

**IOWA LAKES COMMUNITY COLLEGE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
AND QUESTIONED COSTS
JUNE 30, 2007**

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**IOWA LAKES COMMUNITY COLLEGE
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Trustees		
(Term of October 1, 2006 to September 30, 2007)		
John Hand	President	2009
Jan Lund	Vice President	2008
Ann Barry (effective until March 2007)	Trustee	
Howard Kyle	Trustee	2008
Lynn Kueck	Trustee	2007
Jim Miller	Trustee	2007
Jack Tatman	Trustee	2009
Susan Zulk (effective as of March 2007)	Trustee	2008

Community College
(As of June 30, 2007)

Dr. Harold Prior	President
Thomas Brotherton	Executive Dean of Emmetsburg Campus
Mary Mohni	Chief Academic Officer
Valerie Newhouse	Executive Vice President
Mary Larscheid	Executive Dean of Estherville Campus
Robert L'Heureux	Chief Financial Officer
Judith Cook	Executive Director of Planning/Development
Clark Marshall	Executive Director of Continuing Education/Economic Development
Delaine Hiney	Executive Director of Facilities Management
Jane Campbell	Executive Director of Marketing
Julie Carlson	Dean of Enrollment Management
Kitty Conover	Dean of Spencer Campus
Trudy Kattner	Dean of Algona Campus
Darin Moeller	Dean of Spirit Lake Campus
Shan Ray	Executive Director of Institutional Advancement
Bob Seigel	Chief Information Officer

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Iowa Lakes Community College
Estherville, Iowa

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of Iowa Lakes Community College, Estherville, Iowa, as of and for the year ended June 30, 2007. These financial statements are the responsibility of the Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Iowa Lakes Community College at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2008, on our consideration of Iowa Lakes Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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 and budgetary comparison information on pages 3 through 8 and 25 through 26 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Iowa Lakes Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 13, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the 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.

Williams & Company, P.C.

Certified Public Accountants

Spencer, Iowa
January 16, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

This section of Iowa Lakes Community College's annual financial report presents a discussion and analysis of the financial performance of the college during the fiscal year ended June 30, 2007, with comparative information presented for the fiscal year ended June 30, 2006. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statement and notes. The financial statements, notes, and this discussion are the responsibility of management.

USING THE ANNUAL REPORT

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

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

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

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

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

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

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

The Statement of Net Assets

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

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

Net Assets

	June 30, 2007	June 30, 2006
Current and Other Assets	\$ 12,958,231	\$ 13,369,252
Capital Assets, Net of Accumulated Depreciation	32,802,671	31,877,320
Total Assets	45,760,902	45,246,572
Current Liabilities	9,895,020	9,638,916
Non-current Liabilities	8,236,488	9,712,164
Total Liabilities	18,131,508	19,351,080
Net Assets:		
Invested in Capital Assets, Net of Related Debt Restricted	20,351,986	19,081,528
Non-Expendable	2,997,292	2,874,206
Expendable	2,244,986	1,536,582
Unrestricted	2,035,130	2,403,176
Total Net Assets	\$ 27,629,394	\$ 25,895,492

- Current assets decreased by \$400,000. The two biggest changes occurred in the Cash and Pooled investments, which decreased by \$1M and Iowa School Cash Anticipation Program (ISCAP) increased by \$1.5M. The receivables decreased by \$643,000, Due from Other Governments decreased by \$330,000, Pooled Investments decreased by \$1.2M, Endowment Investments increased \$863,000, and Deferred Compensation decreased \$11,700.
- Capital assets, net of accumulated depreciation increased \$925,000 with some major changes in categories: Construction in Progress decreased \$1.1M, Buildings increased \$2M, Furniture and Equipment increased \$740,000 and Accumulated Depreciation increased \$1.2M.
- Total assets increased \$514,000.
- Current liabilities increased \$256,000, with an increase in the ISCAP of \$1.5M and an increase in Deposits Held in Custody for Others of \$375,000, and most of the other categories decreasing. Some of the decreases are: Accounts Payable of \$287,000, Deferred Revenue: Property Taxes of \$333,000 and Other of \$651,000, Early Retirement of \$239,000, Due to Others of \$102,000, and Bonds and Other Long-Term Debt of \$25,000.
- The non-current liabilities had a decrease of \$1.5M with all categories decreasing. The following categories showed decrease: Certificates Payable of \$715,000, Early Retirement Payable of \$26,000 and Bonds and Other Long-Term Debt of \$735,000. There was no issuance of long-term debt during the fiscal year.
- The change in Total Net Assets for the year was an increase of \$1.7M. The major changes were: a decrease in Unrestricted Funds of \$368,000 and an increase in Invested in Capital Assets of \$1.3M and an increase in Other Expendable of \$629,000.

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

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

Changes in Net Assets

	Year Ended June 30, 2007	Year Ended June 30, 2006
Operating Revenues:		
Tuition and Fees, net of scholarship allowances	\$ 5,869,187	\$ 5,420,598
Federal Appropriations	5,061,563	5,229,530
Iowa Industrial New Jobs Training Program	609,046	1,386,733
Gifts & Grants	1,100,389	683,558
Auxiliary Enterprises Revenue, net of scholarships	4,729,391	4,689,581
Miscellaneous	2,368,416	2,076,004
Total Operating Revenues	<u>19,737,992</u>	<u>19,486,004</u>
 Total Operating Expenses	 <u>30,797,602</u>	 <u>30,290,793</u>
 Operating Loss	 (11,059,610)	 (10,804,789)
Non-Operating Revenues (Expenses)		
State Appropriations	9,452,329	8,866,106
Property Taxes	3,206,033	2,716,060
Interest Income from Investments	643,067	478,430
Interest Income from Student Loans	59	1,051
Gain/(Loss) on Sale of Capital Assets	(14,068)	4,619
Interest on Indebtedness	(493,908)	(550,979)
Net Non-Operating Revenues	<u>12,793,512</u>	<u>11,515,287</u>
 Increase in Net Assets	 1,733,902	 710,498
Net assets Beginning of Year	25,895,492	25,184,994
Net Assets Ending of Year	<u>\$ 27,629,394</u>	<u>\$ 25,895,492</u>

The increase in net assets for FY 07 was \$1.7M compared to \$710,000 for the previous year.

Revenues

- There was virtually no change in Operating revenues from the previous year, but there were changes in the various categories: Tuition and Fees increased by \$449,000, Gifts and Grants increased by \$416,000, Miscellaneous increased by \$292,000, Federal Appropriations decreased by \$168,000, Iowa Industrial New Jobs Training Program decreased by \$778,000.

Expenses

- Operating expenses increased by \$507,000 from the previous year which is an increase of 1.67% from the previous year. This compares to an increase of 6.538% from FY 05 to FY 06.
- The college's functional areas include Liberal Arts and Sciences, Vocational Technical, Adult Education, Cooperative Services, General Administration, Student Services, Learning Resources, Physical Plant and General Institutional. The college's utilization of funds by functional area demonstrates its financial commitment to its basic mission and defines the scope of instructional programs and support services. These functional area expenses decreased by less than one-half percent from the previous year compared to an increase of 5.260% for FY 06 from FY 05.

Operating Expenses

	Year Ended June 30, 2007	Year Ended June 30, 2006
Education and Support:		
Liberal Arts and Sciences	\$ 5,800,121	\$ 5,513,804
Vocational Technical	3,716,615	3,410,038
Adult Education	754,809	783,593
Cooperative Services	1,378,367	2,317,581
General Administration	1,775,809	2,263,658
Student Services	1,354,350	1,303,492
Learning Resources	1,344,388	996,687
Physical Plant	1,944,551	1,695,075
General Institution	5,974,366	5,867,254
Sub-total	24,043,376	24,151,182
Auxiliary Enterprises	5,096,052	4,487,173
Scholarships and Grants	418,737	392,578
Administrative and Collection Costs	1,234	3,388
Depreciation Expense	1,238,203	1,256,472
Total	\$ 30,797,602	\$ 30,290,793

Non-Operating Revenues (Expenses)

- The revenue in this category increased by \$1.3M from the previous year. State appropriations and property tax increased 9.4%. The state legislature gave Iowa Community Colleges an increase of \$10M, which was similar to the increase in FY 06. Interest Income from Investments increased over 34% from the previous year due to the increase in the rate of return on investments.

