

**IOWA LAKES COMMUNITY COLLEGE  
INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS  
AND QUESTIONED COSTS  
JUNE 30, 2013**

**TABLE OF CONTENTS**

			<u>Page</u>
Officials .....			1
Independent Auditors' Report .....			2 – 3
Management's Discussion and Analysis .....			4 – 9
Basic Financial Statements:	Exhibit		
Statement of Net Position.....	A		10 – 11
Statement of Revenues, Expenses and Changes in Net Position .....	B		12
Statement of Cash Flows .....	C		13 – 14
Component Unit Financial Statements:			
Statement of Net Position.....	D		15
Statement of Revenues, Expenses and Changes in Net Position .....	E		16
Notes to Financial Statements .....			17 – 31
Required Supplementary Information:			
Schedule of Funding Progress for the Retiree Health Plan .....			32
Other Supplemental Information:	Schedule		
Notes to Other Supplementary Information.....			33
Budgetary Comparison Schedule of Expenditures – Budget to Actual.....	1		34
Note to Other Supplementary Information – Budgetary Reporting .....			35
Balance Sheet .....	2		36 – 39
Schedule of Revenues, Expenditures and Other Changes in Fund Balances .....	3		40 – 43
Current Unrestricted Fund:			
Schedule of Revenues, Expenditures and Other Changes in Fund Balance -- Education and Support .....	4		44 – 45
Schedule of Revenues, Expenditures and Other Changes in Fund Balance -- Auxiliary Enterprises .....	5		46 – 47
Current Restricted Fund:			
Schedule of Revenues, Expenditures and Other Changes in Fund Balance .....	6		48 – 49
Agency Funds – Schedule of Changes in Deposits Held in Custody for Others .....	7		50 – 51
Schedule of Expenditures Compared to Budget:			
Iowa Industrial New Jobs Training Program .....	8		52 – 53
Iowa Small Business New Jobs Training Program .....	9		54 – 55
Schedule of Credit/Contact Hour Enrollment .....	10		56
Comparison of Taxes and Intergovernmental Revenues .....	11		57
Current Fund (Unrestricted and Restricted) Revenues by Source .....	12		58 – 59
Schedule of Expenditures of Federal Awards .....	13		60 – 61
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....			62 – 63

Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by OMB Circular A-133 .....	64 – 65
Schedule of Findings and Questioned Costs .....	66 – 69
Corrective Action Plan for Federal Audit Findings .....	70

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**IOWA LAKES COMMUNITY COLLEGE  
OFFICIALS**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Trustees</b>		
(Term of October 1, 2012 to September 30, 2013)		
Jan Lund	President	2015
Patrick Kibbie	Vice President	2013
David Gottsche	Trustee	2015
Bob Jennings	Trustee	2013
Arden Kinnader	Trustee	2015
Mike Prior	Trustee	2013
Jane Nolan Goeken	Trustee	2015

**Community College**  
(As of June 30, 2013)

Valerie Newhouse	President
Thomas Brotherton	Executive Dean of Emmetsburg Campus
Jane Campbell	Executive Director of Marketing
Mark Gruwell	Executive Dean of Instruction and Development
Delaine Hiney	Executive Director of Facilities Management
Robert L'Heureux	Vice President of Administration
Clark Marshall	Executive Director of Continuing Education & Economic Development
Scott Stokes	Executive Dean of Estherville Campus
Jolene Rogers	Executive Director of Institutional Advancement
Julie Williams	Executive Dean of Students

## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Iowa Lakes Community College  
Estherville, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Iowa Lakes Community College, Estherville, Iowa, and its aggregate discretely presented component units as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents of this report.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Iowa Lakes Community College and its discretely presented component units as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 9 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Iowa Lakes Community College's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which is not presented herein) and expressed unmodified opinions on those financial statements. The other supplemental information included in Schedules 1 through 12, is presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, Schedule 13, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The other supplemental information and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, other supplemental information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2014, on our consideration of Iowa Lakes Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Iowa Lakes Community College's internal control over financial reporting and compliance.

*Williams & Company, P.C.*

Certified Public Accountants

Spencer, Iowa  
February 11, 2014

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **FOR THE YEAR ENDED JUNE 30, 2013**

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This section of Iowa Lakes Community College's annual financial report presents a discussion and analysis of the financial performance of the college during the fiscal year ended June 30, 2013, with comparative information presented for the fiscal year ended June 30, 2012. This discussion has been prepared by management along with the financial statements and related note disclosures and should be read in conjunction with the financial statement and notes. This discussion and analysis consists of comments just for Iowa Lakes Community College and does not contain comments about the Component Units. The financial statements, notes, and this discussion are the responsibility of management.

#### **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 College's financial activities.

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

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

Required Supplementary Information presents a Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the individual funds. The Budgetary Comparison Schedule of Expenditures – Budget to Actual further explains and supports the financial statements with a comparison of the College's budget for the year. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the College.

#### **REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES**

##### **The Statement of Net Position**

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

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

## Net Position

	June 30, 2013	June 30, 2012
Current and Other Assets	\$ 22,796,728	\$ 21,061,505
Capital Assets, Net of Accumulated Depreciation	30,830,938	30,771,647
Total Assets	53,627,666	51,833,152
Current Liabilities	13,396,844	11,542,947
Non-current Liabilities	7,462,595	6,920,834
Total Liabilities	20,859,439	18,463,781
Net Position:		
Net Investment in Capital Assets	27,158,338	26,961,647
Restricted		
Non-Expendable	1,000,000	1,000,000
Expendable	275,057	979,637
Unrestricted	4,334,832	4,428,087
Total Net Position	\$ 32,768,227	\$ 33,369,371

### Comparison of Net Position

The largest portion of the College's net position (82.9%) is the net invested in capital assets (e.g., land, buildings, intangibles and equipment). The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net position (3.9%) includes resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The remaining position (13.2%) is unrestricted net position which can be used to meet the College's obligations as they come due.

### The Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position presented in the Statement of Net Position is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The purpose of the statement is to present the revenues earned by the College, both operating and non-operating, the expenses incurred by the College, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

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

## Changes in Net Position

	Year Ended June 30, 2013	Year Ended June 30, 2012
Revenues:		
Operating Revenues:		
Tuition and Fees net of scholarships	\$ 5,766,815	\$ 6,134,581
Federal Appropriations	5,963,572	7,377,359
Iowa Industrial New Jobs Training Program	306,799	649,046
Gifts & Grants	538,706	751,170
Auxiliary Enterprises	5,470,982	6,004,165
Miscellaneous	2,778,879	2,806,377
Total Operating Revenues	<u>20,825,753</u>	<u>23,722,698</u>
Total Operating Expenses	<u>35,901,721</u>	<u>35,199,055</u>
Operating Loss	(15,075,968)	(11,476,357)
Non-Operating Revenues (Expenses)		
State Appropriations	10,609,481	9,037,957
Property Taxes	4,018,911	3,852,876
Gifts from Foundation	80,272	-
Interest Income from Investments	87,294	249,382
(Loss) on Sale of Capital Assets	(39,384)	(142,866)
Interest on Indebtedness	(281,750)	(342,042)
Net Non-Operating Revenues	<u>14,474,824</u>	<u>12,655,307</u>
Increase (Decrease) in Net Position	(601,144)	1,178,950
Net Position Beginning of Year	33,369,371	32,190,421
Net Position Ending of Year	<u>\$ 32,768,227</u>	<u>\$ 33,369,371</u>

The Statement of Revenues, Expenses and Changes in Net Position reflects a slight decrease in net position at the end of the fiscal year. In fiscal year 2013, operating revenues decreased approximately \$2,897,000. The decrease was a result of the following changes:

- Tuition and fees, net of scholarships, decreased approximately \$368,000, while Federal appropriations decreased approximately \$1,414,000. This net decrease was the result of our credit hours decreasing by 6,721 from fiscal year 2012 to fiscal year 2013.
- Revenues from auxiliary enterprises decreased approximately \$533,000 from fiscal year 2012 to fiscal year 2013, while Dorm Revenue remained relatively stable due to steady occupation rates in our housing. Bookstore revenues decreased approximately \$200,000 from fiscal year 2012 to fiscal year 2013.
- Revenue transfers into the auxiliary fund for special projects decreased from fiscal year 2012 to 2013. The Digital Signage and Video Conference Projects were completed in fiscal year 2012 resulting in a decrease in revenues of approximately \$486,000 associated with Technology improvements.
- Revenue transfers for dorm bond debt obligations increased by \$150,000 during fiscal year 2013.

## Operating Expenses

	Year Ended June 30, 2013	Year Ended June 30, 2012
Education and Support:		
Liberal Arts and Sciences	\$ 6,804,963	\$ 6,858,052
Vocational Technical	4,604,643	4,623,267
Adult Education	836,300	752,565
Cooperative Services	1,156,357	1,558,826
General Administration	1,082,856	1,092,586
Student Services	1,835,159	1,728,911
Learning Resources	1,191,703	1,243,831
Physical Plant	1,596,123	1,940,106
General Institution	8,239,815	6,724,795
Sub-total	27,347,919	26,522,939
Auxiliary Enterprises	6,120,529	5,954,183
Scholarships and Grants	1,172,926	1,058,746
Depreciation Expense	1,260,347	1,663,187
Total	\$ 35,901,721	\$ 35,199,055

In fiscal year 2013, operating expenses increased approximately \$703,000 (2%). The following factors explain some of the changes:

- The college's functional areas include Liberal Arts and Sciences, Vocational Technical, Adult Education, Cooperative Services, General Administration, Student Services, Learning Resources, Physical Plant and General Institutional. The college's utilization of funds by functional area demonstrates its financial commitment to its basic mission and defines the scope of instructional programs and support services. These functional area expenses increased from fiscal year 2012 to fiscal year 2013 by 3.11% while they decreased 3.46% from fiscal year 2011 to fiscal year 2012, and increased in fiscal year 2011 from fiscal year 2010 2.32%. Typically the increases were in the 8 – 9% range in years before fiscal year 2008.
- Most functional areas showed minor changes from fiscal year 2012 to fiscal year 2013 with Cooperative Services and Physical Plant showing the largest decreases of \$402,000 and \$344,000 respectively. General Institution increased by \$1,515,000 due mainly to the increase in Early Retirement Expense incurred in fiscal year 2013. The college had 22 employees elect early retirement which resulted in \$1,667,000 increase in expenses for fiscal year 2013.
- Auxiliary Enterprises showed an increase of \$166,000 (2.8%) from fiscal year 2012 to fiscal year 2013. Some of this can be explained by the increased costs associated with our growing athletic population. Iowa Lakes added a Dance team in fiscal year 2013 and saw large increases in the number of participants for the Swim Team and Wrestling Team. A majority of the athletes also live in Iowa Lakes Housing, causing increases in Food Services and Housing costs as well.

