

Iowa Valley Community College District

Financial and Compliance Report

06.30.2009

McGladrey & Pullen
Certified Public Accountants

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Iowa Valley Community College District

Officials

Name	Title	Term Expires
Board of Directors		
Conrad DeJardin	President	2011
Larry Johnson	Vice President	2011
Ingvert Appel	Member	2011
Deborah Jones	Member	2009
Delbert Kellogg	Member	2009
Yvonne Mallory	Member	2009
Paul Pohlson	Member	2011
Area School		
Dr. Tim Wynes	Chancellor	
Dan Gillen	Vice President - Finance and Facilities Management and Board Treasurer	
Barbara Jennings	Board Secretary	

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

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

We have audited the accompanying basic financial statements of Iowa Valley Community College District (District), Marshalltown, Iowa, as of and for the year ended June 30, 2009, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those financial statements are unaudited.

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

As described in Note 10 of these financial statements, the District has adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers Postemployment Benefits Other Than Pensions*.

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of Iowa Valley Community College District as of June 30, 2009, except for the aggregate discretely presented component units which are unaudited as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2010 on our consideration of Iowa Valley Community College District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 4 through 13, Postemployment Medical Benefit Plan Schedule of Funding Progress on Page 36 and the Budgetary Comparison Schedule of Expenditures and related note on pages 37 and 38 are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

McGladrey & Pullen, LLP

Davenport, Iowa
March 30, 2010

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2009

Management of Iowa Valley Community College District (the District) provides this Management's Discussion and Analysis of the District's annual financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- District operating revenues remained consistent overall with operating revenues from fiscal year 2008. However, sources of total revenues did fluctuate between fiscal year 2008 and fiscal year 2009. Decreases in New Jobs Training program, miscellaneous revenue and interest income and increases in Auxiliary enterprises and property tax revenue were the primary fluctuations.
- In fiscal year 2008, District operating revenues increased 5%, or approximately \$845,000, as compared to fiscal year 2007. The increase resulted primarily from an increase in federal appropriations and restricted miscellaneous revenue relating primarily to New Jobs Training Programs, scholarships, plant funds, and other restricted funds.
- District operating expenses increased 5%, or approximately \$1,500,000, as compared to fiscal year 2008. The increase was due mainly to increases in administrative costs relating primarily to an increase in the liability for future early retirement costs and costs incurred from flooding at the Grinnell campus.
- In fiscal year 2008, District operating expenses increased 7%, or approximately \$2,100,000, as compared to fiscal year 2007. The increase was due mainly to increases in salaries and benefits for Liberal Arts and Sciences and an increase in the construction and improvement of plant assets.
- The District's net assets increased 14%, or approximately \$3,000,000 from fiscal year 2008.
- In fiscal year 2008, the District's net assets increased 15%, or approximately \$2,700,000 from fiscal year 2007.

Using this Annual Report

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

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

The basic financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows. These provide information about the activities of the District as a whole and present an overall view of the District's finances.

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

Required supplementary information further explains and supports the financial statements with a comparison of the District's budget for the year.

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2009

Reporting the District as a Whole

The Statement of Net Assets

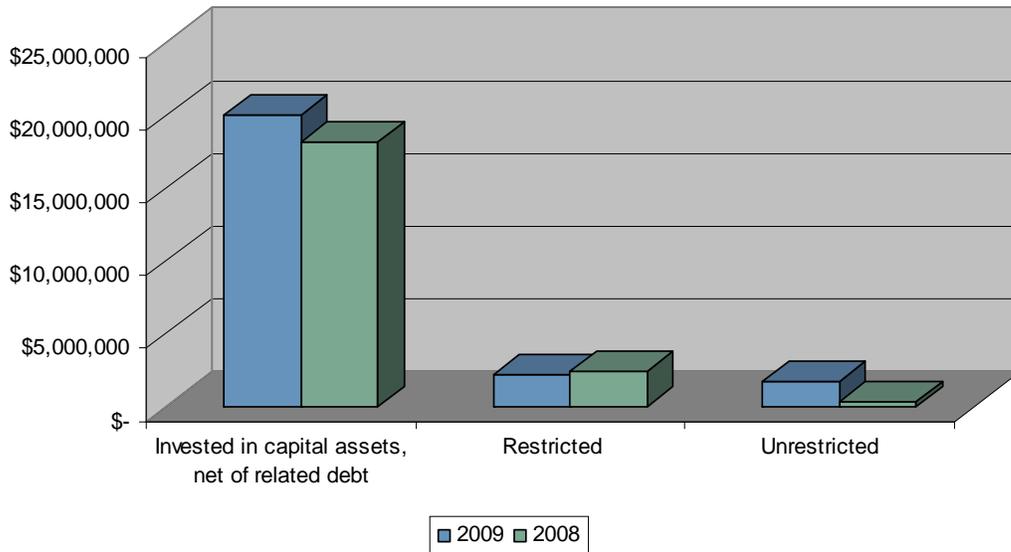
The Statement of Net Assets presents the assets, liabilities, and net assets of the District, as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the District to the readers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

Net Assets	June 30,	
	2009	2008
Current assets	\$ 23,915,504	\$ 33,901,541
Other assets	212,008	1,144,628
Capital assets, net of accumulated depreciation	57,454,210	41,200,157
Total assets	81,581,722	76,246,326
Current liabilities	19,051,368	18,177,283
Noncurrent liabilities	38,548,477	37,093,012
Total liabilities	57,599,845	55,270,295
Net assets:		
Invested in capital assets, net of related debt	20,027,416	18,208,162
Restricted	2,220,741	2,431,908
Unrestricted	1,733,720	335,961
Total net assets	\$ 23,981,877	\$ 20,976,031

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2009

Comparison of Net Assets



The largest portion of the District's net assets (84%) is invested in capital assets (e.g., land, buildings and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (9%) includes resources that are subject to external restrictions. The remaining net assets (7%) are the unrestricted net assets that can be used to meet the District's obligations as they come due.

Fiscal Year 2009: The District issued \$6,100,000 in general obligation bonds dated April 1, 2009 and took out a USDA 0% rural development loan in the amount of \$300,000. There were several projects in process at year-end which were being funded by the general obligation bonds and the loan was used toward building campus dorms.

Fiscal Year 2008: The District issued \$2,155,000 of dorm revenue bonds dated October 1, 2007, \$1,070,000 of revenue refunding bonds dated June 1, 2008, and \$8,900,000 in general obligation bonds dated June 1, 2008. \$1,040,000 of revenue bonds were refunded on July 1, 2008. There were several projects in process at year-end which are being funded by these proceeds.

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2009

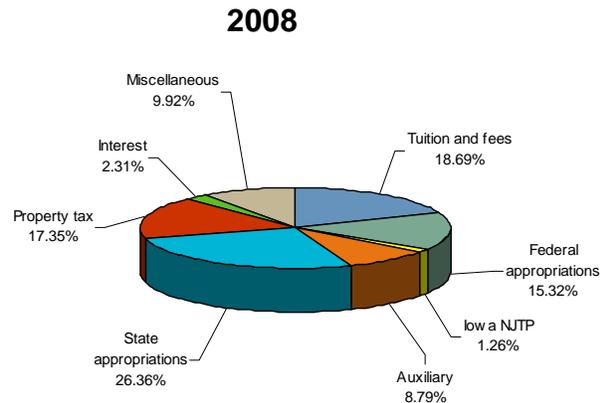
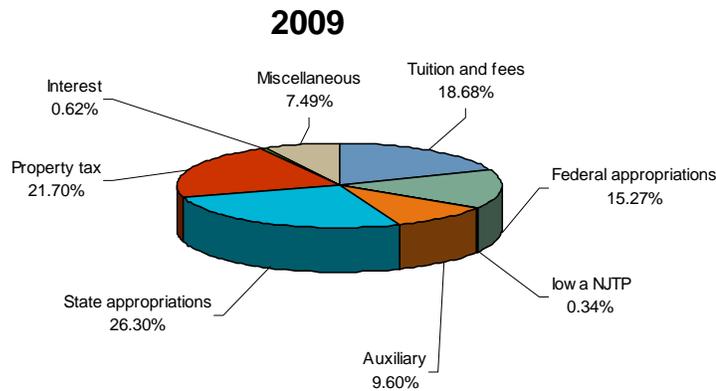
Statement of Revenues, Expenses and Changes in Net Assets

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

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

Changes in Net Assets	Year Ended June 30,	
	2009	2008
Operating revenues:		
Tuition and fees	\$ 6,894,867	\$ 6,586,327
Federal appropriations	5,635,737	5,398,207
Iowa Industrial New Jobs Training Program	126,998	443,054
Auxiliary enterprise revenue	3,540,993	3,096,711
Miscellaneous	2,764,203	3,497,033
Nonoperating revenues and transfers:		
State appropriations	9,703,794	9,286,788
Property tax	8,007,097	6,111,570
Interest income on investments	227,209	814,113
Total revenues	36,900,898	35,233,803
Operating expenses	32,924,848	31,424,180
Interest on indebtedness	1,186,301	1,192,107
Total expenses	34,111,149	32,616,287
Transfers from agency fund	216,097	121,717
Increase in net assets	3,005,846	2,739,233
Net assets:		
Beginning	20,976,031	18,236,798
Ending	\$ 23,981,877	\$ 20,976,031

Total Revenues by Source



In fiscal year 2009, operating revenues remained consistent to fiscal year 2008. However, sources of total revenues did fluctuate between fiscal year 2008 and fiscal year 2009 as follows:

- Iowa Industrial New Jobs Training Program decreased \$316,000, miscellaneous revenue decreased \$733,000 and interest income decreased \$587,000.
- Auxiliary enterprise revenue increased \$444,000, primarily due to housing increase of \$177,000 and property tax revenue increased \$1,895,000.

In fiscal year 2008, operating revenues increased by approximately \$845,000. The increase was a result of the following changes:

- Federal appropriations increased approximately \$400,000, miscellaneous operating revenue increased approximately \$700,000 and tuition and fees, prior to scholarship adjustment, increased by \$400,000 (due to a 6% increase in tuition rate).
- Iowa Industrial New Jobs Training revenues decreased \$400,000.