The Statement of Cash Flows

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

Cash Flows

	Year Ended June 30, 2007	Year Ended June 30, 2006
Cash and Pooled Investments Provided (Used) by:		
Operating Activities:		
Revenues	\$ 19,189,650	\$ 20,491,007
Expenditures	30,390,362	28,274,638
Net Operating Activities	(11,200,712)	(7,783,631)
Non-Capital Financing Activities	12,705,816	11,467,067
Capital and Related Financing Activities	(3,076,982)	(1,160,376)
Investing Activities	539,230	415,108
Net Increase/(Decrease) in Cash and Pooled Investments	(1,032,648)	2,938,168
 Cash and Pooled Investments at Beginning of Year	 6,752,280	 3,814,112
 Cash and Pooled Investments at End of Year	 \$ 5,719,632	 \$ 6,752,280

- There was a change in Net Cash (Used) by Operating Activities in the amount of \$3.4M., expenses over revenue, which compares to an increase of \$251,000 in revenues over expenses for the previous year. Operating revenues were down \$1.3M from the previous year. About half of this amount came from the fact that our Auxiliary Enterprises expensed part of the construction of the resident halls in Estherville and Spencer. There was a drop in revenues in the amount of \$2M from Iowa Industrial New Jobs Training Programs. This decrease is cyclical in nature, dependent upon the issuance of bonds for the programs. Expenses increased \$1.3M, with payments to employees increasing \$571,000 and payment to suppliers increasing \$1.4M.
- There was an increase in Cash Flows from Non-Capital Financing Activities in the amount of \$1.2M. State appropriations increased \$586,000 and property taxes increased \$490,000. There were major changes in both the receipts and disbursements in the Miscellaneous Agency Funds due to Iowa Lakes being the treasurer of our computer consortium – ACCES, Inc.
- There was a major reduction Cash Flows from Capital and Related Financing Activities from the previous year. During the previous fiscal year we borrowed \$2.7M and there was none during FY 07. There was also a reduction in the purchase of capital assets in the amount of \$948,000 from the previous year.
- There was not a significant change in the total of Cash Flows from Investing Activities but there was some activity which off-set each other. We received \$1.5M from ISCAP and these funds were invested, which neither occurred during the previous year. Proceeds from sales of investments and purchase of investments were similar to the previous year. We did receive \$95,000 more in investment income from the previous year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the College had approximately \$40.3M invested in capital assets, without applying an accumulated depreciation of approximately \$13.9M. The net of depreciation value is an increase of 2.2% or \$560,000 from a year ago. Depreciation charges totaled \$1,238,204 for fiscal year 2007. Details of capital assets are shown below:

Capital Assets, Net, at Year-End

	June 30, 2007	June 30, 2006
Land	\$1,405,941	\$1,405,941
Buildings	20,722,933	19,456,997
Other Structures and Improvements	2,244,386	2,266,469
Furniture and Equipment	1,858,228	1,448,521
Construction in Progress	100,133	1,193,235
Total Capital Assets	<u>\$ 26,331,621</u>	<u>\$ 25,771,163</u>

The financial reports presented in the Management's Discussion and Analysis show some significant changes from a year ago. The only borrowing that was done was that of ISCAP and there was associated investment of those funds. ISCAP proceeds are to be used in time of cash flow needs, which for Iowa Lakes would be in the months of July and August when we have significant expenses with little revenues. Construction was completed on the four resident halls in Estherville and Spencer. Construction was started on the addition to our Wind Energy Building in June. More detailed information about the college's capital assets is presented in Note 6 to the financial statements.

Long-Term Debt

At June 30, 2007, the College had \$9.6M in debt outstanding. The table below summarizes debt balance for two fiscal years by category.

Outstanding Debt

	<u>Year Ended June 30, 2007</u>	<u>Year Ended June 30, 2006</u>
Certificate Payable	\$ 3,710,000	\$ 4,450,000
Bonds & Capital Loan Notes Payable	5,890,000	6,600,000
ISCAP Warrants	1,528,000	-
Total	<u>\$ 11,128,000</u>	<u>\$ 11,050,000</u>

More detailed information about the College's outstanding debt is presented in Notes 4 and 9 to the financial statements.

ECONOMIC FACTORS

Iowa Lakes Community College continues to be in a stable financial position. Our unrestricted net assets decreased \$368,000 during the year, going from \$2.4M on June 30, 2006 to \$2.0M on June 30, 2007. This compares to the balance of \$1.2M on June 30, 2005. We anticipate that this balance should be constant in future years. Other financial situations are closely aligned with that of the financial condition of the State of Iowa. Listed below are some challenges which we will face:

- Receipts from State Aid have been very beneficial to the community college in Iowa, for the past several years. For three years, beginning in FY 06 we received increases of \$9.8M, \$10M and \$12.4M. These increases compare to the \$4M, which was appropriated for FY 05. We are very pleased that our legislators were able to increase state general aid in these amounts. Iowa Lakes share is a little less than 5% of the total appropriated or close to \$468,000. In addition to the state general aid increase the 15 community colleges also received \$2M infrastructure funding. Iowa Lake's share of this was \$102,000 in FY 07.
- Facilities will require constant maintenance and upkeep.
- On July 1, 2006 a new president was on duty full-time. The major emphasis is that of increasing our enrollment.

CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2007**

ASSETS

Current Assets

Cash and Investments:

Cash and Pooled Investments	\$ 5,719,632
ISCAP Investments - Restricted	1,525,586

Receivables:

Due from Others, net of Allowance for Uncollectible Accounts of \$410,500	1,675,253
Accrued Interest	67,479
Property Tax - Succeeding Year	2,883,000
Nursing Loans	7,482
Iowa Industrial New Jobs Training Program	182,374
Due From Other Governments	251,934
Inventories	513,232
Prepaid Expenses	<u>132,259</u>

Total Current Assets	<u>12,958,231</u>
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Noncurrent Assets

Pooled Investments	4,359,565
Endowment Investments	2,029,582
Deferred Compensation	81,903
Capital Assets	
Land	1,405,941
Construction in Progress	100,133
Buildings	30,580,959
Other Structures and Improvements	3,164,070
Furniture and Equipment	5,006,298
Accumulated Depreciation	<u>(13,925,780)</u>

Total Noncurrent Assets	<u>32,802,671</u>
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TOTAL ASSETS	<u><u>\$ 45,760,902</u></u>
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IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF NET ASSETS
JUNE 30, 2007

LIABILITIES

Current Liabilities	
Accounts Payable	\$ 572,985
Salaries and Benefits Payable	590,059
Deferred Compensation	81,903
Accrued Interest	41,133
ISCAP Warrants Payable	1,528,000
Deferred Revenue:	
Succeeding Year Property Tax	2,883,000
Other	942,391
Early Retirement Payable	20,088
Deposits Held in Custody for Others	973,242
Due to Others	812,219
Certificates Payable	715,000
Bonds and Other Long-Term Debt	<u>735,000</u>
Total Current Liabilities	<u>9,895,020</u>
Noncurrent Liabilities	
Early Retirement Payable	86,488
Certificates Payable	2,995,000
Bonds and Other Long-Term Debt	<u>5,155,000</u>
Total Noncurrent Liabilities	<u>8,236,488</u>
TOTAL LIABILITIES	<u>18,131,508</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	20,351,986
Restricted:	
Nonexpendable:	
Endowment	2,997,292
Expendable:	
Scholarships	1,073,620
Loans	16,889
Debt Service	155,148
Cash Reserve	286,030
Other	713,299
Unrestricted	<u>2,035,130</u>
TOTAL NET ASSETS	<u>\$ 27,629,394</u>

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IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2007

REVENUES

Operating Revenues:	
Tuition and Fees, net of scholarship allowances of \$ 2,760,783	\$ 5,869,187
Federal Appropriations	5,061,563
Iowa Industrial New Jobs Training Program	609,046
Gifts and Grants	1,100,389
Auxiliary Enterprises Revenue, net of scholarship allowances of \$726,146	4,729,391
Miscellaneous	<u>2,368,416</u>
 Total Operating Revenues	 <u>19,737,992</u>

EXPENSES

Operating Expenses:	
Education and Support:	
Liberal Arts and Sciences	5,800,121
Vocational Technical	3,716,615
Adult Education	754,809
Cooperative Services	1,378,367
General Administration	1,775,809
Student Services	1,354,350
Learning Resources	1,344,388
Physical Plant	1,741,104
General Institution	6,177,813
Auxiliary Enterprises	5,056,052
Scholarships and Grants	458,737
Administrative and Collection Costs	1,234
Depreciation Expense	<u>1,238,203</u>
 Total Operating Expenses	 <u>30,797,602</u>
 Operating Loss	 <u>(11,059,610)</u>

NON-OPERATING REVENUES (EXPENSES)

State Appropriations	9,452,328
Property Taxes	3,206,033
Interest Income from Investments	643,068
Interest Income from Student Loans	59
Loss on Sales of Capital Assets	(14,068)
Interest on Indebtedness	<u>(493,908)</u>
 Net Non-Operating Revenues	 <u>12,793,512</u>
 Increase in Net Assets	 1,733,902
 Net Assets Beginning of Year	 <u>25,895,492</u>
 Net Assets End of Year	 <u>\$ 27,629,394</u>

See Accompanying Notes to Financial Statements

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

Cash Flows from Operating Activities:	
Tuition and Fees	\$ 8,493,300
Grants and Contracts	6,492,294
Iowa Industrial New Jobs Training Program	(130,954)
Payments to Employees	(16,495,329)
Payments to Suppliers	(12,702,390)
Payments to NJTP Recipients	(353,576)
Collection of Loans to Students	356
Auxiliary Enterprise Net Activity	(708,113)
Other Receipts	<u>4,203,700</u>
Net Cash (Used) by Operating Activities	<u>(11,200,712)</u>
Cash Flows from Non-Capital Financing Activities:	
State Appropriations	9,452,328
Property Taxes	3,206,033
Miscellaneous Agency Fund Receipts	2,144,903
Miscellaneous Agency Fund Disbursements	<u>(2,097,448)</u>
Net Cash Provided from Non-Capital Financing Activities	<u>12,705,816</u>
Cash Flows from Capital and Related Financing Activities	
Proceeds from Sale of Capital Assets	11,180
Purchases of Capital Assets	(1,815,732)
Principal Paid on Debt and Leases	(710,000)
Interest Paid on Debt and Leases	<u>(562,430)</u>
Net Cash (Used) by Capital and Related Financing Activities	<u>(3,076,982)</u>
Cash Flows from Investing Activities:	
Proceeds from Sales and Maturities of Investments	3,217,140
Purchase of Investments	(3,250,410)
Interest on Investments	558,748
Proceeds on ISCAP Activity	1,528,000
Acquisition of ISCAP Investments	<u>(1,514,248)</u>
Net Cash Provided by Investing Activities	<u>539,230</u>
Net Decrease in Cash	(1,032,648)
Cash at Beginning of Year	<u>6,752,280</u>
Cash at End of Year	<u><u>\$ 5,719,632</u></u>