## The Statement of Cash Flows

The Statements of Cash Flows is an important tool in helping users assess the College's ability to generate future net cash flows, its ability to meet its obligations as they come due and its need for external financing. The Statement of Cash Flows presents information related to cash inflows and outflows, summarized by operating, non-capital financing, capital and related financing and investing activities.

### Cash Flows

	Year Ended June 30, 2013	Year Ended June 30, 2012
Cash and Pooled Investments Provided (Used) by:		
Operating Activities:		
Revenues	\$ 22,236,906	\$ 25,602,196
Expenditures	34,194,742	35,442,256
Net Operating Activities	(11,957,836)	(9,840,060)
Non-Capital Financing Activities	14,322,047	12,488,749
Capital and Related Financing Activities	(1,650,939)	(3,076,334)
Investing Activities	(643,666)	250,281
Net Increase (Decrease) in Cash and Pooled Investments	69,606	(177,364)
Cash and Pooled Investments at Beginning of Year	11,841,334	12,018,698
Cash and Pooled Investments at End of Year	<u>\$ 11,910,940</u>	<u>\$ 11,841,334</u>

Cash used by operating activities includes tuition, fees, operating grants and contracts, net of payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations, Pell grant, local property tax received by the College and the receipt and disbursement of federal direct loan program proceeds. Cash used by 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.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2013, the College had approximately \$53.1M invested in capital assets, without applying an accumulated depreciation of approximately \$22.3M. The net of depreciation value is an increase of 0.2% or \$59,000 from a year ago. Depreciation charges totaled \$1.3M for fiscal year 2013. Details of capital assets are shown below:

### Capital Assets, Net, at Year-End

	Year Ended June 30, 2013	Year Ended June 30, 2012
Land	\$ 1,435,940	\$ 1,435,940
Buildings	23,115,925	23,914,036
Other Structures and Improvements	1,750,715	1,737,630
Furniture and Equipment	3,956,706	3,578,344
Construction in Progress	571,652	105,697
Total Capital Assets	<u>\$ 30,830,938</u>	<u>\$ 30,771,647</u>

The financial reports presented in the Management's Discussion and Analysis show minor changes from a year ago. The Secondary Road Improvement Project on the Emmetsburg Campus was completed in fiscal year 2013. Projects that will be worked on in fiscal year 2014 include the remodeling of the Sustainable Energy Resource Technology Building on the Estherville Campus and completion of the Swine Facility at the Emmetsburg Farm. More detailed information about the college's capital assets is presented in Note 5 to the financial statements.

## Long-Term Debt

At June 30, 2013, the College had \$7,120,000 in outstanding debt, with all debt retirement coming from revenue sources other than the general unrestricted fund. During fiscal year 2013, New Job Training Project Certificates in the amount of \$975,000 were issued resulting in an increase in Certificates Payable at the end of fiscal year 2013. The table below summarizes debt balance for two fiscal years by category.

### Outstanding Debt

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
Certificate Payable	\$ 3,585,000	\$ 3,420,000
Bonds Payable and Other Debt	3,535,000	3,810,000
Total	<u>\$ 7,120,000</u>	<u>\$ 7,230,000</u>

More detailed information about the College's outstanding debt is presented in Note 6 to the financial statements.

## ECONOMIC FACTORS

Iowa Lakes Community College continued to face the same challenges as other community colleges in Iowa during fiscal year 2013. After record enrollment number from 2009-2011, 2013 followed the trend shown in 2012 with another year of decreased enrollment.

The State of Iowa continued its support for community colleges in 2013 and increased funding in 2014 as well. Our state appropriation increased by \$507,895 in 2013 and is expected to increase by \$561,439 in 2014 for the General Unrestricted Fund. In addition to the increase in General Unrestricted Fund appropriations, the Legislature appropriated funds for Adult Basic Education and Workforce Development Activities.

The new Plant Fund Levy began July 1, 2012. This will provide more than \$1M per year for new construction and maintaining our current physical plant over the next 10 years. Property tax reform passed the State Legislature in 2013. For fiscal year 2015 we will receive additional funding for the reduction of business and industrial property tax.

Listed below are some challenges which we face:

- The ability to maintain a stable enrollment is critical to the financial well being of Iowa Lakes.
- Facilities will require constant maintenance, upkeep, and remodeling to keep pace with current trends.
- The Affordable Care Act and rising medical costs will continue to put pressure on budgets.

## CONTACTING THE COLLEGE'S FINANCIAL MANAGEMENT

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

## Basic Financial Statements

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF NET POSITION  
JUNE 30, 2013**

	Primary Government	Component Units
<b>ASSETS</b>		
Current Assets		
Cash and Investments:		
Cash and Cash Equivalents	\$ 11,910,940	\$ 495,802
Pooled Investments	726,705	4,266,008
Receivables:		
Due from Others, net of Allowance for Uncollectible		
Accounts of \$1,304,763	964,990	-
Accrued Interest	15,044	20,765
Property Tax - Succeeding Year	5,720,235	-
Nursing Loans	5,388	-
Iowa Industrial New Jobs Training Program	378,094	-
Due From Iowa Lakes Community College Foundation	61,106	-
Due From Other Governments	750,015	-
Inventories	863,945	-
Prepaid Expenses	448,260	875
Bond Issue Costs	16,717	-
	21,861,439	4,783,450
Total Current Assets		
Noncurrent Assets		
Pooled Investments	-	1,334,693
Endowment Investments	800,000	-
Bond Issue Costs	135,289	-
Capital Assets		
Land	1,435,940	17,000
Construction in Progress	571,652	-
Buildings	37,969,393	-
Other Structures and Improvements	3,487,229	72,635
Furniture and Equipment	9,628,976	-
Accumulated Depreciation	(22,262,252)	(72,635)
	31,766,227	1,351,693
Total Noncurrent Assets		
	\$ 53,627,666	\$6,135,143
<b>TOTAL ASSETS</b>		

**IOWA LAKES COMMUNITY COLLEGE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2013**

	Primary Government	Component Units
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	\$ 1,510,393	\$ -
Salaries and Benefits Payable	553,457	-
Accrued Interest	21,057	-
Deferred Revenue:		
Succeeding Year Property Tax	5,720,235	-
Other	639,362	-
Compensated Absences Payable	109,807	-
Early Retirement Payable	1,088,656	-
Deposits Held in Custody for Others	1,163,183	-
Due to Others	14,471	-
Due to Iowa Lakes Community College	-	61,106
Reported and Unreported Insurance Claims Payable	640,506	-
Insurance Reserve	808,717	-
Good Faith Deposit	92,000	-
Certificates Payable	745,000	-
Bonds and Other Long-Term Debt	290,000	-
	13,396,844	61,106
<b>Total Current Liabilities</b>		
Noncurrent Liabilities		
Deferred Revenue - Other	446,303	-
Early Retirement Payable	919,706	-
Certificates Payable	2,840,000	-
Bonds and Other Long-Term Debt	3,245,000	-
Net OPEB Liability	11,586	-
	7,462,595	-
<b>Total Noncurrent Liabilities</b>		
	20,859,439	61,106
<b>TOTAL LIABILITIES</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets	27,158,338	17,000
Restricted:		
Nonexpendable:		
Endowment	1,000,000	2,002,376
Expendable:		
Scholarships	-	4,054,661
Loans	14,845	-
Debt Service	260,212	-
Unrestricted	4,334,832	-
	\$ 32,768,227	\$ 6,074,037
<b>TOTAL NET POSITION</b>		

See Accompanying Notes to Financial Statements

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**IOWA LAKES COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2013**

	Primary Government	Component Units
<b>REVENUES</b>		
Operating Revenues:		
Tuition and Fees, net of scholarship allowances of \$ 4,117,521	\$ 5,766,815	\$ -
Federal Appropriations	5,963,572	-
Iowa Industrial New Jobs Training Program	306,799	-
Gifts and Grants	538,706	306,289
Auxiliary Enterprises Revenue, net of scholarship allowances of \$1,474,654	5,470,982	-
Miscellaneous	2,778,879	75,304
	<u>20,825,753</u>	<u>381,593</u>
Total Operating Revenues		
<b>EXPENSES</b>		
Operating Expenses:		
Education and Support:		
Liberal Arts and Sciences	6,804,963	-
Vocational Technical	4,604,643	-
Adult Education	836,300	-
Cooperative Services	1,156,357	-
General Administration	1,082,856	-
Student Services	1,835,159	-
Learning Resources	1,191,703	-
Physical Plant	1,596,123	-
General Institution	8,239,815	-
Auxiliary Enterprises	6,120,529	-
Scholarships and Grants	1,172,926	224,970
Administrative and Collection Costs	-	21,914
Services, Materials and Cost of Goods Sold	-	192,695
Depreciation Expense	1,260,347	-
	<u>35,901,721</u>	<u>439,579</u>
Total Operating Expenses		
Operating (Loss)	<u>(15,075,968)</u>	<u>(57,986)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
State Appropriations	10,609,481	-
Property Taxes	4,018,911	-
Gifts from Iowa Lakes Community College Foundation	80,272	-
Interest Income from Investments	87,294	324,133
Unrealized Gain on Investments	-	274,033
Gifts to Iowa Lakes Community College	-	(80,272)
Loss on Sales of Capital Assets	(39,384)	-
Interest on Indebtedness	(281,750)	-
	<u>14,474,824</u>	<u>517,894</u>
Net Non-Operating Revenues		
Increase (Decrease) in Net Position	(601,144)	459,908
Net Position Beginning of Year	<u>33,369,371</u>	<u>5,614,129</u>
Net Position End of Year	<u>\$ 32,768,227</u>	<u>\$ 6,074,037</u>

