

**IOWA LAKES COMMUNITY COLLEGE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS
JUNE 30, 2005**

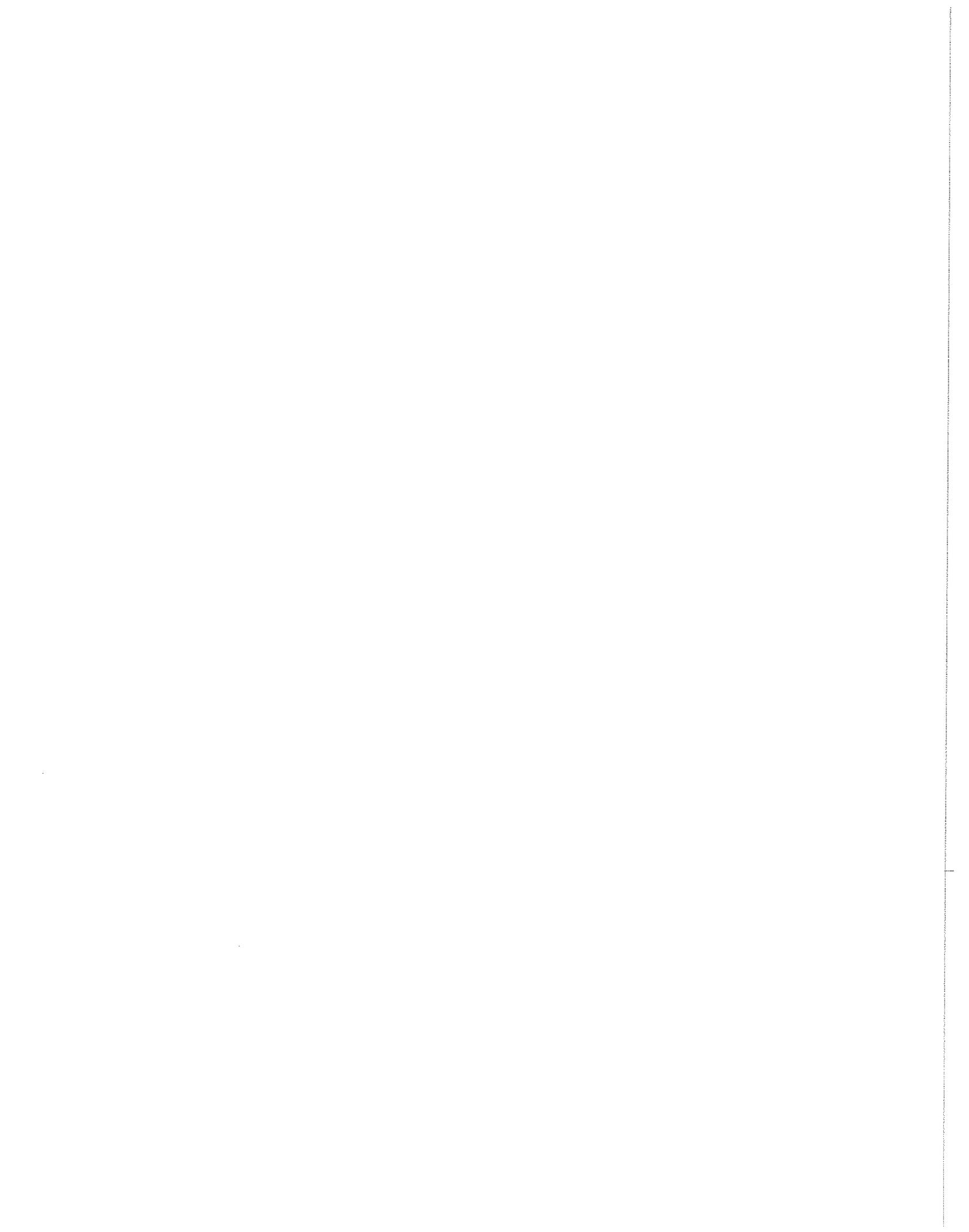


TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditors' Report	2
Management's Discussion and Analysis	3 – 7
Basic Financial Statements:	<u>Exhibit</u>
Statement of Net Assets	A 8 – 9
Statement of Revenues, Expenses and Changes in Net Assets	B 10
Statement of Cash Flows	C 11 – 12
Notes to Financial Statements	13 – 22
Supplemental Information:	
Budgetary Comparison Schedule of Expenditures – Budget to Actual	23
Note to Required Supplemental Information – Budgetary Reporting	24
Other Supplemental Information:	<u>Schedule</u>
Balance Sheet	1 26 – 29
Statement of Revenues, Expenditures and Other Changes in Fund Balances	2 30 – 33
Current Unrestricted Fund:	
Statement of Revenues, Expenditures and Other Changes in Fund Balance -- Education and Support	3 34 – 35
Statement of Revenues, Expenditures and Other Changes in Fund Balance -- Auxiliary Enterprises	4 36 – 37
Current Restricted Fund:	
Statement of Revenues, Expenditures and Other Changes in Fund Balance	5 38 – 39
Agency Funds – Statement of Changes in Deposits Held in Custody for Others	6 40 – 41
Schedule of Expenditures Compared to Budget:	
Iowa Industrial New Jobs Training Program	7 42 – 43
Iowa Small Business New Jobs Training Program	8 44 – 45
Schedule of Credit/Contact Hour Enrollment	9 46
Comparison of Taxes and Intergovernmental Revenues	10 47
Current Fund (Unrestricted and Restricted) Revenues by Source	11 48
Current Fund (Unrestricted and Restricted) Expenditures by Function	12 49
Schedule of Expenditures of Federal Awards	13 50
Notes to Schedule of Expenditures of Federal Awards	51
Independent Auditors' Report on Compliance and on the Internal Control over Financial Reporting	52 – 53
Independent Auditors' Report on Compliance with Requirements Applicable To Each Major Program and Internal Control Over Compliance	54 – 55
Schedule of Findings and Questioned Costs	56 – 57
Schedule of Prior Year Findings	58

**IOWA LAKES COMMUNITY COLLEGE
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Trustees		
(Term of October 1, 2004 to September 30, 2005)		
Jack Tatman	President	2006
John Hand	Vice President	2006
Ann Barry	Member	2005
Jan Lund	Member	2005
Howard Kyle	Member	2005
Lynn Kueck	Member	2007
Jim Miller	Member	2007

Community College
(As of June 30, 2005)

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
Shan Ray	Executive Director of Institutional Advancement



Certified Public Accountants

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, 2005. 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, 2005, 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 October 4, 2005, 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 and budgetary comparison information 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, 2004 (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.

Williams & Company P.C.

Certified Public Accountants

Spencer, Iowa
October 4, 2005

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

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, 2005, with comparative information presented for the fiscal year ended June 30, 2004. 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 statement and notes. The financial statements, notes, and this discussion are the responsibility of management.

USING THE ANNUAL REPORT

This report consists of three basic financial statements. The Statement of Net Assets; the Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows provide information on Iowa Lakes Community College as a whole and present a long-term view of the college's finances.

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, 2005	June 30, 2004
Current Assets	\$ 9,578,692	\$ 9,626,664
Non-current Assets	30,456,298	27,894,205
Total Assets	\$ 40,034,990	\$ 37,520,869
Current Liabilities	\$ 7,599,999	\$ 6,523,359
Non-current Liabilities	7,250,000	6,525,000
Total Liabilities	\$ 14,849,999	\$ 13,048,359
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 19,558,659	\$ 15,131,361
Restricted	4,517,064	3,396,196
Unrestricted	1,109,268	5,944,953
Total Net Assets	\$ 25,184,991	\$ 24,472,510

- Current assets decreased less than \$50,000, but there were some major changes in categories: Cash and Pooled investments decreased \$440,000, due from others increased \$678,000, Due from Property Tax increased 273,000, due from other governments decreased \$414,000, and inventories increased \$102,000

- Non-current assets increased \$2.6M with some major changes in categories: Pooled Investments decreased \$3.3M, Endowment Investments increased \$961,000, buildings increased \$3.5M, Other Structures increased \$2.1M, Construction in Progress decreased \$462,000, and Accumulated Depreciation increased \$802,000
- Total assets increased \$2.5M.
- Current liabilities increased \$1.1M, with an increase in Deferred Revenue: Property Taxes of \$273,000 and Other of \$333,000, increase in Due to Others of \$312,000, an increase in Accounts Payable of \$375,000 and decreases of \$196,000 in Salaries and Benefits and \$202,000 in Early Retirement Payable
- The non-current liabilities had an increase of \$725,000 with a decrease in Certificates Payable of \$65,000 and an increase in Bonds and Capital Loan Notes Payable of \$790,000.
- The change in Total Net Assets for the year was an increase of \$712,000. Major changes were an increase in Invested in Capital Assets of \$4.4M and a decrease in Unrestricted funds of \$4.8M.