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2007**

Reconciliation of Operating Loss to Net Cash (Used) by Operating Activities:	
Operating Loss	\$ (11,059,610)
Adjustments to Reconcile Operating Loss to Net Cash (Used) by Operating Activities:	
Depreciation	1,238,203
Changes in Assets and Liabilities:	
Decrease in Due From Others	187,316
Decrease in Due From Students	293,315
Decrease in Nursing Loans Receivable	356
Decrease in Due From Other Governments	330,032
(Increase) in Inventories	(23,069)
(Increase) in Prepaid Expenses	(46,492)
(Decrease) in Accounts Payable	(292,424)
(Decrease) in Salaries and Benefits Payable	(18,333)
(Decrease) in Deferred Revenue	(691,323)
(Decrease) in Deposits Held in Custody	(11,719)
(Decrease) in Early Retirement Payable	(264,565)
(Decrease) in Due to Others	(102,399)
(Decrease) in NJTP Loans Payable	<u>(740,000)</u>
Total Adjustments	(141,102)
Net Cash (Used) by Operating Activities	<u><u>\$ (11,200,712)</u></u>

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Basis of Presentation

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

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Restricted Net Assets:

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

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

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

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

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

For financial reporting purposes, Iowa Lakes Community College is considered a special-purpose government engaged only in business type activities as defined in GASB Statement No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

D. Assets, Liabilities and Fund Equity

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

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

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

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

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Property Tax Receivable -- Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Trustees to the appropriate County Auditors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County Auditor by 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.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) -- This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2007 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

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

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

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

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Auxiliary Enterprise Revenues -- Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, wellness center, farm, athletics, residence halls, aviation, parts, printing, vehicles, wind turbine, and gateway north.

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

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.

Operating and Non-operating 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. Non-operating activities include state appropriations, property tax and interest income.

E. Scholarship Allowances and Student Aid

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

Note 2 -- CASH AND POOLED INVESTMENTS

The College's deposits in banks at June 30, 2007, 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 insure there will be no loss of public funds.

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 2 -- CASH AND POOLED INVESTMENTS (Continued)

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

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

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

At June 30, 2007, the Community College had the following investments:

Stocks and Mutual Funds	\$ 253,129
Certificates of Deposit	<u>6,136,018</u>
	<u>\$ 6,389,147</u>
Long-Term Pooled Investments	\$ 4,359,565
Endowments Investments	<u>2,029,582</u>
	<u>\$ 6,389,147</u>

At June 30, 2007, the Community College had the following investments in the Iowa Schools Joint Investment Trust:

Diversified Portfolio	\$ 638,538
Diversified Plus Portfolio	<u>606,657</u>
	<u>\$ 1,245,195</u>

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

The Community College had Deferred Compensation Plan investments with a carrying and market value of \$81,903, at June 30, 2007, that are not subject to risk categorization. Of the \$5,719,632 of cash and pooled investments, \$1,045,957 is endowment cash.

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

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

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 2 -- CASH AND POOLED INVESTMENTS (Continued)

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

Note 3 -- DEFERRED COMPENSATION PLAN

The Community College and one of its former College Presidents entered into an agreement to form a nonqualified deferred compensation plan, whereby the President could defer his wages into a trust, to be known as the Iowa Lakes Community College RABBI Trust. The assets of the trust shall be available as a supplemental benefit to the President once he reaches retirement age.

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

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

The Community College is responsible for due care in managing the investments and the participant or beneficiary assumes the risk of loss from decreases in the value of plan assets. At June 30, 2007, plan assets consisted of money market accounts, certificate of deposits, and mutual funds.

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

Note 4 -- IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The Community College participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants which mature as noted below. The warrant sizing of each participating entity is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity and monthly statements are provided regarding their cash balance, interest earnings, and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. These accounts are reflected as restricted assets on the statement of Net Assets. A summary of the Community College's participation in ISCAP as of June 30, 2007 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2007-08A	6/28/2007	6/27/2008	\$ 1,525,586	\$ 456	\$ 1,528,000	\$ 389

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 4 -- IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP) (Continued)

The Community College pledges its current unrestricted fund receipts as security for warrants issued. Repayments must be made when current unrestricted fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the Community College must repay the outstanding withdrawal from its current unrestricted fund receipts. In addition, the Community College must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The warrants bear interest and the available proceeds of the warrants are invested at the interest rates as shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08A	4.500%	5.455%

Note 5 -- INVENTORIES

The Community College's inventories at June 30, 2007 are as follows:

Bookstore	\$ 254,587
Food Service	30,025
Farm	126,246
Parts Store	32,714
Other	<u>69,660</u>
Total	<u>\$ 513,232</u>

Note 6 -- CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital assets, not being depreciated:				
Land	\$ 1,405,941	\$ -	\$ -	\$ 1,405,941
Construction in Progress	<u>1,193,235</u>	<u>100,133</u>	<u>1,193,235</u>	<u>100,133</u>
Total capital assets, not being depreciated	<u>2,599,176</u>	<u>100,133</u>	<u>1,193,235</u>	<u>1,506,074</u>
Capital assets, being depreciated:				
Buildings	28,583,570	2,018,624	21,235	30,580,959
Other Structures and Improvements	3,048,466	115,604	-	3,164,070
Furniture and Equipment	<u>4,266,139</u>	<u>771,604</u>	<u>31,445</u>	<u>5,006,298</u>
Total assets, being depreciated	<u>35,898,175</u>	<u>2,905,832</u>	<u>52,680</u>	<u>38,751,327</u>
Less accumulated depreciation for:				
Buildings	9,126,573	738,620	7,167	9,858,026
Other Structures and Improvements	781,997	137,687	-	919,684
Furniture and Equipment	<u>2,817,618</u>	<u>361,897</u>	<u>31,445</u>	<u>3,148,070</u>
Total accumulated depreciation	<u>12,726,188</u>	<u>1,238,204</u>	<u>38,612</u>	<u>13,925,780</u>
Total capital assets, being depreciated, net	<u>23,171,987</u>	<u>1,667,628</u>	<u>14,068</u>	<u>24,825,547</u>
Capital asset, net	<u>\$ 25,771,163</u>	<u>\$ 1,767,761</u>	<u>\$ 1,207,303</u>	<u>\$ 26,331,621</u>

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 6 -- CAPITAL ASSETS (Continued)

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

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

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

On June 30, 2007, the Community College has future construction commitments of \$1,821,511.

Note 7 -- IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

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

Plan members are required to contribute 3.70% of their annual covered salary and Iowa Lakes Community College is required to contribute 5.75% of annual covered salary. Contribution requirements are established by state statute. Iowa Lakes Community College's contributions to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$294,674, \$284,147, and \$277,511, respectively, equal to the required contribution for each year.

Note 8 -- TEACHERS INSURANCE AND ANNUITY ASSOCIATION -- COLLEGE RETIREMENT EQUITIES FUND (TIAA-CREF)

The Community College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for Iowa Lakes Community College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and Iowa Lakes Community College is required to contribute 5.75%. The Community College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2007, were \$384,576 and \$247,466, respectively.

Note 9 -- CHANGES IN LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2007 is as follows:

	Certificates Payable	Bonds Payable	Early Retirement Payable	Total
Balance Beginning of Year	\$ 4,450,000	\$ 6,600,000	\$ 371,141	\$ 11,421,141
Additions	-	-	-	-
Reductions	(740,000)	(710,000)	(264,565)	(1,714,565)
Balance End of Year	<u>\$ 3,710,000</u>	<u>\$ 5,890,000</u>	<u>\$ 106,576</u>	<u>\$ 9,706,576</u>
Portion Due Within One Year	<u>\$ 715,000</u>	<u>\$ 735,000</u>	<u>\$ 20,088</u>	<u>\$ 1,470,088</u>

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 -- **CHANGES IN LONG-TERM DEBT** (Continued)

Certificates Payable

In accordance with agreements dated between September 1, 1996 and June 30, 2007, the Community College issued certificates totaling \$7,885,000 with interest rates ranging from 3.25% to 7.90%. The debt was incurred to fund the development and training costs incurred relative to implementing 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 semi-annually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves, and, in the case of default, from standby property taxes. During 2007, Iowa Lakes Community College recorded \$255,470 of interest expense from the certificates payable.

The certificates will mature as follows:

Year Ended June 30,	Principal	Interest	Total
2008	\$ 715,000	\$ 217,412	\$ 932,412
2009	720,000	174,504	894,504
2010	525,000	130,010	655,010
2011	435,000	98,698	533,698
2012	460,000	74,523	534,523
2013-2015	<u>855,000</u>	<u>81,754</u>	<u>936,754</u>
Total	<u>\$ 3,710,000</u>	<u>\$ 776,901</u>	<u>\$ 4,486,901</u>

Bonds Payable

On April 1, 1998, the Community College issued \$1,600,000 in refunding revenue bonds, as allowed by Section 260C.19 of the Code of Iowa, to advance refund the 1992 dormitory bonds and to retire a bank note secured by the Estherville four-plex used to house students. The revenue bonds and interest shall be payable from the net revenues of the College Dormitory System and other auxiliary enterprises. Principal payments are due annually on June 1 and interest payments are due semi-annually on June 1 and December 1. The bonds mature June 1, 2014. The balance of this bond issue at June 30, 2007 is \$830,000.

