



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

July 21, 2006

Contact: Andy Nielsen
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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, 2005.

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 \$21,841,576, an increase of 10% over the prior year. Revenues included \$17,000,000 of motor vehicle use tax collections, \$1,429,454 of license and application fees and \$2,855,829 of interest on investments. Expenses totaled \$29,520,585, a 24% increase over the prior year. Expenses included \$2,392,249 for program administrative costs, \$2,212,321 for innocent landowner claims, \$8,418,179 for above ground storage tank claims, \$13,080,002 for remedial claims and \$2,674,676 for interest expense and trustee fees on revenue bonds.

Net assets restricted for underground storage tank remedial activities total \$22,305,671 at June 30, 2005. Revenue bonds outstanding at June 30, 2005 total \$53,580,000. Estimates of potential claims for clean-up charges total \$120 million.

A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2005

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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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State of Iowa**



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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, 2005, which collectively comprise the basic financial statements listed in the table of contents. 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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.

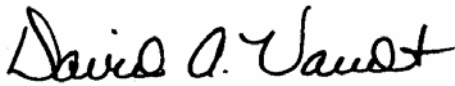
As discussed in Note 1, the financial statements of the Iowa Petroleum Underground Storage Tank Board are intended to present the financial position and the changes in financial position of only that portion of the governmental activities of the State of Iowa that is attributable to the transactions 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, 2005, 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, 2005, 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 16, 2006 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, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. 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 assessing 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 opinions on the financial statements that collectively comprise the Iowa Petroleum Underground Storage Tank Board's basic financial statements. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied to our audit of the basic financial statements and, in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

March 16, 2006

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, 2005 and is provided for consideration in conjunction with the Board's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- The Board had revenues of \$21,841,576 during the fiscal year from a combination of motor vehicle use tax appropriations, environmental protection charges (EPC), tank fees, cost recovery proceeds, interest and miscellaneous receipts. This was a 9.9% increase compared to the previous fiscal year, due almost entirely to an increase in license and application fees and interest on investments.
- Claim payments increased by 28.8%, or approximately \$5.3 million, over the fiscal year ended June 30, 2004, primarily due to above ground storage tank claims.
- The Board's net assets decreased by 20.9%, or approximately \$7.9 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 compared 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,				
	2005	2004 Restated	Decrease	Percentage Decrease
Assets	\$ 87,504,229	105,405,028	(17,900,799)	(17.0%)
Liabilities	57,742,452	67,764,242	(10,021,790)	(14.8%)
Net Assets	29,761,777	37,640,786	(7,879,009)	(20.9%)

Net assets of the Board decreased by nearly 20.9% (\$29.8 million compared to \$37.6 million). This reduction was primarily the result of increased claim payments.

The Statement of Net Assets does not include estimated long-term liabilities associated with claim reserves of \$120,419,762.

Change in Net Assets of Governmental Activities		
	June 30,	
	2005	2004 Restated
Revenues:		
Motor vehicle use tax	\$ 17,000,000	17,000,023
Groundwater tank management fees	410,000	431,144
License and application fees	1,429,454	402,408
Environmental protection charges, cost recovery and community remediation by-ins	146,293	147,080
Interest on investments	2,855,829	1,887,657
Total revenues	21,841,576	19,868,312
Expenses:		
Administrative costs	2,392,249	1,967,349
Innocent landowner claims	2,212,321	3,554,325
Remedial claims	13,080,002	13,584,649
Above ground storage tank claims	8,418,179	-
Tank closure claims	-	1,264,697
Payments to other state agencies	493,949	239,783
Debt service:		
Issue costs	249,209	-
Interest and trustee fees	2,674,676	2,325,506
Total expenses	29,520,585	22,936,309
Transfers out to the Iowa Department of Natural Resources for administrative expenses	(200,000)	(200,000)
Change in net assets	(7,879,009)	(3,267,997)
Net assets beginning of year, as restated	37,640,786	40,908,783
Net assets end of year	\$ 29,761,777	37,640,786

Revenues increased over the prior year by approximately \$2 million, or 9.9%. The increase is due to an increase in license and application fees and interest on investments.

