

**IOWA LAKES COMMUNITY COLLEGE  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS  
JUNE 30, 2006**



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**IOWA LAKES COMMUNITY COLLEGE  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Trustees</b>		
(Term of October 1, 2005 to September 30, 2006)		
John Hand	President	2009
Jan Lund	Vice President	2008
Ann Barry	Member	2008
Howard Kyle	Member	2008
Lynn Kueck	Member	2007
Jim Miller	Member	2007
Jack Tatman	Member	2009

**Community College**  
(As of June 30, 2006)

Dr. Harold Prior	President
Thomas Brotherton	Executive Dean of Emmetsburg Campus
Mary Mohni	Chief Academic Officer
Valerie Newhouse	Executive Vice President
Mary Larscheid	Executive Dean of Estherville Campus
Robert L'Heureux	Chief Financial Officer
Judith 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
Darin Moeller	Dean of Spirit Lake Campus
Shan Ray	Executive Director of Institutional Advancement

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**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, 2006. 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, 2006, and the results of operations and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated September 22, 2006, 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, 2005 (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  
September 22, 2006

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED JUNE 30, 2006**

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This section of Iowa Lakes Community College's annual financial report presents a discussion and analysis of the financial performance of the college during the fiscal year ended June 30, 2006, with comparative information presented for the fiscal year ended June 30, 2005. 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**

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

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

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

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

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

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

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

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

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

Net assets are divided into three major categories. The first category, invested in capital assets, net of related debt, provides the college's equity in property, plant and equipment owned by the college. The next asset category is restricted net assets, which is divided into two categories, nonexpendable and expendable. The corpus of nonexpendable restricted resources is only available for investment purposes. Expendable restricted net assets are available for expenditures by the college but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The final category is unrestricted net assets. Unrestricted net assets are available to the institution for any lawful purpose of the institution.

### Net Assets

	June 30, 2006	June 30, 2005
Current and Other Assets	\$ 19,475,409	\$ 15,764,747
Capital Assets, Net of Accumulated Depreciation	25,771,163	24,270,243
<b>Total Assets</b>	<b>\$ 45,246,572</b>	<b>\$ 40,034,990</b>
Current Liabilities	\$ 9,751,080	\$ 7,599,999
Non-current Liabilities	9,600,000	7,250,000
<b>Total Liabilities</b>	<b>\$ 19,351,080</b>	<b>\$ 14,849,999</b>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	\$ 19,081,528	\$ 19,465,687
Restricted	4,410,788	4,517,064
Unrestricted	2,403,176	1,202,240
<b>Total Net Assets</b>	<b>\$ 25,895,492</b>	<b>\$ 25,184,991</b>

- Current and other assets increased by approximately \$3.7M. Cash and Pooled investments made up the biggest change by increasing \$2.9M. Due from Property Tax increased \$488,000, Due from Other Governments increased \$320,000, Inventories increased \$44,000, Endowment Investments increased \$62,000, and Deferred Compensation decreased \$137,000.
- Capital assets, net of accumulated depreciation increased \$1.5M with some major changes in categories: , Land increased \$60,000, Construction in Progress increased \$1.17M, Buildings increased \$693,000, Furniture and Equipment increased \$623,000 and Accumulated Depreciation increased \$1.1M.
- Total assets increased \$5.2M.
- Current liabilities increased \$2.2M, with increases in Accounts Payable of \$207,000, Deferred Revenue: Property Taxes of \$488,000 and Other of \$737,000, Early Retirement \$334,000, Due to Others \$289,000, and Bonds and Other Long-Term Debt \$296,000. There were decreases in Deferred Compensation \$137,000 and Deposits Held in Custody of Others \$100,000.
- The non-current liabilities had an increase of \$2.4M with an increase in Certificate Payable of \$510,000 and an increase in Bonds and Capital Loan Notes Payable of \$1.8M. We issued capital loan notes in the amount of \$1M for acquisition of an airplane and upgraded our computer networking system and telephone system.
- The change in Total Net Assets for the year was an increase of \$710,000. Major changes were an increase in Unrestricted funds of \$1.2M and Scholarships \$112,000. There were decreases in Invested in Capital Assets of \$490,000 and Other Expendable of \$238,000.

## 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.

### Changes in Net Assets

	Year Ended June 30, 2006	Year Ended June 30, 2005
Operating revenue:		
Tuition and Fees, net of scholarship allowances	\$ 5,420,598	\$ 4,990,653
Federal Appropriations	5,229,530	5,180,070
Iowa Industrial New Jobs Training Program	1,386,733	1,186,301
Gifts & Grants	683,558	1,328,468
Auxiliary Enterprises Revenue, net of scholarships	4,689,581	4,048,300
Miscellaneous	2,076,004	1,931,186
Total Operating Revenue	<u>19,486,004</u>	<u>18,664,978</u>
Total Operating Expenses	<u>30,290,793</u>	<u>28,431,788</u>
Operating Loss	(10,804,789)	(9,766,810)
Non-operating Revenues (Expenses)		
State Appropriations	8,866,106	8,179,334
Property Taxes	2,716,060	2,466,198
Interest Income on Investments	478,430	349,410
Interest Income on Student Loans	1,051	310
Gain on Sale of Capital Assets	4,619	(66,555)
Interest on Indebtedness	(550,979)	(449,787)
Net Non-operating Revenues	<u>11,515,287</u>	<u>10,478,910</u>
Increase in Net Assets	710,498	712,100
Net Assets Beginning of Year	25,184,994	24,472,891
Net Assets End of Year	<u>\$ 25,895,492</u>	<u>\$ 25,184,991</u>

The increase in net assets for FY 06 was \$710,000 compared to \$712,000 for the previous year.

### Revenues

- Operating revenues increased modestly at 5.30% or \$1M from the previous year. There were some modest increases in most areas of revenues. One significant decrease had to do with gifts and grants, which was down \$644,000 or 48% from the previous year. We received in FY 05 funds from an estate in the amount of \$804,000 which was non-recurring in FY 06, which accounts for all of the change from last year.

### Expenses

- Operating expenses increased 6.538% from the previous year, which compared to an increased of 10.2% for FY 05.
- 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 5.26% from the previous year compared to an increase of 11.2% for FY 05 from FY 04.

- There was only one category which experienced a decrease from the previous year and that was General Institutional, which was down 2.69%.

### Operating Expenses

	Year Ended June 30, 2006	Year Ended June 30, 2005
Education and Support:		
Liberal Arts and Sciences	\$ 5,513,804	\$ 5,237,932
Vocational Technical	3,410,038	3,291,408
Adult Education	783,593	776,028
Cooperative Services	2,317,581	2,184,115
General Administration	2,263,658	1,693,885
Student Services	1,303,492	1,215,764
Learning Resources	996,687	901,871
Physical Plant	1,695,075	1,613,870
General Institution	5,867,254	6,029,569
Sub-total	24,151,182	22,944,442
Auxiliary Enterprises	4,487,173	4,115,587
Scholarships and Grants	392,578	291,633
Administrative and Collection Costs	3,388	1,520
Depreciation Expense	1,256,472	1,078,606
Total	<u>\$ 30,290,793</u>	<u>\$ 28,431,788</u>

### Non-Operating Revenues (Expenses)

- The revenue in this category increased by \$1,071,000 from the previous year. State appropriations and property tax increased almost 10%. The state legislature gave Iowa Community Colleges an increase of \$9.8M, which was the largest increase for a number of years. Interest on indebtedness increased 22%.