On May 22, 2001, Iowa Lakes Community College issued \$3,000,000 capital loan note to finance the construction of various projects, including the addition to Spirit Lake, remodel of the Spencer Campus, construction of a technology education center, and expansion of the Estherville Student Center. The capital loan is secured by the College facilities. Annual principal payments began June 1, 2003. Interest payments are due semi-annually each June and December. The capital loan notes will mature June 2012. The balance of the capital loan notes at June 30, 2007, was \$1,665,000.

On June 1, 2005, Iowa Lakes Community College issued \$1,200,000 of lease purchase certificates of participation to finance the purchase of Gateway North Mall. Annual principal payments began June 1, 2006. Interest payments are due semi-annually each June and December. The certificates will mature in 2017. The balance of the certificates at June 30, 2007 was \$1,125,000.

On July 1, 2005, Iowa Lakes Community College issued \$1,000,000 capital loan note to finance the purchase of equipment. Annual principal payments began June 1, 2006. Interest payments are due semi-annually each June and December. The bonds will mature in 2010. The balance of the bonds at June 30, 2007 was \$620,000.

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 9 -- CHANGES IN LONG-TERM DEBT (Continued)

Bonds Payable (Continued)

On March 1, 2006, Iowa Lakes Community College issued \$1,735,000 of dormitory revenue bonds to finance the construction of residence halls in Estherville and Spencer. Annual principal payments began June 1, 2007. Interest payments are due semi-annually each June and December. The bonds will mature in 2021. The balance of the bonds at June 30, 2007 was \$1,650,000.

Details of the Community College's June 30, 2007 bonded indebtedness maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2008	\$ 735,000	\$ 274,868	\$ 1,009,868
2009	755,000	244,604	999,604
2010	790,000	212,399	1,002,399
2011	615,000	178,049	793,049
2012	640,000	148,495	788,495
2013-2017	1,775,000	460,997	2,235,997
2018-2021	<u>580,000</u>	<u>69,828</u>	<u>649,828</u>
Total	<u>\$ 5,890,000</u>	<u>\$ 1,589,240</u>	<u>\$ 7,479,240</u>

Note 10 -- RISK POOL

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

Note 11 -- NEW JOBS TRAINING PROGRAMS

Iowa Lakes Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Merged Area III in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the Community College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property tax. Since inception, the Community College has administered 70 projects. Of these projects, 36 have been completed and the certificates have been paid.

Iowa Lakes Community College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Merged Area III in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. The Community College has administered a total of 160 retraining projects under Chapter 260F. Of these 160 projects, 13 were performed during fiscal year 2007.

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Note 12 -- SELF-FUNDED HEALTH INSURANCE PROGRAM

During fiscal year 1995, the Community College implemented a self-funded health insurance program. Iowa Lakes Community College pays the actual claims and has a stop-loss arrangement whereby the total losses cannot exceed the contractual maximum liability with the insurer, which is \$2,963,037.

The Community College's monthly contributions to the program fund current operations and provide capital for future claims. Monthly operating contributions are those amounts necessary to fund, on a cash basis, the programs general and administrative expenses and claims. The College uses reinsurance to reduce its exposure for losses that carries an aggregate stop loss of \$50,000 per employee covered and an aggregate stop loss of 125% of total estimated claims. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR). The changes in the aggregate liabilities for claims included in Due to Others for the year ended June 30, 2007 are as follows:

Medical Reserve Fund Balance, Beginning of Year	\$ 878,298
Claims Recognized	2,518,037
Claim Payments	<u>(2,643,041)</u>
Medical Reserve Fund Balance, End of Year	<u>\$ 753,294</u>

Note 13 -- EARLY RETIREMENT PROGRAM

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

At June 30, 2007, there were three employees receiving medical coverage under this plan, with a total liability of \$106,576. The liability is calculated based on unadjusted premium amounts to be paid over the term of each employee's involvement in the plan. The Community College's early retirement expense for the year ended June 30, 2007 was \$0.

Note 14 -- SUBSEQUENT EVENTS

Iowa Industrial New Jobs Training Program (NJTP) – On August 21, 2007, the College issued certificates totaling \$1,425,000 for various NJTP projects. The debt was incurred as allowed by Chapter 260E of the Code of Iowa and will mature beginning in June 2009.

Required Supplementary Information

**IOWA LAKES COMMUNITY COLLEGE
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
 BUDGET TO ACTUAL - REQUIRED SUPPLEMENTAL INFORMATION
 YEAR ENDED JUNE 30, 2007**

Funds/Levy	Original Budget	Actual	Variance between Actual and Budget
Unrestricted	<u>\$ 21,850,000</u>	<u>\$ 19,926,841</u>	<u>\$ 1,923,159</u>
Restricted	5,650,000	3,244,069	2,405,931
Early Retirement	335,000	(6,908)	341,908
Unemployment	5,000	10,891	(5,891)
Tort Liability	300,000	259,351	40,649
Insurance	675,000	601,228	73,772
Stand By	-	-	-
Equipment Replacement	<u>350,000</u>	<u>334,957</u>	<u>15,043</u>
Total Restricted	<u>7,315,000</u>	<u>4,443,588</u>	<u>2,871,412</u>
Plant	<u>3,000,000</u>	<u>3,339,048</u>	<u>(339,048)</u>
 Total	 <u>\$ 32,165,000</u>	 <u>\$ 27,709,477</u>	 <u>\$ 4,455,523</u>

IOWA LAKES COMMUNITY COLLEGE
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION – BUDGETARY REPORTING
JUNE 30, 2007

The Board of Trustees annually prepares a budget designating the proposed expenditures for operation of the Community College on a basis consistent with U.S. generally accepted accounting principles. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, 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. There were no budget amendments during the year.

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

For the year ended June 30, 2007, the Community College's expenditures did not exceed the amount budgeted.

Other Supplementary Information

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO OTHER SUPPLEMENTARY INFORMATION
JUNE 30, 2007**

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

Current Funds -- 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 Community College and consist of the following:

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

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

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

Loan Funds -- The Loan Funds are used to account for loans to students, and are financed primarily by the Federal government.

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

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

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

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

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

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

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

SCHEDULE 1

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ 3,086,233	\$ 862,940	\$ 158,707	\$ -	\$ 830,067	\$ -	\$ 12,108,779
-	-	-	-	-	-	1,525,586
-	-	-	-	81,903	-	81,903
-	234,825	-	-	57,535	-	1,675,253
2,091	31,138	-	-	4,722	-	67,479
-	-	792,000	-	-	-	2,883,000
-	-	-	-	-	-	7,482
-	-	-	-	-	-	182,374
-	-	-	-	-	(91,032)	-
-	-	-	-	-	-	251,934
-	4,280	-	-	-	-	513,232
-	-	-	-	-	-	132,259
-	-	-	1,388,941	17,000	-	1,405,941
-	-	-	30,580,959	-	-	30,580,959
-	-	-	3,091,435	72,635	-	3,164,070
-	-	-	4,993,798	-	-	5,006,298
-	-	-	100,133	-	-	100,133
-	-	-	-	-	(13,925,780)	(13,925,780)
<u>\$ 3,088,324</u>	<u>\$ 1,133,183</u>	<u>\$ 950,707</u>	<u>\$ 40,155,266</u>	<u>\$ 1,063,862</u>	<u>\$ (14,016,812)</u>	<u>\$ 45,760,902</u>

**IOWA LAKES COMMUNITY COLLEGE
BALANCE SHEET
JUNE 30, 2007**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
LIABILITIES AND FUND EQUITY:			
Liabilities:			
Accounts Payable	\$ 443,301	\$ 123,159	\$ -
Salaries and Benefits Payable	590,059	-	-
Deferred Compensation	-	-	-
Accrued Interest	5,307	18,118	-
ISCAP Warrants Payable	1,528,000	-	-
Due to Other Funds	-	-	-
Deferred Revenue:			
Succeeding Year Property Tax	792,000	1,299,000	-
Other	380,581	521,810	-
Early Retirement Payable	-	106,576	-
Deposits Held in Custody for Others	39,276	-	-
Due to Others	810,751	-	-
Certificates Payable	-	3,710,000	-
Bonds and Other Long-Term Debt	-	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	4,589,275	5,778,663	-
Fund Balance:			
Invested in Capital Assets, Net of Related Debt	12,500	-	-
Fund Balances:			
Restricted:			
Nonexpendable:			
Scholarships	-	-	-
Expendable:			
Scholarships	-	1,073,620	-
Loans	-	-	16,889
Debt Service	-	-	-
Cash Reserve	-	286,030	-
Other	-	713,299	-
Unrestricted	1,970,534	-	-
Auxiliary Enterprises	(1,054,438)	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balance	928,596	2,072,949	16,889
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balance	<u>\$ 5,517,871</u>	<u>\$ 7,851,612</u>	<u>\$ 16,889</u>