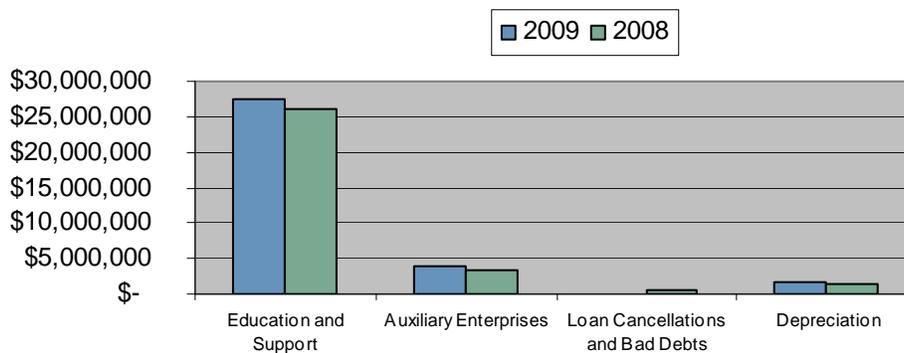
Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2009

Operating Expenses

	Year Ended June 30,	
	2009	2008
Education and support:		
Liberal arts and sciences	\$ 6,608,653	\$ 6,277,936
Vocational technical	3,296,889	3,092,598
Adult education	4,320,374	4,353,103
Cooperative services	123,438	547,971
Administration	3,765,013	2,570,406
Student services	2,595,514	2,668,599
Learning resources	531,358	485,317
Physical plant	3,431,278	3,319,524
General institution	2,789,288	2,874,816
Auxiliary enterprises	3,809,587	3,328,213
Loan cancellations and bad debts	96,132	611,265
Depreciation	1,557,324	1,294,432
Total operating expenses	\$ 32,924,848	\$ 31,424,180

Total Expenses



In fiscal year 2009, operating expenses increased by approximately \$1,500,000. The following factors represent the significant changes:

- General and administrative costs increased approximately \$1,200,000 relating primarily to increases in early retirement liability and costs incurred from flooding at the Grinnell campus. Auxiliary enterprises increased approximately \$500,000 primarily relating to increased costs to support student housing and other enterprises.

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2009

In fiscal year 2008, operating expenses increased by approximately \$2,100,000. The following factors represent the significant changes:

- Salaries and Benefits for Liberal Arts and Sciences increased approximately \$500,000, physical plant increased approximately \$700,000 relating primarily to increases in construction projects and vocational tech increased approximately \$300,000 relating primarily to salaries and benefits.

Statement of Cash Flows

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

Cash Flows	Year Ended June 30,	
	2009	2008
Cash provided by (used in):		
Operating activities	\$ (13,986,521)	\$ (12,393,808)
Noncapital financing activities	17,972,059	15,670,566
Capital and related financing activities	(15,055,801)	(8,429,424)
Investing activities	227,209	814,113
Net increase (decrease) in cash	(10,843,054)	(4,338,553)
Cash:		
Beginning	22,563,172	26,901,725
Ending	<u>\$ 11,720,118</u>	<u>\$ 22,563,172</u>

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

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2009

Capital Assets

As of June 30, 2009, the District had approximately \$75,800,000 invested in capital assets, net of accumulated depreciation of \$18,300,000. Depreciation charges totaled approximately \$1,600,000 for fiscal year 2009. Details of capital assets are shown below.

As of June 30, 2008, the District had approximately \$58,000,000 invested in capital assets, net of accumulated depreciation of \$16,800,000. Depreciation charges totaled approximately \$1,300,000 for fiscal year 2008. Details of capital assets are shown below.

Capital Assets, Net	June 30,	
	2009	2008
Land	\$ 3,368,887	\$ 2,569,618
Construction in progress	20,049,600	14,493,470
Buildings	31,666,651	21,865,975
Improvements other than buildings	558,723	569,068
Equipment and vehicles	1,810,349	1,702,026
Totals	\$ 57,454,210	\$ 41,200,157

More detailed information about the District's capital assets is presented in Note 3 to the basic financial statements.

Debt

As of June 30, 2009, the District had \$41,902,888 in debt outstanding. This represents an increase of approximately \$1,800,000 from 2008.

As of June 30, 2008, the District had \$40,122,360 in debt outstanding. This represents an increase of approximately \$9,600,000 from 2007.

Outstanding Debt	June 30,	
	2009	2008
Certificates payable	\$ 3,675,000	\$ 4,615,000
Notes payable and revenue bonds	38,227,888	35,507,360
	\$ 41,902,888	\$ 40,122,360

More detailed information about the District's outstanding debt is presented in Note 4 to the basic financial statements.

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2009

Economic Factors

Iowa Valley Community College District experienced an increase in the unrestricted general operating fund (fund 1) net assets of approximately \$248,000. This is consistent to the previous fiscal year's increase in unrestricted general operating fund net assets of approximately \$248,000.

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

State Appropriations increased approximately \$400,000 in fiscal year 2009, an increase of 4%. The amount is projected to decrease by \$1,500,000 in fiscal year 2010 and increase by \$800,000 in fiscal year 2011.

Property Valuations increased approximately \$160,000,000 or 4% for the 2010 collection year. For the 2011 collection year, the increase is \$140,000,000 or 4%.

Property Tax from the .2025 fixed rate levy comprised 9% of general operating fund revenue in fiscal year 2009.

Tuition and Fee Revenue collections in the general operating fund were consistent and are the largest source of revenue for the fund, representing 30% of the total revenues. While it is a significant amount of revenue, it is difficult to predict and budget due to the many variables which impact actual enrollment and the tuition and fees generated. Continued tuition rate increases create hardships for individuals seeking a college education and access to life long learning opportunities.

Student Enrollment for fiscal year 2008 had a slight decrease for credit hours as compared to a slight increase in fiscal year 2007. In 2009 there was a moderate increase in the number of credit hours. The District must continue to be aggressive in recruiting and retaining students. The impact of enrollment on the fiscal condition of the District is significant and immediate.

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

Labor costs to include health insurance continue to represent 75% of expenditures in the unrestricted general operating fund. Labor costs increase as a result of the collective bargaining negotiated settlement trend and have recently averaged from 4.5% to 5.5% per year.

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

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2009

Contacting the District's Financial Management

This financial report is designed to provide our customers, taxpayers in the Community College District and our creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Iowa Valley Community College District, 3702 South Center Street, Marshalltown, Iowa 50158.

Iowa Valley Community College District

Statement of Net Assets

June 30, 2009

Assets	Primary Institution
Current Assets:	
Cash and short-term pooled investments	\$ 10,561,190
Restricted cash and short-term pooled investments	1,293,725
Receivables:	
Accounts, net of allowance of \$2,149,676	1,856,696
Property tax	8,172,042
Due from other governments	1,085,459
Inventories	260,295
Prepaid expenses	686,097
Total current assets	23,915,504
 Noncurrent Assets:	
Receivables, Iowa Industrial New Jobs Training Program	212,008
Capital assets:	
Nondepreciable:	
Land	3,368,887
Construction in progress	20,049,600
Depreciable:	
Buildings	45,722,504
Improvements other than buildings	843,526
Equipment and vehicles	5,818,445
Accumulated depreciation	(18,348,752)
Total noncurrent assets	57,666,218
Total assets	\$ 81,581,722

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Primary Institution
Current Liabilities:	
Accounts payable	\$ 2,715,382
Salaries and benefits payable	1,350,373
Accrued interest on notes and certificates payable	202,897
Deferred revenue:	
Succeeding year property tax	7,407,657
Other	1,754,471
Early retirement payable	303,239
Compensated absences	304,699
Certificates payable	980,000
Notes payable, revenue and general obligation bonds	3,329,472
Deposits held in custody for others	703,178
Total current liabilities	<u>19,051,368</u>
Noncurrent Liabilities:	
Early retirement payable	820,264
OPEB payable	134,797
Certificates payable	2,695,000
Notes payable, revenue and general obligation bonds	34,898,416
Total noncurrent liabilities	<u>38,548,477</u>
Total liabilities	<u>57,599,845</u>
Net Assets:	
Invested in capital assets, net of related debt	20,027,416
Restricted for:	
Nonexpendable, cash reserve	492,631
Expendable, restricted for education and support	1,728,110
Unrestricted	1,733,720
Total net assets	<u>23,981,877</u>
Total liabilities and net assets	<u>\$ 81,581,722</u>

Iowa Valley Community College District

Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2009

	Primary Institution
<hr/>	
Revenues:	
Operating revenues:	
Tuition and fees, net of scholarship allowances of \$3,674,622	\$ 6,894,867
Federal appropriations	5,635,737
Iowa Industrial New Jobs Training Program	126,998
Auxiliary enterprises revenue	3,540,993
Miscellaneous	2,764,203
Total operating revenues	<u>18,962,798</u>
Expenses:	
Operating expenses:	
Education and support:	
Liberal arts and sciences	6,608,653
Vocational technical	3,296,889
Adult education	4,320,374
Cooperative services	123,438
Administration	3,765,013
Student services	2,595,514
Learning resources	531,358
Physical plant	3,431,278
General institution	2,789,288
Auxiliary enterprises	3,809,587
Loan cancellations and bad debts	96,132
Depreciation	1,557,324
Total operating expenses	<u>32,924,848</u>
Operating (loss)	<u>(13,962,050)</u>
Nonoperating revenues (expenses):	
State appropriations	9,703,794
Property tax	8,007,097
Investment earnings	227,209
Interest on indebtedness	(1,186,301)
Net nonoperating revenues	<u>16,751,799</u>
Change in net assets	<u>2,789,749</u>
Transfers from agency fund	216,097
Total change in net assets	<u>3,005,846</u>
Net assets:	
Beginning	<u>20,976,031</u>
Ending	<u>\$ 23,981,877</u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Statement of Cash Flows
Year Ended June 30, 2009

	Primary Institution
<hr/>	
Cash Flows from Operating Activities:	
Cash received from tuition and fees	\$ 6,792,377
Cash received from federal appropriations	5,581,533
Cash received from Iowa Industrial New Jobs Training Program	1,059,618
Payments to employees for salaries and benefits	(17,894,994)
Payments to suppliers for goods and services	(15,830,251)
Auxiliary enterprise receipts	3,540,993
Other receipts	2,764,203
Net cash (used in) operating activities	<u>(13,986,521)</u>
Cash Flows from Noncapital Financing Activities:	
Transfers from agency funds	216,097
State appropriations	9,703,794
Property tax	7,972,657
Miscellaneous Agency Fund receipts	1,122,851
Miscellaneous Agency Fund disbursements	(1,043,340)
Net cash provided by noncapital financing activities	<u>17,972,059</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of debt	6,414,472
Acquisition of capital assets	(15,680,551)
Principal paid on debt	(4,633,944)
Interest paid	(1,155,778)
Net cash (used in) capital and related financing activities	<u>(15,055,801)</u>
Cash Flows Provided by Investing Activities,	
interest from investments	<u>227,209</u>
Net (decrease) in cash and short-term pooled investments	(10,843,054)
Cash and short-term pooled investments:	
Beginning	<u>22,563,172</u>
Ending	<u>\$ 11,720,118</u>

(Continued)

Iowa Valley Community College District

Statement of Cash Flows (Continued)

Year Ended June 30, 2009

	Primary Institution
Reconciliation of operating loss to net cash (used in) operating activities, operating loss	<u>\$ (13,962,050)</u>
Adjustments to reconcile operating loss to net cash (used in) operating activities, depreciation	<u>1,557,324</u>
Changes in assets and liabilities:	
(Increase) in accounts receivable	(102,490)
Decrease in Iowa Industrial New Jobs Training Program	932,620
(Increase) in due from other governments	(222,765)
Decrease in inventories	52,505
(Increase) in prepaid expenses	(242,991)
(Decrease) in accounts payable	(2,458,758)
Increase in salaries and benefits payable	214,132
Increase in early retirement payable	82,423
(Decrease) in compensated absences	(5,032)
Increase in OPEB payable	134,797
Increase in other deferred revenue	168,561
Total adjustments	<u>(1,446,998)</u>
Net cash (used in) operating activities	<u><u>\$ (13,851,724)</u></u>
Supplemental Schedule of Noncash Capital and Related Financing Activities, accounts payable for acquisition of capital assets	<u><u>\$ 2,130,826</u></u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