### 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, 2006	Year Ended June 30, 2005
Cash and Pooled Investments Provided (Used) by:		
Operating Activities:		
Revenues	\$ 20,491,007	\$ 19,663,116
Expenditures	28,274,638	27,697,926
Net Operating Activities	(7,783,631)	(8,034,810)
Non-Capital Financing Activities	11,467,067	10,483,095
Capital and Related Financing Activities	(1,160,376)	(5,536,680)
Investing Activities	415,108	2,648,260
Net Decrease in Cash and Pooled Investments	2,938,168	(440,135)
Cash and Pooled Investments at Beginning of Year	3,814,112	4,254,247
Cash and Pooled Investments at End of Year	<u>\$ 6,752,280</u>	<u>\$ 3,814,112</u>

- There was only an increase of \$251,000 in Net Operating Activities from the previous year. Operating revenues and expenses both increased 4.21%, and 2.04% respectively.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the College had approximately \$38.5M invested in capital assets, without applying an accumulated depreciation of approximately \$12.7M. The net of depreciation value is an increase of 6.1% or \$1.5M from a year ago. Depreciation charges totaled \$1,256,472 for fiscal year 2006. Details of capital assets are shown below:

	June 30, 2006	June 30, 2005
Land	\$ 1,405,941	\$ 1,345,941
Buildings	19,456,997	19,470,887
Other Structures and Improvements	2,266,469	2,361,529
Furniture and Equipment	1,448,521	1,072,115
Construction in Progress	1,193,235	19,771
Total Capital Assets	<u>\$ 25,771,163</u>	<u>\$ 24,270,243</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 2nd floor of the Technical Education Center on the Emmetsburg Campus, a new front entrance to the Algona site was completed, and several other minor remodeling projects on various campuses. We also started construction on two resident hall projects, one in Estherville and one in Spencer. They will be completed in the next fiscal year. We also purchased 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, 2006, the College had \$11 million in debt outstanding. The table below summarizes debt activity for two fiscal years by category.

	Year Ended June 30, 2006	Year Ended June 30, 2005
Notes Payable	\$ -	\$ 3,528
Certificate Payable	4,450,000	3,980,000
Bonds & Capital Loan Notes Payable	6,600,000	4,460,000
Total	<u>\$ 11,050,000</u>	<u>\$ 8,443,528</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. Our unrestricted net assets more than doubled during the year, going from \$1.1M on June 30, 2005 to \$2.4M on June 30, 2006. We anticipate that balance will be maintained or will increase slightly over the next few years. Other financial situations are closely aligned with that of the financial condition of the State of Iowa. Listed below are some challenges which we will face:

- State aid will remain a constant concern. We have received back-to-back increases in the state general aid that we had not seen for some time. In FY 06 we received an increase of \$9.8M and for FY 07 we received an increase of \$10M. We were very pleased that our legislators were able to increase state general aid in these amounts. Iowa Lakes share was an increase of 5.2% or \$378,000 for FY 06. 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 was \$104,000 for FY 06.
- For the first time in a number of years we experienced a decrease in the amount of revenue generated from tuition and fees. Part of this decrease was due to a new accounting software system which recognized revenue differently than our old software. Revenue is deferred based upon the percent of time in which the term exceeds June 30th. We will have comparable data at the close of the next fiscal year.
- Facilities will require constant maintenance and upkeep
- During the year the president resigned and a new one will come on board on July 1st. There were also a number of changes in our cabinet during the year. Most of the changes came from internal people being assigned to a new position.

## **Contacting the College's Financial Management**

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

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

**ASSETS**

**Current Assets**

<b>Cash and Investments:</b>	
Cash and Pooled Investments	\$ 6,752,280
<b>Receivables:</b>	
Due from Others, net of Allowance for Uncollectible Accounts of \$150,000	1,515,055
Accrued Interest	57,709
Property Tax - Succeeding Year	3,216,000
Nursing Loans	7,838
Iowa Industrial New Jobs Training Program	662,472
Due From Other Governments	581,966
Inventories	490,164
Prepaid Expenses	85,768

**Total Current Assets** 13,369,252

**Noncurrent Assets**

Pooled Investments	3,120,089
Endowment Investments	2,892,442
Deferred Compensation	93,626
<b>Capital Assets</b>	
Land	1,405,941
Construction in Progress	1,193,235
Buildings	28,583,570
Other Structures and Improvements	3,048,466
Furniture and Equipment	4,266,139
Accumulated Depreciation	<u>(12,726,188)</u>

**Total Noncurrent Assets** 31,877,320

**TOTAL ASSETS** \$ 45,246,572

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF NET ASSETS  
JUNE 30, 2006**

**LIABILITIES**

<b>Current Liabilities</b>	
Accounts Payable	\$ 859,753
Salaries and Benefits Payable	608,392
Deferred Compensation	93,626
Accrued Interest	46,584
Deferred Revenue:	
Succeeding Year Property Tax	3,216,000
Other	1,593,713
Early Retirement Payable	258,977
Deposits Held in Custody for Others	597,583
Due to Others	914,288
Certificates Payable	740,000
Bonds and Other Long-Term Debt	710,000
	<u>9,638,916</u>
<b>Total Current Liabilities</b>	<u>9,638,916</u>
<b>Noncurrent Liabilities</b>	
Early Retirement Payable	112,164
Certificates Payable	3,710,000
Bonds and Other Long-Term Debt	5,890,000
	<u>9,712,164</u>
<b>Total Noncurrent Liabilities</b>	<u>9,712,164</u>
	<u><b>TOTAL LIABILITIES</b></u>
	<u><b>19,351,080</b></u>

**NET ASSETS**

Invested in Capital Assets, Net of Related Debt	19,081,528
Restricted:	
Nonexpendable:	
Endowment	2,874,206
Expendable:	
Scholarships	994,441
Loans	17,039
Debt Service	154,569
Cash Reserve	286,030
Other	84,503
Unrestricted	2,403,176
	<u>25,895,492</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 25,895,492</b></u>

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**IOWA LAKES COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2006**

**REVENUES**

## Operating Revenues:

Tuition and Fees, net of scholarship allowances of \$ 2,714,723	\$ 5,420,598
Federal Appropriations	5,229,530
Iowa Industrial New Jobs Training Program	1,386,733
Gifts and Grants	683,558
Auxiliary Enterprises Revenue, net of scholarship allowances of \$ 616,355	4,689,581
Miscellaneous	2,076,004

Total Operating Revenues 19,486,004

**EXPENSES**

## Operating Expenses:

## Education and Support:

Liberal Arts and Sciences	5,513,804
Vocational Technical	3,410,038
Adult Education	783,593
Cooperative Services	2,317,581
General Administration	2,263,658
Student Services	1,303,492
Learning Resources	996,687
Physical Plant	1,695,075
General Institution	5,867,254
Auxiliary Enterprises	4,487,173
Scholarships and Grants	392,578
Administrative and Collection Costs	3,388
Depreciation Expense	1,256,472

Total Operating Expenses 30,290,793

Operating Loss (10,804,789)

**NON-OPERATING REVENUES (EXPENSES)**

State Appropriations	8,866,106
Property Taxes	2,716,060
Interest Income from Investments	478,430
Interest Income from Student Loans	1,051
Gain on Sales of Capital Assets	4,619
Interest on Indebtedness	(550,979)

Net Non-Operating Revenues 11,515,287

Increase in Net Assets 710,498

Net Assets Beginning of Year 25,184,994

Net Assets End of Year \$ 25,895,492

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2006**

<b>Cash Flows from Operating Activities:</b>	
Tuition and Fees .....	\$ 8,794,351
Grants and Contracts .....	5,455,405
Iowa Industrial New Jobs Training Program .....	1,856,733
Payments to Employees .....	(15,924,113)
Payments to Suppliers .....	(11,243,134)
Payments to NJTP Recipients .....	(1,107,391)
Collection of Loans to Students .....	2,473
Auxiliary Enterprise Net Activity .....	216,653
Other Receipts .....	<u>4,165,392</u>
Net Cash (Used) by Operating Activities .....	<u>(7,783,631)</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>	
State Appropriations .....	8,866,106
Property Taxes .....	2,716,060
Miscellaneous Agency Fund Receipts .....	772,064
Miscellaneous Agency Fund Disbursements .....	<u>(887,163)</u>
Net Cash Provided from Non-Capital Financing Activities .....	<u>11,467,067</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Proceeds from Sale of Capital Assets .....	9,641
Purchases of Capital Assets .....	(2,763,636)
Proceeds from New Debt Issued .....	2,735,000
Principal Paid on Debt and Leases .....	(598,528)
Interest Paid on Debt and Leases .....	<u>(542,853)</u>
Net Cash (Used) by Capital and Related Financing Activities .....	<u>(1,160,376)</u>
<b>Cash Flows from Investing Activities:</b>	
Proceeds from Sales and Maturities of Investments .....	3,192,774
Purchase of Investments .....	(3,241,106)
Interest on Investments .....	<u>463,440</u>
Net Cash Provided by Investing Activities .....	<u>415,108</u>
<b>Net Increase in Cash</b> .....	<u>2,938,168</u>
<b>Cash at Beginning of Year</b> .....	<u>3,814,112</u>
<b>Cash at End of Year</b> .....	<u>\$ 6,752,280</u>