See Accompanying Notes to Financial Statements

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Tuition and Fees	\$ 11,728,530
Grants and Contracts	5,190,387
Iowa Industrial New Jobs Training Program	570,795
Payments to Employees	(20,099,907)
Payments to Suppliers	(13,610,581)
Payments to NJTP Recipients	(275,353)
Auxiliary Enterprise Net Activity	(208,901)
Other Receipts	<u>4,747,194</u>

Net Cash (Used) by Operating Activities (11,957,836)

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:**

State Appropriations	10,609,481
Property Taxes	4,018,911
Principal Paid on Debt	(810,000)
Certificates Issued	975,000
Miscellaneous Agency Fund Receipts	2,444,857
Miscellaneous Agency Fund Disbursements	<u>(2,916,202)</u>

Net Cash Provided from Non-Capital Financing Activities 14,322,047

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:**

Proceeds from Sale of Capital Assets	450
Purchases of Capital Assets	(1,074,005)
Principal Paid on Debt and Leases	(275,000)
Interest Paid on Debt and Leases	<u>(302,384)</u>

Net Cash (Used) by Capital and Related Financing Activities (1,650,939)

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Proceeds from Sales and Maturities of Investments	96,839
Purchase of Investments	(800,000)
Interest on Investments	<u>59,495</u>

Net Cash (Used) by Investing Activities (643,666)

**Net Increase in Cash** 69,606

**Cash at Beginning of Year** 11,841,334

**Cash at End of Year** \$ 11,910,940

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2013**

**Reconciliation of Operating (Loss) to Net Cash****(Used) by Operating Activities:**

Operating (Loss)	\$ (15,075,968)
Adjustments to Reconcile Operating (Loss) to Net Cash (Used) by Operating Activities:	
Depreciation	1,260,347
Changes in Assets and Liabilities:	
Decrease in Due From Others	509,526
Decrease in Due From Other Governments	399,034
Decrease in Inventories	119,746
(Increase) in Prepaid Expenses	(108,910)
Increase in Accounts Payable	531,462
(Decrease) in Salaries and Benefits Payable	(53,564)
Increase in Compensated Absences	8,463
Increase in Deferred Revenue	14,110
(Decrease) in Deposits Held in Custody	(4,732)
Increase in Early Retirement Payable	1,539,084
Increase in Due to Others	18,909
Increase in Reported and Unreported Insurance Claims Payable	210,446
(Decrease) in Insurance Reserve	<u>(1,325,789)</u>
Total Adjustments	<u>3,118,132</u>

**Net Cash (Used) by Operating Activities****\$ (11,957,836)****Noncash, Capital and Related Financing Activities:**

The College received donated capital assets with a fair value of \$77,995.

**IOWA LAKES COMMUNITY COLLEGE  
STATEMENT OF NET POSITION - COMPONENT UNITS  
JUNE 30, 2013**

	Iowa Lakes Community College Scholarship Foundation	Iowa Lakes Community College Foundation	Total
<b>ASSETS</b>			
Current Assets			
Cash and Investments:			
Cash and Pooled Investments	\$ 207,111	\$ 288,691	\$ 495,802
Pooled Investments	3,163,215	1,102,793	4,266,008
Receivables:			
Accrued Interest	20,571	194	20,765
Prepaid Expenses	-	875	875
Total Current Assets	<u>3,390,897</u>	<u>1,392,553</u>	<u>4,783,450</u>
Noncurrent Assets			
Pooled Investments	1,334,693	-	1,334,693
Capital Assets			
Land	-	17,000	17,000
Other Structures and Improvements	-	72,635	72,635
Accumulated Depreciation	-	(72,635)	(72,635)
Total Noncurrent Assets	<u>1,334,693</u>	<u>17,000</u>	<u>1,351,693</u>
<b>TOTAL ASSETS</b>	<u><u>4,725,590</u></u>	<u><u>1,409,553</u></u>	<u><u>6,135,143</u></u>
<b>LIABILITIES</b>			
Current Liabilities			
Due to Iowa Lakes Community College	<u>4,221</u>	<u>56,885</u>	<u>61,106</u>
Total Current Liabilities	<u>4,221</u>	<u>56,885</u>	<u>61,106</u>
<b>TOTAL LIABILITIES</b>	<u>4,221</u>	<u>56,885</u>	<u>61,106</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	17,000	17,000
Restricted:			
Nonexpendable:			
Endowment	1,022,365	980,011	2,002,376
Expendable:			
Scholarships	<u>3,699,004</u>	<u>355,657</u>	<u>4,054,661</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 4,721,369</u></u>	<u><u>\$ 1,352,668</u></u>	<u><u>\$ 6,074,037</u></u>

See Accompanying Notes to Financial Statements

**IOWA LAKES COMMUNITY COLLEGE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - COMPONENT UNITS**  
**YEAR ENDED JUNE 30, 2013**

	Iowa Lakes Community College Scholarship Foundation	Iowa Lakes Community College Foundation	Total
<b>REVENUES</b>			
Operating Revenues:			
Gifts and Contributions	\$ -	\$ 306,289	\$ 306,289
Sales and Service	-	47,508	47,508
Miscellaneous	-	27,796	27,796
	<u>-</u>	<u>381,593</u>	<u>381,593</u>
Total Operating Revenues			
	-	381,593	381,593
<b>EXPENSES</b>			
Operating Expenses:			
Scholarships	139,041	85,929	224,970
Salaries and Benefits	-	14,050	14,050
Services	25,419	111,536	136,955
Materials and Supplies	-	4,713	4,713
Travel	-	7,794	7,794
Cost of Goods Sold	-	51,027	51,027
Miscellaneous	-	70	70
	<u>164,460</u>	<u>275,119</u>	<u>439,579</u>
Total Operating Expenses			
	164,460	275,119	439,579
Operating Income (Loss)	<u>(164,460)</u>	<u>106,474</u>	<u>(57,986)</u>
<b>NON-OPERATING REVENUES</b>			
Interest Income from Investments	289,618	34,515	324,133
Unrealized Gain on Investments	220,297	53,736	274,033
Gifts to Iowa Lakes Community College	-	(80,272)	(80,272)
	<u>509,915</u>	<u>7,979</u>	<u>517,894</u>
Net Non-Operating Revenues			
	509,915	7,979	517,894
Increase in Net Position	345,455	114,453	459,908
Net Position Beginning of Year	<u>4,375,914</u>	<u>1,238,215</u>	<u>5,614,129</u>
Net Position End of Year	<u>\$ 4,721,369</u>	<u>\$ 1,352,668</u>	<u>\$ 6,074,037</u>

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 1 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. Reporting Entity**

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

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

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

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

**B. Basis of Presentation**

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

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

Net Investment in Capital Assets: Capital assets, net of accumulated depreciation/amortization and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Position:

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

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

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

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

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

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

D. Assets, Liabilities and Net Position

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

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

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

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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, except for the livestock and grain from the farm, which is valued at market value. Inventories consist of supplies and materials held for consumption, livestock and merchandise held for resale. The cost is recorded as an expenditure at the time individual inventory items are consumed or sold.

Property Tax Receivable -- Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Trustees to the appropriate County Auditors. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County Auditor by June 1 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Receivable for Iowa Industrial New Jobs Training Program (NJTP) -- This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2013 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

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

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

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

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

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

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

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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

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

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

Compensated Absences -- College employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities. These liabilities have been computed based on rates of pay in effect at June 30, 2013.

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

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

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

Operating and Non-operating Activities -- Operating activities, as reported in the Statement of Revenues, Expenses and Changes in Net Position, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, property tax and interest income.

E. Scholarship Allowances and Student Aid

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

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 2 -- CASH AND POOLED INVESTMENTS**

The College's deposits in banks at June 30, 2013, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

At June 30, 2013, the Community College had the following investments:

Current Pooled Investments		<u>\$ 726,705</u>	
Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1	1 to 5
Certificates of Deposit	<u>\$ 726,705</u>	<u>\$ 726,705</u>	<u>\$ -</u>

At June 30, 2013, the Community College had the following investments in the Iowa Schools Joint Investment Trust:

Diversified Portfolio	<u>\$ 229</u>
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The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

Credit risk- The College's investment in the Iowa Schools Joint Investment Trust was rated AAAM by Standard & Poor's Rating Services.

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

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Note 2 -- **CASH AND POOLED INVESTMENTS** (Continued)

At June 30, 2013, the Iowa Lakes Community College Foundation had the following investments:

Current Pooled Investments		<b>\$ 1,102,793</b>	
Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1	Greater than 1
Equities	\$ 520,243	N/A	N/A
International Equities	149,326	N/A	N/A
Fixed Income Mutual Funds	433,224	N/A	N/A
	<b>\$ 1,102,793</b>	<b>\$ -</b>	<b>\$ -</b>

Credit risk - The Iowa Lakes Community College Foundation's investments in fixed income mutual funds consist of two funds that were given ratings of 4 by Morningstar and one fund that was given a rating of 3. The investments in equities consist of various investments, which were rated A+, A, A-, B+, B, or were not rated by Standard & Poor's.

At June 30, 2013, the Iowa Lakes Community College Scholarship Foundation had the following investments:

Current Pooled Investments		\$ 3,163,215	
Long-Term Pooled Investments		1,334,693	
		<b>\$ 4,497,908</b>	
Investment Type	Fair Value	Investment Maturities (in years)	
		Less than 1	Greater than 1
Equities	\$ 2,543,074	N/A	N/A
International Equities	146,136	N/A	N/A
Fixed Income Mutual Funds	96,333	N/A	N/A
Fixed Income	1,712,365	377,672	1,334,693
	<b>\$ 4,497,908</b>	<b>\$ 377,672</b>	<b>\$ 1,334,693</b>

Credit risk - The Scholarship Foundation's investment in fixed income mutual funds was given a rating of 3 by Morningstar. The investments in fixed income consist of various investments, which were rated AAA, AA+, A+, A, A-, BBB+, BBB, or were not rated by Standard & Poor's.

Note 3 -- **DEFERRED COMPENSATION PLAN**

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

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

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 3 -- DEFERRED COMPENSATION PLAN (Continued)**

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

The Community College is responsible for due care in managing the investments and the participant or beneficiary assumes the risk of loss from decreases in the value of plan assets. The Community College records the plan assets and the related liability to the plan participant in an agency fund.

During the fiscal year, the final distribution from the plan has been made and as of June 30, 2013, the plan has no assets.