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

December 31, 2009

Assets	Marshalltown Community College District Foundation	Ellsworth College Foundation	Total
Current Assets:			
Cash and short-term pooled investments	\$ 246,229	\$ 2,994,177	\$ 3,240,406
Noncurrent Assets:			
Investments	2,507,260	1,322,836	3,830,096
Capital assets	23,000	278,400	301,400
	2,530,260	1,601,236	4,131,496
Total assets	\$ 2,776,489	\$ 4,595,413	\$ 7,371,902
Liabilities and Net Assets			
<hr/>			
Liabilities	\$ -	\$ 1,830,980	\$ 1,830,980
Net Assets:			
Restricted for scholarships and fellowships	\$ 2,530,260	\$ 631,288	\$ 3,161,548
Unrestricted	246,229	2,133,145	2,379,374
	2,776,489	2,764,433	5,540,922
Total net assets	\$ 2,776,489	\$ 4,595,413	\$ 7,371,902

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Combining Statement of Revenues, Expenses and Changes in Net Assets -
Component Units - Foundations (Unaudited)
Year Ended December 31, 2009

	Marshalltown Community College District Foundation	Ellsworth College Foundation	Total
Revenues:			
Operating revenues:			
Contributions	\$ 184,746	\$ 294,339	\$ 479,085
Special events and grants	321,737	93,441	415,178
Capital campaign	-	1,311,702	1,311,702
Total operating revenues	506,483	1,699,482	2,205,965
Expenses:			
Operating expenses:			
Scholarships and grants	274,842	2,374,675	2,649,517
Miscellaneous	99,819	11,313	111,132
Administration	101,390	312,813	414,203
Capital campaign	-	710	710
Total operating expenses	476,051	2,699,511	3,175,562
Operating income (loss)	30,432	(1,000,029)	(969,597)
Nonoperating income (expenses):			
Market value gain (loss)	(125,205)	359,910	234,705
Interest	(23,315)	49,150	25,835
Total nonoperating income (expenses)	(148,520)	409,060	260,540
(Decrease) in net assets	(118,088)	(590,969)	(709,057)
Net assets:			
Beginning	2,894,577	3,355,402	6,249,979
Ending	<u>\$ 2,776,489</u>	<u>\$ 2,764,433</u>	<u>\$ 5,540,922</u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Notes to Basic Financial Statements

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

Reporting entity:

The Iowa Valley Community College District (the District) is a publicly supported, post-secondary, two-year institution established and operated as an area community college by Merged Area VI, as provided in Chapter 260C of the Code of Iowa. The District offers programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. It also offers up to two years of vocational or technical education, as well as training or retraining to persons who are preparing to enter the labor market. The District maintains campuses in Marshalltown, Iowa Falls, and Grinnell, Iowa and has its administrative offices in Marshalltown.

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

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

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

Discretely presented component units:

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

Iowa Valley Community College District

Notes to Basic Financial Statements

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

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

The discretely presented component units operate on a December 31, 2009 year-end. Separate unaudited financial statements can be obtained at Iowa Valley Community College District, 3702 S. Center Street, Marshalltown, Iowa 50158.

Significant accounting policies:

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

Measurement focus and basis of accounting: For financial reporting purposes, the District is considered a special-purpose government engaged only in business-type activities as defined in GASB Statement No. 35. Accordingly, the basic financial statements of the District have been prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Accounting standards: The District follows Governmental Accounting Standards Board (GASB) pronouncements as well as following all Financial Accounting Board Statements and Interpretations, Accounting Principles Board Opinion and Accounting Research Bulletins of the Committee on Accounting Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The District has elected not to follow FASB guidance issued subsequent to November 30, 1989.

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

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

Iowa Valley Community College District

Notes to Basic Financial Statements

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

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP): This represents the amount to be remitted to the District for training projects entered into between the District and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2009 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the District was \$480,935 and was capitalized in connection with the District's construction projects.

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

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

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

Iowa Valley Community College District

Notes to Basic Financial Statements

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

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

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

Deferred revenue: Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been earned or the purpose restriction has not been met. Deferred revenue consists of unspent grant proceeds and the succeeding year property tax receivable.

Compensated absences: District employees accumulate a limited amount of earned but unused vacation for subsequent use. Earned, but unused vacation is paid to the employee upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as compensated absences. These liabilities have been computed based on rates of pay in effect as of June 30, 2009.

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

Deposits held in custody for others: These deposits consist primarily of funds for student organizations and 260F agreements.

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

Summer session: The District operates summer sessions during May, June and July. Revenues and expenses for the regular summer sessions are recorded in the appropriate fiscal year. Revenues and expenses for internet summer sessions are recorded in the current fiscal year.

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

Income taxes: The District is exempt from income tax as a local government unit. The Marshalltown Community College District Foundation and the Ellsworth College Foundation have qualified for exemption from income tax under Section 501c(3) of the Internal Revenue Code.

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

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

Iowa Valley Community College District

Notes to Basic Financial Statements

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

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

Net assets: Net assets are classified according to restrictions or availability of assets for satisfaction of District obligations. Invested in capital assets, net of related debt represents the net value of capital assets less the debt incurred to acquire or construct the assets and the borrowed resources not yet expended, but restricted for capital purchases. The District had unspent bond proceeds of \$801,094 as of June 30, 2009. Restricted net assets represent the amounts segregated for specific purposes as allowed by the Code of Iowa, bond covenants, donors or outside agencies. All remaining net assets are unrestricted for legal purposes, but may be designated for specific purposes. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Scholarship allowances and student aid: Certain aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third-party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances which reduce revenue. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Note 2. Cash and Pooled Investments

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits operating funds portfolio to maturities of less than 397 days.

Credit risk: Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District is authorized by statute to invest public funds in obligations of the United States government; its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Concentration of credit risk: The District's general investment policy is to apply the prudent-person rule. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments. The District's investment policy seeks to provide safety of the principal, maintain the necessary liquidity to match expected liabilities and obtain a reasonable rate of return. The policy does not allow the District to invest in reverse purchase agreements, futures or options. The District did not have any investments in any one issuer that represents 5% or more of total District investments. Money market funds and mutual funds are excluded from this consideration given the District does not "hold" the underlying investments.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 2. Cash and Pooled Investments (Continued)

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

As of June 30, 2009, the District's carrying amount of deposits, excluding \$3,940 of petty cash, totaled \$11,850,975 with a bank balance of \$12,082,849. The District's cash and deposits (money market accounts and certificates of deposit) as of June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

Excluded from the cash and investment amount, disclosed immediately above, are cash and investments of \$7,070,502 which belong to the component units of the District. Investments of the component units consist principally of U.S. Treasury notes, corporate securities, agencies, equities and mutual funds. Disclosures for interest rate risk, credit risk, concentration of credit risk and custodial credit risk for the component units are not available.

Note 3. Capital Assets

A summary of the changes in capital assets for the year ended June 30, 2009 is as follows:

	Balance June 30, 2008	Additions	Deletions and Transfers	Balance June 30, 2009
Capital assets not being depreciated:				
Land	\$ 2,569,618	\$ 799,269	\$ -	\$ 3,368,887
Construction in progress	14,493,470	14,527,664	8,971,534	20,049,600
Total capital assets not being depreciated	17,063,088	15,326,933	8,971,534	23,418,487
Capital assets being depreciated:				
Buildings	34,714,961	11,007,543	-	45,722,504
Improvements other than buildings	827,042	16,484	-	843,526
Equipment and vehicles	5,386,494	431,951	-	5,818,445
Total capital assets being depreciated	40,928,497	11,455,978	-	52,384,475
Less accumulated depreciation for:				
Buildings	12,848,986	1,206,867	-	14,055,853
Improvements other than buildings	257,974	26,829	-	284,803
Equipment and vehicles	3,684,468	323,628	-	4,008,096
Total accumulated depreciation	16,791,428	1,557,324	-	18,348,752
Total capital assets being depreciated, net	24,137,069	9,898,654	-	34,035,723
Capital assets, net	\$ 41,200,157	\$ 25,225,587	\$ 8,971,534	\$ 57,454,210

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities

A summary of changes in noncurrent liabilities for the year ended June 30, 2009 is as follows:

	Compensated Absences	Early Retirement Payable	OPEB Payable	Certificates Payable	Notes Payable, Revenue and General Obligation Bonds	Total
Balance, beginning	\$ 309,731	\$ 906,283	\$ -	\$ 4,615,000	\$ 35,507,360	\$ 41,338,374
Additions	304,699	472,379	240,313	-	6,414,472	7,431,863
Reductions	309,731	255,159	105,516	940,000	3,693,944	5,304,350
Balance, ending	304,699	1,123,503	134,797	3,675,000	38,227,888	43,465,887
Less current portion	304,699	303,239	-	980,000	3,329,472	4,917,410
Total noncurrent liabilities	\$ -	\$ 820,264	\$ 134,797	\$ 2,695,000	\$ 34,898,416	\$ 38,548,477

Notes payable, revenue and general obligation bonds:

The District has issued notes payable, revenue and general obligation bonds for the purchase and construction of District properties as allowed by Section 260C.19 of the Code of Iowa. Details of scheduled maturities for the District's June 30, 2009 notes payable, revenue and general obligation bonds are as follows:

Year ending June 30:	Principal	Interest	Total
2010	\$ 3,329,472	\$ 1,515,582	\$ 4,845,054
2011	3,463,222	1,371,417	4,834,639
2012	3,611,972	1,251,699	4,863,671
2013	3,741,972	1,122,626	4,864,598
2014	3,867,500	982,790	4,850,290
2015 - 2019	18,348,750	2,414,373	20,763,123
2020 - 2024	1,125,000	366,068	1,491,068
2025 - 2027	740,000	74,790	814,790
	\$ 38,227,888	\$ 9,099,345	\$ 47,327,233

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

Notes payable, revenue and general obligation bonds consisted of the following principal balances as of June 30, 2009:

Note payable dated February 1, 2003, with an interest rate of 7%. Interest is paid semiannually, while principal payments of \$14,472 are due annually, with a maturity date of February 1, 2013. Certain land is collateral for the debt. \$ 57,888

Dormitory revenue bonds dated October 1, 2002, with interest rates between 3.90% and 5.30%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of May 1, 2018. The real estate, dormitory facilities and related personal property are collateral for the debt. 2,330,000

Student housing revenue refund bonds dated June 1, 2008, with interest rates between 2.75% and 4.70%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of May 1, 2026. The real estate, student housing facilities and related personal property are collateral for the debt. 1,030,000

Dormitory revenue bonds dated May 1, 2001, with interest rates between 5.25% and 5.75%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of May 1, 2016. The real estate, dormitory facilities and related personal property are collateral for the debt. 1,530,000

General obligation bonds dated February 1, 2007, with interest rates between 3.5% and 4%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of June 1, 2017. All real estate, personal property, revenues, resources and credit of the District are collateral for the debt. 16,580,000

Dormitory revenue bonds dated October 1, 2007, with interest rates between 4.25% and 5.4%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of May 1, 2027. The real estate, student housing facilities and related personal property are collateral for the debt. 2,155,000

Subtotal forward \$ 23,682,888

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

Subtotal forward	\$ 23,682,888
General obligation bonds dated June 1, 2008, with interest rates between 3.25% and 3.65%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of June 1, 2018. All real estate, personal property, revenues, resources and credit of the District are collateral for the debt.	8,145,000
General obligation bonds dated April 1, 2009, with interest rates between 2.45% and 3.85%. Interest is payable semiannually, while principal payments in varying amounts are due annually, with a maturity date of June 1, 2019. All real estate, personal property, revenues, resources and credit of the District are collateral for the debt.	6,100,000
U.S. Department of Agriculture, Rural Economic Development loan dated December 2008, with a zero percent interest rate. Principal payments of \$9,375 are due quarterly with a maturity date of December 29, 2018. Collateral is a dorm on the MCC campus.	300,000
	<u>\$ 38,227,888</u>

Certificates payable:

Pursuant to agreements dated from July 1999 to June 2008, the District has outstanding certificates totaling \$3,675,000 as of June 30, 2009 with net interest rates ranging from 4.0% to 8.5% per annum. The debt was issued to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa. Iowa Industrial New Jobs Training Program (NJTP's) purpose is to provide tax-aided training for employees of industries which are new or are expanding their operations within the state of Iowa. Interest is payable semiannually, while principal payments are due annually. Amounts due will be paid from anticipated job credits, from withholding taxes, incremental property taxes, and, in the case of default, standby property taxes collected pursuant to Chapter 260E.