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2006**

<b>Reconciliation of Operating Loss to Net Cash</b>	
<b>(Used) by Operating Activities:</b>	
Operating Loss .....	\$(10,804,789)
Adjustments to Reconcile Operating Loss to Net	
Cash (Used) by Operating Activities:	
Depreciation .....	1,256,472
Changes in Assets and Liabilities:	
Decrease in Due From Others .....	191,745
Increase in Due From Students .....	(187,885)
Decrease in Nursing Loans Receivable .....	2,473
Increase in Due From Other Governments .....	(320,352)
Increase in Inventories .....	(44,217)
Decrease in Prepaid Expenses .....	7,148
Increase in Accounts Payable .....	212,034
Increase in Salaries and Benefits Payable .....	69,468
Increase in Deferred Revenue .....	736,840
Increase in Deposits Held in Custody .....	4,652
Increase in Early Retirement Payable .....	334,318
Increase in Due to Others .....	288,462
Decrease in NJTP Loans Payable .....	470,000
Total Adjustments .....	<u>3,021,158</u>
<b>Net Cash (Used) by Operating Activities .....</b>	<b><u>\$ (7,783,631)</u></b>

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**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, 2006**

**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 Trustees 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, 2006**

**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 Trustees 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 Trustees 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 Trustees 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, 2006 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

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

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

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

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**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 -- When assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue. Deferred revenue consists of succeeding year property tax receivable, tuitions deposits, tuition and fees for a portion of summer classes, fees and registration for fall, and unearned revenue on 260 E and F projects.

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, 2006, 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, 2006**

**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, 2006, the Community College had the following investments:

Stocks and Mutual Funds	\$ 689,645
U.S. Government Securities	301,930
Certificates of Deposit	<u>5,020,956</u>
	<u>\$ 6,012,531</u>
Long-Term Pooled Investments	\$ 3,120,089
Endowments Investments	<u>2,892,442</u>
	<u>\$ 6,012,531</u>

At June 30, 2006, the Community College had the following investments in the Iowa Schools Joint Investment Trust:

Diversified Portfolio	\$ 1,023,297
Diversified Plus Portfolio	<u>2,412,412</u>
	<u>\$ 3,435,709</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

The Community College had Deferred Compensation Plan investments with a carrying and market value of \$93,626, at June 30, 2006, that are not subject to risk categorization. Of the \$6,752,280 of cash and pooled investments, \$24,054 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.

**Credit risk.** The Community College's investments in Stocks and Mutual Funds are unrated. The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

**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 one of its former College Presidents entered into an agreement to form a nonqualified deferred compensation plan, whereby the President could 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.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 3 -- DEFERRED COMPENSATION PLAN (Continued)**

After the President reaches retirement age and upon termination, retirement, or death, payments of benefits shall be structured by joint agreement between Iowa Lakes Community College or its successor and the employee or beneficiary.

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

The Community College is responsible for due care in managing the investments and the participant or beneficiary assumes the risk of loss from decreases in the value of plan assets. At June 30, 2006, plan assets consisted of money market accounts, certificate of deposits, and mutual funds.

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, 2006 are as follows:

Bookstore	\$ 284,556
Food Service	21,671
Farm	94,885
Parts Store	33,469
Other	<u>55,583</u>
Total	<u>\$ 490,164</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	\$ 1,345,941	\$ 60,000	\$ -	\$ 1,405,941
Construction in Progress	<u>19,771</u>	<u>1,193,235</u>	<u>19,771</u>	<u>1,193,235</u>
Total capital assets, not being depreciated	<u>\$ 1,365,712</u>	<u>\$ 1,253,235</u>	<u>\$ 19,771</u>	<u>\$ 2,599,176</u>
Capital assets, being depreciated:				
Buildings	\$ 27,891,047	\$ 692,523	\$ -	\$ 28,583,570
Other Structures and Improvements	2,995,556	52,910	-	3,048,466
Furniture and Equipment	<u>3,643,167</u>	<u>783,517</u>	<u>160,545</u>	<u>4,266,139</u>
Total assets, being depreciated	<u>34,529,770</u>	<u>1,528,950</u>	<u>160,545</u>	<u>35,898,175</u>
Less accumulated depreciation for:				
Buildings	8,420,160	706,413	-	9,126,573
Other Structures and Improvements	634,027	147,970	-	781,997
Furniture and Equipment	<u>2,571,052</u>	<u>402,089</u>	<u>155,523</u>	<u>2,817,618</u>
Total accumulated depreciation	<u>11,625,239</u>	<u>1,256,472</u>	<u>155,523</u>	<u>12,726,188</u>
Total capital assets, being depreciated, net	<u>\$ 22,904,531</u>	<u>\$ 272,478</u>	<u>\$ 5,022</u>	<u>\$ 23,171,987</u>

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 5 -- CAPITAL ASSETS (Continued)**

Furniture, Machinery & Equipment of \$12,500 is included in the Unrestricted Fund.

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

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

On June 30, 2006, the Community College has future construction commitments of \$705,172.

**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, 2006, 2005, and 2004 were \$284,147, \$277,511, and \$278,514, 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 employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2006, were \$359,406 and \$231,270, respectively.

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

A summary of changes in long-term debt for the year ended June 30, 2006 is as follows:

	Notes Payable	Certificates Payable	Bonds Payable	Total
Balance Beginning of Year	\$ 3,528	\$ 3,980,000	\$ 4,460,000	\$ 8,443,528
Additions	-	1,250,000	2,735,000	3,985,000
Reductions	( 3,528)	( 780,000)	( 595,000)	( 1,378,528)
Balance End of Year	\$ -	\$ 4,450,000	\$ 6,600,000	\$ 11,050,000

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 9 -- CERTIFICATES PAYABLE**

In accordance with agreements dated between September 1, 1996 and June 30, 2006, the Community College issued certificates totaling \$7,885,000 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 2006, Iowa Lakes Community College recorded \$280,095 of interest expense from the certificates payable.

The certificates will mature as follows:

Year Ended June 30,	Principal	Interest	Total
2007	740,000	258,932	998,932
2008	715,000	217,412	932,412
2009	720,000	174,504	894,504
2010	525,000	130,010	655,010
2011	435,000	98,698	533,698
2012-2015	<u>1,315,000</u>	<u>156,278</u>	<u>1,471,278</u>
Total	<u>\$ 4,450,000</u>	<u>\$ 1,035,834</u>	<u>\$ 5,485,834</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, 2006 is \$930,000.

On May 22, 2001, Iowa Lakes Community College issued \$3,000,000 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, 2006, was \$1,955,000.

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 began 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, 2006 was \$1,165,000.

On July 1, 2005, Iowa Lakes Community College issued \$1,000,000 capital loan note to finance the purchase of equipment. Annual principal payments began June 1, 2006. Interest payments are due semi-annually each June and December. The bonds will mature in 2010. The balance of the bonds at June 30, 2006 was \$815,000.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**Note 10 -- BONDS AND CAPITAL LOAN NOTES PAYABLE (Continued)**

On March 1, 2006, Iowa Lakes Community College issued \$1,735,000 of dormitory revenue bonds to finance the construction of dormitories in Estherville and Spencer. Annual principal payments will begin June 1, 2007. Interest payments are due semi-annually each June and December. The bonds will mature in 2021. The balance of the bonds at June 30, 2006 was \$1,735,000.