**Note 4 -- INVENTORIES**

The Community College's inventories at June 30, 2013 are as follows:

Bookstore	\$ 334,212
Food Service	21,458
Farm	146,416
Parts Store	28,887
Wind Energy	259,500
Other	<u>73,472</u>
	<u>\$ 863,945</u>

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 5 -- CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 1,435,940	\$ -	\$ -	\$ 1,435,940
Construction in Progress	105,697	611,909	(145,954)	571,652
<b>Total Capital Assets Not Being Depreciated</b>	<u>1,541,637</u>	<u>611,909</u>	<u>(145,954)</u>	<u>2,007,592</u>
<b>Capital Assets Being Depreciated:</b>				
Buildings	37,995,202	134,193	(160,002)	37,969,393
Other Structures and Improvements	3,319,351	167,878	-	3,487,229
Furniture and Equipment	9,064,464	591,446	(26,934)	9,628,976
<b>Total Capital Assets Being Depreciated</b>	<u>50,379,017</u>	<u>893,517</u>	<u>(186,936)</u>	<u>51,085,598</u>
<b>Less Accumulated Depreciation for:</b>				
Buildings	(14,081,166)	892,471	(120,169)	(14,853,468)
Other Structures and Improvements	(1,581,721)	154,793	-	(1,736,514)
Furniture and Equipment	(5,486,120)	213,084	(26,934)	(5,672,270)
<b>Total Accumulated Depreciation</b>	<u>(21,149,007)</u>	<u>1,260,348</u>	<u>(147,103)</u>	<u>(22,262,252)</u>
<b>Total Capital Assets Being Depreciated, Net</b>	<u>29,230,010</u>	<u>(366,831)</u>	<u>(39,833)</u>	<u>28,823,346</u>
<b>Capital Assets, Net</b>	<u>\$ 30,771,647</u>	<u>\$ 245,078</u>	<u>\$ (185,787)</u>	<u>\$ 30,830,938</u>

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

On June 30, 2013, the Community College has future construction commitments of \$4,442,518.

Reconciliation of Net Investment in Capital Assets follows:

Land	\$ 1,435,940
Buildings	37,969,393
Construction in Progress	571,652
Other Structures and Improvements	3,487,229
Furniture and Equipment	9,628,976
Accumulated Depreciation	<u>(22,262,252)</u>
Capital Assets (Net of Accumulated Depreciation)	30,830,938
Less: Capital Assets Held in Custody for Others	(137,600)
Less: Bonds Payable	<u>(3,535,000)</u>
<b>Net Investment in Capital Assets</b>	<u>\$ 27,158,338</u>

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Note 5 -- **CAPITAL ASSETS** (Continued)

Capital Assets for Iowa Lakes Community College Foundation, a component unit, for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Capital Assets Not Being Depreciated:				
Land	\$ 17,000	\$ -	\$ -	\$ 17,000
Capital Assets Being Depreciated:				
Other Structures and Improvements	<u>72,635</u>	<u>-</u>	<u>-</u>	<u>72,635</u>
Less Accumulated Depreciation for:				
Other Structures and Improvements	<u>(72,635)</u>	<u>-</u>	<u>-</u>	<u>(72,635)</u>
Capital Assets, Net	<u>\$ 17,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,000</u>

Note 6 -- **LONG-TERM DEBT**

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

	Balance Beginning of Year	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Early Retirement Payable	\$ 469,279	\$ 1,666,853	\$ (127,770)	\$ 2,008,362	\$ 1,088,656
Certificates Payable	3,420,000	975,000	(810,000)	3,585,000	745,000
Bonds Payable & Other					
Long Term Debt	3,810,000	-	(275,000)	3,535,000	290,000
Net OPEB Liability	<u>23,788</u>	<u>15,450</u>	<u>(27,652)</u>	<u>11,586</u>	<u>-</u>
Total Primary Government	<u>\$ 7,723,067</u>	<u>\$ 2,657,303</u>	<u>\$ (1,240,422)</u>	<u>\$ 9,139,948</u>	<u>\$ 2,123,656</u>

Certificates Payable

In accordance with agreements dated between September 1, 1996 and June 30, 2013, the Community College issued certificates totaling \$12,355,000 with interest rates ranging from 0.50% to 6.25%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semi-annually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves, and, in the case of default, from standby property taxes. During 2013, Iowa Lakes Community College recorded \$156,730 of interest expense from the certificates payable.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

Note 6 -- **LONG-TERM DEBT** (Continued)

The certificates will mature as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 745,000	\$ 121,547	\$ 866,547
2015	595,000	103,350	698,350
2016	465,000	77,670	542,670
2017	500,000	58,805	558,805
2018	305,000	25,755	330,755
2019-2023	<u>975,000</u>	<u>73,240</u>	<u>1,048,240</u>
Total	<u>\$ 3,585,000</u>	<u>\$ 460,367</u>	<u>\$ 4,045,367</u>

Bonds Payable & Other Long-Term Debt

On June 1, 2005, Iowa Lakes Community College issued \$1,200,000 of lease purchase certificates of participation, as allowed by Section 260C.19 of the Code of Iowa, to finance the purchase of Gateway North Mall. Annual principal payments began June 1, 2006. Interest payments are due semi-annually each June and December. The certificates will mature in 2017. The balance of the certificates at June 30, 2013 was \$870,000.

On November 17, 2008, Iowa Lakes Community College secured a non-interest bearing loan in the amount of \$360,000 through a Rural Economic Development Grant in order to finance remodeling and expanding the existing Wind Energy and Turbine Technology center in Estherville. Monthly principal payments began November 1, 2010. The note will mature in 2019. The balance of the note at June 30, 2013 was \$240,000.

On April 1, 2010, Iowa Lakes Community College issued \$1,570,000 of dormitory revenue bonds to finance the construction of residence halls in Estherville. Annual principal payments began September 2011 due to a trustee error. Interest payments are due semi-annually each June and December. The bonds will mature in 2030. The balance of the bonds at June 30, 2013 was \$1,440,000.

On May 10, 2012, the Community College issued \$1,125,000 in refunding revenue bonds to advance refund the 2006 dormitory bonds. The revenue bonds and interest shall be payable from the net revenues of the College Dormitory System and other auxiliary enterprises. Annual principal payments will begin on June 1, 2013. Interest payments are due semi-annually on June 1 and December 1. The bond will mature in 2020. The new issue will reduce debt service payments by \$204,428 with an economic gain of \$166,284. The balance of the bond at June 30, 2013 was \$985,000.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 6 -- LONG-TERM DEBT (Continued)**

Details of the Community College's June 30, 2013 bonded indebtedness maturities are as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 290,000	\$ 160,154	\$ 450,154
2015	290,000	153,301	443,301
2016	310,000	146,174	456,174
2017	955,000	136,629	1,091,629
2018	255,000	91,999	346,999
2019-2023	645,000	363,199	1,008,199
2024-2028	520,000	211,632	731,632
2029-2030	270,000	29,213	299,213
Total	<u>\$ 3,535,000</u>	<u>\$ 1,292,301</u>	<u>\$ 4,827,301</u>

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

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

Plan members are required to contribute 5.78% of their annual covered salary and Iowa Lakes Community College is required to contribute 8.67% of annual covered salary. Contribution requirements are established by state statute. Iowa Lakes Community College's contributions to IPERS for the years ended June 30, 2013, 2012, and 2011 were \$518,603, \$469,667, and \$356,573, respectively, equal to the required contribution for each year.

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

The Community College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA administers the retirement plan for Iowa Lakes Community College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 5.78% and Iowa Lakes Community College is required to contribute 8.67%. The Community College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2013, were \$673,786 and \$449,191, respectively.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 9 -- OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The College operates a single-employer retiree benefit plan which provides medical/prescription drug/dental benefits for retirees and their dependents under certain conditions. There are approximately 218 active and 14 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug/dental coverage is provided through a fully-insured (or self-insured) plan. Retirees under age 65 pay the same premium for the medical/prescription drug/dental benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy- The contribution requirements of plan members are established and may be amended by the College. The College currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The College’s annual OPEB cost is calculated based on the annual required contribution (ARC) of the College, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover 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 College’s annual OPEB cost for the year ended June 30, 2013, the amount actually contributed to the plan and changes in the College’s net OPEB obligation:

Annual Required Contribution	\$	15,840
Interest on Net OPEB Obligation		1,070
Adjustment to Annual Required Contribution		(1,460)
Annual OPEB Cost		15,450
Net OPEB Obligation Beginning of Year		23,788
Annual OPEB Cost		15,450
Employer Contributions Made		(27,652)
Expected Net OPEB Obligation End of Year	\$	11,586

The College’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2013 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 17,338	66.0%	\$ 5,894
June 30, 2010	\$ 17,338	66.0%	\$ 11,788
June 30, 2011	\$ 17,338	65.4%	\$ 17,788
June 30, 2012	\$ 17,338	65.4%	\$ 23,788
June 30, 2013	\$ 15,450	179.0%	\$ 11,586

Funded Status and Funding Progress- As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2012 through June 30, 2013, the actuarial accrued liability was \$185,241, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$185,241. The covered payroll (annual payroll of active employees covered by the plan) was \$11,605,625 and the ratio of the UAAL to covered payroll was 1.6%. As of June 30, 2013, there were no trust fund assets.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 9 -- OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)**

Actuarial Methods and Assumptions- Actuarial valuations 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 assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts 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 in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include 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.

As of the July 1, 2012 actuarial valuation date, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.5% investment return. The projected annual medical trend (inflation) rate is 6%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate. An inflation rate of 3% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the Scale T-7 of the Actuary's Pension Handbook. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level dollar amount on an open basis over 30 years.

**Note 10 -- RISK POOL**

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

**Note 11 -- NEW JOBS TRAINING PROGRAMS**

Iowa Lakes Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Merged Area III in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the Community College to fund approved projects and are to be retired by proceeds from anticipated jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property tax. Since inception, the Community College has administered 90 projects. Of these projects, 58 have been completed and the certificates have been paid.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 11 -- NEW JOBS TRAINING PROGRAMS (Continued)**

Iowa Lakes Community College also administers the Iowa Small Business New Jobs Training Program (SBNJTP) in Merged Area III in accordance with Chapter 260F of the Code of Iowa. SBNJTP's purpose is to provide tax-aided training or retraining for employees of small businesses which are new to or are expanding their operations within the State of Iowa. Approved small businesses receive loans from the Iowa Employment Training Fund, a State administered fund. The Community College has administered a total of 207 retraining projects under Chapter 260F. Of these 207 projects, 7 were performed during fiscal year 2013.

