

Iowa Valley Community College District

Financial and Compliance Report

06.30.2006

McGladrey & Pullen
Certified Public Accountants

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Iowa Valley Community College District

Officials

Name	Title	Term Expires
Board of Directors		
Beryl Wellborn	President	2008
Larry Johnson	Vice President	2007
J. William Grove	Member	2008
Conrad DeJardin	Member	2007
Jane Jech	Member	2008
Delbert Kellogg	Member	2006
Yvonne Mallory	Member	2006
Area School		
Dr. Tim Wynes	President	
Dan Gillen	Vice President - Finance and Facilities Management and Board Treasurer	
Barbara Jennings	Board Secretary	

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
Iowa Valley Community College District
Marshalltown, Iowa

We have audited the accompanying basic financial statements of Iowa Valley Community College District (District), Marshalltown, Iowa, as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units which represents 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements are unaudited.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statements are free of material misstatement. The discretely presented component units were not audited in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of Iowa Valley Community College District as of June 30, 2006, except for the aggregate discretely presented component units which are unaudited as of June 30, 2006, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2006 on our consideration of Iowa Valley Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants, agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and the Budgetary Comparison Schedule of Expenditures are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements of the District that collectively comprise the District's basic financial statements. The schedules listed in the table of contents as supplementary information, as well as the accompanying schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Cedar Rapids, Iowa
October 31, 2006

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2006

Management of Iowa Valley Community College District (the District) provides this Management's Discussion and Analysis of the District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- District operating revenues increased 2%, or approximately \$300,000, as compared to fiscal year 2005. The increase resulted primarily from an increase in tuition revenue and miscellaneous income.
- In fiscal year 2005, District operating revenues increased 5%, or approximately \$900,000, as compared to fiscal year 2004. The increase resulted primarily from an increase in tuition revenue, prior to the scholarship adjustment, of approximately \$1,000,000. This was offset by a decline in revenue under the Iowa Industrial Jobs Training Program of approximately \$600,000 resulting from a reduction in activity by participating companies. This corresponds with a reduction in NJTP expenses and a decrease to NJTP receivables.
- District operating expenses increased 9%, or approximately \$2,500,000, as compared to fiscal year 2005. The increase was due mainly to increases in adult education expenditures and administrative costs association with recognizing the liability for future early retirement costs.
- In fiscal year 2005, District operating expenses increased 1%, or approximately \$200,000, as compared to fiscal year 2004.
- The District's net assets decreased 2%, or approximately \$400,000, from fiscal year 2005.
- The District's net assets increased 3%, or approximately \$600,000, from fiscal year 2004.

Using this 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 District'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 District as a whole and present an overall view of the District's finances.

Notes to the basic financial statements provide additional information that is 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 District's budget for the year.

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2006

Reporting the District as a Whole

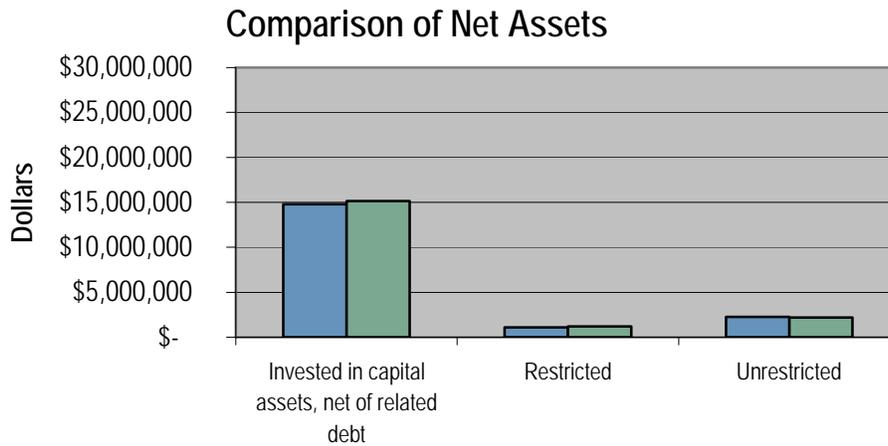
The Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the District, as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the District to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and noncurrent assets, current and noncurrent liabilities and net assets (assets less liabilities). Over time, readers of the financial statements will be able to determine the District's financial position by analyzing the increases and decreases in net assets. This statement is also a good source for readers to determine how much the District owes to outside vendors and creditors. The statement presents the available assets that can be used to satisfy those liabilities.

Net Assets	June 30,	
	2006	2005
Current assets	\$ 16,007,024	\$ 14,765,948
Other assets	2,355,482	2,652,936
Capital assets, net of accumulated depreciation	20,357,334	21,050,469
Total assets	38,719,840	38,469,353
Current liabilities	8,953,674	8,679,936
Noncurrent liabilities	11,591,305	11,245,276
Total liabilities	20,544,979	19,925,212
Net assets:		
Invested in capital assets, net of related debt	14,801,030	15,139,693
Restricted	1,097,352	1,209,950
Unrestricted	2,276,479	2,194,498
Total net assets	\$ 18,174,861	\$ 18,544,141

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2006



The largest portion of the District's net assets (81%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (6%) includes resources that are subject to external restrictions. The remaining net assets (13%) are the unrestricted net assets that can be used to meet the District's obligations as they come due.

Fiscal Year 2006: The District did not experience any significant new debt or capital asset additions.

Fiscal Year 2005: The District did not experience any significant new debt or capital asset additions.

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2006

Statement of Revenues, Expenses and Changes in Net Assets

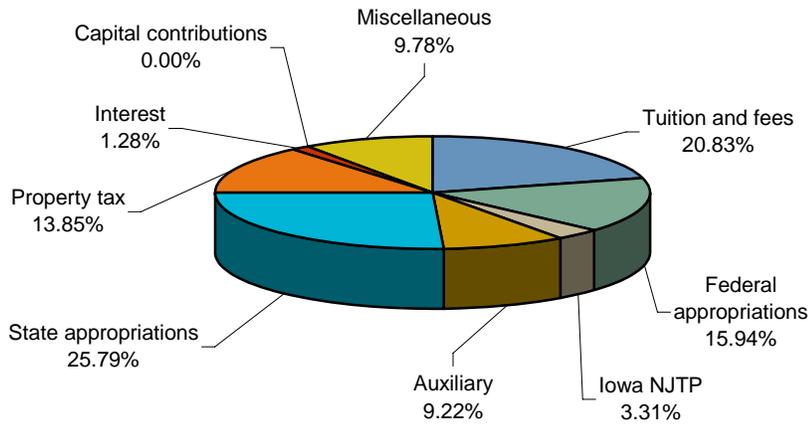
Changes in total net assets as reflected on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues of the District, both operating and nonoperating, and the expenses incurred by the District, operating and nonoperating, and any other revenues, expenses, gains and losses of the District.

In general, a public college, such as Iowa Valley Community College District, will report an operating loss since the financial reporting model classifies state appropriations and property tax as nonoperating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the District. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the District. Nonoperating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

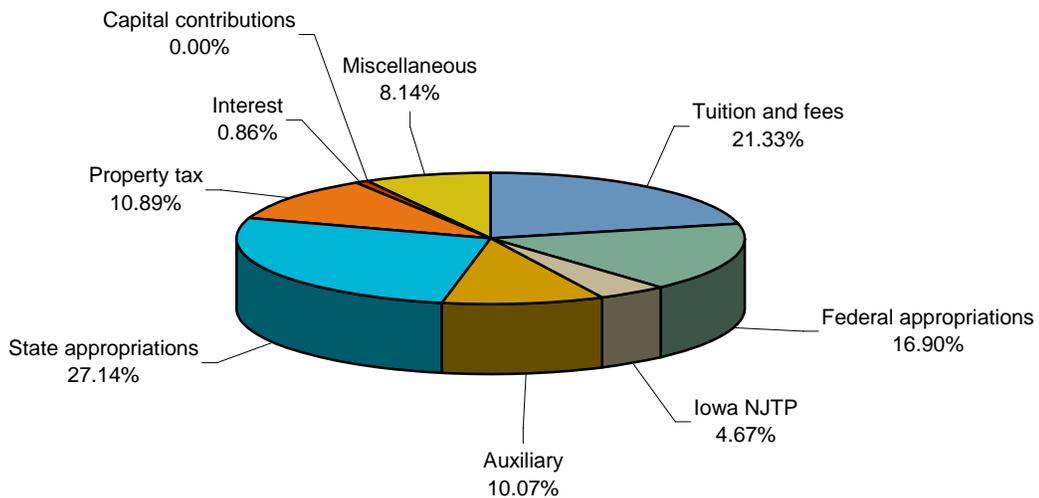
Changes in Net Assets	Year Ended June 30,	
	2006	2005
Operating revenues:		
Tuition and fees	\$ 6,296,445	\$ 6,125,050
Federal appropriations	4,817,427	4,852,550
Iowa Industrial New Jobs Training Program	1,000,696	1,342,059
Auxiliary enterprise revenue	2,785,620	2,890,678
Miscellaneous	2,956,041	2,337,232
Nonoperating revenues and transfers:		
State appropriations	7,796,195	7,795,039
Property tax	4,185,012	3,128,290
Interest income on investments	386,534	245,555
Transfers from agency fund	128,158	124,968
Capital contributions	-	-
Total revenues and transfers	30,352,128	28,841,421
Operating expenses	30,021,597	27,464,271
Interest on indebtedness	713,786	748,539
(Gain) loss on sale of capital assets	(13,975)	42,226
Total expenses	30,721,408	28,255,036
Increase (decrease) in net assets	(369,280)	586,385
Net assets:		
Beginning	18,544,141	17,957,756
Ending	\$ 18,174,861	\$ 18,544,141

Total Revenues by Source

2006



2005



Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2006

In fiscal year 2006, operating revenues increased by approximately \$300,000. The increase was a result of the following changes:

- Tuition and fees, prior to the scholarship adjustment, increased by approximately \$200,000 (due to a 5% increase in tuition rate coupled with a decrease in credit hours). Miscellaneous operating revenue increased approximately \$600,000.
- Iowa Industrial New Job Training revenues decreased approximately \$400,000 and auxiliary enterprise revenue decreased approximately \$100,000.