Details of the Community College's June 30, 2006 bonded indebtedness maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2007	\$ 710,000	\$ 303,500	\$ 1,013,500
2008	735,000	274,868	1,009,868
2009	755,000	244,604	999,604
2010	790,000	212,399	1,002,399
2011	615,000	178,049	793,049
2012-2016	1,585,000	538,030	2,123,030
2017-2021	<u>1,410,000</u>	<u>141,290</u>	<u>1,551,290</u>
Total	<u>\$ 6,600,000</u>	<u>\$ 1,892,740</u>	<u>\$ 8,492,740</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 70 projects. Of these projects, 36 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 147 retraining projects under Chapter 260F. Of these 147 projects, 11 were performed during fiscal year 2006.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006**

**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 \$2,863,143.

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, 2006 are as follows:

Medical Reserve Fund Balance, Beginning of Year	\$ 630,330
Claims Recognized	2,295,661
Claim Payments	<u>( 2,047,693)</u>
Medical Reserve Fund Balance, End of Year	<u>\$ 878,298</u>

**Note 14 -- EARLY RETIREMENT PROGRAM**

On November 15, 2005, the Board of Trustees passed a Voluntary Early Retirement Plan. All full-time staff who will be 55 years of age on June 30, 2006 and who have at least 10 years of full-time service with the Community College are eligible for early retirement remuneration. Early retirement would begin at the end of the employee's contract. A retiring employee would have the opportunity of choosing between two options. The first benefit would be equal to their base salary for the last year of employment. A staff member who accepted this early retirement option would receive total payment on July 30, 2006, if the benefit amount is \$12,000 or less. If the benefit amount exceeded \$12,000, payment would be made in two equal payments, the first payment as earlier stated, and the second payment would be on January 30<sup>th</sup>, following the disbursement of the first payment. The second benefit option involves the purchase of medical insurance for the employee at the premium at the time of the retirement until the employee is eligible for Medicare. Subsequent annual increases in premium are the responsibility of the employee.

The liability at June 30, 2006 for those employees who have elected early retirement was \$371,141. 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, 2006 was \$350,106.

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**Required Supplementary Information**

**IOWA LAKES COMMUNITY COLLEGE  
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES  
 BUDGET TO ACTUAL - REQUIRED SUPPLEMENTAL INFORMATION  
 YEAR ENDED JUNE 30, 2006**

Funds/Levy	Original Budget	Actual	Variance between Actual and Budget
Unrestricted	<u>\$ 20,075,000</u>	<u>\$ 18,970,956</u>	<u>\$ 1,104,044</u>
Restricted	5,000,000	4,321,093	678,907
Early Retirement	20,000	17,811	2,189
Unemployment	5,000	9,028	(4,028)
Tort Liability	285,000	253,767	31,233
Insurance	605,000	739,608	(134,608)
Stand By	-	348	(348)
Equipment Replacement	410,000	305,676	104,324
Total Restricted	<u>6,325,000</u>	<u>5,647,331</u>	<u>677,669</u>
Plant	<u>3,000,000</u>	<u>2,369,099</u>	<u>630,901</u>
 Total	 <u>\$ 29,400,000</u>	 <u>\$ 26,987,386</u>	 <u>\$ 2,412,614</u>

See Accompanying Independent Auditor's Report

**IOWA LAKES COMMUNITY COLLEGE**  
**NOTE TO REQUIRED SUPPLEMENTAL INFORMATION – BUDGETARY REPORTING**  
**JUNE 30, 2006**

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

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

**Other Supplementary Information**

**IOWA LAKES COMMUNITY COLLEGE**  
**NOTES TO OTHER SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2006**

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, 2006**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>ASSETS:</b>			
Cash and Pooled Investments:			
Cash and Pooled Investments	\$ 2,102,539	\$ 5,780,312	\$ 5,229
Deferred Compensation	-	-	-
Receivables:			
Due from Others	1,398,481	104,387	3,972
Accrued Interest	26,527	20,307	-
Property Taxes - Succeeding Year	786,000	1,644,000	-
Nursing Loans	-	-	7,838
Iowa Industrial New Jobs Training Program	-	662,472	-
Due From Other Funds	-	46,413	-
Due From Other Governments	273,933	308,033	-
Inventories	490,164	-	-
Prepaid Expenses	47,221	37,247	-
Capital Assets:			
Land	-	-	-
Buildings	-	-	-
Other Structures and Improvements	-	-	-
Furniture and Equipment	12,500	-	-
Construction in Progress	-	-	-
Accumulated Depreciation	-	-	-
<b>Total Assets</b>	<b>\$ 5,137,365</b>	<b>\$ 8,603,171</b>	<b>\$ 17,039</b>

SCHEDULE 1

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ 2,916,496	\$ 1,342,770	\$ 158,524	\$ -	\$ 458,941	\$ -	\$ 12,764,811
-	-	-	-	93,626	-	93,626
-	8,195	-	-	20	-	1,515,055
4,123	6,752	-	-	-	-	57,709
-	-	786,000	-	-	-	3,216,000
-	-	-	-	-	-	7,838
-	-	-	-	-	-	662,472
-	-	-	-	-	(46,413)	-
-	-	-	-	-	-	581,966
-	-	-	-	-	-	490,164
-	1,300	-	-	-	-	85,768
-	-	-	1,388,941	17,000	-	1,405,941
-	-	-	28,583,570	-	-	28,583,570
-	-	-	2,975,831	72,635	-	3,048,466
-	-	-	4,253,639	-	-	4,266,139
-	-	-	1,193,235	-	-	1,193,235
-	-	-	-	-	(12,726,188)	(12,726,188)
<u>\$ 2,920,619</u>	<u>\$ 1,359,017</u>	<u>\$ 944,524</u>	<u>\$ 38,395,216</u>	<u>\$ 642,222</u>	<u>\$(12,772,601)</u>	<u>\$ 45,246,572</u>

**IOWA LAKES COMMUNITY COLLEGE  
BALANCE SHEET  
JUNE 30, 2006**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>LIABILITIES AND FUND EQUITY:</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 678,361	\$ 108,608	\$ -
Salaries and Benefits Payable	608,392	-	-
Deferred Compensation	-	-	-
Accrued Interest	5,087	21,577	-
Due to Other Funds	-	-	-
Deferred Revenue:			
Succeeding Year Property Tax	786,000	1,644,000	-
Other	950,842	642,871	-
Early Retirement Payable	-	371,141	-
Deposits Held in Custody for Others	50,994	-	-
Due to Others	913,150	-	-
Certificates Payable	-	4,450,000	-
Bonds and Other Long-Term Debt	-	-	-
<b>Total Liabilities</b>	<b>3,992,826</b>	<b>7,238,197</b>	<b>-</b>
<b>Fund Balance:</b>			
Invested in Capital Assets, Net of Related Debt	12,500	-	-
Fund Balances:			
Restricted:			
Nonexpendable:			
Scholarships	-	-	-
Expendable:			
Scholarships	-	994,441	-
Loans	-	-	17,039
Debt Service	-	-	-
Cash Reserve	-	286,030	-
Other	-	84,503	-
Unrestricted	1,982,331	-	-
Auxiliary Enterprises	(850,292)	-	-
<b>Total Fund Balance</b>	<b>1,144,539</b>	<b>1,364,974</b>	<b>17,039</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 5,137,365</b>	<b>\$ 8,603,171</b>	<b>\$ 17,039</b>

SCHEDULE 1

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ -	\$ 71,915	\$ -	\$ -	\$ 869	\$ -	\$ 859,753
-	-	-	-	-	-	608,392
-	-	-	-	93,626	-	93,626
-	15,965	3,955	-	-	-	46,584
46,413	-	-	-	-	(46,413)	-
-	-	786,000	-	-	-	3,216,000
-	-	-	-	-	-	1,593,713
-	-	-	-	-	-	371,141
-	-	-	-	546,589	-	597,583
-	-	-	-	1,138	-	914,288
-	-	-	-	-	-	4,450,000
-	-	-	6,600,000	-	-	6,600,000
46,413	87,880	789,955	6,600,000	642,222	(46,413)	19,351,080
-	-	-	31,795,216	-	(12,726,188)	19,081,528
2,874,206	-	-	-	-	-	2,874,206
-	-	-	-	-	-	994,441
-	-	-	-	-	-	17,039
-	-	154,569	-	-	-	154,569
-	-	-	-	-	-	286,030
-	-	-	-	-	-	84,503
-	1,271,137	-	-	-	-	3,253,468
-	-	-	-	-	-	(850,292)
2,874,206	1,271,137	154,569	31,795,216	-	(12,726,188)	25,895,492
<u>\$ 2,920,619</u>	<u>\$ 1,359,017</u>	<u>\$ 944,524</u>	<u>\$ 38,395,216</u>	<u>\$ 642,222</u>	<u>\$(12,772,601)</u>	<u>\$ 45,246,572</u>

