

Iowa Valley Community College District

Financial and Compliance Report
June 30, 2010

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Iowa Valley Community College District

Officials

Name	Title	Term Expires
Board of Directors		
Conrad DeJardin	President	2011
Yvonne Mallory	Vice President	2013
Debra Johnson	Member	2011
Larry Johnson	Member	2011
Deborah Jones	Member	2013
Delbert Kellogg	Member	2013
Paul Pohlson	Member	2011
Area School		
Dr. Christopher Duree	Chancellor	
Dan Gillen	Vice President - Finance and Facilities Management and Board Treasurer	
Barbara Jennings	Board Secretary	



Independent Auditor's Report

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

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component units of Iowa Valley Community College District (District), Marshalltown, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements 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.

Except as discussed in the following paragraph, 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. 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.

The financial statements of Marshalltown Community College Foundation and Ellsworth College Foundation (Foundations) have not been audited, and we were not engaged to audit the Foundations' financial statements as part of our audit of the District's basic financial statements. The Foundations' financial activities are included in the District's basic financial statements as discretely presented component units and represent 100% of the assets, net assets and revenues of the District's aggregate discretely presented component units.

Because the Foundations' financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component units of Iowa Valley Community College District, Marshalltown, Iowa, as of and for the year ended June 30, 2010.

In addition, in our opinion the financial statements referred to previously present fairly, in all material respects, the respective financial position of the business-type activities of Iowa Valley Community College District as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof 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 31, 2011 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 and the Postemployment Medical Benefit Plan Schedule of Funding Progress on page 37 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 31, 2011

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2010

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, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Financial Highlights

- District operating revenues increased 29%, or approximately \$5,500,000 compared to fiscal year 2009. The gain was primarily due to increases in tuition, federal appropriations, New Jobs Training Program, Auxiliary enterprise revenue and miscellaneous revenue.
- In fiscal year 2009, 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.
- District operating expenses increased 10%, or approximately \$3,400,000 compared to fiscal year 2009. The increase was primarily due to costs for physical plant, Auxiliary enterprises and depreciation.
- In fiscal year 2009, 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 cost and costs incurred from flooding at the Grinnell campus.
- The District's net assets increased 16%, or approximately \$3,800,000 from fiscal year 2009.
- In fiscal year 2009, the District's net assets increased 14%, or approximately \$3,000,000 from fiscal year 2008.

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, 2010

Reporting the District as a Whole

The Statement of Net Assets

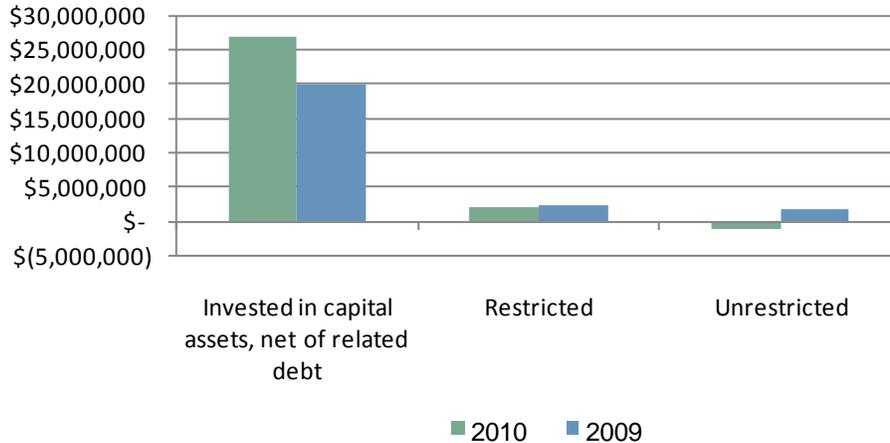
The Statement of Net Assets presents the assets, liabilities, and net assets of the District, as a whole, as of the end of the fiscal year. The Statement of Net Assets is a point-in-time financial statement. The purpose of this statement is to present a fiscal snapshot of the District to the readers 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,	
	2010	2009
Current assets	\$ 21,302,820	\$ 23,915,504
Other assets	360,031	212,008
Capital assets, net of accumulated depreciation	61,894,476	57,454,210
Total assets	83,557,327	81,581,722
Current liabilities	18,834,831	19,051,368
Noncurrent liabilities	36,899,854	38,548,477
Total liabilities	55,734,685	57,599,845
Net assets:		
Invested in capital assets, net of related debt	26,861,188	20,027,416
Restricted	2,012,330	2,220,741
Unrestricted	(1,050,876)	1,733,720
Total net assets	\$ 27,822,642	\$ 23,981,877

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2010

Comparison of Net Assets



The largest portion of the District's net assets (87%) 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 (11%) includes resources that are subject to external restrictions. The remaining net assets (2%) are the unrestricted net assets that can be used to meet the District's obligations as they come due.

Fiscal Year 2010: The District issued contracts payable of approximately \$700,000 and took out another USDA 0% rural development loan in the amount of \$300,000. This debt was used to fund equipment purchases and continue to fund building of the new Agricultural and Renewable Energy Center.

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.

Iowa Valley Community College District

**Management's Discussion and Analysis
Year Ended June 30, 2010**

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.

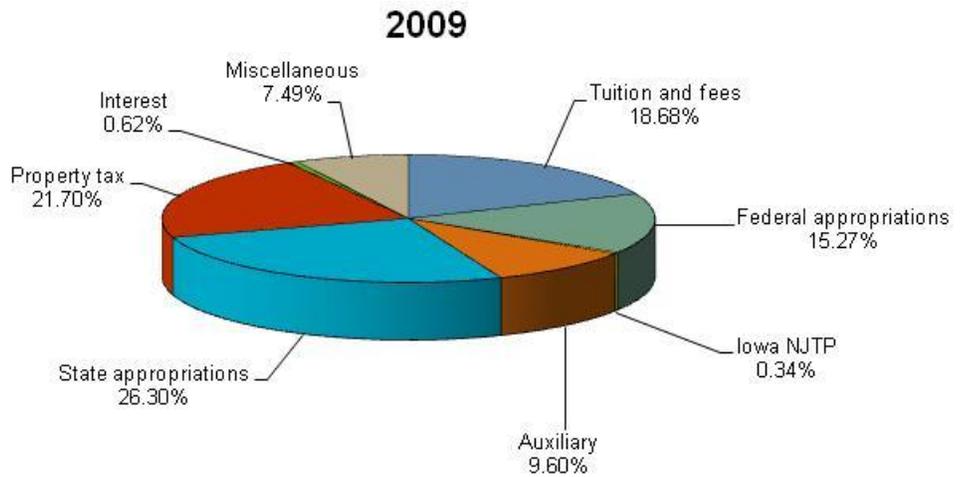
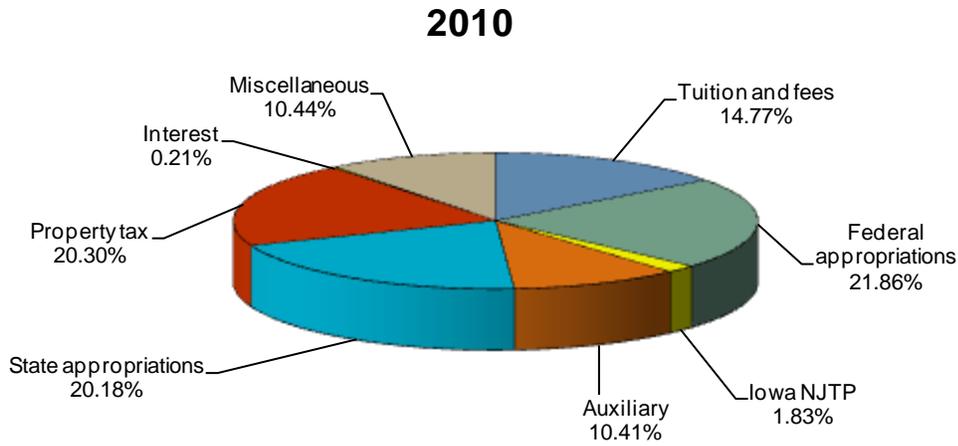
In general, a public college, such as Iowa Valley Community College District, will report an operating loss since the financial reporting model classifies state appropriations and property tax as nonoperating revenues. Operating revenues are received for providing goods and services to the students, 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.

	Year Ended June 30,	
	2010	2009
Changes in Net Assets		
Operating revenues:		
Tuition and fees	\$ 6,103,050	\$ 6,894,867
Federal appropriations	9,031,124	5,635,737
Iowa Industrial New Jobs Training Program	755,284	126,998
Auxiliary enterprise revenue	4,301,360	3,540,993
Miscellaneous	4,318,665	2,764,203
Nonoperating revenues and transfers:		
State appropriations	8,339,792	9,703,794
Property tax	8,387,272	8,007,097
Interest income on investments	85,950	227,209
Total revenues and transfers	41,322,497	36,900,898
Operating expenses	36,346,826	32,924,848
Interest on indebtedness	1,410,313	1,186,301
Total expenses	37,757,139	34,111,149
Transfers from agency fund	275,407	216,097
Increase in net assets	3,840,765	3,005,846
Net assets:		
Beginning	23,981,877	20,976,031
Ending	\$ 27,822,642	\$ 23,981,877

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2010

Total Revenues by Source



Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2010

In fiscal year 2010, operating revenue increased by approximately \$5,500,000. The following factors represent the significant changes:

- Federal appropriations increased \$3,400,000 due to ARRA Stimulus Funds which supplemented State General Aid, Auxiliary enterprise revenue increased approximately \$800,000 and miscellaneous revenue in the Plant Fund increased due primarily to approximately \$1,600,000 received from private fundraising for capital projects.