In fiscal year 2005, operating revenues increased by approximately \$900,000 (5%). The increase was a result of the following changes:

- Iowa Industrial New Jobs Training revenues decreased approximately \$600,000 due to less training activity.
- Tuition and fees, prior to the scholarship adjustment, increased by approximately \$1,000,000 due to a 10% increase in the number of credit hours and a 7% increase in the tuition rate charged per credit hour for resident students.

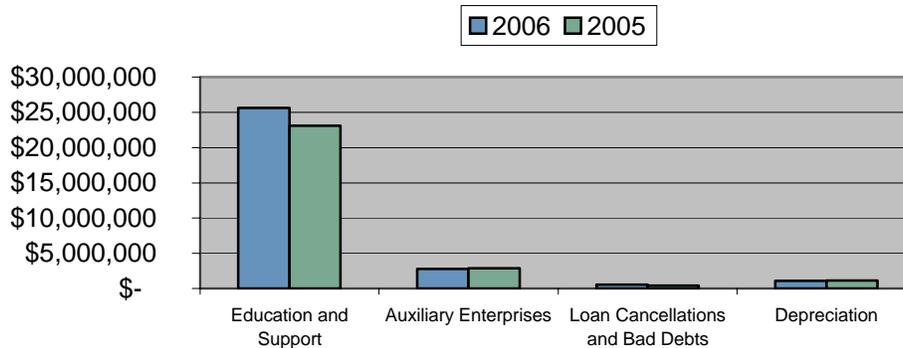
Operating Expenses

	Year Ended June 30,	
	2006	2005
Education and support:		
Liberal arts and sciences	\$ 5,587,359	\$ 5,298,045
Vocational technical	2,787,184	2,910,730
Adult education	4,547,769	4,178,452
Cooperative services	716,523	844,616
Administration	3,899,999	2,335,069
Student services	2,429,067	2,299,578
Learning resources	500,043	489,855
Physical plant	2,803,855	2,499,506
General institution	2,348,596	2,244,919
Auxiliary enterprises	2,793,974	2,867,435
Loan cancellations and bad debts	520,363	388,767
Depreciation	1,086,865	1,107,299
Total operating expenses	\$ 30,021,597	\$ 27,464,271

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2006

Total Expenses



In fiscal year 2006, operating expenses increased by approximately \$2,500,000. The following factors explain some of the changes:

- Adult education increased approximately \$400,000 due primarily to an increase in business and industry training provided during the year.
- Administration increased approximately \$1,600,000 for future early retirement costs.

In fiscal year 2005, operating expenses increased by approximately \$200,000. The following factors explain some of the changes:

- Liberal arts and sciences, vocational technical and adult education, the three functions relating to student instruction, increased approximately \$800,000. This was due to an increase in student services.
- Cooperative services decreased by approximately \$700,000 as a result of fewer payments made to the companies participating in the Iowa Industrial New Jobs Training Program. These expenses are dependent on the needs of the participating companies.

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2006

Statement of Cash Flows

A statement included in Iowa Valley Community College District's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping users to assess the District's ability to generate net cash flows, its ability to meet its obligations as they come due, and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, noncapital financing, capital financing and investing activities.

Cash Flows	Year Ended June 30,	
	2006	2005
Cash provided by (used in):		
Operating activities	\$ (9,787,726)	\$ (8,911,687)
Noncapital financing activities	11,012,490	11,150,483
Capital and related financing activities	(2,310,031)	(2,080,300)
Investing activities	386,534	245,555
Net increase (decrease) in cash	(698,733)	404,051
Cash:		
Beginning	9,732,297	9,328,246
Ending	<u>\$ 9,033,564</u>	<u>\$ 9,732,297</u>

Cash used in operating activities includes tuition, fees, grants and contracts, net of payments to employees and to suppliers. Cash provided by noncapital financing activities includes state appropriations and local property taxes received by the District. Cash used in capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes investment income received and the net change in pooled investments.

Capital Assets

At June 30, 2006, the District had approximately \$35,000,000 invested in capital assets, net of accumulated depreciation of \$14,500,000. Depreciation charges totaled \$1,100,000 for fiscal year 2006. Details of capital assets are shown below.

At June 30, 2005, the District had approximately \$34,500,000 invested in capital assets, net of accumulated depreciation of \$13,500,000. Depreciation charges totaled \$1,100,000 for fiscal year 2005. Details of capital assets are shown below.

Capital Assets, Net	June 30,	
	2006	2005
Land	\$ 1,115,708	\$ 1,115,708
Construction in progress	9,675	-
Buildings	17,878,660	18,565,533
Improvements other than buildings	595,199	540,520
Equipment and vehicles	758,092	828,708
Totals	\$ 20,357,334	\$ 21,050,469

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2006

More detailed information about the District's capital assets is presented in the notes to the basic financial statements.

Debt

At June 30, 2006, the District had \$11,961,304 in debt outstanding. This represents a decrease of approximately \$1,200,000 from 2005.

At June 30, 2005, the District had \$13,155,776 in debt outstanding. This represents a decrease of approximately \$369,472 from 2004.

Outstanding Debt	June 30,	
	2006	2005
Certificates payable	\$ 6,405,000	\$ 7,245,000
Notes payable and revenue bonds	5,556,304	5,910,776
	<u>\$ 11,961,304</u>	<u>\$ 13,155,776</u>

More detailed information about the District's outstanding debt is presented in the notes to the basic financial statements.

Economic Factors

Iowa Valley Community College District experienced a reduction in the fund 1 general operating fund net assets unrestricted of \$10,808. This is a significant improvement from the previous fiscal year's reduction in general operating fund net assets of approximately \$360,000. The recovery can be attributed to cost reductions realized by the early retirement incentives offered mid-year in fiscal 2006.

Economic factors and trends that continue to draw a great deal of scrutiny by the College are:

State Appropriations increased \$381,416 in 05/06, an increase of 5.5%. The amount is projected to increase to \$398,685 in 06/07 and \$471,844 in 07/08.

Property Valuations increased \$156,074,900 or 4.9% for the 06/07 collection year. For 07/08, the increase is \$40,439,163 or 1.2%.

Property Tax from the .2025 fixed rate levy comprised only 2.87% of general operating fund revenue in 05/06.

Tuition and Fee Revenue collections in the unrestricted general operating fund were up and are now the largest source of revenue for the fund, representing 41.62% of the total revenues. While it is a significant amount of revenue, it is difficult to predict and budget due to the many variables which impact actual enrollment and the tuition and fees generated. Continued tuition rate increases (5% for FY 06/07) create hardships for individuals seeking a college education and access to life long learning opportunities.

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2006

Student Enrollment has been trending upward in recent years only to experience a sharp drop at Iowa Valley for the 05/06 fiscal year. Enrollment for 06/07 shows a slight increase once again and hopefully will signal a return to an upward trend. The College must continue to be aggressive in recruiting and retaining students. The impact of enrollment on the fiscal condition of the College is significant and immediate.

Industrial New Jobs Training (260E) Projects have provided valuable resources for area business and industry for the expansion and training of their labor forces. With the downturn of the economy in recent years it has become increasingly difficult for area businesses and industries to meet long-term debt obligation commitments for the 260E projects. This is an area of concern that is continually monitored by the College.

Labor costs to include health insurance continue to represent approximately 70% of expenditure in the unrestricted general operating fund. Labor costs increase as a result of the collective bargaining negotiated settlement trend and have recently averaged from 4.5% to 5% per year.

Utility costs also are on the rise primarily from increased rates. A year in which the usage is above average combined with double digit rate increases not to mention the effect of any new construction can cause the utility expense to grow beyond resources in spite of energy conservation efforts. The utility costs are funded by the fixed rate plant levy, and for Iowa Valley, utility expense has grown to totally utilize the intended tax resource leaving no funds for maintenance. Those maintenance and repair facility expenses then fall on the unrestricted general operating fund.

Contacting the District'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 District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Iowa Valley Community College District, 3702 South Center Street, Marshalltown, Iowa, 50158.

Iowa Valley Community College District

Statement of Net Assets

June 30, 2006

Assets	Primary Institution
Current Assets:	
Cash and short-term pooled investments	\$ 9,033,564
Receivables:	
Accounts, net of allowance of \$1,404,035	1,626,279
Property tax	4,365,198
Due from other governments	542,909
Inventories	307,323
Prepaid expenses	131,751
Total current assets	16,007,024
Noncurrent Assets:	
Receivables, Iowa Industrial New Jobs Training Program	2,299,916
Prepaid expenses	55,566
	2,355,482
Capital assets:	
Land	1,115,708
Buildings	28,949,848
Improvements other than buildings	803,878
Equipment and vehicles	3,900,744
Construction in progress	9,675
Accumulated depreciation	(14,422,519)
Total noncurrent assets	22,712,816
Total assets	\$ 38,719,840

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Primary Institution
Current Liabilities:	
Accounts payable	\$ 896,297
Salaries and benefits payable	1,058,953
Accrued interest on notes and certificates payable	81,693
Deferred revenue:	
Succeeding year property tax	3,117,721
Other	1,018,845
Early retirement payable	534,192
Compensated absences	252,033
Certificates payable	1,115,000
Notes payable and revenue bonds	369,472
Deposits held in custody for others	509,468
Total current liabilities	<u>8,953,674</u>
Noncurrent Liabilities:	
Early retirement payable	1,114,473
Certificates payable	5,290,000
Notes payable and revenue bonds	5,186,832
Total noncurrent liabilities	<u>11,591,305</u>
Total liabilities	<u>20,544,979</u>
Net Assets:	
Invested in capital assets, net of related debt	14,801,030
Restricted for:	
Nonexpendable, cash reserve	264,342
Expendable, restricted for education and support	833,010
Unrestricted	2,276,479
Total net assets	<u>18,174,861</u>
Total liabilities and net assets	<u>\$ 38,719,840</u>

