

Iowa Western Community College
INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION

June 30, 2006

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**Iowa Western Community College
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term expires</u>
Board of Trustees (Before September 2005 Election)		
Gary Faust	President	2006
Randy Pash	Vice President	2006
Brent Seigrist	Member	2006
Colleen Geiger	Member	2007
Connie Hornbeck	Member	2005
Doug Goodman	Member	2005
Scott Robinson	Member	2007
Monty Boswell	Member	2005
Wanda Rosenbaugh	Member	2007
Board of Trustees (After September 2005 Election)		
Gary Faust	President	2006
Randy Pash	Vice President	2006
Brent Seigrist	Member	2006
Colleen Geiger	Member	2007
Connie Hornbeck	Member	2008
Doug Goodman	Member	2008
Scott Robinson	Member	2007
Monty Boswell	Member	2008
Wanda Rosenbaugh	Member	2007
Community College		
Dr. Dan Kinney	President	
Thomas Johnson	Board Treasurer	
Kathryn Coffelt	Board Secretary	

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Iowa Western Community College
Council Bluffs, Iowa

We have audited the accompanying financial statements of Iowa Western Community College (the College), and its aggregate discretely presented component unit as of and for the year ended June 30, 2006, which collectively comprise the College's basic financial statements listed in the table of contents. These financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Iowa Western Community College and its aggregate discretely presented component unit as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, 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 a report dated October 20, 2006 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 on pages 6 through 15 and budgetary comparison information on pages 38 and 39 are not required parts of the basic financial statements, but are supplementary information required by 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 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 basic financial statements of the College taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the basic financial statements for the year ended June 30, 2005 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards (Schedule 10) is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is 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.

The supplementary information included in Schedules 8 and 9 related to the College's 2004 and 2003 financial statements was audited by other auditors whose report, dated January 24, 2005, expressed an unqualified opinion on such information in relation to the basic financial statements taken as a whole.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 20, 2006

Iowa Western Community College Council Bluffs, Iowa

Management's Discussion and Analysis For the Year Ended June 30, 2006 (Unaudited)

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

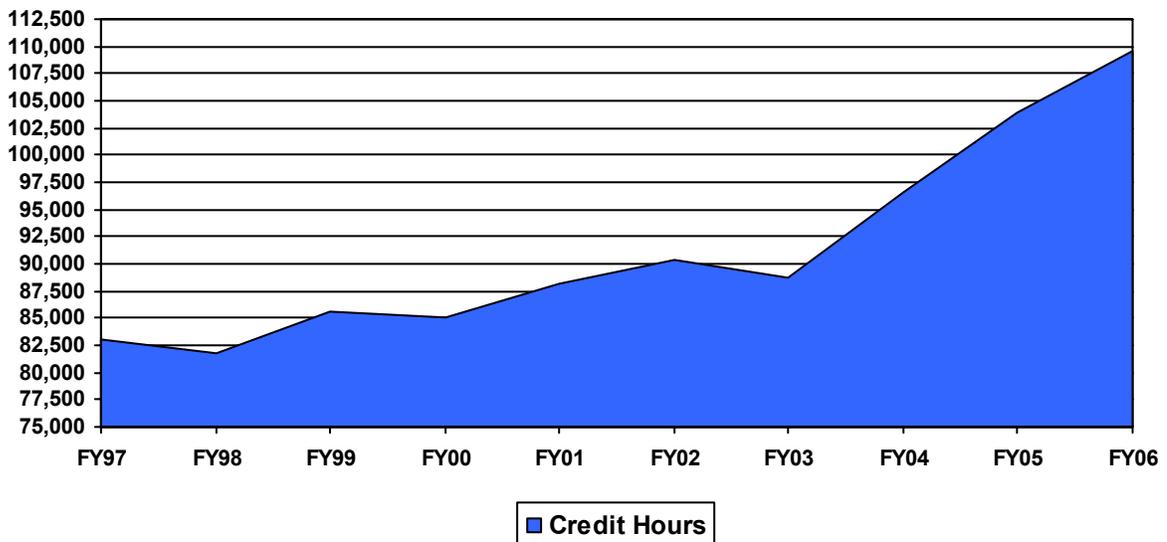
The information is displayed in a comparative form enabling the reader to make year-to-year comparisons about the college's operating results and financial position.

Iowa Western Community College has implemented Governmental Accounting Standards Board Statement 39. The objective of this statement is to require the primary reporting government (IWCC) to include associated entities in its financial reporting. An associated entity is generally an organization that raises and holds economic resources for the direct benefit of a governmental unit. For the fiscal year ending June 30, 2006, Iowa Western Community College will include financial information for the Iowa Western Community College Foundation in discrete presentation format. Other related organizations will be identified using the note disclosure method.

FINANCIAL HIGHLIGHTS

- College operating revenues increased overall in fiscal year 2006 due in large part to continued enrollment growth. Annual credit hour production totaled 109,567. IWCC's ongoing investment in new academic programs, student life opportunities and expansion of facilities continues to attract new students. Over the past three (3) years credit hour production has grown 23.4%. Below find a graph depicting the college's ten-year credit hour production growth.

IWCC
10 Year Credit Hour Production Growth Trend



- College operating expenditures increased in fiscal year 2006 due in large measure to the addition of staff necessary to initiate new programs and meet service demands created by continued enrollment growth. Total operating expenditures grew by \$3,829,190 compared to fiscal year 2005.
- Net non-operating revenue grew by \$694,626 in fiscal year 2006 versus fiscal year 2005. State appropriations in fiscal year 2006 were up compared to fiscal year 2005 as IWCC received approximately \$560,000 in state appropriations as the Iowa legislature authorized a higher general appropriation for community colleges compared to prior years. The FY06 interest expense increase of \$120,186 was more than offset by a corresponding increase in investment interest income of \$322,353. Higher overnight interest rates and cash on hand from construction funds produced the additional net income of \$202,167.

USING THIS ANNUAL REPORT

This discussion and analysis are intended to serve as an introduction to IWCC's basic financial statements. The College's basic financial statements consist of a series of financial statements. The Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Nets Assets and the Statement of Cash Flows (on pages 17 through 21) provide information about the activities of the College as a whole and present a longer-term view of the College's finances. These basic financial statements also include the notes to the financial statements and explain some of the information in the statements and provide more detail. Supplemental information is also in schedule form and begins on page 40.

THE COLLEGE AS A WHOLE

The Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the College 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 College to the readers of the financial statements. The Statement of Net Assets includes year-end information concerning current and non-current assets, current and non-current liabilities, and net assets (assets less liabilities). Over time, readers of the financial statements are able to determine the College'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 College owes to outside vendors and creditors. The statement also presents the available assets that can be used to satisfy those liabilities.

The largest portion of the College's net assets (85.0%) is the Invested in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Invested in Capital Assets is liquidated with sources other than capital assets. The restricted portion of the net assets (5.7%) includes resources that are subject to external restrictions. The remaining net assets (9.3%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

**Condensed Statement of Net Assets
For Year Ended June 30**

	<u>FY06</u>	<u>FY05</u>
Current Assets	\$36,713,662	\$ 29,237,159
Noncurrent assets	<u>50,936,395</u>	<u>49,810,362</u>
Total assets	<u>87,650,057</u>	<u>79,047,521</u>
Current liabilities	18,060,128	20,287,111
Noncurrent liabilities	<u>33,955,678</u>	<u>24,371,373</u>
Total liabilities	<u>52,015,806</u>	<u>44,658,484</u>
Net assets:		
Invested in capital assets, net of related debt	30,282,712	28,946,763
Restricted	2,038,582	1,963,165
Unrestricted	<u>3,312,957</u>	<u>3,479,109</u>
Total net assets	<u>\$ 35,634,251</u>	<u>\$ 34,389,037</u>

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented 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 received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

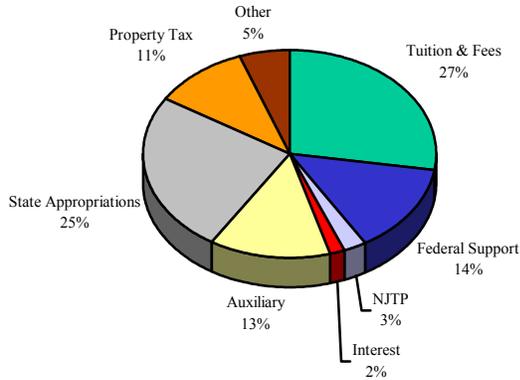
In general, a public college such as Iowa Western Community College will report an operating loss, as the financial reporting model classifies state appropriations and property taxes as non-operating revenues. Operating revenues are received for providing goods and services to the various students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the College. Non-operating 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.

**Condensed Statement of Revenue, Expenses and Changes in Net Assets
For Year Ended June 30**

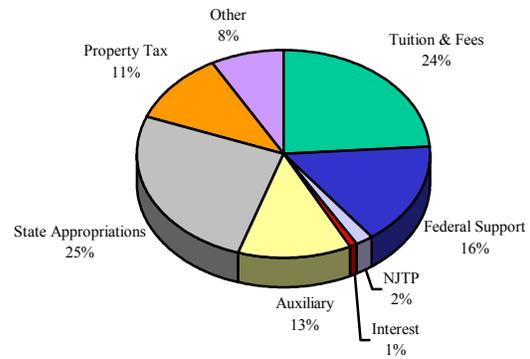
	<u>FY06</u>	<u>FY05</u>
Operating revenue:		
Tuition and fees	\$ 11,101,821	\$ 8,978,879
Federal appropriations	5,677,483	5,901,462
Iowa industrial New Jobs Training Program	1,066,603	709,216
Auxiliary	5,370,754	4,688,876
Other	<u>2,200,358</u>	<u>3,050,197</u>
Total operating revenue	25,417,019	23,328,630
Total Operating expenses	<u>38,039,413</u>	<u>34,210,223</u>
Operating loss	<u>(12,626,621)</u>	<u>(10,881,593)</u>
Non-operating revenue (expenses)		
State appropriations	10,128,408	9,667,839
Property tax	4,362,915	4,106,441
Disposal of plant assets	20,025	(43,575)
Interest on investments	639,467	330,507
Interest on indebtedness	(1,276,361)	(1,156,175)
Other	<u>(6,846)</u>	<u>(2,685)</u>
Net non-operating revenue	<u>13,867,608</u>	<u>12,902,352</u>
Change in net assets	1,245,214	2,020,759
Net assets beginning of year, as restated	<u>34,389,037</u>	<u>32,368,278</u>
Net assets end of year	<u>\$ 35,634,251</u>	<u>\$ 34,389,037</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflect an increase in net assets at the end of the fiscal year of \$1,245,214.

