of a statement of cash flows results in an incomplete presentation as explained in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking System Revenue Bond Funds of Iowa State University of Science and Technology as of June 30, 2005, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.


In connection with our audit, nothing came to our attention that caused us to believe Iowa State University of Science and Technology was not in compliance with the accounting requirements of the Board of Regents Resolution for the issuance of the Parking System Revenue Bonds. It should be noted, however, our audit was not directed primarily toward obtaining knowledge of such non-compliance.

Iowa State University of Science and Technology has not presented Management's Discussion and Analysis for the 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 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 on 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, 2005

Financial Statements

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

Balance Sheet

June 30, 2005

	<u>Unexpended</u> <u>System</u> <u>Fund</u>
Assets	
Cash and investments (note 2)	\$ 1,705,142
Cash with paying agent (note 3)	-
Accounts receivable, less allowance for doubtful accounts of \$24,930	265,966
Interest receivable	-
Capital assets, net (note 4)	-
Total assets	<u>\$ 1,971,108</u>
Liabilities and Fund Balances (Deficit)	
Liabilities:	
Accounts payable	\$ 19,923
Compensated absences payable	70,193
Accrued salaries and wages payable	10,476
Interest payable	-
Deferred revenue	180,461
Revenue bonds payable (note 3)	-
Total liabilities	<u>281,052</u>
Fund balances (deficit):	
Net investment in plant	-
Reserved for debt service	-
Unreserved, designated for specific purposes	1,690,056
Total fund balances (deficit)	<u>1,690,056</u>
Total liabilities and fund balances (deficit)	<u>\$ 1,971,108</u>

See notes to financial statements.

Plant Funds			
Retirement of Indebtedness			
Sinking Fund	Reserve Fund	Investment In Plant	Total
-	474,966	-	2,180,108
344,831	-	-	344,831
-	-	-	265,966
199	2,060	-	2,259
-	-	6,191,976	6,191,976
345,030	477,026	6,191,976	8,985,140
-	-	-	19,923
-	-	-	70,193
-	-	-	10,476
124,831	-	-	124,831
-	-	-	180,461
220,000	480,250	5,009,750	5,710,000
344,831	480,250	5,009,750	6,115,883
-	-	1,182,226	1,182,226
199	(3,224)	-	(3,025)
-	-	-	1,690,056
199	(3,224)	1,182,226	2,869,257
345,030	477,026	6,191,976	8,985,140

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

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

Year ended June 30, 2005

	Current	Unexpended	
	Fund	Project	System
	Revenue	Fund	Fund
	Fund		
Revenues (expenditures):			
Operating revenues	\$ 3,033,170	-	-
Operating expenditures	(2,046,337)	-	-
Operating income before depreciation	986,833	-	-
Depreciation	-	-	-
Net operating gain (loss)	986,833	-	-
Other revenues (expenditures):			
Investment income	51,691	-	-
Net decrease in fair value of investments	-	-	-
Interest on indebtedness	-	-	-
Administrative expenses	-	(40)	-
Repair and maintenance	-	-	(80,720)
Excess (deficiency) of revenues over (under) expenditures	1,038,524	(40)	(80,720)
Other financing sources (uses):			
Additions to capital assets	-	-	(465,570)
Transfers (to) other University funds	-	-	(6,699)
Non-mandatory transfers	(568,861)	40	580,731
Mandatory transfers	(469,663)	-	-
Transfer of revenue bonds payable	-	-	-
Total other financing sources (uses)	(1,038,524)	40	108,462
Net increase (decrease) for the year	-	-	27,742
Fund balances (deficit) beginning of year	-	-	1,662,314
Fund balances (deficit) end of year	\$ -	-	1,690,056

See notes to financial statements.

Plant Funds				
Retirement of Indebtedness				
Sinking Fund	Reserve Fund	Arbitrage Reserve Fund	Investment in Plant	Total
-	-	-	-	3,033,170
-	-	-	-	(2,046,337)
-	-	-	-	986,833
-	-	-	(344,573)	(344,573)
-	-	-	(344,573)	642,260
1,040	12,608	-	-	65,339
-	(2,801)	-	-	(2,801)
(249,663)	-	-	-	(249,663)
-	-	(1,500)	-	(1,540)
-	-	-	-	(80,720)
(248,623)	9,807	(1,500)	(344,573)	372,875
-	-	-	465,570	-
-	-	-	-	(6,699)
(841)	(12,569)	1,500	-	-
469,663	-	-	-	-
(220,000)	-	-	220,000	-
248,822	(12,569)	1,500	685,570	(6,699)
199	(2,762)	-	340,997	366,176
-	(462)	-	841,229	2,503,081
199	(3,224)	-	1,182,226	2,869,257

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

Notes to Financial Statements

June 30, 2005

(1) Summary of Significant Accounting Policies

Accounting Entity and Basis of Accounting

The 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 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.

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 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.

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, 2005, no interest costs were capitalized.

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

(2) Cash and Investments

The University's deposits were covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. In the unlikely event a bank fails, the State Treasurer first determines the amount of the loss and validates the amount of applicable FDIC insurance. He is empowered by this chapter to cover the remaining loss from the state sinking fund for public deposits in banks. If the balance in the sinking fund is inadequate to pay the entire loss, he is empowered to make assessments against other banks to insure there will be no loss of public funds. Cash in banks of \$1,705,427 is combined with other University funds. The money market balance for the Parking System Revenue Bond Funds is \$25,189.

At June 30, 2005 the Parking System Revenue Bond Funds had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>
Fixed Income:	
U.S. Government Treasury Notes	<u>\$ 449,492</u>

Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the University. As of June 30, 2005, the 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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration</u>
Fixed Income:		
U.S. Government Treasury Notes	<u>\$ 449,492</u>	<u>1.32</u>

(3) 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 may also be used for other construction or improvement projects of the Parking System.

The bonds bear interest at rates ranging from 1.75% 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:

Year Ending June 30,	Principal	Interest	Total
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>\$ 5,710,000</u>	<u>2,715,584</u>	<u>8,425,584</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, 2005, cash with paying agents of \$344,831 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, 2005:

	Balance July 1, 2004	Additions	Transfers	Balance June 30, 2005
Capital assets, nondepreciable:				
Construction in progress	\$ 92,915	465,570	(543,359)	15,126
Capital assets, depreciable:				
Land improvements	6,441,031	-	543,359	6,984,390
Less accumulated depreciation	(462,967)	(344,573)	-	(807,540)
Land improvements, net of accumulated depreciation	5,978,064	(344,573)	543,359	6,176,850
Total capital assets, net	<u>\$ 6,070,979</u>	<u>120,997</u>	<u>-</u>	<u>6,191,976</u>

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.

Parking System Revenue Bond Funds

Supplemental Information

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

Student Enrollment
(Unaudited)

Year ended June 30, 2005

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

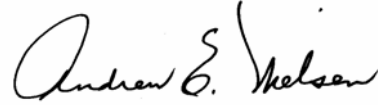
Summer Semester, 2004	9,720
Fall Semester, 2004	26,380
Spring Semester, 2005	24,426

See accompanying independent auditor's report.

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

Staff

This audit was performed by:
Kay F. Dunn, CPA, Manager
Donna R. Neubauer, Assistant Auditor

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