Board expenses increased by approximately \$5.9 million. The increase in overall expenses was due primarily to the payment of above ground storage tank claims and an increase in administrative costs due to increased costs associated with the 28E agreement for engineering services. The increase in expenses was offset by a decrease in innocent landowner, remedial and tank closure claims. The number of claims decreased in FY05 and twenty eight claims were closed.

DEBT ADMINISTRATION

At June 30, 2005, the Board had \$53,850,000 in bond principal outstanding versus \$64,260,000 at June 30, 2004. 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 Bonds. Additional information about the Board's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for 2006 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 \$120 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 Tank Board at 2700 Westown Parkway, Suite 320, West Des Moines, IA 50266.

Basic Financial Statements

Exhibit A

Iowa Petroleum Underground Storage Tank Board
State of Iowa

Governmental Fund Balance Sheet and Statement of Net Assets

June 30, 2005

	General Fund	Adjustments	Statement of Net Assets
Assets			
Cash and investments	\$ 86,412,182	-	86,412,182
Accounts receivable	626,827	-	626,827
Due from other state agencies	465,220	-	465,220
Total assets	\$ 87,504,229	-	87,504,229
Liabilities			
Accounts payable	\$ 1,933,355	-	1,933,355
Accrued interest payable	-	1,337,791	1,337,791
Due to other state agencies	56,647	-	56,647
Revenue bonds payable:			
Due within one year	-	7,170,000	7,170,000
Due after one year	-	47,714,259	47,244,659
Total liabilities	1,990,002	56,222,050	57,742,452
Fund balance/Net assets			
Fund balance:			
Reserved for:			
Underground storage tank remedial activities	78,058,121	(78,058,121)	-
Payment on defaulted loans	1,137,831	(1,137,831)	-
Capital reserve	6,318,275	(6,318,275)	-
Total fund balance	85,514,227	(85,514,227)	-
Total liabilities and fund balance	\$ 87,504,229		
Net assets			
Restricted for:			
Underground storage tank remedial activities		22,305,671	22,305,671
Payment on defaulted loans		1,137,831	1,137,831
Capital reserve		6,318,275	6,318,275
Total net assets		\$ 29,761,777	29,761,777

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, 2005

	General Fund	Adjustments	Statement of Activities
Revenues:			
Motor vehicle use tax	\$ 17,000,000	-	17,000,000
Groundwater tank management fees	410,000	-	410,000
License and application fees	1,429,454	-	1,429,454
Environmental protection charges, cost recovery and community remediation buy-ins	146,293	-	146,293
Interest on investments	2,855,829	-	2,855,829
Total revenues	21,841,576	-	21,841,576
Expenditures/expenses:			
Administrative costs	2,392,249	-	2,392,249
Innocent landowner claims	2,212,321	-	2,212,321
Remedial claims	13,070,602	9,400	13,080,002
Above ground storage tank claims	8,418,179	-	8,418,179
Payments to other state agencies	493,949	-	493,949
Debt service:			
Issue costs	249,209	-	249,209
Principal repayment	10,094,550	(10,094,550)	-
Interest and trustee fees	2,853,306	(178,630)	2,674,676
Total expenditures/expenses	39,784,365	(10,263,780)	29,520,585
Excess (deficiency) of revenues over (under) expenditures/expenses	(17,942,789)	10,263,780	(7,679,009)
Other financing sources (uses):			
Transfers to the Iowa Department of Natural Resources for administrative expenses	(200,000)	-	(200,000)
Revenue refunding bonds issued	19,765,000	(19,765,000)	-
Premium on revenue bonds	1,034,259	(1,034,259)	-
Payment to refunding bond escrow agent	(20,550,050)	20,550,050	-
Deficiency of revenues and other financing sources under expenditures/expenses and other financing uses	(17,893,580)	17,893,580	-
Change in net assets	-	(7,879,009)	(7,879,009)
Fund balance/net assets beginning of year, as restated	103,407,807	(65,767,021)	37,640,786
Fund balance/net assets end of year	\$ 85,514,227	(55,752,450)	29,761,777

See notes to financial statements.

Iowa Petroleum Underground Storage Tank Board
State of Iowa

Notes to Financial Statements

June 30, 2005

(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 Balance/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) Cash 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, \$2,855,829 for the year ended June 30, 2005, is retained in the fund holding the cash balance.