Iowa Valley Community College District

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2006

	Primary Institution
Revenues:	
Operating revenues:	
Tuition and fees, net of scholarship allowances of \$2,919,550	\$ 6,296,445
Federal appropriations	4,817,427
Iowa Industrial New Jobs Training Program	1,000,696
Auxiliary enterprises revenue	2,785,620
Miscellaneous	2,956,041
Total operating revenues	<u>17,856,229</u>
Expenses:	
Operating expenses:	
Education and support:	
Liberal arts and sciences	5,587,359
Vocational technical	2,787,184
Adult education	4,547,769
Cooperative services	716,523
Administration	3,899,999
Student services	2,429,067
Learning resources	500,043
Physical plant	2,803,855
General institution	2,348,596
Auxiliary enterprises	2,793,974
Loan cancellations and bad debts	520,363
Depreciation	1,086,865
Total operating expenses	<u>30,021,597</u>
Operating (loss)	<u>(12,165,368)</u>
Nonoperating revenues (expenses):	
State appropriations	7,796,195
Property tax	4,185,012
Investment earnings	386,534
Gain on disposition of capital assets	13,975
Interest on indebtedness	(713,786)
Net nonoperating revenues	<u>11,667,930</u>
Change in net assets	<u>(497,438)</u>
Transfers from agency fund	128,158
Total change in net assets	<u>(369,280)</u>
Net assets:	
Beginning of year	18,544,141
Ending	<u>\$ 18,174,861</u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Statement of Cash Flows
Year Ended June 30, 2006

	Primary Institution
<hr/>	
Cash Flows from Operating Activities:	
Cash received from tuition and fees	\$ 5,687,056
Cash received from federal appropriations	4,863,651
Cash received from Iowa Industrial New Jobs Training Program	1,387,551
Payments to employees for salaries and benefits	(16,265,276)
Payments to suppliers for goods and services	(11,202,361)
Auxiliary enterprise receipts	2,785,620
Other receipts	2,956,033
Net cash (used in) operating activities	<u>(9,787,726)</u>
Cash Flows from Noncapital Financing Activities:	
Transfers from agency funds	128,158
State appropriations	7,796,195
Property tax	2,975,743
Miscellaneous Agency Fund receipts	990,955
Miscellaneous Agency Fund disbursements	(878,561)
Net cash provided by noncapital financing activities	<u>11,012,490</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of debt	665,000
Acquisition of capital assets	(429,040)
Proceeds on disposal of capital assets	49,285
Principal paid on debt	(1,859,472)
Interest paid	(735,804)
Net cash (used in) capital and related financing activities	<u>(2,310,031)</u>
Cash Flows Provided by Investing Activities, interest from investments	<u>386,534</u>
Net (decrease) in cash and short-term pooled investments	(698,733)
Cash and short-term pooled investments:	
Beginning	9,732,297
Ending	<u>\$ 9,033,564</u>

(Continued)

Iowa Valley Community College District

Statement of Cash Flows (Continued)

Year Ended June 30, 2006

	Primary Institution
Reconciliation of operating loss to net cash (used in) operating activities, operating loss	<u>\$ (12,165,368)</u>
Adjustments to reconcile operating loss to net cash (used in) operating activities, depreciation	<u>1,086,865</u>
Changes in assets and liabilities:	
(Increase) in accounts receivable	(609,389)
Decrease in Iowa Industrial New Jobs Training Program	186,334
Decrease in due from other governments	40,376
(Increase) in inventories	(58,974)
Decrease in prepaid expenses	159,798
Increase in accounts payable	355,299
(Decrease) in salaries and benefits payable	(242,302)
Increase in early retirement payable	1,284,240
(Decrease) in compensated absences	(30,974)
Increase in other deferred revenue	206,369
Total adjustments	<u><u>1,290,777</u></u>
Net cash (used in) operating activities	<u><u>\$ (9,787,726)</u></u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Combining Statement of Net Assets - Component Units - Foundations (Unaudited)

December 31, 2005

Assets	Marshalltown Community College District Foundation	Ellsworth College Foundation	Total
Current Assets:			
Cash and short-term pooled investments	\$ 395,112	\$ 359,718	\$ 754,830
Noncurrent Assets:			
Investments	1,780,737	1,775,757	3,556,494
Capital assets	289,250	278,400	567,650
Total assets	\$ 2,465,099	\$ 2,413,875	\$ 4,878,974
Liabilities and Net Assets			
Net Assets:			
Restricted for scholarships and fellowships	\$ 2,069,987	\$ 2,019,474	\$ 4,089,461
Unrestricted	395,112	394,401	789,513
Total net assets	\$ 2,465,099	\$ 2,413,875	\$ 4,878,974

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Combining Statement of Revenues, Expenses and Changes in Net Assets -
Component Units - Foundations (Unaudited)
Year Ended December 31, 2005

	Marshalltown Community College District Foundation	Ellsworth College Foundation	Total
Revenues:			
Operating revenues:			
Contributions	\$ 18,326	\$ 95,830	\$ 114,156
Special events and grants	101,744	173,308	275,052
Total operating revenues	120,070	269,138	389,208
Expenses:			
Operating expenses:			
Scholarships and grants	186,063	66,280	252,343
Miscellaneous	60,818	20,293	81,111
Administration	108,986	195,798	304,784
Total operating expenses	355,867	282,371	638,238
Operating (loss)	(235,797)	(13,233)	(249,030)
Nonoperating revenues, investment earnings	285,851	131,483	417,334
Increase in net assets	50,054	118,250	168,304
Net assets:			
Beginning	2,415,045	2,295,625	4,710,670
Ending	<u>\$ 2,465,099</u>	<u>\$ 2,413,875</u>	<u>\$ 4,878,974</u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units and Significant Accounting Policies

Reporting entity:

The Iowa Valley Community College District (the District) is a publicly supported, post-secondary, two-year institution established and operated as an area community college by Merged Area VI, as provided in Chapter 260C of the Code of Iowa. The District offers 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. It also offers up to two years of vocational or technical education, as well as training or retraining to persons who are preparing to enter the labor market. The District maintains campuses in Marshalltown, Iowa Falls, and Grinnell, Iowa and has its administrative offices in Marshalltown.

In fulfilling the responsibilities assigned to it by law, the District offers a comprehensive educational program and support services to fulfill local and state needs. The District serves primarily students from the state of Iowa.

Accounting principles generally accepted in the United States of America require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In addition, the GASB issued Statement No. 39, *Determining Whether Certain Organizations are Component Units*, which sets forth additional criteria to determine whether certain organizations for which the District is not financially accountable should be reported as component units based on the nature and significance of their relationship with the District. These criteria include (1) the economic resources being received or held by the separate organization being entirely or almost entirely for the direct benefit of the District or its constituents, (2) the District being entitled to, or having the ability to otherwise access, a majority of the economic resources received or held by the District and (3) the economic resources received or held by an individual organization that the District is entitled to, or has the ability to otherwise access, are significant to the District.

The District is considered to be a primary government and has included Marshalltown Community College District Foundation and Ellsworth College Foundation as discretely presented component units in their basic financial statements due to the nature of their relationship with the District.

Discretely presented component units:

Marshalltown Community College Foundation is a legally separate, not-for-profit foundation. The Foundation was established for the purpose of providing scholarships to students and other support for the benefit of Marshalltown Community College, a part of Iowa Valley Community College District. The Foundation is governed by a separate Board of Directors. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of Marshalltown Community College.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units and Significant Accounting Policies (Continued)

Ellsworth College Foundation is a legally separate, tax-exempt foundation. The Foundation was established for the purpose of providing scholarships to students and other support for the benefit of Ellsworth Community College, a part of the Iowa Valley Community College District. The Foundation is governed by a separate Board of Directors. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources that are held are used for the benefit of Ellsworth Community College.

The discretely presented component units operate on a December 31, 2005 year-end. Separate unaudited financial statements can be obtained at Iowa Valley Community College District, 3702 S. Center Street, Marshalltown, Iowa 50158.

Significant accounting policies:

Financial statement presentation: The basic financial statements (i.e., the statements of net assets, revenues, expenses and changes in net assets, and cash flows) report information on all of the activities of the District. All material interfund activity has been removed from these statements.

Measurement focus and basis of accounting: For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 35. Accordingly, the basic financial statements of the District 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 tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Accounting standards: The District follows Governmental Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

Investments: Investments are stated at their fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. The District invests in the Iowa Schools Investment Trust which is a common law trust established under Iowa law and is administered by an appointed investment management company. The fair value of the position in the trust is the same as the value of the shares.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units and Significant Accounting Policies (Continued)

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP): This represents the amount to be remitted to the District for training projects entered into between the District 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.

Due from other governments: This represents state aid, grants and reimbursements due from the state of Iowa and grants and reimbursements due from the federal government.

Inventories: Inventories are valued at lower of cost (first-in, first-out method) or market. The cost is recorded as an expenditure at the time individual inventory items are consumed.

Capital assets: Capital assets, which include land, buildings, improvements other than buildings, equipment and vehicles and construction-in-process, are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repair 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.

The District defines capital assets as assets with initial, individual costs in excess \$5,000.

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

	<u>Years</u>
Buildings and improvements other than buildings	20 - 40
Equipment	10 - 20
Vehicles	5

The District does not recognize depreciation on capital assets currently under construction. Depreciation will commence upon completion of the project based on the applicable asset category and estimated useful life. The District does not capitalize or depreciate library books. The collection is unencumbered, held for public education, protected, cared for and preserved, and the proceeds from the sale of library books, if any, are not material to the District.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units and 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.