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:

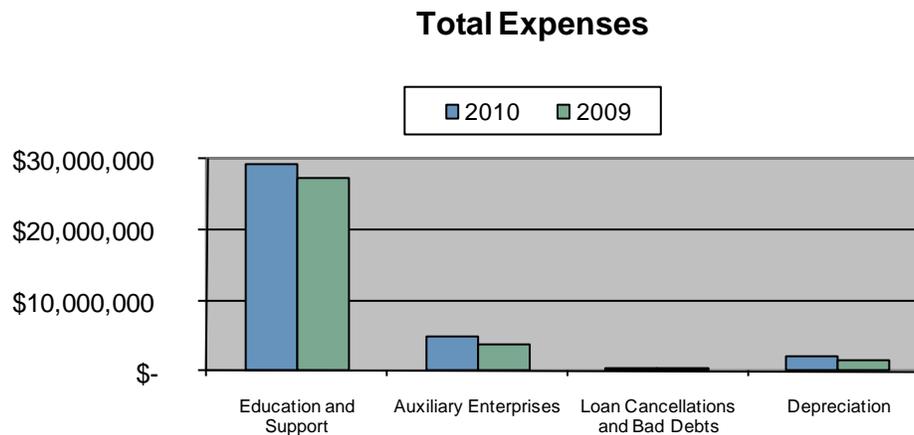
- Iowa Industrial New Jobs Training Program decreased \$316,000, miscellaneous revenue decreased \$733,000 and interest income decreased \$587,000.
- Auxiliary enterprise revenue increased \$444,000, primarily due to housing increase of \$177,000 and property tax revenue increased \$1,895,000.

Operating Expenses

	Year Ended June 30,	
	2010	2009
Education and support:		
Liberal arts and sciences	\$ 6,563,330	\$ 6,608,653
Vocational technical	3,197,255	3,296,889
Adult education	4,385,891	4,320,374
Cooperative services	906,370	123,438
Administration	4,052,781	3,765,013
Student services	2,226,385	2,595,514
Learning resources	403,881	531,358
Physical plant	4,547,661	3,431,278
General institution	3,080,680	2,789,288
Auxiliary enterprises	4,836,633	3,809,587
Loan cancellations and bad debts	76,977	96,132
Depreciation	2,068,982	1,557,324
Total operating expenses	\$ 36,346,826	\$ 32,924,848

Iowa Valley Community College District

Management's Discussion and Analysis
Year Ended June 30, 2010



In fiscal year 2010, operating expenses increased by approximately \$3,400,000. The following factors represent the significant changes:

- Cooperative services costs increased approximately \$800,000, physical plant costs increased approximately \$1,100,000, Auxiliary enterprise costs increased approximately \$1,000,000 and depreciation increased approximately \$500,000.

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, 2010

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,	
	2010	2009
Cash provided by (used in):		
Operating activities	\$ (10,421,484)	\$ (13,851,724)
Noncapital financing activities	16,778,189	17,972,059
Capital and related financing activities	(8,824,208)	(15,055,801)
Investing activities	85,950	227,209
Net increase (decrease) in cash	(2,381,553)	(10,708,257)
Cash:		
Beginning	11,854,915	22,563,172
Ending	\$ 9,473,362	\$ 11,854,915

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

Capital Assets

As of June 30, 2010, the District had approximately \$62,000,000 invested in capital assets, net of accumulated depreciation of \$20,300,000. Depreciation charges totaled approximately \$2,100,000 for fiscal year 2010. Details of capital assets are shown below.

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.

Capital Assets (Excluding Component Units), Net	June 30,	
	2010	2009
Land	\$ 3,368,887	\$ 3,368,887
Construction in progress	108,284	20,049,600
Buildings	55,716,345	31,666,651
Improvements other than buildings	540,479	558,723
Equipment and vehicles	2,160,481	1,810,349
Totals	\$ 61,894,476	\$ 57,454,210

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

Iowa Valley Community College District

**Management's Discussion and Analysis
Year Ended June 30, 2010**

Debt

As of June 30, 2010, the District had \$40,259,662 in debt outstanding. This represents a decrease of approximately \$1,700,000 from 2009.

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.

Outstanding Debt	June 30,	
	2010	2009
Certificates payable	\$ 4,475,000	\$ 3,675,000
Notes payable and revenue bonds	35,784,662	38,227,888
	<u>\$ 40,259,662</u>	<u>\$ 41,902,888</u>

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

Economic Factors

Iowa Valley Community College District experienced an increase in the unrestricted general operating fund (fund 1) net assets of approximately \$600,000. This is an improvement from 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 decreased approximately \$1,400,000 in fiscal year 2010, a decrease of 14%. Much of this amount was backfilled by ARRA Stimulus Funds; however, those funds are no longer available.

Property Valuations increased approximately \$140,000,000 or 4% for the 2011 collection year. For the 2012 collection year, the increase is also \$140,000,000 or 4%.

Property Tax from the .2025 fixed rate levy comprised 3.5% of general operating fund revenue in fiscal year 2010.

Tuition and Fee Revenue collections in the general operating fund were consistent and are the largest source of revenue for the fund, representing 53% 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.

Iowa Valley Community College District

Management's Discussion and Analysis Year Ended June 30, 2010

Student Enrollment for fiscal year 2009 had a moderate increase for credit hours as compared to a slight decrease in fiscal year 2008. In 2010 there was a significant 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 70% 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.

Utilities, custodial and maintenance costs continue to rise primarily due to recent construction projects that have added a significant increase in physical plant square footage. Utility costs are fund by the fixed rate Plant Fund levy, and for Iowa Valley, these costs have grown to surpass the tax resource leaving no funds for maintenance. Those additional utility costs and maintenance expenditures then fall on the Unrestricted General Operating Fund.

Contacting the District's Financial Management

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

Iowa Valley Community College District

Statement of Net Assets

June 30, 2010

Assets	Primary Institution
<hr/>	
Current Assets:	
Cash and short-term investments	\$ 8,457,646
Restricted cash and short-term investments	1,015,716
Receivables:	
Accounts, net of allowance of \$2,624,763	1,376,053
Property tax	8,314,467
Due from other governments	1,367,333
Inventories	315,833
Prepaid expenses	455,772
Total current assets	<hr/> 21,302,820 <hr/>
Noncurrent Assets:	
Receivables, Iowa Industrial New Jobs Training Program	360,031
Capital assets:	
Nondepreciable:	
Land	3,368,887
Construction in progress	108,284
Depreciable:	
Buildings	71,476,584
Improvements other than buildings	851,699
Equipment and vehicles	6,383,031
Accumulated depreciation	(20,294,009)
Total noncurrent assets	<hr/> 62,254,507 <hr/>
Total assets	<hr/> \$ 83,557,327 <hr/>

See Notes to Basic Financial Statements.

Liabilities and Net Assets	Primary Institution
Current Liabilities:	
Accounts payable	\$ 1,534,995
Salaries and benefits payable	1,572,885
Accrued interest on notes and certificates payable	165,672
Deferred revenue:	
Succeeding year property tax	7,423,415
Other	2,143,341
Early retirement payable	453,792
Compensated absences	325,536
Certificates payable	995,000
Notes payable, revenue and general obligation bonds	3,614,632
Deposits held in custody for others	605,563
Total current liabilities	<u>18,834,831</u>
Noncurrent Liabilities:	
Early retirement payable	1,096,105
OPEB payable	153,719
Certificates payable	3,480,000
Notes payable, revenue and general obligation bonds	32,170,030
Total noncurrent liabilities	<u>36,899,854</u>
Total liabilities	<u>55,734,685</u>
Net Assets:	
Invested in capital assets, net of related debt	26,861,188
Restricted for:	
Expendable, cash reserve	264,342
Expendable, restricted for plant, education and support	1,747,988
Unrestricted	(1,050,876)
Total net assets	<u>27,822,642</u>
Total liabilities and net assets	<u><u>\$ 83,557,327</u></u>

Iowa Valley Community College District

**Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2010**

	Primary Institution
<hr/>	
Revenues:	
Operating revenues:	
Tuition and fees, net of scholarship allowances of \$5,737,046	\$ 6,103,050
Federal appropriations	9,031,124
Iowa Industrial New Jobs Training Program	755,284
Auxiliary enterprises revenue	4,301,360
Miscellaneous	4,318,665
Total operating revenues	<u>24,509,483</u>
Expenses:	
Operating expenses:	
Education and support:	
Liberal arts and sciences	6,563,330
Vocational technical	3,197,255
Adult education	4,385,891
Cooperative services	906,370
Administration	4,052,781
Student services	2,226,385
Learning resources	403,881
Physical plant	4,547,661
General institution	3,080,680
Auxiliary enterprises	4,836,633
Loan cancellations and bad debts	76,977
Depreciation	2,068,982
Total operating expenses	<u>36,346,826</u>
Operating (loss)	<u>(11,837,343)</u>
Nonoperating revenues (expenses):	
State appropriations	8,339,792
Property tax	8,387,272
Investment earnings	85,950
Interest on indebtedness	(1,410,313)
Net nonoperating revenues (expenses)	<u>15,402,701</u>
Change in net assets	3,565,358
Transfers from agency fund	275,407
Total change in net assets	<u>3,840,765</u>
Net assets:	
Beginning	23,981,877
Ending	<u>\$ 27,822,642</u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