The certificates will mature as follows:

	Principal	Interest	Total
Year ending June 30:			
2010	\$ 980,000	\$ 211,745	\$ 1,191,745
2011	740,000	155,943	895,943
2012	620,000	114,750	734,750
2013	655,000	79,312	734,312
2014	365,000	41,133	406,133
2015 - 2018	315,000	39,053	354,053
	\$ 3,675,000	\$ 641,936	\$ 4,316,936

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

Since inception, the District has administered 121 projects, with 23 currently receiving project funding. Of the remaining projects, 92 have been completed and closed and 6 have been completed with only repayment of the certificates left. In cases where projects exceed the budgeted amounts, the District intends to obtain additional withholding revenue from the companies.

Note 5. Operating Leases

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

Year ending June 30:	
2010	\$ 197,670
2011	194,865
2012	139,200
2013	139,200
	<u>670,935</u>
	<u>\$ 670,935</u>

Total rent expense for all operating leases was \$197,670 for the year ended June 30, 2009.

Note 6. Iowa Public Employees Retirement System (IPERS)

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. 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 4.10% of their annual covered salary, and the District is required to contribute 6.35% of annual payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$394,406, \$367,247 and \$319,155, respectively, equal to the required contribution each year.

Iowa Valley Community College District

Notes to Basic Financial Statements

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

The District contributes to the Teachers Insurance and Annuity Association – College Retirement Equities Fund (TIAA-CREF) retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the District. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible District employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, each employee is to contribute 4.10% and the District is required to contribute 6.35%. The District's contribution to TIAA-CREF for the year ended June 30, 2009 was \$372,396 equal to the required contribution for the year. The employees' contribution to TIAA-CREF for the year ended June 30, 2009 was \$240,605 equal to the required contribution for the year.

Note 8. Early Retirement

The District approved an Early Retirement Incentive Plan (ERIP) effective April 8, 2009. The plan expired on June 30, 2009.

To be eligible for ERIP, an employee must be employed full-time and be 55 years of age with 10 or more years of continuous service with the District. Retirement is to be effective June 30, 2009. Participation must be approved by the Chancellor.

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

1. Early Retirement Incentive lump-sum cash severance amount of up to 50% of the employee's annual salary during the year of the request.
2. The employee's single deductible health insurance premium shall be paid on a monthly basis until the retiree becomes eligible for Medicare.

The employee receives the cash benefits in 36 equal installments commencing on July 15, 2009. The lump-sum payment liability is \$399,906 and is recorded as early retirement payable.

The current year cost to the District was \$472,397 including 36 participants in the health insurance plan. The liability for the participation in the health plan is \$723,597 and is recorded as early retirement payable. This portion of the liability will be paid over the next eight years. The liability was calculated using the District's share of health premiums at the time of retirement to estimate costs.

An early retirement plan has been approved for fiscal year 2010.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 9. Risk Pool

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

The members' annual contributions are to fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund IMPACC's general and administrative expenses, claims, claim expenses and reinsurance expenses due and payable in the current year. The District's contributions to the risk-sharing pool are recognized as expenditures at the time of payment. The District's total contributions to IMPACC for the year ended June 30, 2009 were \$907,438.

The Program uses reinsurance to reduce its exposure to large losses. The Program has a self-insured retention of \$200,000 per property/liability, \$100,000 for error/omissions and \$200,000 for workers' compensation. The policy limit per occurrence is \$800,000 for property/liability, \$900,000 for errors/omissions and \$150,000 for workers' compensation. Excess insurance for workers' compensation is for statutory limits. Excess for all other lines is \$10,000,000 per occurrence. Property is insured with excess coverage over the self-insured retention of up to \$50,000,000 for boiler and machinery, \$1,000,000 for crime, \$2,000,000 for crime related to IMPACC and up to \$250,000,000 for other property. Stop gap loss protection is provided above the member's loss fund.

In the event any claim or series of claims exceed the amount of aggregate excess insurance, then payment of such claims shall be the obligation of the respective individual member. The District does not report a liability for losses in excess of reinsurance unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, as of June 30, 2009, no liability has been recorded by the District. Settled claims have not exceeded the risk pool or reinsurance coverage in any of the past three fiscal years.

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

Note 10. Postemployment Medical Benefit Plan

Plan description:

The District sponsors a single-employer other postemployment benefit plan that provides medical benefits to all active (223) and retired employees (37). All full-time or regular part-time administrator, faculty, professional service or support staff employees are eligible to participate in the plan. The employee must have terminated service with the District through voluntary early retirement after the age of 55 and have worked for the District for the most recent 10 consecutive years of service.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 10. Postemployment Medical Benefit Plan (Continued)

Medical benefit:

The medical benefit is a self-funded medical plan administered by Wellmark Bluecross/Blueshield. Retirees under age 65 pay the same premium for the medical benefit as active employees which results in an implicit subsidy and OPEB liability.

Funding policy:

The District establishes and amends contribution requirements. The District pays the single retiree premium until age 65; eligible family is required to contribute 100% of the premium. The current funding policy of the District is to fund benefits on a pay-as-you-go basis. This arrangement does not qualify as other post employment benefits (OPEB) plan assets under Governmental Accounting Standards Board (GASB) Statement No. 45 for current GASB reporting.

Annual OPEB cost and net OPEB obligation:

The District's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance to the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actuarially contributed to the plan, and changes in the District's annual OPEB obligation:

Annual required contribution	\$ 240,313
Contributions and payments made	105,516
Increase in net OPEB obligation	<u>134,797</u>
Net OPEB obligation - July 1, 2008	-
Net OPEB obligation - June 30, 2009	<u><u>\$ 134,797</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2009 follows. This is the District's transition year of GASB Statement No. 45.

<u>Fiscal Year Ended</u>	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 240,313	43.91%	\$ 134,797

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 10. Postemployment Medical Benefit Plan (Continued)

Funded status and funding progress:

As of July 1, 2008, the most recent actuarial valuation, the plan was 0% funded. The District's actuarial accrued liability for benefits was \$2,353,920 and the actuarial value of assets is none resulting in an unfunded actuarial accrued liability (UAAL) of \$(2,353,920). The covered payroll (annual payroll of active employees covered by the plan) was \$13,522,025 and the ratio of the UAAL to the covered payroll was 17.41%.

Actuarial estimates of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. In the current year, the schedule of funding progress presents only the initial year trend information.

Actuarial methods and assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2008 actuarial valuation, the frozen entry age actuarial cost method was used. The actuarial assumptions included a 2.5% discount rate, an annual health care cost trend rate of 6.0%. The UAAL is being amortized as a level dollar amount. The amortization of UAAL is done over a period of 30 years.

Note 11. New and Pending Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several Statements that became effective and were implemented by the District in the current year:

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*, issued June 2004. This Statement establishes standards for the measurement, recognition and display of other postemployment benefits expenses and related liabilities or assets, note disclosures and, if applicable required supplementary information in the financial reports. (See Note 10.)

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the District to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired. The District's financial statements were not affected by the adoption of GASB Statement No. 49.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 11. New and Pending Pronouncements (Continued)

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*. This Statement established consistent standards for reporting of land and other real estate held as investments. Endowments were previously required to report their land and other real estate held for investment purposes at historical cost. However, such investments are reported at fair value by similar entities, such as pension plans. The Statement requires endowments to report land and other real estate investments at fair value. The District's financial statements were not affected by the adoption of GASB Statement No. 52.

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

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, issued July 2007, will be effective for the District beginning with its year ending June 30, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The Statement characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents and trademarks. This Statement provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, issued June 2008, will be effective for the District beginning with its year ending June 30, 2010. This Statement will improve how state and local governments report information about derivative instruments in their financial statements. The Statement specifically requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The guidance in this Statement also addresses hedge accounting requirements.

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

Note 12. Commitments, Contingencies and Subsequent Events

As of June 30, 2009, the District has construction commitments of approximately \$4,400,000 to complete various buildings, parking lots and other projects on the District campuses. There are additional architect and engineering contracts that are signed and the amount of these contracts will be 7% of the general construction costs.

Iowa Valley Community College District

Required Supplementary Information
 Postemployment Medical Benefit Plan
 Schedule of Funding Progress
 Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
July 1, 2008	\$ -	\$ 2,353,920	\$ (2,353,920)	- %	\$ 13,522,025	17.41%

Note: Fiscal year 2009 is the transition year for GASB Statement No. 45.

The information presented in the required supplementary information schedule was determined as part of the actuarial valuation as of July 1, 2008. Additional information follows:

- (a) The cost method used to determine the ARC is the frozen entry age actuarial cost method.
- (b) There are no plan assets.
- (c) Economic assumptions are as follows: Healthcare cost trend rate of 6%, discount rate of 2.5%.
- (d) The amortization method is level dollar over a period of 30 years.

Iowa Valley Community College District

Required Supplementary Information
 Budgetary Comparison Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2009

Funds/Levy	Original and Final Budget	Actual	Variance Between Actual and Amended Budget
Unrestricted	\$ 21,511,350	\$ 20,662,433	\$ 848,917
Restricted	4,651,453	2,565,894	2,085,559
Unemployment	16,033	17,548	(1,515)
Insurance	1,151,819	1,185,741	(33,922)
Early retirement	500,425	554,626	(54,201)
Equipment replacement	315,000	162,177	152,823
Cash reserve	-	-	-
Standby	357,447	-	357,447
	<u>6,992,177</u>	<u>4,485,986</u>	<u>2,506,191</u>
Plant	18,000,000	19,835,924	(1,835,924)
Bond and interest	3,508,008	1,186,301	2,321,707
	<u>\$ 50,011,535</u>	<u>\$ 46,170,644</u>	<u>\$ 3,840,891</u>

See Note to Required Supplementary Information on Budgetary Reporting.