SCHEDULE 1

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ -	\$ -	\$ -	\$ -	\$ 6,525	\$ -	\$ 572,985
-	-	-	-	-	-	590,059
-	14,149	3,559	-	81,903	-	81,903
-	-	-	-	-	-	41,133
91,032	-	-	-	-	-	1,528,000
-	-	-	-	-	(91,032)	-
-	-	792,000	-	-	-	2,883,000
-	-	-	-	40,000	-	942,391
-	-	-	-	-	-	106,576
-	-	-	-	933,966	-	973,242
-	-	-	-	1,468	-	812,219
-	-	-	-	-	-	3,710,000
-	-	-	5,890,000	-	-	5,890,000
91,032	14,149	795,559	5,890,000	1,063,862	(91,032)	18,131,508
-	-	-	34,265,266	-	(13,925,780)	20,351,986
2,997,292	-	-	-	-	-	2,997,292
-	-	-	-	-	-	1,073,620
-	-	-	-	-	-	16,889
-	-	155,148	-	-	-	155,148
-	-	-	-	-	-	286,030
-	-	-	-	-	-	713,299
-	1,119,034	-	-	-	-	3,089,568
-	-	-	-	-	-	(1,054,438)
2,997,292	1,119,034	155,148	34,265,266	-	(13,925,780)	27,629,394
<u>\$ 3,088,324</u>	<u>\$ 1,133,183</u>	<u>\$ 950,707</u>	<u>\$ 40,155,266</u>	<u>\$ 1,063,862</u>	<u>\$ (14,016,812)</u>	<u>\$ 45,760,902</u>

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENDITURES AND
OTHER CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
REVENUES AND OTHER ADDITIONS:			
General:			
State Appropriations and Grants	\$ 8,077,483	\$ 655,514	\$ -
Tuition and Fees	8,629,970	-	-
Property Taxes	779,888	1,646,256	-
Federal Appropriations and Grants	474,325	4,587,238	-
Gifts and Grants	-	515,392	-
Interest on Investments	-	279,670	-
Interest on Student Loans	-	-	59
Iowa Industrial New Jobs Training Program Expended for Plant Facilities (Including \$281,617 charged to current funds)	-	609,046	-
Principal Retired	-	-	-
Miscellaneous	1,763,178	558,132	-
	<u>19,724,844</u>	<u>8,851,248</u>	<u>59</u>
Auxiliary Enterprises			
Tuition and Fees	587,839	-	-
Sales and Services	4,193,338	-	-
Interest on Investments	99,835	-	-
Federal Grants and Contracts	23,486	-	-
Miscellaneous	1,061,045	-	-
	<u>5,965,543</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Additions	 <u>\$ 25,690,387</u>	 <u>\$ 8,851,248</u>	 <u>\$ 59</u>

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ 719,331	\$ -	\$ -	\$ -	\$ 9,452,328
-	-	-	-	(2,760,783)	5,869,187
-	398,793	381,096	-	-	3,206,033
-	-	-	-	-	5,061,563
60,116	524,881	-	-	-	1,100,389
12,611	240,484	10,468	-	-	543,233
-	-	-	-	-	59
-	-	-	-	-	609,046
-	-	-	1,812,732	(1,812,732)	-
-	-	-	710,000	(710,000)	-
47,106	-	-	-	-	2,368,416
<u>119,833</u>	<u>1,883,489</u>	<u>391,564</u>	<u>2,522,732</u>	<u>(5,283,515)</u>	<u>28,210,254</u>
-	-	-	-	-	587,839
-	-	-	-	(995,930)	3,197,408
-	-	-	-	-	99,835
-	-	-	-	-	23,486
-	-	-	-	(140,387)	920,658
-	-	-	-	(1,136,317)	4,829,226
<u>\$ 119,833</u>	<u>\$ 1,883,489</u>	<u>\$ 391,564</u>	<u>\$ 2,522,732</u>	<u>\$ (6,419,832)</u>	<u>\$ 33,039,480</u>

**IOWA LAKES COMMUNITY COLLEGE
STATEMENT OF REVENUES, EXPENDITURES AND
OTHER CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2007**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
EXPENDITURES AND OTHER DEDUCTIONS:			
Educational and Support:			
Liberal Arts and Sciences	\$ 5,854,390	\$ -	\$ -
Vocational Technical	3,961,474	-	-
Adult Education	786,093	-	-
Cooperative Services	1,029,777	353,576	-
Administration	907,986	871,470	-
Student Services	1,410,637	-	-
Learning Resources	1,355,360	-	-
Physical Plant	1,616,294	224,088	-
General Institution	2,329,662	2,298,495	-
Total Education and Support	<u>19,251,673</u>	<u>3,747,629</u>	<u>-</u>
Auxiliary Enterprises	5,232,653	-	-
Scholarships and Grants	-	3,941,496	-
Administration and Collection Costs	-	-	209
Plant Asset Acquisitions	-	-	-
Retirement of Indebtedness	-	-	-
Disposal of Plant Assets	-	-	-
Loss on Sale of Capital Assets	-	-	-
Interest on Indebtedness	-	255,470	-
Depreciation	-	-	-
Total Expenditures and Other Deductions	<u>24,484,326</u>	<u>7,944,595</u>	<u>209</u>
Excess (Deficiency) of Revenues and Other Additions Over (Under) Expenditures and Other Deductions	1,206,061	906,653	(150)
TRANSFERS:			
Mandatory Transfers	(673,255)	(110,556)	-
Non-mandatory Transfers	(748,749)	(80,699)	-
Total Transfers	<u>(1,422,004)</u>	<u>(191,255)</u>	<u>-</u>
Net Increase (Decrease) for the Year	(215,943)	715,398	(150)
Fund Balance - June 30, 2006	<u>1,144,539</u>	<u>1,357,551</u>	<u>17,039</u>
Fund Balance - June 30, 2007	<u>\$ 928,596</u>	<u>\$ 2,072,949</u>	<u>\$ 16,889</u>

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ -	\$ -	\$ -	\$ (54,269)	\$ 5,800,121
-	-	-	-	(244,859)	3,716,615
-	-	-	-	(31,284)	754,809
-	-	-	-	(4,986)	1,378,367
-	-	-	-	(3,647)	1,775,809
-	-	-	-	(56,287)	1,354,350
-	-	-	-	(10,972)	1,344,388
-	-	-	-	(99,278)	1,741,104
-	1,599,258	-	-	(49,602)	6,177,813
-	1,599,258	-	-	(555,184)	24,043,376
-	-	-	-	(176,601)	5,056,052
4,170	-	-	-	(3,486,929)	458,737
-	-	1,025	-	-	1,234
-	1,531,115	-	-	(1,531,115)	-
-	-	670,000	-	(670,000)	-
-	-	-	52,682	(52,682)	-
-	-	-	-	14,068	14,068
-	-	238,438	-	-	493,908
-	-	-	-	1,238,203	1,238,203
<u>4,170</u>	<u>3,130,373</u>	<u>909,463</u>	<u>52,682</u>	<u>(5,220,240)</u>	<u>31,305,578</u>
115,663	(1,246,884)	(517,899)	2,470,050	(1,199,592)	1,733,902
-	-	518,478	-	-	(265,333)
-	1,094,781	-	-	-	265,333
-	1,094,781	518,478	-	-	-
115,663	(152,103)	579	2,470,050	(1,199,592)	1,733,902
<u>2,881,629</u>	<u>1,271,137</u>	<u>154,569</u>	<u>31,795,216</u>	<u>(12,726,188)</u>	<u>25,895,492</u>
<u>\$ 2,997,292</u>	<u>\$ 1,119,034</u>	<u>\$ 155,148</u>	<u>\$ 34,265,266</u>	<u>\$ (13,925,780)</u>	<u>\$ 27,629,394</u>

**IOWA LAKES COMMUNITY COLLEGE
CURRENT UNRESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
EDUCATION AND SUPPORT
YEAR ENDED JUNE 30, 2007**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
REVENUES:				
State Appropriations and Grants	\$ -	\$ -	\$ 1,000	\$ -
Tuition and Fees	5,312,933	1,955,321	431,034	582,985
Property Taxes	-	-	-	-
Federal Grants and Contracts	-	274,838	116,153	-
Miscellaneous	1,027,600	37,297	38,076	16,283
	<u>6,340,533</u>	<u>2,267,456</u>	<u>586,263</u>	<u>599,268</u>
Allocation of Support Services	5,820,749	3,583,222	527,353	-
	<u>12,161,282</u>	<u>5,850,678</u>	<u>1,113,616</u>	<u>599,268</u>
EXPENDITURES:				
Salaries and Benefits	4,647,999	3,380,704	554,416	960,516
Services	1,053,289	98,675	156,931	16,066
Materials and Supplies	71,820	239,006	39,796	14,710
Travel	68,162	112,525	19,807	10,683
Expended for Plant Facilities	13,120	110,187	3,000	-
Miscellaneous	-	20,377	12,143	27,802
	<u>5,854,390</u>	<u>3,961,474</u>	<u>786,093</u>	<u>1,029,777</u>
Allocation of Support Services	4,466,046	2,749,274	404,619	-
	<u>10,320,436</u>	<u>6,710,748</u>	<u>1,190,712</u>	<u>1,029,777</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,840,846	(860,070)	(77,095)	(430,509)
TRANSFERS:				
Non-mandatory Transfers	-	-	100,000	60,000
	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>60,000</u>
Net Increase (Decrease) for the Year	<u>\$ 1,840,846</u>	<u>\$ (860,070)</u>	<u>\$ 22,905</u>	<u>\$ (370,509)</u>