Revenue Types FY2006



Revenue Types FY2005



**Total Revenue by Source
For Year Ending June 30**

	<u>FY06</u>	<u>FY05</u>
Tuition and Fees, net	\$ 11,101,821	\$ 8,978,879
Federal	5,677,483	5,901,462
NJTP	1,066,603	709,216
Interest	639,467	330,507
Auxiliary	5,370,754	4,688,876
State	10,128,408	9,667,839
Property Tax	4,362,915	4,106,441
Other	<u>2,200,358</u>	<u>3,050,197</u>
Total	<u>\$ 40,547,809</u>	<u>\$ 37,433,417</u>

In fiscal year 2006, operating revenue grew by \$2,088,389, a 9.0% increase compared to FY2005. Following is an analysis of individual revenue sources:

- In FY06, the hourly tuition rate for a resident student increased \$3.00 per credit hour, or 3.0%. Tuition and Fee revenues increased \$2,122,942 or 23.6% versus fiscal year 2005. Approximately 50% of new tuition and fee revenues were generated by the 7,932 credit hour production increase and the \$3.00 per credit hour tuition increase. The remaining 50% resulted from a reduction in scholarship allowances of \$964,168.
- Auxiliary operational revenue reflects the continued growth in student enrollment as revenues grew by \$681,878 in FY2006 compared to fiscal year 2005. FY06 is the first year that Auxiliary Operations include student housing facilities. The Reiver Suites opened to students for the Fall 2005 and the purchase of the Apartment Complex was completed in August 2005.

- State appropriations allocated to IWCC also grew in fiscal year 2006 as the Iowa legislature continued to recognize the need for increased funding to the community college system. IWCC's state aid appropriation increased by \$460,569 or 4.8%. In addition, Iowa Western received \$118,800 in Restore Iowa Infrastructure Funds. A \$2 million state appropriation, that will continue for four (4) years, provides funds to community colleges to make facility improvements addressing safety, security and accessibility.

**Operating Expenses
For Year Ending June 30**

	<u>FY06</u>	<u>FY05</u>
Education and support:		
Liberal arts and sciences	\$ 5,498,159	\$ 5,062,403
Applied science and technology	5,858,444	5,585,690
Continuing education	2,297,979	2,275,777
Cooperative services	2,569,124	1,614,242
Administration	1,778,899	1,827,789
Student services	2,221,098	2,059,571
Learning resources	282,039	265,210
Physical plant	3,846,958	4,235,294
General institution	5,397,341	4,668,819
Auxiliary enterprises	5,627,317	4,374,474
Scholarships and grants	788,822	790,637
Depreciation and amortization	<u>1,723,367</u>	<u>1,450,317</u>
 Total operating expenses	 <u>\$ 37,889,547</u>	 <u>\$ 34,210,223</u>

In fiscal year 2006, operating expenses increased as a net result of the following changes:

- Salary and benefit costs remain the largest category of expense totaling \$21,325,909 in FY06. The addition of faculty and staff to support new program and activity offerings, negotiated salary and wage increases of approximately 5.0% and higher medical benefits all contributed to higher expenditure levels.

IWCC completed three (3) major construction efforts in early FY06 and these facilities had a significant impact on operations. They included:

- Reiver Suites – This new 144-bed suite-style student housing complex opened to student residents for Fall 2005. Student reaction and demand for this style of housing was excellent with the facility at 100% capacity. The Board of Trustees moved to add 72 more beds to this facility that will open to students for Fall 2007.
- Dodge Hall Addition – Completed in August 2005 the addition provided for two new programs – Veterinary Technician and Landscape/Turf Management. The renovation of existing space housing Automotive and Diesel has increased enrollment in both programs.
- Center locations in Cass and Page/Fremont Counties – Opened new facilities in Atlantic and Shenandoah to serve rural areas of the IWCC service district. The college has formed academies to provide college credit opportunities to high school seniors during their final year and had immediate success with students from several area high schools attending these academies.

Statement of Cash Flows

The final statement included in Iowa Western Community College's basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping the users to assess an entity's ability to generate future 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, non-capital financing, capital financing and investing activities.

Condensed Statement of Cash Flows For the Year Ended June 30

	<u>FY06</u>	<u>FY05</u>
Cash flows from:		
Operating activities	\$ (12,197,314)	\$ (4,633,394)
Non-capital financing activities	14,437,176	14,071,359
Capital and related financing activities	4,261,905	(9,448,777)
Investing activities	<u>639,467</u>	<u>330,507</u>
Net increase in cash	7,141,234	319,695
Cash, beginning of year	<u>16,433,495</u>	<u>16,113,800</u>
Cash, end of year	\$ <u>23,574,729</u>	\$ <u>16,433,495</u>

Cash flows from operating activities include tuition, fees, grants and contracts along with payments to employees and to suppliers. Cash flows from non-capital financing activities include state appropriations, local property taxes received by the College and the receipt and disbursement of federal direct loan program proceeds. Cash flows from capital and related financing activities represent the proceeds from debt, the principal and interest payments of debt and the purchase of capital assets. Cash flows from investing activities include investment income earned.

Component Unit Financial Statements

The Iowa Western Community College Foundation (the "Foundation") is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences.

Condensed Statement of Net Assets As of June 30

	<u>FY06</u>	<u>FY05</u>
Total assets	\$ <u>5,877,026</u>	\$ <u>4,286,570</u>
Total liabilities	\$ 463,704	\$ 306,755
Total net assets	<u>5,413,322</u>	<u>3,979,815</u>
	\$ <u>5,877,026</u>	\$ <u>4,286,570</u>

**Condensed Statement Revenues, Expenses and
Changes in Net Assets
For the Year Ended June 30**

	<u>FY06</u>	<u>FY05</u>
Total revenues	\$ 2,667,630	\$ 2,254,081
Total expenses	<u>1,234,123</u>	<u>1,747,308</u>
Increase in net assets	<u>\$ 1,433,507</u>	<u>\$ 506,773</u>

Financial highlights of the Foundation include the following:

- Net assets increased \$1,433,507 from June 30, 2005 to June 30, 2006. Cash and investments of the Foundation increased \$1,558,467 from fiscal year end 2005 to 2006 due to revenues exceeding expenses of the Foundation.
- Revenues increased from \$2,254,081 in fiscal 2005 to \$2,667,630 in fiscal 2006, a \$413,549 increase. In April 2006, the Foundation realized a one-time gain of approximately \$722,000 from the sale of farm property. This property had previously been transferred to the Foundation from the college. The proceeds from the sale will be endowed to provide financial support for faculty and staff continuing education.
- Expenses decreased \$513,185 from \$1,747,308 in fiscal 2005 to \$1,234,123 in fiscal 2006.

CAPITAL ASSETS

At June 30, 2006, the College has approximately \$50 million invested in capital assets, net of accumulated depreciation of \$18,260,548 million. Net depreciation charges totaled \$1,604,589 for the 2006 fiscal year. Details for the capital assets are shown below.

**Capital Assets, Net of Accumulated Depreciation
For the Year Ended June 30**

	<u>FY06</u>	<u>FY05</u>
Land	\$ 490,919	\$ 472,025
Buildings	45,418,361	26,755,758
Construction in progress	395,269	17,440,616
Other structures and improvements	2,178,176	2,357,858
Equipment and vehicles	1,422,864	1,332,815
Capital leases	46,904	70,720
Software	<u>51,885</u>	<u>52,560</u>
Total	<u>\$ 50,004,378</u>	<u>\$ 48,482,352</u>

As mentioned earlier in this report, the college completed construction of a 144-bed suite style housing facility that opened to students for the fall 2005 semester. The facility has been an immediate success and was fully occupied (100 percent occupancy) for the start of the fall term. Due to the success of Phase I, the IWCC Board of Trustees has approved, subsequent to June 30, 2006, to move forward with Phase II of this housing complex. Phase II calls for the construction of an additional 72 beds slated for completion and occupancy by July 2007. Upon completion the new facility would increase IWCC's total housing capacity to 722 beds.

DEBT

At June 30, 2006, the College had \$36,581,372 million in debt outstanding. The table below summarizes these amounts by type.

Outstanding Debt For the Year Ended June 30

	<u>FY06</u>	<u>FY05</u>
Retirement incentives payable	\$ 194,975	\$ 260,075
Certificates payable	7,060,000	6,325,000
Capital loan notes payable	7,490,000	3,405,000
Revenue bonds	15,615,000	10,745,000
Bonds payable	6,170,000	6,765,000
Capital leases payable	<u>51,397</u>	<u>79,973</u>
Total	<u>\$ 36,581,372</u>	<u>\$ 27,580,048</u>

Total outstanding debt increased \$9,001,324 in fiscal year 2006.

More detailed information about the College's outstanding debt is presented in Note 5.

ECONOMIC FACTORS

Iowa Western Community College's long-term economic outlook continues to improve as the local economy in Council Bluffs remains strong. Construction activity in the metro area for new housing, commercial property and retail buildings is still on the upswing and will strengthen the College's revenue streams. Due to double digit tuition rate increases at four-year institutions Iowa Western Community College has increasingly become the institution of first choice for many students in the area.

The Iowa Community College system continues to gain support with the Iowa Legislature as state government representatives recognize the educational and economic value community colleges deliver throughout the state. This renewed support for the system is expected to continue as there are several funding initiatives being proposed for legislative consideration in the upcoming 2007 legislative session.

IWCC continues to experience student enrollment growth and increases in total credit hour production for the fiscal year 2007. The College's recruiting efforts in southwest Iowa and in the Council Bluffs/Omaha metro area continue to attract a larger percentage of traditional aged high school seniors. The average of the student body is 23.7 years, down from 23.9 years at the same time a year ago.

The Board of Trustees, Administration, faculty and staff continue to work diligently to identify solutions to meet the growing demand for the educational opportunities provided by Iowa Western. The college must continue to find alternative sources of funding that will lessen its reliance on state general appropriations. New revenue streams will also ease the shift of the financial burden IWCC students are increasingly asked to bear.

Contacting the College's Financial Management

This financial report is designed to provide our customers, taxpayers in the community college district and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Iowa Western Community College, 2700 College Road, Council Bluffs, Iowa 51503.