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, 2005	Year Ended June 30, 2004
Operating revenue:		
Tuition and Fees, net of scholarship allowances	\$ 4,990,653	\$ 4,923,429
Federal Appropriations	5,180,070	4,831,481
Iowa Industrial New Jobs Training Program	1,186,301	982,804
Scholarships, Gifts & Grants	1,328,468	841,551
Auxiliary Enterprises Revenue, net of scholarships	4,048,300	3,629,628
Miscellaneous	1,931,186	1,539,377
Total Operating Revenue	<u>18,664,978</u>	<u>16,748,270</u>
Total Operating Expenses	<u>28,431,788</u>	<u>25,809,239</u>
Operating Loss	(9,766,810)	(9,060,969)
Non-operating Revenues (expenses)		
State Appropriations	8,179,334	7,783,155
Property Taxes	2,466,198	2,710,785
Interest Income on Investments	349,410	355,258
Interest Income on Student Loans	310	490
Gain on Sale of Capital Assets	(66,555)	(57,009)
Interest on Indebtedness	(449,787)	(456,525)
Net Non-operating Revenues	<u>10,478,910</u>	<u>10,336,154</u>
Increase in Net Assets	712,100	1,275,185
Net Assets Beginning of Year	<u>24,472,891</u>	<u>23,197,325</u>
Net Assets End of Year	<u>\$ 25,184,991</u>	<u>\$ 24,472,510</u>

The increase in net assets for FY 05 was \$712,000 compared to \$1.3M for the previous year.

Revenues

- Operating revenues increased 11.44% or \$1.9M from the previous year. There were significant increases in most categories. Some significant increases were: 20.7% or 203,000 increase in Iowa Industrial New Jobs Training Program, 57.9% or \$487,000 increase in Scholarships, Gifts and Grants and 25.5% or \$392,000 increase in Miscellaneous.

Expenses

- Operating expenses increased 10.2% or \$2.6M from the previous year compared to 15.26% or \$3.4M from two years ago.
- 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 11.2% or \$2.3M from the previous year.
- There were three categories which had a decrease in expenses from the previous year: General Administration decreased 15.3% or \$305,000, Physical Plant decreased 5.7% or \$98,000 and Scholarships and Grants decreased 64.4% or \$527,000.

	Year Ended June 30, 2005	Year Ended June 30, 2004
Education and Support:		
Liberal Arts and Sciences	\$ 5,237,932	\$ 4,820,595
Vocational Technical	3,291,408	2,814,616
Adult Education	776,028	751,916
Cooperative Services	2,184,115	2,088,364
General Administration	1,693,885	1,999,011
Student Services	1,215,764	1,186,838
Learning Resources	901,871	842,316
Physical Plant	1,613,870	1,712,240
General Institution	6,029,569	4,411,543
Sub-total	22,944,442	20,627,439
Auxiliary Enterprises	4,115,587	3,439,791
Scholarships and Grants	291,633	818,973
Administrative and Collection Costs	1,520	3,747
Loss on Sale of Capital Assets	66,555	57,009
Interest on Indebtedness	449,787	456,525
Depreciation Expense	1,078,606	919,289
Total	<u>\$ 28,948,130</u>	<u>\$ 26,322,773</u>

Non-Operating Revenues (Expenses)

- There was just a slight increase in Non-Operating Revenues (Expenses) from the previous year. This increase was 1.4% or \$143,000.
- State appropriations increased 5.1% or \$396,000 from the previous year, which came mainly from an increase in general state aid.
- Property taxes decreased 9% or \$244,000, mainly due to a major change in how agriculture land was valued.

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, 2005	Year Ended June 30, 2004
Cash and Pooled Investments Provided (Used) by:		
Operating Activities:		
Revenues	\$ 21,140,247	\$ 17,742,479
Expenditures	<u>29,175,060</u>	<u>25,735,739</u>
Net Operating Activities	(8,034,813)	(7,993,260)
Non-Capital Financing Activities	10,483,095	10,650,004
Capital and Related Financing Activities	(5,536,680)	(2,865,276)
Investing Activities	<u>2,648,260</u>	<u>(1,686,318)</u>
Net Decrease in Cash and Pooled Investments	(440,138)	(1,894,850)
Cash and Pooled Investments at Beginning of Year	4,254,250	6,149,100
Cash and Pooled Investments at End of Year	<u>\$ 3,814,112</u>	<u>\$ 4,254,250</u>

- There was only an increase of \$42,000 in Net Operating Activities from the previous year. Operating revenues and expenses both increased 19.2%, and 13.4% respectively.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005, the College had approximately \$36 million invested in capital assets, net of accumulated depreciation of approximately \$11.6 million. The net of depreciation value is an increase of 24.7% or \$4.8M from a year ago. Depreciation charges totaled \$1,078,606 for fiscal year 2005. Details of capital assets are shown below:

	June 30, 2005	June 30, 2004
Land	\$ 1,345,941	\$ 1,010,941
Buildings	19,470,887	16,453,940
Other Structures and Improvements	2,361,529	446,755
Furniture and Equipment	1,072,115	1,063,010
Construction in Progress	<u>19,771</u>	<u>482,515</u>
Total Capital Assets	<u>\$ 24,270,243</u>	<u>\$ 19,457,161</u>

The financial reports presented in the Management's Discussion and Analysis show some significant changes from a year ago. There were several major construction projects continued and completed during this fiscal year. We finished construction on the Technical Education Center on the Emmetsburg Campus, (with the exception of the 2nd floor, which will be constructed and finished during fiscal year 2006). The Criminal Justice Building (the old student center on the Estherville Campus) was completely remodeled and finished during this fiscal year. The addition to the Algona Campus building, which contains a new science lab, was completed. Several acres of land were purchased near the Estherville Campus and a wind turbine was constructed. On June 1st the college purchased the Gateway North Center in Spencer where our Spencer Campus is located. Parts of the center are owned by 5 other parties and the rest is leased to other businesses. We anticipate that in fiscal year 2006 there will be a lot less construction activities. Construction activities planned are: a facelift for the Algona Campus, build 4 new dormitories, 2 in Estherville and 2 in Spencer. We will also purchase a new Cirrus SR-20 glass panel airplane and update our computer network. More detailed information about the college's capital assets is presented in Note 5 to the financial statements.

Debt

At June 30, 2005, the College had \$8.4 million in debt outstanding. The table below summarizes debt activity for this fiscal year.

	Year Ended June 30, 2005	Year Ended June 30, 2004
Notes Payable	\$ 3,528	\$ -
Certificate Payable	3,980,000	3,990,000
Bonds & Capital Loan Notes Payable	4,460,000	3,615,000
Total	<u>\$ 8,443,528</u>	<u>\$ 7,605,000</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 continues to be in a stable financial position, even with our unrestricted net assets going from \$5.9M on June 30, 2004 to \$1.1M on June 30, 2005. We will continue to bring the balance to a higher level. However, our financial stability is closely tied to that of the State of Iowa. Listed below are some challenges which we will face:

- State aid will remain a constant concern. We were very pleased that our legislators were able to increase state general aid for FY 06 in the amount of \$9.8M for all 15 community colleges. Iowa Lakes share was an increase of 5.2% or \$378,000. This compares with an increase of \$4M for all 15 community colleges for FY 05. In addition to the state general aid increase the 15 community colleges also received \$2M infrastructure funding. Iowa Lakes' share of this is \$104,000.
- 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.
- Changes in our administration will also take place during fiscal year 2006. The current president will retire on February 1st and our Chief Academic Officer will move to a presidency in Kansas. Replacement for the Chief Academic Officer has been accomplished.

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, 19th South 7th Street, Estherville, IA 51334.

