

**IOWA LAKES COMMUNITY COLLEGE  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS  
JUNE 30, 2004**

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**IOWA LAKES COMMUNITY COLLEGE  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Trustees</b>		
(Term of October 1, 2003 to September 30, 2004)		
Jack Tatman	President	2006
John Hand	Vice President	2006
Ann Barry	Member	2005
Jan Lund	Member	2005
Howard Kyle	Member	2005
Lynn Kueck	Member	2004
Jim Miller	Member	2004

**Community College**  
(As of June 30, 2004)

Dr. A. Michael Hupfer	President
Dr. Thomas Brotherton	Executive Dean of Emmetsburg Campus
Dr. Richard Underbakke	Chief Academic Officer
Val Newhouse	Executive Vice President
Mary Mohni	Executive Dean of Estherville Campus
Robert L'Heureux	Chief Financial Officer
Judy Cook	Executive Director of Planning/Development
Clark Marshall	Executive Director of Continuing Education/Economic Development
Delaine Hiney	Executive Director of Plant Services
Jane Campbell	Executive Director of Marketing
Julie Carlson	Dean of Enrollment Management
Kitty Conover	Dean of Spencer Campus
Trudy Kattner	Dean of Algona Campus
Mary Larscheid	Dean of Spirit Lake Campus

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Iowa Lakes Community College  
Estherville, Iowa

We have audited the accompanying basic financial statements, listed as exhibits in the table of contents of this report, of Iowa Lakes Community College, Estherville, Iowa, as of and for the year ended June 30, 2004. These basic financial statements are the responsibility of Community College officials. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Iowa Lakes Community College at June 30, 2004, and the results of operations and its cash flows 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 reports dated September 17, 2004, on our consideration of Iowa Lakes Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are 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 is not a required part of the basic financial statements, but is supplementary information the Government Accounting Standards Board requires. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplemental information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, 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 in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Spencer, Iowa  
September 17, 2004

Certified Public Accountants

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2004**

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This section of Iowa Lakes Community College's annual financial report presents a discussion and analysis of the financial performance of the College during the fiscal year ended June 30, 2004, with comparative information presented for the fiscal year ended June 30, 2003. This discussion has been prepared by management, along with the financial statements and related note disclosures, and should be read in conjunction with the financial statements and notes. The financial statements, notes, and this discussion are the responsibility of management.

### **USING THE ANNUAL REPORT**

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

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

The Basic Financial Statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets, and a statement of cash flows. These provide information about the activities of the College as a whole and present an overall view of the College's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplemental Information further explains and supports the financial statements with a comparison of the College's budget for the year.

Other Supplemental Information provides detailed information about the individual funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the College.

### **REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES**

#### **The Statement of Net Assets**

The Statement of Net Assets presents the financial position of the College at the end of the fiscal year and includes all assets and liabilities of the College. The difference between total assets and total liabilities – net assets – is an indicator of the current financial condition of the College. Assets and liabilities are generally measured using current values. One notable exception is capital assets, which are stated at historic cost less allowance for depreciation.

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the College's equity in property, plant and equipment owned by the College.

The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditures by the College but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets.

The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

### Net Assets

	June 30, 2004	June 30, 2003
Current Assets	\$ 9,626,664	\$ 10,956,039
Non-current Assets	27,894,205	24,742,557
<b>Total Assets</b>	<b>\$ 37,520,869</b>	<b>\$ 35,698,596</b>
Current Liabilities	\$ 6,523,359	\$ 6,206,271
Non-current Liabilities	6,525,000	6,295,000
<b>Total Liabilities</b>	<b>\$ 13,048,359</b>	<b>\$ 12,501,271</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 15,131,361	\$ 16,382,275
Restricted	3,396,196	3,405,747
Unrestricted	5,944,953	3,409,303
<b>Total Net Assets</b>	<b>\$ 24,472,510</b>	<b>\$ 23,197,325</b>

- Current assets decreased \$1.3M mainly from a decrease in Cash and Pooled Investment in the amount of \$1.6M and an increase of \$378,000 Due From Other Governments.
- Non-current assets had an increase of \$3.1M mainly due to an increase in Pooled Investments of \$2.1M and an increase in capital assets (excluding depreciation) of approximately \$1.M. There was an increase in accumulated depreciation of \$847,000.
- Current liabilities increased \$317,000, including a reduction in deferred property taxes of \$270,000 and an increase for a new liability for Early Retirement Payable in the amount of \$239,000.
- The non-current liabilities had an increase of \$230,000 due to New Jobs Training Projects certificates issued during the year in the amount of \$1,310,000 and payment of debt for New Jobs certificates as well as payment on capital loan notes.

## The Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets present the operating results of the College, as well as the non-operating revenues and expenses. Annual state general aid appropriations, while budgeted for operations, are considered non-operating revenues according to generally accepted accounting principles.

	Year Ended June 30, 2004	Year Ended June 30, 2003
Operating revenue:		
Tuition and Fees, net of scholarship allowances	\$ 4,923,429	\$ 4,487,964
Federal Appropriations	4,831,481	4,440,732
Iowa Industrial New Jobs Training Program	982,804	632,145
Scholarships, Gifts & Grants	841,551	711,059
Auxiliary Enterprises Revenue, net of scholarships	3,629,628	2,958,738
Miscellaneous	1,539,377	1,055,043
Total Operating Revenue	16,748,270	14,285,681
Total Operating Expenses	25,809,239	22,391,397
Operating Loss	(9,060,969)	(8,105,716)
Non-operating Revenues (expenses)		
State Appropriations	7,783,155	7,257,423
Property Taxes	2,710,785	2,727,153
Interest Income on Investments	355,258	405,569
Interest Income on Student Loans	490	646
Gain on Sale of Capital Assets	(57,009)	74,683
Interest on Indebtedness	(456,525)	(498,573)
Net Non-operating Revenues	10,336,154	9,966,901
Increase in Net Assets	1,275,185	1,861,185
Net Assets Beginning of Year	23,197,325	21,336,140
Net Assets End of Year	\$ 24,472,510	\$ 23,197,325

The increase in net assets for FY 04 was \$1.3M compared to \$1.9M the previous year

### Revenues

- Operating revenues increased 17.24% or \$2.46M from the previous year. There were significant increases in all categories. Due to the increase in enrollment and a tuition increase of \$8/hour, tuition and fees increased 9.7% or \$435,000. Auxiliary Enterprises increased 22.68% or \$670,000.

Expenses

- Operating expenses increased 15.26% or \$3.4M from the previous year.
- The College's functional areas include Liberal Arts and Sciences, Vocational Technical, Adult Education, Cooperative Services, General Administration, Student Services, Learning Resources, Physical Plant and General Institutional. The College's utilization of funds by functional area demonstrates its financial commitment to its basic mission and defines the scope of instructional programs and support services. These functional area expenses increased 13.96% or \$2.5M from the previous year.
- Scholarship and Grants increased \$575,000.

	Year Ended June 30, 2004	Year Ended June 30, 2003
Education and Support:		
Liberal Arts and Sciences	\$ 4,820,595	\$ 4,302,972
Vocational Technical	2,814,616	2,471,553
Adult Education	751,916	713,990
Cooperative Services	2,088,364	1,594,446
General Administration	1,999,011	1,522,065
Student Services	1,186,838	1,115,991
Learning Resources	842,316	775,026
Physical Plant	1,712,240	1,410,039
General Institution	4,411,543	4,248,040
Sub-total	20,627,439	18,154,122
Auxiliary Enterprises	3,439,791	3,239,545
Scholarships and Grants	818,973	243,979
Administrative and Collection Costs	3,747	5,725
Loss on Sale of Capital Assets	57,009	
Interest on Indebtedness	456,525	445,483
Depreciation Expense	919,289	801,116
Total	<u>\$ 26,322,773</u>	<u>\$ 22,889,970</u>

Non-Operating Revenues (Expenses)

- State appropriations increased \$525,000 from the previous year. This comes from a combination of a decrease of \$272,000 in general state aid to the unrestricted fund and an increase in grant support, which includes the Grow Iowa Values Fund.
- Property taxes decreased \$16,000 from the previous year

## The Statement of Cash Flows

The Statement of Cash Flows provides information about cash receipts and cash payments during the year. This statement also assists users in assessing the College's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing.

	Year Ended June 30, 2004	Year Ended June 30, 2003
Cash Provided (Used) by:		
Operating Activities	\$ (7,993,260)	\$ (7,870,920)
Non-Capital Financing Activities	10,650,004	10,004,000
Capital and Related Financing Activities	(2,865,276)	(3,998,005)
Investing Activities	<u>(1,686,318)</u>	<u>972,365</u>
Net Decrease in Cash	(1,894,850)	( 892,560)
Cash at Beginning of Year	<u>6,149,100</u>	<u>7,041,660</u>
Cash at End of Year	<u>\$ 4,254,250</u>	<u>\$ 6,149,100</u>

- Net cash flows used by operating activities decreased from fiscal year 2003 by 1.55%. Operating revenues increased 9.08%, while operating expenses increased by 11.62%. Revenue increases were realized in student tuition and fees (net of scholarship allowances) 10.7% and an increase of \$1.5M from Iowa Industrial New Jobs Program. Payments to our employees increased 7.72% and to our suppliers 17.26%.

## Capital Assets and Debt Administration

### Capital Assets

At June 30, 2004, the College had approximately \$30 million invested in capital assets, net of accumulated depreciation of approximately \$10.8 million. Depreciation charges totaled 919,289 for fiscal year 2004. Details of capital assets are shown below:

Land	\$ 1,010,941	\$ 1,010,941
Buildings	16,453,940	15,237,988
Other Structures	446,755	448,085
Furniture and Equipment	1,063,010	1,113,546
Construction in Progress	<u>482,515</u>	<u>553,333</u>
Net Capital Assets	<u>\$ 19,457,161</u>	<u>\$ 18,363,893</u>

Planned capital expenditures for the fiscal year 2005 and beyond include the completion of the Technology Education Center in Emmetsburg; complete the renovation of the old Student Center in Estherville, which will be used for the Criminal Justice program, and the completion of the remodeling in Algona. Purchase and erection of a wind turbine will take place during fiscal year 2005 in Estherville. More detailed information about the College's capital assets is presented in Note 5 to the financial statements.

## Debt

At June 30, 2004, the College had \$7.6 million in debt outstanding. The table below summarizes debt activity for this fiscal year.