BASIC FINANCIAL STATEMENTS

Iowa Western Community College
STATEMENT OF NET ASSETS
June 30, 2006

ASSETS	<u>College</u>	<u>Foundation</u>
CURRENT ASSETS		
Cash and pooled investments	\$23,574,729	\$ 100,609
Investments	-	4,388,763
Receivables		
Accounts receivable, net of allowance for uncollectible accounts of \$131,805	7,202,585	10,864
Grants and other receivables	-	279,902
Property tax		
Delinquent	69,367	-
Succeeding year	3,863,330	-
Iowa Industrial New Jobs Training Program receivable	47,570	-
Due from Iowa Western Community College Foundation (component unit)	11,475	-
Due from other governments	1,296,024	-
Inventories	346,043	-
Prepaid expenses	302,539	267,435
Other assets	-	156,265
Net investment in capital leases	-	11,628
Total current assets	<u>36,713,662</u>	<u>5,215,466</u>
NONCURRENT ASSETS		
Iowa Industrial New Jobs Training Program receivable	932,017	-
Net investment in capital leases	-	39,769
Capital assets, net of accumulated depreciation	<u>50,004,378</u>	<u>621,791</u>
Total noncurrent assets	<u>50,936,395</u>	<u>661,560</u>
 Total assets	 <u>\$87,650,057</u>	 <u>\$5,877,026</u>

Iowa Western Community College
STATEMENT OF NET ASSETS (continued)
June 30, 2006

LIABILITIES AND NET ASSETS	<u>College</u>	<u>Foundation</u>
CURRENT LIABILITIES		
Accounts payable	\$ 1,062,318	\$ 270,737
Due to Iowa Western Community College	-	11,475
Salaries and benefits payable	3,467,681	-
Accrued interest payable	137,212	-
Deferred revenue		
Succeeding year property tax	3,863,330	-
Other	6,458,015	-
Retirement incentives payable	54,066	-
Compensated absences	248,073	-
Deposits held in custody for others	197,805	181,492
Certificates payable	1,445,000	-
Bonds payable	310,000	-
Notes payable	805,000	-
Capital leases payable	11,628	-
Total current liabilities	<u>18,060,128</u>	<u>463,704</u>
NONCURRENT LIABILITIES		
Retirement incentives payable	140,909	-
Certificates payable	5,615,000	-
Bonds payable	21,475,000	-
Notes payable	6,685,000	-
Capital leases payable	39,769	-
Total noncurrent liabilities	<u>33,955,678</u>	<u>-</u>
Total liabilities	<u>52,015,806</u>	<u>463,704</u>
NET ASSETS		
Invested in capital assets, net of related debt	<u>30,282,712</u>	<u>-</u>
Restricted		
Nonexpendable	-	583,972
Expendable		
Scholarships	84,991	4,493,659
Loans	1,961	-
Debt service	1,005,752	-
Cash reserve	361,092	-
Other	584,786	225,259
Total restricted	<u>2,038,582</u>	<u>5,302,890</u>
Unrestricted	<u>3,312,957</u>	<u>110,432</u>
Total net assets	<u>\$35,634,251</u>	<u>\$5,413,322</u>

Iowa Western Community College
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Year ended June 30, 2006

	<u>College</u>	<u>Foundation</u>
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of \$2,108,071	\$11,101,821	\$ —
Federal appropriations	5,677,483	—
Iowa Industrial New Jobs Training Program	1,066,603	—
Auxiliary enterprises revenue, net of scholarship allowances of \$1,102,202	5,370,754	—
Contributions	—	1,577,229
Miscellaneous	<u>2,200,358</u>	<u>46,543</u>
Total operating revenues	<u>25,417,019</u>	<u>1,623,772</u>
OPERATING EXPENSES		
Education and support		
Liberal arts and sciences	5,498,159	—
Applied science and technology	5,858,444	—
Continuing education	2,297,979	—
Cooperative services	2,569,124	208,225
Administration	1,778,899	—
Student services	2,221,098	—
Learning resources	282,039	—
Physical plant	3,846,958	—
General institution	5,397,341	—
Auxiliary enterprises	5,777,183	—
Scholarships and grants	788,822	1,014,525
Depreciation and amortization	<u>1,723,367</u>	<u>11,373</u>
Total operating expenses	<u>38,039,413</u>	<u>1,234,123</u>
OPERATING INCOME (LOSS)	<u>(12,622,394)</u>	<u>389,649</u>
NONOPERATING REVENUES (EXPENSES)		
State appropriations	10,128,408	—
Property tax	4,362,915	—
Gain on disposal of plant assets	20,025	721,846
Interest and investment income	639,467	322,012
Interest on indebtedness	(1,276,361)	—
Other	<u>(6,846)</u>	<u>—</u>
Total nonoperating revenues (expenses), net	<u>13,867,608</u>	<u>1,043,858</u>
INCREASE IN NET ASSETS	1,245,214	1,433,507
NET ASSETS , beginning of year	<u>34,389,037</u>	<u>3,979,815</u>
NET ASSETS , end of year	<u>\$35,634,251</u>	<u>\$5,413,322</u>

See Notes to Financial Statements.

Iowa Western Community College
STATEMENT OF CASH FLOWS
Year ended June 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES

Tuition and fees	\$11,089,593
Federal appropriations	5,139,500
Iowa Industrial New Jobs Training Program (NJTP)	1,756,861
Payment to employees for salaries and benefits	(20,692,726)
Payment to suppliers for goods and services	(15,347,802)
Payments to NJTP recipients	(936,505)
Scholarships	(788,822)
Auxiliary enterprise receipts	5,370,754
Other receipts	<u>2,211,833</u>
Net cash used in operating activities	<u>(12,197,314)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State appropriations	10,128,408
Property tax	4,362,568
Federal direct lending receipts	9,393,690
Federal direct lending disbursements	(9,298,675)
Miscellaneous Agency Fund receipts	1,693,268
Miscellaneous Agency Fund disbursements	(1,799,488)
Proceeds from issuance of certificates payable	2,210,000
Principal paid on certificates payable	(1,475,000)
Interest paid on certificates payable	(405,010)
Change in deposits held in custody for others	(365,739)
Other	<u>(6,846)</u>
Net cash provided by noncapital financing activities	<u>14,437,176</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from issuance of long-term debt	10,000,000
Proceeds from sale of capital assets	85,434
Acquisition of capital assets	(3,310,802)
Principal paid on long-term debt	(1,640,000)
Interest paid on long-term debt	(844,151)
Principal paid on capital leases	<u>(28,576)</u>
Net cash provided by capital and related financing activities	<u>4,261,905</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>639,467</u>
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NET INCREASE IN CASH

7,141,234

CASH, beginning of year16,433,495**CASH**, end of year\$23,574,729

Iowa Western Community College
STATEMENT OF CASH FLOWS (continued)
Year ended June 30, 2006

**RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS
FROM OPERATING ACTIVITIES**

Operating loss	\$(12,622,394)
Adjustments to reconcile operating loss to net cash flows from operating activities	
Depreciation and amortization	1,723,367
Changes in assets and liabilities	
Accounts receivable	(249,174)
Due from Iowa Western Community College Foundation (component unit)	11,475
NJTP receivable	459,243
Due from other governments	(537,983)
Inventories	(84,775)
Prepaid expenses	(62,693)
Accounts payable	(1,935,524)
Salaries and benefits payable	633,183
Deferred revenue	<u>467,961</u>
Net cash flows from operating activities	<u>\$(12,197,314)</u>

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Iowa Western Community College (the College or IWCC) is a publicly supported school established and operated by Merged Area XIII under the provisions of Chapter 260C of the Code of Iowa. The College 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. The College also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. The College maintains campuses in Council Bluffs and Clarinda, Iowa, with centers in Shelby County, Page/Fremont County and Cass County and has its administrative offices in Council Bluffs. The College is governed by a Board of Trustees whose members are elected from each director district within Merged Area XIII.

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

Reporting Entity

For financial reporting purposes, the College has included all funds, organizations, agencies, boards, commissions and authorities including KIWR-FM Radio. The College has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the College is such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the College.

These financial statements present Iowa Western Community College (the primary government) and its component unit. The component unit discussed below is included in the College's reporting entity because of the significance of its operational and financial relationship with the College. Certain disclosures about the component unit are not included because the component unit has been audited separately and a report has been issued under separate cover. The audited financial statements are available at the College.

Component Unit and Related Organizations

The Iowa Western Community College Foundation (the Foundation) is a nonprofit organization whose goal is to provide support to the College and its students. The Foundation primarily receives funds through donations to provide scholarships to students. The governing board of this organization has members who are also officers of the College. However, these members do not comprise a majority in the Foundation's board. In accordance with GASB Statement No. 39, the Foundation is considered a component unit of the College requiring discrete presentation in the College's financial statements and has been included as such.

The Foundation is a private nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. Complete financial statements of the Foundation can be obtained from their administrative offices at 2700 College Road, Council Bluffs, Iowa 51503.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

Component Unit and Related Organizations (continued)

Western Iowa Educational Endeavors (WIEE) is a legally separate corporation established in 1991 to receive and manage gifts of land and/or buildings. The board of trustees of Iowa Western Community College appoints individuals to serve on the WIEE board. However, the Western Iowa Educational Endeavors articles of incorporation specifically state the business affairs of the corporation shall be managed by its own board of directors. WIEE does not provide services entirely or almost entirely to the College. Under GASB No. 39 Criteria, discrete presentation of WIEE in the College's financial statements is not necessary. Additionally, the exclusion of the WIEE financial statements does not cause the College's financial statements to be misleading.

In the early 1970's, Western Iowa Dorms, Inc. (WID) was established as a separate legal corporation to finance, construct and operate student housing facilities for use by Iowa Western Community College students. The College board of trustees can recommend individuals to serve on the Western Iowa Dorms, Inc. board of directors, but the WID board is not required to appoint those individuals. WID is considered fiscally independent from the College since the corporation can issue its own debt without approval of the College, determines its own budget and sets housing fees independent of Iowa Western Community College. Additionally, the College is not financially accountable for obligations of WID. Under GASB No. 39 criteria, WID is not considered a component unit of the College requiring discrete presentation. Additionally, the exclusion of the WID financial statements does not cause the College's financial statements to be misleading.

Financial Statement Presentation

GASB Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, establishes standards for external financial reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following net asset categories:

Invested in Capital Assets, Net of Related Debt - Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. Unspent related debt proceeds at year end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same fund equity component as the unspent proceeds.

Restricted Net Assets

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

Unrestricted Net Assets - Net assets that are not subject to externally imposed stipulations. Examples include: student tuition and fees, state appropriations, and sales and services of educational departments and auxiliary enterprises. Resources may be designated for specific purposes by action of management or by the Board of Trustees or may otherwise be limited by contractual agreements with outside parties. Substantially all unrestricted net assets are designated for academic and general programs of the College.

The basic financial statements (the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows) report information on all of the activities of the College. The effect of interfund activity has been removed from these statements.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Supplementary Information

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

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 College and consist of the following:

Unrestricted Fund – The Education and Support subgroup of the Unrestricted Fund accounts for the general operations of the College. 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 non-instructional services for sales to students, staff and/or institutional departments, and which are supplemental to the educational and general objectives of the College. 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.

Loan Fund – The Loan Fund is used to account for loans to students, and is financed primarily by the federal government.

Plant Funds – The Plant Funds are used to account for transactions relating to investment in the College 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 College 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 Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property 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.

Schedules 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 a schedule 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.

Cash and Pooled Investments

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

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

Property Tax Receivable

Property tax receivables are recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Trustees to the appropriate County Auditors. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County Auditor by June 1 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.

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.

Allowance for Uncollectible Accounts

An allowance for uncollectible accounts, which offsets the total gross receivables, is calculated based upon historical collection data, specific account analysis and management's judgment.

Iowa Industrial New Jobs Training Program (NJTP) Receivable

This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2006 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Capital Assets

Capital assets, which include land, buildings and improvements other than buildings, furniture and equipment and software 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. Interest costs on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Capital assets are defined by the College as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years:

<u>Assets</u>	<u>Amount</u>
Land, buildings and improvements other than buildings	\$25,000
Furniture and equipment and software	5,000

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements other than buildings	10-50
Furniture and equipment and software	2-25

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

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 at June 30.

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, the succeeding year property tax receivable, advanced student tuition, deferred administrative and training revenue for NJTP projects, and other receivables not collected within sixty days after year end.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2006.

Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, central stores, student housing and athletics.

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. The College operates summer sessions during May, June, and July. Revenues and expenditures for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the load study distributions supplied by the College Registrar.