Iowa Valley Community College District

Note to Required Supplementary Information
Budgetary Reporting
Year Ended June 30, 2009

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the District on a basis consistent with fund accounting. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Directors certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutory prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

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

A reconciliation of the budgetary comparison schedule of expenditures of generally accepted accounting principles of the United States of America (GAAP) is as follows:

Budgetary schedule of expenditures	\$ 46,170,644
Adjustment for GAAP	<u>(19,983,652)</u>
Total GAAP expenditures	<u><u>\$ 26,186,992</u></u>

Iowa Valley Community College District

Balance Sheet - All Funds

June 30, 2009

	Current Funds	
	General Unrestricted Funds	General Restricted Funds
Assets		
Current Assets:		
Cash and short-term pooled investments	\$ 3,268,587	\$ 5,781,531
Restricted cash and short-term pooled investments	-	492,631
Receivables:		
Accounts, net of allowance of \$2,149,676	839,259	989,023
Property tax	729,610	2,486,369
Iowa Industrial New Jobs Training Program	-	212,008
Due from other governments	351,934	733,525
Inventories	260,295	-
Prepaid expenses	283,562	437
Capital assets:		
Nondepreciable:		
Land	-	-
Construction in progress	-	-
Depreciable:		
Buildings	-	-
Improvements other than buildings	-	-
Equipment and vehicles	-	-
Accumulated depreciation	-	-
Total assets	\$ 5,733,247	\$ 10,695,524
Liabilities		
Current Liabilities:		
Accounts payable	\$ 382,042	\$ 133,826
Salaries and benefits payable	1,306,722	23,676
Accrued interest on notes and certificates payable	-	17,472
Deferred revenue:		
Succeeding year property tax	723,944	1,859,016
Other	23,051	1,728,572
Early retirement payable	-	1,123,503
Deposits held in custody for others	-	-
Compensated absences	285,138	10,696
OPEB payable	112,609	20,396
Certificates payable	-	3,675,000
Notes payable, revenue and general obligation bonds	-	-
Total liabilities	2,833,506	8,592,157
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted:		
Nonexpendable, cash reserve	-	492,631
Expendable:		
Plant	-	-
Iowa Industrial New Jobs Training Program	-	347,234
Other	-	1,380,876
Unrestricted	2,899,741	(117,374)
Total fund balances	2,899,741	2,103,367
Total liabilities and fund balances	\$ 5,733,247	\$ 10,695,524

See Note to Supplementary Information.

Nonoperating Funds

Loan Funds		Plant Funds		Agency Funds		Adjustments	Total		
\$	21,312	\$	751,372	\$	738,388	\$	-	\$	10,561,190
	-		801,094		-		-		1,293,725
	-		3,000		25,414		-		1,856,696
	-		4,956,063		-		-		8,172,042
	-		-		-		-		212,008
	-		-		-		-		1,085,459
	-		-		-		-		260,295
	-		397,278		4,820		-		686,097
	-		3,368,887		-		-		3,368,887
	-		20,049,600		-		-		20,049,600
	-		45,722,504		-		-		45,722,504
	-		843,526		-		-		843,526
	-		5,818,445		-		-		5,818,445
	-		-		-		(18,348,752)		(18,348,752)
\$	21,312	\$	82,711,769	\$	768,622	\$	(18,348,752)	\$	81,581,722
<hr/>									
\$	21,312	\$	2,130,826	\$	47,376	\$	-	\$	2,715,382
	-		15,412		4,563		-		1,350,373
	-		185,425		-		-		202,897
	-		4,824,697		-		-		7,407,657
	-		-		2,848		-		1,754,471
	-		-		-		-		1,123,503
	-		-		703,178		-		703,178
	-		-		8,865		-		304,699
	-		-		1,792		-		134,797
	-		-		-		-		3,675,000
	-		38,227,888		-		-		38,227,888
	21,312		45,384,248		768,622		-		57,599,845
	-		38,376,168		-		(18,348,752)		20,027,416
	-		-		-		-		492,631
	-		-		-		-		-
	-		-		-		-		347,234
	-		-		-		-		1,380,876
	-		(1,048,647)		-		-		1,733,720
	-		37,327,521		-		(18,348,752)		23,981,877
\$	21,312	\$	82,711,769	\$	768,622	\$	(18,348,752)	\$	81,581,722

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2009

	Current Funds		
	General Unrestricted Funds	General Restricted Funds	Total
Operating revenues:			
Tuition and fees, net of scholarship allowances of \$3,674,622	\$ 10,569,379	\$ 110	\$ 10,569,489
Federal appropriations	231,702	5,404,035	5,635,737
Iowa Industrial New Jobs Training Program	-	126,998	126,998
State appropriations	8,602,870	532,955	9,135,825
Property tax	713,153	2,404,294	3,117,447
Auxiliary enterprises revenue	3,540,993	-	3,540,993
Interest income from investments	132,011	36,839	168,850
Expended for plant assets, including \$373,807 in current operating fund expenditures	-	-	-
Miscellaneous	1,706,411	879,989	2,586,400
Total revenues and other additions	25,496,519	9,385,220	34,881,739
Expenditures and other deductions:			
Education and support:			
Liberal arts and sciences	6,591,539	17,114	6,608,653
Vocational technical	2,795,810	720,564	3,516,374
Adult education	2,662,997	1,662,490	4,325,487
Cooperative services	-	123,438	123,438
Administration	1,567,683	2,276,047	3,843,730
Student services	2,310,275	285,239	2,595,514
Learning resources	531,358	-	531,358
Physical plant	1,979,689	543	1,980,232
General institution	2,223,082	574,295	2,797,377
Scholarships and grants	-	3,674,622	3,674,622
Total education and support	20,662,433	9,334,352	29,996,785
Auxiliary enterprises	3,906,825	-	3,906,825
Loan cancellations and bad debts	-	-	-
Depreciation	-	-	-
Interest on indebtedness	-	259,135	259,135
Expended for plant assets	-	-	-
Disposal of Plant Assets	-	-	-
Total expenditures and other deductions	24,569,258	9,593,487	34,162,745
Transfers among funds, including \$216,101 from agency fund	(679,551)	3,994	(675,557)
Net increase (decrease) for the year	247,710	(204,273)	43,437
Fund balances:			
Beginning	2,652,031	2,307,640	4,959,671
Ending	\$ 2,899,741	\$ 2,103,367	\$ 5,003,108

See Note to Supplementary Information.

Nonoperating Funds				
	Loan Funds	Plant Funds	Adjustments	Total
\$	-	\$ -	\$ (3,674,622)	\$ 6,894,867
	-	-	-	5,635,737
	-	-	-	126,998
	-	567,969	-	9,703,794
	-	4,889,650	-	8,007,097
	-	-	-	3,540,993
	-	58,359	-	227,209
	-	17,811,377	(17,811,377)	-
	96,132	136,648	(54,977)	2,764,203
	96,132	23,464,003	(21,540,976)	36,900,898
	-	-	-	6,608,653
	-	-	(219,485)	3,296,889
	-	-	(5,113)	4,320,374
	-	-	-	123,438
	-	-	(78,717)	3,765,013
	-	-	-	2,595,514
	-	-	-	531,358
	-	1,471,188	(20,142)	3,431,278
	-	-	(8,089)	2,789,288
	-	-	(3,674,622)	-
	-	1,471,188	(4,006,168)	27,461,805
	-	-	(97,238)	3,809,587
	96,132	-	-	96,132
	-	-	1,557,324	1,557,324
	-	927,166	-	1,186,301
	-	17,437,570	(17,437,570)	-
	-	-	-	-
	96,132	19,835,924	(19,983,652)	34,111,149
	-	891,654	-	216,097
	-	4,519,733	(1,557,324)	3,005,846
	-	32,807,788	(16,791,428)	20,976,031
\$	-	\$ 37,327,521	\$ (18,348,752)	\$ 23,981,877

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Fund Balances

Unrestricted Funds

Year Ended June 30, 2009

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
Tuition and fees	\$ 6,221,178	\$ 2,792,369	\$ 1,266,724	\$ -
Federal appropriations	34,433	7,981	139,378	-
State appropriations	2,504	1,486	-	-
Property tax	-	-	-	-
Interest income from investments	-	-	-	-
Miscellaneous	44,590	55,485	179,279	-
	<u>6,302,705</u>	<u>2,857,321</u>	<u>1,585,381</u>	<u>-</u>
Allocation of support services	6,287,413	1,907,474	2,430,953	-
Total revenues	<u>12,590,118</u>	<u>4,764,795</u>	<u>4,016,334</u>	<u>-</u>
Expenditures:				
Salaries and benefits	5,935,790	2,601,360	1,985,566	-
Services	185,150	66,898	456,224	-
Materials and supplies	65,278	101,541	179,173	-
Travel	17,977	23,791	22,950	-
Expended for plant assets	-	2,220	436	-
Miscellaneous	387,344	-	18,648	-
	<u>6,591,539</u>	<u>2,795,810</u>	<u>2,662,997</u>	<u>-</u>
Allocation of support services	5,095,855	1,545,980	1,970,252	-
Total expenditures	<u>11,687,394</u>	<u>4,341,790</u>	<u>4,633,249</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	902,724	423,005	(616,915)	-
Transfers, nonmandatory	(210,000)	(2,000)	-	-
Net change in fund balances	<u>\$ 692,724</u>	<u>\$ 421,005</u>	<u>\$ (616,915)</u>	<u>\$ -</u>
Fund balances:				
Beginning				
Ending				

See Note to Supplementary Information.

Support						Education and Support Total
Administration	Student Services	Learning Resources	Physical Plant	General Institution		
\$ -	\$ 81,181	\$ -	\$ -	\$ 156,481		\$ 10,517,933
-	36,804	6,354	-	-		224,950
8,591,430	7,120	-	-	-		8,602,540
713,153	-	-	-	-		713,153
132,011	-	-	-	-		132,011
777,074	21,598	14,578	83,362	4,694		1,180,660
10,213,668	146,703	20,932	83,362	161,175		21,371,247
(10,213,668)	(146,703)	(20,932)	(83,362)	(161,175)		-
-	-	-	-	-		21,371,247
959,241	2,085,299	400,765	43,670	1,442,962		15,454,653
326,350	87,455	12,744	1,793,805	589,925		3,518,551
21,236	71,049	114,681	119,112	123,241		795,311
16,585	49,447	3,168	2,960	22,052		158,930
-	-	-	20,142	-		22,798
244,271	17,025	-	-	44,902		712,190
1,567,683	2,310,275	531,358	1,979,689	2,223,082		20,662,433
(1,567,683)	(2,310,275)	(531,358)	(1,979,689)	(2,223,082)		-
-	-	-	-	-		20,662,433
-	-	-	-	-		708,814
67,915	(205)	(1,307)	(383,182)	(17,330)		(546,109)
\$ 67,915	\$ (205)	\$ (1,307)	\$ (383,182)	\$ (17,330)		162,705
						1,408,974
						\$ 1,571,679

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Auxiliary Enterprises
 Year Ended June 30, 2009

	Bookstore	Cafeteria/ Vending
Revenues:		
Tuition and fees	\$ -	\$ -
Federal appropriations	2,184	-
State appropriations	330	-
Sales and services	1,433,267	660,928
Miscellaneous	-	8,612
Total revenues	<u>1,435,781</u>	<u>669,540</u>
Expenditures and other deductions:		
Salaries and benefits	162,250	672
Services	12,086	604,582
Materials and supplies	7,179	2,985
Travel	2,446	-
Expended for plant assets	-	-
Purchases for resale	1,096,322	-
Miscellaneous	14,767	7,548
Total expenditures and other deductions	<u>1,295,050</u>	<u>615,787</u>
Excess (deficiency) of revenues over (under) expenditures	140,731	53,753
Transfers among funds, nonmandatory	<u>(100,000)</u>	-
Net change in fund balances	40,731	53,753
Fund balances:		
Beginning	236,867	181,396
Ending	<u>\$ 277,598</u>	<u>\$ 235,149</u>

See Note to Supplementary Information.