	Year Ended June 30, 2004	Year Ended June 30, 2003
Certificate Payable	\$ 3,990,000	\$ 3,385,000
Bonds & Capital Loan Notes Payable	<u>3,615,000</u>	<u>3,957,500</u>
Total	<u>\$ 7,605,000</u>	<u>\$ 7,342,500</u>

More detailed information about the College's outstanding debt is presented in Notes 8, 9 and 10 to the financial statements.

## Economic Factors

Iowa Lakes Community College continued to improve its financial position during the current fiscal year. However, our financial stability is closely tied to that of the State of Iowa, which is a concern of College officials. Listed below are some challenges which we will face:

- State aid will remain a constant concern. For fiscal year 2004, we received a small increase in funds, but were cut 2.5% during the year. As the state revenues improved towards the end of the fiscal year, 10% of the cut was restored. The state community colleges received an increase of \$4 million of fiscal year 2005 of which Iowa Lakes received \$167,000.
- We have experienced significant increases in enrollment, which increases tuition and fees income, but also increases the costs associated with serving all students
- Facilities will require constant maintenance and upkeep
- Our local area computer network is about 10 years old and serves approximately 1,200 computers, in labs as well as in offices. The useful life of a computer is approximately 3 years, which means that we should replace 400 computers a year. There is a challenge in finding the necessary resources for maintaining the system and purchasing new computers.

## Contacting the College's Financial Management

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Iowa Lakes Community College, 19<sup>th</sup> South 7<sup>th</sup> Street, Estherville, IA 51334.

## **Basic Financial Statements**

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF NET ASSETS  
JUNE 30, 2004**

**ASSETS**

Current Assets

Cash and Investments:

Cash and Pooled Investments ..... \$ 4,254,250

Receivables:

Due from Others ..... 776,147

Accrued Interest ..... 79,848

Property Tax - Succeeding Year ..... 2,455,000

Nursing Loans ..... 11,761

Iowa Industrial New Jobs Training Program ..... 754,311

Due From Other Governments ..... 676,457

Inventories (Note 4) ..... 548,712

Prepaid Expenses ..... 70,178

Total Current Assets ..... 9,626,664

Noncurrent Assets

Pooled Investments (Note 2) ..... 6,374,648

Endowment Investments (Note 2) ..... 1,869,814

Deferred Compensation ..... 192,582

Capital Assets (Note 5):

Land ..... 1,010,941

Buildings ..... 24,394,567

Other Structures and Improvements ..... 933,393

Furniture and Equipment ..... 3,458,298

Construction in Progress ..... 482,515

Accumulated Depreciation ..... (10,822,553)

Total Noncurrent Assets ..... 27,894,205

**TOTAL ASSETS** ..... \$ 37,520,869

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF NET ASSETS  
JUNE 30, 2004**

**LIABILITIES**

Current Liabilities	
Accounts Payable .....	\$ 278,120
Salaries and Benefits Payable .....	735,678
Deferred Compensation .....	192,582
Accrued Interest .....	35,591
Deferred Revenue:	
Succeeding Year Property Tax .....	2,455,000
Other .....	523,644
Early Retirement Payable .....	238,572
Deposits Held in Custody for Others .....	671,155
Due to Others .....	313,017
Certificates Payable (Note 9) .....	725,000
Bonds and Capital Notes Payable (Note 10) .....	355,000
	<u>6,523,359</u>
Total Current Liabilities .....	
Noncurrent Liabilities	
Certificates Payable (Note 9) .....	3,265,000
Bonds and Capital Notes Payable (Note 10) .....	3,260,000
	<u>6,525,000</u>
Total Noncurrent Liabilities .....	
	<u>13,048,359</u>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt .....	15,131,361
Restricted:	
Nonexpendable:	
Endowment .....	2,067,574
Expendable:	
Scholarships .....	835,456
Loans .....	20,347
Debt Service .....	151,100
Cash Reserve .....	286,030
Other .....	35,689
Unrestricted .....	5,944,953
	<u>24,472,510</u>
<b>TOTAL NET ASSETS</b> .....	<b>\$ 24,472,510</b>

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**IOWA LAKES COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2004**

**REVENUES**

Operating Revenues:	
Tuition and Fees, net of scholarship allowances of \$ 2,915,045 .....	\$ 4,923,429
Federal Appropriations .....	4,831,481
Iowa Industrial New Jobs Training Program .....	982,804
Scholarships, Gifts, & Grants .....	841,551
Auxiliary Enterprises Revenue, net of scholarship allowances of \$ 145,728 .....	3,629,628
Miscellaneous .....	<u>1,539,377</u>
 Total Operating Revenues .....	 <u>16,748,270</u>

**EXPENSES**

Operating Expenses:	
Education and Support:	
Liberal Arts and Sciences .....	4,820,595
Vocational Technical .....	2,814,616
Adult Education .....	751,916
Cooperative Services .....	2,088,364
General Administration .....	1,999,011
Student Services .....	1,186,838
Learning Resources .....	842,316
Physical Plant .....	1,712,240
General Institution .....	4,411,543
Auxiliary Enterprises .....	3,439,791
Scholarships and Grants .....	818,973
Administrative and Collection Costs .....	3,747
Depreciation Expense .....	<u>919,289</u>
 Total Operating Expenses .....	 <u>25,809,239</u>
 Operating Loss .....	 <u>(9,060,969)</u>

**NON-OPERATING REVENUES (EXPENSES)**

State Appropriations .....	7,783,155
Property Taxes .....	2,710,785
Interest Income from Investments .....	355,258
Interest Income from Student Loans .....	490
Loss on Sales of Capital Assets .....	(57,009)
Interest on Indebtedness .....	<u>(456,525)</u>
 Net Non-Operating Revenues .....	 <u>10,336,154</u>
 Increase in Net Assets .....	 1,275,185
 Net Assets Beginning of Year .....	 <u>23,197,325</u>
 Net Assets End of Year .....	 <u>\$ 24,472,510</u>

See Accompanying Notes to Financial Statements

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2004**

<b>Cash Flows from Operating Activities:</b>	
Tuition and Fees .....	\$ 7,862,584
Grants and Contracts .....	5,282,847
Iowa Industrial New Jobs Training Program .....	1,587,804
Payments to Employees .....	(14,227,728)
Payments to Suppliers .....	(10,702,543)
Payments to NJTP Recipients .....	(805,468)
Collection of Loans to Students .....	3,242
Auxiliary Enterprise Net Activity .....	332,442
Other Receipts .....	<u>2,673,560</u>
Net Cash (Used) by Operating Activities .....	<u>(7,993,260)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
State Appropriations .....	7,783,155
Property Taxes .....	2,710,785
Miscellaneous Agency Fund Receipts .....	875,866
Miscellaneous Agency Fund Disbursements .....	<u>(719,802)</u>
Net Cash Provided from Non-Capital Financing Activities .....	<u>10,650,004</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from Sale of Capital Assets .....	35,802
Purchases of Capital Assets .....	(2,105,367)
Principal Paid on Debt and Leases .....	(340,000)
Interest Paid on Debt and Leases .....	<u>(455,711)</u>
Net Cash (Used) by Capital and Related Financing Activities .....	<u>(2,865,276)</u>
<b>Cash Flows from Investing Activities:</b>	
Proceeds from Sales and Maturities of Investments .....	1,130,000
Purchase of Investments .....	(2,990,827)
Interest on Investments .....	<u>174,509</u>
Net Cash (Used) by Investing Activities .....	<u>(1,686,318)</u>
<b>Net Decrease in Cash</b> .....	<u>(1,894,850)</u>
<b>Cash at Beginning of Year</b> .....	<u>6,149,100</u>
<b>Cash at End of Year</b> .....	<u><u>\$ 4,254,250</u></u>

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2004**

**Reconciliation of Operating Loss to Net Cash****Used by Operating Activities:**

Operating Loss .....	\$ (9,060,969)
Adjustments to Reconcile Operating Loss to Net	
Cash Used by Operating Activities:	
Depreciation .....	919,289
Changes in Assets and Liabilities:	
Increase in Due From Others .....	(305,418)
Increase in Due From Students .....	(95,085)
Decrease in Nursing Loans Receivable .....	3,242
Increase in Due From Other Governments .....	(378,220)
Decrease in Due From Other Funds .....	25,603
Increase in Inventories .....	(78,826)
Decrease in Prepaid Expenses .....	38,638
Decrease in Accounts Payable .....	(4,619)
Increase in Salaries and Benefits Payable .....	310,599
Increase in Deferred Revenue .....	119,426
Increase in Deposits Held in Custody .....	4,750
Decrease in Due to Others .....	(96,670)
Increase in NJTP Loans Payable .....	605,000
Total Adjustments .....	<u>1,067,709</u>
<b>Net Cash Used by Operating Activities .....</b>	<b><u>\$ (7,993,260)</u></b>

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Iowa Lakes Community College is a publicly supported school established and operated by Merged Area III under the provisions of Chapter 260C of the Code of Iowa. Iowa Lakes Community College may offer programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. Iowa Lakes Community College may also offer up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. Iowa Lakes Community College maintains campuses in Estherville, Emmetsburg, Algona, Spencer and Spirit Lake, Iowa, and has its administrative offices in Estherville. Iowa Lakes Community College is governed by a Board of Trustees whose members are elected from each trustee district within Merged Area III.

The College's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Iowa Lakes Community College has included all funds, organizations, agencies, boards, commissions and authorities. Iowa Lakes Community College 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 Iowa Lakes Community College are such that exclusion would cause Iowa Lakes Community College'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 College 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 Iowa Lakes Community College.

These financial statements present Iowa Lakes Community College (the primary government) and its component units. The component units discussed below are included in Iowa Lakes Community College's reporting entity as a blended presentation because of the significance of its operational or financial relationship with the Community College. Complete financial statements of the individual component units can be obtained from its administrative office.

Iowa Lakes Community College Scholarship Foundation is a non-profit corporation whose purpose is to operate exclusively for the educational purpose of receiving gifts and property and expending the same for the benefit of Iowa Lakes Community College and its students through grants, scholarships and loans. Upon dissolution of the foundation, its remaining assets will be distributed to Iowa Lakes Community College.

Iowa Lakes Community College Foundation is a non-profit corporation whose purpose is to maintain, develop, increase and extend the facilities and services of Iowa Lakes Community College and to provide broader educational service opportunities to its students, faculty, staff and residents of the geographical area.