Income Taxes

The College 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 College 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 and interest income.

Scholarship Allowances and Student Aid

Financial aid to students is reported in the financial statements under the alternative method, as prescribed by the National Association of College and University Business Officers (NACUBO). 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 revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a total College basis by allocating the cash payments to students, excluding payments for services, on the ratio of all aid to the aid not considered to be third party aid.

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.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 2 CASH AND POOLED INVESTMENTS

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

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

	<u>Amortized cost</u>
Diversified Portfolio	\$ <u>57,178</u>

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

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

Credit risk. The College's June 30, 2006 investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

NOTE 3 INVENTORIES

The College's inventories at June 30, 2006 are as follows:

<u>Type</u>	<u>Amount</u>
Graphic arts	\$ 21,640
Bookstore	272,641
Auto parts	33,512
Food service	<u>18,250</u>
Total	\$ <u>346,043</u>

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 is as follows:

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance end of year</u>
Capital assets not being depreciated					
Land	\$ 472,025	\$ —	\$ 18,894	\$ —	\$ 490,919
Construction in progress	17,440,616	2,881,472	(19,926,819)	—	395,269
Total capital assets not being depreciated	<u>17,912,641</u>	<u>2,881,472</u>	<u>(19,907,925)</u>	<u>—</u>	<u>886,188</u>
Capital assets being depreciated					
Buildings	38,261,499	20,900	19,919,488	163,384	58,038,503
Improvements other than buildings	4,293,351	11,165	(11,563)	—	4,292,953
Furniture and equipment	4,248,838	538,880	120,900	170,668	4,737,950
Software	219,000	8,250	—	—	227,250
Capital lease assets	202,982	—	(120,900)	—	82,082
Total capital assets being depreciated	<u>47,225,670</u>	<u>579,195</u>	<u>19,907,925</u>	<u>334,052</u>	<u>67,378,738</u>
Less accumulated depreciation for					
Buildings	11,505,741	1,117,088	—	2,687	12,620,142
Improvements other than buildings	1,935,493	179,284	—	—	2,114,777
Furniture and equipment	2,916,023	394,254	120,900	116,091	3,315,086
Software	166,440	8,925	—	—	175,365
Capital lease assets	132,262	23,816	(120,900)	—	35,178
Total accumulated depreciation	<u>16,655,959</u>	<u>1,723,367</u>	<u>—</u>	<u>118,778</u>	<u>18,260,548</u>
Capital assets, net	<u>\$48,482,352</u>	<u>\$1,737,300</u>	<u>\$ —</u>	<u>\$ 215,274</u>	<u>\$50,004,378</u>

Construction in progress at June 30, 2006 includes costs for partial renovation and an addition to Kanessville Center and construction of student housing, a maintenance/storage building and other minor projects. The College has entered into contracts for these projects of approximately \$7,374,000 of which approximately \$393,000 has been completed. Accounts payable at June 30, 2006 includes approximately \$63,000 of the amount completed. Total unpaid contracts at June 30, 2006 were approximately \$6,981,000.

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

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

	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance end of year</u>	<u>Less current portion</u>	<u>Long-term portion</u>
Retirement incentives payable	\$ 260,075	\$ —	\$ (65,100)	\$ 194,975	\$ (54,066)	\$ 140,909
Certificates payable	6,325,000	2,210,000	(1,475,000)	7,060,000	(1,445,000)	5,615,000
Bonds payable	17,510,000	4,870,000	(595,000)	21,785,000	(310,000)	21,475,000
Notes payable	3,405,000	5,130,000	(1,045,000)	7,490,000	(805,000)	6,685,000
Capital lease payable (Note 7)	79,973	—	(28,576)	51,397	(11,628)	37,769
Totals	<u>\$27,580,048</u>	<u>\$12,210,000</u>	<u>\$(3,208,676)</u>	<u>\$36,581,372</u>	<u>\$(2,625,694)</u>	<u>\$33,953,678</u>

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Certificates Payable

In accordance with agreements dated between April 1, 1984 and June 2, 2006, the College issued certificates totaling \$34,445,000 with interest rates ranging from 3.9% to 9.0%. The debt was incurred 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). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

<u>Year ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$1,445,000	\$ 444,310	\$1,889,310
2008	1,415,000	348,719	1,763,719
2009	1,145,000	260,802	1,405,802
2010	935,000	187,648	1,122,648
2011	835,000	126,660	961,660
2012-2016	<u>1,285,000</u>	<u>221,690</u>	<u>1,506,690</u>
Total	<u>\$7,060,000</u>	<u>\$1,589,829</u>	<u>\$8,649,829</u>

Notes Payable

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

<u>Year ending June 30</u>	<u>Capital Loan Note Issuance of January 1, 2005 (2005A)</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	2.75%	\$ 150,000	\$ 63,763	\$ 213,763
2008	2.95%	155,000	59,638	214,638
2009	3.15%	160,000	55,065	215,065
2010	3.30%	165,000	50,025	215,025
2011	3.45%	175,000	44,580	219,580
2012-2016	3.60% to 4.20%	<u>985,000</u>	<u>121,905</u>	<u>1,106,905</u>
Total		<u>\$1,790,000</u>	<u>\$ 394,976</u>	<u>\$2,184,976</u>

<u>Year ending June 30</u>	<u>Capital Loan Note Issuance of January 1, 2005 (2005B)</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	2.75%	\$ 135,000	\$ 17,360	\$ 152,360
2008	2.95%	140,000	13,648	153,648
2009	3.15%	145,000	9,518	154,518
2010	3.30%	<u>150,000</u>	<u>4,950</u>	<u>154,950</u>
Total		<u>\$ 570,000</u>	<u>\$ 45,476</u>	<u>\$ 615,476</u>

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
 June 30, 2006

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

<u>Year ending June 30</u>	<u>Capital Loan Note Issuance of June 1, 2006 (2006A)</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	3.70%	\$ 520,000	\$ 205,980	\$ 725,980
2008	3.75%	520,000	186,740	706,740
2009	3.80%	540,000	167,240	707,240
2010	3.85%	550,000	146,720	696,720
2011	3.95%	450,000	125,545	575,545
2012-2016	4.05% to 4.35%	<u>2,550,000</u>	<u>336,188</u>	<u>2,886,188</u>
Total		<u>\$5,130,000</u>	<u>\$1,168,413</u>	<u>\$6,298,413</u>

Bonds Payable

The College has issued bonds for the purchase, construction and renovation of College properties as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2006 bonded indebtedness are as follows:

<u>Year ending June 30</u>	<u>Revenue Bond Issue of March 1, 2004</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	2.50%	\$ 200,000	\$ 216,093	\$ 416,093
2008	2.50%	205,000	211,093	416,093
2009	2.50%	210,000	205,968	415,968
2010	2.75%	305,000	200,718	505,718
2011	3.00%	315,000	192,330	507,330
2012-2016	3.00% to 3.55%	1,760,000	808,620	2,568,620
2017-2021	3.65% to 4.05%	2,160,000	471,108	2,631,108
2022-2023	4.10% to 4.13%	<u>1,015,000</u>	<u>63,195</u>	<u>1,078,195</u>
Total		<u>\$6,170,000</u>	<u>\$2,369,125</u>	<u>\$8,539,125</u>

<u>Year ending June 30</u>	<u>Dorm Revenue Bond Issue of September 1, 2004 (2004A)</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	3.10%	\$ -	\$ 164,073	\$ 164,073
2008	3.10%	90,000	164,073	254,073
2009	3.35%	95,000	161,283	256,283
2010	3.55%	100,000	158,100	258,100
2011	3.75%	100,000	154,550	254,550
2012-2016	3.95% to 4.55%	590,000	708,180	1,298,180
2017-2019	4.70% to 5.00%	<u>2,525,000</u>	<u>357,160</u>	<u>2,882,160</u>
Total		<u>\$3,500,000</u>	<u>\$1,867,419</u>	<u>\$5,367,419</u>

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

<u>Year ending June 30</u>	<u>Dorm Revenue Bond Issue of January 1, 2005 (2005A)</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	3.30%	\$ —	\$ 283,598	\$ 283,598
2008	3.30%	160,000	283,598	443,598
2009	3.50%	165,000	278,318	443,318
2010	3.65%	175,000	272,543	447,543
2011	3.80%	180,000	266,155	446,155
2012-2016	3.95% to 4.55%	1,030,000	1,215,685	2,245,685
2017-2019	4.70% to 5.00%	<u>4,330,000</u>	<u>611,530</u>	<u>4,941,530</u>
Total		<u>\$6,040,000</u>	<u>\$3,211,427</u>	<u>\$9,251,427</u>

<u>Year ending June 30</u>	<u>Dorm Revenue Bond Issue of June 1, 2005 (2005B)</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	3.30%	\$ 110,000	\$ 46,008	\$ 156,008
2008	3.45%	115,000	42,377	157,377
2009	3.60%	120,000	38,410	158,410
2010	3.70%	125,000	34,090	159,090
2011	3.80%	135,000	29,465	164,465
2012-2015	3.90% to 4.20%	<u>600,000</u>	<u>63,005</u>	<u>663,005</u>
Total		<u>\$1,205,000</u>	<u>\$ 253,355</u>	<u>\$1,458,355</u>

<u>Year ending June 30</u>	<u>Dorm Revenue Bond Issue of June 1, 2006 (2006A)</u>			
	<u>Interest rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	4.00%	\$ —	\$ 236,753	\$ 236,753
2008	4.00%	80,000	236,753	316,753
2009	4.05%	85,000	233,553	318,553
2010	4.10%	90,000	230,110	320,110
2011	4.20%	95,000	226,420	321,420
2012-2016	4.30% to 4.60%	525,000	1,068,155	1,593,155
2017-2021	4.70% to 5.00%	<u>3,995,000</u>	<u>933,185</u>	<u>4,928,185</u>
Total		<u>\$4,870,000</u>	<u>\$3,164,929</u>	<u>\$8,034,929</u>

The resolutions providing for the issuance of the revenue bonds include the following provisions:

- (1) The bonds will only be redeemed from the future revenue from the dormitory system and the bond holders hold a lien on those future revenues.
- (2) Sufficient monthly transfers shall be made to the bond and interest sinking fund for the purpose of making the bond principal and interest payments when due.
- (3) Additional monthly transfers shall be made to a reserve fund until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying bond principal and interest payments due when insufficient money is available in the sinking funds.

During the year ended June 30, 2006, the College was in compliance with the revenue bond provisions.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 6 OPERATING LEASES

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are charged as incurred. The leases expire between 2007 and 2053 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases. The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2006:

<u>Year ending June 30</u>	<u>Amount</u>
2007	\$ 188,821
2008	160,533
2009	89,553
2010	31,465
2011	5,370
2012-2053	<u>426,853</u>
Total	<u>\$ 902,595</u>

Rents for the year ended June 30, 2006 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$215,324.