Deferred revenue: Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose restriction. Deferred revenue consists of unspent grant proceeds and the succeeding year property tax receivable.

Compensated absences: District employees accumulate a limited amount of earned but unused vacation for subsequent use. Earned, but unused vacation is paid to the employee upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as compensated absences. These liabilities have been computed based on rates of pay in effect as of June 30, 2006.

Accrued interest payable: Interest on long-term bonded indebtedness is recorded as a liability when the interest is payable.

Auxiliary enterprises revenues and expenses: Auxiliary enterprises revenues and expenses primarily represent revenues generated and expenses associated with bookstore, cafeteria, athletics, and housing.

Summer session: The District 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: Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship expenses.

Income taxes: The District is exempt from federal income taxes under the provisions of Section 115 of the Internal Revenue Code as a political subdivision of the State of Iowa. As such, the District is subject to federal income taxes only on any net unrelated business income under the provisions of Section 511 of the Internal Revenue Code.

Operating and nonoperating activities: Operating activities, as reported in the statement of revenues, expenses and changes in net assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Nonoperating activities include state appropriations, property tax, investment earnings and interest expense.

Transfers: Transfers from agency funds were primarily composed of amounts from student fees used in support of athletics.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 1. Reporting Entity, Discretely Presented Component Units and Significant Accounting Policies (Continued)

Net assets: Net assets are classified according to restrictions or availability of assets for satisfaction of District obligations. Invested in capital assets, net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the assets and the borrowed resources not yet expended, but restricted for capital purchases. Restricted net assets represent the amounts segregated for specific purposes as allowed by the Code of Iowa, bond covenants, donors, or outside agencies. All remaining net assets are unrestricted for legal purposes, but may be designated for specific purposes. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Scholarship allowances and student aid: Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) 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 revenue. 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.

Note 2. Cash and Pooled Investments

Interest rate risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits operating funds portfolio to maturities of less than 397 days.

As of June 30, 2006, the District had the following investments:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Iowa Schools Joint Investment Trust	\$ 67,732	\$ 67,732	\$ -	\$ -	\$ -

Credit risk: The District 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 Directors; 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.

As of June 30, 2006, the District's investments were rated as follows:

Investment Type	Moody Investor Services
Iowa Schools Joint Investment Trust	Aaa

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 2. Cash and Pooled Investments (Continued)

Concentration of credit risk: The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The District's investment policy seeks to provide safety of the principal, maintain the necessary liquidity to match expected liabilities, and obtain a reasonable rate of return. The policy does not allow the District to invest in reverse purchase agreements, futures or options.

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. It is the District's policy to require that time deposits in excess of FDIC insurable limits be secured by collateral or private insurance to protect public deposits in a single financial institution if it were to default.

As of June 30, 2006, the District's carrying amount of deposits, excluding \$3,840 of petty cash, totaled \$8,961,992 with a bank balance of \$9,375,555. The District's cash and deposits (money market accounts and certificates of deposit) as of June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The District invests in the Iowa Schools Joint Investment Trust, which is not subject to risk categorization. The balance as of June 30, 2006 was \$67,732.

Excluded from the cash and investment amount, disclosed immediately above, are cash and investments of \$4,311,324 which belong to the component units of the District. Investments of the component units consist principally of U.S. Treasury notes, corporate securities, agencies, equities and mutual funds. Disclosures for interest rate risk, credit risk, concentration of credit risk, and custodial credit risk for the component units are not available.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 3. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital assets not being depreciated:				
Land	\$ 1,115,708	\$ -	\$ -	\$ 1,115,708
Construction in progress	-	9,675	-	9,675
Total capital assets not being depreciated	1,115,708	9,675	-	1,125,383
Capital assets being depreciated:				
Buildings	28,812,867	136,981	-	28,949,848
Improvements other than buildings	725,890	77,988	-	803,878
Equipment and vehicles	3,865,527	204,396	169,179	3,900,744
Total capital assets being depreciated	33,404,284	419,365	169,179	33,654,470
Less accumulated depreciation for:				
Buildings	10,247,334	823,854	-	11,071,188
Improvements other than buildings	185,370	23,309	-	208,679
Equipment and vehicles	3,036,819	239,702	133,869	3,142,652
Total accumulated depreciation	13,469,523	1,086,865	133,869	14,422,519
Total capital assets being depreciated, net	19,934,761	(667,500)	35,310	19,231,951
Capital assets, net	\$ 21,050,469	\$ (657,825)	\$ 35,310	\$ 20,357,334

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities

A summary of changes in noncurrent liabilities for the year ended June 30, 2006 is as follows:

	Compensated Absences	Early Retirement Payable	Certificates Payable	Notes Payable and Revenue Bonds	Total
Balance, beginning	\$ 283,007	\$ 364,425	\$ 7,245,000	\$ 5,910,776	\$ 13,803,208
Additions	252,033	1,624,108	665,000	-	2,541,141
Reductions	283,007	339,868	1,505,000	354,472	2,482,347
Balance, ending	252,033	1,648,665	6,405,000	5,556,304	13,862,002
Less current portion	252,033	534,192	1,115,000	369,472	2,270,697
Total noncurrent liabilities	\$ -	\$ 1,114,473	\$ 5,290,000	\$ 5,186,832	\$ 11,591,305

Notes payable and revenue bonds:

The District has issued notes payable and revenue bonds for the purchase and construction of District properties as allowed by Section 260C.19 of the Code of Iowa. Details of scheduled maturities for the District's June 30, 2006 notes payable and revenue bonds are as follows:

Year ending June 30:	Principal	Interest	Total
2007	\$ 369,472	\$ 289,821	\$ 659,293
2008	124,472	278,278	402,750
2009	129,472	273,230	402,702
2010	139,472	269,292	408,764
2011	144,472	262,117	406,589
2012 - 2016	1,963,944	1,196,709	3,160,653
2017 - 2021	2,685,000	327,533	3,012,533
	\$ 5,556,304	\$ 2,896,980	\$ 8,453,284

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

Notes payable and revenue bonds consisted of the following principal balances as of June 30, 2006:

Note payable dated February 1, 2003, with an interest rate of 7%. Interest is paid semiannually, while principal payments of \$14,472 are due annually, with a maturity date of February 1, 2013. Certain land is collateral for the debt.	\$ 101,304
Dormitory revenue bonds dated October 1, 2002, with interest rates between 3.70% and 5.30%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of May 1, 2018. The real estate, dormitory facilities and related personal property are collateral for the debt.	2,475,000
Student housing revenue bonds dated May 1, 1999, with interest rates between 5.00% and 5.85%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of May 1, 2019. The real estate, student housing facilities and related personal property are collateral for the debt.	1,090,000
Dormitory revenue bonds dated May 1, 2001, with interest rates between 5.25% and 5.75%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of May 1, 2016. The real estate, dormitory facilities and related personal property are collateral for the debt.	1,640,000
Capital loan note dated June 1, 2004, with an interest rate of 2.95%. Interest payments are due semiannually, with semi-annual principal payments commencing December 1, 2005, and a maturity date of June 1, 2007.	250,000
	<u>\$ 5,556,304</u>

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

Certificates payable:

Pursuant to agreements dated from July 1988 to June 2006, the District issued certificates totaling \$6,405,000 at June 30, 2006 with net interest rates ranging from 3.7% to 8.5% per annum. The debt was issued to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa. Iowa Industrial New Jobs Training Program (NJTP's) purpose is to provide tax-aided training for employees of industries which are new or are expanding their operations within the state of Iowa. Interest is payable semiannually, while principal payments are due annually. Amounts due will be paid from anticipated job credits, from withholding taxes, incremental property taxes, and, in the case of default, standby property taxes collected pursuant to Chapter 260E.

The certificates will mature as follows:

	Principal	Interest	Total
Year ending June 30:			
2007	\$ 1,115,000	\$ 370,393	\$ 1,485,393
2008	1,100,000	308,048	1,408,048
2009	955,000	245,215	1,200,215
2010	880,000	190,010	1,070,010
2011	665,000	138,435	803,435
2012 - 2016	1,690,000	213,888	1,903,888
	<u>\$ 6,405,000</u>	<u>\$ 1,465,989</u>	<u>\$ 7,870,989</u>

Since inception, the District has administered 119 projects, with 32 currently receiving project funding. Of the remaining projects, 59 have been completed and closed and 28 have been completed with only repayment of the certificates left. In cases where projects exceed the budgeted amounts, the District intends to obtain additional withholding revenue from the companies.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 5. Operating Leases

The District leases certain property under operating leases that expire at varying dates. Most of the operating leases provide the District with the option to renew the lease at the fair rental value at the end of the initial lease term. Generally, management expects that the leases will be renewed or replaced by other leases in the normal course of business. Minimum payments for operating leases having initial or remaining noncancelable terms in excess of one year are as follows:

Year ending June 30:	
2007	\$ 421,113
2008	407,900
2009	156,050
2010	156,050
2011	156,050
	<u>\$ 1,297,163</u>

Total rent expense for all operating leases was \$503,998 for the year ended June 30, 2006.

Note 6. Iowa Public Employees Retirement System (IPERS)

The District 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 (State). 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 the District is required to contribute 5.75% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$308,737, \$300,889 and \$289,631, respectively, equal to the required contribution each year.

Note 7. Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF)

The District contributes to the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the District. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible District 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, each employee is to contribute 3.70% and the District is required to contribute 5.75%. The District's contribution to TIAA-CREF for the year ended June 30, 2006 was \$313,431, equal to the required contribution for the year. The employees' contribution to TIAA-CREF for the year ended June 30, 2006 was \$202,575, equal to the required contribution for the year.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 8. Early Retirement

The College approved an Early Retirement Incentive Plan (ERIP) effective November 8, 2005. The plan expired on December 31, 2005.