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2005**

ASSETS

Current Assets	
Cash and Investments:	
Cash and Pooled Investments	\$ 3,814,112
Receivables:	
Due from Others, net of Allowance for Uncollectible	
Accounts of \$100,000	1,454,630
Accrued Interest	49,328
Property Tax - Succeeding Year	2,728,000
Nursing Loans	10,311
Iowa Industrial New Jobs Training Program	721,833
Due From Other Governments	261,614
Inventories (Note 4)	445,947
Prepaid Expenses	92,917
	<u>9,578,692</u>
Total Current Assets	
	<u>9,578,692</u>
Noncurrent Assets	
Pooled Investments (Note 2)	3,124,574
Endowment Investments (Note 2)	2,830,842
Deferred Compensation	230,639
Capital Assets (Note 5):	
Land	1,345,941
Construction in Progress	19,771
Buildings	27,891,047
Other Structures and Improvements	2,995,556
Furniture and Equipment	3,643,167
Accumulated Depreciation	(11,625,239)
	<u>30,456,298</u>
Total Noncurrent Assets	
	<u>30,456,298</u>
TOTAL ASSETS	
	<u>\$ 40,034,990</u>

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2005**

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 653,111
Salaries and Benefits Payable	539,311
Deferred Compensation	230,639
Accrued Interest	38,457
Deferred Revenue:	
Succeeding Year Property Tax	2,728,000
Other	856,874
Early Retirement Payable	36,823
Deposits Held in Custody for Others	697,914
Due to Others	625,342
Certificates Payable (Note 9)	780,000
Bonds and Other Long-Term Debt (Note 10)	<u>413,528</u>
Total Current Liabilities	<u>7,599,999</u>
Noncurrent Liabilities	
Certificates Payable (Note 9)	3,200,000
Bonds and Other Long-Term Debt (Note 10)	<u>4,050,000</u>
Total Noncurrent Liabilities	<u>7,250,000</u>
TOTAL LIABILITIES	<u>14,849,999</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	19,558,659
Restricted:	
Nonexpendable:	
Endowment	2,853,595
Expendable:	
Scholarships	882,061
Loans	19,192
Debt Service	153,305
Cash Reserve	286,030
Other	322,881
Unrestricted	<u>1,109,268</u>
TOTAL NET ASSETS	<u>\$ 25,184,991</u>

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IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2005

REVENUES

Operating Revenues:	
Tuition and Fees, net of scholarship allowances of \$ 3,278,935	\$ 4,990,653
Federal Appropriations	5,180,070
Iowa Industrial New Jobs Training Program	1,186,301
Scholarships, Gifts, & Grants	1,328,468
Auxiliary Enterprises Revenue, net of scholarship allowances of \$ 376,018	4,048,300
Miscellaneous	<u>1,931,186</u>
 Total Operating Revenues	 <u>18,664,978</u>

EXPENSES

Operating Expenses:	
Education and Support:	
Liberal Arts and Sciences	5,237,932
Vocational Technical	3,291,408
Adult Education	776,028
Cooperative Services	2,184,115
General Administration	1,693,885
Student Services	1,215,764
Learning Resources	901,871
Physical Plant	1,613,870
General Institution	6,029,569
Auxiliary Enterprises	4,115,587
Scholarships and Grants	291,633
Administrative and Collection Costs	1,520
Depreciation Expense	<u>1,078,606</u>
 Total Operating Expenses	 <u>28,431,788</u>
 Operating Loss	 <u>(9,766,810)</u>

NON-OPERATING REVENUES (EXPENSES)

State Appropriations	8,179,334
Property Taxes	2,466,198
Interest Income from Investments	349,410
Interest Income from Student Loans	310
Loss on Sales of Capital Assets	(66,555)
Interest on Indebtedness	<u>(449,787)</u>
 Net Non-Operating Revenues	 <u>10,478,910</u>
 Increase in Net Assets	 712,100
 Net Assets Beginning of Year	 <u>24,472,891</u>
 Net Assets End of Year	 <u>\$ 25,184,991</u>

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005**

Cash Flows from Operating Activities:	
Tuition and Fees	\$ 8,354,263
Grants and Contracts	6,900,226
Iowa Industrial New Jobs Training Program	1,176,301
Payments to Employees	(15,656,409)
Payments to Suppliers	(12,668,149)
Payments to NJTP Recipients	(850,502)
Collection of Loans to Students	1,450
Auxiliary Enterprise Net Activity	1,826,241
Other Receipts	<u>2,881,766</u>
Net Cash (Used) by Operating Activities	<u>(8,034,813)</u>
Cash Flows from Non-Capital Financing Activities:	
State Appropriations	8,179,334
Property Taxes	2,466,198
Miscellaneous Agency Fund Receipts	652,512
Miscellaneous Agency Fund Disbursements	<u>(814,949)</u>
Net Cash Provided from Non-Capital Financing Activities	<u>10,483,095</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Sale of Capital Assets	12,897
Purchases of Capital Assets	(5,946,952)
Proceeds from New Debt Issued	1,200,000
Principal Paid on Debt and Leases	(355,706)
Interest Paid on Debt and Leases	<u>(446,919)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(5,536,680)</u>
Cash Flows from Investing Activities:	
Proceeds from Sales and Maturities of Investments	3,832,908
Purchase of Investments	(1,473,386)
Interest on Investments	<u>288,738</u>
Net Cash Provided by Investing Activities	<u>2,648,260</u>
Net Decrease in Cash	(440,138)
Cash at Beginning of Year	<u>4,254,250</u>
Cash at End of Year	<u>\$ 3,814,112</u>

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005**

Reconciliation of Operating Loss to Net Cash	
(Used) by Operating Activities:	
Operating Loss	<u>\$ (9,766,810)</u>
Adjustments to Reconcile Operating Loss to Net	
Cash (Used) by Operating Activities:	
Depreciation	1,078,606
Changes in Assets and Liabilities:	
Increase in Due From Others	(327,293)
Increase in Due From Students	(180,799)
Decrease in Nursing Loans Receivable	1,450
Decrease in Due From Other Governments	414,843
Decrease in Due From Other Funds	22,147
Decrease in Inventories	102,765
Increase in Prepaid Expenses	(22,739)
Increase in Accounts Payable	368,730
Decrease in Salaries and Benefits Payable	(196,353)
Increase in Deferred Revenue	333,231
Increase in Deposits Held in Custody	9,203
Decrease in Early Retirement Payable	(201,749)
Increase in Due to Others	339,955
Decrease in NJTP Loans Payable	(10,000)
Total Adjustments	<u>1,731,997</u>
Net Cash (Used) by Operating Activities	<u>\$ (8,034,813)</u>

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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, 2005**

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, 2005**

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, 2005 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 life 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, 2005**

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.

Summer Session -- The Community College operates summer sessions during May, June, and July. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the summer session class schedule.

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, 2005, 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.

Investments are stated at fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

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.

At June 30, 2005, the Community College had the following investments:

Stocks and Mutual Funds	\$ 607,609
U.S. Government Securities	285,293
Certificates of Deposit	<u>5,062,514</u>
	<u>\$ 5,955,416</u>
Long-Term Pooled Investments	\$ 3,124,574
Endowments Investments	<u>2,830,842</u>
	<u>\$ 5,955,416</u>

The Community College had investments in the Iowa Schools Joint Investment Trust with a carrying and market value of \$988,595, and Deferred Compensation Plan investments with a carrying and market value of \$230,639, at June 30, 2005, that are not subject to risk categorization. Of the \$3,814,112 of cash and pooled investments, \$45,339 is endowment cash.

Interest rate risk. The Community College's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Community College.

Concentration of credit risk. The Community College places a 5% limit on the amount that may be invested in any one user at the time of purchase.

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.

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 3 – DEFERRED COMPENSATION PLAN (Continued)

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, 2005, 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.

Note 4 -- INVENTORIES

The Community College's inventories at June 30, 2005 are as follows:

Bookstore	\$	242,699
Food Service	20,474	
Farm	94,138	
Parts Store	37,002	
Other	<u>51,634</u>	
Total	\$	<u>445,947</u>

Note 5 – CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets not being depreciated:				
Land	\$ 1,010,941	\$ 335,000	\$ -	\$ 1,345,941
Construction in Progress	<u>482,515</u>	<u>1,680,744</u>	<u>2,138,053</u>	<u>19,771</u>
Total capital assets, not being depreciated	<u>\$ 1,493,456</u>	<u>\$ 2,015,744</u>	<u>\$ 2,138,053</u>	<u>\$ 1,365,712</u>
Capital assets being depreciated:				
Buildings	\$ 24,394,567	\$ 3,716,998	\$ 220,518	\$ 27,891,047
Other Structures and Improvements	933,393	2,062,163	-	2,995,556
Furniture and Equipment	<u>3,458,298</u>	<u>319,723</u>	<u>134,854</u>	<u>3,643,167</u>
Total assets, being depreciated	<u>28,786,258</u>	<u>6,098,884</u>	<u>355,372</u>	<u>34,529,770</u>
Less accumulated depreciation for:				
Buildings	7,940,627	633,225	153,691	8,420,160
Other Structures and Improvements	486,638	147,389	-	634,027
Furniture and Equipment	<u>2,395,288</u>	<u>297,992</u>	<u>122,229</u>	<u>2,571,052</u>
Total accumulated depreciation	<u>10,822,553</u>	<u>1,078,606</u>	<u>275,920</u>	<u>11,625,239</u>
Total capital assets being depreciated, net	<u>\$ 17,963,705</u>	<u>\$ 5,020,278</u>	<u>\$ 79,452</u>	<u>\$ 22,904,531</u>

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 5 – CAPITAL ASSETS (Continued)

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 are included in the Agency Fund.

On June 30, 2005, the Community College has future construction commitments of \$105,998.

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, 2005, 2004, and 2003 were \$277,511, \$278,514, and \$276,395, 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, 2005, were \$341,494 and \$219,744, respectively.