B. Basis of Presentation

GASB Statement No. 35 establishes standards for external financial reporting for public colleges and universities and requires resources to be classified for accounting and reporting purposes into the following four net asset categories:

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Invested in Capital Assets, Net of Related Debt: Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets:

Nonexpendable – Net assets subject to externally imposed stipulations that they be maintained permanently by the College, including the College's permanent endowment funds.

Expendable – Net assets whose use by the College is subject to externally imposed stipulations that can be fulfilled by actions of the College, pursuant to those stipulations or that expire by the passage of time.

Unrestricted Net Assets: Net assets that are not subject to externally imposed situations. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

GASB Statement No. 35 also requires the Statement of Net Assets, Revenues, Expenses, and Changes in Net Assets and Cash Flows be reported on a consolidated basis. These basic financial statements report information on all of the activities of the College. For the most part, the effect of interfund activity has been removed from these statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

For financial reporting purposes, Iowa Lakes Community College is considered a special-purpose government engaged only in business type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheets:

Cash and Pooled Investments -- Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For the purposes of the statement of cash flows, all short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amount of cash, and at the day of purchase, they have a maturity date no longer than three months.

Due From Other Governments -- This account represents grants and reimbursements due from the State of Iowa, and grants and reimbursements due from the Federal government.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Inventories -- Inventories are valued at lower of cost (first-in, first-out method) or market. Inventories consist of supplies and materials held for consumption, livestock and merchandise held for resale. The cost is recorded as an expenditure at the time individual inventory items are consumed or sold.

Property Tax Receivable – Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Directors to the appropriate County Auditors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Directors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Directors is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2004 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Capital Assets -- Capital assets, which include property, plant, equipment, and infrastructure assets (i.e., roads, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the College), are reported. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. No interest costs were capitalized since there were no qualifying assets.

Capital assets are defined by the College as assets with initial, individual costs in excess of the following thresholds and estimated useful live in excess of two years. The College defines reportable capital assets as individual assets above \$ 5,000.

Depreciation is computed using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Other Structures and improvements	10 - 65
Furniture and Equipment	3 - 10

The College does not capitalize or depreciate library books. The value of each book falls below the capital asset threshold and the balance was deemed immaterial to the financial statements.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Salaries and Benefits Payable -- Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Bond Interest Payable – Interest on long-term bonded indebtedness is recorded as a liability when the interest is due.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of the succeeding year property tax receivable, and other receivables not collected within sixty days after year-end.

E. Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method, as prescribed by the National Association of College and University Business Officer (NACUBO). Certain aid (loans and funds provided to students as awarded by third parties) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

**NOTE 2 – CASH AND POOLED INVESTMENTS**

The Community College's deposits at June 30, 2004, were entirely covered by Federal depository insurance, or by a multiple financial institution collateral pool 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.

The Community College is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 2 – CASH AND POOLED INVESTMENTS** (Continued)

The Community College's investments are categorized to give an indication of the level of risk assumed by the Community College at year end. The Community College's investments are all category 1, which means that the investments are insured or registered or the securities are held by the Community College or its agent in the Community College's name.

The Community College had investments in the Iowa Schools Joint Investment Trust with a carrying and market value of \$1,311,171, and Deferred Compensation Plan investments with a carrying and market value of \$192,582, at June 30, 2004, that are not subject to risk categorization. Of the \$4,254,250 of cash and pooled investments, \$195,446 is endowment cash.

The Community College's long-term investments at June 30, 2004 are as follows:

Stocks and Mutual Funds	\$ 538,220
U.S. Government Securities	193,278
Certificates of Deposit	<u>7,512,964</u>
	<u>\$ 8,244,462</u>
Long-Term Pooled Investments	\$ 6,374,648
Endowments Investments	<u>1,869,814</u>
	<u>\$ 8,244,462</u>

**NOTE 3 – DEFERRED COMPENSATION PLAN**

The Community College and its current College President have entered into an agreement to form a nonqualified deferred compensation plan, whereby the President can defer his wages into a trust, to be known as the Iowa Lakes Community College RAABI Trust. The assets of the trust shall be available as a supplemental benefit to the President once he reaches retirement age. After the President reaches retirement age and upon termination, retirement, or death, payments of benefits shall be structured by joint agreement between Iowa Lakes Community College or its successor and the employee or beneficiary.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are, until made available to the participant or other beneficiary, solely the property and rights of the Community College, without being restricted to the provision of benefits under the plan, subject only to the claims of the Community College's general creditors.

The Community College is responsible for due care in managing the investments and the participant or beneficiary assumes the risk of loss from decreases in the value of plan assets. At June 30, 2004, plan assets consisted of money market accounts, certificate of deposits, and mutual funds.

The Community College and the College's prior President also participated in a non-qualified deferred compensation plan during his tenure. Assets under his plan remain on the books of the College.

The Community College records the plan assets and the related liability to the plan participant in an agency fund.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 4 -- INVENTORIES**

The Community College's inventories at June 30, 2004 are as follows:

Bookstore	\$ 255,682
Food Service	21,936
Farm	146,193
Parts Store	39,079
Other	<u>85,822</u>
Total	<u>\$ 548,712</u>

**NOTE 5 – CAPITAL ASSETS**

A summary of changes in plant assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets, not being depreciated:				
Land	\$ 1,010,941	\$ -	\$ -	\$ 1,010,941
Construction in Progress	<u>553,333</u>	<u>269,156</u>	<u>339,974</u>	<u>482,515</u>
Total capital assets, not being depreciated	<u>\$ 1,564,274</u>	<u>\$ 269,156</u>	<u>\$ 339,974</u>	<u>\$ 1,493,456</u>
Capital assets, being depreciated:				
Buildings	\$ 22,593,064	\$ 1,896,503	\$ 95,000	\$ 24,394,567
Other Structures and Improvements	887,019	46,374	-	933,393
Furniture and Equipment	<u>3,294,160</u>	<u>233,309</u>	<u>69,171</u>	<u>3,458,298</u>
Total assets, being depreciated	<u>26,774,243</u>	<u>2,176,186</u>	<u>164,171</u>	<u>28,786,258</u>
Less accumulated depreciation for:				
Buildings	7,355,076	591,488	5,937	7,940,627
Other Structures and Improvements	438,934	47,704	-	486,638
Furniture and Equipment	<u>2,180,614</u>	<u>280,097</u>	<u>65,423</u>	<u>2,395,288</u>
Total accumulated depreciation	<u>9,974,624</u>	<u>919,289</u>	<u>71,360</u>	<u>10,822,553</u>
Total capital assets, being depreciated, net	<u>\$ 16,799,619</u>	<u>\$ 1,256,897</u>	<u>\$ 92,811</u>	<u>\$ 17,963,705</u>

Land of \$17,000 is included in the Agency Fund.

Building of \$138,650 is included in the Agency Fund.

Other Structures and Improvements of \$72,635 is included in the Agency Fund.

On June 30, 2004, the Community College has future construction commitments of \$2,695,272.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 6 – IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)**

The Community College contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing, multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and Iowa Lakes Community College is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. Iowa Lakes Community College's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$278,514, \$276,395, and \$292,334, respectively, equal to the required contribution for each year.

**NOTE 7 -- TEACHERS INSURANCE AND ANNUITY ASSOCIATION -- COLLEGE RETIREMENT EQUITIES FUND (TIAA-CREF)**

The Community College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for Iowa Lakes Community College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and Iowa Lakes Community College is required to contribute 5.75%. Iowa Lakes Community College's and employee required and actual contributions to TIAA-CREF for the year ended June 30, 2004, were \$310,224 and \$199,623, respectively.

**NOTE 8 -- CHANGES IN LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2004 is as follows:

	Certificates Payable	Bonds Payable	Total
Balance Beginning of Year	\$ 3,385,000	\$ 3,957,500	\$ 7,342,500
Additions	1,310,000	-	1,310,000
Reductions	( 705,000)	( 342,500)	( 1,047,500)
Balance End of Year	<u>\$ 3,990,000</u>	<u>\$ 3,615,000</u>	<u>\$ 7,605,000</u>

**NOTE 9 -- CERTIFICATES PAYABLE**

In accordance with agreements dated between August 1, 1993 and June 30, 2004, the Community College issued certificates totaling \$7,525,000, with interest rates ranging from 3.80% to 8.70%. The debt was incurred to fund the development and training costs incurred relative to implementing 260E, Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semi-annually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes and in the case of default, from standby property taxes. During 2004, Iowa Lakes Community College recorded \$272,360 of interest expense from the certificates payable.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 9 -- CERTIFICATES PAYABLE (Continued)**

The certificates will mature as follows:

Year Ended June 30,	Principal	Interest	Total
2005	725,000	257,199	982,199
2006	695,000	210,343	905,343
2007	475,000	165,643	640,643
2008	520,000	135,893	655,893
2009	540,000	101,887	641,887
2010-End	<u>1,035,000</u>	<u>156,016</u>	<u>1,191,016</u>
Total	<u>\$ 3,990,000</u>	<u>\$ 1,026,981</u>	<u>\$ 5,016,981</u>

**NOTE 10 -- BONDS AND CAPITAL LOAN NOTES PAYABLE**

On April 1, 1998, the Community College issued \$1,600,000 in refunding revenue bonds, as allowed by Section 260C.19 of the Code of Iowa, to advance refund the 1992 dormitory bonds and to retire a bank note secured by the Estherville four-plex used to house students. The revenue bonds and interest shall be payable from the net revenues of the College Dormitory System and other auxiliary enterprises. Principal payments are due annually on June 1 and interest payments are due semi-annually on June 1 and December 1. The bonds mature June 1, 2014. The balance of this bond issue at June 30, 2004 is \$1,115,000.

On May 22, 2001, Iowa Lakes Community College issued a capital loan note to finance the construction of various projects, including the addition to Spirit Lake, remodel of the Spencer Campus, construction of a technology education center, and expansion of the Estherville Student Center. The capital loan is secured by the College facilities. Annual principal payments began June 1, 2003. Interest payments are due semi-annually each June and December. The capital loan notes will mature June 2012. The balance of the capital loan notes at June 30, 2004, was \$2,500,000.