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

SCHEDULE 3

Support					
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Support Total
\$ -	\$ -	\$ 311	\$ -	\$ 8,076,172	\$ 8,077,483
-	-	140	-	347,557	8,629,970
-	-	-	-	779,888	779,888
-	-	-	-	83,334	474,325
-	-	230	44,893	598,799	1,763,178
-	-	681	44,893	9,885,750	19,724,844
-	-	(681)	(44,893)	(9,885,750)	-
-	-	-	-	-	19,724,844
846,320	1,227,449	1,022,114	1,066,968	1,161,758	14,868,244
32,595	101,725	98,674	273,519	934,158	2,765,632
9,599	22,027	208,847	206,937	39,394	852,136
19,472	59,436	19,692	24,272	60,974	395,023
-	-	6,033	42,488	-	174,828
-	-	-	2,110	133,378	195,810
907,986	1,410,637	1,355,360	1,616,294	2,329,662	19,251,673
(907,986)	(1,410,637)	(1,355,360)	(1,616,294)	(2,329,662)	-
-	-	-	-	-	19,251,673
-	-	-	-	-	473,171
10,000	(14)	(60,000)	-	(594,954)	(484,968)
10,000	(14)	(60,000)	-	(594,954)	(484,968)
\$ 10,000	\$ (14)	\$ (60,000)	\$ -	\$ (594,954)	(11,797)
					Fund Balance June 30, 2006
					1,982,331
					Fund Balance June 30, 2007
					\$ 1,970,534

**IOWA LAKES COMMUNITY COLLEGE
CURRENT UNRESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISES
YEAR ENDED JUNE 30, 2007**

	Bookstore	Food Services	Wellness Center	Farm	Athletics	Residence Halls
REVENUES:						
Sales and Services	\$ 1,417,314	\$ 1,069,940	\$ 121,438	\$ 171,039	\$ -	\$ 924,465
Interest on Investments	-	-	50,582	-	-	-
Tuition and Fees	-	-	9,400	12,140	26,032	-
Federal Grants and Contracts	-	5,351	6,550	11,585	-	-
Miscellaneous	751	14,953	92,626	3,580	39,935	17,993
Total Revenues	1,418,065	1,090,244	280,596	198,344	65,967	942,458
EXPENDITURES:						
Salaries and Benefits	179,934	509,755	188,723	342	4,465	174,809
Services	55,200	152,754	22,210	90,690	36,300	163,515
Materials and Supplies	2,165	63,374	20,928	115,502	43,134	60,162
Travel	3,688	6,330	3,009	4,113	102,454	345
Expended for Plant Facilities	5,229	5,870	-	-	-	16,595
Cost of Goods Sold	1,126,341	365,424	1,634	(14,938)	18,687	-
Miscellaneous	-	-	-	-	-	871
Total Expenditures	1,372,557	1,103,507	236,504	195,709	205,040	416,297
Excess (Deficiency) of Revenues Over (Under) Expenditures	45,508	(13,263)	44,092	2,635	(139,073)	526,161
TRANSFERS:						
Mandatory Transfers	-	-	-	-	-	(673,255)
Non-mandatory Transfers	(136,396)	-	(34,440)	-	133,906	(137,146)
Total Transfers	(136,396)	-	(34,440)	-	133,906	(810,401)
Net Increase (Decrease) for the Year	(90,888)	(13,263)	9,652	2,635	(5,167)	(284,240)
Fund Balance (Deficit) June 30, 2006	(131,068)	222,426	1,500	(74,668)	16,171	(48,318)
Fund Balance (Deficit) June 30, 2007	<u>\$ (221,956)</u>	<u>\$ 209,163</u>	<u>\$ 11,152</u>	<u>\$ (72,033)</u>	<u>\$ 11,004</u>	<u>\$ (332,558)</u>

SCHEDULE 4

Aviation	Parts	Printing	Vehicles	Wind Turbine	Gateway North	Miscellaneous	Total
\$ -	\$ 162,210	\$ 135,752	\$ -	\$ -	\$ 170,187	\$ 20,993	\$ 4,193,338
-	-	-	-	-	6,487	42,766	99,835
211,627	-	-	-	7,181	-	321,459	587,839
-	-	-	-	-	-	-	23,486
<u>13,222</u>	<u>25,030</u>	<u>4,845</u>	<u>111,559</u>	<u>168,928</u>	<u>455,272</u>	<u>112,351</u>	<u>1,061,045</u>
224,849	187,240	140,597	111,559	176,109	631,946	497,569	5,965,543
33,361	57,501	54,545	-	-	35,963	8,005	1,247,403
2,390	3,876	963	464	11,568	383,146	120,342	1,043,418
154,387	(48,664)	48,492	55,710	12,166	9,628	331,340	868,324
-	756	-	9,980	3,851	1,283	16,939	152,748
-	-	56,594	-	-	2,459	(12,017)	74,730
-	165,359	22,774	-	-	-	7,590	1,692,871
-	650	-	-	-	151,638	-	153,159
<u>190,138</u>	<u>179,478</u>	<u>183,368</u>	<u>66,154</u>	<u>27,585</u>	<u>584,117</u>	<u>472,199</u>	<u>5,232,653</u>
34,711	7,762	(42,771)	45,405	148,524	47,829	25,370	732,890
-	-	-	-	-	-	-	(673,255)
<u>(30,436)</u>	<u>15,326</u>	<u>-</u>	<u>-</u>	<u>(3,329)</u>	<u>-</u>	<u>(71,266)</u>	<u>(263,781)</u>
<u>(30,436)</u>	<u>15,326</u>	<u>-</u>	<u>-</u>	<u>(3,329)</u>	<u>-</u>	<u>(71,266)</u>	<u>(937,036)</u>
4,275	23,088	(42,771)	45,405	145,195	47,829	(45,896)	(204,146)
<u>(174,254)</u>	<u>(29,469)</u>	<u>(139,624)</u>	<u>(41,610)</u>	<u>(1,048,622)</u>	<u>49,197</u>	<u>560,547</u>	<u>(837,792)</u>
<u>\$ (169,979)</u>	<u>\$ (6,381)</u>	<u>\$ (182,395)</u>	<u>\$ 3,795</u>	<u>\$ (903,427)</u>	<u>\$ 97,026</u>	<u>\$ 514,651</u>	<u>\$ (1,041,938)</u>

**IOWA LAKES COMMUNITY COLLEGE
CURRENT RESTRICTED FUND
STATEMENT OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2007**

	Scholarships and Grants	Equipment Replacement	Insurance
REVENUES:			
State Appropriations	\$ 219,971	\$ -	\$ -
Property Taxes	-	347,681	985,282
Federal Appropriations and Grants	2,795,831	-	-
Scholarships, Grants, and Gifts	487,112	-	-
Interest on Investments	95,534	-	-
Iowa Industrial New Jobs Training Program	-	-	-
Miscellaneous	284,811	-	17,570
Total Revenues and Other Additions	3,883,259	347,681	1,002,852
EXPENDITURES AND OTHER DEDUCTIONS:			
Salaries and Benefits	-	-	165,162
Services	11,303	65	695,417
Materials and Supplies	-	198,617	-
Travel	-	-	-
Expended for Plant Facilities	-	25,406	-
Interest on Indebtedness	-	-	-
Federal Pell Grant Program	2,694,566	-	-
Federal Supplemental Educational Opportunity Grant	93,000	-	-
Iowa College Student Aid Commission	165,767	-	-
Private Scholarships	976,860	-	-
Total Expenditures and Other Deductions	3,941,496	224,088	860,579
Excess (Deficiency) of Revenues and Other Additions Over (Under) Expenditures and Other Deductions	(58,237)	123,593	142,273
TRANSFERS:			
Mandatory Transfers	-	(110,556)	-
Non-mandatory Transfers	144,839	-	-
Total Transfers	144,839	(110,556)	-
Net Increase (Decrease) for the Year	86,602	13,037	142,273
Fund Balance (Deficit) June 30, 2006	987,018	49,469	(60,424)
Fund Balance (Deficit) June 30, 2007	<u>\$ 1,073,620</u>	<u>\$ 62,506</u>	<u>\$ 81,849</u>

SCHEDULE 5

Unemployment Compensation	Early Retirement	Cash Reserve	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ 435,543	\$ 655,514
-	313,293	-	-	-	1,646,256
-	-	-	-	1,791,407	4,587,238
-	-	-	-	28,280	515,392
-	-	-	-	184,136	279,670
-	-	-	609,046	-	609,046
-	24,833	-	-	230,918	558,132
-	338,126	-	609,046	2,670,284	8,851,248
10,891	-	-	-	1,288,245	1,464,298
-	-	-	353,576	549,628	1,609,989
-	-	-	-	315,450	514,067
-	-	-	-	135,519	135,519
-	-	-	-	9,653	35,059
-	-	-	255,470	-	255,470
-	-	-	-	-	2,694,566
-	-	-	-	-	93,000
-	-	-	-	-	165,767
-	-	-	-	-	976,860
10,891	-	-	609,046	2,298,495	7,944,595
(10,891)	338,126	-	-	371,789	906,653
-	-	-	-	-	(110,556)
-	-	-	-	(225,538)	(80,699)
-	-	-	-	(225,538)	(191,255)
(10,891)	338,126	-	-	146,251	715,398
9,467	(346,461)	286,030	-	432,452	1,357,551
\$ (1,424)	\$ (8,335)	\$ 286,030	\$ -	\$ 578,703	\$ 2,072,949