Statement of Cash Flows
Year Ended June 30, 2010

	Primary Institution
<hr/>	
Cash Flows from Operating Activities:	
Cash received from tuition and fees	\$ 6,583,693
Cash received from federal appropriations	9,138,120
Cash received from Iowa Industrial New Jobs Training Program	607,261
Payments to employees for salaries and benefits	(18,053,916)
Payments to suppliers for goods and services	(17,316,667)
Auxiliary enterprise receipts	4,301,360
Other receipts	4,318,665
Net cash (used in) operating activities	<u>(10,421,484)</u>
Cash Flows from Noncapital Financing Activities:	
Transfers from agency funds	275,407
State appropriations	8,339,792
Property tax	8,260,605
Miscellaneous Agency Fund receipts	1,140,062
Miscellaneous Agency Fund disbursements	(1,237,677)
Net cash provided by noncapital financing activities	<u>16,778,189</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from issuance of debt	2,806,728
Acquisition of capital assets	(5,733,444)
Principal paid on debt	(4,449,954)
Interest paid	(1,447,538)
Net cash (used in) capital and related financing activities	<u>(8,824,208)</u>
Cash Flows Provided by Investing Activities,	
interest from investments	<u>85,950</u>
Net (decrease) in cash and short-term pooled investments	(2,381,553)
Cash and short-term pooled investments:	
Beginning	11,854,915
Ending	<u>\$ 9,473,362</u>

(Continued)

Iowa Valley Community College District

Statement of Cash Flows (Continued)

Year Ended June 30, 2010

	Primary Institution
Reconciliation of operating loss to net cash (used in) operating activities, operating loss	<u>\$ (11,837,343)</u>
Adjustments to reconcile operating loss to net cash (used in) operating activities:	
Depreciation	2,068,982
Changes in assets and liabilities:	
Decrease in accounts receivable	480,643
(Increase) in Iowa Industrial New Jobs Training Program	(148,023)
(Increase) in due from other governments	(281,874)
(Increase) in inventories	(55,538)
Decrease in prepaid expenses	230,325
(Decrease) in accounts payable	(1,956,191)
Increase in salaries and benefits payable	222,512
Increase in early retirement and OPEB payable	445,316
Increase in compensated absences	20,837
Increase in other deferred revenue	388,870
Total adjustments	<u>1,415,859</u>
Net cash (used in) operating activities	<u><u>\$ (10,421,484)</u></u>
Supplemental Schedule of Noncash Capital and Related Financing Activities, accounts payable for acquisition of capital assets	<u><u>\$ 775,804</u></u>

See Notes to Basic Financial Statements.

Iowa Valley Community College District

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

December 31, 2010

Assets	Marshalltown Community College District Foundation	Ellsworth College Foundation	Total
Current Assets:			
Cash and short-term pooled investments	\$ 870,657	\$ 1,824,631	\$ 2,695,288
Noncurrent Assets:			
Investments	2,843,586	1,753,412	4,596,998
Capital assets	23,000	430,500	453,500
Total assets	\$ 3,737,243	\$ 4,008,543	\$ 7,745,786
Liabilities and Net Assets			
Liabilities	\$ -	\$ 732,930	\$ 732,930
Net Assets:			
Restricted for scholarships and fellowships	-	2,262,717	2,262,717
Unrestricted	3,737,243	1,012,896	4,750,139
Total net assets	3,737,243	3,275,613	7,012,856
	\$ 3,737,243	\$ 4,008,543	\$ 7,745,786

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, 2010

	Marshalltown Community College District Foundation	Ellsworth College Foundation	Total
Revenues:			
Operating revenues:			
Contributions	\$ 576,848	\$ 79,785	\$ 656,633
Special events and grants	151,274	262,516	413,790
Total operating revenues	<u>728,122</u>	<u>342,301</u>	<u>1,070,423</u>
Expenses:			
Operating expenses:			
Scholarships and grants	263,869	129,635	393,504
Miscellaneous	318,242	104,502	422,744
Administration	81,646	115,728	197,374
Total operating expenses	<u>663,757</u>	<u>349,865</u>	<u>1,013,622</u>
Operating income	64,365	(7,564)	56,801
Nonoperating revenues, investment earnings	<u>213,800</u>	<u>518,744</u>	<u>732,544</u>
Increase in net assets	278,165	511,180	789,345
Net assets:			
Beginning	3,459,078	2,764,433	6,223,511
Ending	<u>\$ 3,737,243</u>	<u>\$ 3,275,613</u>	<u>\$ 7,012,856</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 Organization 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, 2010 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.

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, 2010 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 \$1,503,712 and \$319,117 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	40
Improvements other than buildings	20
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 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. Deferred revenue consists primarily 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. These liabilities have been computed based on rates of pay in effect as of June 30, 2010.

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 the bookstore, cafeteria, athletics and housing. Revenues are recognized when goods or services are provided.

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

Tuition and fees: Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship expenses. Tuition revenue is recognized as earned by providing classes.

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 \$751,374 as of June 30, 2010. 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 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 the 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 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, 2010, the District's carrying amount of deposits, excluding \$5,440 of petty cash, totaled \$9,467,886 with a bank balance of \$9,888,064. The District's cash and deposits (money market accounts and certificates of deposit) as of June 30, 2010 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 \$7,292,286 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, 2010 is as follows:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated:				
Land	\$ 3,368,887	\$ -	\$ -	\$ 3,368,887
Construction in progress	20,049,600	101,615	20,042,931	108,284
Total capital assets not being depreciated	23,418,487	101,615	20,042,931	3,477,171
Capital assets being depreciated:				
Buildings	45,722,504	25,754,080	-	71,476,584
Improvements other than buildings	843,526	8,173	-	851,699
Equipment and vehicles	5,818,445	688,311	123,725	6,383,031
Total capital assets being depreciated	52,384,475	26,450,564	123,725	78,711,314
Less accumulated depreciation for:				
Buildings	14,055,853	1,704,386	-	15,760,239
Improvements other than buildings	284,803	26,417	-	311,220
Equipment and vehicles	4,008,096	338,179	123,725	4,222,550
Total accumulated depreciation	18,348,752	2,068,982	123,725	20,294,009
Total capital assets being depreciated, net	34,035,723	24,381,582	-	58,417,305
Capital assets, net	\$ 57,454,210	\$ 24,483,197	\$ 20,042,931	\$ 61,894,476

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, 2010 is as follows:

	Compensated Absences	Early Retirement Payable	OPEB Payable	Certificates Payable	Notes Payable, Revenue and General Obligation Bonds	Total
Balance, beginning	\$ 304,699	\$ 1,123,503	\$ 134,797	\$ 3,675,000	\$ 38,227,888	\$ 43,465,887
Additions	325,536	743,110	266,812	1,780,000	1,026,728	4,142,186
Reductions	304,699	316,716	247,890	980,000	3,469,954	5,319,259
Balance, ending	325,536	1,549,897	153,719	4,475,000	35,784,662	42,288,814
Less current portion	325,536	453,792	-	995,000	3,614,632	5,388,960
Total noncurrent liabilities	\$ -	\$ 1,096,105	\$ 153,719	\$ 3,480,000	\$ 32,170,030	\$ 36,899,854

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, 2010 notes payable, revenue and general obligation bonds are as follows:

Year ending June 30:	Principal	Interest	Total
2011	\$ 3,614,632	\$ 1,405,731	\$ 5,020,363
2012	3,769,308	1,280,087	5,049,395
2013	3,905,618	1,144,704	5,050,322
2014	4,037,866	998,149	5,036,015
2015	4,183,080	2,424,829	6,607,909
2016 - 2020	14,409,158	2,424,829	16,833,987
2021 - 2025	1,125,000	366,068	1,491,068
2026 - 2027	740,000	74,790	814,790
	\$ 35,784,662	\$ 10,119,187	\$ 45,903,849

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, 2010:

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. \$ 43,416

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 revenue stream, real estate, dormitory facilities and related personal property are collateral for the debt. 2,280,000

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. 985,000

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 revenue stream, real estate, dormitory facilities and related personal property are collateral for the debt. 1,485,000

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. 14,775,000

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 revenue stream, real estate, student housing facilities and related personal property are collateral for the debt. 2,100,000

Subtotal forward \$ 21,668,416

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

Subtotal forward	\$ 21,668,416
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.	7,365,000
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.	5,565,000
U.S. Department of Agriculture, Rural Economic Development loan dated December 2008, with a 0% 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. (A)	300,000
Alliant Energy contracts dated January 2010, with an interest rate of approximately 6.3%. Principal payments of a total of \$10,477 are due monthly with a maturity date of March 2016. Collateral is equipment purchased.	586,246
U.S. Department of Agriculture, Rural Economic Development loan dated December 2009, with a 0% interest rate. Principal payments of \$60,000 are due annually with a maturity date of December 1, 2014. Collateral is the Agricultural and Renewable Energy Center on the ECC campus. (A)	300,000
	<u>\$ 35,784,662</u>

(A) The agreements for these loans contain certain requirements, which were waived by Midland Power Cooperative on March 14, 2011.