Athletics	Housing	Other	Total
\$ -	\$ 5,513	\$ 45,933	\$ 51,446
-	620	3,948	6,752
-	-	-	330
2,300	1,408,505	35,993	3,540,993
223,951	1,445	291,743	525,751
226,251	1,416,083	377,617	4,125,272
6,410	256,068	50,806	476,206
57,570	445,870	22,022	1,142,130
7,950	161,299	159,931	339,344
4,251	145	728	7,570
-	10,208	87,030	97,238
-	-	-	1,096,322
604,535	78,494	42,671	748,015
680,716	952,084	363,188	3,906,825
(454,465)	463,999	14,429	218,447
455,533	(509,475)	20,500	(133,442)
1,068	(45,476)	34,929	85,005
37,875	294,662	492,257	1,243,057
\$ 38,943	\$ 249,186	\$ 527,186	\$ 1,328,062

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Fund Balances
 Restricted Fund
 Year Ended June 30, 2009

	Insurance	Unemployment Compensation	Early Retirement	Equipment Replacement
Revenues and other additions:				
Tuition and fees	\$ -	\$ -	\$ -	\$ -
Federal appropriations	-	-	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
State appropriations	-	-	-	-
Property tax	1,131,342	35,735	558,061	321,706
Interest income from investments	-	-	-	-
Miscellaneous	269,213	-	-	-
Total revenues and other additions	1,400,555	35,735	558,061	321,706
Expenditures and other deductions:				
Salaries and benefits	68,369	17,548	554,626	-
Services	1,095,048	-	-	66,336
Materials and supplies	-	-	-	85,837
Travel	-	-	-	-
Expended for plant assets	-	-	-	10,004
Interest on indebtedness	-	-	-	-
Scholarships and grants	-	-	-	-
Miscellaneous	22,324	-	-	-
Total expenditures and other deductions	1,185,741	17,548	554,626	162,177
Excess (deficiency) of revenues over (under) expenditures	214,814	18,187	3,435	159,529
Transfers among funds:				
Nonmandatory transfers in	500	-	-	-
Nonmandatory transfers (out)	-	-	-	-
	500	-	-	-
Net change in fund balances	215,314	18,187	3,435	159,529
Fund balances (deficit):				
Beginning	4,859	(3,459)	(120,809)	783,558
Ending	\$ 220,173	\$ 14,728	\$ (117,374)	\$ 943,087

See Note to Supplementary Information.

Cash Reserve	Iowa Industrial New Jobs Training Program	Workforce Investment Act and Promise Jobs	Scholarships	Other	Total
\$ -	\$ -	\$ -	\$ -	\$ 110	\$ 110
-	-	895,578	3,389,586	1,118,871	5,404,035
-	126,998	-	-	-	126,998
-	-	-	-	532,955	532,955
-	357,450	-	-	-	2,404,294
-	30,916	-	-	5,923	36,839
-	-	-	314,415	296,361	879,989
-	515,364	895,578	3,704,001	1,954,220	9,385,220
-	-	562,107	7,641	1,045,367	2,255,658
-	137,758	21,239	-	459,065	1,779,446
-	37,897	48,752	-	214,400	386,886
-	-	6,486	-	21,500	27,986
-	-	-	-	231,588	241,592
-	259,135	-	-	-	259,135
-	-	-	3,647,019	27,603	3,674,622
-	-	263,098	116,369	566,371	968,162
-	434,790	901,682	3,771,029	2,565,894	9,593,487
-	80,574	(6,104)	(67,028)	(611,674)	(208,267)
-	366,554	-	82,722	110,229	560,005
-	(539,345)	-	(16,616)	(50)	(556,011)
-	(172,791)	-	66,106	110,179	3,994
-	(92,217)	(6,104)	(922)	(501,495)	(204,273)
264,342	439,451	59,071	14,508	866,119	2,307,640
\$ 264,342	\$ 347,234	\$ 52,967	\$ 13,586	\$ 364,624	\$ 2,103,367

Iowa Valley Community College District

Schedule of Changes in Deposits Held in Custody for Others
 Agency Funds
 Year Ended June 30, 2009

	Student Clubs and Organizations
Balances, beginning of year	<u>\$ 181,138</u>
Additions:	
Tuition and fees	127,608
State appropriations	-
Sales and services	-
Interest income from investments	-
Miscellaneous	41,163
Transfers in	91,306
Total additions	<u>260,077</u>
Deductions:	
Salaries and benefits	-
Services	1,269
Materials and supplies	-
Travel	146
Scholarships and grants	-
Miscellaneous	154,022
Transfers out	114,020
Total deductions	<u>269,457</u>
Net additions and deductions	<u>(9,380)</u>
Balances, end of year	<u>\$ 171,758</u>

See Note to Supplementary Information.

Iowa Small Business New Jobs Training Program	Other	Total
<u>\$ 277,699</u>	<u>\$ 164,830</u>	<u>\$ 623,667</u>
-	235,403	363,011
221,464	-	221,464
-	16,506	16,506
-	-	-
6,120	382,281	429,564
-	1,000	92,306
<u>227,584</u>	<u>635,190</u>	<u>1,122,851</u>
-	266,493	266,493
115,840	61,470	178,579
-	33,723	33,723
-	1,159	1,305
-	17,968	17,968
-	82,847	236,869
5,354	189,029	308,403
<u>121,194</u>	<u>652,689</u>	<u>1,043,340</u>
<u>106,390</u>	<u>(17,499)</u>	<u>79,511</u>
<u>\$ 384,089</u>	<u>\$ 147,331</u>	<u>\$ 703,178</u>

Iowa Valley Community College District

Note to Supplementary Information Year Ended June 30, 2009

Statements presented in the supplementary information are reported using the current financial resources measurement focus and the accrual basis of accounting, except for depreciation. The schedule of revenues, expenditures and changes in fund balances is the statement of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses. In order to ensure observance of limitations and restrictions placed on the use of the resources available to the District, the accounts of the District are maintained in accordance with the principles of "fund accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions are accounted for and reported by fund group. Within each fund group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds allocated for specific purposes by action of the governing board. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds and are in contrast with unrestricted funds over which the governing board retains full control to use in achieving any of its institutional purposes.

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

The District utilizes the following fund groups:

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

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

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

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

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

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

Iowa Valley Community College District

Note to Supplementary Information
Year Ended June 30, 2009

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

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

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

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

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

Agency Funds: The Agency Funds are used to account for assets held by the District in a custodial capacity or as an agent for others. Agency Funds' assets equal liabilities. Transactions of the Agency Funds represent charges or credits to the individual asset and liability accounts and do not involve measurement of revenues or expenditures.

Iowa Valley Community College District

Schedule of Credit and Contact Hours
Year Ended June 30, 2009

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	52,774	-	52,774	946,645	-	946,645
Vocational preparatory	13,474	-	13,474	287,193	-	287,193
Adult/continuing education	-	-	-	309,611	50,782 *	360,393
Related services and activities	-	-	-	-	5,616	5,616
	<u>66,248</u>	<u>-</u>	<u>66,248</u>	<u>1,543,449</u>	<u>56,398</u>	<u>1,599,847</u>

* Includes 240 hour adjustment of 12,420 hours.

Iowa Valley Community College District

Comparison of Taxes and Intergovernmental Revenues
Years Ended June 30, 2009, 2008, 2007 and 2006

	2009	2008	2007	2006
Local property tax	\$ 8,007,097	\$ 6,111,570	\$ 2,974,441	\$ 4,185,012
State	9,703,794	9,286,788	8,173,972	7,796,195
Federal	5,635,737	5,398,207	4,961,791	4,817,427
	<u>\$ 23,346,628</u>	<u>\$ 20,796,565</u>	<u>\$ 16,110,204</u>	<u>\$ 16,798,634</u>

Iowa Valley Community College District

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

	2009	2008	2007	2006
Revenues:				
Tuition and fees	\$ 10,569,489	\$ 9,722,717	\$ 9,308,933	\$ 9,215,995
Federal appropriations	5,635,737	5,398,207	4,961,791	4,817,427
Iowa Industrial New Jobs Training Program	126,998	443,054	849,651	1,000,696
State appropriations	9,135,825	8,790,312	8,076,377	7,697,195
Property tax	3,117,447	2,676,194	2,285,177	3,534,365
Interest income from investments	168,850	342,254	468,224	372,736
Auxiliary enterprises	3,540,993	3,096,711	3,094,615	2,785,620
Miscellaneous	2,586,400	2,700,872	1,981,019	2,474,123
	\$ 34,881,739	\$ 33,170,321	\$ 31,025,787	\$ 31,898,157
Expenditures:				
Liberal arts and sciences	\$ 6,608,653	\$ 6,277,936	\$ 5,704,349	\$ 5,587,359
Vocational technical	3,516,374	3,117,830	2,764,019	2,787,184
Adult education	4,325,487	4,353,103	4,357,449	4,563,086
Cooperative services	123,438	547,971	722,804	716,523
Administration	3,843,730	2,646,141	2,609,614	4,004,208
Student services	2,595,514	2,668,599	2,505,632	2,429,067
Learning resources	531,358	485,317	502,383	500,043
Physical plant	1,980,232	1,846,972	1,792,134	1,814,962
General institution	2,797,377	2,930,965	2,614,364	2,363,806
Auxiliary enterprises	3,906,825	3,328,213	3,257,506	2,941,075
Scholarships and grants	3,674,622	3,136,390	2,850,073	2,919,550
Interest on indebtedness	259,135	303,319	362,595	407,133
	\$ 34,162,745	\$ 31,642,756	\$ 30,042,922	\$ 31,033,996