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENDITURES AND  
OTHER CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2006**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>REVENUES AND OTHER ADDITIONS:</b>			
General:			
State Appropriations and Grants	7,676,466	718,574	-
Tuition and Fees	8,135,321	-	-
Property Taxes	706,196	1,303,668	-
Federal Appropriations and Grants	498,710	4,730,820	-
Gifts and Grants	-	540,060	-
Interest on Investments	-	220,798	-
Interest on Student Loans	-	-	1,051
Iowa Industrial New Jobs Training Program	-	1,386,733	-
Expended for Plant Facilities (Including \$458,737 charged to current funds)	-	-	-
Principal Retired	-	-	-
Proceeds from Sale of Bonds	-	-	-
Gain on Sale of Capital Assets	-	-	-
Miscellaneous	1,734,799	410,918	184
	<u>18,751,492</u>	<u>9,311,571</u>	<u>1,235</u>
Auxiliary Enterprises			
Tuition and Fees	425,677	-	-
Sales and Services	3,820,054	-	-
Interest on Investments	100,455	-	-
Federal Grants and Contracts	536,083	-	-
Miscellaneous	906,259	-	-
	<u>5,788,528</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Additions	 <u>24,540,020</u>	 <u>9,311,571</u>	 <u>1,235</u>

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
-	471,066	-	-	-	8,866,106
-	-	-	-	(2,714,723)	5,420,598
-	706,196	-	-	-	2,716,060
-	-	-	-	-	5,229,530
4,849	-	-	138,649	-	683,558
9,842	67,764	7,909	-	-	306,313
-	-	-	-	-	1,051
-	-	-	-	-	1,386,733
-	-	-	2,782,185	(2,782,185)	-
-	-	-	595,000	(595,000)	-
-	2,735,000	-	-	(2,735,000)	-
-	-	-	-	4,619	4,619
8,884	2,522	-	-	(9,641)	2,147,666
<u>23,575</u>	<u>3,982,548</u>	<u>7,909</u>	<u>3,515,834</u>	<u>(8,831,930)</u>	<u>26,762,234</u>
-	-	-	-	-	425,677
-	-	-	-	(853,094)	2,966,960
-	-	-	-	-	100,455
-	-	-	-	-	536,083
-	-	-	-	(145,398)	760,861
-	-	-	-	(998,492)	4,790,036
<u>23,575</u>	<u>3,982,548</u>	<u>7,909</u>	<u>3,515,834</u>	<u>(9,830,422)</u>	<u>31,552,270</u>

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENDITURES AND  
OTHER CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2006**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>			
Educational and Support:			
Liberal Arts and Sciences	5,557,072	-	-
Vocational Technical	3,594,393	-	-
Adult Education	814,965	-	-
Cooperative Services	1,218,726	1,107,391	-
Administration	913,293	1,352,509	-
Student Services	1,343,883	-	-
Learning Resources	1,001,229	-	-
Physical Plant	1,530,164	204,927	-
General Institution	2,177,966	2,612,461	-
Total Education and Support	<u>18,151,691</u>	<u>5,277,288</u>	-
Auxiliary Enterprises	4,832,100	-	-
Scholarships and Grants	-	3,720,692	-
Administration and Collection Costs	-	-	3,388
Plant Asset Acquisitions	-	-	-
Retirement of Indebtedness	-	-	-
Disposal of Plant Assets	-	-	-
Interest on Indebtedness	-	280,091	-
Issuance of Long-Term Debt	-	-	-
Depreciation	-	-	-
Total Expenditures and Other Deductions	<u>22,983,791</u>	<u>9,278,071</u>	<u>3,388</u>
Excess (Deficiency) of Revenues and Other Additions Over (Under) Expenditures and Other Deductions	1,556,229	33,500	(2,153)
<b>TRANSFERS:</b>			
Mandatory Transfers	(139,951)	-	-
Non-mandatory Transfers	(1,035,882)	(159,500)	-
Total Transfers	<u>(1,175,833)</u>	<u>(159,500)</u>	<u>-</u>
Net Increase (Decrease) for the Year	380,396	(126,000)	(2,153)
Fund Balance - June 30, 2005	764,143	1,490,974	19,192
Fund Balance - June 30, 2006	<u>\$ 1,144,539</u>	<u>\$ 1,364,974</u>	<u>\$ 17,039</u>

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
-	-	-	-	(43,268)	5,513,804
-	-	-	-	(184,355)	3,410,038
-	-	-	-	(31,372)	783,593
-	-	-	-	(8,536)	2,317,581
-	-	-	-	(2,144)	2,263,658
-	-	-	-	(40,391)	1,303,492
-	-	-	-	(4,542)	996,687
-	-	-	-	(40,016)	1,695,075
-	1,285,031	-	-	(208,204)	5,867,254
-	1,285,031	-	-	(562,828)	24,151,182
-	-	-	-	(313,046)	4,519,054
2,964	-	-	-	(3,331,078)	392,578
-	-	-	-	-	3,388
-	2,323,448	-	-	(2,323,448)	-
-	-	560,000	-	(560,000)	-
-	-	-	160,545	(160,545)	-
-	187,411	51,596	-	-	519,098
-	-	-	2,735,000	(2,735,000)	-
-	-	-	-	1,256,472	1,256,472
2,964	3,795,890	611,596	2,895,545	(8,729,473)	30,841,772
20,611	186,658	(603,687)	620,289	(1,100,949)	710,498
-	-	139,951	-	-	-
-	730,382	465,000	-	-	-
-	730,382	604,951	-	-	-
20,611	917,040	1,264	620,289	(1,100,949)	710,498
2,853,595	354,097	153,305	31,174,927	(11,625,239)	25,184,994
<u>\$ 2,874,206</u>	<u>\$ 1,271,137</u>	<u>\$ 154,569</u>	<u>\$ 31,795,216</u>	<u>\$(12,726,188)</u>	<u>\$ 25,895,492</u>

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT UNRESTRICTED FUND  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
EDUCATION AND SUPPORT  
YEAR ENDED JUNE 30, 2006**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
<b>REVENUES:</b>				
State Appropriations and Grants	\$ -	\$ -	\$ -	\$ -
Tuition and Fees	3,726,082	2,712,601	499,344	840,011
Property Taxes	-	-	-	-
Federal Grants and Contracts	-	316,474	114,482	-
Miscellaneous	996,782	28,336	33,187	1,284
	<u>4,722,864</u>	<u>3,057,411</u>	<u>647,013</u>	<u>841,295</u>
Allocation of Support Services	5,318,015	3,592,126	537,681	35,087
	<u>10,040,879</u>	<u>6,649,537</u>	<u>1,184,694</u>	<u>876,382</u>
<b>EXPENDITURES:</b>				
Salaries and Benefits	4,501,676	3,052,402	563,685	1,122,878
Services	880,456	82,550	184,208	31,300
Materials and Supplies	82,658	300,743	36,699	15,106
Travel	79,026	102,291	20,396	12,997
Expended for Plant Facilities	13,120	45,041	-	-
Miscellaneous	136	11,366	9,977	36,445
	<u>5,557,072</u>	<u>3,594,393</u>	<u>814,965</u>	<u>1,218,726</u>
Allocation of Support Services	3,906,833	2,638,923	395,003	25,776
	<u>9,463,905</u>	<u>6,233,316</u>	<u>1,209,968</u>	<u>1,244,502</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	576,975	416,220	(25,274)	(368,120)
<b>TRANSFERS:</b>				
Non-mandatory Transfers	200	-	88,150	50,000
	<u>200</u>	<u>-</u>	<u>88,150</u>	<u>50,000</u>
Net Increase (Decrease) for the Year	<u>\$ 577,175</u>	<u>\$ 416,220</u>	<u>\$ 62,876</u>	<u>\$ (318,120)</u>
Fund Balance June 30, 2005				
Fund Balance June 30, 2006				