The Board's cash and investments are pooled with the Treasurer of State's cash and investments. Accordingly, information regarding the Board's investments is not readily available. See the State of Iowa Comprehensive Annual Financial Report (CAFR) for disclosure of the Treasurer of State's investments and related risk.

(3) Revenue Bonds Payable

A summary of changes in revenue bonds payable for the year ended June 30, 2005 is as follows:

	<u>Amount</u>
Balance beginning of year	\$ 64,260,000
Increases	19,765,000
Decreases	<u>29,610,341</u>
Balance end of year	<u>\$ 54,414,659</u>
Due within one year	<u>\$ 7,170,000</u>

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 fees.

Details of revenue bonds payable at June 30, 2005 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2005
Revenue bonds:						
1997A Revenue refunding bonds	Jun 15, 1997	3.75-5.00%	Jul 1, 2011	\$ 350,000-6,375,000	42,610,000	34,085,000
2004A Revenue refunding bonds	Nov 17, 2004	2.50-5.00	Jul 1, 2014	1,650,000-2,330,000	19,765,000	<u>19,765,000</u>
Total						<u>\$ 53,850,000</u>

Debt service requirements to maturity for revenue bonds payable at June 30, 2005 are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 7,170,000	2,426,250	9,596,250
2007	6,915,000	2,013,238	8,928,238
2008	7,245,000	1,698,404	8,943,404
2009	7,545,000	1,358,606	8,903,606
2010	7,925,000	996,678	8,921,678
2011-2015	<u>17,050,000</u>	<u>1,410,187</u>	<u>18,460,187</u>
Total	<u>\$ 53,850,000</u>	<u>9,903,363</u>	<u>63,753,363</u>

During the year ended June 30, 2005, the Iowa Finance Authority issued \$19,765,000 in revenue bonds and retired revenue bonds of \$30,175,000. The unamortized premium and deferred charges totaled \$1,034,259 and \$469,600, respectively, at June 30, 2005.

The \$19,765,000 of Iowa Underground Storage Tank Revenue Refunding Bonds, 2004 Series A, with an interest rate range of 2.50-5.00%, were issued by the Iowa Finance Authority to advance refund \$23,480,000 of outstanding Iowa Underground Storage Tank Fund Revenue Bonds, 1994 Series A.

Net proceeds of \$20,550,050 were placed in an irrevocable escrow account with the Iowa Finance Authority as the trustee. The 1994 Series A issue was called in December 2004, and the bonds were redeemed in their entirety by June 30, 2005.

The current refunding resulted in the recognition of an accounting gain of \$469,600 for the year ended June 30, 2005, a decrease in aggregate debt service of \$6,065,265 over the next ten years and an economic gain (difference between present value of the old and new debt service payments) of \$5,123,211.

(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 \$120 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	\$ 85,514,227
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.	(54,414,659)
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.	<u>(1,337,791)</u>
Net assets of governmental activities	<u>\$ 29,761,777</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	\$ (17,893,580)	
Accrued 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.		178,630
Proceeds from issuing long-term liabilities provide current financial resources to the governmental fund, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issuances, as follows:		
Issued	(19,765,000)	
Repaid	<u>29,610,341</u>	9,845,341
Because some prior year revenues were not collected for several months after the fiscal year end, they were not considered available revenues and, therefore, were deferred in the governmental fund.		<u>(9,400)</u>
Change in net assets of governmental activities		<u>\$ (7,879,009)</u>

(7) Restatement

Beginning net assets for governmental activities has been restated due to a prior year error in reporting accrued interest payable. The restatement increased the beginning net assets, as follows:

	<u>Amount</u>
Governmental activities:	
Net assets, June 30, 2004, as previously reported	\$ 36,235,739
Correction of prior year accrued interest payable	<u>1,405,047</u>
Net assets, July 1, 2004, as restated	<u><u>\$ 37,640,786</u></u>