Iowa Valley Community College District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Name	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures	New Loans
U.S. Department of Education:				
Direct programs:				
Federal Supplemental Educational Opportunity Grants (SEOG)	N/A	84.007	\$ 122,400	\$ -
Federal Family Education Loans (FFEL)	N/A	84.032	-	6,941,692
Federal Work-Study Program (FWS)	N/A	84.033	108,772	-
Federal Pell Grant Program	N/A	84.063	3,105,359	-
Federal Academic Competitiveness Grant Program (ACG)	N/A	84.375	48,300	-
Total Student Financial Assistance Cluster			3,384,831	6,941,692
Passed through Iowa Department of Education:				
Vocational education:				
Carl Perkins	IIC	84.048A	122,888	-
Non-Traditional Students	35404	84.048A	4,303	-
Entitlement - Non Traditional Sex Equity	35605	84.048A	3,863	-
Tech Prep Curriculum Development	III	84.243A	66,934	-
Math and CTE Grant	103508	84.243A	2,075	-
Strengthening Institutions Title III	P031A030086	84.031A	123,539	-
iCreate Title III	P031A060238	84.031A	343,730	-
Funds for the Improvement of Postsecondary Education	P116Z050160	84.116Z	128,016	-
Teacher Training	N/A	84.002	4,870	-
Adult Basic Education	N/A	84.002	106,772	-
ESL	N/A	84.002	24,179	-
Total U.S. Department of Education			4,316,000	6,941,692
U.S. Department of Labor:				
Passed through Iowa Workforce Development:				
Non-ARRA Workforce Investment Act (WIA):				
Adult Formula and Statewide	7-W-06-FR-0	17.258	159,134	-
Youth and Statewide	7-W-06-FR-0	17.259	95,257	-
Dislocated Worker	7-W-06-FR-0	17.260	144,013	-
Title I Early Intervention	8-W-PF-RR-0-11	17.260	39,956	-
Title I Early Intervention	9-W-PF-RR-2-07	17.260	61,439	-
Title I Early Intervention	9-W-PF-RR-0-08	17.260	13,920	-
Staff Training	N/A	17.260	1,181	-
Total Non-ARRA Workforce Investment Act			514,900	-
ARRA Workforce Investment Act (WIA):				
ARRA Adult Formula and Statewide	108-PF22	17.258	208	-
ARRA Adult Formula and Statewide	108-PFAU	17.258	1,412	-
ARRA Youth and Statewide	108-PFYT	17.259	7,386	-
ARRA Dislocated Worker	108-PFDW	17.260	10,019	-
Total ARRA Workforce Investment Act			19,025	-
Total Workforce Investment Act Cluster			\$ 533,925	\$ -

(Continued)

Iowa Valley Community College District

Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Name	Pass-Through Entity Identifying Number	Federal CFDA Number	Federal Expenditures	New Loans
Trade Adjustment Assistance Workers Unemployment Insurance	108-PFTT 107-PFUC	17.245 17.225	\$ 10,496 13,844	\$ - -
ARRA - Re-employment Services	108-PFRS	17.207	2,291	-
Employment Services (Wagner Peyser)	108-PFWP	17.207	3,496	-
WIA National Emergency Grant 08	108-PF8F	17.277	124,600	-
WIA National Emergency Grant 09	108-PFF9	17.277	72,117	-
Latham	AF147190560	17.261	32,139	-
Passed through Iowa Department of Education:				
Employment and Training Administration Pilots, Demonstrations, and Research Projects - New Iowan Center	7-W-16-FR-0	17.261	4,160	-
Mine Safety Health Administration	N/A	17.602	1,775	-
Family Literacy	N/A	17.267	42,054	-
Total U.S. Department of Labor			840,897	-
U.S. Department of Health and Human Services:				
Passed through Iowa Workforce Development, Job Opportunities and Basic Skills Training (Promise Jobs)	7-W-06-FR-0	93.558	391,098	-
U.S. Department of Agriculture:				
Passed through Consumers Energy Rural Economic Development Loan	N/A	10.unknown	300,000	-
			\$ 5,847,995	\$ 6,941,692

See Note to Schedule of Expenditures of Federal Awards.

Iowa Valley Community College District

Note to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009

Note 1. Basis of Presentation

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

Iowa Valley Community College District

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2009

Comment	Corrective Action
<u>Significant Deficiencies in Internal Control over Financial Reporting:</u>	
08-II-A: Inadequate segregation of duties over the payroll cycle.	<u>Uncorrected.</u> See current year finding at 09-II-A.
08-II-B: Inadequate segregation of duties over the cash receipts and billing cycle.	<u>Uncorrected.</u> See current year finding at 09-II-B.
08-II-C: Inadequate post closing and financial reporting process.	<u>Uncorrected.</u> See current year finding at 09-II-C.
<u>Compliance reporting</u>	
08-III-A: Inadequate procurement procedures for Title III program	<u>Corrected.</u>
<u>Statutory reporting:</u>	
IV-I-08: Contact hours reported did not agree to class schedule.	<u>Uncorrected.</u> See current year finding at IV-I-09.

McGladrey & Pullen

Certified Public Accountants

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

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

We have audited the financial statements of Iowa Valley Community College District as of and for the year ended June 30, 2009, and have issued our report thereon dated March 30, 2010. The discretely presented component units' financial statements were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not extend to the discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 09-II-A, 09-II-B, 09-II-C and 09-II-D to be significant deficiencies 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 entity'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, of the significant deficiencies described above, we consider item 09-II-C to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Valley Community College District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain immaterial instances of noncompliance that are described in Part IV of the accompanying schedule of findings and questioned costs. Comments involving statutory and other legal matters about Iowa Valley Community College District's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of Iowa Valley Community College District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Iowa Valley Community College District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Iowa Valley Community College District's responses and, accordingly, we express no opinion on them.

We noted certain matters that we reported to management of Iowa Valley Community College District in a separate letter dated March 30, 2010.

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

McGladrey & Pullen, LLP

Davenport, Iowa
March 30, 2010

McGladrey & Pullen

Certified Public Accountants

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

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

Scope of this Report

Iowa Valley Community College District's basic financial statements include the financial statements of Ellsworth College Foundation and Marshalltown Community College Foundation, discretely presented component units, which are unaudited. We did not audit the discretely presented component units for their compliance with requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement*, and accordingly, this report does not extend to the discretely presented component units.

Compliance

We have audited the compliance of Iowa Valley Community College District with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. Iowa Valley Community College District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Iowa Valley Community College District's management. Our responsibility is to express an opinion on Iowa Valley Community College District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iowa Valley Community College District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Iowa Valley Community College District's compliance with those requirements.

In our opinion, Iowa Valley Community College District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of Iowa Valley Community College District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Iowa Valley Community College District's internal control over compliance with the 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 the Iowa Valley Community College District's internal control over compliance.

A control deficiency in an entity'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 entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

McGladrey & Pullen, LLP

Davenport, Iowa
March 30, 2010

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

I. Summary of Independent Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be a material weakness(es)? Yes X None Reported

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

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

Identification of major programs:

CFDA Number	Name of Federal Program
84.007	Federal Supplemental Educational Opportunity Grants (SEOG)
84.032	Federal Family Education Loans (FFEL)
84.033	Federal Work-Study Program (FWS)
84.063	Federal Pell Grant Program
84.375	Federal Academic Competitiveness Grant Program (ACG)
17.258	WIA Adult Formula and Statewide
17.259	WIA Youth and Statewide
17.260	WIA Dislocated Worker
17.260	WIA Title I Early Intervention
17.260	WIA Staff Training
17.258	ARRA – WIA Adult Formula and Statewide
17.259	ARRA – WIA Youth and Statewide
17.260	ARRA – WIA Dislocated Workers

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Dollar threshold used to distinguish between
type A and type B programs \$383,690

Auditee qualified as low-risk auditee? Yes X No

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

(A) Significant Deficiencies in Internal Control

09-II-A

Finding: The District has an inadequate segregation of duties over the payroll transaction cycle.

Condition: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual shall handle a transaction from inception to completion. The District's payroll clerk inputs new employee file maintenance, inputs time cards, prints payroll checks and delivers payroll checks to department heads. However, the District does perform an independent review of Federal Work-Study wages to ensure total wages paid to individuals do not exceed the award amount.

Context: Pervasive to payroll transactions.

Effect: Misappropriation of assets or an undetected error in the financial statements could occur.

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

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

09-II-B

Finding: The District has an inadequate segregation of duties over the cash receipts and billing cycle.

Condition: A system of internal control contemplates an adequate segregation of duties. An adequate segregation of duties requires that no one individual shall handle a transaction from inception to completion. The District's accounts receivable clerk and others can enter billings, generate checks and also collect cash, prepare deposits, post receipts, issues credits to students' accounts and perform reconciliation functions.

Context: Pervasive to the cash receipts and billing transactions.

Effect: Misappropriation of assets or an undetected error in the financial statements could occur.

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

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

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

09-II-C

Finding: The post closing and financial reporting system did not identify material adjustments needed to comply with accounting principles generally accepted in the United States of America.

Condition: A system of financial reporting should address all major account balances to ensure all adjustments are made to balances at year-end. During our audit, several adjustments were required to be made to the trial balance in order to comply with accounting principles generally accepted in the United States of America as follows: allowance for bad debts was not adjusted, capitalized interest was incorrectly recorded, property taxes were not adjusted, assets were not appropriately capitalized, revenues and expenditures related to federal awards were not appropriately recorded, certain liabilities were incorrectly calculated and recorded at year end, capitalized interest was not depreciated when projects were completed and revenues and receivables were recorded in the incorrect fund.

Context: Pervasive to the financial statements as a whole.

Effect: Material misstatement of the financial statements could occur.

Recommendation: Given these items are more complex in nature, we recommend the District look for ways to improve its financial reporting system by assigning reconciliations and reviews to various individuals.

Response and Corrective Action Plan: The District agrees with the recommendation and will consider assigning reconciliations reviews accordingly.

09-II-D

Finding: Global access rights have been granted to two individuals in the IT department.

Condition: A system of internal control contemplates an adequate segregation of duties. Global access rights allow for circumvention of the segregation of duties. Additionally, one of the two individuals with global access rights is a former employee of the finance department. This individual has the access and knowledge to circumvent the system and conceal potential fraud.

Context: Pervasive to the financial statements as a whole.

Effect: Misappropriation of assets or an undetected error in the financial statements could occur.

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Recommendation: We recommend that access to all areas of the software be restricted to only those individuals who are authorized to edit that information.

Response and Corrective Action Plan: Management will work with IT to determine the appropriate access rights and make the appropriate changes.

(B) Compliance Findings

None reported.

III. Findings and Questioned Costs for Federal Awards

(A) Significant Deficiencies in Internal Control

None reported.

(B) Compliance Findings

None reported.