NOTE 7 CAPITAL LEASE AND RELATED PARTY TRANSACTIONS

The College has a capital lease with the Iowa Western Community College Foundation (a component unit) for a bus. The capital lease is as follows:

<u>Class of property</u>	<u>Balance at June 30, 2006</u>
Equipment	\$ 82,082
Less accumulated amortization	<u>(35,178)</u>
Net capital lease assets	<u>\$ 46,904</u>

The following is a schedule by year of future minimum lease payments under capital lease as of June 30, 2006:

<u>Year ending June 30</u>	
2007	\$ 14,626
2008	14,626
2009	14,626
2010	<u>14,627</u>
Total	58,505
Less interest	<u>(7,108)</u>
Capital lease obligation	<u>\$ 51,397</u>

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

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

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The College's contribution to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$377,491, \$359,553 and \$368,603, respectively, equal to the required contributions for each year.

NOTE 9 TEACHERS INSURANCE AND ANNUITY ASSOCIATION - COLLEGE RETIREMENT EQUITIES FUND (TIAA-CREF)

The College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and the College is required to contribute 5.75%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2006 were \$413,265 and \$265,926, respectively.

NOTE 10 RELATED PARTY TRANSACTIONS

The College transferred \$100,000 in fiscal year 1995 and \$550,000 in fiscal year 1998 to the Iowa Western Community College Foundation. The provisions of the gifts specify that the corpus, and any income generated through the investment of the corpus, shall be restricted in use for the sole benefit of the College for scholarships, grants, and such other purposes for the benefit of the College or the students thereof. There were no such transfers in fiscal year 2006.

Foundation salaries and other operating expenses are paid by the College. In management's estimate, the value of such expenses was approximately \$178,000 in fiscal year 2006.

Transactions for the year ended June 30, 2006, between Iowa Western Community College and Western Iowa Dorms, Inc. are as follows:

Beginning (payable) balance	\$ (433,633)
Charges for services, supplies and payroll provided or paid by the College	20,300
College payment of dorm payables	721,572
Reimbursements and advances from Western Iowa Dorms, Inc.	<u>(227,326)</u>
Ending (payable) balance	<u>\$ 80,913</u>

In September, 2005, the College purchased apartment buildings from Western Iowa Dorms, Inc. for a price of approximately \$959,000.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 11 NEW JOBS TRAINING PROGRAMS

The College administers the NJTP in Area XIII in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered ninety-two projects with twenty-seven currently receiving project funding. Of the remaining projects, fifty-six projects have been completed and paid in full, while nine have been completed and only repayment of the certificates is left. In cases where projects exceed the budgeted amounts, the College intends to obtain additional withholding revenue from the companies.

NOTE 12 RETIREMENT INCENTIVE PROGRAM

The College offered retirement incentives to eligible employees in fiscal years 1998, 2000 and 2002. There was no retirement incentive program offered in fiscal year 2006. Eligible staff members who accept retirement incentives will receive cash benefits payable in three installments during the following fiscal year, as well as health insurance coverage up to a specified amount until the staff member reaches the age of 65.

The liability at June 30, 2006 for those employees who have elected retirement incentives was \$194,975 and has been recorded as a liability in the Statement of Net Assets, the fund from which the benefits will be paid. Retirement incentive obligations have been fully funded through a property tax levy.

NOTE 13 SELF-INSURANCE PROGRAM

The College established, in fiscal year 1994, a self-insurance medical program which is accounted for in the Restricted Fund. This program provides employee health benefit coverage up to a maximum of \$50,000 per employee per year and the maximum liability coverage of approximately \$3,100,000 per year. The College purchases commercial insurance for claims in excess of this coverage and all other risks of loss. Payments include certain administrative expenses.

Payments are made to the self-insurance cost center based on actuarial estimates of the amounts needed to pay current year claims. The unpaid claims liability of \$1,873,112 is based on GASB Statement No. 10, which requires that a liability be recorded when it has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

NOTE 14 COMMITMENTS AND CONTINGENCIES

The College is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2006

NOTE 15 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the College. The statements which will impact the College are as follows:

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

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

GASB 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 College 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.

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

The College adopted Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*, Statement No. 46, *Net assets Restricted by Enabling Legislation*, and Statement No. 47, *Accounting for Termination Benefits*, during the year ended June 30, 2006. Those statements had no significant impact on the College's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Iowa Western Community College
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
Required Supplementary Information
Year ended June 30, 2006

<u>Funds/Levy</u>	<u>Original budget</u>	<u>Actual</u>	<u>Variance between actual and budget</u>
General (unrestricted and non-levy restricted)	\$30,656,995	\$29,825,615	\$ 831,380
Restricted			
Unemployment	10,000	144,944	(134,944)
Tort liability	68,585	73,044	(4,459)
Insurance	382,680	431,856	(49,176)
Equipment replacement	509,935	490,738	19,197
Standby	<u>274,033</u>	<u>274,857</u>	<u>(824)</u>
Total restricted	<u>1,245,233</u>	<u>1,415,439</u>	<u>(170,206)</u>
Total unrestricted/restricted	31,902,228	31,241,054	661,174
Plant	20,528,914	2,930,952	17,597,962
Bonds and interest	<u>833,393</u>	<u>831,534</u>	<u>1,859</u>
Total operating expenses	<u>\$53,264,535</u>	<u>\$35,003,540</u>	<u>\$18,260,995</u>

See accompanying independent auditor's report.

Iowa Western Community College
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
Year ended June 30, 2006

The Board of Trustees annually prepares a budget designating the proposed expenditures for operation of the College 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 Trustees 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 statutorily 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 Improvement Act Accounts, Scholarships and Grants Accounts, Loan Funds, Endowment Funds and Agency Funds.

OTHER SUPPLEMENTARY INFORMATION

Iowa Western Community College
ASSETS, LIABILITIES AND FUND BALANCES
June 30, 2006

	<u>Current Funds</u>		<u>Loan Fund</u>	<u>Plant Funds</u>			<u>Agency Funds</u>	<u>Adjustments</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>		<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>			
ASSETS									
Cash and pooled investments	\$ 3,453,835	\$ 9,244,903	\$ 2,131	\$ 9,551,869	\$1,043,737	\$ -	\$ 278,254	\$ -	\$23,574,729
Receivables									
Accounts (less allowance of \$131,805)	6,579,327	296,849	-	325,824	-	-	585	-	7,202,585
Property tax									
Delinquent	19,513	16,544	-	-	33,310	-	-	-	69,367
Succeeding year	1,205,108	1,038,120	-	113,005	1,507,097	-	-	-	3,863,330
Due from other funds	753,251	409,376	-	493,629	30,612	-	53,078	(1,739,946)	-
Due from Iowa Western Community College Foundation (component unit)	-	-	-	11,475	-	-	-	-	11,475
Due from other governments	264,075	934,273	(170)	-	-	-	97,846	-	1,296,024
Inventories	346,043	-	-	-	-	-	-	-	346,043
Prepaid expenditures	270,647	28,503	-	1,989	-	-	1,400	-	302,539
Iowa Industrial New Jobs Training Program	-	979,587	-	-	-	-	-	-	979,587
Capital assets									
Land	-	-	-	-	-	490,919	-	-	490,919
Buildings	-	-	-	-	-	58,038,503	-	-	58,038,503
Improvements other than buildings	-	-	-	-	-	4,292,953	-	-	4,292,953
Equipment and vehicles	-	-	-	-	-	4,715,808	22,142	-	4,737,950
Capital lease assets	-	-	-	-	-	82,082	-	-	82,082
Software	-	-	-	-	-	227,250	-	-	227,250
Construction in progress	2,254	-	-	393,015	-	-	-	-	395,269
Accumulated depreciation and amortization	-	-	-	-	-	(18,238,406)	(22,142)	-	(18,260,548)
Total assets	<u>\$12,894,053</u>	<u>\$12,948,155</u>	<u>\$ 1,961</u>	<u>\$10,890,806</u>	<u>\$2,614,756</u>	<u>\$49,609,109</u>	<u>\$ 431,163</u>	<u>\$(1,739,946)</u>	<u>\$87,650,057</u>

See accompanying independent auditor's report.

Schedule 1 (continued)

Iowa Western Community College
ASSETS, LIABILITIES AND FUND BALANCES (continued)
 June 30, 2006

	Current Funds		Loan Fund	Plant Funds			Agency Funds	Adjustments	Total
	Unrestricted	Restricted		Unexpended	Retirement of Indebtedness	Investment in Plant			
LIABILITIES AND FUND BALANCES									
LIABILITIES									
Accounts payable	\$ 737,020	\$ 103,996	\$ -	\$ 157,995	\$ -	\$ -	\$ 63,307	\$ -	\$ 1,062,318
Salaries and benefits payable	1,479,937	1,979,594	-	-	-	-	8,150	-	3,467,681
Accrued interest payable	-	34,479	-	-	102,733	-	-	-	137,212
Due to other funds	533,390	947,526	-	60,605	(826)	-	199,251	(1,739,946)	-
Deferred revenues									
Succeeding year property tax	1,205,108	1,038,120	-	113,005	1,507,097	-	-	-	3,863,330
Other	5,569,882	888,133	-	-	-	-	-	-	6,458,015
Retirement incentives payable	-	194,975	-	-	-	-	-	-	194,975
Compensated absences	216,518	31,555	-	-	-	-	-	-	248,073
Deposits held in custody for others	37,350	-	-	-	-	-	160,455	-	197,805
Certificates payable	-	7,060,000	-	-	-	-	-	-	7,060,000
Bonds payable	-	-	-	4,870,000	-	16,915,000	-	-	21,785,000
Notes payable	-	-	-	5,130,000	-	2,360,000	-	-	7,490,000
Capital leases payable	-	-	-	-	-	51,397	-	-	51,397
Total liabilities	<u>9,779,205</u>	<u>12,278,378</u>	<u>-</u>	<u>10,331,605</u>	<u>1,609,004</u>	<u>19,326,397</u>	<u>431,163</u>	<u>(1,739,946)</u>	<u>52,015,806</u>
FUND BALANCES									
Invested in capital assets, net of related debt	-	-	-	-	-	30,282,712	-	-	30,282,712
Restricted									
Expendable									
Scholarships and fellowships	-	84,991	-	-	-	-	-	-	84,991
Loans	-	-	1,961	-	-	-	-	-	1,961
Debt service	-	-	-	-	1,005,752	-	-	-	1,005,752
Cash reserve	361,092	-	-	-	-	-	-	-	361,092
Other	-	584,786	-	-	-	-	-	-	584,786
Unrestricted	2,139,901	-	-	559,201	-	-	-	-	2,699,102
Auxiliary enterprises	613,855	-	-	-	-	-	-	-	613,855
Total fund balances	<u>3,114,848</u>	<u>669,777</u>	<u>1,961</u>	<u>559,201</u>	<u>1,005,752</u>	<u>30,282,712</u>	<u>-</u>	<u>-</u>	<u>35,634,251</u>
Total liabilities and fund balances	<u>\$12,894,053</u>	<u>\$12,948,155</u>	<u>\$ 1,961</u>	<u>\$10,890,806</u>	<u>\$2,614,756</u>	<u>\$49,609,109</u>	<u>\$ 431,163</u>	<u>\$(1,739,946)</u>	<u>\$87,650,057</u>