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
\$ -	\$ -	\$ -	\$ -	\$ 7,676,466	\$ 7,676,466
-	-	-	-	357,283	8,135,321
-	-	-	-	706,196	706,196
-	-	-	-	67,754	498,710
353	3,549	541	50,044	620,723	1,734,799
353	3,549	541	50,044	9,428,422	18,751,492
(353)	(3,549)	(541)	(50,044)	(9,428,422)	-
-	-	-	-	-	18,751,492
850,287	1,142,630	832,121	1,010,826	1,189,079	14,265,584
31,866	111,515	70,464	280,196	773,848	2,446,403
11,677	26,228	75,283	203,825	207,413	959,632
19,463	63,510	23,361	17,599	70,678	409,321
-	-	-	15,614	5,777	79,552
-	-	-	2,104	(68,829)	(8,801)
913,293	1,343,883	1,001,229	1,530,164	2,177,966	18,151,691
(913,293)	(1,343,883)	(1,001,229)	(1,530,164)	(2,177,966)	-
-	-	-	-	-	18,151,691
-	-	-	-	-	599,801
10,000	67,126	(60,000)	-	(749,801)	(594,325)
10,000	67,126	(60,000)	-	(749,801)	(594,325)
\$ 10,000	\$ 67,126	\$ (60,000)	\$ -	\$ (749,801)	5,476
-	-	-	-	-	1,976,855
-	-	-	-	-	\$ 1,982,331

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT UNRESTRICTED FUND  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
AUXILIARY ENTERPRISES  
YEAR ENDED JUNE 30, 2006**

	Bookstore	Food Services	Wellness Center	Farm	Athletics	Dormitories
<b>REVENUES:</b>						
Sales and Services	\$ 1,408,037	\$ 885,662	\$ 105,155	\$ 208,289	\$ 2,628	\$ 749,220
Interest on Investments	-	-	42,379	-	-	-
Tuition and Fees	-	-	48,790	456	22,491	-
Federal Grants and Contracts	-	5,323	11,233	23,527	-	-
Miscellaneous	-	9,742	21,633	17,513	61,418	24,647
<b>Total Revenues</b>	<b>1,408,037</b>	<b>900,727</b>	<b>229,190</b>	<b>249,785</b>	<b>86,537</b>	<b>773,867</b>
<b>EXPENDITURES:</b>						
Salaries and Benefits	165,846	388,535	178,633	1,661	2,328	148,194
Services	54,529	68,586	6,418	95,981	58,752	220,641
Materials and Supplies	9,382	112,627	14,783	107,898	35,664	60,104
Travel	3,627	3,777	2,222	2,576	98,101	68
Expended for Plant Facilities	37,622	-	-	23,148	-	-
Cost of Goods Sold	1,067,399	242,139	1,361	25,500	15,766	-
Miscellaneous	513	38	(9)	-	-	-
<b>Total Expenditures</b>	<b>1,338,918</b>	<b>815,702</b>	<b>203,408</b>	<b>256,764</b>	<b>210,611</b>	<b>429,007</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	69,119	85,025	25,782	(6,979)	(124,074)	344,860
<b>TRANSFERS:</b>						
Mandatory Transfers	-	-	-	-	-	(139,951)
Non-mandatory Transfers	(196,896)	10,822	7,182	-	134,984	(320,197)
<b>Total Transfers</b>	<b>(196,896)</b>	<b>10,822</b>	<b>7,182</b>	<b>-</b>	<b>134,984</b>	<b>(460,148)</b>
Net Increase (Decrease) for the Year	(127,777)	95,847	32,964	(6,979)	10,910	(115,288)
Fund Balance (Deficit) June 30, 2005	(3,291)	126,579	(36,174)	(68,268)	4,538	66,970
Fund Balance (Deficit) June 30, 2006	<u>\$ (131,068)</u>	<u>\$ 222,426</u>	<u>\$ (3,210)</u>	<u>\$ (75,247)</u>	<u>\$ 15,448</u>	<u>\$ (48,318)</u>

SCHEDULE 4

Aviation	Parts	Printing	Vehicles	Wind Turbine	Gateway North	Miscellaneous	Total
\$ -	\$ 137,931	\$ 134,527	\$ -	\$ -	\$ 168,573	\$ 20,032	\$ 3,820,054
-	-	-	-	-	4,050	54,026	100,455
107,892	-	-	-	8,836	-	237,212	425,677
-	-	-	-	496,000	-	-	536,083
-	26,752	8,362	119,108	147,031	350,230	119,823	906,259
107,892	164,683	142,889	119,108	651,867	522,853	431,093	5,788,528
48,886	55,579	52,412	-	-	32,987	18,426	1,093,487
2,193	2,843	227	1,370	17,138	310,575	142,190	981,443
134,968	(26,838)	54,201	63,573	141	34,521	161,817	762,841
-	580	-	9,067	-	1,304	21,240	142,562
-	-	42,731	47,524	35,669	35,142	(10,155)	211,681
-	169,166	21,015	-	-	-	9,054	1,551,400
-	-	-	-	-	87,891	253	88,686
186,047	201,330	170,586	121,534	52,948	502,420	342,825	4,832,100
(78,155)	(36,647)	(27,697)	(2,426)	598,919	20,433	88,268	956,428
-	-	-	-	-	-	-	(139,951)
(29,394)	15,261	-	-	(3,033)	(32,153)	(28,133)	(441,557)
(29,394)	15,261	-	-	(3,033)	(32,153)	(28,133)	(581,508)
(107,549)	(21,386)	(27,697)	(2,426)	595,886	(11,720)	60,135	374,920
(69,402)	(8,083)	(111,927)	(39,184)	(1,644,508)	60,917	509,121	(1,212,712)
<u>\$ (176,951)</u>	<u>\$ (29,469)</u>	<u>\$ (139,624)</u>	<u>\$ (41,610)</u>	<u>\$ (1,048,622)</u>	<u>\$ 49,197</u>	<u>\$ 569,256</u>	<u>\$ (837,792)</u>

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT RESTRICTED FUND  
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2006**

	Scholarships and Grants	Equipment Replacement	Insurance
<b>REVENUES:</b>			
State Appropriations	\$ 274,375	\$ 4,117	\$ -
Property Taxes	-	299,237	925,889
Federal Appropriations and Grants	2,622,445	-	-
Scholarships, Grants, and Gifts	466,617	5,988	-
Interest on Investments	74,709	48	-
Iowa Industrial New Jobs Training Program	-	-	-
Miscellaneous	223,711	1,777	8,693
<b>Total Revenues and Other Additions</b>	<b>3,661,857</b>	<b>311,167</b>	<b>934,582</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>			
Salaries and Benefits	-	-	158,532
Services	4,045	230	834,843
Materials and Supplies	-	198,061	-
Travel	-	3,936	-
Expended for Plant Facilities	-	2,700	-
Interest on Indebtedness	-	-	-
Federal Pell Grant Program	2,570,294	-	-
Federal Supplemental Educational Opportunity Grant	52,517	-	-
Iowa College Student Aid Commission	205,831	-	-
Private Scholarships	888,005	-	-
<b>Total Expenditures and Other Deductions</b>	<b>3,720,692</b>	<b>204,927</b>	<b>993,375</b>
Excess (Deficiency) of Revenues and Other Additions Over (Under) Expenditures and Other Deductions	(58,835)	106,240	(58,793)
<b>TRANSFERS:</b>			
Non-mandatory Transfers	171,215	(108,014)	-
<b>Total Transfers</b>	<b>171,215</b>	<b>(108,014)</b>	<b>-</b>
Net Increase (Decrease) for the Year	112,380	(1,774)	(58,793)
Fund Balance (Deficit) June 30, 2005	882,061	62,663	(1,631)
Fund Balance (Deficit) June 30, 2006	<u>\$ 994,441</u>	<u>\$ 60,889</u>	<u>\$ (60,424)</u>

SCHEDULE 5

Unemployment Compensation	Early Retirement	Cash Reserve	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ 440,082	\$ 718,574
-	66,588	-	348	11,606	1,303,668
-	-	-	-	2,108,375	4,730,820
-	-	-	-	67,455	540,060
-	-	-	401	145,640	220,798
-	-	-	1,386,733	-	1,386,733
-	-	-	-	176,737	410,918
-	66,588	-	1,387,482	2,949,895	9,311,571
9,028	350,106	-	-	1,343,867	1,861,533
-	-	-	1,107,391	434,180	2,380,689
-	-	-	-	425,434	623,495
-	-	-	-	117,449	121,385
-	-	-	-	166,025	168,725
-	-	-	280,091	-	280,091
-	-	-	-	125,506	2,695,800
-	-	-	-	-	52,517
-	-	-	-	-	205,831
-	-	-	-	-	888,005
9,028	350,106	-	1,387,482	2,612,461	9,278,071
(9,028)	(283,518)	-	-	337,434	33,500
-	-	-	-	(222,701)	(159,500)
-	-	-	-	(222,701)	(159,500)
(9,028)	(283,518)	-	-	114,733	(126,000)
18,495	(62,943)	286,030	-	306,299	1,490,974
\$ 9,467	\$ (346,461)	\$ 286,030	\$ -	\$ 421,032	\$ 1,364,974