Certificates payable:

Pursuant to agreements dated from July 1999 to June 2010, the District has outstanding certificates totaling \$4,475,000 as of June 30, 2010 with net interest rates ranging from 1.6% to 6.7% 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.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 4. Changes in Noncurrent Liabilities (Continued)

The certificates will mature as follows:

	Principal	Interest	Total
Year ending June 30:			
2011	\$ 995,000	\$ 219,446	\$ 1,214,446
2012	820,000	174,110	994,110
2013	820,000	134,273	954,273
2014	515,000	91,803	606,803
2015	270,000	64,748	334,748
2016 - 2019	1,055,000	134,775	1,189,775
	<u>\$ 4,475,000</u>	<u>\$ 819,155</u>	<u>\$ 5,294,155</u>

Since inception, the District has administered 125 projects, with 27 currently receiving project funding. Of the remaining projects, 98 have been completed and closed.

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:	
2011	\$ 195,810
2012	117,300
2013	114,000
2014	114,000
2015	114,000
	<u>\$ 655,110</u>

Total rent expense for all operating leases was \$197,670 for the year ended June 30, 2010.

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 6.65% of annual payroll. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$392,848, \$394,406 and \$367,247, 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 6.65%. The District's contribution to TIAA-CREF for the year ended June 30, 2010 was \$389,777 equal to the required contribution for the year. The employees' contribution to TIAA-CREF for the year ended June 30, 2010 was \$252,036 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, 2010.

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, 2010. 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, 2010. The lump-sum payment liability is \$647,397 and is recorded as early retirement payable.

The current year cost to the District was \$743,110 including 44 participants in the health insurance plan. The liability for the participation in the health plan is \$902,500 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 2011.

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, 2010 were \$904,799.

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 \$300,000 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 \$100,000,000 for boiler and machinery, \$1,000,000 for crime, \$1,000,000 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, 2010, 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 retirement after the age of 55 and have worked for the District for the most recent 10 consecutive years of service.

Medical benefit:

The District provides medical benefits through a plan, purchased from 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.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 10. Postemployment Medical Benefit Plan (Continued)

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 postemployment 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 30 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	\$ 263,442
Interest on OPEB obligation	3,370
Annual OPEB cost (expense)	<u>266,812</u>
Contributions and payments made	<u>247,890</u>
Increase in net OPEB obligation	18,922
Net OPEB obligation - July 1, 2009	134,797
Net OPEB obligation - June 30, 2010	<u><u>\$ 153,719</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 2010 and the two preceding years follows. Fiscal year ended June 30, 2009 was the adoption year of GASB Statement No. 45.

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2008	N/A	N/A	N/A
June 30, 2009	\$ 240,313	43.91%	\$ 134,797
June 30, 2010	263,442	92.91%	153,719

Funded status and funding progress:

The results of the July 1, 2008 valuation were rolled forward to June 30, 2010. 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 \$13,425,127 and the ratio of the UAAL to the covered payroll was 17.53%.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 10. Postemployment Medical Benefit Plan (Continued)

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. Segment Information

The District has issued revenue bonds to construct dormitories for its students as described in Note 4 which are revenue backed debt instruments. Segment information related to the activities associated with the District's housing activities are as follows:

Operating revenues:	
Sales and service revenues	\$ 1,785,239
Other revenues	33,915
Total operating revenues	<u>1,819,154</u>
Operating expenses:	
Salaries, utilities and other expenses	1,220,761
Depreciation	78,179
Total operating expenses	<u>1,298,940</u>
Operating income	520,214
Transfers	(507,362)
Change in net assets	<u><u>\$ 12,852</u></u>

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 12. 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. 51, *Accounting and Financial Reporting for Intangible Assets*. 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. The 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. The District's financial statements were not affected by the adoption of GASB Statement No. 51.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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 financial statements were not affected by the adoption of GASB Statement No. 53.

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

GASB Statement No. 59, *Financial Instruments Omnibus*, issued June 2010, will be effective for the District beginning with its year ending June 30, 2011. This Statement is intended to update and improve existing standards regarding financial reporting of certain financial instruments and external investment pools. Specifically, this Statement provides financial reporting guidance by emphasizing the applicability of SEC requirements to certain external investment pools, addressing the applicability of GASB 53, *Accounting and Financial Reporting for Derivative Instruments*, and applying the reporting provisions for interest-earning investment contracts of GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. Specifically, this Statement improves financial reporting by establishing recognition, measurement, and disclosure requirements SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. This Statement also improves the decision usefulness of financial reporting by requiring that specific relevant disclosures be made by transferors and governmental operators about SCAs.

Iowa Valley Community College District

Notes to Basic Financial Statements

Note 12. New and Pending Pronouncements (Continued)

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, issued November 2010, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to improve financial reporting for a governmental financial reporting entity by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. The amendments to the criteria for including component units allow users of financial statements to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The amendments to the criteria for blending also improve the focus of a financial reporting entity on the primary government by ensuring that the primary government includes only those component units that are so intertwined with the primary government that they are essentially the same as the primary government, and by clarifying which component units have that characteristic.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, issued January 2011, will be effective for the District beginning with its year ending June 30, 2013. This Statement is intended to enhance the usefulness of the Codification of Governmental Accounting and Financial Reporting Standards by incorporating guidance that previously could only be found in certain FASB and AICPA pronouncements. This Statement incorporates into the GASB's authoritative literature the applicable guidance previously presented in the following pronouncements issued before November 30, 1989: FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure. By incorporating and maintaining this guidance in a single source, the GASB believes that GASB 62 reduces the complexity of locating and using authoritative literature needed to prepare state and local government financial reports.

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

Note 13. Commitments, Contingencies and Subsequent Events

As of June 30, 2010, the District has construction commitments of approximately \$650,000 to complete various buildings 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.

On December 1, 2010, the District issued \$6,220,000 in Dormitory Revenue Bonds at an interest rate ranging from 3.0% to 4.65% to refund the May 2001 and October 2002 Dormitory Revenue Bonds and to provide additional funds for construction. These bonds are due in annual payments through 2030.

Iowa Valley Community College District

**Required Supplementary Information
Postretirement Medical Benefit Plan
Schedule of Funding Progress
Year Ended June 30, 2010**

Fiscal year ended	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2010	July 1, 2008	\$ -	\$ 2,353,920	\$ (2,353,920)	- %	\$ 13,425,127	17.53%
June 30, 2009	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 projected unit credit 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

Supplementary Information
 Budgetary Comparison Schedule of Expenditures - Budget and Actual
 Year Ended June 30, 2010

Funds/Levy	Original and Final Budget	Actual	Variance Between Actual and Amended Budget
Unrestricted	\$ 21,779,270	\$ 20,661,539	\$ 1,117,731
Restricted	6,038,755	2,328,552	3,710,203
Unemployment	65,000	56,757	8,243
Insurance	1,132,854	1,112,340	20,514
Early retirement	522,581	708,045	(185,464)
Equipment replacement	600,000	360,163	239,837
Standby	373,283	-	373,283
	<u>8,732,473</u>	<u>4,565,857</u>	<u>4,166,616</u>
Plant	5,000,000	8,296,702	(3,296,702)
Bond and interest	4,272,603	1,410,313	2,862,290
	<u>\$ 39,784,346</u>	<u>\$ 34,934,411</u>	<u>\$ 4,849,935</u>

See Note to Supplementary Information on Budgetary Reporting.

Iowa Valley Community College District

**Note to Budgetary Comparison Schedule of Expenditures
Year Ended June 30, 2010**

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the District on a basis consistent with 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.

Iowa Valley Community College District

Balance Sheet - All Funds

June 30, 2010

	Current Funds	
	General Unrestricted Funds	General Restricted Funds
Assets		
Current Assets:		
Cash and short-term investments	\$ 4,875,106	\$ 3,016,111
Restricted cash and short-term investments	-	264,342
Receivables:		
Accounts, net of allowance of \$2,624,763	843,492	441,381
Property tax	767,685	2,587,496
Iowa Industrial New Jobs Training Program	-	360,031
Due from other governments	2,527	1,357,968
Due from other funds	-	3,559,861
Inventories	315,833	-
Prepaid expenses	339,223	52
Capital assets:		
Nondepreciable:		
Land	-	-
Construction in progress	-	-
Depreciable:		
Buildings	-	-
Improvements other than buildings	-	-
Equipment and vehicles	-	-
Accumulated depreciation	-	-
Total assets	\$ 7,143,866	\$ 11,587,242
Liabilities		
Current Liabilities:		
Accounts payable	\$ 499,961	\$ 230,594
Salaries and benefits payable	1,545,416	11,846
Accrued interest on notes and certificates payable	-	18,139
Deferred revenue:		
Succeeding year property tax	861,924	1,769,904
Other	305,945	1,837,396
Due to other funds	-	-
Early retirement payable	-	1,549,897
Deposits held in custody for others	-	-
Compensated absences	306,709	10,933
OPEB payable	124,618	27,296
Certificates payable	-	4,475,000
Notes payable, revenue and general obligation bonds	-	-
Total liabilities	3,644,573	9,931,005
Fund Balances:		
Invested in capital assets, net of related debt	-	-
Restricted:		
Expendable, cash reserve	-	264,342
Expendable:		
Plant	-	-
Iowa Industrial New Jobs Training Program	-	302,036
Other	-	1,445,952
Unrestricted	3,499,293	(356,093)
Total liabilities and fund balances	\$ 7,143,866	\$ 11,587,242

See Note to Supplementary Information.

