

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

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

JUNE 30, 2008

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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, 2008, 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, 2008 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, 2008 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, 2008, 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, 2008, 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 30, 2008

Basic Financial Statements

Exhibit AParking System Revenue Bond Funds
Iowa State University of Science and Technology

Statement of Net Assets

June 30, 2008

Assets

Current assets:

Cash and cash equivalents	\$ 117,980
Cash with paying agents	359,386
Accounts receivable, less allowance for doubtful accounts of \$22,123	299,430
Interest receivable	105
Prepaid expense	2,243
Total current assets	<u>779,144</u>

Noncurrent assets:

Cash, cash equivalents and investments	2,517,414
Interest receivable	5,480
Capital assets, net	6,095,815
Total noncurrent assets	<u>8,618,709</u>
Total assets	<u>9,397,853</u>

Liabilities

Current liabilities:

Accounts payable	1,949
Compensated absences payable	75,850
Accrued salaries and wages payable	10,318
Interest payable	114,386
Deferred revenue	107,663
Revenue bonds payable, current portion	245,000
Total current liabilities	<u>555,166</u>

Noncurrent liabilities:

Accounts payable	97,744
Revenue bonds payable, noncurrent portion	4,785,000
Total noncurrent liabilities	<u>4,882,744</u>
Total liabilities	<u>5,437,910</u>

Net assets

Invested in capital assets, net of related debt	1,791,065
Restricted for debt service	5,016
Restricted for improvements	2,163,862
Total net assets	<u>\$ 3,959,943</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, 2008

Operating revenues	<u>\$ 3,100,534</u>
Operating expenses:	
Other	2,262,869
Depreciation	<u>393,589</u>
Total operating expenses	<u>2,656,458</u>
Operating income	<u>444,076</u>
Nonoperating revenues (expenses):	
Investment income	130,234
Net increase in fair value of investments	4,230
Interest expense	(228,773)
Administrative expense	<u>(850)</u>
Net nonoperating revenues (expenses)	<u>(95,159)</u>
Income before transfers	348,917
Transfers from other University funds	<u>40,000</u>
Increase in net assets	388,917
Net assets beginning of year	<u>3,571,026</u>
Net assets end of year	<u><u>\$ 3,959,943</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, 2008

Cash flows from operating activities:	
Cash received from operations	\$ 3,070,115
Cash paid for operations	(2,289,789)
Net cash provided by operating activities	<u>780,326</u>
Cash flows from capital financing activities:	
Transfers from other University funds	40,000
Additions to capital assets	(406,788)
Principal paid on capital debt	(245,000)
Interest paid on capital debt	(228,773)
Administrative expense	(850)
Net cash used by capital financing activities	<u>(881,411)</u>
Cash flows from investing activities:	
Interest on investments	127,018
Proceeds from sales of investments	1,063,742
Purchase of investments	(1,071,876)
Net cash provided by investing activities	<u>118,884</u>
Net increase in cash and cash equivalents	17,799
Cash and cash equivalents beginning of year	<u>2,105,663</u>
Cash and cash equivalents end of year	<u>\$ 2,123,462</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 444,076
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	393,589
(Increase) in accounts receivable	(16,227)
(Decrease) in deferred revenue	(14,192)
(Decrease) in accounts payable	(19,895)
(Increase) in prepaid expense	(154)
(Decrease) in compensated absences payable	(9,051)
Increase in salaries and wages payable	2,180
Net cash provided by operating activities	<u>\$ 780,326</u>
Reconciliation of cash and cash equivalents to the Statement of Net Assets:	
Cash and cash equivalents classified as current assets	\$ 117,980
Cash and cash equivalents classified as noncurrent assets	<u>2,045,482</u>
Total cash and cash equivalents	<u>\$ 2,163,462</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, 2008

(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, 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, 2008.

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 are 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, 2008, no interest costs were capitalized.

Depreciation for land improvements is computed using the straight-line method over an estimated useful life of 20 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 State 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 \$2,151,298 is combined with other University funds. The money market balance for the Parking System Revenue Bond Funds is \$12,164, which is considered to be a cash equivalent.

At June 30, 2008 the Parking System Revenue Bond Funds had the following investments:

Investment Type	Fair Value
Fixed Income:	
U.S. Government Treasury Notes	<u>\$ 471,932</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, 2008, 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.

Investment Type	Fair Value	Duration
Fixed Income:		
U.S. Government Treasury Notes	<u>\$ 471,932</u>	<u>2.09</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, 2008:

	Balance July 1, 2007	Additions	Transfers	Deletions	Balance June 30, 2008
Capital assets, nondepreciable:					
Construction in progress	\$ 158,555	385,757	(377,345)		166,967
Capital assets, depreciable:					
Land improvements	7,494,431	-	377,345	-	7,871,776
Less accumulated depreciation	(1,549,339)	(393,589)	-	-	(1,942,928)
Land improvements, net of accumulated depreciation	5,945,092	(393,589)	377,345	-	5,928,848
Total capital assets, net	6,103,647	(7,832)	-	-	6,095,815

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 3.60% 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
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>\$ 5,030,000</u>	<u>1,996,336</u>	<u>7,026,336</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, 2008, cash with paying agents of \$359,386 was on deposit in the Agency Fund of the University for the purpose of paying current obligations of bond principal and interest.