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 2006

	<u>Current Funds</u>		<u>Loan Fund</u>	<u>Plant Funds</u>			<u>Adjustments</u>	<u>Total</u>
	<u>Unrestricted</u>	<u>Restricted</u>		<u>Unexpended</u>	<u>Retirement of Indebtedness</u>	<u>Investment in Plant</u>		
REVENUES								
General								
State appropriations	\$ 8,819,900	\$ 1,189,708	\$ -	\$ 118,800	\$ -	\$ -	\$ -	\$10,128,408
Tuition and fees	13,172,277	29,098	-	8,517	-	-	(2,108,071)	11,101,821
Property tax	1,143,346	1,244,212	-	169,399	1,805,958	-	-	4,362,915
Federal appropriations	529,212	5,148,128	143	-	-	-	-	5,677,483
Sales and services	506,378	495,791	-	-	-	-	(122,022)	880,147
Interest on investments	201,535	329,211	108	70,756	37,857	-	-	639,467
Iowa Industrial New Jobs Training Program	-	1,066,603	-	-	-	-	-	1,066,603
Gifts and grants	5,583	291,004	-	-	-	-	-	296,587
Miscellaneous	575,634	638,362	1,021	2,662	-	19,776,868	(19,970,923)	1,023,624
Increase in plant investment due to plant expenditures	-	-	-	-	-	522,423	(522,423)	-
Total general revenues	<u>24,953,865</u>	<u>10,432,117</u>	<u>1,272</u>	<u>370,134</u>	<u>1,843,815</u>	<u>20,299,291</u>	<u>(22,723,439)</u>	<u>35,177,055</u>
Auxiliary enterprises								
State appropriations	99,204	-	-	-	-	-	-	99,204
Tuition and fees	95,742	-	-	-	-	-	-	95,742
Federal appropriations	3,768	-	-	-	-	-	-	3,768
Sales and services	6,430,784	-	-	-	-	-	(1,746,134)	4,684,650
Interest on investments	44,963	-	-	-	-	-	-	44,963
Allocation of student fees	129,950	-	-	-	-	-	-	129,950
Gifts and grants	50,000	-	-	-	-	-	-	50,000
Miscellaneous	262,477	-	-	-	-	-	-	262,477
Total auxiliary revenues	<u>7,116,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,746,134)</u>	<u>5,370,754</u>
Total revenues	<u>32,070,753</u>	<u>10,432,117</u>	<u>1,272</u>	<u>370,134</u>	<u>1,843,815</u>	<u>20,299,291</u>	<u>(24,469,573)</u>	<u>40,547,809</u>

See accompanying independent auditor's report.

Schedule 2 (continued)

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
 Year ended June 30, 2006

	Current Funds		Loan Fund	Plant Funds			Adjustments	Total
	Unrestricted	Restricted		Unexpended	Retirement of Indebtedness	Investment in Plant		
EXPENDITURES								
Education and support								
Liberal arts and sciences	\$ 5,498,159	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,498,159
Applied science and technology	4,996,627	933,398	-	-	-	-	(71,581)	5,858,444
Continuing education	1,968,908	329,071	-	-	-	-	-	2,297,979
Cooperative services	927,991	1,641,133	-	-	-	-	-	2,569,124
Administration	1,987,499	-	-	-	-	-	(208,600)	1,778,899
Student services	2,216,185	4,913	-	-	-	-	-	2,221,098
Learning resources	282,039	-	-	-	-	-	-	282,039
Physical plant	2,690,052	289,425	-	21,023,800	-	-	(20,156,319)	3,846,958
General institution	<u>3,197,724</u>	<u>2,338,605</u>	-	-	-	-	<u>(138,988)</u>	<u>5,397,341</u>
Total education and support	23,765,184	5,536,545	-	21,023,800	-	-	(20,575,488)	29,750,041
Auxiliary enterprises	6,460,996	-	-	-	-	-	(683,813)	5,777,183
Scholarships and grants	-	3,999,094	-	-	-	-	(3,210,272)	788,822
Loan cancellations and collection costs	-	-	-	5,825	-	-	-	5,825
Retirement of indebtedness	-	-	-	-	1,640,000	-	-	1,640,000
Disposal of plant assets	-	-	-	-	-	(20,025)	-	(20,025)
Increase in plant investment due to retirement of debt	-	-	-	-	-	(1,640,000)	-	(1,640,000)
Interest on indebtedness	-	404,955	-	-	871,406	-	-	1,276,361
Depreciation and amortization	-	-	-	-	-	1,723,367	-	1,723,367
Other	-	-	1,021	-	-	-	-	1,021
Total expenditures	<u>30,226,180</u>	<u>9,940,594</u>	<u>1,021</u>	<u>21,029,625</u>	<u>2,511,406</u>	<u>63,342</u>	<u>(24,469,573)</u>	<u>39,302,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,844,573</u>	<u>491,523</u>	<u>251</u>	<u>(20,659,491)</u>	<u>(667,591)</u>	<u>20,235,949</u>	<u>-</u>	<u>1,245,214</u>
TRANSFERS								
Mandatory transfers	(37,020)	37,020	-	-	-	-	-	-
Nonmandatory transfers	<u>(1,663,439)</u>	<u>(366,666)</u>	<u>-</u>	<u>20,349,225</u>	<u>580,880</u>	<u>(18,900,000)</u>	<u>-</u>	<u>-</u>
Total transfers	<u>(1,700,459)</u>	<u>(329,646)</u>	<u>-</u>	<u>20,349,225</u>	<u>580,880</u>	<u>(18,900,000)</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN FUND BALANCES	144,114	161,877	251	(310,266)	(86,711)	1,335,949	-	1,245,214
FUND BALANCES, beginning of year	<u>2,970,734</u>	<u>507,900</u>	<u>1,710</u>	<u>869,467</u>	<u>1,092,463</u>	<u>28,946,763</u>	<u>-</u>	<u>34,389,037</u>
FUND BALANCES, end of year	<u>\$ 3,114,848</u>	<u>\$ 669,777</u>	<u>\$ 1,961</u>	<u>\$ 559,201</u>	<u>\$ 1,005,752</u>	<u>\$ 30,282,712</u>	<u>\$ -</u>	<u>\$ 35,634,251</u>

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - UNRESTRICTED FUND
EDUCATION AND SUPPORT
Year ended June 30, 2006

	Education				Support					Total
	Liberal Arts and Sciences	Applied Science and Technology	Continuing Education	Cooperative Programs	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
REVENUES										
State appropriations	\$ -	\$ -	\$ -	\$ -	\$ 8,819,900	\$ -	\$ -	\$ -	\$ -	\$ 8,819,900
Tuition and fees	5,668,969	4,730,305	1,415,107	1,172,402	5,383	180,111	-	-	-	13,172,277
Property tax	-	-	-	-	1,143,346	-	-	-	-	1,143,346
Federal appropriations	-	173,225	270,219	-	-	85,768	-	-	-	529,212
Sales and services	7,345	-	10,273	106,377	241,290	-	1,115	105,514	34,464	506,378
Interest on investments	-	-	-	-	201,535	-	-	-	-	201,535
Gifts and grants	-	-	-	-	5,583	-	-	-	-	5,583
Miscellaneous	8,590	1,340	42,618	322,453	5,999	4,614	4,077	62,785	123,158	575,634
	5,684,904	4,904,870	1,738,217	1,601,232	10,423,036	270,493	5,192	168,299	157,622	24,953,865
Allocation of support services	4,992,549	3,876,625	2,155,468	-	(10,423,036)	(270,493)	(5,192)	(168,299)	(157,622)	-
Total revenues	<u>10,677,453</u>	<u>8,781,495</u>	<u>3,893,685</u>	<u>1,601,232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,953,865</u>
EXPENDITURES										
Salaries and benefits	4,857,282	4,301,075	1,374,932	868,760	1,174,129	1,907,990	176,746	886,470	1,779,852	17,327,236
Services	417,236	181,622	317,729	38,933	333,459	138,728	7,306	1,318,622	1,089,256	3,842,891
Materials and supplies	146,044	328,998	160,024	17,105	44,773	113,938	97,628	318,598	184,552	1,411,660
Travel	24,197	72,915	94,100	3,193	64,191	55,529	359	2,868	65,147	382,499
Loan cancellations and collection costs	-	-	-	-	124,163	-	-	-	-	124,163
Plant asset acquisitions	-	71,581	-	-	14,545	-	-	279,951	15,117	381,194
Cost of goods sold	-	-	21,090	-	-	-	-	-	37,360	58,450
Miscellaneous	53,400	40,436	1,033	-	232,239	-	-	(116,457)	26,440	237,091
	5,498,159	4,996,627	1,968,908	927,991	1,987,499	2,216,185	282,039	2,690,052	3,197,724	23,765,184
Allocation of support services	4,723,870	3,610,511	2,039,118	-	(1,987,499)	(2,216,185)	(282,039)	(2,690,052)	(3,197,724)	-
Total expenditures	<u>10,222,029</u>	<u>8,607,138</u>	<u>4,008,026</u>	<u>927,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,765,184</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>455,424</u>	<u>174,357</u>	<u>(114,341)</u>	<u>673,241</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,188,681</u>
TRANSFERS										
Mandatory transfers	-	-	-	-	-	(37,020)	-	-	-	(37,020)
Nonmandatory transfers	-	-	-	-	-	(46,459)	-	(1,082,560)	-	(1,129,019)
Total transfers	-	-	-	-	-	(83,479)	-	(1,082,560)	-	(1,166,039)
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 455,424</u>	<u>\$ 174,357</u>	<u>\$ (114,341)</u>	<u>\$ 673,241</u>	<u>\$ -</u>	<u>\$ (83,479)</u>	<u>\$ -</u>	<u>\$ (1,082,560)</u>	<u>\$ -</u>	<u>22,642</u>
FUND BALANCES, beginning of year										<u>2,478,351</u>
FUND BALANCES, end of year										<u>\$ 2,500,993</u>

See accompanying independent auditor's report.