To be eligible for ERIP, an employee must be employed full-time and be 55 years of age with 10 or more years of continuous service with the District. Retirement is to begin at the end of the employee's contract. Participation must be approved by the administrative office.

An employee approved for participation in the program will receive the following incentives:

1. Early Retirement Incentive lump-sum cash severance amount of 120% of the employee's annual salary during the year of the request.
2. The employee's single deductible health insurance premium at the time of retirement shall be paid on a monthly basis for 120 months or until the retiree's death.

The employee receives the cash benefits in 36 equal installments commencing on January 1, 2006. The lump-sum payment liability is \$943,262.

The current year cost to the District was \$1,624,108, including 32 participants in the health insurance plan. The liability for the participation in the health plan is \$705,403 and will be paid over the next 10 years. The liability was calculated using the District's share of health premiums at the time of retirement to estimate costs.

Note 9. Risk Pool

The District is a member in the Insurance Management Program for Area Community Colleges (IMPACC) as allowed by Chapter 504A of the Code of Iowa. IMPACC (Program) is a risk-sharing pool whose members include Iowa Community Colleges. IMPACC was incorporated in May 1988 for the purpose of managing and funding insurance for its members and to provide general liabilities, automobile liability, automobile physical damage, public official bonds, property and inland marine, errors and omissions and School Board legal liability, workers' compensation and employers liability, crime insurance, fiduciary bonds, and boiler and machinery insurance coverage for its member colleges. There have been no reductions in insurance coverage from prior years.

The members' annual contributions are to fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund IMPACC's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year. The District's contributions to the risk-sharing pool are recognized as expenditures at the time of payment. The District's total contributions to IMPACC for the year ended June 30, 2006 were \$158,072.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$200,000 per property/liability, \$100,000 for error/omissions, and \$200,000 for workers' compensation. The policy limit per occurrence is \$800,000 for property/liability, \$900,000 for errors/omissions, and \$150,000 for workers' compensation. Excess insurance for workers' compensation is for statutory limits. Excess for all other lines is \$10,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention of up to \$50,000,000 for boiler and machinery and up to \$250,000,000 for other property. Stop gap loss protection is provided above the member's loss fund.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 9. Risk Pool (Continued)

In the event any claim or series of claims exceed the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The District does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2006, no liability has been recorded by the District. Settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

Members agree to continue membership for a period of not less than three full years. After such period, a member who has given sufficient notice, in compliance with the bylaws, may withdraw. Upon withdrawal, payments for all claims and claims expenses for the years of membership continue until all claims for those years are settled.

Note 10. Accounting Change

For the year ended June 30, 2006, the District implemented the following Governmental Accounting Standards:

Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement requires governments to report the effects of capital asset impairment in their financial statements when it occurs and requires all governments to account for insurance recoveries in the same manner.

Statement No. 46, *Net Assets Restricted by Enabling Legislation*, an amendment of GASB 35. This Statement establishes and modifies requirements related to restrictions of net assets resulting from enabling legislation.

Statement No. 47, *Accounting for Termination Benefits*. This Statement establishes accounting standards for termination benefits. In financial statements prepared on the accrual basis of accounting, employers should recognize a liability and expense for voluntary termination benefits (early retirement incentives) when the offer is accepted and the amount can be estimated. A liability for involuntary termination benefits (severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees and the amount can be estimated.

These Statements had no effect on the District's financial statements as of June 30, 2006.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 11. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several Statements not yet implemented by the District. The Statements which might impact the District are as follows:

Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, issued April 2004, will be effective for the District beginning with its year ending June 30, 2008. This Statement establishes uniform financial reporting standards for other postemployment benefit plans (OPEB plans) and supercedes existing guidance.

Statement No. 45, *Accounting and Financial Reporting by Employers for Postretirement Benefits Other than Pensions*, issued June 2004, will be effective for the District beginning with its year ending June 30, 2009. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and if applicable, required supplementary information in the financial reports.

Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, issued September 2006, will be effective for the District beginning with its year ending June 30, 2008. This Statement establishes accounting and financial reporting standards for transactions in which a government receives, or is entitled to, resources in exchange for future cash flows generated by collecting specific receivables or specific future revenues. It also provides disclosure requirements for a government that pledges or commits future cash flows from a specific revenue source. In addition this Statement establishes accounting and financial reporting standards for intra-entity transfers of assets and future revenues.

The District's management has not yet determined the effect these Statements will have on the District's financial statements.

Note 12. Subsequent Event

In September 2006, voters in the District approved a \$35,000,000 general-obligation school bond issue to primarily fund capital projects.

Iowa Valley Community College District

Budgetary Comparison Schedule of Expenditures - Budget and Actual
 Required Supplementary Information
 Year Ended June 30, 2006

Funds/Levy	Original and Final Budget	Actual	Variance Between Actual and Amended Budget
Unrestricted	\$ 18,976,861	\$ 18,506,710	\$ 470,151
Restricted	5,318,296	1,716,051	3,602,245
Unemployment	4,759	3,856	903
Insurance	961,151	969,257	(8,106)
Early retirement	1,648,164	1,624,108	24,056
Equipment replacement	100,000	189,074	(89,074)
Cash reserve	-	-	-
Standby	114,617	-	114,617
	<u>8,146,987</u>	<u>4,502,346</u>	<u>3,644,641</u>
Plant	1,012,124	1,674,928	(662,804)
	<u>\$ 28,135,972</u>	<u>\$ 24,683,984</u>	<u>\$ 3,451,988</u>

See Note to Required Supplementary Information on Budgetary Reporting.

Iowa Valley Community College District

Note to Required Supplementary Information
Budgetary Reporting
Year Ended June 30, 2006

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the District on a basis consistent with accounting principles generally accepted in the United States of America. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors certifies the approved budget to the appropriate 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 statutory prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

Budgets are not required to be adopted for the Auxiliary Enterprises subgroup, Workforce Investment Act accounts, Iowa Code 260F Jobs Training, scholarships and grants account, Loan Funds and Agency Funds.

Iowa Valley Community College District

Balance Sheet - All Funds

June 30, 2006

	Current Funds	
	General Unrestricted Funds	General Restricted Funds
Assets		
Current Assets:		
Cash and short-term pooled investments	\$ 2,530,897	\$ 6,377,681
Receivables:		
Accounts, net of allowance of \$1,404,035	1,225,887	345,269
Property tax	653,156	3,067,062
Iowa Industrial New Jobs Training Program	-	2,299,916
Due from other governments	39,302	503,607
Inventories	307,323	-
Prepaid expenses	187,180	137
Capital assets:		
Land	-	-
Buildings	-	-
Improvements other than buildings	-	-
Equipment and vehicles	-	-
Construction in progress	-	-
Accumulated depreciation	-	-
Total assets	\$ 4,943,745	\$ 12,593,672
Liabilities:		
Current Liabilities:		
Accounts payable	\$ 712,742	\$ 141,610
Salaries and benefits payable	1,051,831	6,814
Accrued interest on notes and certificates payable	-	30,868
Deferred revenue:		
Succeeding year property tax	644,223	1,829,275
Other	17,803	1,001,042
Early retirement payable	-	1,648,665
Deposits held in custody for others	-	-
Compensated absences	240,667	7,345
Certificates payable	-	6,405,000
Notes payable and revenue bond	-	-
Total liabilities	2,667,266	11,070,619
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted:		
Nonexpendable, cash reserve	-	264,342
Expendable:		
Plant	-	-
Iowa Industrial New Jobs Training Program	-	493,497
Early retirement	-	(124,212)
Other	-	889,426
Unrestricted	2,276,479	-
Total fund balances	2,276,479	1,523,053
Total liabilities and fund balances	\$ 4,943,745	\$ 12,593,672

See Note to Supplementary Information.

Nonoperating Funds					
Loan Funds	Plant Funds	Agency Funds	Adjustments	Total	
\$ 1,112	\$ (361,184)	\$ 485,058	\$ -	\$ 9,033,564	
-	13,528	41,595	-	1,626,279	
-	644,980	-	-	4,365,198	
-	-	-	-	2,299,916	
-	-	-	-	542,909	
-	-	-	-	307,323	
-	-	-	-	187,317	
-	1,115,708	-	-	1,115,708	
-	28,949,848	-	-	28,949,848	
-	803,878	-	-	803,878	
-	3,900,744	-	-	3,900,744	
-	9,675	-	-	9,675	
-	-	-	(14,422,519)	(14,422,519)	
\$ 1,112	\$ 35,077,177	\$ 526,653	\$ (14,422,519)	\$ 38,719,840	
\$ 1,112	\$ 27,977	\$ 12,856	\$ -	\$ 896,297	
-	-	308	-	1,058,953	
-	50,825	-	-	81,693	
-	644,223	-	-	3,117,721	
-	-	-	-	1,018,845	
-	-	-	-	1,648,665	
-	-	509,468	-	509,468	
-	-	4,021	-	252,033	
-	-	-	-	6,405,000	
-	5,556,304	-	-	5,556,304	
1,112	6,279,329	526,653	-	20,544,979	
-	29,223,549	-	(14,422,519)	14,801,030	
-	-	-	-	264,342	
-	(425,701)	-	-	(425,701)	
-	-	-	-	493,497	
-	-	-	-	(124,212)	
-	-	-	-	889,426	
-	-	-	-	2,276,479	
-	28,797,848	-	(14,422,519)	18,174,861	
\$ 1,112	\$ 35,077,177	\$ 526,653	\$ (14,422,519)	\$ 38,719,840	

Iowa Valley Community College District

Schedule of Revenues, Expenditures, and Changes in Net Assets
Year Ended June 30, 2006