**IOWA LAKES COMMUNITY COLLEGE  
AGENCY FUNDS  
STATEMENT OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS  
YEAR ENDED JUNE 30, 2006**

	Iowa Small Business New Jobs Training Program	Student Organizations
Balance June 30, 2005	\$ 546	\$ 170,930
<b>ADDITIONS:</b>		
State Appropriations and Grants	152,802	-
Tuition and Fees	-	76,696
Sales and Services	-	-
Interest on Investments	-	-
Miscellaneous	-	147,158
<b>Total Additions</b>	<b>152,802</b>	<b>223,854</b>
<b>DEDUCTIONS:</b>		
Salaries and Benefits	-	4,559
Services	127,712	74,209
Materials and Supplies	-	33,210
Travel	-	107,787
Cost of Sales	-	22,932
Miscellaneous	25,636	-
<b>Total Deductions</b>	<b>153,348</b>	<b>242,697</b>
Balance June 30, 2006	\$ -	\$ 152,087

Iowa Lakes Foundation	Miscellaneous	Total
\$ 472,026	\$ 8,070	\$ 651,572
-	-	152,802
-	25,945	102,641
75,052	-	75,052
6,744	-	6,744
232,543	9,318	389,019
314,339	35,263	726,258
18,545	-	23,104
40,673	8,347	250,941
7,679	2,217	43,106
1,079	484	109,350
37,499	-	60,431
318,673	-	344,309
424,148	11,048	831,241
\$ 362,217	\$ 32,285	\$ 546,589

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
IOWA INDUSTRIAL NEW JOBS TRAINING PROGRAM  
YEAR ENDED JUNE 30, 2006**

Project Name	Project Costs			Subtotal
	Training and Wages	Administration	Legal and Issue Costs	
Polaris Industries, LP III	-	-	450	450
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	-	-	450	450
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	-	-	750	750
Outdoor Technology II	-	-	-	-
Institutional Equipment	-	-	-	-
Veridian Limited	-	-	-	-
GKN Armstrong	-	-	-	-
Eaton Corp. II	-	-	-	-
Rosenboom Machinery	90,060	-	525	90,585
Pure Fishing	-	-	-	-
Pharmacists Mutual	-	-	-	-
Midwest Grain Processors	-	-	700	700
GKN Armstrong	-	-	-	-
AFECO, Inc.	275	-	-	275
KLM Acquisition Corp.	42,961	-	-	42,961
Merkel Fruedenburg	7,053	-	-	7,053
Polaris VI	130,898	-	350	131,248
Pure Fishing	-	-	-	-
Quality Processing	-	-	350	350
Shine Brothers	3,789	-	350	4,139
Country Maid Inc	-	-	-	-
Pharmacists Mutual II	1,829	-	-	1,829
GKN Armstrong V	-	-	-	-
Pure Fishing V	-	-	-	-
Voyager Ethanol	11,897	-	350	12,247
GKN Armstrong VI	143,342	-	-	143,342
Hydrogen Engine	55,045	-	-	55,045
KLM Acquisition Corp.	102,925	-	-	102,925
Pharmacist Mutual III	68,345	-	-	68,345
Pure Fishing VI	443,996	-	700	444,696
<b>Total</b>	<b>\$ 1,102,415</b>	<b>\$ -</b>	<b>\$ 4,975</b>	<b>\$ 1,107,390</b>

SCHEDULE 7

Retirement Costs						
Debt	Interest	Total Current Year Expenditures	Less: Non- Budgeted Expenditures	Cumulative Prior Period Budgeted Expenditures	Total Budgeted Expenditures	Budget
45,000	3,259	48,709	48,259	319,322	319,772	325,000
20,000	1,448	21,448	21,448	111,193	111,193	120,000
15,000	1,086	16,086	16,086	83,553	83,553	95,000
35,000	2,535	37,535	37,535	175,845	175,845	240,000
10,000	724	10,724	10,724	57,637	57,637	60,000
15,000	1,043	16,043	16,043	72,927	72,927	80,000
20,000	1,390	21,390	21,390	95,419	95,419	110,000
25,000	1,738	27,188	26,738	162,258	162,708	175,000
10,000	695	10,695	10,695	52,304	52,304	55,000
10,000	695	10,695	10,695	34,077	34,077	40,000
5,000	348	5,348	5,348	26,238	26,238	30,000
5,000	348	5,348	5,348	19,705	19,705	20,000
10,000	3,821	13,821	13,821	105,629	105,629	120,000
10,000	2,758	12,758	12,758	58,142	58,142	75,000
20,000	6,228	26,228	26,228	98,314	98,314	205,000
10,000	2,758	12,758	12,758	47,365	47,365	75,000
50,000	15,562	65,562	65,562	267,084	267,084	435,000
10,000	2,403	12,403	12,403	56,660	56,660	65,000
60,000	19,390	80,140	79,390	194,388	195,138	580,000
15,000	3,432	18,432	18,432	24,418	24,418	100,000
5,000	3,384	8,384	8,384	49,260	49,260	75,000
10,000	4,871	14,871	14,871	49,356	49,356	105,000
15,000	6,353	21,353	21,353	350	350	140,000
20,000	8,980	28,980	28,980	-	-	205,000
25,000	9,693	125,278	34,693	1,429	92,014	215,000
15,000	8,255	20,000	20,000	124,792	124,792	190,000
10,000	5,459	15,459	15,459	118,853	118,853	120,000
20,000	10,246	30,946	30,246	223,899	224,599	225,000
15,000	9,006	24,006	24,006	198,087	198,087	200,000
10,000	6,445	16,720	16,445	72,959	73,234	130,000
10,000	3,731	56,692	13,731	33,754	76,715	80,000
20,000	8,524	35,577	28,524	138,166	145,219	190,000
55,000	22,581	208,829	77,581	183,255	314,503	485,000
10,000	4,838	14,838	14,838	103,997	103,997	105,000
45,000	18,308	63,658	63,308	364,041	364,391	365,000
10,000	4,273	18,412	14,273	39,668	43,807	85,000
5,000	2,108	7,108	7,108	44,856	44,856	45,000
15,000	6,051	22,880	21,051	57,465	59,294	130,000
15,000	7,232	22,232	22,232	151,505	151,505	155,000
30,000	8,966	38,966	38,966	194,376	194,376	195,000
20,000	8,862	41,109	28,862	68,771	81,018	190,000
-	4,676	148,018	4,676	-	143,342	145,000
-	5,189	60,234	5,189	-	55,045	160,000
-	9,338	112,263	9,338	-	102,925	290,000
-	6,613	74,958	6,613	-	68,345	205,000
-	14,452	459,148	14,452	-	444,696	450,000
<u>\$ 780,000</u>	<u>\$ 280,095</u>	<u>\$ 2,164,230</u>	<u>\$ 1,056,840</u>	<u>\$ 4,281,317</u>	<u>\$ 5,388,707</u>	<u>\$ 7,885,000</u>

IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
IOWA JOBS TRAINING PROGRAM  
YEAR ENDED JUNE 30, 2006

Project Name	Project Costs			Subtotal
	Training and Wages	Administration	Legal and Issue Costs	
Medieval Glass Industries	\$ 8,627	\$ 2,050	\$ -	\$ 10,677
Great Lakes Cooperative	21,500	3,500	-	25,000
Northern Iowa Die Casting	21,500	3,500	-	25,000
Stylecraft Furniture	20,500	4,500	-	25,000
Veridian, Ltd.	20,500	4,500	-	25,000
CF Industries	3,650	850	-	4,500
Tecton Industries	15,500	2,500	-	18,000
Cadre Teleservices	4,045	950	-	4,995
Metal Works, Inc.	4,045	950	-	4,995
Lakes Enterprises	3,800	840	-	4,640
Ferguson Mfg. Co.	4,045	950	-	4,995
<b>Total</b>	<b>\$ 127,712</b>	<b>\$ 25,090</b>	<b>\$ -</b>	<b>\$ 152,802</b>