Schedule 4

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
AUXILIARY ENTERPRISES
Year ended June 30, 2006

	<u>Building Trades</u>	<u>Bookstore</u>	<u>Vending</u>	<u>Food Services</u>	<u>Student Housing</u>	<u>Graphic Arts</u>	<u>Auto Parts</u>	<u>Athletics</u>	<u>IWCC Comnet</u>	<u>Miscellaneous</u>	<u>Total</u>
REVENUES											
State appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,696	\$ 5,508	\$ 99,204
Tuition and fees	-	-	-	-	-	-	-	-	-	95,742	95,742
Federal appropriations	-	-	-	-	3,768	-	-	-	-	-	3,768
Sales and services	164,900	2,801,482	80,404	1,325,337	1,097,707	250,926	87,283	-	162	622,583	6,430,784
Interest on investments	-	-	43,514	-	1,449	-	-	-	-	-	44,963
Gifts and grants	-	-	-	-	-	-	-	-	-	50,000	50,000
Miscellaneous											
Student fee allocations	-	-	-	-	-	-	-	129,950	-	-	129,950
Other	-	-	-	282	13,942	71,494	-	175,152	1,442	165	262,477
Total revenue	<u>164,900</u>	<u>2,801,482</u>	<u>123,918</u>	<u>1,325,619</u>	<u>1,116,866</u>	<u>322,420</u>	<u>87,283</u>	<u>305,102</u>	<u>95,300</u>	<u>773,998</u>	<u>7,116,888</u>
EXPENDITURES											
Salaries and benefits	-	294,601	2,426	545,203	337,193	70,874	4,390	23,119	49,636	388,679	1,716,121
Services	10,807	98,263	2,606	51,642	165,431	92,011	2,008	28,682	60,765	276,590	788,805
Materials and supplies	-	51,998	(10,000)	117,970	51,704	4,272	379	89,577	3,401	51,998	361,299
Travel	-	6,250	-	296	564	-	-	193,295	137	20,733	221,275
Loan cancellations and collection costs	-	7,997	-	14,340	-	-	3,585	-	-	2,708	28,630
Plant asset acquisitions	-	-	7,215	24,415	8,250	-	-	-	-	-	39,880
Cost of goods sold	150,200	2,207,097	-	375,536	-	83,433	85,653	-	-	-	2,901,919
Miscellaneous	-	132,318	106,633	71,254	152	71,830	-	3,700	-	17,180	403,067
Total expenditures	<u>161,007</u>	<u>2,798,524</u>	<u>108,880</u>	<u>1,200,656</u>	<u>563,294</u>	<u>322,420</u>	<u>96,015</u>	<u>338,373</u>	<u>113,939</u>	<u>757,888</u>	<u>6,460,996</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,893</u>	<u>2,958</u>	<u>15,038</u>	<u>124,963</u>	<u>553,572</u>	<u>-</u>	<u>(8,732)</u>	<u>(33,271)</u>	<u>(18,639)</u>	<u>16,110</u>	<u>655,892</u>
TRANSFERS											
Nonmandatory transfers	-	-	-	-	(381,760)	-	-	46,460	-	(199,120)	(534,420)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(381,760)</u>	<u>-</u>	<u>-</u>	<u>46,460</u>	<u>-</u>	<u>(199,120)</u>	<u>(534,420)</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 3,893</u>	<u>\$ 2,958</u>	<u>\$ 15,038</u>	<u>\$ 124,963</u>	<u>\$ 171,812</u>	<u>\$ -</u>	<u>\$ (8,732)</u>	<u>\$ 13,189</u>	<u>\$ (18,639)</u>	<u>\$ (183,010)</u>	121,472
FUND BALANCES, beginning of year											<u>492,383</u>
FUND BALANCES, end of year											<u>\$ 613,855</u>

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - RESTRICTED FUND
 Year ended June 30, 2006

	Scholarship and Grants	Central American Student Scholarship Program	Small Business Development Center	AREA 13 Consortium	Metro Consortium	TECH Prep Grant	Student Support Services	Corrections Program	Iowa Small Business New Jobs Training Program	Iowa Industrial New Jobs Training Program
REVENUES										
State appropriations	\$ 228,145	\$ -	\$ 68,379	\$ -	\$ -	\$ -	\$ -	\$ 285,611	\$ 150,022	\$ -
Tuition and fees	-	-	-	-	-	-	-	-	-	-
Property tax	-	-	-	-	-	-	-	-	-	-
Federal appropriations	3,726,335	243,766	-	233,111	147,303	76,910	258,305	-	-	-
Sales and services	-	-	-	-	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-	-	-	-	-
Iowa New Jobs Training Program	-	-	-	-	-	-	-	-	-	1,066,603
Gifts and grants	-	-	-	-	-	-	-	-	-	-
Miscellaneous	7,625	-	-	-	-	-	-	-	-	-
Total revenues	<u>3,962,105</u>	<u>243,766</u>	<u>68,379</u>	<u>233,111</u>	<u>147,303</u>	<u>76,910</u>	<u>258,305</u>	<u>285,611</u>	<u>150,022</u>	<u>1,066,603</u>
EXPENDITURES										
Salaries and benefits	-	79,863	61,102	43,182	19,278	38,882	176,269	259,511	-	-
Services	-	107,746	2,874	187,709	126,331	16,870	22,575	9,476	144,190	936,505
Materials and supplies	-	57	2,466	170	73	2,491	16,969	5,808	5,832	-
Travel	-	-	1,937	2,050	1,621	18,667	5,892	2,968	-	-
Plant asset acquisitions	-	-	-	-	-	-	-	-	-	-
Interest on indebtedness	-	-	-	-	-	-	-	-	-	130,098
Miscellaneous	-	56,100	-	-	-	-	-	7,848	-	-
Pell grant program	3,622,871	-	-	-	-	-	-	-	-	-
Supplemental educational opportunity grant	148,078	-	-	-	-	-	-	-	-	-
Iowa college student aid commission	228,145	-	-	-	-	-	-	-	-	-
Private scholarships	-	-	-	-	-	-	36,600	-	-	-
Total expenditures	<u>3,999,094</u>	<u>243,766</u>	<u>68,379</u>	<u>233,111</u>	<u>147,303</u>	<u>76,910</u>	<u>258,305</u>	<u>285,611</u>	<u>150,022</u>	<u>1,066,603</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(36,989)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TRANSFERS										
Mandatory transfers	37,020	-	-	-	-	-	-	-	-	-
Nonmandatory transfers	-	-	-	-	-	-	-	-	-	-
Total transfers	<u>37,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 31</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - RESTRICTED FUND (continued)
 Year ended June 30, 2006

	<u>Casualty Insurance Tax Levy</u>	<u>Tort Liability Tax Levy</u>	<u>Unemployment Comp Tax Levy</u>	<u>Worker's Comp Tax Levy</u>	<u>Equipment Replacement Tax Levy</u>	<u>Standby Tax Levy</u>	<u>Economic Development</u>	<u>KIWR</u>	<u>Title III</u>	<u>Miscellaneous</u>	<u>Total</u>
REVENUES											
State appropriations	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 457,551	\$ 1,189,708
Tuition and fees	3,933	-	-	-	-	-	-	-	-	25,165	29,098
Property tax	408,741	52,463	-	-	508,151	274,857	-	-	-	-	1,244,212
Federal appropriations	-	-	-	-	-	-	-	1,989	354,672	105,737	5,148,128
Sales and services	-	-	-	-	-	-	325,840	168,253	-	1,698	495,791
Interest on investments	-	-	-	-	-	-	-	1,001	-	328,210	329,211
Iowa New Jobs Training Program	-	-	-	-	-	-	-	-	-	-	1,066,603
Gifts and grants	-	-	-	-	-	-	-	175,956	-	115,048	291,004
Miscellaneous	-	-	-	-	-	-	-	326,988	-	303,749	638,362
Total revenues	<u>412,674</u>	<u>52,463</u>	<u>-</u>	<u>-</u>	<u>508,151</u>	<u>274,857</u>	<u>325,840</u>	<u>674,187</u>	<u>354,672</u>	<u>1,337,158</u>	<u>10,432,117</u>
EXPENDITURES											
Salaries and benefits	-	-	147,571	142,431	(924)	-	214,199	363,261	252,219	485,708	2,282,552
Services	318,085	73,044	-	-	5,341	-	103,772	173,111	37,890	96,445	2,361,964
Materials and supplies	2,252	-	-	-	426,607	-	2,781	27,650	21,173	39,308	553,637
Travel	-	-	-	-	-	-	5,088	2,858	-	12,109	53,190
Plant asset acquisitions	-	-	-	-	59,714	-	-	-	-	-	59,714
Interest on indebtedness	-	-	-	-	-	274,857	-	-	-	-	404,955
Miscellaneous	(30,912)	-	(2,627)	-	-	-	-	107,307	43,390	7,782	188,888
Pell grant program	-	-	-	-	-	-	-	-	-	-	3,622,871
Supplemental educational opportunity grant	-	-	-	-	-	-	-	-	-	-	148,078
Iowa college student aid commission	-	-	-	-	-	-	-	-	-	-	228,145
Private scholarships	-	-	-	-	-	-	-	-	-	-	36,600
Total expenditures	<u>289,425</u>	<u>73,044</u>	<u>144,944</u>	<u>142,431</u>	<u>490,738</u>	<u>274,857</u>	<u>325,840</u>	<u>674,187</u>	<u>354,672</u>	<u>641,352</u>	<u>9,940,594</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>123,249</u>	<u>(20,581)</u>	<u>(144,944)</u>	<u>(142,431)</u>	<u>17,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695,806</u>	<u>491,523</u>
TRANSFERS											
Mandatory transfers	-	-	-	-	-	-	-	-	-	-	37,020
Nonmandatory transfers	-	-	-	-	-	-	-	-	-	(366,666)	(366,666)
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(366,666)</u>	<u>(329,646)</u>
NET INCREASE (DECREASE) IN FUND BALANCES	<u>\$ 123,249</u>	<u>\$ (20,581)</u>	<u>\$ (144,944)</u>	<u>\$ (142,431)</u>	<u>\$ 17,413</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 329,140</u>	<u>161,877</u>
FUND BALANCES, beginning of year											<u>507,900</u>
FUND BALANCES, end of year											<u>\$ 669,777</u>

See accompanying independent auditor's report.

Iowa Western Community College
CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS - AGENCY FUNDS
Year ended June 30, 2006

	<u>Student Clubs and Organizations</u>	<u>JTPA Service Delivery Area</u>	<u>Federal Student Loan Account</u>	<u>Miscellaneous</u>	<u>Total</u>
BALANCE , beginning of year	\$ <u>(48,211)</u>	\$ <u>17,141</u>	\$ <u>18,395</u>	\$ <u>177,010</u>	\$ <u>164,335</u>
ADDITIONS					
Tuition and fees	-	-	-	1,245	1,245
Federal appropriations	-	1,407,446	-	(2,169)	1,405,277
Sales and services	71,619	-	-	-	71,619
Loan advances from lenders	-	-	9,393,690	-	9,393,690
Miscellaneous					
Student fee allocation	142,426	-	-	-	142,426
Other	11,571	-	6,544	18,863	36,978
Total additions	<u>225,616</u>	<u>1,407,446</u>	<u>9,400,234</u>	<u>17,939</u>	<u>11,051,235</u>
DEDUCTIONS					
Salaries and benefits	-	865,499	-	-	865,499
Services	56,490	174,406	-	19,742	250,638
Materials and supplies	44,009	68,222	-	2,585	114,816
Travel	7,772	8,666	-	1,300	17,738
Costs of goods sold	8,424	-	-	217	8,641
Loan payments to student accounts	-	-	9,298,675	-	9,298,675
Loans returned to lenders	-	-	93,918	-	93,918
Awards to clients	-	205,311	-	-	205,311
Other	102,273	86,291	-	11,315	199,879
Total deductions	<u>218,968</u>	<u>1,408,395</u>	<u>9,392,593</u>	<u>35,159</u>	<u>11,055,115</u>
BALANCE , end of year	\$ <u>(41,563)</u>	\$ <u>16,192</u>	\$ <u>26,036</u>	\$ <u>159,790</u>	\$ <u>160,455</u>

See accompanying independent auditor's report.