(5) Debt Service Coverage

Parking System Revenue Bond principal and interest payments totaling \$473,773 due January 1 and July 1, 2008 require debt service coverage of a minimum of 120%, or \$568,528. Revenue Fund operating income of \$879,048 and investment income of \$130,234 provided debt service coverage of \$1,009,282, or 213% of the principal and interest due for the year ended June 30, 2008.

The debt service coverage for the current year and two prior years is as follows:

Year Ended June 30,	Principal and Interest	Required Debt Service Coverage	Actual Debt Service Coverage	Required Coverage Percentage	Actual Coverage Percentage
2008	\$ 473,773	568,528	1,009,282	120%	213%
2007	471,528	565,834	1,061,655	120	225
2006	468,502	562,202	1,082,099	120	231

Supplementary Information

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

Combining Statement of Net Assets

June 30, 2008

	<u>Unexpended</u> <u>System</u> <u>Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 117,980
Cash with paying agents	-
Accounts receivable, less allowance for doubtful accounts of \$22,123	299,430
Interest receivable	-
Prepaid expense	2,243
Total current assets	<u>419,653</u>
Noncurrent assets:	
Cash, cash equivalents and investments	2,037,733
Interest receivable	-
Capital assets, net	-
Total noncurrent assets	<u>2,037,733</u>
Total assets	<u>2,457,386</u>
Liabilities	
Current liabilities:	
Accounts payable	1,949
Compensated absences payable	75,850
Accrued salaries and wages payable	10,318
Interest payable	-
Deferred revenue	107,663
Revenue bonds payable, current portion	-
Total current liabilities	<u>195,780</u>
Noncurrent liabilities:	
Accounts payable	97,744
Revenue bonds payable, noncurrent portion	-
Total noncurrent liabilities	<u>97,744</u>
Total liabilities	<u>293,524</u>
Net assets	
Net investment in plant	-
Restricted for debt service	-
Restricted for improvements	2,163,862
Total net assets	<u>\$ 2,163,862</u>

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
-	-	-	117,980
359,386	-	-	359,386
-	-	-	299,430
105	-	-	105
-	-	-	2,243
359,491	-	-	779,144
-	479,681	-	2,517,414
-	5,480	-	5,480
-	-	6,095,815	6,095,815
-	485,161	6,095,815	8,618,709
359,491	485,161	6,095,815	9,397,853
-	-	-	1,949
-	-	-	75,850
-	-	-	10,318
114,386	-	-	114,386
-	-	-	107,663
245,000	-	-	245,000
359,386	-	-	555,166
-	-	-	97,744
-	480,250	4,304,750	4,785,000
-	480,250	4,304,750	4,882,744
359,386	480,250	4,304,750	5,437,910
-	-	1,791,065	1,791,065
105	4,911	-	5,016
-	-	-	2,163,862
105	4,911	1,791,065	3,959,943

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, 2008

	Current Fund Revenue Fund	Unexpended System Fund
Operating revenues	\$ 3,100,534	-
Operating expenses:		
Operating expenses	2,221,486	41,383
Depreciation	-	-
Total operating expenses	2,221,486	41,383
Operating income (loss)	879,048	(41,383)
Nonoperating revenues (expenses):		
Investment income	107,569	
Net increase in fair value of investments	-	-
Interest expense	-	-
Administrative expense	-	-
Net nonoperating revenues (expenses)	107,569	-
Income (loss) before other revenues (expenses) and transfers	986,617	(41,383)
Other revenues (expenses) and transfers:		
Additions to capital assets	-	(385,757)
Non-mandatory transfers	(597,844)	620,997
Mandatory transfers	(473,773)	-
Transfer of revenue bonds payable	-	-
Transfers from (to) other University funds	85,000	(45,000)
Total other revenues (expenses) and transfers	(986,617)	190,240
Increase (decrease) in net assets	-	148,857
Net assets beginning of year	-	2,015,005
Net assets end of year	\$ -	2,163,862

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
-	-	-	-	3,100,534
-	-	-	-	2,262,869
-	-	-	393,589	393,589
-	-	-	393,589	2,656,458
-	-	-	(393,589)	444,076
730	21,935	-	-	130,234
-	4,230	-	-	4,230
(228,773)	-	-	-	(228,773)
-	-	(850)	-	(850)
(228,043)	26,165	(850)	-	(95,159)
(228,043)	26,165	(850)	(393,589)	348,917
-	-	-	385,757	-
(1,009)	(22,994)	850	-	-
473,773	-	-	-	-
(245,000)	-	-	245,000	-
-	-	-	-	40,000
227,764	(22,994)	850	630,757	40,000
(279)	3,171	-	237,168	388,917
384	1,740	-	1,553,897	3,571,026
105	4,911	-	1,791,065	3,959,943

Schedule 3

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

Student Enrollment
(Unaudited)

Year ended June 30, 2008

Enrollment at Iowa State University of Science and Technology for the year ended June 30, 2008 was as follows:

Summer Semester, 2007	9,312
Fall Semester, 2007	26,160
Spring Semester, 2008	24,445

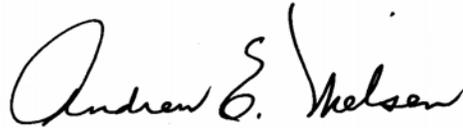
See accompanying independent auditor's report.

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

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager
Scott G. Anderson, Assistant Auditor
Daryl L. Hart, Auditor Intern

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