Note 8 -- CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2005 is as follows:

	Notes Payable	Certificates Payable	Bonds Payable	Total
Balance Beginning of Year	\$ -	\$ 3,990,000	\$ 3,615,000	\$ 7,605,000
Additions	4,234	715,000	1,200,000	1,919,234
Reductions	(706)	(725,000)	(355,000)	(1,080,706)
Balance End of Year	\$ <u>3,528</u>	\$ <u>3,980,000</u>	\$ <u>4,460,000</u>	\$ <u>8,443,528</u>

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 9 -- CERTIFICATES PAYABLE

In accordance with agreements dated between September 1, 1995 and June 30, 2005, the Community College issued certificates totaling \$7,465,000 with interest rates ranging from 3.25% to 7.90%. 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 2005, Iowa Lakes Community College recorded \$453,913 of interest expense from the certificates payable.

The certificates will mature as follows:

Year Ended June 30,	Principal	Interest	Total
2006	780,000	243,808	1,023,808
2007	540,000	196,176	736,176
2008	580,000	163,957	743,957
2009	615,000	127,461	742,461
2010	410,000	88,008	498,008
2011-2014	<u>1,055,000</u>	<u>140,565</u>	<u>1,195,565</u>
Total	<u>\$ 3,980,000</u>	<u>\$ 959,975</u>	<u>\$ 4,939,975</u>

Note 10 -- BONDS AND OTHER LONG-TERM DEBT

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, 2005 is \$1,025,000.

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, 2005, was \$2,235,000.

On June 1, 2005, Iowa Lakes Community College issued \$1,200,000 of lease purchase certificates of participation to finance the purchase of Gateway North Mall. Annual principal payments begin June 1, 2006. Interest payments are due semi-annually each June and December. The certificates will mature in 2017. The balance of the certificates at June 30, 2005 was \$1,200,000.

During 2005 Iowa Lakes Community College acquired a note on a truck with the purchase of Gateway North Mall. Monthly payments of \$705.72 began in June 2005. The note is interest free and will mature during 2006. The balance at June 30, 2005 was \$3,528.

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 10 -- BONDS AND CAPITAL LOAN NOTES PAYABLE

Details of the Community College's June 30, 2005 bonded indebtedness maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 413,528	\$ 220,466	\$ 633,994
2007	430,000	202,458	632,458
2008	445,000	183,002	628,002
2009	460,000	162,502	622,502
2010	480,000	140,471	620,471
2001-2015	1,475,000	373,515	1,848,515
2016-2017	<u>760,000</u>	<u>80,420</u>	<u>840,420</u>
Total	<u>\$ 4,463,528</u>	<u>\$ 1,362,834</u>	<u>\$ 5,826,362</u>

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 65 projects. Of these projects, 24 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 136 retraining projects under Chapter 260F. Of these 136 projects, 10 were performed during fiscal year 2005.

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 \$2,615,191.

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

Note 13 -- **SELF-FUNDED HEALTH INSURANCE PROGRAM** (Continued)

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. The College uses reinsurance to reduce its exposure for losses that carries an aggregate stop loss of \$50,000 per employee covered and an aggregate stop loss of 125% of total estimated claims. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR). The changes in the aggregate liabilities for claims included in Due to Others for the year ended June 30, 2005 are as follows:

Claims payable, beginning of year	\$ 316,807
Claims recognized	3,906,671
Claim payments	<u>(3,593,148)</u>
Claims payable, end of year	<u>\$ 630,330</u>

Note 14 – **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 30th, following the disbursement of the first payment.

The liability at June 30, 2005 for those employees who have elected early retirement was \$36,823. 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, 2005 was \$201,749.

At June 30, 2005 the potential liability, if all eligible employees accepted early retirement, is approximately \$ 264,293.

IOWA LAKES COMMUNITY COLLEGE
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
 BUDGET TO ACTUAL - REQUIRED SUPPLEMENTAL INFORMATION
 YEAR ENDED JUNE 30, 2005

Funds/Levy	Original Budget	Amended Budget	Actual	Variance between Actual and Amended Budget
Unrestricted	<u>\$ 17,500,000</u>	<u>\$ 18,778,125</u>	<u>\$ 18,788,235</u>	<u>\$ (10,110)</u>
Restricted	4,950,000	4,950,000	3,486,461	1,463,539
Early Retirement	170,000	170,000	199,726	(29,726)
Unemployment	20,000	20,000	2,571	17,429
Tort Liability	235,000	235,000	253,303	(18,303)
Insurance	605,000	605,000	589,236	15,764
Stand By	15,700	15,700	15,691	9
Equipment Replacement	102,400	102,400	106,510	(4,110)
Total Restricted	<u>6,098,100</u>	<u>6,098,100</u>	<u>4,653,498</u>	<u>1,444,602</u>
Plant	<u>3,000,000</u>	<u>5,500,000</u>	<u>4,142,596</u>	<u>1,357,404</u>
 Total	 <u>\$ 26,598,100</u>	 <u>\$ 30,376,225</u>	 <u>\$ 27,584,329</u>	 <u>\$ 2,791,896</u>

**IOWA LAKES COMMUNITY COLLEGE
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION – BUDGETARY REPORTING
JUNE 30, 2005**

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 was a budget amendment on February 15, 2005. The amendment to the Unrestricted Fund was related to new programs, grants, and the New Jobs Training Program activities. The amendment to the Plant Fund was for the purchase of a wind turbine and other construction activities.

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 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 to 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, 2005**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
ASSETS:			
Cash and Pooled Investments:			
Cash and Pooled Investments	\$ 845,802	\$ 5,078,913	\$ 4,315
Deferred Compensation	-	-	-
Receivables:			
Due from Others	1,296,169	153,174	4,566
Accrued Interest	8,645	6,419	-
Property Taxes - Succeeding Year	711,000	1,306,000	-
Nursing Loans	-	-	10,311
Iowa Industrial New Jobs Training Program	-	721,833	-
Due From Other Funds	-	23,439	-
Due From Other Governments	88,135	173,479	-
Inventories	445,947	-	-
Prepaid Expenses	45,073	37,844	-
Capital Assets:			
Land	-	-	-
Buildings	-	-	-
Other Structures and Improvements	-	-	-
Furniture and Equipment	-	-	-
Construction in Progress	-	-	-
Accumulated Depreciation	-	-	-
Total Assets	<u>\$ 3,440,771</u>	<u>\$ 7,501,101</u>	<u>\$ 19,192</u>

SCHEDULE 1

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ 2,876,181	\$ 376,812	\$ 157,636	\$ -	\$ 429,869	\$ -	\$ 9,769,528
-	-	-	-	230,639	-	230,639
-	-	-	-	721	-	1,454,630
4,615	29,649	-	-	-	-	49,328
-	-	711,000	-	-	-	2,728,000
-	-	-	-	-	-	10,311
-	-	-	-	-	-	721,833
-	-	-	-	-	(23,439)	-
-	-	-	-	-	-	261,614
-	-	-	-	-	-	445,947
-	10,000	-	-	-	-	92,917
-	-	-	1,328,941	17,000	-	1,345,941
-	-	-	27,752,397	138,650	-	27,891,047
-	-	-	2,922,921	72,635	-	2,995,556
-	-	-	3,643,167	-	-	3,643,167
-	19,771	-	-	-	-	19,771
-	-	-	-	-	(11,625,239)	(11,625,239)
<u>\$ 2,880,796</u>	<u>\$ 436,232</u>	<u>\$ 868,636</u>	<u>\$ 35,647,426</u>	<u>\$ 889,514</u>	<u>\$(11,648,678)</u>	<u>\$ 40,034,990</u>

**IOWA LAKES COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2005**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
LIABILITIES AND FUND EQUITY:			
Liabilities:			
Accounts Payable	\$ 457,019	\$ 116,132	\$ -
Salaries and Benefits Payable	511,890	27,034	-
Deferred Compensation	-	-	-
Accrued Interest	5,358	20,332	-
Due to Other Funds	-	-	-
Deferred Revenue:			
Succeeding Year Property Tax	711,000	1,306,000	-
Other	333,066	523,808	-
Early Retirement Payable	-	36,823	-
Deposits Held in Custody for Others	46,342	-	-
Due to Others	620,925	-	-
Certificates Payable	-	3,980,000	-
Bonds and Other Long-Term Debt	-	-	-
Total Liabilities	2,685,600	6,010,129	-
Fund Balance:			
Invested in Capital Assets, Net of Related Debt	-	-	-
Fund Balances:			
Restricted:			
Nonexpendable:			
Scholarships	-	-	-
Expendable:			
Scholarships	-	882,061	-
Loans	-	-	19,192
Debt Service	-	-	-
Cash Reserve	-	286,030	-
Other	-	322,881	-
Unrestricted	1,976,855	-	-
Auxiliary Enterprises	(1,221,684)	-	-
Total Fund Balance	755,171	1,490,972	19,192
Total Liabilities and Fund Balance	\$ 3,440,771	\$ 7,501,101	\$ 19,192