Details of the Community College's June 30, 2004 bonded indebtedness maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2005	\$ 355,000	\$ 171,433	\$ 526,433
2006	375,000	156,161	531,161
2007	390,000	139,608	529,608
2008	405,000	121,952	526,952
2009	420,000	103,324	523,324
2010-2014	<u>1,670,000</u>	<u>204,968</u>	<u>1,874,968</u>
Total	<u>\$ 3,615,000</u>	<u>\$ 897,446</u>	<u>\$ 4,512,446</u>

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 11 – RISK POOL**

The Community College has secured insurance purchased from commercial insurance carriers to provide coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials bonds, property and inland marine, errors and omissions and School Board legal liability, workers compensation and employers liability, crime insurance and fiduciary bonds, boiler and machinery, activities involving Federal programs, student nursing programs, computer equipment, workers compensation, surety bond coverage, farm buildings, livestock and crops, student athletics, and the aviation program. There have been no reductions in insurance coverage from prior years. Settled claims resulting from the risks have not exceeded commercial insurance coverage in any of the past three years.

**NOTE 12 -- NEW JOBS TRAINING PROGRAMS**

Iowa Lakes Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Merged Area III in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the Community College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the Community College has administered 60 projects. Of these projects, 14 have been completed and the certificates have been paid.

Iowa Lakes Community College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Merged Area III in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. The Community College has administered a total of 126 retraining projects under Chapter 260F. Of these 126 projects, 16 were performed during fiscal year 2003.

**NOTE 13 -- SELF-FUNDED HEALTH INSURANCE PROGRAM**

During fiscal year 1995, the Community College implemented a self-funded health insurance program. Iowa Lakes Community College pays the actual claims and has a stop-loss arrangement whereby the total losses cannot exceed the contractual maximum liability with the insurer, which is \$2,100,577.

The Community College's monthly contributions to the program fund current operations and provide capital for future claims. Monthly operating contributions are those amounts necessary to fund, on a cash basis, the programs general and administrative expenses and claims. Claim and reinsurance expenses are due and payable in the current year. These items are all handled by a third-party administrator.

The program uses reinsurance to reduce its exposure for losses. The Community College's exposure is \$ 50,000 per participant before the excess loss insurance coverage begins.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004**

**NOTE 15 – EARLY RETIREMENT PROGRAM**

Generally, all full-time staff who will be 59 years of age through 63 years of age and who have at least 10 years of service with the Community College are eligible for early retirement remuneration. Early retirement begins at the end of the employee's contract. A retiring employee's benefit will be equal to their base salary for the last year of employment. A staff member who accepts early retirement will receive total payment on the last day of the month the participant retires, if the benefit amount is \$12,000 or less. If the benefit amount exceeds \$12,000, payment will be made in two equal payments, the first payment as earlier stated, and the second payment will be on January 30<sup>th</sup>, following the disbursement of the first payment.

The liability at June 30, 2004 for those employees who have elected early retirement was \$238,572. Early retirement is funded on a pay-as-you-go basis through property tax levies. The College's early retirement expense for the year ended June 30, 2004 was \$129,593.

At June 30, 2004 the potential liability, if all eligible employees accepted early retirement, is approximately \$ 321,000.

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## **Supplemental Information**

**IOWA LAKES COMMUNITY COLLEGE  
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES  
 BUDGET TO ACTUAL - REQUIRED SUPPLEMENTAL INFORMATION  
 YEAR ENDED JUNE 30, 2004**

Funds/Levy	Original Budget	Actual	Variance between Actual and Amended Budget
Unrestricted .....	<u>\$ 16,981,603</u>	<u>\$ 17,637,677</u>	<u>\$ (656,074)</u>
Restricted .....	3,800,000	3,080,481	719,519
Early Retirement .....	171,000	129,563	41,437
Unemployment .....	25,000	788	24,212
Tort Liability .....	200,000	246,336	(46,336)
Insurance .....	600,000	598,786	1,214
Stand By .....	11,800	11,746	54
Equipment Replacement .....	110,904	115,957	(5,053)
Total Restricted .....	<u>4,918,704</u>	<u>4,183,657</u>	<u>735,047</u>
Plant .....	<u>2,995,603</u>	<u>1,381,778</u>	<u>1,613,825</u>
 Total .....	 <u>\$ 24,895,910</u>	 <u>\$ 23,203,112</u>	 <u>\$ 1,692,798</u>

See Accompanying Independent Auditor's Report

**IOWA LAKES COMMUNITY COLLEGE**  
**NOTE TO REQUIRED SUPPLEMENTAL INFORMATION – BUDGETARY REPORTING**  
**JUNE 30, 2004**

The Board of Trustees annually prepares a budget designating the proposed expenditures for operation of the Community College on a basis consistent with U.S. generally accepted accounting principles. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, upon approval by the Department of Education, the Board of Trustees certifies the approved budget to the controlling county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures. There were no budget amendments during the year.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Improvement Act Accounts, Scholarships and Grants Account, Loan Funds, Endowment Funds and Agency Funds.

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## **Other Supplemental Information**

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Other supplementary information of the College is presented on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. The various fund groups and their designated purposes are as follows:

Current Funds -- These funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the Community College and consist of the following:

Unrestricted Fund -- The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the Community College.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide non-instructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the Community College.

Restricted Fund -- The Restricted Fund is used to account for resources that are available for the operation and support of the educational program but which are restricted as to their use by donors or outside agencies.

Loan Funds -- The Loan Funds are used to account for loans to students, and are financed primarily by the Federal government. Iowa Lakes Community College stopped participating in the Perkins Program on July 1, 1996.

Endowment -- The Endowment Funds are used to account for resources, the principal of which is maintained inviolate to conform with restrictions by donors or other outside agencies. Generally, only the income from these funds may be used.

Plant Funds -- The Plant Funds are used to account for transactions relating to investment in the Community College properties, and consist of the following self-balancing subfunds:

Unexpended -- This account is used to account for the unexpended resources derived from various sources for the acquisition or construction of plant assets.

Retirement of Indebtedness -- This account is used to account for the accumulation of resources for principal and interest payments on plant indebtedness.

Investment in Plant -- This account is used to account for the excess of the carrying value of plant assets over the related liabilities.

Agency Funds -- The Agency Funds are used to account for assets held by the Community College in a custodial capacity or as an agent for others. Agency Fund assets equal liabilities.

Statements presented in other supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting with modifications for depreciation and other items included in the adjustments column. The statement of revenues, expenditures and changes in fund balances is a statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

**IOWA LAKES COMMUNITY COLLEGE  
BALANCE SHEET  
JUNE 30, 2004**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>ASSETS:</b>			
Cash and Pooled Investments:			
Cash and Pooled Investments .....	\$ 2,166,017	\$ 4,831,035	\$ 3,694
Deferred Compensation .....	-	-	-
Receivables:			
Due from Others .....	618,805	109,976	4,892
Accrued Interest .....	22,395	6,256	-
Property Taxes - Succeeding Year .....	691,000	1,073,000	-
Nursing Loans .....	-	-	11,761
Iowa Industrial New Jobs Training Program .....	-	754,311	-
Due From Other Funds .....	22,147	-	-
Due From Other Governments .....	315,723	360,734	-
Inventories .....	548,712	-	-
Prepaid Expenses .....	68,178	2,000	-
Capital Assets:			
Land .....	-	-	-
Buildings .....	-	-	-
Other Structures and Improvements .....	-	-	-
Furniture and Equipment .....	-	-	-
Construction in Progress .....	-	-	-
Accumulated Depreciation .....	-	-	-
Total Assets .....	<u>\$ 4,452,977</u>	<u>\$ 7,137,312</u>	<u>\$ 20,347</u>

SCHEDULE 1

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ 2,065,260	\$ 2,862,831	\$ 155,787	\$ -	\$ 414,088	\$ -	\$ 12,498,712
-	-	-	-	192,582	-	192,582
-	-	-	-	42,474	-	776,147
874	50,323	-	-	-	-	79,848
-	-	691,000	-	-	-	2,455,000
-	-	-	-	-	-	11,761
-	-	-	-	-	-	754,311
1,440	-	-	-	-	(23,587)	-
-	-	-	-	-	-	676,457
-	-	-	-	-	-	548,712
-	-	-	-	-	-	70,178
-	-	-	993,941	17,000	-	1,010,941
-	-	-	24,255,917	138,650	-	24,394,567
-	-	-	860,758	72,635	-	933,393
-	-	-	3,458,298	-	-	3,458,298
-	482,515	-	-	-	-	482,515
-	-	-	-	-	(10,822,553)	(10,822,553)
<u>\$ 2,067,574</u>	<u>\$ 3,395,669</u>	<u>\$ 846,787</u>	<u>\$ 29,568,914</u>	<u>\$ 877,429</u>	<u>\$(10,846,140)</u>	<u>\$ 37,520,869</u>

See Accompanying Notes to Financial Statements

**IOWA LAKES COMMUNITY COLLEGE  
BALANCE SHEET  
JUNE 30, 2004**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>LIABILITIES AND FUND EQUITY:</b>			
Liabilities:			
Accounts Payable .....	\$ 28,448	\$ 141,812	\$ -
Salaries and Benefits Payable .....	713,810	21,468	-
Deferred Compensation .....	-	-	-
Accrued Interest .....	-	21,474	-
Due to Other Funds .....	-	1,440	-
Deferred Revenue:			
Succeeding Year Property Tax .....	691,000	1,073,000	-
Other .....	31,273	492,371	-
Early Retirement Payable .....	-	238,572	-
Deposits Held in Custody for Others .....	37,140	-	-
Due to Others .....	284,732	-	-
Certificates Payable .....	-	3,990,000	-
Bonds and Capital Loan Notes Payable .....	-	-	-
<b>Total Liabilities .....</b>	<b>1,786,403</b>	<b>5,980,137</b>	<b>-</b>
Fund Balance:			
Invested in Capital Assets, Net of Related Debt .....	-	-	-
Fund Balances:			
Restricted:			
Nonexpendable:			
Scholarships .....	-	-	-
Expendable:			
Scholarships .....	-	835,456	-
Loans .....	-	-	20,347
Debt Service .....	-	-	-
Cash Reserve .....	-	286,030	-
Other .....	-	35,689	-
Unrestricted .....	2,174,321	-	-
Auxiliary Enterprises .....	492,253	-	-
<b>Total Fund Balance .....</b>	<b>2,666,574</b>	<b>1,157,175</b>	<b>20,347</b>
<b>Total Liabilities and Fund Balance .....</b>	<b>\$ 4,452,977</b>	<b>\$ 7,137,312</b>	<b>\$ 20,347</b>