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, 2005

	Actual	Budget	Favorable (Unfavorable) Variance
Revenues:			
Motor vehicle use tax	\$ 17,000,000	17,000,000	-
Groundwater tank management fees	410,000	374,000	36,000
License and application fees	1,429,454	1,009,905	419,549
Environmental protection charges, cost recovery and community remediation buy-ins	146,293	60,000	86,293
Interest on investments	2,855,829	2,575,000	280,829
Total revenues	<u>21,841,576</u>	<u>21,018,905</u>	<u>822,671</u>
Expenditures:			
Administrative costs	2,392,249	2,011,650	(380,599)
Innocent landowner claims	2,212,321	2,500,000	287,679
Remedial claims	13,070,602	17,800,000	4,729,398
Above ground storage tank claims	8,418,179	2,000,000	(6,418,179)
Tank closure claims	-	300,000	300,000
Payments to other state agencies	493,949	194,450	(299,499)
Debt service:			
Issue Cost	249,209	-	(249,209)
Principal repayment	10,094,550	6,695,000	(3,399,550)
Interest and trustee fees	2,853,306	2,921,468	68,162
Total expenditures	<u>39,784,365</u>	<u>34,422,568</u>	<u>(5,361,797)</u>
Deficiency of revenues under expenditures	(17,942,789)	<u>\$ (13,403,663)</u>	<u>(4,539,126)</u>
Other financing sources (uses):			
Transfers to the Iowa Department of Natural Resources for administrative expenses	(200,000)		
Proceeds of refunding bonds	19,765,000		
Premium on refunding bonds	1,034,259		
Payment to refunding bond escrow agent	<u>(20,550,050)</u>		
Deficiency of revenues and other financing sources over (under) expenditures and other financing uses	(17,893,580)		
Fund balance beginning of year	<u>103,407,807</u>		
Fund balance end of year	<u>\$ 85,514,227</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, 2005

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, 2005

Classification	Administrative Costs	Innocent Landowner Claims	Remedial Claims
Contractual services	\$ 2,392,249	450	13,070,602
Claims and miscellaneous	-	2,211,871	-
Total	<u>\$ 2,392,249</u>	<u>2,212,321</u>	<u>13,070,602</u>

See accompanying independent auditor's report.

Above Ground Storage Tank Claims	Payments to other State Agencies	Debt Service - Principal, Interest and Trustee Fees	Total
8,418,179	493,949	-	24,375,429
-	-	13,197,065	15,408,936
8,418,179	493,949	13,197,065	39,784,365

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



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

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, 2005 and have issued our report thereon dated March 16, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Iowa Petroleum Underground Storage Tank Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings.

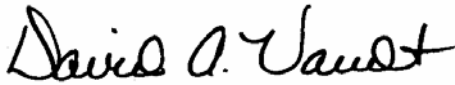
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition described in the accompanying Schedule of Findings is a material weakness.

Compliance and Other Matters

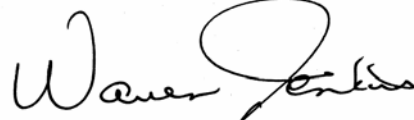
As part of obtaining reasonable assurance about whether the Iowa Petroleum Underground Storage Tank Board's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct 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 or other matters that are required to be reported under Government Auditing Standards.

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 16, 2006

Iowa Petroleum Underground Storage Tank Board
State of Iowa

Schedule of Findings

Year ended June 30, 2005

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITION:

Budget Amendment Process – A budget is prepared and approved by the UST Board each year. However, the UST Board does not currently have an established process to amend the budget.

Recommendation – The UST Board should develop a policy and procedure to amend the budget before expenditures exceed the budget.

Response – The UST Board currently approves the budget at the beginning of the fiscal year – as a projection tool. Into the future, the UST Program Administrator will develop a policy to amend the budget throughout the entire year, as new commitments are made or expenditures will exceed previously approved budget numbers, and will seek UST Board approval for those amendments to the budget per the recommendation of the Auditor’s Office.

Conclusion – Response accepted.

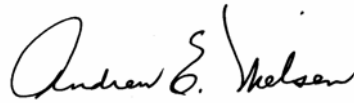
Findings Related to Required Statutory Reporting:

No matters were noted.

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Sarah D. Nelson, CPA, Staff Auditor
Heather L. Templeton, Staff Auditor
Cheryl R. Moya, CPA, Assistant Auditor
Curtis E. Van Zee, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State