Iowa Western Community College
CREDIT AND CONTACT HOURS
 Year ended June 30, 2006

<u>Category</u>	<u>Credit Hours</u>			<u>Contact Hours</u>		
	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>	<u>Eligible for Aid</u>	<u>Not Eligible for Aid</u>	<u>Total</u>
Arts and Sciences	67,169	-	67,169	1,405,730	-	1,405,730
Vocational Education - Preparatory	42,398	-	42,398	1,122,038	-	1,122,038
Adult/Continuing Education	-	-	-	464,211	88,064	552,275
Related Services and Activities	-	-	-	-	125,063	125,063
Total	<u>109,567</u>	<u>-</u>	<u>109,567</u>	<u>2,991,979</u>	<u>213,127</u>	<u>3,205,106</u>

See accompanying independent auditor's report.

**Iowa Western Community College
TAX AND INTERGOVERNMENTAL REVENUES**

	Year ended June 30			
	2006	2005	2004	2003
Local (property tax)	\$ 4,362,915	\$ 4,106,441	\$ 3,832,669	\$ 3,696,144
State				
General	10,128,408	9,667,839	8,819,756	9,582,592
Auxiliary	99,204	100,370	98,076	53,758
Federal				
General	5,677,483	5,901,462	5,479,366	4,642,075
Auxiliary	3,768	351	2,586	4,031
Totals	<u>\$20,271,778</u>	<u>\$19,776,463</u>	<u>\$18,232,453</u>	<u>\$17,978,600</u>

See accompanying independent auditor's report.

**Iowa Western Community College
CURRENT FUND REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTION**

	Year ended June 30			
	2006	2005	2004	2003
REVENUES				
State appropriations	\$10,009,608	\$ 9,667,839	\$ 8,811,383	\$ 9,437,060
Tuition and fees	13,201,375	12,177,780	10,869,743	9,558,638
Property tax	2,387,558	2,125,071	2,204,872	2,092,804
Federal appropriations	5,677,340	5,901,145	5,478,630	4,640,204
Sales and services	1,002,169	813,796	704,794	764,560
Interest on investments	530,746	125,051	305,574	259,551
Iowa Industrial New Jobs Training Program	1,066,603	709,216	1,049,244	1,583,079
Gifts and grants	296,587	147,010	148,324	127,585
Miscellaneous	1,213,996	1,082,308	885,356	922,349
Auxiliary enterprises	<u>7,116,888</u>	<u>5,562,731</u>	<u>4,970,130</u>	<u>4,388,829</u>
Totals	<u>\$42,502,870</u>	<u>\$38,311,947</u>	<u>\$35,428,050</u>	<u>\$33,774,659</u>
EXPENDITURES				
Liberal arts and sciences	\$ 5,498,159	\$ 5,062,403	\$ 4,527,473	\$ 3,791,919
Applied science and technology	5,930,025	5,704,548	5,605,651	5,540,300
Continuing education	2,297,979	2,275,777	2,132,860	2,306,843
Cooperative services	2,569,124	1,667,697	2,134,623	2,498,419
Administration	1,987,499	1,965,857	1,708,595	1,481,038
Student services	2,221,098	2,059,571	1,893,127	1,759,436
Learning resources	282,039	265,210	291,843	279,285
Physical plant	2,979,477	2,561,316	2,635,996	2,346,623
General institution	5,536,329	4,916,045	4,431,700	4,523,542
Auxiliary enterprises	6,460,996	5,364,519	4,634,980	4,375,280
Scholarships and grants	3,999,094	3,989,538	3,599,202	3,113,842
Interest on indebtedness	<u>404,955</u>	<u>499,098</u>	<u>612,741</u>	<u>743,522</u>
Totals	<u>\$40,166,774</u>	<u>\$36,331,579</u>	<u>\$34,208,791</u>	<u>\$32,760,049</u>

See accompanying independent auditor's report.

Iowa Western Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2006

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. DEPARTMENT OF EDUCATION		
Student Financial Aid - Cluster		
Direct		
Federal Supplemental Educational Opportunity Grants (SEOG)	84.007	\$ 148,078
Federal Work-Study Program (FWS)	84.033	110,841
Federal Pell Grant Program	84.063	<u>3,622,871</u>
Total Student Financial Aid Cluster		<u>3,881,790</u>
Federal Trio Cluster		
TRIO - Student Support Services Program	84.042	<u>257,042</u>
Direct		
Higher Education Institutional Aid (Title III)	84.031	<u>354,671</u>
Indirect		
<i>Passed Through Iowa Department of Education</i>		
Adult Education - State Grant Program	84.002	261,144
<i>Passed Through Iowa Department of Corrections</i>		
Title I Program for Neglected and Delinquent Children	84.013	12,000
Basic Grants to States Titles II-B Tech Prep Education	84.243	76,910
Vocational Education - Basic Grants to States	84.048	571,288
<i>Passed Through Georgetown University</i>		
Cooperative Association of States (CASS Grant)	84.000	255,371
<i>Passed Through Iowa College Student Aid Commission</i>		
Leveraging Assistance Educational Partnership	84.069	18,153
<i>Passed Through Office of Elementary and Secondary Education</i>		
NSF-MCIT	84.366	<u>53,675</u>
Total indirect		<u>1,248,541</u>
Total U.S. Department of Education		<u>5,742,044</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES		
Direct		
Temporary Assistance for Needy Families	93.558	<u>540,543</u>
U.S. DEPARTMENT OF LABOR		
Indirect		
<i>Passed Through Iowa Department of Economic Development</i>		
<i>Job Training Partnership Act</i>		
WIA Adult Program	17.258	321,022
WIA Youth Activities	17.259	132,032
WIA Dislocated Workers	17.260	<u>158,323</u>
Total Workforce Investment Act Cluster		<u>611,377</u>
Employment Service	17.207	36,504
Unemployment Insurance	17.225	31,557
Veterans		
Disabled Veteran Outreach Program (DVOP)	17.801	3,058
Local Veteran's Employment Representative Program (LVOP)	17.804	3,081
Improving Transition Grant - Vocational Rehabilitation Services	17.720	<u>103,390</u>
Total U.S. Department of Labor		<u>788,967</u>

See accompanying independent auditor's report.

Iowa Western Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
 Year ended June 30, 2006

<u>Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE		
Indirect		
<i>Passed Through State of Minnesota</i>		
Learn and Serve America - Higher Education	94.005	\$ <u>10</u>
DEPARTMENT OF VETERANS AFFAIRS		
Direct		
Veteran Information and Assistance	64.115	<u>695,625</u>
DEPARTMENT OF STATE		
Indirect		
<i>Passed Through American-Mideast Educational and Training Service, Inc.</i>		
Partnership for Learning Undergraduate Studies (PLUS)	19.000	<u>2,363</u>
FEDERAL MEDIATION AND CONCILATION SERVICE		
Direct		
Labor Management Cooperation	34.002	<u>1,727</u>
SMALL BUSINESS ADMINISTRATION		
Indirect		
<i>Passed Through Iowa State University</i>		
Small Business Development Center	59.037	<u>20,022</u>
Total Expenditures of Federal Awards		<u>\$7,791,301</u>

See accompanying independent auditor's report.

Iowa Western Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2006

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying Supplementary Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. Expenses are subject to audit by the U.S. Government and in the opinion of management, disallowed costs, if any, will not have a material effect on the financial position of the College or its federal programs.

Expenditures

Certain expenditures of federal funds are not separately identifiable in the accounting records of the College. These programs are jointly funded with College monies and are not required to be accumulated in the accounting records by funding source. For report purposes, the amount of federal expenditures is shown equal to the amount of federal awards received.

Program Activity

Various reimbursement procedures are used for federal awards received by the College. Additionally, the federal grant periods are variable, while the College's year end is June 30. Consequently, timing differences between expenditures and program reimbursement can exist at the beginning and end of the year. These timing differences will be resolved over the term of the grant period.

NOTE 2 FEDERAL FAMILY EDUCATION LOAN PROGRAM AND FEDERAL PERKINS LOAN PROGRAM

The Federal Family Education Loan Program and Federal Perkins Loan Program are designed to make low-interest loans available to students through participating lending institutions. These programs have not been included in the accompanying supplementary schedule; however, they have been subjected to the auditing procedures applied in the audit of the accompanying supplementary schedule. Federal Family Education Loans and Federal Perkins Loans are programs of the U.S. Department of Education. Total disbursements of Federal Family Education Loans (CFDA #84.032) and Federal Perkins Loans (CFDA #84.038) were \$6,265,003 and \$143, respectively, for the year ended June 30, 2006.

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

To the Board of Trustees
Iowa Western Community College
Council Bluffs, Iowa

We have audited the financial statements of Iowa Western Community College (the College) as of and for the year ended June 30, 2006, and have issued our report thereon dated October 20, 2006. 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 the College'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 internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more 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. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College'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*.

Comments involving statutory and other legal matters about the College's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the College. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved.

This report, a public record bylaw, is intended solely for the information and use of the College and other parties to whom the College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 20, 2006

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

To the Board of Trustees
Iowa Western Community College
Council Bluffs, Iowa

Compliance

We have audited the compliance of Iowa Western Community College (the College) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College'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 the College's compliance with those requirements and performing such other procedures as we consider 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 the College's compliance with those requirements.

In our opinion, the College 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.

Internal Control Over Compliance

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

This report, a public record by law, is intended solely for the information and use of the College and other parties to whom the College may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 20, 2006

**Iowa Western Community College
SCHEDULE OF FINDINGS
Year ended June 30, 2006**

Part I—Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No reportable conditions in internal control over the major programs were disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) Major programs were as follows:
 - CFDA Number 17.258, 17.259, 17.260 – Workforce Investment Act Cluster
 - CFDA Number 64.115 – Veteran Information and Assistance
 - CFDA Number 84.007, 84.032, 84.033, 84.038, 84.063 – Student Financial Assistance Cluster
 - CFDA Number 84.031A – Higher Education Institutional Aid (Title III)
 - CFDA Number 84.048 – Vocational Education - Basic Grants to States
 - CFDA Number 93.558 – Temporary Assistance for Needy Families
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Iowa Western Community College qualified as a low-risk auditee.

**Part II—Findings Relating to the Financial Statements Reported in Accordance with
*Government Auditing Standards***

NONE

Part III—Findings and Questioned Costs for Federal Awards

NONE

**Iowa Western Community College
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2006**

Part IV—Other Findings Related to Required Statutory Reporting

IV-06-A CERTIFIED BUDGET

The College did not exceed its budget for the year ended June 30, 2006.

IV-06-B QUESTIONABLE DISBURSEMENTS

No expenditures that did not meet the requirements of public purpose, as defined in the Attorney General's opinion dated April 25, 1979, were noted.

IV-06-C TRAVEL EXPENSE

No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.

IV-06-D BUSINESS TRANSACTIONS

No business transactions between the College and College officials or employees were noted.

IV-06-E BOND COVERAGE

Surety bond coverage of College officials and employees is in accordance with statutory provisions.

IV-06-F BOARD MINUTES

No transactions were found that we believe should have been approved in the Board minutes but were not.

IV-06-G PUBLICATION OF RECEIPTS AND DISBURSEMENTS

The College published a statement showing all receipts and disbursements 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-06-H 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 College's investment policy were noted.

IV-06-I CREDIT AND CONTACT HOURS

Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College.