SCHEDULE 1

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ -	\$ 107,860	\$ -	\$ -	\$ -	\$ -	\$ 278,120
-	-	-	-	400	-	735,678
-	-	-	-	192,582	-	192,582
-	9,430	4,687	-	-	-	35,591
-	-	-	-	22,147	(23,587)	-
-	-	691,000	-	-	-	2,455,000
-	-	-	-	-	-	523,644
-	-	-	-	-	-	238,572
-	-	-	-	634,015	-	671,155
-	-	-	-	28,285	-	313,017
-	-	-	-	-	-	3,990,000
-	-	-	3,615,000	-	-	3,615,000
-	117,290	695,687	3,615,000	877,429	(23,587)	13,048,359
-	-	-	25,953,914	-	(10,822,553)	15,131,361
2,067,574	-	-	-	-	-	2,067,574
-	-	-	-	-	-	835,456
-	-	-	-	-	-	20,347
-	-	151,100	-	-	-	151,100
-	-	-	-	-	-	286,030
-	-	-	-	-	-	35,689
-	3,278,379	-	-	-	-	5,452,700
-	-	-	-	-	-	492,253
<u>2,067,574</u>	<u>3,278,379</u>	<u>151,100</u>	<u>25,953,914</u>	<u>-</u>	<u>(10,822,553)</u>	<u>24,472,510</u>
<u>\$ 2,067,574</u>	<u>\$ 3,395,669</u>	<u>\$ 846,787</u>	<u>\$ 29,568,914</u>	<u>\$ 877,429</u>	<u>\$(10,846,140)</u>	<u>\$ 37,520,869</u>

See Accompanying Notes to Financial Statements

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENDITURES AND  
OTHER CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2004**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>REVENUES AND OTHER ADDITIONS:</b>			
General:			
State Appropriations and Grants .....	7,168,629	422,219	-
Tuition and Fees .....	7,838,474	-	-
Property Taxes .....	743,349	1,224,087	-
Federal Appropriations and Grants .....	495,697	4,317,128	-
Scholarships, Grants, and Gifts .....	-	662,314	-
Interest on Investments .....	-	91,468	-
Interest on Student Loans .....	-	-	490
Iowa Industrial New Jobs Training Program .....	-	982,804	-
Expended for Plant Facilities (Including \$ 682,813 charged to current funds) .....	-	-	-
Principal Retired .....	-	-	-
Miscellaneous .....	1,297,495	228,552	45
	<u>17,543,644</u>	<u>7,928,572</u>	<u>535</u>
Auxiliary Enterprises			
Tuition and Fees .....	531,451	-	-
Sales and Services .....	3,195,189	-	-
Interest on Investments .....	55,188	-	-
Federal Grants and Contracts .....	18,656	-	-
Miscellaneous .....	356,252	-	-
	<u>4,156,736</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Additions .....	 <u>21,700,380</u>	 <u>7,928,572</u>	 <u>535</u>

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
-	192,307	-	-	-	7,783,155
-	-	-	-	(2,915,045)	4,923,429
-	743,349	-	-	-	2,710,785
-	-	-	-	-	4,812,825
179,237	-	-	-	-	841,551
11,399	191,735	1,255	-	-	295,857
-	-	-	-	-	490
-	-	-	-	-	982,804
-	-	-	2,176,186	(2,176,186)	-
-	-	-	340,000	(340,000)	-
6,604	46,696	-	-	(35,802)	1,543,590
<u>197,240</u>	<u>1,174,087</u>	<u>1,255</u>	<u>2,516,186</u>	<u>(5,467,033)</u>	<u>23,894,486</u>
-	-	-	-	-	531,451
-	-	-	-	(352,476)	2,842,713
-	-	-	-	-	55,188
-	-	-	-	-	18,656
-	-	-	-	(100,788)	255,464
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(453,264)</u>	<u>3,703,472</u>
<u>197,240</u>	<u>1,174,087</u>	<u>1,255</u>	<u>2,516,186</u>	<u>(5,920,297)</u>	<u>27,597,958</u>

See Accompanying Notes to Financial Statements

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENDITURES AND  
OTHER CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2004**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>			
Educational and Support:			
Liberal Arts and Sciences .....	4,879,702	-	-
Vocational Technical .....	2,963,652	-	-
Adult Education .....	783,479	-	-
Cooperative Services .....	1,290,784	805,468	-
Administration .....	786,789	1,214,045	-
Student Services .....	1,207,807	-	-
Learning Resources .....	848,195	-	-
Physical Plant .....	2,015,411	173,185	-
General Institution .....	2,039,440	1,706,686	-
Total Education and Support .....	<u>16,815,259</u>	<u>3,899,384</u>	-
Auxiliary Enterprises .....	3,648,457	-	-
Scholarships and Grants .....	-	3,878,501	-
Administration and Collection Costs .....	-	-	3,747
Plant Asset Acquisitions .....	-	-	-
Retirement of Indebtedness .....	-	-	-
Disposal of Plant Assets .....	-	-	-
Loss on Sale of Capital Assets .....	-	-	-
Interest on Indebtedness .....	-	272,042	-
Depreciation .....	-	-	-
Total Expenditures and Other Deductions .....	<u>20,463,716</u>	<u>8,049,927</u>	<u>3,747</u>
Excess (Deficiency) of Revenues and Other Additions Over (Under) Expenditures and Other Deductions .....	1,236,664	(121,355)	(3,212)
<b>TRANSFERS:</b>			
Mandatory Transfers .....	(142,001)	-	-
Non-mandatory Transfers .....	<u>(731,080)</u>	<u>(129,891)</u>	-
Total Transfers .....	<u>(873,081)</u>	<u>(129,891)</u>	-
Net Increase (Decrease) for the Year .....	363,583	(251,246)	(3,212)
Fund Balance - June 30, 2003 .....	<u>2,302,991</u>	<u>1,408,421</u>	<u>23,559</u>
Fund Balance - June 30, 2004 .....	<u>\$ 2,666,574</u>	<u>\$ 1,157,175</u>	<u>\$ 20,347</u>

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
-	-	-	-	(59,107)	4,820,595
-	-	-	-	(149,036)	2,814,616
-	-	-	-	(31,563)	751,916
-	-	-	-	(7,888)	2,088,364
-	-	-	-	(1,823)	1,999,011
-	-	-	-	(20,969)	1,186,838
-	-	-	-	(5,879)	842,316
-	-	-	-	(476,356)	1,712,240
-	694,480	-	-	(29,063)	4,411,543
-	694,480	-	-	(781,684)	20,627,439
-	-	-	-	(208,666)	3,439,791
1,245	-	-	-	(3,060,773)	818,973
-	-	-	-	-	3,747
-	1,493,372	-	-	(1,493,372)	-
-	-	340,000	-	(340,000)	-
-	-	-	164,171	(164,171)	-
-	-	-	-	57,009	57,009
-	124,535	59,948	-	-	456,525
-	-	-	-	919,289	919,289
<u>1,245</u>	<u>2,312,387</u>	<u>399,948</u>	<u>164,171</u>	<u>(5,072,368)</u>	<u>26,322,773</u>
195,995	(1,138,300)	(398,693)	2,352,015	(847,929)	1,275,185
-	-	142,001	-	-	-
50,604	3,310,367	255,000	(2,755,000)	-	-
50,604	3,310,367	397,001	(2,755,000)	-	-
246,599	2,172,067	(1,692)	(402,985)	(847,929)	1,275,185
<u>1,820,975</u>	<u>1,106,312</u>	<u>152,792</u>	<u>26,356,899</u>	<u>(9,974,624)</u>	<u>23,197,325</u>
<u>\$ 2,067,574</u>	<u>\$ 3,278,379</u>	<u>\$ 151,100</u>	<u>\$ 25,953,914</u>	<u>\$(10,822,553)</u>	<u>\$ 24,472,510</u>

See Accompanying Notes to Financial Statements

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT UNRESTRICTED FUND  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
EDUCATION AND SUPPORT  
YEAR ENDED JUNE 30, 2004**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
<b>REVENUES:</b>				
State Appropriations and Grants .....	\$ -	\$ -	\$ -	\$ -
Tuition and Fees .....	3,720,999	2,219,930	496,678	889,297
Property Taxes .....	-	-	-	-
Federal Grants and Contracts .....	-	281,088	115,447	-
Miscellaneous .....	681,997	20,393	33,063	1,308
	<u>4,402,996</u>	<u>2,521,411</u>	<u>645,188</u>	<u>890,605</u>
Allocation of Support Services .....	4,787,883	3,475,326	582,249	237,986
	<u>4,787,883</u>	<u>3,475,326</u>	<u>582,249</u>	<u>237,986</u>
Total Revenues .....	9,190,879	5,996,737	1,227,437	1,128,591
<b>EXPENDITURES:</b>				
Salaries and Benefits .....	4,187,470	2,536,724	562,820	1,155,269
Services .....	535,277	61,023	154,926	45,913
Materials and Supplies .....	70,628	236,365	29,245	28,021
Travel .....	73,207	68,954	19,064	12,724
Expended for Plant Facilities .....	13,120	38,100	-	-
Miscellaneous .....	-	22,486	17,424	48,857
	<u>4,879,702</u>	<u>2,963,652</u>	<u>783,479</u>	<u>1,290,784</u>
Allocation of Support Services .....	4,023,395	2,311,400	525,600	37,247
	<u>4,023,395</u>	<u>2,311,400</u>	<u>525,600</u>	<u>37,247</u>
Total Expenditures .....	8,903,097	5,275,052	1,309,079	1,328,031
Excess (Deficiency) of Revenues Over (Under) Expenditures .....	287,783	721,685	(81,643)	(199,440)
<b>TRANSFERS:</b>				
Non-mandatory Transfers .....	-	10	85,783	49,999
	<u>-</u>	<u>10</u>	<u>85,783</u>	<u>49,999</u>
Total Transfers .....	-	10	85,783	49,999
	<u>-</u>	<u>10</u>	<u>85,783</u>	<u>49,999</u>
Net Increase (Decrease) for the Year .....	<u>\$ 287,783</u>	<u>\$ 721,695</u>	<u>\$ 4,140</u>	<u>\$ (149,441)</u>
Fund Balance June 30, 2003 .....				
Fund Balance June 30, 2004 .....				

Note: The support services allocations are based on the percentage of contact hours reported.