	Current Funds		
	General Unrestricted Funds	General Restricted Funds	Total
Operating revenues:			
Tuition and fees	\$ 9,207,065	\$ 8,930	\$ 9,215,995
Federal appropriations	284,077	4,533,350	4,817,427
Iowa Industrial New Jobs Training Program	-	1,000,696	1,000,696
State appropriations	7,300,325	396,870	7,697,195
Property tax	634,263	2,900,102	3,534,365
Auxiliary enterprises revenue	2,785,620	-	2,785,620
Interest income from investments	231,234	141,502	372,736
Expended for plant assets, including \$224,556 in current operating fund expenditures	-	-	-
Miscellaneous	1,677,085	797,038	2,474,123
Total revenues and other additions	22,119,669	9,778,488	31,898,157
Expenditures and other deductions:			
Education and support:			
Liberal arts and sciences	5,572,391	14,968	5,587,359
Vocational technical	2,458,195	328,989	2,787,184
Adult education	3,077,524	1,485,562	4,563,086
Cooperative services	-	716,523	716,523
Administration	1,217,912	2,786,296	4,004,208
Student services	1,911,860	517,207	2,429,067
Learning resources	500,043	-	500,043
Physical plant	1,814,962	-	1,814,962
General institution	1,953,823	409,983	2,363,806
Scholarships and grants	-	2,919,550	2,919,550
Total education and support	18,506,710	9,179,078	27,685,788
Auxiliary enterprises	2,941,075	-	2,941,075
Loan cancellations and bad debts	-	-	-
Depreciation	-	-	-
Gain on disposition of capital assets	-	-	-
Interest on indebtedness	-	407,133	407,133
Expended for plant assets	-	-	-
Total expenditures and other deductions	21,447,785	9,586,211	31,033,996
Transfers among funds, including \$128,158 from agency fund	(589,903)	(50,294)	(640,197)
Net increase (decrease) for the year	81,981	141,983	223,964
Fund balances:			
Beginning	2,194,498	1,381,070	3,575,568
Ending	\$ 2,276,479	\$ 1,523,053	\$ 3,799,532

See Note to Supplementary Information.

Nonoperating Funds			
Loan Funds	Plant Funds	Adjustments	Total
\$ -	\$ -	\$ (2,919,550)	\$ 6,296,445
-	-	-	4,817,427
-	-	-	1,000,696
-	99,000	-	7,796,195
-	650,647	-	4,185,012
-	-	-	2,785,620
-	13,798	-	386,534
-	429,040	(429,040)	-
520,183	74,020	(112,285)	2,956,041
520,183	1,266,505	(3,460,875)	30,223,970
-	-	-	5,587,359
-	-	-	2,787,184
-	-	(15,317)	4,547,769
-	-	-	716,523
-	-	(104,209)	3,899,999
-	-	-	2,429,067
-	-	-	500,043
-	994,612	(5,719)	2,803,855
-	-	(15,210)	2,348,596
-	-	(2,919,550)	-
-	994,612	(3,060,005)	25,620,395
-	-	(147,101)	2,793,974
520,363	-	-	520,363
-	-	1,086,865	1,086,865
-	169,179	(183,154)	(13,975)
-	306,653	-	713,786
-	204,484	(204,484)	-
520,363	1,674,928	(2,507,879)	30,721,408
(28)	768,383	-	128,158
(208)	359,960	(952,996)	(369,280)
208	28,437,888	(13,469,523)	18,544,141
\$ -	\$ 28,797,848	\$ (14,422,519)	\$ 18,174,861

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Net Assets
 Unrestricted Fund
 Year Ended June 30, 2006

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
Tuition and fees	\$ 4,937,596	\$ 2,395,819	\$ 1,737,862	\$ -
Federal appropriations	34,351	51,504	145,647	-
State appropriations	-	-	-	-
Property tax	-	-	-	-
Interest income from investments	-	-	-	-
Miscellaneous	47,176	111,700	226,718	-
	<u>5,019,123</u>	<u>2,559,023</u>	<u>2,110,227</u>	<u>-</u>
Allocation of support services	4,926,795	1,659,320	2,581,333	-
Total revenues	<u>9,945,918</u>	<u>4,218,343</u>	<u>4,691,560</u>	<u>-</u>
Expenditures:				
Salaries and benefits	4,986,224	2,252,579	2,256,240	-
Services	184,867	80,068	557,520	-
Materials and supplies	57,082	98,760	201,354	-
Travel	29,240	25,628	28,853	-
Expended for plant assets	-	-	-	-
Miscellaneous	314,978	1,160	33,557	-
	<u>5,572,391</u>	<u>2,458,195</u>	<u>3,077,524</u>	<u>-</u>
Allocation of support services	3,976,176	1,339,156	2,083,268	-
Total expenditures	<u>9,548,567</u>	<u>3,797,351</u>	<u>5,160,792</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	397,351	420,992	(469,232)	-
Transfers, nonmandatory	(76,137)	2,414	(309)	-
Net change in fund balances	<u>\$ 321,214</u>	<u>\$ 423,406</u>	<u>\$ (469,541)</u>	<u>\$ -</u>
Fund balances:				
Beginning				
Ending				

See Note to Supplementary Information.

Support						Education and Support Total
Administration	Student Services	Learning Resources	Physical Plant	General Institution		
\$ -	\$ 53,346	\$ -	\$ -	\$ -	\$ -	\$ 9,124,623
2,776	28,551	7,974	1,443	3,020		275,266
7,299,114	1,211	-	-	-		7,300,325
634,263	-	-	-	-		634,263
231,234	-	-	-	-		231,234
765,253	20,847	15,590	99,498	3,328		1,290,110
8,932,640	103,955	23,564	100,941	6,348		18,855,821
(8,932,640)	(103,955)	(23,564)	(100,941)	(6,348)		-
-	-	-	-	-		18,855,821
813,735	1,742,705	379,499	32,721	1,214,584		13,678,287
228,269	74,824	12,082	1,695,864	519,390		3,352,884
23,205	86,158	105,010	66,817	119,422		757,808
26,006	7,227	3,452	1,812	27,924		150,142
-	-	-	17,748	15,210		32,958
126,697	946	-	-	57,293		534,631
1,217,912	1,911,860	500,043	1,814,962	1,953,823		18,506,710
(1,217,912)	(1,911,860)	(500,043)	(1,814,962)	(1,953,823)		-
-	-	-	-	-		18,506,710
-	-	-	-	-		349,111
62,028	12,748	-	(389,583)	30,000		(358,839)
\$ 62,028	\$ 12,748	\$ -	\$ (389,583)	\$ 30,000		(9,728)
						1,274,371
						\$ 1,264,643

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Net Assets
 Auxiliary Enterprises
 Year Ended June 30, 2006

	Bookstore	Cafeteria/ Vending
Revenues:		
Tuition and fees	\$ -	\$ -
Federal appropriations	888	720
Sales and services	1,211,899	426,016
Miscellaneous	100	5,300
Total revenues	<u>1,212,887</u>	<u>432,036</u>
Expenditures and other deductions:		
Salaries and benefits	152,545	720
Services	7,215	385,463
Materials and supplies	1,173	3,144
Travel	1,933	-
Expended for plant assets	-	12,000
Purchases for resale	875,902	-
Miscellaneous	10,225	5,243
Total expenditures and other deductions	<u>1,048,993</u>	<u>406,570</u>
Excess (deficiency) of revenues over (under) expenditures	163,894	25,466
Transfers among funds, nonmandatory	<u>(134,062)</u>	-
Net change in fund balances	29,832	25,466
Fund balances (deficit):		
Beginning	288,516	102,050
Ending	<u>\$ 318,348</u>	<u>\$ 127,516</u>

See Note to Supplementary Information.

Athletics	Housing	Other	Total
\$ -	\$ 5,303	\$ 77,139	\$ 82,442
-	-	7,203	8,811
6,360	1,135,850	5,495	2,785,620
169,068	60	212,447	386,975
175,428	1,141,213	302,284	3,263,848
7,227	191,978	45,230	397,700
41,165	322,588	21,961	778,392
9,597	27,092	115,022	156,028
5,862	90	2,687	10,572
-	-	112,210	124,210
-	-	-	875,902
478,290	61,289	43,224	598,271
542,141	603,037	340,334	2,941,075
(366,713)	538,176	(38,050)	322,773
368,519	(478,425)	12,904	(231,064)
1,806	59,751	(25,146)	91,709
17,628	160,274	351,659	920,127
\$ 19,434	\$ 220,025	\$ 326,513	\$ 1,011,836

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Net Assets

Restricted Fund

Year Ended June 30, 2006

	Insurance	Unemployment Compensation	Early Retirement	Equipment Replacement
Revenues and other additions:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Federal appropriations	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
State appropriations	-	-	-	-
Property tax	872,567	2	1,624,108	289,176
Interest income from investments	-	-	-	-
Miscellaneous	10,000	-	-	1,538
Total revenues and other additions	882,567	2	1,624,108	290,714
Expenditures and other deductions:				
Salaries and benefits	10,027	3,856	1,624,108	-
Services	926,668	-	-	15,700
Materials and supplies	-	-	-	132,165
Travel	-	-	-	-
Expended for plant assets	-	-	-	41,209
Interest on indebtedness	-	-	-	-
Scholarships and grants	-	-	-	-
Miscellaneous	32,562	-	-	-
Total expenditures and other deductions	969,257	3,856	1,624,108	189,074
Excess (deficiency) of revenues over (under) expenditures	(86,690)	(3,854)	-	101,640
Transfers among funds:				
Nonmandatory transfers in	-	-	-	3,620
Nonmandatory transfers (out)	-	-	-	-
	-	-	-	3,620
Net change in fund balances	(86,690)	(3,854)	-	105,260
Fund balances (deficit):				
Beginning	131,479	19,523	(124,212)	314,060
Ending	\$ 44,789	\$ 15,669	\$ (124,212)	\$ 419,320

See Note to Supplementary Information.