SCHEDULE 8

Retirement Costs		Total Current Year Expenditures	Less: Non-Budgeted Expenditures	Cumulative Prior Period Budgeted Expenditures	Total Budgeted Expenditures	Budget
Debt	Interest					
\$ -	\$ -	\$ 10,677	\$ -	\$ -	\$ 10,677	\$ 10,677
-	-	25,000	-	-	25,000	25,000
-	-	25,000	-	-	25,000	25,000
-	-	25,000	-	-	25,000	25,000
-	-	25,000	-	-	25,000	25,000
-	-	4,500	-	-	4,500	4,500
-	-	18,000	-	-	18,000	18,000
-	-	4,995	-	-	4,995	4,995
-	-	4,995	-	-	4,995	4,995
-	-	4,640	-	-	4,640	4,640
-	-	4,995	-	-	4,995	4,995
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 152,802</u>	<u>\$ 152,802</u>

IOWA LAKES COMMUNITY COLLEGE  
 SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT  
 YEAR ENDED JUNE 30, 2006

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	44,537	-	44,537	960,339	-	960,339
Vocational Preparatory	25,935	-	25,935	648,743	-	648,743
Adult Education	-	-	-	93,555	3,537	97,092
Cooperative Programs	-	-	-	-	-	-
Related Services and Activities	-	-	-	-	6,420	6,420
<b>Total</b>	<b>70,472</b>	<b>-</b>	<b>70,472</b>	<b>1,702,637</b>	<b>9,957</b>	<b>1,712,594</b>

**IOWA LAKES COMMUNITY COLLEGE  
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES**

	Years Ended June 30,			
	2006	2005	2004	2003
Local (Property Tax) .....	\$ 2,716,060	\$ 2,466,198	\$ 2,710,785	\$ 2,727,153
State .....	8,866,106	8,179,334	7,783,155	7,521,236
Federal .....	<u>5,765,613</u>	<u>5,180,070</u>	<u>4,831,481</u>	<u>4,468,804</u>
<b>Total</b> .....	<u><u>\$ 17,347,779</u></u>	<u><u>\$ 15,825,602</u></u>	<u><u>\$ 15,325,421</u></u>	<u><u>\$ 14,717,193</u></u>

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

	Years Ended June 30,			
	2006	2005	2004	2003
State Appropriations	\$ 8,395,040	\$ 8,179,334	\$ 7,590,848	\$ 7,521,236
Tuition and Fees	8,560,998	8,765,233	8,369,925	7,439,641
Property Tax	2,009,864	1,772,283	1,967,436	2,010,311
Federal Appropriations	5,765,613	5,180,070	4,831,481	4,440,732
Interest on Investments	321,253	219,453	146,656	161,314
Iowa Industrial New Jobs Training Program	1,386,733	1,186,301	982,804	632,145
Auxiliary Enterprises	4,726,313	4,263,240	3,551,441	3,347,077
Miscellaneous	<u>2,685,777</u>	<u>2,468,845</u>	<u>2,188,361</u>	<u>1,560,415</u>
Total	<u>\$ 33,851,591</u>	<u>\$ 32,034,759</u>	<u>\$ 29,628,952</u>	<u>\$ 27,112,871</u>

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

	Years Ended June 30,			
	2006	2005	2004	2003
Liberal Arts and Sciences	\$ 5,557,072	\$ 5,281,128	\$ 4,879,702	\$ 4,345,474
Vocational Technical	3,594,393	3,464,605	2,963,652	2,589,557
Adult Education	814,965	812,132	783,479	748,170
Cooperative Services	1,218,726	1,341,078	1,290,784	1,198,384
Administration	913,293	853,202	786,789	754,271
Student Services	1,343,883	1,231,922	1,207,807	1,153,824
Learning Resources	1,001,229	906,724	848,195	785,617
Physical Plant	1,530,164	1,574,406	2,015,411	1,771,813
General Institution	2,177,966	2,767,784	2,039,440	2,141,051
Auxiliary Enterprises	4,832,100	6,329,189	3,648,457	3,344,599
Scholarships and Grants	3,720,692	3,973,499	3,878,501	3,231,699
Equipment Replacement	204,927	116,123	173,185	120,244
Insurance	993,375	840,352	845,122	750,587
Unemployment Compensation	9,028	2,571	788	20,702
Iowa Industrial New Jobs Training Program	1,107,391	850,502	805,468	408,538
Miscellaneous	2,962,567	2,022,790	2,074,821	1,827,274
Interest on Indebtness	280,091	274,346	272,042	245,772
<b>Total</b>	<b>\$ 32,261,862</b>	<b>\$ 32,642,353</b>	<b>\$ 28,513,643</b>	<b>\$ 25,437,576</b>

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**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2006**

Grantor/Program	CFDA Number	Program Expenditures
<b>DIRECT:</b>		
U.S. Department of Agriculture:		
Production Flexibility Payments	10.055	\$ 23,527
Enhancing Awareness and Teaching of Animal Production	10.226	3,053
Total Direct - U.S. Department of Agriculture		<u>26,580</u>
U. S. Department of Education:		
Student Financial Aid – Cluster:		
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	52,517
Federal Work-Study Program (FWS)	84.033	83,945
Federal Pell Grant Program	84.063	2,570,294
Total Student Financial Aid Cluster		<u>2,706,756</u>
Title III – Higher Education Institutional Aid	84.031A	229,178
Wind Energy	84.116Z	474,102
Student Supported Services – Aspires	84.042A	254,450
Talent Search	84.044	305,263
Upward Bound	84.047	318,104
Child Care Access	84.335A	36,033
Total Direct U.S. Department of Education		<u>4,323,886</u>
Corporation for National and Community Services:		
Retired Senior Volunteer Program	94.002	98,169
National Science Foundation	47.076	132,801
U.S. Department of Labor - Mine Health and Safety Grants	17.600	950
Total Direct Expenditures		<u>4,582,386</u>
<b>INDIRECT:</b>		
Small Business Administration:		
Indirect Through Iowa State University:		
Small Business Development Center	59.037	102,213
U.S. Department of Education:		
Indirect Through the Iowa Department of Education:		
Adult Education - State Grant Program	84.002	113,532
Indirect Through the Iowa Department of Education:		
Vocational Education - Basic Grants to States, Title II-C, Carl Perkins III	84.048	383,847
Indirect Through the Iowa Department of Education:		
Child Nutrition Admin, Milk & SFSP	10.556	8,621
Indirect Through the Iowa Department of Education:		
Tech Prep - Perkins Vocational Aid	84.243	79,013
Total Indirect Expenditures		<u>687,226</u>
Total Direct and Indirect Expenditures		<u>\$ 5,269,612</u>

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2006**

**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, 2006, the following loan balances were outstanding at June 30, 2006:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Nursing Student Loans	93 364	\$ 7,838

**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, 2006, and have issued our report thereon dated September 22, 2006. 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, 2006 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  
September 22, 2006

**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, 2006. 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, 2006.

**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.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Iowa Lakes Community College's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. A reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable 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 non-compliance with applicable requirements of

laws, regulations, contracts and grant agreements caused by error or fraud 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe item III-A-06 is not a material weakness.

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  
September 22, 2006

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2006**

**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:

CFDA Number 84.063: Federal Pell Grant Program  
Federal Award Year: 2006  
U.S. Department of Education

III-A-06 Federal Pell Grant Program – The information verified for two students of forty tested did not match the information on the ISIR. The change would have resulted in a different EFC, yet neither student was over awarded.

Recommendation – The Community College should exercise greater care in verifying the student information and matching it to the information on the ISIR.

Response – We will exercise greater care in verifying the student information to the ISIR.

Conclusion – Response accepted.

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

- 06-IV-A: Certified Budget – Expenditures for the year ended June 30, 2006, did not exceed the amount budgeted, in total, for the Unrestricted, Restricted or Plant Fund.
- 06-IV-B: 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.
- 06-IV-C: Travel Expense – No expenditures of Iowa Lakes Community College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- 06-IV-D: Business Transactions – No business transactions between the Community College and the Community College officials or employees were noted.
- 06-IV-E: 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 operations.
- 06-IV-F: Board Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- 06-IV-G: 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 – In the future, the summarized statement of receipts and disbursement for all funds will be published in a timely manner.
- Conclusion – Response accepted.
- 06-IV-H: 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.
- 06-IV-I: Credit/Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the Community College.

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF PRIOR YEAR FINDINGS  
JUNE 30, 2006**

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