SCHEDULE 3

Support					
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Support Total
\$ -	\$ -	\$ -	\$ -	\$ 7,168,629	\$ 7,168,629
-	-	-	-	511,570	7,838,474
-	-	-	-	743,349	743,349
-	-	-	-	99,162	495,697
32	124	836	47,074	512,668	1,297,495
32	124	836	47,074	9,035,378	17,543,644
(32)	(124)	(836)	(47,074)	(9,035,378)	-
-	-	-	-	-	17,543,644
718,513	1,020,308	661,669	868,334	1,232,210	12,943,317
43,877	113,736	86,915	453,588	692,106	2,187,361
9,374	20,451	87,267	219,527	185,641	886,519
15,025	53,312	12,344	14,750	62,605	331,985
-	-	-	456,780	-	508,000
-	-	-	2,432	(133,122)	(41,923)
786,789	1,207,807	848,195	2,015,411	2,039,440	16,815,259
(786,789)	(1,207,807)	(848,195)	(2,015,411)	(2,039,440)	-
-	-	-	-	-	16,815,259
-	-	-	-	-	728,385
6,420	50,165	-	720	(820,937)	(627,840)
6,420	50,165	-	720	(820,937)	(627,840)
\$ 6,420	\$ 50,165	\$ -	\$ 720	\$ (820,937)	100,545
					2,073,776
					<u>\$ 2,174,321</u>

See Accompanying Independent Auditor's Report

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT UNRESTRICTED FUND  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
AUXILIARY ENTERPRISES  
YEAR ENDED JUNE 30, 2004**

	Bookstore	Food Services	Wellness Center	Farm	Athletics
<b>REVENUES:</b>					
Sales and Services .....	\$ 1,300,616	\$ 698,984	\$ 107,396	\$ 179,812	\$ -
Interest on Investments .....	-	-	44,416	-	-
Tuition and Fees .....	-	-	7,500	-	24,703
Federal Grants and Contracts .....	-	-	10,000	8,656	-
Miscellaneous .....	260	25,045	69,878	2,276	49,399
<b>Total Revenues .....</b>	<b>1,300,876</b>	<b>724,029</b>	<b>239,190</b>	<b>190,744</b>	<b>74,102</b>
<b>EXPENDITURES:</b>					
Salaries and Benefits .....	138,681	341,293	170,245	2,511	2,643
Services .....	32,166	23,037	7,367	86,995	38,306
Materials and Supplies .....	3,653	90,670	10,060	132,093	36,648
Travel .....	1,332	2,961	457	2,142	80,399
Expended for Plant Facilities .....	-	-	-	-	-
Cost of Goods Sold .....	987,733	200,387	1,609	(32,633)	8,915
Miscellaneous .....	26	194	(107)	-	-
<b>Total Expenditures .....</b>	<b>1,163,591</b>	<b>658,542</b>	<b>189,631</b>	<b>191,108</b>	<b>166,911</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures .....	137,285	65,487	49,559	(364)	(92,809)
<b>TRANSFERS:</b>					
Mandatory Transfers .....	-	-	-	-	-
Non-mandatory Transfers .....	(154,047)	(149,390)	(71,257)	-	95,472
<b>Total Transfers .....</b>	<b>(154,047)</b>	<b>(149,390)</b>	<b>(71,257)</b>	<b>-</b>	<b>95,472</b>
Net Increase (Decrease) for the Year .....	(16,762)	(83,903)	(21,698)	(364)	2,663
Fund Balance (Deficit) June 30, 2003 .....	33,568	51,039	(12,330)	(30,645)	7,002
Fund Balance (Deficit) June 30, 2004 .....	<u>\$ 16,806</u>	<u>\$ (32,864)</u>	<u>\$ (34,028)</u>	<u>\$ (31,009)</u>	<u>\$ 9,665</u>

SCHEDULE 4

Dormitories	Aviation	Parts	Printing	Vehicles	Miscellaneous	Total
\$ 652,437	\$ -	\$ 126,352	\$ 115,761	\$ -	\$ 13,831	\$ 3,195,189
-	-	-	-	-	10,772	55,188
-	264,954	-	-	-	234,294	531,451
-	-	-	-	-	-	18,656
<u>20,681</u>	<u>(35,715)</u>	<u>25,881</u>	<u>12,535</u>	<u>81,535</u>	<u>104,477</u>	<u>356,252</u>
673,118	229,239	152,233	128,296	81,535	363,374	4,156,736
130,622	48,789	49,509	46,835	-	17,933	949,061
127,155	1,408	4,160	1,231	945	105,683	428,453
43,801	143,735	(23,988)	43,926	40,253	144,505	665,356
66	-	962	-	11,042	24,645	124,006
3,973	-	-	41,131	72,290	51,580	168,974
-	-	118,390	17,172	-	10,921	1,312,494
-	-	-	-	-	-	113
<u>305,617</u>	<u>193,932</u>	<u>149,033</u>	<u>150,295</u>	<u>124,530</u>	<u>355,267</u>	<u>3,648,457</u>
367,501	35,307	3,200	(21,999)	(42,995)	8,107	508,279
(142,001)	-	-	-	-	-	(142,001)
<u>(105,982)</u>	<u>-</u>	<u>(441)</u>	<u>25,000</u>	<u>(10)</u>	<u>257,415</u>	<u>(103,240)</u>
<u>(247,983)</u>	<u>-</u>	<u>(441)</u>	<u>25,000</u>	<u>(10)</u>	<u>257,415</u>	<u>(245,241)</u>
119,518	35,307	2,759	3,001	(43,005)	265,522	263,038
<u>(139,506)</u>	<u>1,273</u>	<u>(16,897)</u>	<u>(97,604)</u>	<u>(3,497)</u>	<u>436,812</u>	<u>229,215</u>
<u>\$ (19,988)</u>	<u>\$ 36,580</u>	<u>\$ (14,138)</u>	<u>\$ (94,603)</u>	<u>\$ (46,502)</u>	<u>\$ 702,334</u>	<u>\$ 492,253</u>

See Accompanying Independent Auditor's Report

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT RESTRICTED FUND  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2004**

	Scholarships and Grants	Equipment Replacement	Insurance
<b>REVENUES:</b>			
State Appropriations .....	\$ 110,115	\$ 59,560	\$ -
Property Taxes .....	-	106,412	910,805
Federal Appropriations and Grants .....	2,829,620	-	-
Scholarships, Grants, and Gifts .....	644,707	1,246	-
Interest on Investments .....	42,762	25	-
Iowa Industrial New Jobs Training Program .....	-	-	-
Miscellaneous .....	113,059	265	11,352
<b>Total Revenues and Other Additions .....</b>	<b>3,740,263</b>	<b>167,508</b>	<b>922,157</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>			
Salaries and Benefits .....	-	24,318	158,786
Services .....	1,958	29	686,336
Materials and Supplies .....	-	142,999	-
Travel .....	-	-	-
Expended for Plant Facilities .....	-	5,839	-
Interest on Indebtedness .....	-	-	-
Federal Pell Grant Program .....	2,779,783	-	-
Federal Supplemental Educational Opportunity Grant .....	49,837	-	-
Iowa College Student Aid Commission .....	144,895	-	-
Private Scholarships .....	902,028	-	-
<b>Total Expenditures and Other Deductions .....</b>	<b>3,878,501</b>	<b>173,185</b>	<b>845,122</b>
Excess (Deficiency) of Revenues and Other Additions Over (Under) Expenditures and Other Deductions .....	(138,238)	(5,677)	77,035
<b>TRANSFERS:</b>			
Non-mandatory Transfers .....	103,613	-	-
Total Transfers .....	103,613	-	-
Net Increase (Decrease) for the Year .....	(34,625)	(5,677)	77,035
Fund Balance (Deficit) June 30, 2003 .....	870,081	57,393	(63,914)
Fund Balance (Deficit) June 30, 2004 .....	<u>\$ 835,456</u>	<u>\$ 51,716</u>	<u>\$ 13,121</u>

SCHEDULE 5

Unemployment Compensation	Early Retirement	Cash Reserve	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ 252,544	\$ 422,219
34,457	156,953	-	11,746	3,714	1,224,087
-	-	-	-	1,487,508	4,317,128
-	-	-	-	16,361	662,314
-	-	-	5,816	42,865	91,468
-	-	-	982,804	-	982,804
-	-	-	-	103,876	228,552
<u>34,457</u>	<u>156,953</u>	<u>-</u>	<u>1,000,366</u>	<u>1,906,868</u>	<u>7,928,572</u>
788	368,135	-	4,306	1,011,256	1,567,589
-	-	-	801,162	304,012	1,793,497
-	-	-	-	169,668	312,667
-	-	-	-	137,781	137,781
-	-	-	-	-	5,839
-	-	-	272,042	-	272,042
-	-	-	-	-	2,779,783
-	-	-	-	-	49,837
-	-	-	-	-	144,895
-	-	-	-	83,969	985,997
<u>788</u>	<u>368,135</u>	<u>-</u>	<u>1,077,510</u>	<u>1,706,686</u>	<u>8,049,927</u>
33,669	(211,182)	-	(77,144)	200,182	(121,355)
-	-	-	-	(233,504)	(129,891)
-	-	-	-	(233,504)	(129,891)
<u>33,669</u>	<u>(211,182)</u>	<u>-</u>	<u>(77,144)</u>	<u>(33,322)</u>	<u>(251,246)</u>
<u>(9,369)</u>	<u>(12,165)</u>	<u>286,030</u>	<u>(5,488)</u>	<u>285,853</u>	<u>1,408,421</u>
<u>\$ 24,300</u>	<u>\$ (223,347)</u>	<u>\$ 286,030</u>	<u>\$ (82,632)</u>	<u>\$ 252,531</u>	<u>\$ 1,157,175</u>

See Accompanying Independent Auditor's Report

**IOWA LAKES COMMUNITY COLLEGE  
 AGENCY FUNDS  
 STATEMENT OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS  
 YEAR ENDED JUNE 30, 2004**

	Iowa Small Business New Jobs Training Program	Student Organizations
<b>ADDITIONS:</b>		
State Appropriations and Grants .....	\$ 207,200	\$ -
Tuition and Fees .....	-	57,539
Sales and Services .....	-	65
Interest on Investments .....	-	-
Miscellaneous .....	-	155,765
<b>Total Additions</b> .....	<b>207,200</b>	<b>213,369</b>
<b>DEDUCTIONS:</b>		
Salaries and Benefits .....	4,844	10,135
Services .....	200,728	56,720
Materials and Supplies .....	-	30,729
Travel .....	-	76,197
Interest on Indebtedness .....	-	-
Cost of Sales .....	-	20,804
Miscellaneous .....	29,030	-
<b>Total Deductions</b> .....	<b>234,602</b>	<b>194,585</b>
Net Increase (Decrease) for the Year .....	(27,402)	18,784
Balance June 30, 2003 .....	27,948	138,055
Balance June 30, 2004 .....	<u>\$ 546</u>	<u>\$ 156,839</u>