Nonoperating Funds					
Loan Funds	Plant Funds	Agency Funds	Adjustments	Total	
\$ (6,798)	\$ -	\$ 573,227	\$ -	\$ 8,457,646	
-	751,374	-	-	1,015,716	
-	23,042	68,138	-	1,376,053	
-	4,959,286	-	-	8,314,467	
-	-	-	-	360,031	
6,838	-	-	-	1,367,333	
-	-	-	(3,559,861)	-	
-	-	-	-	315,833	
-	113,078	3,419	-	455,772	
-	3,368,887	-	-	3,368,887	
-	108,284	-	-	108,284	
-	71,476,584	-	-	71,476,584	
-	851,699	-	-	851,699	
-	6,383,031	-	-	6,383,031	
-	-	-	(20,294,009)	(20,294,009)	
<u>\$ 40</u>	<u>\$ 88,035,265</u>	<u>\$ 644,784</u>	<u>\$ (23,853,870)</u>	<u>\$ 83,557,327</u>	
\$ 40	\$ 775,804	\$ 28,596	\$ -	\$ 1,534,995	
-	14,697	926	-	1,572,885	
-	147,533	-	-	165,672	
-	4,791,587	-	-	7,423,415	
-	-	-	-	2,143,341	
-	3,559,861	-	(3,559,861)	-	
-	-	-	-	1,549,897	
-	-	605,563	-	605,563	
-	-	7,894	-	325,536	
-	-	1,805	-	153,719	
-	-	-	-	4,475,000	
-	35,784,662	-	-	35,784,662	
<u>40</u>	<u>45,074,144</u>	<u>644,784</u>	<u>(3,559,861)</u>	<u>55,734,685</u>	
-	47,155,197	-	(20,294,009)	26,861,188	
-	-	-	-	264,342	
-	-	-	-	-	
-	-	-	-	302,036	
-	-	-	-	1,445,952	
-	(4,194,076)	-	-	(1,050,876)	
-	42,961,121	-	(20,294,009)	27,822,642	
<u>\$ 40</u>	<u>\$ 88,035,265</u>	<u>\$ 644,784</u>	<u>\$ (23,853,870)</u>	<u>\$ 83,557,327</u>	

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Fund Balances
Year Ended June 30, 2010

	Current Funds		Total
	General Unrestricted Funds	General Restricted Funds	
Operating revenues:			
Tuition and fees	\$ 11,837,806	\$ 2,290	\$ 11,840,096
Federal appropriations	1,230,411	7,800,713	9,031,124
Iowa Industrial New Jobs Training Program	-	755,284	755,284
State appropriations	7,066,674	387,913	7,454,587
Property tax	761,733	2,652,873	3,414,606
Auxiliary enterprises revenue	4,301,360	-	4,301,360
Interest income from investments	83,820	1,982	85,802
Expended for plant assets, including \$567,893 in current operating fund expenditures	-	-	-
Miscellaneous	1,637,008	697,453	2,334,461
Total revenues and other additions	26,918,812	12,298,508	39,217,320
Expenditures and other deductions:			
Education and support:			
Liberal arts and sciences	6,562,328	1,002	6,563,330
Vocational technical	2,914,166	421,057	3,335,223
Adult education	2,410,319	1,975,572	4,385,891
Cooperative services	-	906,370	906,370
Administration	1,898,246	2,286,929	4,185,175
Student services	2,034,349	192,036	2,226,385
Learning resources	403,881	-	403,881
Physical plant	2,026,131	-	2,026,131
General institution	2,412,119	748,522	3,160,641
Scholarships and grants	-	5,737,046	5,737,046
Total education and support	20,661,539	12,268,534	32,930,073
Auxiliary enterprises	5,004,438	-	5,004,438
Loan cancellations and bad debts	-	-	-
Depreciation	-	-	-
Interest on indebtedness	-	226,201	226,201
Expended for plant assets	-	-	-
Disposal of plant assets	-	-	-
Total expenditures and other deductions	25,665,977	12,494,735	38,160,712
Transfers among funds, including \$275,407 from agency fund	(653,283)	(250,903)	(904,186)
Net increase for the year	599,552	(447,130)	152,422
Fund balances:			
Beginning	2,899,741	2,103,367	5,003,108
Ending	\$ 3,499,293	\$ 1,656,237	\$ 5,155,530

See Note to Supplementary Information.

Nonoperating Funds				
	Loan			
	Funds	Plant Funds	Adjustments	Total
\$	-	\$ -	\$ (5,737,046)	\$ 6,103,050
	-	-	-	9,031,124
	-	-	-	755,284
	-	885,205	-	8,339,792
	-	4,972,666	-	8,387,272
	-	-	-	4,301,360
	-	148	-	85,950
	-	6,169,575	(6,169,575)	-
	76,977	1,907,227	-	4,318,665
	76,977	13,934,821	(11,906,621)	41,322,497
	-	-	-	6,563,330
	-	-	(137,968)	3,197,255
	-	-	-	4,385,891
	-	-	-	906,370
	-	-	(132,394)	4,052,781
	-	-	-	2,226,385
	-	-	-	403,881
	-	2,571,295	(49,765)	4,547,661
	-	-	(79,961)	3,080,680
	-	-	(5,737,046)	-
	-	2,571,295	(6,137,134)	29,364,234
	-	-	(167,805)	4,836,633
	76,977	-	-	76,977
	-	-	2,068,982	2,068,982
	-	1,184,112	-	1,410,313
	-	5,601,682	(5,601,682)	-
	-	123,725	(123,725)	-
	76,977	9,480,814	(9,961,364)	37,757,139
	-	1,179,593	-	275,407
	-	5,633,600	(1,945,257)	3,840,765
	-	37,327,521	(18,348,752)	23,981,877
\$	-	\$ 42,961,121	\$ (20,294,009)	\$ 27,822,642

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Fund Balances

Unrestricted Funds

Year Ended June 30, 2010

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
Tuition and fees	\$ 7,086,370	\$ 3,261,345	\$ 1,140,903	\$ -
Federal appropriations	35,464	9,358	116,671	-
State appropriations	1,657	1,220	-	-
Property tax	-	-	-	-
Interest income from investments	-	-	-	-
Miscellaneous	24,760	17,737	135,826	-
	<u>7,148,251</u>	<u>3,289,660</u>	<u>1,393,400</u>	<u>-</u>
Allocation of support services	6,271,798	2,122,951	1,751,492	-
Total revenues	<u>13,420,049</u>	<u>5,412,611</u>	<u>3,144,892</u>	<u>-</u>
Expenditures:				
Salaries and benefits	5,923,030	2,659,942	1,835,609	-
Services	177,491	87,233	381,579	-
Materials and supplies	64,565	136,573	146,900	-
Travel	16,615	22,418	17,226	-
Expended for plant assets	-	8,000	-	-
Miscellaneous	380,627	-	29,005	-
	<u>6,562,328</u>	<u>2,914,166</u>	<u>2,410,319</u>	<u>-</u>
Allocation of support services	5,424,010	1,835,982	1,514,734	-
Total expenditures	<u>11,986,338</u>	<u>4,750,148</u>	<u>3,925,053</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	1,433,711	662,463	(780,161)	-
Transfers, nonmandatory	(160,338)	24,350	(8,796)	-
Net change in fund balances	<u>\$ 1,273,373</u>	<u>\$ 686,813</u>	<u>\$ (788,957)</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		
\$ -	\$ 93,654	\$ -	\$ -	\$ 204,277	\$ 11,786,549	
1,003,048	31,045	4,750	-	1,519	1,201,855	
7,063,797	-	-	-	-	7,066,674	
761,733	-	-	-	-	761,733	
83,820	-	-	-	-	83,820	
793,707	22,110	7,684	74,113	984	1,076,921	
9,706,105	146,809	12,434	74,113	206,780	21,977,552	
(9,706,105)	(146,809)	(12,434)	(74,113)	(206,780)	-	
-	-	-	-	-	21,977,552	
1,028,401	1,870,969	256,285	63,680	1,458,200	15,096,116	
387,193	63,404	42,699	1,827,421	588,282	3,555,302	
4,275	72,027	104,791	82,887	233,032	845,050	
17,176	8,456	106	2,378	33,399	117,774	
-	-	-	49,765	29,679	87,444	
461,201	19,493	-	-	69,527	959,853	
1,898,246	2,034,349	403,881	2,026,131	2,412,119	20,661,539	
(1,898,246)	(2,034,349)	(403,881)	(2,026,131)	(2,412,119)	-	
-	-	-	-	-	20,661,539	
-	-	-	-	-	1,316,013	
240,719	(3,598)	-	(590,000)	(26,152)	(523,815)	
\$ 240,719	\$ (3,598)	\$ -	\$ (590,000)	\$ (26,152)	792,198	
						1,571,679
						<u>\$ 2,363,877</u>

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Fund Balances

Auxiliary Enterprises

Year Ended June 30, 2010

	Bookstore	Cafeteria/ Vending
Revenues:		
Tuition and fees	\$ -	\$ -
Federal appropriations	1,397	-
State appropriations	-	-
Sales and services	1,770,520	739,263
Miscellaneous	-	9,205
Total revenues	<u>1,771,917</u>	<u>748,468</u>
Expenditures and other deductions:		
Salaries and benefits	150,356	(672)
Services	17,480	686,599
Materials and supplies	6,957	2,159
Travel	2,340	-
Expended for plant assets	8,256	-
Purchases for resale	1,409,545	-
Miscellaneous	7,212	75,240
Total expenditures and other deductions	<u>1,602,146</u>	<u>763,326</u>
Excess (deficiency) of revenues over (under) expenditures	169,771	(14,858)
Transfers among funds, nonmandatory	<u>(100,090)</u>	<u>(21,505)</u>
Net change in fund balances	69,681	(36,363)
Fund balances:		
Beginning	277,598	235,149
Ending	<u>\$ 347,279</u>	<u>\$ 198,786</u>

See Note to Supplementary Information.