**Note 12 -- SELF-FUNDED HEALTH INSURANCE PROGRAM**

During fiscal year 1995, the Community College implemented a self-funded health insurance program. Iowa Lakes Community College pays the actual claims and has a stop-loss arrangement whereby the total losses cannot exceed the contractual maximum liability with the insurer, which is \$3,452,926.

The Community College's monthly contributions to the program fund current operations and provide capital for future claims. Monthly operating contributions are those amounts necessary to fund, on a cash basis, the programs general and administrative expenses and claims. The College uses reinsurance to reduce its exposure for losses that carries an aggregate stop loss of \$80,000 per employee covered and an aggregate stop loss of 125% of total estimated claims. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR).

The changes in the aggregate liabilities for claims included in Reported and Unreported Insurance Claims Payable and insurance Reserve for the year ended June 30, 2013 are as follows:

Medical Reserve Fund Balance, Beginning of Year	\$ 2,564,566
Claims Recognized	3,676,770
Claim Payments	<u>(4,792,113)</u>
Medical Reserve Fund Balance, End of Year	<u>\$ 1,449,223</u>
Reported and Unreported Insurance Claims Payable	\$ 640,506
Insurance Reserve	<u>808,717</u>
	<u>\$ 1,449,223</u>

**Note 13 -- EARLY RETIREMENT PROGRAM**

On September 18, 2012, the Board of Trustees passed a one-time Voluntary Early Retirement plan. All full-time staff that were 55 years of age by June 30, 2013 and who had at least 10 years of full-time service with the Community College were eligible for early retirement remuneration. Early retirement was effective at the end of the employee's contract or June 30, 2013. A retiring employee received two benefits. The first benefit included a percentage of their base salary, dependent upon their age. Payment will be made on July 30<sup>th</sup> up to the maximum allowed by law. Second and third payments, if required, will be made on January 31<sup>st</sup> of subsequent years. The second benefit involved the purchase of medical insurance for the employee at the premium rate at the time of retirement until the participant is eligible for Medicare. Subsequent annual increases in premium are the responsibility of the participant.

On December 15, 2009, the Board of Trustees passed a one-time Voluntary Early Retirement Plan in which the College offered one-time cash payments, which have subsequently been paid, and single medical coverage to participants at the premium rate at the time of retirement until he or she is Medicare eligible. At June 30, 2013 there were four participants receiving medical coverage under this plan.

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013**

**Note 13 -- EARLY RETIREMENT PROGRAM (Continued)**

On November 11 2008, the Board of Trustees passed a one-time Voluntary Early Retirement Plan in which the College offered one-time cash payments, which have subsequently been paid, and single medical coverage to participants at the premium rate at the time of retirement until he or she is Medicare eligible. At June 30, 2013 there were five participants receiving medical coverage under this plan.

On September 18, 2007, the Board of Trustees passed a one-time Voluntary Early Retirement Plan in which the College offered one-time cash payments, which have subsequently been paid, and single medical coverage to participants at the premium rate at the time of retirement until he or she is Medicare eligible. At June 30, 2013 there were three participants receiving medical coverage under this plan.

On November 15, 2005, the Board of Trustees passed a one-time Voluntary Early Retirement Plan in which the College offered one-time cash payments, which have subsequently been paid, and single medical coverage to participants at the premium rate at the time of retirement until he or she is Medicare eligible. At June 30, 2013 there was one participant receiving medical coverage under this plan.

At June 30, 2013, there were thirty-two participants receiving medical coverage under these plans, with a total liability of payments and medical coverage of \$2,008,362. The liability is calculated based on unadjusted premium amounts to be paid over the term of each participant's involvement in the plan. The Community College's early retirement expense for the year ended June 30, 2013 was \$1,501,089.

**Note 14-- SUBSEQUENT EVENTS**

On July 15, 2013, the College issued General Obligation Capital Loan Notes totaling \$4,600,000 for the purpose of paying costs of maintaining, remodeling, improving, or expanding buildings of the Community College. The debt was incurred as allowed by Chapter 260C of the Code of Iowa and will mature beginning on June 1, 2014.

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**Required Supplementary Information**

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2013**

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2009	July 1, 2008	\$ -	\$ 131,359	\$ 131,359	0.0%	\$ 8,985,390	1.5%
2010	July 1, 2008	\$ -	\$ 131,359	\$ 131,359	0.0%	\$ 8,985,390	1.5%
2011	July 1, 2008	\$ -	\$ 131,359	\$ 131,359	0.0%	\$ 8,985,390	1.5%
2012	July 1, 2008	\$ -	\$ 131,359	\$ 131,359	0.0%	\$ 8,985,390	1.5%
2013	July 1, 2012	\$ -	\$ 185,241	\$ 185,241	0.0%	\$ 11,608,625	1.6%

See Note 9 to the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, and the funded status and funding progress.

**Other Supplementary Information**

**IOWA LAKES COMMUNITY COLLEGE  
NOTES TO OTHER SUPPLEMENTARY INFORMATION  
JUNE 30, 2013**

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

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

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

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

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

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

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

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

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

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

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

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

The Budgetary Comparison Schedule of Expenditures -- Budget to Actual provides a comparison of the budget to actual expenditures for those funds and/or levies required to be budgeted. Since the College uses the Business-Type Activities reporting, this budgetary comparison information is included as other supplementary information.

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

IOWA LAKES COMMUNITY COLLEGE  
 BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES  
 BUDGET (NON-GAAP BASIS) AND ACTUAL  
 YEAR ENDED JUNE 30, 2013

Funds/Levy	Original Budget	Actual	Variance between Actual and Budget
Unrestricted	<u>\$ 24,000,000</u>	<u>\$ 21,196,861</u>	<u>\$ 2,803,139</u>
Restricted	6,870,000	2,433,251	4,436,749
Early Retirement	-	1,501,089	(1,501,089)
Unemployment	15,000	9,815	5,185
Tort Liability	220,000	272,494	(52,494)
Insurance	715,000	656,154	58,846
Equipment Replacement	507,000	527,670	(20,670)
Standby	125,000	125,283	(283)
Total Restricted	<u>8,452,000</u>	<u>5,525,756</u>	<u>2,926,244</u>
Plant	<u>5,000,000</u>	<u>2,418,015</u>	<u>2,581,985</u>
 Total	 <u>\$ 37,452,000</u>	 <u>\$ 29,140,632</u>	 <u>\$ 8,311,368</u>

**IOWA LAKES COMMUNITY COLLEGE  
NOTE TO BUDGETARY REPORTING  
JUNE 30, 2013**

While the College reports financial position, results of operation and changes in net position on the basis of generally accepted accounting principles (GAAP), the Board of Trustees annually prepares a budget designating the proposed expenditures for operation of the Community College on a budgetary basis that is accrual basis with the exception of capital outlay and debt service payments. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of Trustees certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures. There were no budget amendments during the year.

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

The major differences between the budget basis and GAAP are as follows:

	Total Funds
Total Actual Expenditures, Budgetary Basis	\$ 29,140,632
Items Not Required to be Budgeted:	
Auxiliary Enterprises	6,503,303
Scholarships and Grants Accounts	6,368,235
Investment in Plant	186,936
Combining Adjustments	(5,976,251)
GAAP Basis	\$ 36,222,855

Expenses from the Statement of Revenues, Expenses, and Changes in Net Position:

Total Operating Expenses	\$ 35,901,721
Loss on Sale of Capital Assets	39,384
Interest on Indebtedness	281,750
	\$ 36,222,855

**IOWA LAKES COMMUNITY COLLEGE  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>ASSETS:</b>			
Cash and Pooled Investments:			
Cash and Pooled Investments	\$ 5,501,718	\$ 4,717,195	\$ (84,533)
Receivables:			
Due from Others	696,173	39,679	3,315
Accrued Interest	1,704	-	-
Property Taxes - Succeeding Year	1,102,596	3,515,043	-
Nursing Loans	-	-	5,388
Iowa Industrial New Jobs Training Program	-	378,094	-
Due From Iowa Lakes Community College Foundation	-	61,106	-
Due From Other Governments	181,251	350,372	90,675
Inventories	604,035	-	-
Prepaid Expenses	421,881	828	-
Bond Issue Costs	-	84,545	-
Capital Assets:			
Land	-	-	-
Buildings	-	-	-
Other Structures and Improvements	-	-	-
Furniture and Equipment	12,500	-	-
Construction in Progress	-	-	-
Accumulated Depreciation	-	-	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 8,521,858</u>	<u>\$ 9,146,862</u>	<u>\$ 14,845</u>

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ 1,000,000	\$ 1,249,003	\$ 269,500	\$ -	\$ 784,762	\$ -	\$ 13,437,645
-	-	-	-	225,823	-	964,990
-	12,790	-	-	550	-	15,044
-	1,102,596	-	-	-	-	5,720,235
-	-	-	-	-	-	5,388
-	-	-	-	-	-	378,094
-	-	-	-	-	-	61,106
-	127,717	-	-	-	-	750,015
-	-	-	259,910	-	-	863,945
-	-	-	-	25,551	-	448,260
-	67,461	-	-	-	-	152,006
-	-	-	1,435,940	-	-	1,435,940
-	-	-	37,969,393	-	-	37,969,393
-	-	-	3,487,229	-	-	3,487,229
-	-	-	9,215,458	401,018	-	9,628,976
-	-	-	571,652	-	-	571,652
-	-	-	-	-	(22,262,252)	(22,262,252)
<u>\$ 1,000,000</u>	<u>\$ 2,559,567</u>	<u>\$ 269,500</u>	<u>\$ 52,939,582</u>	<u>\$ 1,437,704</u>	<u>\$ (22,262,252)</u>	<u>\$ 53,627,666</u>