Iowa Lakes Foundation	Miscellaneous	Total
\$ -	\$ -	\$ 207,200
-	893	58,432
74,925	-	74,990
2,628	-	2,628
<u>288,799</u>	<u>87,090</u>	<u>531,654</u>
366,352	87,983	874,904
18,658	-	33,637
91,134	9,864	358,446
7,014	73,326	111,069
737	932	77,866
1,997	-	1,997
42,130	471	63,405
<u>33,463</u>	<u>-</u>	<u>62,493</u>
<u>195,133</u>	<u>84,593</u>	<u>708,913</u>
171,219	3,390	165,991
<u>285,793</u>	<u>16,228</u>	<u>468,024</u>
<u>\$ 457,012</u>	<u>\$ 19,618</u>	<u>\$ 634,015</u>

**IOWA LAKES COMMUNITY COLLEGE**  
**SCHEDULE OF EXPENDITURES COMPARED TO BUDGET**  
**IOWA INDUSTRIAL NEW JOBS TRAINING PROGRAM**  
**YEAR ENDED JUNE 30, 2004**

Project Name	Project Costs			Subtotal
	Training and Wages	Administration	Legal and Issue Costs	
Stylecraft, Inc. III .....	\$ -	\$ -	\$ -	\$ -
Polaris Industries, LP .....	-	-	300	300
Berkley, Inc. d/b/a Fenwick Golf .....	-	-	-	-
Armstrong Rim & Wheel Mfg. Co. ....	-	-	-	-
SkyJack IV .....	-	-	-	-
Heartland Press III .....	-	-	-	-
Polaris Industries, LP II .....	-	-	300	300
Stylecraft, Inc. IV .....	-	-	-	-
Woodland Container Corporation .....	-	-	-	-
Heartland Beef Processing, Inc. ....	-	-	-	-
Maurer Manufacturing Co. Inc. ....	-	-	-	-
Midwest Quality Meats .....	-	-	-	-
Nolin Milling, Inc. ....	-	-	-	-
Skyjack Manufacturing, Inc. V .....	-	-	300	300
Woodland Container Corporation II .....	-	-	-	-
Skyjack Manufacturing, Inc. III .....	-	-	-	-
Electrimold .....	-	-	-	-
Polaris Industries, LP III .....	-	-	300	300
Ag Processing, Inc. ....	-	-	-	-
Medieval Glass Industries .....	-	-	-	-
Art's Way Manufacturing Co. ....	-	-	-	-
Skyjack Manufacturing, Inc. VI .....	-	-	-	-
Polaris Industries, LP IV .....	-	-	-	-
Heartland Beef Processing, Inc. II .....	-	-	-	-
Maurer Manufacturing Co. Inc. II .....	-	-	300	300
Heartland Press IV .....	-	-	-	-
Armstrong Rim & Wheel Mfg. Co. II .....	-	-	-	-
Brown Medical Industries, Inc. ....	-	-	-	-
Midwest Quality Meats, Inc. II .....	-	-	-	-
GKN/Armstrong RW III .....	-	-	-	-
Perry Judd Corp. ....	-	-	-	-
Skyjack Manufacturing VII .....	-	-	-	-
Polaris Industries, LP V .....	-	-	-	-
Eaton Corp. ....	-	-	-	-
Marketlink I .....	-	-	-	-
Rosenboom Machinery .....	8,596	-	4,306	12,902
Outdoor Technology II .....	-	-	-	-
Institutional Equipment .....	13,336	-	-	13,336
Veridian Limited .....	-	-	-	-
GKN Armstrong .....	-	-	-	-
Eaton Corp. III .....	-	-	-	-
Rosenboom Machinery .....	350	-	-	350
Pure Fishing .....	-	-	-	-
Pharmacists Mutual .....	28,640	-	-	28,640
Midwest Grain Processors .....	350	-	-	350
GKN Armstrong .....	-	-	-	-
AFECO, Inc. ....	16,318	-	-	16,318
KLM Acquisition Corp. ....	24,736	-	914	25,650
Merkel Fruedenburg .....	136,033	-	2,011	138,044
Polaris VI .....	173,767	-	5,119	178,886
Pure Fishing .....	102,900	-	1,097	103,997
Quality Processing .....	180,255	-	-	180,255
Shine Brothers .....	27,781	-	-	27,781
<b>Total</b> .....	<b>\$ 713,062</b>	<b>\$ -</b>	<b>\$ 14,947</b>	<b>\$ 728,009</b>

<u>Retirement Costs</u>						
Debt	Interest	Total Current Year Expenditures	Less: Non- Budgeted Expenditures	Cumulative Prior Period Budgeted Expenditures	Total Budgeted Expenditures	Budget
\$ -	\$ -	\$ -	\$ -	\$ 263,468	\$ 263,468	\$ 270,000
45,000	3,589	48,889	48,589	255,736	256,036	295,000
5,000	399	5,399	5,399	34,977	34,977	40,000
10,000	834	10,834	10,834	63,029	63,029	70,000
5,000	733	5,733	5,733	22,323	22,323	35,000
-	385	385	385	20,984	20,984	25,000
25,000	4,052	29,352	29,052	179,233	179,533	225,000
20,000	2,933	22,933	22,933	112,828	112,828	150,000
5,000	348	5,348	5,348	17,386	17,386	20,000
10,000	1,285	11,285	11,285	75,440	75,440	80,000
10,000	1,285	11,285	11,285	42,671	42,671	50,000
5,000	780	5,780	5,780	48,048	48,048	55,000
-	338	338	338	11,141	11,141	15,000
15,000	1,871	17,171	16,871	96,788	97,088	105,000
5,000	882	5,882	5,882	28,780	28,780	35,000
5,000	363	5,363	5,363	37,400	37,400	40,000
5,000	733	-	-	22,062	22,062	35,000
35,000	9,145	44,445	44,145	318,872	319,172	325,000
15,000	3,809	18,809	18,809	111,193	111,193	120,000
15,000	3,414	18,414	18,414	83,553	83,553	95,000
30,000	7,613	37,613	37,613	175,845	175,845	240,000
10,000	1,886	11,886	11,886	57,637	57,637	60,000
10,000	2,641	12,641	12,641	72,927	72,927	80,000
15,000	3,296	18,296	18,296	95,419	95,419	110,000
25,000	5,943	31,243	30,943	161,808	162,108	175,000
5,000	1,901	6,901	6,901	52,304	52,304	55,000
5,000	1,516	6,516	6,516	34,077	34,077	40,000
5,000	1,126	6,126	6,126	26,238	26,238	30,000
5,000	741	5,741	5,741	19,705	19,705	20,000
10,000	5,182	15,182	15,182	105,629	105,629	120,000
5,000	3,467	8,467	8,467	58,142	58,142	75,000
15,000	8,641	23,641	23,641	98,314	98,314	205,000
5,000	3,467	8,467	8,467	47,365	47,365	75,000
45,000	21,716	66,716	66,716	267,084	267,084	435,000
5,000	3,112	8,112	8,112	56,660	56,660	65,000
60,000	27,557	100,459	87,557	181,236	194,138	580,000
5,000	4,170	9,170	9,170	24,418	24,418	100,000
5,000	4,475	22,811	9,475	35,924	49,260	75,000
10,000	6,323	16,323	16,323	49,356	49,356	105,000
10,000	8,200	18,200	18,200	350	350	140,000
15,000	11,553	26,553	26,553	-	-	205,000
20,000	12,993	33,343	32,993	904	1,254	215,000
20,000	10,762	20,000	20,000	124,792	124,792	190,000
25,000	7,200	60,840	32,200	74,261	102,901	120,000
45,000	13,495	58,845	58,495	223,199	223,549	225,000
40,000	11,997	51,997	51,997	198,087	198,087	200,000
20,000	7,952	44,270	27,952	51,508	67,826	130,000
-	3,200	28,850	3,200	-	25,650	80,000
-	7,514	145,558	7,514	-	138,044	190,000
-	19,432	198,318	19,432	-	178,886	485,000
-	4,217	108,214	4,217	-	103,997	105,000
-	1,536	181,791	1,536	-	180,255	365,000
-	358	28,139	358	-	27,781	85,000
<u>\$ 705,000</u>	<u>\$ 272,360</u>	<u>\$ 1,688,874</u>	<u>\$ 960,865</u>	<u>\$ 4,139,101</u>	<u>\$ 4,867,110</u>	<u>\$ 6,155,000</u>

See Accompanying Independent Auditor's Report

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
IOWA SMALL BUSINESS NEW JOBS TRAINING PROGRAM  
YEAR ENDED JUNE 30, 2004**

Project Costs				
Project Name	Training and Wages	Administration	Legal and Issue Costs	Subtotal
North Iowa Die Cast .....	\$ 21,000	\$ 4,000	\$ -	\$ 25,000
Stylecraft .....	19,075	4,000	-	23,075
Flannegan Western .....	8,258	547	-	8,805
SBEMCO International .....	11,210	2,000	-	13,210
General Machine Works .....	9,100	1,900	-	11,000
Snap-On Tools .....	18,215	3,800	-	22,015
CF Industries, Inc. ....	1,554	1,000	-	2,554
Call Concepts .....	8,500	1,500	-	10,000
Brown Medical .....	21,000	4,000	-	25,000
Aero Powder and Coating .....	7,500	1,500	-	9,000
Arts Way Manufacturing .....	18,935	-	-	18,935
Polaris .....	17,000	-	-	17,000
GKN .....	17,000	-	-	17,000
Nolin Milling .....	4,125	870	-	4,995
Goodenow Bancorp .....	9,100	1,900	-	11,000
Metz Manufacturing .....	14,000	2,000	-	16,000
 Total	 <u>\$ 205,572</u>	 <u>\$ 29,017</u>	 <u>\$ -</u>	 <u>\$ 234,589</u>