SCHEDULE 1

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ -	\$ 73,699	\$ -	\$ -	\$ 6,261	\$ -	\$ 653,111
-	-	-	-	387	-	539,311
-	-	-	-	230,639	-	230,639
-	8,436	4,331	-	-	-	38,457
23,439	-	-	-	-	(23,439)	-
-	-	711,000	-	-	-	2,728,000
-	-	-	-	-	-	856,874
-	-	-	-	-	-	36,823
-	-	-	-	651,572	-	697,914
3,762	-	-	-	655	-	625,342
-	-	-	-	-	-	3,980,000
-	-	-	4,463,528	-	-	4,463,528
27,201	82,135	715,331	4,463,528	889,514	(23,439)	14,849,999
-	-	-	31,183,898	-	(11,625,239)	19,558,659
2,853,595	-	-	-	-	-	2,853,595
-	-	-	-	-	-	882,061
-	-	-	-	-	-	19,192
-	-	153,305	-	-	-	153,305
-	-	-	-	-	-	286,030
-	-	-	-	-	-	322,881
-	354,097	-	-	-	-	2,330,952
-	-	-	-	-	-	(1,221,684)
2,853,595	354,097	153,305	31,183,898	-	(11,625,239)	25,184,991
<u>\$ 2,880,796</u>	<u>\$ 436,232</u>	<u>\$ 868,636</u>	<u>\$ 35,647,426</u>	<u>\$ 889,514</u>	<u>\$(11,648,678)</u>	<u>\$ 40,034,990</u>

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENDITURES AND
OTHER CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
REVENUES AND OTHER ADDITIONS:			
General:			
State Appropriations and Grants	7,300,785	511,883	-
Tuition and Fees	8,269,588	-	-
Property Taxes	693,915	1,078,368	-
Federal Appropriations and Grants	462,755	4,695,937	-
Scholarships, Grants, and Gifts	-	519,821	-
Interest on Investments	-	138,469	-
Interest on Student Loans	-	-	310
Iowa Industrial New Jobs Training Program	-	1,186,301	-
Expended for Plant Facilities (Including \$3,626,662 charged to current funds)	-	-	-
Principal Retired	-	-	-
Miscellaneous	1,670,882	278,142	55
	<u>18,397,925</u>	<u>8,408,921</u>	<u>365</u>
Auxiliary Enterprises			
Tuition and Fees	495,645	-	-
Sales and Services	3,611,441	-	-
Interest on Investments	80,984	-	-
State Appropriations	366,666	-	-
Federal Grants and Contracts	21,378	-	-
Proceeds from Long-Term Debt	1,204,234	-	-
Miscellaneous	651,799	-	-
	<u>6,432,147</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Additions	 <u>24,830,072</u>	 <u>8,408,921</u>	 <u>365</u>

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
-	-	-	-	-	7,812,668
-	-	-	-	(3,278,935)	4,990,653
-	693,915	-	-	-	2,466,198
-	-	-	-	-	5,158,692
808,647	-	-	-	-	1,328,468
9,472	111,781	3,360	-	-	263,082
-	-	-	-	-	310
-	-	-	-	-	1,186,301
-	-	-	6,433,884	(6,433,884)	-
-	-	-	355,706	(355,706)	-
-	348	-	-	(12,897)	1,936,530
<u>818,119</u>	<u>806,044</u>	<u>3,360</u>	<u>6,789,590</u>	<u>(10,081,422)</u>	<u>25,142,902</u>
-	-	-	-	-	495,645
-	-	-	-	(598,895)	3,012,546
-	-	-	-	-	80,984
-	-	-	-	-	366,666
-	-	-	-	-	21,378
-	-	-	-	(1,204,234)	-
-	-	-	-	(111,690)	540,109
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,914,819)</u>	<u>4,517,328</u>
<u>818,119</u>	<u>806,044</u>	<u>3,360</u>	<u>6,789,590</u>	<u>(11,996,241)</u>	<u>29,660,230</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, 2005**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and Support:			
Liberal Arts and Sciences	5,281,128	-	-
Vocational Technical	3,464,605	-	-
Adult Education	812,132	-	-
Cooperative Services	1,341,078	850,502	-
Administration	853,202	842,923	-
Student Services	1,231,922	-	-
Learning Resources	906,724	-	-
Physical Plant	1,574,406	116,123	-
General Institution	2,767,784	2,022,790	-
Total Education and Support	<u>18,232,981</u>	<u>3,832,338</u>	-
Auxiliary Enterprises	7,626,395	-	-
Scholarships and Grants	-	3,973,499	-
Administration and Collection Costs	-	-	1,520
Plant Asset Acquisitions	-	-	-
Retirement of Indebtedness	-	-	-
Disposal of Plant Assets	-	-	-
Loss on Sale of Capital Assets	-	-	-
Interest on Indebtedness	-	274,346	-
Issuance of Long-Term Debt	-	-	-
Depreciation	-	-	-
Total Expenditures and Other Deductions	<u>25,859,376</u>	<u>8,080,183</u>	<u>1,520</u>
Excess (Deficiency) of Revenues and Other Additions Over (Under) Expenditures and Other Deductions	(1,029,304)	328,738	(1,155)
TRANSFERS:			
Mandatory Transfers	(144,736)	-	-
Non-mandatory Transfers	(737,744)	5,059	-
Total Transfers	<u>(882,480)</u>	<u>5,059</u>	<u>-</u>
Net Increase (Decrease) for the Year	(1,911,784)	333,797	(1,155)
Fund Balance - June 30, 2004	2,666,955	1,157,175	20,347
Fund Balance - June 30, 2005	<u>\$ 755,171</u>	<u>\$ 1,490,972</u>	<u>\$ 19,192</u>

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
-	-	-	-	(43,196)	5,237,932
-	-	-	-	(173,197)	3,291,408
-	-	-	-	(36,104)	776,028
-	-	-	-	(7,465)	2,184,115
-	-	-	-	(2,240)	1,693,885
-	-	-	-	(16,158)	1,215,764
-	-	-	-	(4,853)	901,871
-	-	-	-	(76,659)	1,613,870
-	1,276,598	-	-	(37,603)	6,029,569
-	1,276,598	-	-	(397,475)	22,944,442
-	-	-	-	(3,505,449)	4,120,946
32,098	-	-	-	(3,713,964)	291,633
-	-	-	-	-	1,520
-	2,807,222	-	-	(2,807,222)	-
-	-	355,000	-	(355,000)	-
-	-	-	355,372	(355,372)	-
-	-	-	-	66,555	66,555
-	114,191	55,891	-	-	444,428
-	-	-	1,204,234	(1,204,234)	-
-	-	-	-	1,078,606	1,078,606
32,098	4,198,011	410,891	1,559,606	(11,193,555)	28,948,130
786,021	(3,391,967)	(407,531)	5,229,984	(802,686)	712,100
-	-	144,736	-	-	-
-	467,685	265,000	-	-	-
-	467,685	409,736	-	-	-
786,021	(2,924,282)	2,205	5,229,984	(802,686)	712,100
2,067,574	3,278,379	151,100	25,953,914	(10,822,553)	24,472,891
<u>\$ 2,853,595</u>	<u>\$ 354,097</u>	<u>\$ 153,305</u>	<u>\$ 31,183,898</u>	<u>\$(11,625,239)</u>	<u>\$ 25,184,991</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, 2005**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
REVENUES:				
State Appropriations and Grants	\$ -	\$ -	\$ -	\$ -
Tuition and Fees	3,668,386	2,713,032	486,923	892,464
Property Taxes	-	-	-	-
Federal Grants and Contracts	-	240,624	113,214	-
Miscellaneous	911,583	21,595	37,101	112,124
	<u>4,579,969</u>	<u>2,975,251</u>	<u>637,238</u>	<u>1,004,588</u>
Allocation of Support Services	4,627,122	3,982,140	537,331	54,285
	<u>4,627,122</u>	<u>3,982,140</u>	<u>537,331</u>	<u>54,285</u>
Total Revenues	9,207,091	6,957,391	1,174,569	1,058,873
EXPENDITURES:				
Salaries and Benefits	4,344,357	2,975,796	554,223	1,221,382
Services	738,741	79,278	190,009	36,977
Materials and Supplies	110,770	260,645	40,406	20,967
Travel	74,136	106,237	16,097	17,146
Expended for Plant Facilities	13,120	36,980	-	-
Miscellaneous	4	5,669	11,397	44,606
	<u>5,281,128</u>	<u>3,464,605</u>	<u>812,132</u>	<u>1,341,078</u>
Allocation of Support Services	3,688,288	3,174,172	428,308	43,271
	<u>3,688,288</u>	<u>3,174,172</u>	<u>428,308</u>	<u>43,271</u>
Total Expenditures	8,969,416	6,638,777	1,240,440	1,384,349
Excess (Deficiency) of Revenues Over (Under) Expenditures	237,675	318,615	(65,870)	(325,476)
TRANSFERS:				
Non-mandatory Transfers	3,000	-	74,876	49,117
	<u>3,000</u>	<u>-</u>	<u>74,876</u>	<u>49,117</u>
Total Transfers	3,000	-	74,876	49,117
Net Increase (Decrease) for the Year	\$ 240,675	\$ 318,615	\$ 9,006	\$ (276,359)
Fund Balance June 30, 2004				
Fund Balance June 30, 2005				