**IOWA LAKES COMMUNITY COLLEGE
AGENCY FUNDS
STATEMENT OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
YEAR ENDED JUNE 30, 2007**

	Iowa Small Business New Jobs Training Program	Student Organizations	Iowa Lakes Foundation	Emmetsburg Scholarship Fund
Balance June 30, 2006	\$ -	\$ 178,903	\$ 362,217	\$ 248,442
ADDITIONS:				
State Appropriations and Grants	207,625	-	-	-
Tuition and Fees	-	46,878	-	-
Sales and Services	-	-	71,466	-
Interest on Investments	-	4	12,887	10,349
Miscellaneous	-	157,141	308,702	43,894
Total Additions	207,625	204,023	393,055	54,243
DEDUCTIONS:				
Salaries and Benefits	-	6,020	17,870	-
Services	140,675	72,888	148,294	1,384
Materials and Supplies	-	31,074	11,741	-
Travel	-	83,171	419	-
Cost of Sales	-	14,966	56,325	-
Miscellaneous	36,425	1,549	163,019	29,746
Total Deductions	177,100	209,668	397,668	31,130
Balance June 30, 2007	\$ 30,525	\$ 173,258	\$ 357,604	\$ 271,555

SCHEDULE 6

<u>ACCES</u>	<u>Miscellaneous</u>	<u>Total</u>
<u>\$ 9,894</u>	<u>\$ 5,470</u>	<u>\$ 804,926</u>
-	-	207,625
-	115	46,993
-	-	71,466
-	1	23,241
<u>1,179,647</u>	<u>8,644</u>	<u>1,698,028</u>
<u>1,179,647</u>	<u>8,760</u>	<u>2,047,353</u>
-	-	23,890
786,930	6,599	1,156,770
-	1,070	43,885
-	671	84,261
-	-	71,291
<u>307,477</u>	<u>-</u>	<u>538,216</u>
<u>1,094,407</u>	<u>8,340</u>	<u>1,918,313</u>
<u>\$ 95,134</u>	<u>\$ 5,890</u>	<u>\$ 933,966</u>

**IOWA LAKES COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
IOWA INDUSTRIAL NEW JOBS TRAINING PROGRAM
YEAR ENDED JUNE 30, 2007**

Project Name	Project Costs			Subtotal
	Training and Wages	Administration	Legal and Issue Costs	
GKN/Armstrong RW III	\$ -	\$ -	\$ -	\$ -
Perry Judd Corp.	-	-	-	-
Skyjack Manufacturing VII	-	-	-	-
Polaris Industries, LP V	-	-	-	-
Eaton Corp.	-	-	-	-
Marketlink I	-	-	-	-
Rosenboom Machinery	-	-	250	250
Outdoor Technology II	-	-	-	-
Institutional Equipment	-	-	-	-
Veridian Limited	-	-	-	-
GKN Armstrong	-	-	-	-
Eaton Corp. II	-	-	-	-
Rosenboom Machinery	-	-	175	175
Pure Fishing	-	-	-	-
Pharmacists Mutual	-	-	-	-
Midwest Grain Processors	-	-	-	-
GKN Armstrong	-	-	-	-
AFECO, Inc.	1,027	-	-	1,027
KLM Acquisition Corp.	-	-	-	-
Merkel Fruedenburg	1,310	-	-	1,310
Polaris VI	30,505	-	-	30,505
Pure Fishing	-	-	175	175
Quality Processing	-	-	350	350
Shine Brothers	28,951	-	-	28,951
Country Maid Inc	-	-	-	-
Pharmacists Mutual II	66,827	-	-	66,827
GKN Armstrong V	-	-	-	-
Pure Fishing V	-	-	-	-
Voyager Ethanol	26,119	-	350	26,469
GKN Armstrong VI	-	-	-	-
Hydrogen Engine	68,168	-	-	68,168
KLM Acquisition Corp.	53,019	-	-	53,019
Pharmacist Mutual III	76,000	-	-	76,000
Pure Fishing VI	-	-	350	350
Total	\$ 351,926	\$ -	\$ 1,650	\$ 353,576

Retirement Costs		Total Current Year Expenditures	Less: Non-Budgeted Expenditures	Cumulative Prior Period Budgeted Expenditures	Total Budgeted Expenditures	Budget
Debt	Interest					
\$ 15,000	\$ 3,100	\$ 18,100	\$ 18,100	\$ 105,629	\$ 105,629	\$ 120,000
10,000	2,066	12,066	12,066	58,142	58,142	75,000
20,000	4,846	24,846	24,846	98,314	98,314	205,000
10,000	2,067	12,067	12,067	47,365	47,365	75,000
55,000	12,079	67,079	67,079	267,084	267,084	435,000
10,000	1,712	11,712	11,712	56,660	56,660	65,000
65,000	15,216	80,466	80,216	195,138	195,388	580,000
10,000	2,424	12,424	12,424	24,418	24,418	100,000
10,000	2,982	12,982	12,982	49,260	49,260	75,000
10,000	4,130	14,130	14,130	49,356	49,356	105,000
15,000	5,241	20,241	20,241	350	350	140,000
20,000	7,498	27,498	27,498	-	-	205,000
25,000	7,842	33,017	32,842	92,014	92,189	215,000
20,000	7,113	20,000	20,000	124,792	124,792	190,000
10,000	4,883	14,883	14,883	118,853	118,853	120,000
20,000	9,092	29,092	29,092	224,599	224,599	225,000
15,000	8,140	23,140	23,140	198,087	198,087	200,000
10,000	5,868	16,895	15,868	73,234	74,261	130,000
5,000	3,364	8,364	8,364	76,715	76,715	80,000
15,000	7,771	24,081	22,771	145,219	146,529	190,000
45,000	20,496	96,001	65,496	314,503	345,008	485,000
10,000	4,453	14,628	14,453	103,997	104,172	105,000
40,000	16,839	57,189	56,839	364,391	364,741	365,000
10,000	3,943	42,894	13,943	43,807	72,758	85,000
5,000	1,934	6,934	6,934	44,856	44,856	45,000
10,000	5,546	82,373	15,546	59,294	126,121	130,000
15,000	6,710	21,710	21,710	151,505	151,505	155,000
15,000	7,970	22,970	22,970	194,376	194,376	195,000
20,000	8,167	54,636	28,167	81,018	107,487	190,000
20,000	7,210	27,210	27,210	143,342	143,342	145,000
15,000	8,027	91,195	23,027	55,045	123,213	160,000
45,000	14,378	112,397	59,378	102,925	155,944	290,000
30,000	10,189	116,189	40,189	68,345	144,345	205,000
90,000	22,176	112,526	112,176	444,696	445,046	450,000
<u>\$ 740,000</u>	<u>\$ 255,472</u>	<u>\$ 1,341,935</u>	<u>\$ 988,359</u>	<u>\$ 4,177,329</u>	<u>\$ 4,530,905</u>	<u>\$ 6,535,000</u>

See Accompanying Independent Auditor's Report

IOWA LAKES COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET
IOWA JOBS TRAINING PROGRAM
YEAR ENDED JUNE 30, 2007

Project Name	Project Costs			Subtotal
	Training and Wages	Administration	Legal and Issue Costs	
Becker Construction	\$ 4,000	\$ 940	\$ -	\$ 4,940
Skyjack Equipment	20,525	4,475	-	25,000
General Machine	20,570	4,430	-	25,000
Agent Five Design	4,000	940	-	4,940
CF Industries	3,065	700	-	3,765
Cadre Teleservices	4,140	850	-	4,990
GKN Armstrong Wheels	20,525	4,475	-	25,000
All-Star Golf	4,100	890	-	4,990
Veridian, Ltd.	17,575	3,800	-	21,375
Cycle Country	5,000	1,000	-	6,000
Aero Race Wheels	8,000	1,500	-	9,500
Holiday Express	5,000	1,000	-	6,000
Brown Medical	14,000	2,625	-	16,625
Total	\$ 130,500	\$ 27,625	\$ -	\$ 158,125

SCHEDULE 8

Retirement Costs		Total Current Year Expenditures	Less: Non-Budgeted Expenditures	Cumulative Prior Period Budgeted Expenditures	Total Budgeted Expenditures	Budget
Debt	Interest					
\$ -	\$ -	\$ 4,940	\$ -	\$ -	\$ 4,940	\$ 4,940
-	-	25,000	-	-	25,000	25,000
-	-	25,000	-	-	25,000	25,000
-	-	4,940	-	-	4,940	4,940
-	-	3,765	-	-	3,765	3,765
-	-	4,990	-	-	4,990	4,990
-	-	25,000	-	-	25,000	25,000
-	-	4,990	-	-	4,990	4,990
-	-	21,375	-	-	21,375	21,375
-	-	6,000	-	-	6,000	6,000
-	-	9,500	-	-	9,500	9,500
-	-	6,000	-	-	6,000	6,000
-	-	16,625	-	-	16,625	16,625
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,125</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 158,125</u>	<u>\$ 158,125</u>

IOWA LAKES COMMUNITY COLLEGE
 SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
 YEAR ENDED JUNE 30, 2007

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	47,001	-	47,001	1,008,790	-	1,008,790
Vocational Preparatory	24,586	-	24,586	621,057	-	621,057
Adult Education	-	-	-	80,251	11,201	91,452
Cooperative Programs	-	-	-	-	-	-
Related Services and Activities	-	-	-	-	-	-
Total	<u>71,587</u>	<u>-</u>	<u>71,587</u>	<u>1,710,098</u>	<u>11,201</u>	<u>1,721,299</u>