**IOWA LAKES COMMUNITY COLLEGE  
COMBINING BALANCE SHEET  
JUNE 30, 2013**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>LIABILITIES AND FUND BALANCE:</b>			
Liabilities:			
Accounts Payable	\$ 1,447,013	\$ 11,760	\$ -
Salaries and Benefits Payable	552,262	169	-
Accrued Interest	-	11,769	-
Deferred Revenue:			
Succeeding Year Property Tax	1,102,596	3,515,043	-
Other	513,066	572,599	-
Compensated Absences Payable	102,486	1,033	-
Early Retirement Payable	167,764	1,840,598	-
Deposits Held in Custody for Others	33,250	-	-
Due to Others	10,108	-	-
Reported and Unreported Insurance Claims Payable	640,506	-	-
Insurance Reserve	808,717	-	-
Good Faith Deposit	-	-	-
Certificates Payable	-	3,585,000	-
Bonds and Other Long-Term Debt	-	-	-
Net OPEB Liability	11,586	-	-
	<u>5,389,354</u>	<u>9,537,971</u>	<u>-</u>
Total Liabilities			
Fund Balance:			
Invested in Capital Assets, Net of Related Debt	12,500	-	-
Fund Balances:			
Restricted:			
Nonexpendable:			
Scholarships	-	-	-
Expendable:			
Loans	-	-	14,845
Debt Service	-	-	-
Unrestricted	2,581,863	(391,109)	-
Auxiliary Enterprises	538,141	-	-
	<u>3,132,504</u>	<u>(391,109)</u>	<u>14,845</u>
Total Fund Balance			
	<u>\$ 8,521,858</u>	<u>\$ 9,146,862</u>	<u>\$ 14,845</u>
Total Liabilities and Fund Balance			

SCHEDULE 2

Endowment and Similar Funds	Plant Funds			Agency Funds	Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant			
\$ -	\$ 18,944	\$ -	\$ -	\$ 32,676	\$ -	\$ 1,510,393
-	-	-	-	1,026	-	553,457
-	-	9,288	-	-	-	21,057
-	1,102,596	-	-	-	-	5,720,235
-	-	-	-	-	-	1,085,665
-	-	-	-	6,288	-	109,807
-	-	-	-	-	-	2,008,362
-	-	-	-	1,393,351	(263,418)	1,163,183
-	-	-	-	4,363	-	14,471
-	-	-	-	-	-	640,506
-	-	-	-	-	-	808,717
-	92,000	-	-	-	-	92,000
-	-	-	-	-	-	3,585,000
-	-	-	3,535,000	-	-	3,535,000
-	-	-	-	-	-	11,586
-	1,213,540	9,288	3,535,000	1,437,704	(263,418)	20,859,439
-	-	-	49,144,672	-	(21,998,834)	27,158,338
1,000,000	-	-	-	-	-	1,000,000
-	-	-	-	-	-	14,845
-	-	260,212	-	-	-	260,212
-	1,346,027	-	259,910	-	-	3,796,691
-	-	-	-	-	-	538,141
1,000,000	1,346,027	260,212	49,404,582	-	(21,998,834)	32,768,227
<u>\$ 1,000,000</u>	<u>\$ 2,559,567</u>	<u>\$ 269,500</u>	<u>\$ 52,939,582</u>	<u>\$ 1,437,704</u>	<u>\$ (22,262,252)</u>	<u>\$ 53,627,666</u>

**IOWA LAKES COMMUNITY COLLEGE  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 OTHER CHANGES IN FUND BALANCES  
 YEAR ENDED JUNE 30, 2013**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>REVENUES AND OTHER ADDITIONS:</b>			
General:			
State Appropriations and Grants	\$ 8,501,581	\$ 1,372,572	\$ -
Tuition and Fees	9,884,336	-	-
Property Taxes	1,059,745	1,899,421	-
Federal Appropriations and Grants	420,891	5,509,932	-
Gifts and Grants	-	568,978	-
Interest on Investments	-	21,689	-
Iowa Industrial New Jobs Training Program	-	306,799	-
Expended for Plant Facilities (Including \$451,804 charged to current funds)	-	-	-
Principal Retired	-	-	-
Miscellaneous	1,944,402	834,927	-
	<u>21,810,955</u>	<u>10,514,318</u>	<u>-</u>
Auxiliary Enterprises			
Tuition and Fees	739,180	-	-
Sales and Services	4,887,170	-	-
Interest on Investments	30,343	-	-
Federal Grants and Contracts	25,985	-	-
Miscellaneous	1,293,301	-	-
	<u>6,975,979</u>	<u>-</u>	<u>-</u>
 Total Revenues and Other Additions	 <u>\$ 28,786,934</u>	 <u>\$ 10,514,318</u>	 <u>\$ -</u>

SCHEDULE 3

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ 735,328	\$ -	\$ -	\$ -	\$ 10,609,481
-	-	-	-	(4,117,521)	5,766,815
-	1,059,745	-	-	-	4,018,911
-	32,749	-	-	-	5,963,572
-	50,000	-	-	-	618,978
-	33,537	1,725	-	-	56,951
-	-	-	-	-	306,799
-	-	-	1,221,871	(1,221,871)	-
-	-	-	275,000	(275,000)	-
-	-	-	-	(450)	2,778,879
-	<u>1,911,359</u>	<u>1,725</u>	<u>1,496,871</u>	<u>(5,614,842)</u>	<u>30,120,386</u>
-	-	-	-	-	739,180
-	-	-	-	(1,281,271)	3,605,899
-	-	-	-	-	30,343
-	-	-	-	-	25,985
-	-	-	-	(193,383)	1,099,918
-	-	-	-	<u>(1,474,654)</u>	<u>5,501,325</u>
\$ -	\$ <u>1,911,359</u>	\$ <u>1,725</u>	\$ <u>1,496,871</u>	\$ <u>(7,089,496)</u>	\$ <u>35,621,711</u>

**IOWA LAKES COMMUNITY COLLEGE  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
OTHER CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2013**

	Current Funds		Loan Funds
	Unrestricted	Restricted	
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>			
Educational and Support:			
Liberal Arts and Sciences	\$ 6,828,692	\$ -	\$ -
Vocational Technical	4,709,151	-	-
Adult Education	849,247	-	-
Cooperative Services	887,104	275,352	-
Administration	1,084,312	-	-
Student Services	1,913,183	-	-
Learning Resources	1,192,836	-	-
Physical Plant	1,758,892	-	-
General Institution	1,973,444	5,093,674	-
Total Education and Support	<u>21,196,861</u>	<u>5,369,026</u>	-
Auxiliary Enterprises	6,503,303	-	-
Scholarships and Grants	-	6,368,235	-
Plant Asset Acquisitions	-	-	-
Retirement of Indebtedness	-	-	-
Disposal of Plant Assets	-	-	-
Loss on Sale of Capital Assets	-	-	-
Interest on Indebtedness	-	156,730	-
Depreciation	-	-	-
Total Expenditures and Other Deductions	<u>27,700,164</u>	<u>11,893,991</u>	-
Excess (Deficiency) of Revenues and Other Additions Over (Under) Expenditures and Other Deductions	1,086,770	(1,379,673)	-
<b>TRANSFERS:</b>			
Mandatory Transfers	(347,529)	-	-
Non-mandatory Transfers	<u>(1,257,227)</u>	<u>335,808</u>	-
Total Transfers	<u>(1,604,756)</u>	<u>335,808</u>	-
Net Increase (Decrease) for the Year	(517,986)	(1,043,865)	-
Fund Balance - June 30, 2012	<u>3,650,490</u>	<u>652,756</u>	<u>14,845</u>
Fund Balance - June 30, 2013	<u>\$ 3,132,504</u>	<u>\$ (391,109)</u>	<u>\$ 14,845</u>

SCHEDULE 3

Endowment and Similar Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment In Plant		
\$ -	\$ -	\$ -	\$ -	\$ (23,729)	\$ 6,804,963
-	-	-	-	(104,508)	4,604,643
-	-	-	-	(12,947)	836,300
-	-	-	-	(6,099)	1,156,357
-	-	-	-	(1,456)	1,082,856
-	-	-	-	(78,024)	1,835,159
-	-	-	-	(1,133)	1,191,703
-	-	-	-	(162,769)	1,596,123
-	1,247,928	-	-	(75,231)	8,239,815
-	1,247,928	-	-	(465,896)	27,347,919
-	-	-	-	(382,774)	6,120,529
-	-	-	-	(5,195,309)	1,172,926
-	770,067	-	-	(770,067)	-
-	-	275,000	-	(275,000)	-
-	-	-	186,936	(186,936)	-
-	-	-	-	39,384	39,384
-	-	125,020	-	-	281,750
-	-	-	-	1,260,347	1,260,347
-	2,017,995	400,020	186,936	(5,976,251)	36,222,855
-	(106,636)	(398,295)	1,309,935	(1,113,245)	(601,144)
-	-	347,529	-	-	-
-	776,138	147,663	(2,382)	-	-
-	776,138	495,192	(2,382)	-	-
-	669,502	96,897	1,307,553	(1,113,245)	(601,144)
1,000,000	676,525	163,315	48,097,029	(20,885,589)	33,369,371
<u>\$ 1,000,000</u>	<u>\$ 1,346,027</u>	<u>\$ 260,212</u>	<u>\$ 49,404,582</u>	<u>\$ (21,998,834)</u>	<u>\$ 32,768,227</u>

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT UNRESTRICTED FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
EDUCATION AND SUPPORT  
YEAR ENDED JUNE 30, 2013**

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
<b>REVENUES:</b>				
State Appropriations and Grants	\$ -	\$ -	\$ -	\$ 250
Tuition and Fees	6,481,118	2,518,282	328,612	413,948
Property Taxes	-	-	-	-
Federal Grants and Contracts	-	275,544	76,756	-
Miscellaneous	1,119,542	21,611	114,744	2,469
	<u>7,600,660</u>	<u>2,815,437</u>	<u>520,112</u>	<u>416,667</u>
Total Revenues	12,890,356	7,530,985	972,947	416,667
<b>EXPENDITURES:</b>				
Salaries and Benefits	5,653,379	4,307,960	654,305	872,084
Services	1,072,142	91,902	149,802	7,700
Materials and Supplies	52,443	164,361	31,792	2,901
Travel	50,678	101,479	13,270	4,419
Expended for Plant Facilities	-	28,798	-	-
Miscellaneous	50	14,651	78	-
	<u>6,828,692</u>	<u>4,709,151</u>	<u>849,247</u>	<u>887,104</u>
Total Expenditures	<u>10,835,977</u>	<u>8,281,482</u>	<u>1,192,298</u>	<u>887,104</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,054,379	(750,497)	(219,352)	(470,437)
<b>TRANSFERS:</b>				
Non-mandatory Transfers	<u>1,513</u>	<u>4,082</u>	<u>(5,144)</u>	<u>125,000</u>
Total Transfers	<u>1,513</u>	<u>4,082</u>	<u>(5,144)</u>	<u>125,000</u>
Net Increase (Decrease) for the Year	<u>\$ 2,055,892</u>	<u>\$ (746,415)</u>	<u>\$ (224,496)</u>	<u>\$ (345,437)</u>