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
\$ -	\$ -	\$ -	\$ -	\$ 7,300,785	\$ 7,300,785
-	-	-	-	508,783	8,269,588
-	-	-	-	693,915	693,915
-	-	-	-	108,917	462,755
120	161	231	37,834	550,133	1,670,882
120	161	231	37,834	9,162,533	18,397,925
(120)	(161)	(231)	(37,834)	(9,162,533)	-
-	-	-	-	-	18,397,925
788,962	1,066,928	737,995	971,221	1,583,353	14,244,217
27,986	83,401	77,231	301,175	878,227	2,413,025
8,320	25,934	75,047	221,043	247,856	1,010,988
27,934	55,659	16,451	17,211	76,164	407,035
-	-	-	61,620	-	111,720
-	-	-	2,136	(17,816)	45,996
853,202	1,231,922	906,724	1,574,406	2,767,784	18,232,981
(853,202)	(1,231,922)	(906,724)	(1,574,406)	(2,767,784)	-
-	-	-	-	-	18,232,981
-	-	-	-	-	164,944
7,500	35,685	192	1,907	(534,687)	(362,410)
7,500	35,685	192	1,907	(534,687)	(362,410)
\$ 7,500	\$ 35,685	\$ 192	\$ 1,907	\$ (534,687)	(197,466)
					2,174,321
					<u>\$ 1,976,855</u>

**IOWA LAKES COMMUNITY COLLEGE
CURRENT UNRESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISES
YEAR ENDED JUNE 30, 2005**

	Bookstore	Food Services	Wellness Center	Farm	Athletics	Dormitories
REVENUES:						
Sales and Services	\$ 1,326,710	\$ 879,547	\$ 110,275	\$ 225,047	\$ -	\$ 752,722
Interest on Investments	-	-	41,656	-	-	-
Tuition and Fees	-	-	7,500	-	25,804	-
State Appropriations	-	-	-	-	-	-
Federal Grants and Contracts	-	-	10,000	11,378	-	-
Proceeds from Long-Term Debt	-	-	-	-	-	-
Miscellaneous	643	18,319	114,647	8,428	40,991	7,675
Total Revenues	1,327,353	897,866	284,078	244,853	66,795	760,397
EXPENDITURES:						
Salaries and Benefits	147,054	365,039	168,583	1,490	2,491	135,361
Services	31,705	34,250	23,392	108,168	39,341	210,770
Materials and Supplies	3,611	103,304	13,242	106,248	41,708	56,318
Travel	1,302	2,747	3,939	3,205	83,292	93
Expended for Plant Facilities	-	-	-	19,102	-	-
Payments on Long-Term Debt	-	-	-	-	-	-
Cost of Goods Sold	1,024,482	233,020	2,521	43,900	12,401	-
Miscellaneous	(49)	(130)	12	-	-	-
Total Expenditures	1,208,105	738,230	211,689	282,113	179,233	402,542
Excess (Deficiency) of Revenues Over (Under) Expenditures	119,248	159,636	72,389	(37,260)	(112,438)	357,855
TRANSFERS:						
Mandatory Transfers	-	-	-	-	-	(144,736)
Non-mandatory Transfers	(151,553)	(193)	(74,535)	-	107,311	(113,952)
Total Transfers	(151,553)	(193)	(74,535)	-	107,311	(258,688)
Net Increase (Decrease) for the Year	(32,305)	159,443	(2,146)	(37,260)	(5,127)	99,167
Fund Balance (Deficit) June 30 2004	16,806	(32,864)	(34,028)	(31,009)	9,665	(19,988)
Fund Balance (Deficit) June 30 2005	\$ (15,499)	\$ 126,579	\$ (36,174)	\$ (68,269)	\$ 4,538	\$ 79,179

SCHEDULE 4

Aviation	Parts	Printing	Vehicles	Wind Turbine	Gateway North	Miscellaneous	Total
\$ -	\$ 163,347	\$ 121,263	\$ -	\$ -	\$ 14,458	\$ 18,072	\$ 3,611,441
-	-	-	-	-	-	39,328	80,984
203,140	-	-	-	-	-	259,201	495,645
-	-	-	-	366,666	-	-	366,666
-	-	-	-	-	-	-	21,378
-	-	-	-	-	1,204,234	-	1,204,234
<u>(14,632)</u>	<u>29,269</u>	<u>3,972</u>	<u>99,254</u>	<u>38,856</u>	<u>181,307</u>	<u>123,070</u>	<u>651,799</u>
188,508	192,616	125,235	99,254	405,522	1,399,999	439,671	6,432,147
59,397	52,456	49,739	-	-	967	8,361	990,938
280	3,601	79	764	412	40,141	111,397	604,300
234,813	(33,495)	32,445	43,959	720	4,135	323,685	930,693
-	639	-	11,165	-	246	28,084	134,712
-	-	34,566	36,048	2,047,874	1,296,500	10,154	3,444,244
-	-	-	-	-	706	-	706
-	164,934	20,930	-	-	-	13,127	1,515,315
-	<u>295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,359</u>	<u>-</u>	<u>5,487</u>
<u>294,490</u>	<u>188,430</u>	<u>137,759</u>	<u>91,936</u>	<u>2,049,006</u>	<u>1,348,054</u>	<u>494,808</u>	<u>7,626,395</u>
(105,982)	4,186	(12,524)	7,318	(1,643,484)	51,945	(55,137)	(1,194,248)
-	-	-	-	-	-	-	(144,736)
-	<u>1,869</u>	<u>(4,800)</u>	<u>-</u>	<u>(1,024)</u>	<u>-</u>	<u>(138,457)</u>	<u>(375,334)</u>
-	<u>1,869</u>	<u>(4,800)</u>	<u>-</u>	<u>(1,024)</u>	<u>-</u>	<u>(138,457)</u>	<u>(520,070)</u>
(105,982)	6,055	(17,324)	7,318	(1,644,508)	51,945	(193,594)	(1,714,318)
36,580	<u>(14,138)</u>	<u>(94,603)</u>	<u>(46,502)</u>	<u>-</u>	<u>-</u>	<u>702,715</u>	<u>492,634</u>
<u>\$ (69,402)</u>	<u>\$ (8,083)</u>	<u>\$ (111,927)</u>	<u>\$ (39,184)</u>	<u>\$ (1,644,508)</u>	<u>\$ 51,945</u>	<u>\$ 509,121</u>	<u>\$ (1,221,684)</u>

**IOWA LAKES COMMUNITY COLLEGE
CURRENT RESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005**

	Scholarships and Grants	Equipment Replacement	Insurance
REVENUES:			
State Appropriations	\$ 271,529	\$ -	\$ -
Property Taxes	-	102,799	798,997
Federal Appropriations and Grants	2,953,005	-	-
Scholarships, Grants, and Gifts	457,336	9,867	-
Interest on Investments	59,658	61	-
Iowa Industrial New Jobs Training Program	-	-	-
Miscellaneous	153,523	-	4,928
Total Revenues and Other Additions	3,895,051	112,727	803,925
EXPENDITURES AND OTHER DEDUCTIONS:			
Salaries and Benefits	-	-	166,757
Services	4,183	19	673,595
Materials and Supplies	-	108,604	-
Travel	-	-	-
Expended for Plant Facilities	-	7,500	-
Interest on Indebtedness	-	-	-
Federal Pell Grant Program	2,910,296	-	-
Federal Supplemental Educational Opportunity Grant	54,369	-	-
Iowa College Student Aid Commission	166,159	-	-
Private Scholarships	838,492	-	-
Total Expenditures and Other Deductions	3,973,499	116,123	840,352
Excess (Deficiency) of Revenues and Other Additions Over (Under) Expenditures and Other Deductions	(78,448)	(3,396)	(36,427)
TRANSFERS:			
Non-mandatory Transfers	125,053	3,711	-
Total Transfers	125,053	3,711	-
Net Increase (Decrease) for the Year	46,605	315	(36,427)
Fund Balance (Deficit) June 30, 2004	835,456	51,716	13,121
Fund Balance (Deficit) June 30, 2005	<u>\$ 882,061</u>	<u>\$ 52,031</u>	<u>\$ (23,306)</u>