Athletics	Housing	Other	Total
\$ -	\$ 6,648	\$ 44,609	\$ 51,257
-	18,767	8,392	28,556
-	-	-	-
5,813	1,785,239	525	4,301,360
244,276	8,500	298,106	560,087
250,089	1,819,154	351,632	4,941,260
5,030	450,440	152,155	757,309
94,909	530,780	49,281	1,379,049
30,876	135,609	231,865	407,466
3,613	1,026	1,039	8,018
-	19,163	140,386	167,805
-	-	-	1,409,545
637,232	83,743	71,819	875,246
771,660	1,220,761	646,545	5,004,438
(521,571)	598,393	(294,913)	(63,178)
475,287	(507,362)	24,202	(129,468)
(46,284)	91,031	(270,711)	(192,646)
38,943	249,186	527,186	1,328,062
\$ (7,341)	\$ 340,217	\$ 256,475	\$ 1,135,416

Iowa Valley Community College District

Schedule of Revenues, Expenditures and Changes in Fund Balances

Restricted Fund

Year Ended June 30, 2010

	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	1,195,709	37,360	711,478	332,628
Interest income from investments	-	-	-	-
Miscellaneous	-	-	-	-
Total revenues and other additions	1,195,709	37,360	711,478	332,628
Expenditures and other deductions:				
Salaries and benefits	-	56,757	708,045	-
Services	1,016,284	-	-	4,197
Materials and supplies	-	-	-	218,171
Travel	-	-	-	-
Expended for plant assets	-	-	-	137,795
Interest on indebtedness	-	-	-	-
Scholarships and grants	-	-	-	-
Miscellaneous	96,056	-	-	-
Total expenditures and other deductions	1,112,340	56,757	708,045	360,163
Excess (deficiency) of revenues over (under) expenditures	83,369	(19,397)	3,433	(27,535)
Transfers among funds:				
Nonmandatory transfers in	-	-	-	225,084
Nonmandatory transfers (out)	-	-	-	(225,085)
	-	-	-	(1)
Net change in fund balances	83,369	(19,397)	3,433	(27,536)
Fund balances (deficit):				
Beginning	220,173	14,728	(117,374)	943,087
Ending	\$ 303,542	\$ (4,669)	\$ (113,941)	\$ 915,551

See Note to Supplementary Information.

Cash Reserve	Iowa Industrial New Jobs Training Program	Workforce Investment Act and Promise Jobs	Scholarships	Other	Total
\$ -	\$ -	\$ -	\$ -	\$ 2,290	\$ 2,290
-	-	1,071,174	5,511,741	1,217,798	7,800,713
-	755,284	-	-	-	755,284
-	-	-	-	387,913	387,913
-	375,698	-	-	-	2,652,873
-	1,588	-	-	394	1,982
-	221,010	-	295,941	180,502	697,453
-	1,353,580	1,071,174	5,807,682	1,788,897	12,298,508
-	329,835	608,540	7,066	1,178,913	2,889,156
-	576,535	20,450	-	230,202	1,847,668
-	7,385	18,087	-	369,938	613,581
-	-	7,667	-	27,676	35,343
-	-	-	-	190,870	328,665
-	226,201	-	-	-	226,201
-	-	-	5,737,046	-	5,737,046
-	9,115	242,538	138,413	330,953	817,075
-	1,149,071	897,282	5,882,525	2,328,552	12,494,735
-	204,509	173,892	(74,843)	(539,655)	(196,227)
-	-	-	24,269	343,936	593,289
-	(249,707)	-	(10,513)	(358,887)	(844,192)
-	(249,707)	-	13,756	(14,951)	(250,903)
-	(45,198)	173,892	(61,087)	(554,606)	(447,130)
264,342	347,234	52,967	13,586	364,624	2,103,367
\$ 264,342	\$ 302,036	\$ 226,859	\$ (47,501)	\$ (189,982)	\$ 1,656,237

Iowa Valley Community College District

Schedule of Changes in Deposits Held in Custody for Others

Agency Funds

Year Ended June 30, 2010

	Student Clubs and Organizations
Balances, beginning of year	<u>\$ 171,758</u>
Additions:	
Tuition and fees	180,293
State appropriations	-
Sales and services	-
Interest income from investments	-
Miscellaneous	69,701
Transfers in	195,965
Total additions	<u>445,959</u>
Deductions:	
Salaries and benefits	79
Services	1,224
Materials and supplies	98
Travel	5,218
Scholarships and grants	-
Miscellaneous	183,902
Transfers out	207,359
Total deductions	<u>397,880</u>
Net additions and deductions	<u>48,079</u>
Balances, end of year	<u><u>\$ 219,837</u></u>

See Note to Supplementary Information.

Iowa Small Business New Jobs Training Program	Other	Total
<u>\$ 384,089</u>	<u>\$ 147,331</u>	<u>\$ 703,178</u>
-	292,208	472,501
98,438	-	98,438
-	-	-
-	-	-
4,281	297,576	371,558
-	1,600	197,565
<u>102,719</u>	<u>591,384</u>	<u>1,140,062</u>
-	207,945	208,024
176,961	37,328	215,513
-	34,938	35,036
-	267	5,485
-	20,299	20,299
-	97,248	281,150
-	264,811	472,170
<u>176,961</u>	<u>662,836</u>	<u>1,237,677</u>
<u>(74,242)</u>	<u>(71,452)</u>	<u>(97,615)</u>
<u>\$ 309,847</u>	<u>\$ 75,879</u>	<u>\$ 605,563</u>

Iowa Valley Community College District

Note to Supplementary Information Year Ended June 30, 2010

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, 2010**

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, 2010**

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and sciences	57,896	-	57,896	1,125,384	-	1,125,384
Vocational preparatory	16,095	-	16,095	380,933	-	380,933
Adult/continuing education	-	-	-	282,042	29,178	311,220
Related services and activities	-	-	-	-	3,060	3,060
	<u>73,991</u>	<u>-</u>	<u>73,991</u>	<u>1,788,359</u>	<u>32,238</u>	<u>1,820,597</u>

* Includes 240 hour adjustment of 6,372 hours.

Iowa Valley Community College District

Comparison of Taxes and Intergovernmental Revenues
Years Ended June 30, 2010, 2009, 2008 and 2007

	2010	2009	2008	2007
Local property tax	\$ 8,387,272	\$ 8,007,097	\$ 6,111,570	\$ 2,974,441
State	8,339,792	9,703,794	9,286,788	8,173,972
Federal	9,031,124	5,635,737	5,398,207	4,961,791
	<u>\$ 25,758,188</u>	<u>\$ 23,346,628</u>	<u>\$ 20,796,565</u>	<u>\$ 16,110,204</u>

Iowa Valley Community College District

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

	2010	2009	2008	2007
Revenues:				
Tuition and fees	\$ 11,840,096	\$ 10,569,489	\$ 9,722,717	\$ 9,308,933
Federal appropriations	9,031,124	5,635,737	5,398,207	4,961,791
Iowa Industrial New Jobs Training Program	755,284	126,998	443,054	849,651
State appropriations	7,454,587	9,135,825	8,790,312	8,076,377
Property tax	3,414,606	3,117,447	2,676,194	2,285,177
Interest income from investments	85,802	168,850	342,254	468,224
Auxiliary enterprises	4,301,360	3,540,993	3,096,711	3,094,615
Miscellaneous	2,334,461	2,586,400	2,700,872	1,981,019
	\$ 39,217,320	\$ 34,881,739	\$ 33,170,321	\$ 31,025,787
Expenditures:				
Liberal arts and sciences	\$ 6,563,330	\$ 6,608,653	\$ 6,277,936	\$ 5,704,349
Vocational technical	3,335,223	3,516,374	3,117,830	2,764,019
Adult education	4,385,891	4,325,487	4,353,103	4,357,449
Cooperative services	906,370	123,438	547,971	722,804
Administration	4,185,175	3,843,730	2,646,141	2,609,614
Student services	2,226,385	2,595,514	2,668,599	2,505,632
Learning resources	403,881	531,358	485,317	502,383
Physical plant	2,026,131	1,980,232	1,846,972	1,792,134
General institution	3,160,641	2,797,377	2,930,965	2,614,364
Auxiliary enterprises	5,004,438	3,906,825	3,328,213	3,257,506
Scholarships and grants	5,737,046	3,674,622	3,136,390	2,850,073
Interest on indebtedness	226,201	259,135	303,319	362,595
	\$ 38,160,712	\$ 34,162,745	\$ 31,642,756	\$ 30,042,922