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

	Years Ended June 30,			
	2007	2006	2005	2004
Local (Property Tax)	\$ 3,206,033	\$ 2,716,060	\$ 2,466,198	\$ 2,710,785
State	9,452,328	8,866,106	8,179,334	7,783,155
Federal	<u>5,085,049</u>	<u>5,765,613</u>	<u>5,180,070</u>	<u>4,831,481</u>
Total	<u>\$ 17,743,410</u>	<u>\$ 17,347,779</u>	<u>\$ 15,825,602</u>	<u>\$ 15,325,421</u>

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

	Years Ended June 30,			
	2007	2006	2005	2004
State Appropriations	\$ 8,732,997	\$ 8,395,040	\$ 8,179,334	\$ 7,590,848
Tuition and Fees	9,217,809	8,560,998	8,765,233	8,369,925
Property Tax	2,426,144	2,009,864	1,772,283	1,967,436
Federal Appropriations	5,085,049	5,765,613	5,180,070	4,831,481
Interest on Investments	379,505	321,253	219,453	146,656
Iowa Industrial New Jobs Training Program	609,046	1,386,733	1,186,301	982,804
Auxiliary Enterprises	5,254,383	4,726,313	4,263,240	3,551,441
Miscellaneous	<u>2,836,702</u>	<u>2,685,777</u>	<u>2,468,845</u>	<u>2,188,361</u>
Total	<u>\$ 34,541,635</u>	<u>\$ 33,851,591</u>	<u>\$ 32,034,759</u>	<u>\$ 29,628,952</u>

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

	Years Ended June 30,			
	2007	2006	2005	2004
Liberal Arts and Sciences	\$ 5,854,390	\$ 5,557,072	\$ 5,281,128	\$ 4,879,702
Vocational Technical	3,961,474	3,594,393	3,464,605	2,963,652
Adult Education	786,093	814,965	812,132	783,479
Cooperative Services	1,029,777	1,218,726	1,341,078	1,290,784
Administration	907,986	913,293	853,202	786,789
Student Services	1,410,637	1,343,883	1,231,922	1,207,807
Learning Resources	1,355,360	1,001,229	906,724	848,195
Physical Plant	1,616,294	1,530,164	1,574,406	2,015,411
General Institution	2,329,662	2,177,966	2,767,784	2,039,440
Auxiliary Enterprises	5,232,653	4,832,100	6,329,189	3,648,457
Scholarships and Grants	3,941,496	3,720,692	3,973,499	3,878,501
Equipment Replacement	224,088	204,927	116,123	173,185
Insurance	860,579	993,375	840,352	845,122
Unemployment Compensation	10,891	9,028	2,571	788
Iowa Industrial New Jobs Training Program	353,576	1,107,391	850,502	805,468
Miscellaneous	2,298,495	2,962,567	2,022,790	2,074,821
Interest on Indebtness	255,470	280,091	274,346	272,042
Total	<u>\$ 32,428,921</u>	<u>\$ 32,261,862</u>	<u>\$ 32,642,353</u>	<u>\$ 28,513,643</u>

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**IOWA LAKES COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2007**

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
DIRECT:			
U.S. Department of Agriculture:			
Production Flexibility Payments	10 055	\$ 11,585	\$ -
Total Direct - U.S. Department of Agriculture		11,585	-
U. S. Department of Education:			
Student Financial Aid – Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	93,000	-
Federal Family Education Loans	84.032	-	5,606,863
Federal Work-Study Program (FWS)	84.033	94,910	-
Federal Pell Grant Program	84.063	2,694,566	-
Academic Competitiveness Grant	84.375	13,850	-
Total Student Financial Aid Cluster		2,896,326	5,606,863
Title III – Higher Education Institutional Aid	84.031A	389,219	-
Student Supported Services – Aspires	84.042A	257,297	-
Talent Search	84.044	352,510	-
Upward Bound	84.047	290,101	-
Child Care Access	84.335A	9,234	-
Total Direct U.S. Department of Education		4,194,687	-
Corporation for National and Community Services:			
Retired Senior Volunteer Program	94.002	108,167	-
National Science Foundation	47.076	156,224	-
U.S. Department of Labor - Mine Health and Safety Grants	17.600	750	-
Total Direct Expenditures		4,471,413	5,606,863
INDIRECT:			
Small Business Administration:			
Indirect Through Iowa State University:			
Small Business Development Center	59.037	92,716	-
U.S. Department of Education:			
Indirect Through the Iowa Department of Education:			
Adult Education - State Grant Program	84.002	115,403	-
Indirect Through the Iowa Department of Education:			
Vocational Education - Basic Grants to States, Title II-C, Carl Perkins III	84.048	336,935	-
Indirect Through the Iowa Department of Education:			
Child Nutrition Admin, Milk & SFSP	10.556	7,418	-
Indirect Through the Iowa Department of Education:			
Tech Prep - Perkins Vocational Aid	84.243	73,843	-
Total Indirect Expenditures		626,315	-
Total Direct and Indirect Expenditures		\$ 5,097,728	\$ 5,606,863

See Accompanying Independent Auditor's Report

**IOWA LAKES COMMUNITY COLLEGE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2007**

Note 1 -- BASIS OF PRESENTATION

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

Note 2 -- LOANS OUTSTANDING

Although no new loan advances occurred during the year ended June 30, 2007, the following loan balances were outstanding at June 30, 2007:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Nursing Student Loans	93.364	\$ 7,482

**INDEPENDENT AUDITORS' 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**

Board of Trustees
Iowa Lakes Community College
Estherville, Iowa

We have audited the basic financial statements of Iowa Lakes Community College, Estherville, Iowa, as of and for the year ended June 30, 2007, and have issued our report thereon dated January 16, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Lakes Community College's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Iowa Lakes Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Community College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Community College's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Community College's financial statements that is more than inconsequential will not be prevented or detected by the Community College's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-07 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Community College's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Lakes Community 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 non-compliance that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Community College's operations for the year ended June 30, 2007 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.

Iowa Lakes Community College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we expressed our conclusions on the College's responses, we did not audit the Community College's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and constituents of Iowa Lakes Community College and other parties to whom Iowa Lakes Community 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Lakes Community College during the course of our audit. Should you have any questions concerning any of the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

Spencer, Iowa
January 16, 2008



Certified Public Accountants

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

Board of Trustees
Iowa Lakes Community College
Estherville, Iowa

Compliance

We have audited the compliance of Iowa Lakes Community College, Estherville, IA, 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, 2007. Iowa Lakes Community College's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Iowa Lakes Community College's management. Our responsibility is to express an opinion on Iowa Lakes Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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 non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iowa Lakes Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Iowa Lakes Community College's compliance with those requirements.

In our opinion, Iowa Lakes Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Iowa Lakes Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Iowa Lakes Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Iowa Lakes Community College's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Community College's internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in the Community College's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions,

to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Community College's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Community College's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Community College's internal control.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and constituents of Iowa Lakes Community College and other parties to whom Iowa Lakes Community 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.

Williams & Company, P.C.

Certified Public Accountants

Spencer, Iowa
January 16, 2008

**IOWA LAKES COMMUNITY COLLEGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007**

PART I – SUMMARY OF AUDITORS’ RESULTS

- (A) An unqualified opinion was issued on the financial statements.
- (B) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (C) The audit did not disclose any non-compliance which is material to the financial statements.
- (D) No significant deficiencies in internal control over 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 did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:
 - Student Financial Aid Cluster:
 - CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG)
 - CFDA Number 84.032 – Federal Family Education Loans
 - CFDA Number 84.033 – Federal Work-Study Program
 - CFDA Number 84.063 – Federal Pell Grant Program
 - CFDA Number 84.375 – Academic Competitiveness Grant
 - Other Major Programs:
 - CFDA Number 84.031A – Title III – Higher Education Institutional Award
 - CFDA Number 84.048 – Carl Perkins III
- (H) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (I) Iowa Lakes Community College qualified as a low-risk auditee.

PART II – FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

SIGNIFICANT DEFICIENCIES:

II-A-07 Records of Accounts – During the audit we identified amounts of receivables, inventory, and interest income not recorded in the College’s financial statements. Adjustments were subsequently made by the College, if applicable, to properly include these amounts in the financial statements.

Recommendation – The College should implement procedures to ensure all receivables, inventory, and interest income are properly identified, classified, and included in the College’s financial statements.

Response – We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE: No matters were reported.

PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

SIGNIFICANT DEFICIENCIES: No matters were reported.

INSTANCES OF NON-COMPLIANCE: No matters were reported.

PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING

- IV-A-07: Certified Budget – Expenditures for the year ended June 30, 2007, did not exceed the amount budgeted, in total, for the Unrestricted, Restricted or Plant Fund.
- IV-B-07: Questionable Disbursements – No expenditures we believe did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-07: Travel Expense – No expenditures of Iowa Lakes Community College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- IV-D-07: Business Transactions – No business transactions between the Community College and the Community College officials or employees were noted.
- IV-E-07: Bond Coverage – Surety bond coverage of Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-07: Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-07: Publication – The Community College had published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- IV-H-07: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.
- IV-I-07: Credit/Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the Community College.

IOWA LAKES COMMUNITY COLLEGE
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

III-A-06

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

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

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

Conclusion – We feel the response is acceptable and noted no differences between verified information and the ISIR during testing of the current year.