<u>Retirement Costs</u>						
Debt	Interest	Total Current Year Expenditures	Less: Non- Budgeted Expenditures	Cumulative Prior Period Budgeted Expenditures	Total Budgeted Expenditures	Budget
\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 25,000
-	-	23,075	-	-	23,075	23,075
-	-	8,805	-	-	8,805	8,805
-	-	13,210	-	-	13,210	13,210
-	-	11,000	-	-	11,000	11,000
-	-	22,015	-	-	22,015	22,015
-	-	2,554	-	-	2,554	3,100
-	-	10,000	-	-	10,000	10,000
-	-	25,000	-	-	25,000	25,000
-	-	9,000	-	-	9,000	9,000
-	-	18,935	-	-	18,935	18,935
-	-	17,000	-	-	17,000	17,000
-	-	17,000	-	-	17,000	17,000
-	-	4,995	-	-	4,995	4,995
-	-	11,000	-	-	11,000	11,000
-	-	16,000	-	-	16,000	16,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,589</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 234,589</u>	<u>\$ 235,135</u>

See Accompanying Independent Auditor's Report

IOWA LAKES COMMUNITY COLLEGE  
 SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT  
 YEAR ENDED JUNE 30, 2004

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences .....	42,305	-	42,305	910,688	-	910,688
Vocational Preparatory .....	25,963	-	25,963	661,014	-	661,014
Adult Education .....	-	-	-	106,607	4,121	110,728
Cooperative Programs .....	-	-	-	-	-	-
Related Services and Activities .....	-	-	-	-	45,335	45,335
Total .....	<u>68,268</u>	<u>-</u>	<u>68,268</u>	<u>1,678,309</u>	<u>49,456</u>	<u>1,727,765</u>

IOWA LAKES COMMUNITY COLLEGE  
 COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES

	Years Ended June 30,			
	2004	2003	2002	2001
Local (Property Tax) .....	\$ 2,710,785	\$ 2,727,153	\$ 2,352,906	\$ 2,234,184
State .....	7,783,155	7,521,236	8,101,532	8,737,353
Federal .....	<u>4,831,481</u>	<u>4,468,804</u>	<u>4,365,637</u>	<u>3,837,694</u>
Total .....	<u>\$ 15,325,421</u>	<u>\$ 14,717,193</u>	<u>\$ 14,820,075</u>	<u>\$ 14,809,231</u>

See Accompanying Independent Auditor's Report

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT FUND (UNRESTRICTED AND RESTRICTED) REVENUES BY SOURCE  
FOR THE LAST FOUR YEARS**

	Years Ended June 30,			
	2004	2003	2002	2001
State Appropriations .....	\$ 7,590,848	\$ 7,521,236	\$ 7,601,532	\$ 8,210,778
Tuition and Fees .....	8,369,925	7,439,641	6,792,616	5,843,234
Property Tax .....	1,967,436	2,010,311	1,657,846	1,572,905
Federal Appropriations .....	4,831,481	4,440,732	4,332,287	3,815,705
Interest on Investments .....	146,656	161,314	190,515	373,216
Iowa Industrial New Jobs Training Program .....	982,804	632,145	764,998	1,029,546
Auxiliary Enterprises .....	3,551,441	3,347,077	3,032,726	3,255,604
Miscellaneous .....	2,188,361	1,560,415	1,561,418	1,864,940
Total .....	<u>\$ 29,628,952</u>	<u>\$ 27,112,871</u>	<u>\$ 25,933,938</u>	<u>\$ 25,965,928</u>

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT FUND (UNRESTRICTED AND RESTRICTED) EXPENDITURES BY FUNCTION  
FOR THE LAST FOUR YEARS**

	Years Ended June 30,			
	2004	2003	2002	2001
Liberal Arts and Sciences .....	\$ 4,879,702	\$ 4,345,474	\$ 4,169,636	\$ 3,914,113
Vocational Technical .....	2,963,652	2,589,557	2,383,655	2,404,143
Adult Education .....	783,479	748,170	821,021	940,608
Cooperative Services .....	1,290,784	1,198,384	1,074,516	1,015,514
Administration .....	786,789	754,271	795,326	778,616
Student Services .....	1,207,807	1,153,824	1,169,326	1,099,249
Learning Resources .....	848,195	785,617	756,002	729,525
Physical Plant .....	2,015,411	1,771,813	2,015,382	1,315,423
General Institution .....	2,039,440	2,141,051	1,892,747	2,252,514
Auxiliary Enterprises .....	3,648,457	3,344,599	3,251,037	3,229,074
Scholarships and Grants .....	3,878,501	3,231,699	3,096,304	2,579,875
Equipment Replacement .....	173,185	120,244	161,942	160,989
Insurance .....	845,122	750,587	719,137	591,157
Unemployment Compensation .....	788	20,702	6,363	5,074
Iowa Industrial New Jobs Training Program .....	805,468	408,538	518,634	808,089
Miscellaneous .....	2,074,821	1,827,274	1,774,714	1,888,463
Interest on Indebtness .....	272,042	245,772	281,991	299,073
<b>Total .....</b>	<b>\$ 28,513,643</b>	<b>\$ 25,437,576</b>	<b>\$ 24,887,733</b>	<b>\$ 24,011,499</b>

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2004**

Grantor/Program	CFDA Number	Program Expenditures
<b>DIRECT:</b>		
U.S. Department of Agriculture:		
Production Flexibility Payments .....	10.055	\$ 8,656
Enhancing Awareness and Teaching of Animal Production .....	10.226	\$ 28,583
Total Direct - U.S. Department of Agriculture .....		\$ 37,239
U. S. Department of Education:		
Student Financial Aid – Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG) .....	84.007	49,837
Federal Work-Study Program (FWS) .....	84.033	109,162
Federal Pell Grant Program .....	84.063	2,779,783
Total Student Financial Aid Cluster .....		2,938,782
Title III – Higher Education Institutional Aid .....	84.031A	141,702
Student Supported Services – Aspires .....	84.042A	267,888
Talent Search .....	84.044	321,032
Upward Bound .....	84.047	326,713
Child Care Access .....	84.335A	12,900
Total Direct U.S. Department of Education .....		4,009,017
Corporation for National and Community Services:		
Retired Senior Volunteer Program .....	94.002	97,361
National Science Foundation .....	47.076	69,684
U.S. Department of Labor - Mine Health and Safety Grants .....	17.600	100
Total Direct Expenditures .....		4,213,401
<b>INDIRECT:</b>		
Small Business Administration:		
Indirect Through Iowa State University:		
Small Business Development Center .....	59.037	50,000
U.S. Department of Education:		
Indirect Through the Iowa Department of Education:		
Adult Education - State Grant Program .....	84.002	115,347
Indirect Through the Iowa Department of Education:		
Learning Anytime Anywhere Partnership .....	84.339	7,797
Indirect Through the Iowa Department of Education:		
Vocational Education - Basic Grants to States, Title II-C, Carl Perkins III .....	84.048	363,388
Indirect Through the Iowa Department of Education:		
Bureau of Children, Family & Community Service .....	84.027	7,000
Indirect Through the Iowa Department of Education:		
Tech Prep - Perkins Vocational Aid .....	84.243	74,548
Total Indirect Expenditures .....		618,080
Total Direct and Indirect Expenditures .....		<u>\$ 4,831,481</u>

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2004**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Iowa Lakes Community College and is presented on the accrual basis. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133 and *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the general purpose financial statements.

**NOTE 2 – LOANS OUTSTANDING**

Although no new loan advances occurred during the year ended June 30, 2004, the following loan balances were outstanding at June 30, 2004:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Nursing Student Loans	93.364	\$ 11,761

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON THE  
INTERNAL CONTROL OVER FINANCIAL REPORTING  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Trustees  
Iowa Lakes Community College  
Estherville, Iowa

We have audited the basic financial statements of Iowa Lakes Community College, Estherville, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated September 17, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and those 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 Iowa Lakes Community College's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance 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*.

Comments involving statutory and other legal matters about the Community College's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

**Internal Control Over Financial Reporting:**

In planning and performing our audit, we considered Iowa Lakes Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic 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 basic 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 audit committee, Board of Trustees, management and officials of Iowa Lakes Community College and federal awarding agencies and pass-through entities, and 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 Iowa Lakes Community College during the course of our audit.

Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Certified Public Accountants

Spencer, Iowa  
September 17, 2004

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Iowa Lakes Community College  
Estherville, Iowa

**Compliance:**

We have audited the compliance of Iowa Lakes Community College with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. Iowa Lakes Community College's major federal programs are identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of Iowa Lakes Community College's management. Our responsibility is to express an opinion on Iowa Lakes Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iowa Lakes Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Iowa Lakes Community College's compliance with those requirements.

In our opinion, Iowa Lakes Community College complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004.

**Internal Control Over Compliance:**

The management of Iowa Lakes Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Iowa Lakes Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 compliance 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 audit committee, Board of Trustees, management and officials of Iowa Lakes Community College and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants

Spencer, Iowa  
September 17, 2004

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2004**

**PART I – SUMMARY OF AUDITORS’ RESULTS**

- (A) An unqualified opinion was issued on the basic financial statements.
- (B) There were no reportable conditions in internal controls over major programs disclosed by the audit of the financial statements.
- (C) The results of our test disclosed no instances of non-compliance that is required to be reported under Government Auditing Standards.
- (D) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (E) There were no reportable conditions identified during the audit of the financial statements.
- (F) Major programs were as follows:
  - Student Financial Aid Cluster:
    - CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG)
    - CFDA Number 84.033 – Federal Work-Study Program
    - CFDA Number 84.063 – Federal Pell Grant Program
  - Other Major Program:
    - CFDA Number 84.048 – Carl Perkins III
- (G) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (H) Iowa Lakes Community College qualified as a low-risk auditee.
- (I) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).

**PART II – FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

Instances of Non-Compliance: No matters were reported.  
Reportable Conditions: None

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

Instances of Non-Compliance: No matters were reported.  
Reportable Condition: No matters were reported.

**PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

- 04-IV-A: Official Depositories – A resolution naming official depositories has been adopted by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- 04-IV-B: Certified Budget – Expenditures for the year ended June 30, 2004, did not exceed the amount budgeted, in total, for the Unrestricted, Restricted or Plant Fund.
- 04-IV-C: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979, were noted.
- 04-IV-D: Travel Expense – No expenditures of Iowa Lakes Community College were for travel expenses of spouses of College officials or employees.

- 04-IV-E: Business Transactions – No business transactions between the Community College and the Community College officials or employees were noted.
- 04-IV-F: Bond Coverage – Surety bond coverage of Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operation.
- 04-IV-G: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 04-IV-H: Publication – The Community College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- 04-IV-I: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.
- 04-IV-J: Credit/Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the Community College.

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2004**

There were no prior year findings related to Federal Awards Programs.