Iowa Valley Community College District

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010

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	\$ 129,280	\$ -
Federal Family Education Loans (FFEL)	N/A	84.032	-	8,574,694
Federal Work-Study Program (FWS)	N/A	84.033	127,607	-
Federal Pell Grant Program	N/A	84.063	5,185,437	-
Federal Academic Competitiveness Grant Program (ACG)	N/A	84.375	62,457	-
Total student financial assistance cluster			5,504,781	8,574,694
Passed through Iowa Department of Education:				
Vocational education:				
Career and Technical Education	G-POS-10-006	84.048	10,000	-
Carl Perkins	IIC	84.048A	100,980	-
Tech Prep Curriculum Development	III	84.243A	66,625	-
Math and CTE Grant	103508	84.243	4,164	-
iCreate Title III	P031A060238	84.031A	543,673	-
Teacher Training	N/A	84.002	4,884	-
Adult Basic Education	N/A	84.002	98,349	-
ESL	N/A	84.002	13,463	-
			116,696	-
ARRA Education Stabilization Fund	N/A	84.394	905,102	-
ARRA Government Services Fund	N/A	84.397	97,955	-
Total U.S. Department of Education			7,349,976	8,574,694
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	155,573	-
Youth and Statewide	7-W-06-FR-0	17.259	113,473	-
Dislocated Worker	7-W-06-FR-0	17.260	181,892	-
Title I Early Intervention	8-W-PF-RR-0-11	17.260	24,065	-
Rapid Response - Computer Literacy	7-W-06-FR-0	17.260	4,840	-
Staff Training	7-W-06-FR-0	17.260	4,992	-
Total Non-ARRA Workforce Investment Act			484,835	-
ARRA Workforce Investment Act (WIA):				
ARRA Admin Stimulus	7-W-06-FR-0	17.258	24,178	-
ARRA Adult Formula and Statewide	7-W-06-FR-0	17.258	42,218	-
ARRA Youth and Statewide	7-W-06-FR-0	17.259	120,819	-
ARRA Dislocated Worker	7-W-06-FR-0	17.260	110,323	-
WIA National Emergency Grant 09	9-W-FR-9F-1-03	17.260	200,674	-
Total ARRA Workforce Investment Act			498,212	-
Total Workforce Investment Act Cluster			\$ 983,047	\$ -

(Continued)

Iowa Valley Community College District

**Schedule of Expenditures of Federal Awards (Continued)
Year Ended June 30, 2010**

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	7-W-06-FR-0 7-W-06-FR-0	17.245 17.225	\$ 9,062 3,422	\$ - -
ARRA - Re-employment Services Employment Services (Wagner Peyser)	7-W-06-FR-0 7-W-06-FR-0	17.207 17.207	7,799 3,779	- -
			11,578	-
WIA National Emergency Grant 08	7-W-06-FR-0	17.277	124,496	-
WIA Pilots, Demonstrations, and Research Projects -- Latham	AF147190560	17.261	109,182	-
Passed through Iowa Department of Education: Employment and Training Administration Pilots, Demonstrations, and Research Projects - New Iowan Center	7-W-06-FR-0	17.261	3,028	-
			112,210	-
Mine Safety Health Administration Family Literacy	N/A G-ALWI(2)-10-006	17.602 17.267	946 14,110	- -
Total U.S. Department of Labor			1,258,871	-
U.S. Department of Health and Human Services: Passed through Iowa Workforce Development, Job Opportunities and Basic Skills Training (Promise Jobs)	9-W-06-FN-0	93.558	407,299	-
Temporary Assistance for Needy Families - Summer Youth Program	10-W-06-TE-0	93.714	599	-
Total TANF Cluster			407,898	-
U.S. Department of Agriculture: Passed through Consumers Energy, Rural Economic Development Loan (loan outstanding)	N/A	10.854	300,000	-
Passed through Midland Power Cooperative, Rural Economic Development Loan	N/A	10.854	300,000	-
			600,000	-
			\$ 9,616,745	\$ 8,574,694

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, 2010**

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, 2010**

Comment	Corrective Action
Significant deficiencies and material weakness in internal control over financial reporting:	
09-II-A: Inadequate segregation of duties over the payroll cycle.	<u>Corrected.</u>
09-II-B: Inadequate segregation of duties over the cash receipts and billing cycle.	<u>Corrected.</u>
09-II-C: Inadequate post closing and financial reporting process.	<u>Uncorrected.</u> See current year finding at 10-II-A.
09-II-D: Global access rights for two individuals in the IT department.	<u>Corrected.</u>
Statutory reporting:	
IV-I-09: Contact hours reported did not agree to class schedule.	<u>Uncorrected.</u> See current year finding at IV-I-10.



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

To the Board of 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, 2010, and have issued our report thereon dated March 31, 2011. 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.

The financial statements of Marshalltown Community College Foundation and Ellsworth College Foundation (Foundations) have not been audited, and we were not engaged to audit the Foundations' financial statements as part of our audit of the District's basic financial statements. The Foundations' financial activities are included in the District's basic financial statements as discretely presented component units and represent 100% of the assets, net assets and revenues of the District's aggregate discretely presented component units.

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.

A deficiency in internal control 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 10-II-A that we consider to be a significant deficiency in internal control over financial reporting. In addition, consider item 10-II-A 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 or other matters 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, 2010 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.

We noted certain matters that we reported to management of Iowa Valley Community College District in a separate letter dated March 31, 2011.

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.

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 31, 2011



**Independent Auditor's Report
on Compliance with Requirements that Could Have a Direct and
Material Effect on Each Major Program, Internal Control over
Compliance in Accordance with OMB Circular A-133 and
on the Schedule of Expenditures of Federal Awards**

To 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, for which we did not express an opinion. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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 could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 10-III-A through 10-III-E.

Internal Control Over Compliance

Management of Iowa Valley Community College District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Iowa Valley Community College District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Iowa Valley Community College District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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.

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 31, 2011

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

CFDA Number	Name of Federal Program
	TANF Cluster:
93.558	Job Opportunities and Basic Skills Training (Promise Jobs)
93.714	Temporary Assistance for Needy Families – Summer Youth Program
10.854	Rural Economic Development Loan
84.394	ARRA Education Stabilization Fund
84.397	ARRA Government Services Fund

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

Auditee qualified as low-risk auditee? Yes No

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

(A) Significant Deficiencies and Material Weakness in Internal Control

10-II-A

Finding: The post closing and financial reporting system did not identify material adjustments on a timely basis needed to comply with accounting principles 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: capitalized interest was incorrectly recorded, assets were not appropriately capitalized and deferred revenue related to federal awards was not appropriately recorded. While the adjustments posted in the current year did not have as significant of an impact as the adjustments posted in the prior year, the overall impact was still significant.

Context: Pervasive to the financial statements as a whole.

Effect: Material misstatements 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 and reviews accordingly.

(B) Compliance Findings

None reported.

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

III. Findings and Questioned Costs for Federal Awards

(A) Significant Deficiencies in Internal Control

None reported.

(B) Compliance Findings

10-III-A

**U.S. Department of Education
Student Financial Assistance Program Cluster
Federal Pell Grant Program (CFDA 84.063)
Federal Award Year: 2009-2010**

Finding: Certain Pell disbursement dates submitted to the Common Origination and Disbursement (COD) system were not accurate and one was not timely.

Conditions: The disbursement dates submitted to the COD for certain students tested were the dates of submission to COD not the date disbursements were made to the student (credit student account) or the date federal funds were drawn.

Criteria: Per 34 CFR 690.83, an institution shall report to the Secretary payments made for grants on a timely basis. According to the COD Technical Reference Guide, the disbursement date reported should be the actual date that the disbursement was made to the student.

Context: Of the 75 Pell disbursements tested 10 were reported as the date the information was entered into the COD system not the actual disbursement date. In addition, one of these 10 also was not reported within 30 days of disbursement.

Effect: Noncompliance with federal regulations.

Questioned Cost: None

Recommendation: Management should make sure those entering information in the system are aware of the proper dates to report and periodically review that dates are appropriate.

Response and Corrective Action Plan: Since this was a new process, the date that we were submitting out of Powerfaids was not the accurate date. The date being submitted was the date that was hard coded in the Powerfaids system. We did not realize this was happening until the audit this past fall so there will be records inaccurately submitted for the 10-11 year also. We have since, however, corrected this process to enter the same date that the funds were disbursed on.

Iowa Valley Community College District

Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

10-III-B

**U.S. Department of Education
Student Financial Assistance Program Cluster
Federal Family Education Loan Program (CFDA 84.032)
Federal Award Year: 2009-2010**

Finding: Certain FFEL loans were not awarded properly.

Conditions: One student was disbursed an unsubsidized FFEL loan when the student had applied for and was eligible for a subsidized FFEL loan. One student was awarded both subsidized and unsubsidized loans however the student wanted to borrow less than the awarded amount. The District improperly reduced both loans when the student should have received their full subsidized loan and had the unsubsidized loan reduced. One student had their loans improperly prorated because they were a $\frac{3}{4}$ time student.

Criteria: Per 34 CFR 682.204, the Institution awards the student the amount they can borrow in the subsidized loan program first and then awards unsubsidized loans. Also per 34 CFR 682,204, loans are only prorated if the academic program is shorter than a full academic year.

Context: Three of the 42 students tested that received FFEL loans were awarded improper amounts in total or between subsidized and unsubsidized loans.

Effect: Noncompliance with federal regulations.