IV. Other Findings Related to Required Statutory Reporting

- IV-A-09 Certified Budget – Expenditures for the year ended June 30, 2009 did not exceed the amounts budgeted.
- IV-B-09 Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-09 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-09 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-09 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- IV-F-09 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-09 Publication – The District published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

- IV-H-09 Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- IV-I-09 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the District were supported by detailed records maintained by the District, except for the following:

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2009

Category	Credit Hours Reported	Total Per Supporting Documentation	Difference	Contact Hours Reported	Total Per Supporting Documentation	Difference
Arts & Sciences - Liberal/General Studies	N/A	N/A	N/A	242	234	8
Vocational Education - Computer Network Management	N/A	N/A	N/A	70	100	(30)
Vocational Education - Construction Technology	10	11	(1)	352	360	(8)
Vocational Education - Nursing Practical	5	0	5	0	44	(44)
Vocational Education - Machine Tool Technology	N/A	N/A	N/A	150	84	66
Vocational Education - Dental Assisting	N/A	N/A	N/A	35	33	2
Adult Continuing Education - Health Professional and Related Clinical Sciences	N/A	N/A	N/A	1	0	1
Adult Continuing Education - Leisure and Recreational Activities	N/A	N/A	N/A	6	7	(1)
Adult Literacy - High School/Secondary Programs	N/A	N/A	N/A	5	14	(9)

Recommendation – The District should verify that the number of credit and contact hours reported for each course agrees to the class schedule. The District should also monitor the submission of the credit and credit contact hours to ensure the hours are reported in the correct fiscal year,

Response – The District will process credit hours and contact hours within a single office to ensure agreement to class schedules. Methodologies for calculating reported hours and credits will also be evaluated by management to simplify and standardize calculations within the District. The District will also ensure that dates for point-in-time reporting are in compliance. Any discrepancies will be investigated by management and management will develop a plan for further improvement.

Conclusion – Response accepted.

Iowa Valley Community College District

Corrective Action Plan
Year Ended June 30, 2009

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
Significant Deficiencies in Internal Control over Financial Reporting:				
09-II-A	Inadequate segregation of duties over the payroll cycle.	See corrective action plan at 09-II-A.	Dan Gillen Vice President of Finance and Facilities	June 2010
09-II-B	Inadequate segregation of duties over the cash receipts and billing cycle.	See corrective action plan at 09-II-B.	Dan Gillen Vice President of Finance and Facilities	June 2010
09-II-C	Inadequate post closing and financial reporting process.	See corrective action plan at 09-II-C.	Dan Gillen Vice President of Finance and Facilities	June 2010
09-II-D	Global access rights to the system.	See corrective action plan at 09-II-D.	Dan Gillen Vice President of Finance and Facilities	June 2010
Statutory Reporting:				
IV-I-09	Contact hours reported did not agree to class schedule.	See corrective action plan at IV-I-09.	Chris Russell Chief Academic Officer	June 2010

McGladrey & Pullen

Certified Public Accountants

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

In planning and performing our audit of the financial statements of Iowa Valley Community College District as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Iowa Valley Community College District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

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.

We have provided under separate cover letter, dated March 30, 2010, concerning significant deficiencies and a material weakness in internal control.

The following is a listing of identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Disbursements

- An approved vendor list is maintained by the District. However, vendors can added to the approved vendor list without obtaining documentation of the vendor's existence or reputation. Once a vendor is added to the list, purchases can be made without further investigation. This process would allow a fictitious vendor to be created in the system. All new vendors should be approved and investigated prior to entry into the vendor list and documentation of the inquiry should be maintained.

- Many individuals have access to check writing functions and each individual has access to write all types of checks. For example, an accounts receivable clerk who only writes financial aid refund checks has access to write accounts payable checks. It is recommended that check writing be centralized to the accounts payable clerk with an appropriate backup individual in place and restrict all others access to the check writing module in order to properly safeguard cash.
- Access to the vault is given to many employees with the vault left open during business hours. It is recommended that the combination to the vault only be given to certain individuals and that the vault is kept locked at all times. This will prevent any unauthorized access and will allow only those authorized to monitor use of the vault.
- Checks are printed before Board approval for disbursement. Checks are printed weekly and held in the vault until Board approval later that week. Checks are mailed upon Board approval. It is recommended that a listing of disbursement requests be sent to the Board prior to printing checks. Only those invoices approved for payment would then be processed and mailed to the vendor. This will eliminate the possibility of unapproved checks from being distributed and will allow the records to reflect the true amount of cash and payables.
- Computer purchases do not follow the regular approval cycle in accounts payable. Computer needs are communicated to IT. IT then creates a requisition and sends it to the IT supervisor who approves it even though it will be charged to a different department. It is recommended that all purchases are also approved by the department that will be charged in order to encourage accountability.
- The District processes immediate checks for various departments. There is no threshold for these types of checks and Board approval is not required prior to disbursing the funds. It is recommended that the District:

Establish a threshold for use of immediate checks and/or requiring prior Board approval. The District should also evaluate the usage of immediate checks to determine if these requests are truly immediate needs or a matter of convenience to various departments. Only immediate cash needs should be processed utilizing the immediate check function with the remaining requests processed through the normal disbursement process.

Consider the use of a corporate credit card or PCard for these types of disbursements. The credit card should be maintained in a secure location. There should be set disbursement limits as well as daily use limits incorporated into the use of any credit card maintained by the District. As with any disbursement, proper documentation regarding the business purpose of the expense should be obtained prior to the use of the card.

Capital Assets

- The District does not perform a physical inventory count of capital assets. Assets are not evaluated for impairment and fully depreciated assets are not regularly examined to see if they are still in use. It is recommended the District take a physical inventory count of capital assets on an annual basis to obtain an accurate inventory listing.

Computer Access

- The programmer for the District's accounting software has access to modify and/or delete journal entries and has been asked to do so by management. When an entry is deleted it is completely wiped from the system. Incorrectly deleted or modified entries could cause undetected errors in the financial statements. It is recommended that access to modify journal entries be granted only to those who are authorized to make entries and that incorrect entries be corrected with correcting journal entries instead of deletion or modification subsequent to posting.

Debt

- It is our understanding the District relies on bond counsel to monitor the District's compliance with debt covenants and to calculate arbitrage liability. During our testing, it was noted the District had not received anything in writing that indicated if the District was or was not in compliance with the debt covenants. In addition, the District had not received anything in writing regarding whether or not there was a potential arbitrage liability. While we recognize the District has elected to use specialists for these calculations, the District is responsible for establishing a system to monitor this compliance. We recommend the District receive written documentation regarding this compliance based on the level monetarily required by the covenants, but not less than annually.

Procurement

- The District purchased a building from the ECC Trustees without a written agreement. Based upon discussions with management, the building had not gone through bidding and public notice procedures raising the question of compliance with State Statutes. We recommend that buildings or other assets that the District intends to purchase or construct be purchased or constructed directly by the District and that all required bidding and public notice procedures under State Statutes are followed.

In addition, we have the following comments and suggestions for your consideration.

Accounts Receivable

- The District initially records all student accounts receivable in the current unrestricted fund. At month-end, a portion of these receivables is allocated to the auxiliary and agency funds. The District has been using the same percentage to allocate these student accounts receivable for the past ten years. It is recommended that the District re-evaluate these percentages to make sure the allocation is still appropriate.
- The District does not write off old, uncollectible accounts. These accounts are reserved for with the allowance for doubtful accounts. We recommend that the amount of the accounts that are truly uncollectible (WO accounts) are adjusted at year-end for report purposes. This would eliminate the large allowance balance which could be misleading to users of the financial statements.

Interest

- The District did not allocate interest earned on cash to the appropriate funds. All interest earned on cash was left in the general operating fund. It is recommended that the District allocate this interest to ensure the earnings are recorded in the appropriate fund.

New Jobs Training Program

- The District does not require participating companies in the New Jobs Training Program (NJTP) to send a list of employee names that are considered to be under NJTP. It is recommended a listing of NJTP employees be obtained at the start of the program to cross reference this list with the employees the company is claiming for training. This will help prevent the District from reimbursing training dollars to the company for employees that do not qualify under the NJTP.
- The District does not require participating companies in the New Jobs Training Program to send payroll reports that lists each employee and amount of withholding submitted to the District. It is recommended a listing of all employees with a corresponding amount of withholding submitted be sent to the District along with the company's check. This list of employees should be matched to a list of proper employees under the company's eligible certificates. Matching these reports will allow the District to verify that withholdings are on eligible employees as well as prevent withholdings from being received on employees who are ineligible due to expired certificates or employees that are not approved under the program.

Title IV Student Financial Aid and other Federal Programs

- During the compliance audit it was noted the federal drawdowns are not performed monthly. It is recommended that the District perform drawdowns monthly to avoid cash shortages.

Policies

- Many policies are unwritten. For example, the District does not have a written policy on allowable charges and approvals for expenditures paid for with credit cards. In addition, there is no formal policy for recording and calculating overtime pay. It is recommended that the District consider drafting and implementing formal, written policies on issues that are unclear or are only verbal. This will help improve controls as well as make employees accountable for the policies in place.
- There is no formal whistleblower policy in place. It is recommended implementing a formal whistleblower policy that allows employees to report fraud or suspicious activity without the threat of losing his/her job.

Information Technology

- Disaster recovery plan: While the District has some plans and policies in place related to what would occur if there was a disaster, the District does not have a comprehensive written business recovery plan. The IT plans and policies were written in 1997 and may be out dated. In addition, not all employees are familiar with the IT plan. In the case of a disaster, District services could be interrupted. It is recommended that the District begin developing and implementing such a plan. The plan should include business functions that go beyond just information systems. A successful plan must also provide for regular testing of the plan. Some of the benefits of preparing a workable plan are as follows:

- Minimizing potential economic loss
- Reducing potential legal liability
- Minimizing disruptions to operations
- Ensuring organizational stability
- Providing an orderly recovery
- Reducing the probability of occurrence
- Minimizing insurance premiums
- Protecting employees
- Protecting assets
- Reducing reliance on key personnel
- Minimizing decision making during a disaster event
- Reducing delays
- Complying with statutory and regulatory requirements

- Computer access: Currently the District completes a form for any terminated employee to end the employee's computer access. A supervisor in the employee's department completes the form and then forwards to the Information Technology Department. The process is not always completed. It is recommended that terminations are communicated to Information Technology immediately to prevent terminated employees from having access to the District's network.
- Policies: All policies and procedures related to Information Technology should be formally drafted and implemented. For example, the District's policy on password utilization and frequency of changing passwords should be committed to writing. Other policies to consider include an Information Technology strategy, a security policy, end-user computing policies or a system administration policy. Formally documenting policies will allow District management to hold employees accountable for adherence to policies and procedures in the Information Technology area.

Tax Penalty Exposure

- The District provides many valuable fringe benefits to its employees. As you are aware, the tax issues surrounding fringe benefits are detailed and complex. Providing the proper tax treatment of the fringe benefits eliminates future surprises. It is recommended the District consider having a tax penalty exposure review performed, specifically in regard to W-2 reporting. The review includes making inquiries of the District's personnel concerning the transaction and events subject to information reporting requirements. The inquiries are to determine if procedures are in place to properly comply with such requirements and to minimize exposure to penalties. The process should include the following:

- Form 941 – FICA and federal income tax withholding
- Form 940 – FUTA taxes
- Form W-2 – Employees' earnings and withholdings
- Backup withholding
- Magnetic media reporting
- Form 1099-INT – Interest reporting
- Form 1099-MISC – Miscellaneous reporting
- Contractor vs. employee status
- Form I-9 – Unlawful employment of aliens
- Taxable fringe benefits, including employer-owned vehicles, discounts on property or services, memberships, tickets to entertainment or sporting events, cell phones, lodging and travel.

This communication is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties. We appreciate serving the District and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

McGladrey & Pullen, LLP

Davenport, Iowa
March 30, 2010