SCHEDULE 4

Support					
General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Total
\$ -	\$ -	\$ 86	\$ 3,534	\$ 8,497,711	\$ 8,501,581
-	-	120	-	142,256	9,884,336
-	-	-	-	1,059,745	1,059,745
-	-	-	-	68,591	420,891
-	-	2,264	41,599	642,173	1,944,402
-	-	2,470	45,133	10,410,476	21,810,955
-	-	-	-	-	21,810,955
979,181	1,652,507	1,018,476	1,290,231	870,027	17,298,150
63,747	147,859	48,004	264,801	953,957	2,799,914
9,207	29,852	118,857	173,055	64,527	646,995
32,177	82,965	7,499	28,505	76,584	397,576
-	-	-	-	-	28,798
-	-	-	2,300	8,349	25,428
1,084,312	1,913,183	1,192,836	1,758,892	1,973,444	21,196,861
-	-	-	-	-	21,196,861
-	-	-	-	-	614,094
25,000	(2,511)	(60,000)	-	(696,336)	(608,396)
25,000	(2,511)	(60,000)	-	(696,336)	(608,396)
<u>\$ 25,000</u>	<u>\$ (2,511)</u>	<u>\$ (60,000)</u>	<u>\$ -</u>	<u>\$ (696,336)</u>	5,698
Fund Balance June 30, 2012					<u>2,576,165</u>
Fund Balance June 30, 2013					<u>\$ 2,581,863</u>

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT UNRESTRICTED FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
AUXILIARY ENTERPRISES  
YEAR ENDED JUNE 30, 2013**

	Bookstore	Food Services	Wellness Center	Farm	Athletics	Residence Halls
<b>REVENUES:</b>						
Sales and Services	\$ 1,546,363	\$ 1,211,956	\$ 134,030	\$ 349,949	\$ -	\$ 1,058,111
Interest on Investments	-	-	7,151	-	-	-
Tuition and Fees	-	-	8,287	38,649	22,976	-
Federal Grants and Contracts	-	7,573	11,742	6,670	-	-
Miscellaneous	-	5,904	118,160	89,144	113,960	29,964
<b>Total Revenues</b>	<b>1,546,363</b>	<b>1,225,433</b>	<b>279,370</b>	<b>484,412</b>	<b>136,936</b>	<b>1,088,075</b>
<b>EXPENDITURES:</b>						
Salaries and Benefits	221,097	547,869	225,071	3,352	4,363	252,856
Services	41,515	89,252	22,272	114,114	106,042	205,638
Materials and Supplies	4,390	27,285	27,244	226,833	135,020	30,737
Travel	878	4,027	982	10,730	271,623	119
Expended for Plant Facilities	-	-	-	10,000	-	-
Cost of Goods Sold	1,185,625	331,175	3,317	-	31,859	-
Miscellaneous	-	23,358	-	-	227	25,531
<b>Total Expenditures</b>	<b>1,453,505</b>	<b>1,022,966</b>	<b>278,886</b>	<b>365,029</b>	<b>549,134</b>	<b>514,881</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	92,858	202,467	484	119,383	(412,198)	573,194
<b>TRANSFERS:</b>						
Mandatory Transfers	-	-	-	-	-	(277,271)
Non-mandatory Transfers	(432,868)	-	(35,408)	(40,213)	421,532	(638,455)
<b>Total Transfers</b>	<b>(432,868)</b>	<b>-</b>	<b>(35,408)</b>	<b>(40,213)</b>	<b>421,532</b>	<b>(915,726)</b>
Net Increase (Decrease) for the Year	(340,010)	202,467	(34,924)	79,170	9,334	(342,532)
Fund Balance (Deficit) June 30, 2012	66,113	850,205	54,965	267,794	8,547	(629,476)
Fund Balance (Deficit) June 30, 2013	<u>\$ (273,897)</u>	<u>\$ 1,052,672</u>	<u>\$ 20,041</u>	<u>\$ 346,964</u>	<u>\$ 17,881</u>	<u>\$ (972,008)</u>

SCHEDULE 5

Aviation	Parts	Printing	Vehicles	Wind Turbine	Gateway North	Miscellaneous	Total
\$ -	\$ 356,377	\$ 54,832	\$ -	\$ -	\$ 145,800	\$ 29,752	\$ 4,887,170
-	-	-	-	-	1,760	21,432	30,343
217,325	-	-	-	-	-	451,943	739,180
-	-	-	-	-	-	-	25,985
33,291	25,001	5,029	195,006	163,370	321,915	192,557	1,293,301
250,616	381,378	59,861	195,006	163,370	469,475	695,684	6,975,979
40,662	57,994	-	-	-	31,715	8,781	1,393,760
7,316	676	1,042	2,727	70,605	261,794	395,745	1,318,738
130,041	1,443	40,255	98,817	-	6,688	323,541	1,052,294
585	168	-	13,810	-	1,427	96,719	401,068
18,690	-	25,908	34,095	-	-	194,261	282,954
-	295,223	16,815	-	-	-	3,195	1,867,209
-	-	-	-	-	138,164	-	187,280
197,294	355,504	84,020	149,449	70,605	439,788	1,022,242	6,503,303
53,322	25,874	(24,159)	45,557	92,765	29,687	(326,558)	472,676
-	-	-	-	-	(70,258)	-	(347,529)
-	-	-	-	(6,433)	70,258	12,756	(648,831)
-	-	-	-	(6,433)	-	12,756	(996,360)
53,322	25,874	(24,159)	45,557	86,332	29,687	(313,802)	(523,684)
(118,389)	14,835	(209,642)	(59,736)	(236,675)	259,515	806,269	1,074,325
\$ (65,067)	\$ 40,709	\$ (233,801)	\$ (14,179)	\$ (150,343)	\$ 289,202	\$ 492,467	\$ 550,641

**IOWA LAKES COMMUNITY COLLEGE  
CURRENT RESTRICTED FUND  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND OTHER CHANGES IN FUND BALANCE  
YEAR ENDED JUNE 30, 2013**

	Scholarships and Grants	Equipment Replacement
<b>REVENUES:</b>		
State Appropriations	\$ 384,795	\$ -
Property Taxes	-	470,991
Federal Appropriations and Grants	4,478,234	-
Scholarships, Grants, and Gifts	517,182	-
Interest on Investments	2,021	-
Iowa Industrial New Jobs Training Program	-	-
Miscellaneous	500,000	-
	5,882,232	470,991
Total Revenues and Other Additions		
<b>EXPENDITURES AND OTHER DEDUCTIONS:</b>		
Salaries and Benefits	-	-
Services	325	-
Materials and Supplies	-	-
Travel	-	-
Expended for Plant Facilities	-	-
Interest on Indebtedness	-	-
Federal Pell Grant Program	4,401,607	-
Federal Supplemental Educational Opportunity Grant	82,517	-
Iowa College Student Aid Commission	102,037	-
Private Scholarships	1,780,753	-
Miscellaneous	996	-
	6,368,235	-
Total Expenditures and Other Deductions		
Excess (Deficiency) of Revenues and Other Additions		
Over (Under) Expenditures and Other Deductions	(486,003)	470,991
<b>TRANSFERS:</b>		
Non-mandatory Transfers	470,215	(527,670)
Total Transfers	470,215	(527,670)
Net Increase (Decrease) for the Year	(15,788)	(56,679)
Fund Balance (Deficit) June 30, 2012	515,447	19,450
Fund Balance (Deficit) June 30, 2013	\$ 499,659	\$ (37,229)

SCHEDULE 6

Insurance	Unemployment Compensation	Early Retirement	Cash Reserve	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 987,777	\$ 1,372,572
877,105	-	426,042	-	125,283	-	1,899,421
-	-	-	-	-	1,031,698	5,509,932
-	-	-	-	-	51,796	568,978
-	-	-	-	-	19,668	21,689
-	-	-	-	306,799	-	306,799
72,796	-	-	-	-	262,131	834,927
949,901	-	426,042	-	432,082	2,353,070	10,514,318
105,593	9,815	1,501,089	-	-	1,139,428	2,755,925
823,055	-	-	-	275,352	577,192	1,675,924
-	-	-	-	-	597,130	597,130
-	-	-	-	-	101,695	101,695
-	-	-	-	-	140,052	140,052
-	-	-	-	156,730	-	156,730
-	-	-	-	-	-	4,401,607
-	-	-	-	-	-	82,517
-	-	-	-	-	-	102,037
-	-	-	-	-	5,071	1,785,824
-	-	-	-	-	93,554	94,550
928,648	9,815	1,501,089	-	432,082	2,654,122	11,893,991
21,253	(9,815)	(1,075,047)	-	-	(301,052)	(1,379,673)
-	-	-	-	-	393,263	335,808
-	-	-	-	-	393,263	335,808
21,253	(9,815)	(1,075,047)	-	-	92,211	(1,043,865)
101,252	18,865	(459,834)	286,030	-	171,546	652,756
\$ 122,505	\$ 9,050	\$ (1,534,881)	\$ 286,030	\$ -	\$ 263,757	\$ (391,109)

**IOWA LAKES COMMUNITY COLLEGE  
AGENCY FUNDS  
COMBINING SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS  
YEAR ENDED JUNE 30, 2013**

	Iowa Small Business New Jobs Training Program	Student Organizations	Emmetsburg Educational Foundation	ACCES
Balance June 30, 2012	\$ -	\$ 144,857	\$ 347,945	\$ 322,384
<b>ADDITIONS:</b>				
State Appropriations and Grants	151,982	-	-	-
Tuition and Fees	-	66,545	-	-
Interest on Investments	-	-	1,876	-
Miscellaneous	-	90,685	96,720	1,371,516
Total Additions	<u>151,982</u>	<u>157,230</u>	<u>98,596</u>	<u>1,371,516</u>
<b>DEDUCTIONS:</b>				
Salaries and Benefits	-	7,533	-	-
Services	124,600	52,850	17,029	1,158,609
Materials and Supplies	-	22,027	84,370	-
Travel	-	71,244	-	-
Cost of Sales	-	9,198	18,588	-
Miscellaneous	27,382	500	23,775	317,759
Total Deductions	<u>151,982</u>	<u>163,352</u>	<u>143,762</u>	<u>1,476,368</u>
Balance June 30, 2013	<u>\$ -</u>	<u>\$ 138,735</u>	<u>\$ 302,779</u>	<u>\$ 217,532</u>