SCHEDULE 5

Unemployment Compensation	Early Retirement	Cash Reserve	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ 240,354	\$ 511,883
477	160,404	-	15,691	-	1,078,368
-	-	-	-	1,742,932	4,695,937
-	-	-	-	52,618	519,821
-	-	-	-	78,750	138,469
-	-	-	1,186,301	-	1,186,301
-	-	-	-	119,691	278,142
477	160,404	-	1,201,992	2,234,345	8,408,921
2,571	-	-	-	1,069,436	1,238,764
-	-	-	850,502	306,127	1,834,426
-	-	-	-	386,507	495,111
-	-	-	-	89,395	89,395
-	-	-	-	51,510	59,010
-	-	-	274,346	-	274,346
-	-	-	-	119,815	3,030,111
-	-	-	-	-	54,369
-	-	-	-	-	166,159
-	-	-	-	-	838,492
2,571	-	-	1,124,848	2,022,790	8,080,183
(2,094)	160,404	-	77,144	211,555	328,738
(3,711)	-	-	-	(119,994)	5,059
(3,711)	-	-	-	(119,994)	5,059
(5,805)	160,404	-	77,144	91,561	333,797
24,300	(223,347)	286,030	(82,632)	252,531	1,157,175
\$ 18,495	\$ (62,943)	\$ 286,030	\$ (5,488)	\$ 344,092	\$ 1,490,972

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, 2005

	Iowa Small Business New Jobs Training Program	Student Organizations
ADDITIONS:		
State Appropriations and Grants	\$ 142,125	\$ -
Tuition and Fees	-	77,179
Sales and Services	-	-
Interest on Investments	-	-
Miscellaneous	-	141,588
Total Additions	142,125	218,767
DEDUCTIONS:		
Salaries and Benefits	-	4,445
Services	117,375	66,487
Materials and Supplies	-	27,026
Travel	-	81,556
Cost of Sales	-	22,123
Miscellaneous	24,750	1,945
Total Deductions	142,125	203,582
Net Increase for the Year	-	15,185
Balance June 30, 2004	546	156,839
Balance June 30, 2005	\$ 546	\$ 172,024

SCHEDULE 6

Iowa Lakes Foundation	Miscellaneous	Total
\$ -	\$ -	\$ 142,125
-	1,053	78,232
76,111	-	76,111
4,191	-	4,191
<u>246,307</u>	<u>72,351</u>	<u>460,246</u>
326,609	73,404	760,905
17,712	-	22,157
160,322	7,757	351,941
12,370	59,053	98,449
1,240	6,498	89,294
43,378	-	65,501
<u>88,931</u>	<u>-</u>	<u>115,626</u>
<u>323,953</u>	<u>73,308</u>	<u>742,968</u>
2,656	96	17,937
<u>456,632</u>	<u>19,618</u>	<u>633,635</u>
<u>\$ 459,288</u>	<u>\$ 19,714</u>	<u>\$ 651,572</u>

**IOWA LAKES COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
IOWA INDUSTRIAL NEW JOBS TRAINING PROGRAM
YEAR ENDED JUNE 30, 2005**

Project Name	Project Costs			
	Training and Wages	Administration	Legal and Issue Costs	Subtotal
SkyJack IV	\$ -	\$ -	\$ -	\$ -
Electrimold	-	-	-	-
Heartland Press III	-	-	-	-
Polaris Industries, LP II	-	-	150	150
Stylecraft, Inc. IV	-	-	-	-
Woodland Container Corporation	-	-	-	-
Heartland Beef Processing, Inc	-	-	-	-
Maurer Manufacturing Co. Inc.	-	-	-	-
Midwest Quality Meats	-	-	-	-
Nolin Milling, Inc.	-	-	-	-
Skyjack Manufacturing, Inc. V	-	-	150	150
Woodland Container Corporation II	-	-	-	-
Polaris Industries, LP III	-	-	150	150
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	-	-	150	150
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	-	-	250	250
Outdoor Technology II	-	-	-	-
Institutional Equipment	-	-	-	-
Veridian Limited	-	-	-	-
GKN Armstrong	-	-	-	-
Eaton Corp. II	-	-	-	-
Rosenboom Machinery	-	-	175	175
Pure Fishing	-	-	-	-
Pharmacists Mutual	15,952	-	-	15,952
Midwest Grain Processors	-	-	350	350
GKN Armstrong	-	-	-	-
AFECO, Inc.	5,133	-	-	5,133
KLM Acquisition Corp.	8,104	-	-	8,104
Merkel Fruedenburg	122	-	-	122
Polaris VI	4,019	-	350	4,369
Pure Fishing	-	-	-	-
Quality Processing	183,786	-	-	183,786
Shine Brothers	11,887	-	-	11,887
Country Maid Inc	44,856	-	-	44,856
Pharmacists Mutual II	57,465	-	-	57,465
GKN Armstrong VI	151,505	-	-	151,505
Pure Fishing V	194,376	-	-	194,376
Voyager Ethanol	68,071	-	700	68,771
Total	\$ 745,276	\$ -	\$ 2,425	\$ 747,701

SCHEDULE 7

Retirement Costs						
Debt	Interest	Total Current Year Expenditures	Less: Non-Budgeted Expenditures	Cumulative Prior Period Budgeted Expenditures	Total Budgeted Expenditures	Budget
\$ 5,000	\$ 353	\$ 5,353	\$ 5,353	\$ 22,323	\$ 22,323	\$ 35,000
5,000	353	-	-	22,062	22,062	35,000
5,000	353	5,353	5,353	20,984	20,984	25,000
30,000	2,118	32,268	32,118	179,533	179,683	225,000
20,000	1,412	21,412	21,412	112,828	112,828	150,000
-	-	-	-	17,386	17,386	20,000
10,000	618	10,618	10,618	75,440	75,440	80,000
10,000	618	10,618	10,618	42,671	42,671	50,000
10,000	618	10,618	10,618	48,048	48,048	55,000
5,000	310	5,310	5,310	11,141	11,141	15,000
15,000	985	16,135	15,985	97,088	97,238	105,000
5,000	254	5,254	5,254	28,780	28,780	35,000
40,000	6,415	46,565	46,415	319,172	319,322	325,000
15,000	2,653	17,653	17,653	111,193	111,193	120,000
15,000	2,258	17,258	17,258	83,553	83,553	95,000
35,000	5,267	40,267	40,267	175,845	175,845	240,000
5,000	1,148	6,148	6,148	57,637	57,637	60,000
10,000	1,825	11,825	11,825	72,927	72,927	80,000
15,000	2,549	17,549	17,549	95,419	95,419	110,000
25,000	3,615	28,765	28,615	162,108	162,258	175,000
10,000	1,446	11,446	11,446	52,304	52,304	55,000
5,000	1,103	6,103	6,103	34,077	34,077	40,000
5,000	722	5,722	5,722	26,238	26,238	30,000
-	-	-	-	19,705	19,705	20,000
10,000	4,505	14,505	14,505	105,629	105,629	120,000
5,000	3,129	8,129	8,129	58,142	58,142	75,000
20,000	7,598	27,598	27,598	98,314	98,314	205,000
5,000	3,129	8,129	8,129	47,365	47,365	75,000
45,000	18,676	63,676	63,676	267,084	267,084	435,000
5,000	2,773	7,773	7,773	56,660	56,660	65,000
60,000	203,449	263,699	263,449	194,138	194,388	580,000
5,000	3,832	8,832	8,832	24,418	24,418	100,000
10,000	4,084	14,084	14,084	49,260	49,260	75,000
10,000	5,602	15,602	15,602	49,356	49,356	105,000
15,000	7,449	22,449	22,449	350	350	140,000
20,000	10,441	30,441	30,441	-	-	205,000
25,000	11,521	36,696	36,521	1,254	1,429	215,000
15,000	9,350	20,000	20,000	124,792	124,792	190,000
10,000	5,993	31,945	15,993	102,901	118,853	120,000
20,000	11,314	31,664	31,314	223,549	223,899	225,000
20,000	10,049	30,049	30,049	198,087	198,087	200,000
10,000	6,979	22,112	16,979	67,826	72,959	130,000
10,000	4,061	22,165	14,061	25,650	33,754	80,000
30,000	9,481	39,603	39,481	138,044	138,166	190,000
60,000	24,543	88,912	84,543	178,886	183,255	485,000
15,000	5,317	20,317	20,317	103,997	103,997	105,000
-	18,430	202,216	18,430	180,255	364,041	365,000
-	4,300	16,187	4,300	27,781	39,668	85,000
-	1,327	46,183	1,327	-	44,856	45,000
-	3,809	61,274	3,809	-	57,465	130,000
-	4,548	156,053	4,548	-	151,505	155,000
-	5,655	200,031	5,655	-	194,376	195,000
-	5,576	74,347	5,576	-	68,771	190,000
<u>\$ 725,000</u>	<u>\$ 453,913</u>	<u>\$ 1,916,911</u>	<u>\$ 1,169,210</u>	<u>\$ 4,212,200</u>	<u>\$ 4,959,901</u>	<u>\$ 7,465,000</u>