Questioned Cost: None

Recommendation: Management should investigate the causes for these errors and make sure personnel awarding aid are aware of proper awarding procedures.

Response and Corrective Action Plan: We always strive to be compliant with all of the loan regulations in light of our increased student population. After the on-site audit was completed this fall, we met with all staff to go over the findings to increase everyone's knowledge of the various processes that go with the certification of the loans.

10-III-C

**U.S. Department of Education
Student Financial Assistance Program Cluster
Federal Pell Grant Program (CFDA 84.063)
Federal Award Year: 2009-2010**

Finding: Return of Title IV funds calculation not performed.

Conditions: One student who had attended class and then dropped all of his classes did not have a Return of Title IV funds calculation performed. The District returned all of his aid which was a Pell grant however the student should have been allowed to keep a portion of his aid.

Iowa Valley Community College District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

Criteria: Per 34 CFR 668.22 (a) (1), when a recipient of title IV grant or loan assistance withdraws from an institution during a payment period or period of enrollment in which the recipient began attendance, the institution must determine the amount of title IV grant or loan assistance that the student earned as of the student's withdrawal date.

Context: One out of the 30 students selected to test the completeness of the withdrawal list we were provided for testing of Return of Title IV funds. In addition, 14 students were tested for proper Return of Title IV funds.

Effect: Noncompliance with federal regulations.

Questioned Cost: \$305 of aid returned that was earned by the student

Recommendation: Management should make sure a process is in place to identify any students that have begun attendance and withdraw to make sure they have a Return of Title IV funds calculation performed.

Response and Corrective Action Plan: We will continue to monitor class attendance for all students and ensure that students have not attended when we have returned all of their Title IV aid.

10-III-D

**U.S. Department of Agriculture
Rural Economic Development Loan (CFDA 10.854)
Federal Award Year: 2009-2010**

Finding: Certain provisions of the loan agreements were not performed.

Conditions: Under the loan through Midland Power, the District is required to pay an annual loan servicing fee equal to 1% per year on the outstanding principal on December 1st, beginning on 12/1/09 (loan date). The District did not pay this fee. The District is required to provide an itemized list with attached invoices, receipts, bills of sale or other evidence provided upon completion of Project or by first anniversary of date of advance funds, whichever is first. For one loan the District provided a list but did not attach any invoices, receipts, bills or other evidence. For the other loan, this list was not provided. For both loans, the representation letter required upon completion of the project was not provided. Finally, a consultant's certification and an owner's certification were required to demonstrate that the project was completed in accordance with the original plans. These certifications were not performed.

Criteria: The items listed above were required by the loan agreements.

Context: Certain provisions were not performed as per above.

Effect: Noncompliance with federal contracts.

Questioned Cost: None

Recommendation: Management should carefully read all agreements and perform required reporting.

Iowa Valley Community College District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

Response and Corrective Action Plan: The District paid the 1% fee at the time of the first principal installment on 12/1/10. Regarding documentation, District management relied on guidance and requests for information put forth by both Consumers Energy and Midland Power, and did provide satisfactory documentation to each entity as requested. In the future, Management will perform reporting as stated in the loan agreements.

10-III-E

**U.S. Department of Education
TANF Cluster
Job Opportunities and Basic Skills Training (Promise Jobs) (CFDA 93.558)
Federal Award Year: 2009-2010**

Finding: Inconsistent cost allocation process.

Conditions: Three expenses selected for testing which included costs allocated to various programs were not calculated using that same month's employee hours.

Criteria: The District's policy is to allocate expenses based on the same month's employee hours. Federal regulations require that costs be allocated for an equitable and consistent distribution of costs.

Context: Three out of 60 expenses selected for testing.

Effect: Noncompliance with federal regulations.

Questioned Cost: \$40.85

Recommendation: Management should make sure that employees adhere to a set policy for cost allocation.

Response and Corrective Action Plan: The errors occurred because employee timesheets were not available to the accounting clerk in a timely fashion. Timesheets are now due by the 5th of the month. This process will allow the accounting clerk access to the most relevant timesheets in cost allocating bills.

Iowa Valley Community College District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

IV. Other Findings Related to Required Statutory Reporting

- IV-A-10 Certified Budget – Expenditures for the year ended June 30, 2010 did not exceed the amounts budgeted.
- IV-B-10 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-10 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-10 Business Transactions – No business transactions between the District and District officials or employees were noted.
- IV-E-10 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-10 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-G-10 Publication – The District published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.
- IV-H-10 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-10 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:

Category	Contact 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	88	85	3
Vocational Education:						
Child Care Management	N/A	N/A	N/A	50	53	(3)
Construction Technology	N/A	N/A	N/A	18	35	(17)
Adult Continuing Education:						
Leisure and Recreational activities	N/A	N/A	N/A	2	14	(12)
Security & Protective Services Related	N/A	N/A	N/A	7	5	2
Motorcycle Rider	N/A	N/A	N/A	22	19	3

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 contact hours to ensure the hours are reported in the correct fiscal year.

Iowa Valley Community College District

**Schedule of Findings and Questioned Costs
Year Ended June 30, 2010**

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, 2010**

Comment Number	Comment	Corrective Action Plan	Contact Person	Anticipated Date of Completion
Significant Deficiency and Material Weakness in Internal Control over Financial Reporting:				
10-II-A	Inadequate post closing and financial reporting process.	See corrective action plan at 10-II-A.	Dan Gillen, CFO	June 2011
Compliance Findings for Federal Awards:				
10-III-A	Certain Pell disbursement dates submitted to the COD system were not accurate and one was not timely.	See corrective action plan at 10-III-A.	Barb Klein, Dean of Enrollment Services	June 2011
10-III-B	Certain FFEL loans were not awarded properly.	See corrective action plan at 10-III-B.	Barb Klein, Dean of Enrollment Services	June 2011
10-III-C	Return of Title IV funds calculation not performed	See corrective action plan at 10-III-C.	Barb Klein, Dean of Enrollment Services	June 2011
10-III-D	Certain provisions of the loan agreements were not performed.	See corrective action plan at 10-III-D.	Dan Gillen, CFO	June 2011
10-III-E	Inconsistent cost allocation process	See corrective action plan at 10-III-E.	Dan Gillen, CFO	June 2011
Statutory Reporting:				
IV-I-10	Contact hours reported did not agree to class schedule.	See corrective action plan at IV-I-10.	Chris Russell Chief Academic Officer	June 2011



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

In connection with our audit of the financial statements of Iowa Valley Community College District (the "District") as of and for the year ended June 30, 2010, we have identified deficiencies in internal control over financial reporting (control 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 financial statement 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 material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We have separately communicated, to you and the Board of Directors, identified deficiencies that we determined to be significant deficiencies or material weaknesses.

Following are descriptions of other 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 be 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.

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.

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. 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.

New Jobs Training Program

The District did not file withholding state reports for two of the NJTP companies selected for testing. When the District did not file these reports on time they were locked out of the online system and therefore did not file these reports. Management should have contacted the state to notify of problem and resolve it.

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.

The District does not apply withholding collected from an employer with multiple 260E projects to each specific project. The full amount was allocated to the earliest project first, so early projects appeared over-funded and later projects under-funded. Withholding received should be applied to specific 260E projects in order maintain appropriate funding.

Standby Tax Levy for New Jobs Training Program

State statutes indicate that standby tax levies can be levied to make payments on the certificates of participation, but they cannot be levied to build a cash reserve. The District has approximately \$2.1 million in cash related to the NJTP program, which would appear to be a reserve that has been built through standby tax levies and excess withholdings. The District should consider its cash on hand and expected collections in the next year before doing any future tax levies. In addition, if the District is to continue to retain significant amounts, management should obtain a legal opinion as to whether this is an allowable practice under Iowa Code.

Eligibility and Certification Approval Report

The Eligibility and Certification Approval Reports (ECAR) for both MCC and ECC were updated in October 2010 for the change in the Chancellor which was more than 10 days after the change occurred. All changes to personnel reported in the ECAR should be reported within 10 days as required by 34 CFR 600.31(a)(2).

Electronic Notifications

Per 34 CFR 668.41(c), part of the required notice of electronic notifications of student financial aid awards is that the District must state that upon request individuals are entitled to a paper copy and inform students how to request a paper copy. This information is not included in the District's electronic notifications and, therefore, should be added.

Federal Pell Grant Award Rounding

For six students tested, their Pell grant amount was rounded down \$1 when they should have been rounded up. The Department of Education has very specific guidance on rounding now that Pell grants in some years are an odd dollar amount instead of an even dollar amount. Management should make every effort to round awards and returns in accordance with the guidelines given.

Exit Counseling

We noted one student who did not return after the spring term and was not provided exit counseling materials. The District is required to have all students with FFEL loans complete exit counseling or mail the student exit counseling materials within 30 days of determination they are no longer enrolled. The date and content of that mailing should be documented in the student's file.

Withdrawal Reporting

We noted one student who was not reported as withdrawn to the National Student Loan Data System. While this student did not have any loans, the District should make every effort to make sure all students who withdraw are reported accurately.

Workforce Investment Act and Promise Jobs

For both the Workforce Investment Act and Promise Jobs programs we noted fiscal year 2009 expenses charged to fiscal year 2010. While these amounts were not significant and still within the grant period, all expenses should be carefully reviewed at fiscal year-end to be recorded in the proper year.

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

Accounts Receivable

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.

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 31, 2011