Cash Reserve	Iowa Industrial New Jobs Training Program	Workforce Investment Act and Promise Jobs	Scholarships	Other	Total
\$ -	\$ -	\$ -	\$ -	\$ 8,930	\$ 8,930
-	-	908,360	2,673,950	951,040	4,533,350
-	1,000,696	-	-	-	1,000,696
-	-	-	-	396,870	396,870
-	114,249	-	-	-	2,900,102
-	126,204	-	-	15,298	141,502
-	204,231	-	314,455	266,814	797,038
-	1,445,380	908,360	2,988,405	1,638,952	9,778,488
-	-	579,675	6,845	975,743	3,200,254
-	716,523	32,580	-	329,740	2,021,211
-	-	26,051	-	336,415	494,631
-	-	6,954	-	18,617	25,571
-	-	-	-	15,317	56,526
-	407,133	-	-	-	407,133
-	-	-	2,916,175	3,375	2,919,550
-	-	263,102	128,827	36,844	461,335
-	1,123,656	908,362	3,051,847	1,716,051	9,586,211
-	321,724	(2)	(63,442)	(77,099)	192,277
-	768,829	-	78,612	207,636	1,058,697
-	(1,058,058)	-	(16,161)	(34,772)	(1,108,991)
-	(289,229)	-	62,451	172,864	(50,294)
-	32,495	(2)	(991)	95,765	141,983
264,342	461,002	92,140	22,351	200,385	1,381,070
\$ 264,342	\$ 493,497	\$ 92,138	\$ 21,360	\$ 296,150	\$ 1,523,053

Iowa Valley Community College District

Schedule of Changes in Deposits Held in Custody for Others
 Agency Funds
 Year Ended June 30, 2006

	Student Clubs and Organizations
Balances, beginning of year	<u>\$ 186,506</u>
Additions:	
Tuition and fees	115,341
State appropriations	-
Sales and services	-
Interest income from investments	4,212
Miscellaneous	33,702
Transfers in	130,043
Total additions	<u>283,298</u>
Deductions:	
Salaries and benefits	-
Services	1,463
Materials and supplies	2,596
Travel	150
Miscellaneous	153,514
Transfers out	128,635
Total deductions	<u>286,358</u>
Net additions and deductions	<u>(3,060)</u>
Balances, end of year	<u>\$ 183,446</u>

See Note to Supplementary Information.

Iowa Small Business New Jobs Training Program	Other	Total
<u>\$ 259,744</u>	<u>\$ (49,176)</u>	<u>\$ 397,074</u>
-	154,124	269,465
68,497	-	68,497
-	63,000	63,000
-	9,104	13,316
-	391,932	425,634
-	21,000	151,043
<u>68,497</u>	<u>639,160</u>	<u>990,955</u>
-	203,526	203,526
106,844	41,832	150,139
-	9,350	11,946
-	5,298	5,448
-	74,787	228,301
-	150,566	279,201
<u>106,844</u>	<u>485,359</u>	<u>878,561</u>
<u>(38,347)</u>	<u>153,801</u>	<u>112,394</u>
<u>\$ 221,397</u>	<u>\$ 104,625</u>	<u>\$ 509,468</u>

Iowa Valley Community College District

Note to Supplementary Information Year Ended June 30, 2006

Statements presented in the supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting, except for depreciation. The schedule of revenues, expenditures and changes in fund balances is the 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. In order to ensure observance of limitations and restrictions placed on the use of the resources available to the District, the accounts of the District are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions are accounted for and reported by fund group. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

All gains and losses arising from the sale, collection, or other disposition of investments and other noncash assets are accounted for in the fund which owned such assets. Ordinary revenue derived from investments, receivables, and the like, is accounted for in the fund owning such assets.

The District utilizes the following fund groups:

Current Funds: The Current Funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the District and consist of the following:

Unrestricted Fund: The Educational and Support subgroup of the Unrestricted Fund accounts for the general operations of the District. All property tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating expenses, the fixed charges and the expenditures for plant assets that are not paid from other funds.

The Auxiliary Enterprises subgroup accounts for activities which are intended to provide noninstructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the District. In addition, it accounts for activities which provide instructional and laboratory experiences for students and which incidentally create goods and services that may be sold to students, faculty, staff and the general public.

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.

The scholarships and grants subgroup accounts for resources available for awards to students which are not in payment of services rendered to the District and which will not require repayment to the District.

The District has agreements with various businesses under the Iowa Industrial New Jobs Training Program (NJTP). The District administers the program, with the revenues and expenditures being restricted by the State for use in this program. The District is accounting for the activity of the NJTP in the Restricted Current Funds.

Iowa Valley Community College District

Note to Supplementary Information
Year Ended June 30, 2006

Loan Funds: The Loan Funds are used to account for loans to students.

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

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

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

Investment in plant: This subfund 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 District in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities. Transactions of the Agency Funds represent charges or credits to the individual asset and liability accounts and do not involve measurement of revenues or expenditures.

Iowa Valley Community College District

Schedule of Credit and Contact Hours
Year Ended June 30, 2006

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	48,156	-	48,156	894,868	-	894,868
Vocational preparatory	13,529	-	13,529	301,387	-	301,387
Adult/continuing education	-	-	-	395,311	73,544 *	468,855
Cooperative programs/services	-	-	-	-	-	-
Related services and activities	-	-	-	-	33,768	33,768
	<u>61,685</u>	<u>-</u>	<u>61,685</u>	<u>1,591,566</u>	<u>107,312</u>	<u>1,698,878</u>

* Includes 240 hour adjustment of 26,183 hours.

Iowa Valley Community College District

Comparison of Taxes and Intergovernmental Revenues
Years Ended June 30, 2006, 2005, 2004, and 2003

	2006	2005	2004	2003
Local property tax	\$ 4,185,012	\$ 3,128,290	\$ 2,962,046	\$ 2,898,755
State	7,796,195	7,795,039	7,126,657	7,125,664
Federal	4,817,427	4,852,550	4,516,260	3,902,052
	<u>\$ 16,798,634</u>	<u>\$ 15,775,879</u>	<u>\$ 14,604,963</u>	<u>\$ 13,926,471</u>

Iowa Valley Community College District

Schedule of Current Fund Revenues by Source and Expenditures by Function
Last Four Years

	2006	2005	2004	2003
Revenues:				
Tuition and fees	\$ 9,215,995	\$ 9,126,590	\$ 8,130,581	\$ 6,942,235
Federal appropriations	4,817,427	4,852,550	4,516,260	3,902,052
Iowa Industrial New Jobs Training Program	1,000,696	1,342,059	1,939,398	375,201
State appropriations	7,697,195	7,303,586	7,084,777	6,938,093
Property tax	3,534,365	2,486,723	2,278,392	2,208,736
Interest income from investments	372,736	236,397	174,599	239,436
Auxiliary enterprises revenue	2,785,620	2,890,678	2,679,985	1,857,872
Miscellaneous	2,474,123	1,943,469	1,801,028	1,662,394
	\$ 31,898,157	\$ 30,182,052	\$ 28,605,020	\$ 24,126,019
Expenditures:				
Liberal arts and sciences	\$ 5,587,359	\$ 5,298,045	\$ 4,786,346	\$ 4,373,634
Vocational technical	2,787,184	2,910,730	2,652,016	2,192,762
Adult education	4,563,086	4,178,452	4,131,395	3,639,400
Cooperative services	716,523	844,616	1,589,717	354,934
Administration	4,004,208	2,424,016	2,657,872	1,795,928
Student services	2,429,067	2,299,578	1,860,245	1,399,234
Learning resources	500,043	489,855	476,914	435,542
Physical plant	1,814,962	1,766,127	1,745,092	1,691,470
General institution	2,363,806	2,249,954	2,364,679	1,920,873
Auxiliary enterprises	2,941,075	3,040,619	2,798,672	2,054,617
Scholarships and grants	2,919,550	3,001,540	2,624,241	2,581,607
Interest on indebtedness	407,133	417,851	452,965	489,912
	\$ 31,033,996	\$ 28,921,383	\$ 28,140,154	\$ 22,929,913

Iowa Valley Community College District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Name	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures	New Loans
U.S. Department of Education:				
Direct programs:				
Federal Pell Grant	N/A	84.063	\$ 2,434,809	\$ -
Federal Supplemental Educational Opportunity Grant	N/A	84.007	115,146	-
Federal Work-Study	N/A	84.033	120,188	-
Passed through lending institutions,				
Federal Family Education Loan Program (Note 2)	N/A	84.032	-	4,582,799
Total student financial assistance cluster			2,670,143	4,582,799
Passed through Iowa Department of Education:				
Vocational education:				
Carl Perkins	IIC	84.048	140,600	-
Entitlement - Nontraditional Students	35404	84.048	5,000	-
Entitlement - Minority Students	35705	84.048	-	-
Entitlement - Nontraditional Sex Equity	35605	84.048	7,000	-
Tech Prep Curriculum Development	III	84.243	66,691	-
Community Technology Grant	V341A30363	84.341	74,779	-
Strengthening Institutions Title III	P031A030086	84.031	364,381	-
Funds for the improvement of postsecondary education	P116Z050160	84.116	133,620	-
Teacher training	N/A	84.002	2,034	-
Adult basic education	N/A	84.002	120,523	-
ESL	N/A	84.002	21,320	-
Passed through Iowa Department of Vocational Rehabilitation Services, TAP				
	05 TAP-07	84.126	13,793	-
	04 TAP-08	84.126	29,770	-
Total U.S. Department of Education			3,649,654	4,582,799
U.S. Department of Labor:				
Passed through Iowa Workforce Development:				
Job Training Partnership Act (JTPA), Transition Planning	I-W-06-FR-0	17.720	9	-
Workforce Investment Act (WIA):				
Adult Formula and Statewide	I-W-06-FR-0	17.258	216,552	-
Youth and Statewide	I-W-06-FR-0	17.259	105,470	-
Dislocated Worker	I-W-06-FR-0	17.260	170,241	-
Total Workforce Investment Act cluster			492,263	-
Employment Services	I-W-06-FR-0	17.207	18,068	-
Disability Navigator	I-W-06-FR-0	17.266	2,746	-
Rapid Response	I-W-06-FR-0	17.260	61	-
RWIB	I-W-06-FR-0	17.804	218	-
Latham	AF147190560	17.261	68,846	-
Passed through Iowa Department of Education:				
Mine Safety Health Administration	N/A	17.602	34,185	-
Family Literacy	N/A	17.267	30,000	-
Total U.S. Department of Labor			\$ 646,396	\$ -

(Continued)

Iowa Valley Community College District

Schedule of Expenditures of Federal Awards (Continued)
 Year Ended June 30, 2006

Federal Grantor/Pass-Through Grantor/Program Name	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures	New Loans
U.S. Department of Health and Human Services:				
Passed through Iowa Workforce Development, Job Opportunities and Basic Skills Training (Promise Jobs)	I-W-06-FR-0	93.558	\$ 416,097	\$ -
U.S. Department of Agriculture				
Passed through Iowa State University Community Vitality Center	2005-45059-03207	10.500	4,836	-
			<u>\$ 4,716,983</u>	<u>\$ 4,582,799</u>

See Notes to Schedule of Expenditures of Federal Awards.