See Accompanying Independent Auditor's Report

IOWA LAKES COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
IOWA JOBS TRAINING PROGRAM
YEAR ENDED JUNE 30, 2005

Project Name	Project Costs			Subtotal
	Training and Wages	Administration	Legal and Issue Costs	
Cadre Teleservices, LLC	\$ 16,500	\$ 3,500	\$ -	\$ 20,000
Cycle Country Accessories, Inc.	20,600	4,400	-	25,000
AI Processors	20,600	4,400	-	25,000
Call Concepts	4,149	850	-	4,999
CF Industries, Inc	4,000	700	-	4,700
Great Lakes Cooperative	16,500	3,500	-	20,000
Nolin Milling	7,677	1,600	-	9,277
All Star Pro Golf, Inc.	8,296	1,700	-	9,996
Holiday Express Corporation	6,800	1,400	-	8,000
Choice Technologies, Inc.	12,453	2,700	-	15,153
Total	\$ 117,375	\$ 24,750	\$ -	\$ 142,125

SCHEDULE 8

Retirement Costs		Total Current Year Expenditures	Less: Non- Budgeted Expenditures	Cumulative Prior Period Budgeted Expenditures	Total Budgeted Expenditures	Budget
Debt	Interest					
\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 25,000
-	-	25,000	-	-	25,000	23,075
-	-	25,000	-	-	25,000	8,805
-	-	4,999	-	-	4,999	13,210
-	-	4,700	-	-	4,700	11,000
-	-	20,000	-	-	20,000	22,015
-	-	9,277	-	-	9,277	3,100
-	-	9,996	-	-	9,996	10,000
-	-	8,000	-	-	8,000	25,000
-	-	15,153	-	-	15,153	9,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,125</u>	<u>\$ 150,205</u>

IOWA LAKES COMMUNITY COLLEGE
 SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
 YEAR ENDED JUNE 30, 2005

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	42,209	-	42,209	885,620	-	885,620
Vocational Preparatory	28,804	-	28,804	762,300	-	762,300
Adult Education	-	-	-	99,078	3,702	102,780
Cooperative Programs	-	-	-	-	-	-
Related Services and Activities	-	-	-	-	10,440	10,440
Total	<u>71,013</u>	<u>-</u>	<u>71,013</u>	<u>1,746,998</u>	<u>14,142</u>	<u>1,761,140</u>

IOWA LAKES COMMUNITY COLLEGE
 COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES

	Years Ended June 30,			
	2005	2004	2003	2002
Local (Property Tax)	\$ 2,466,198	\$ 2,710,785	\$ 2,727,153	\$ 2,352,906
State	8,179,334	7,783,155	7,521,236	8,101,532
Federal	<u>5,180,070</u>	<u>4,831,481</u>	<u>4,468,804</u>	<u>4,365,637</u>
Total	<u>\$ 15,825,602</u>	<u>\$ 15,325,421</u>	<u>\$ 14,717,193</u>	<u>\$ 14,820,075</u>

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

	Years Ended June 30,			
	2005	2004	2003	2002
State Appropriations	\$ 8,179,334	\$ 7,590,848	\$ 7,521,236	\$ 7,601,532
Tuition and Fees	8,765,233	8,369,925	7,439,641	6,792,616
Property Tax	1,772,283	1,967,436	2,010,311	1,657,846
Federal Appropriations	5,180,070	4,831,481	4,440,732	4,332,287
Interest on Investments	219,453	146,656	161,314	190,515
Iowa Industrial New Jobs Training Program	1,186,301	982,804	632,145	764,998
Auxiliary Enterprises	4,263,240	3,551,441	3,347,077	3,032,726
Miscellaneous	2,468,845	2,188,361	1,560,415	1,561,418
Total	<u>\$ 32,034,759</u>	<u>\$ 29,628,952</u>	<u>\$ 27,112,871</u>	<u>\$ 25,933,938</u>

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

	Years Ended June 30,			
	2005	2004	2003	2002
Liberal Arts and Sciences	\$ 5,281,128	\$ 4,879,702	\$ 4,345,474	\$ 4,169,636
Vocational Technical	3,464,605	2,963,652	2,589,557	2,383,655
Adult Education	812,132	783,479	748,170	821,021
Cooperative Services	1,341,078	1,290,784	1,198,384	1,074,516
Administration	853,202	786,789	754,271	795,326
Student Services	1,231,922	1,207,807	1,153,824	1,169,326
Learning Resources	906,724	848,195	785,617	756,002
Physical Plant	1,574,406	2,015,411	1,771,813	2,015,382
General Institution	2,767,784	2,039,440	2,141,051	1,892,747
Auxiliary Enterprises	7,626,395	3,648,457	3,344,599	3,251,037
Scholarships and Grants	3,973,499	3,878,501	3,231,699	3,096,304
Equipment Replacement	116,123	173,185	120,244	161,942
Insurance	840,352	845,122	750,587	719,137
Unemployment Compensation	2,571	788	20,702	6,363
Iowa Industrial New Jobs Training Program	850,502	805,468	408,538	518,634
Miscellaneous	2,022,790	2,074,821	1,827,274	1,774,714
Interest on Indebtness	274,346	272,042	245,772	281,991
Total	<u>\$ 33,939,559</u>	<u>\$ 28,513,643</u>	<u>\$ 25,437,576</u>	<u>\$ 24,887,733</u>

IOWA LAKES COMMUNITY COLLEGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2005

Grantor/Program	CFDA Number	Program Expenditures
DIRECT:		
U S Department of Agriculture:		
Production Flexibility Payments	10 055	\$ 11,378
Enhancing Awareness and Teaching of Animal Production	10 226	8,364
Total Direct - U.S. Department of Agriculture		<u>19,742</u>
U. S. Department of Education:		
Student Financial Aid – Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84 007	54,369
Federal Work-Study Program (FWS)	84 033	102,257
Federal Pell Grant Program	84 063	2,910,296
Total Student Financial Aid Cluster		<u>3,066,922</u>
Title III – Higher Education Institutional Aid	84 031A	162,965
Wind Energy	84 116Z	21,898
Student Supported Services – Aspires	84 042A	259,178
Talent Search	84 044	371,998
Upward Bound	84 047	350,127
Child Care Access	84 335A	13,141
Total Direct U.S. Department of Education		<u>4,246,229</u>
Corporation for National and Community Services:		
Retired Senior Volunteer Program	94 002	97,361
National Science Foundation	47 076	126,798
U.S. Department of Labor - Mine Health and Safety Grants	17 600	1,930
Total Direct Expenditures		<u>4,492,060</u>
INDIRECT:		
Small Business Administration:		
Indirect Through Iowa State University:		
Small Business Development Center	59 037	67,000
U.S. Department of Education:		
Indirect Through the Iowa Department of Education:		
Adult Education - State Grant Program	84 002	111,342
Indirect Through the Iowa Department of Education:		
Learning Anytime Anywhere Partnership	84 339	5,344
Indirect Through the Iowa Department of Education:		
Vocational Education - Basic Grants to States, Title II-C, Carl Perkins III	84 048	327,774
Indirect Through the Iowa Department of Education:		
Child Nutrition Admin, Milk & SFSP	10 556	9,122
Indirect Through the Iowa Department of Education:		
Tech Prep - Perkins Vocational Aid	84 243	71,917
U.S. Department of Homeland Security:		
Indirect Through the Iowa Homeland Security & Emergency Management		
Homeland Security Grant	97 067	86,646
Total Indirect Expenditures		<u>679,145</u>
Total Direct and Indirect Expenditures		<u>\$ 5,171,205</u>

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2005**

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, 2005, the following loan balances were outstanding at June 30, 2005:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Nursing Student Loans	93 364	\$ 10,311

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Certified Public Accountants

**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, 2005, and have issued our report thereon dated October 4, 2005. 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, 2005 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.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
October 4, 2005

**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, 2005. 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, 2005.

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

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
October 4, 2005

**IOWA LAKES COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2005**

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
- (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: No matters were reported.

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Instances of Non-Compliance: No matters were reported.

Reportable Conditions: 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, 2005.
- 04-IV-B: Certified Budget – Expenditures for the year ended June 30, 2005, 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 had not 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, by the second week in August, as required by Section 260C.14(12) of the Code of Iowa.

Recommendation – The Community College should make an effort to timely publish the summarized statement of receipts and disbursements for all funds.

Response – Due to the conversion to a new accounting system, the Community College failed to publish the above mentioned statement by the second week in August. In the future, the summarized statement of receipts and disbursement for all funds will be published in a timely manner.

Conclusion – Response accepted.

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.



Certified Public Accountants

**IOWA LAKES COMMUNITY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS
JUNE 30, 2005**

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