Iowa Valley Community College District

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2006

Notes 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Iowa Valley Community College District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *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 basic financial statements.

Note 2. Student Financial Assistance

The District is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program, and accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the District under this program as of June 30, 2006.

Iowa Valley Community College District

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2006

Comment	Corrective Action
<u>Reportable conditions:</u>	
05-II-A: Inadequate segregation of duties over payroll cycle.	<u>Uncorrected</u> . See current year finding at 06-II-A.
05-II-B: Inadequate segregation of duties over disbursement cycle.	<u>Corrected</u> . Client implemented adequate compensating control procedures over the disbursement cycle.
<u>Compliance:</u>	
05-III-A: Completion of graduation rates were not provided to enrolled and prospective students.	<u>Corrected</u> . Graduation rates were provided to all enrolled and prospective students.
05-III-B: The final Perkins program compliance audit has not been completed and filed.	<u>Corrected</u> . Client filed final Perkins program compliance audit report.
<u>Statutory reporting:</u>	
IV-J-05: Contact hours reported did not agree to class schedule.	<u>Uncorrected</u> . For contact hours, see current year funding at IV-J-06.
IV-K-05: Tuition charged exceeded limits set by the state board or regents.	<u>Corrected</u> . Client has implemented controls to prevent the tuition rates charged from exceeding the limits allowed.

McGladrey & Pullen

Certified Public Accountants

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

The Board of Directors
Iowa Valley Community College District
Marshalltown, Iowa

We have audited the financial statements of Iowa Valley Community College District as of and for the year ended June 30, 2006, and have issued our report thereon dated October 31, 2006. The discretely presented component units' financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to the discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Valley Community College District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Iowa Valley Community College District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Items 06-II-A and 06-II-B.

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 misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We noted certain matters which have been reported to management of the District in a separate letter dated October 31, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying schedule of findings and questioned costs. Comments involving statutory and other legal matters about Iowa Valley Community College District'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 Iowa Valley Community College District. 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.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Cedar Rapids, Iowa
October 31, 2006

McGladrey & Pullen

Certified Public Accountants

Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

The Board of Directors
Iowa Valley Community College District
Marshalltown, Iowa

Scope of this Report

We did not audit the compliance with the requirements of laws, regulations, contracts and grants of the discretely presented component units, and accordingly, this report does not extend to the discretely presented component units. Iowa Valley Community College District's basic financial statements include the financial statements of Ellsworth College Foundation and Marshalltown Community College Foundation, discretely presented component units, which are unaudited.

Compliance

We have audited the compliance of Iowa Valley Community College District 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. The Iowa Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Iowa Valley Community College District's management. Our responsibility is to express an opinion on the Iowa Valley Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 OMB Circular A-133 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 Valley Community College District'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 Valley Community College District's compliance with those requirements.

In our opinion, Iowa Valley Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Item 06-III-A.

Internal Control Over Compliance

The management of Iowa Valley Community College District 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 Valley Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a 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 noncompliance with applicable requirements of laws, regulations, contracts, and grants 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance which we have reported to management of the District in a separate letter dated October 31, 2006.

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

Cedar Rapids, Iowa
October 31, 2006

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness identified? Yes X No
Reportable condition identified that is not
considered to be a material weakness? X Yes None Reported

Noncompliance material to financial statements
noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness identified? Yes X No
Reportable condition identified that is not
considered to be a material weakness? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with Section 510(a)
of Circular A-133? X Yes No

Identification of major programs:

CFDA Number	Name of Federal Program
	Student financial assistance cluster:
84.007	Federal Supplemental Educational Opportunity Grants (SEOG)
84.032	Federal Family Education Loans (FFEL)
84.033	Federal Work Study Program (FWS)
84.063	Federal Pell Grant Program

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Dollar threshold used to distinguish between
type A and type B programs \$300,000

Auditee qualified as low-risk auditee? X Yes No

II. Findings Relating to the Financial Statement Audit as Required to be Reported in Accordance with Generally Accepted Government Auditing Standards

(A) Reportable Conditions in Internal Control
06-II-A

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The Payroll Clerk inputs new employee file maintenance, inputs time cards, prints payroll checks and delivers payroll checks to department heads. However, the District does perform an independent review of Federal Work Study wages to ensure total wages paid to individuals do not exceed the award amount.

Criteria: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual shall handle a transaction from inception to completion.

Recommendation: We recommend the District look for ways to strengthen internal controls by realigning or reassigning duties where practical.

Response and Corrective Action Plan: Management will work with staff to consider changes to these duty assignments.

06-II-B

Finding: A good internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition: The Accounts Receivable Clerk and others can enter billings, generate checks and also collect cash, prepare deposits, and perform reconciliation functions.

Criteria: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual shall handle a transaction from inception to completion.

Recommendation: We recommend the District look for ways to strengthen internal controls by realigning or reassigning duties where practical.

Response and Corrective Action Plan: Management will work with staff to consider changes to these duty assignments.

(B) Compliance Findings
None.

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

III. Findings and Questioned Costs for Federal Awards

06-III-A

**U.S. Department of Education – Student Financial Assistance Cluster
Withdrawal and Return of Title IV Funds**

Finding: The Iowa Valley Community College District is using the incorrect number of completed days when calculating the percentage of payment period or enrollment period completed.

Condition: The Iowa Valley Community College District is not using the correct days when calculating the percentage of Title IV aid earned.

Criteria: Per 34 CFR 668.22(f)(1)(i), the percentage of the period completed is determined by dividing the number of calendar days completed in the payment period or period of enrollment by the total number of calendar days in the payment period or period of enrollment.

Cause: There was a violation of the regulation.

Effect: Noncompliance with the above established criteria could result in potential loss of federal funds.

Questioned Costs: The Iowa Valley Community College District's Ellsworth location had six students who received Student Financial Aid funds and withdrew before the 60% point of the spring term. We selected five of these refund calculations to test. The incorrect refunds tested totaled \$2,338. The actual amount that should have been refunded was \$2,352. Therefore, the District under refunded \$14.

Prevalence: The District did not use the correct calendar days for any of the spring semester refunds at the Ellsworth location. Based upon this, believe this error is prevalent to that entire refund population.

Recommendation: We recommend the District check the calculations periodically throughout the year.

Response and Corrective Action Plan: The Student Financial Aid Department will randomly check some of the calculations during the year.

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

IV. Other Findings Related to Required Statutory Reporting

- IV-A-06 Official Depositories – Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2006.
- IV-B-06 Certified Budget – Expenditures for the year ended June 30, 2006 did not exceed the amounts budgeted.
- IV-C-06 Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-D-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-E-06 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-F-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-G-06 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-06 Publication – The District published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- IV-I-06 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District’s investment policy were noted.
- IV-J-06 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the District were supported by detailed records maintained by the District, except for the following:

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

<u>Category</u>	<u>Contact Hours Reported</u>	<u>Total Per Supporting Documentation</u>	<u>Difference</u>
Arts & Science - Sales, Distribution and Marketing Management	3	-	3
Adult Continuing Education - Leisure and Recreational Activities	30	10	20
Adult Continuing Education - Basic Skills	4	7	(3)

Recommendation: The District should verify that any student withdrawn within the first 14 calendar days from the beginning of classes is not included in the calculation of credit hours reported. The District should also verify that the number of contact hours reported for each non-credit course agrees to the class schedule.

Response: The District will investigate discrepancies between course schedule and contact hours and methods for verifying data in the continuing education registration software. The District will update the system to correctly track contact hours of students who have withdrawn within the first 14 calendar days of the beginning of class.

Conclusion: Response accepted.

Iowa Valley Community College District

Corrective Action Plan
Year Ended June 30, 2006

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
Reportable Conditions:				
06-II-A	Inadequate segregation of duties over the payroll cycle.	See corrective action plan at 06-II-A.	Dan Gillen Vice President of Finance and Facilities	June 2007
06-II-B	Inadequate segregation of duties over the receipts cycle.	See corrective action plan at 06-II-B.	Dan Gillen Vice President of Finance and Facilities	June 2007
Compliance:				
06-III-A	An incorrect number of days was used when calculating the refund of Title IV aid.	See corrective action plan at 06-III-A.	Dan Gillen Vice President of Finance and Facilities	June 2007
Statutory Reporting:				
IV-J-06	Contact hours reported did not agree to class schedule.	See corrective action plan at IV-J-06.	Dan Gillen Vice President of Finance and Facilities	June 2007