CAST	Miscellaneous	Total
<u>\$ 675,397</u>	<u>\$ 112,135</u>	<u>\$ 1,602,718</u>
-	-	151,982
-	725	67,270
-	69	1,945
<u>458,325</u>	<u>341,836</u>	<u>2,359,082</u>
<u>458,325</u>	<u>342,630</u>	<u>2,580,279</u>
368,766	-	376,299
134,705	265,671	1,753,464
30,933	12,570	149,900
1,843	38,762	111,849
-	778	28,564
-	154	369,570
<u>536,247</u>	<u>317,935</u>	<u>2,789,646</u>
<u>\$ 597,475</u>	<u>\$ 136,830</u>	<u>\$ 1,393,351</u>

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
IOWA INDUSTRIAL NEW JOBS TRAINING PROGRAM  
YEAR ENDED JUNE 30, 2013**

Project Name	Project Costs			Subtotal
	Training and Wages	Administration	Legal and Issue Costs	
KLM Acquisition Corp.	-	-	-	-
Merkel Fruedenburg	-	-	-	-
Polaris VI	-	-	-	-
Pure Fishing	-	-	175	175
Quality Processing	-	-	-	-
Shine Brothers	-	-	375	375
Country Maid Inc	-	-	-	-
Pharmacists Mutual II	-	-	-	-
GKN Armstrong V	-	-	-	-
Pure Fishing V	-	-	-	-
Voyager Ethanol	-	-	188	188
GKN Armstrong VI	-	-	-	-
Hydrogen Engine	-	-	-	-
KLM Acquisition Corp.	-	-	-	-
Pharmacist Mutual III	-	-	-	-
Pure Fishing VI	-	-	175	175
East Fork Biodiesel	-	-	-	-
Easy Energy Systems	-	-	-	-
Eaton Corp II	-	-	200	200
Pharmacists Mutual IV	-	-	-	-
Snap On Logistics Comp	-	-	-	-
Superior Ethanol	-	-	-	-
Art's Way	-	-	-	-
Farmers Coop	43,456	-	400	43,856
GKN Armstrong	-	-	-	-
Voyager Ethanol	-	-	-	-
Shine Brothers II	-	-	-	-
Country Maid	10,272	-	1,586	11,858
Polaris	523	-	-	523
GKN Armstrong Wheel	-	-	3,471	3,471
Eaton	-	-	848	848
Brownmed, Inc.	20,420	-	-	20,420
COZZINI, LLC	110,406	-	250	110,656
KLM Acquisition Corp.	17,635	-	-	17,635
Polaris Industries	44,553	-	-	44,553
Simonsen Iron Works	20,420	-	-	20,420
Total	<u>\$ 267,685</u>	<u>\$ -</u>	<u>\$ 7,668</u>	<u>\$ 275,353</u>

SCHEDULE 8

Retirement Costs		Total Current Year Expenditures	Less: Non- Budgeted Expenditures	Cumulative Prior Period Budgeted Expenditures	Total Budgeted Expenditures	Budget
Debt	Interest					
10,000	625	10,625	10,625	76,912	76,912	80,000
25,000	1,562	26,562	26,562	146,804	146,804	190,000
65,000	4,062	69,062	69,062	489,005	489,005	485,000
15,000	937	16,112	15,937	106,272	106,447	105,000
45,000	5,535	50,535	50,535	367,216	367,216	365,000
10,000	1,230	11,605	11,230	85,350	85,725	85,000
5,000	827	5,827	5,827	44,856	44,856	45,000
20,000	1,910	21,910	21,910	126,121	126,121	130,000
20,000	2,190	22,190	22,190	151,505	151,505	155,000
25,000	2,738	27,738	27,738	194,376	194,376	195,000
25,000	3,018	28,206	28,018	181,602	181,790	190,000
15,000	2,683	17,683	17,683	143,342	143,342	145,000
20,000	3,210	23,210	23,210	148,196	148,196	160,000
30,000	5,358	35,358	35,358	207,021	207,021	290,000
25,000	4,013	29,013	29,013	202,695	202,695	205,000
45,000	8,040	53,215	53,040	449,672	449,847	450,000
30,000	9,870	39,870	39,870	98,455	98,455	275,000
25,000	8,678	33,678	33,678	130,563	130,563	235,000
30,000	11,370	41,570	41,370	326,912	327,112	325,000
15,000	5,085	20,085	20,085	140,002	140,002	140,000
20,000	5,970	25,970	25,970	125,551	125,551	175,000
30,000	10,168	40,168	40,168	88,328	88,328	275,000
5,000	2,755	7,755	7,755	80,160	80,160	75,000
25,000	10,160	79,016	35,160	110,860	154,716	280,000
10,000	4,375	14,375	14,375	95,919	95,919	140,000
5,000	3,315	8,315	8,315	196,459	196,459	85,000
5,000	1,640	6,640	6,640	27,995	27,995	45,000
25,000	9,456	46,314	34,456	213,550	225,408	230,000
20,000	3,242	23,765	23,242	28,857	29,380	145,000
135,000	18,292	156,763	153,292	704,803	708,274	835,000
30,000	5,825	36,673	35,825	204,449	205,297	235,000
-	-	20,420	-	-	20,420	110,000
-	-	110,656	-	-	110,656	420,000
-	-	17,635	-	-	17,635	95,000
-	-	44,553	-	-	44,553	240,000
-	-	20,420	-	-	20,420	110,000
<u>\$ 810,000</u>	<u>\$ 158,139</u>	<u>\$ 1,243,492</u>	<u>\$ 968,139</u>	<u>\$ 5,693,808</u>	<u>\$ 5,969,161</u>	<u>\$ 7,745,000</u>

IOWA LAKES COMMUNITY COLLEGE  
 SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
 IOWA JOBS TRAINING PROGRAM  
 YEAR ENDED JUNE 30, 2013

Project Name	Project Costs			Subtotal
	Training and Wages	Administration	Legal and Issue Costs	
SPM Gaskets, LLC	\$ 20,400	\$ 4,600	\$ -	\$ 25,000
Shaver Manufacturing Co.	20,400	4,600	-	25,000
Brownmed, Inc.	16,000	2,982	-	18,982
Holiday Express Corporation	6,600	1,400	-	8,000
Nolin Milling, Inc.	20,400	4,600	-	25,000
Architectural Arts, Inc.	20,400	4,600	-	25,000
Metal Works, Inc. / MWI Components	20,400	4,600	-	25,000
<b>Total</b>	<b>\$ 124,600</b>	<b>\$ 27,382</b>	<b>\$ -</b>	<b>\$ 151,982</b>

SCHEDULE 9

Retirement Costs		Total Current Year Expenditures	Less: Non- Budgeted Expenditures	Cumulative Prior Period Expenditures	Total Current Budgeted Expenditures	Budget
Debt	Interest					
\$ -	\$ -	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 25,000
-	-	25,000	-	-	25,000	25,000
-	-	18,982	-	-	18,982	18,982
-	-	8,000	-	-	8,000	8,000
-	-	25,000	-	-	25,000	25,000
-	-	25,000	-	-	25,000	25,000
-	-	25,000	-	-	25,000	25,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,982</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 151,982</u>	<u>\$ 151,982</u>

IOWA LAKES COMMUNITY COLLEGE  
 SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT  
 YEAR ENDED JUNE 30, 2013

	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	42,437	-	42,437			
Career Tech	26,879	-	26,879			
Non-Credit	-	-	-	73,522	2,931	76,453
Total	<u>69,316</u>	<u>-</u>	<u>69,316</u>	<u>73,522</u>	<u>2,931</u>	<u>76,453</u>

**IOWA LAKES COMMUNITY COLLEGE  
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES  
LAST TEN YEARS**

	Years Ended June 30,				
	2013	2012	2011	2010	2009
Local (Property Tax)	\$ 4,018,911	\$ 3,852,876	\$ 3,742,359	\$ 3,492,238	\$ 3,260,386
State	10,609,481	9,037,957	9,488,383	8,143,629	9,976,437
Federal	<u>5,989,557</u>	<u>7,410,158</u>	<u>9,621,779</u>	<u>9,787,959</u>	<u>6,001,106</u>
Total	<u>\$20,617,949</u>	<u>\$20,300,991</u>	<u>\$22,852,521</u>	<u>\$21,423,826</u>	<u>\$19,237,929</u>

	Years Ended June 30,				
	2008	2007	2006	2005	2004
Local (Property Tax)	\$ 2,862,695	\$ 3,206,033	\$ 2,716,060	\$ 2,466,198	\$ 2,710,785
State	10,485,952	9,452,328	8,866,106	8,179,334	7,783,155
Federal	<u>5,233,664</u>	<u>5,085,049</u>	<u>5,765,613</u>	<u>5,180,070</u>	<u>4,831,481</u>
Total	<u>\$18,582,311</u>	<u>\$17,743,410</u>	<u>\$17,347,779</u>	<u>\$15,825,602</u>	<u>\$15,325,421</u>

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

	Years Ended June 30,				
	2013	2012	2011	2010	2009
State Appropriations	\$ 9,874,153	\$ 8,497,225	\$ 8,448,231	\$ 8,143,629	\$ 9,869,941
Tuition and Fees	10,623,516	11,562,995	12,711,457	12,200,863	10,079,225
Property Tax	2,959,166	2,838,107	2,772,406	2,583,229	2,389,148
Federal Appropriations	5,956,808	7,375,112	9,580,749	9,787,959	6,001,106
Interest on Investments	52,032	181,194	151,940	165,272	173,895
Iowa Industrial New Jobs Training Program	306,799	649,046	788,128	345,424	728,455
Auxiliary Enterprises	6,180,471	6,600,371	6,683,897	6,368,839	5,493,824
Miscellaneous	3,348,307	3,597,894	3,433,384	3,878,594	3,078,071
Total	<u>\$ 39,301,252</u>	<u>\$ 41,301,944</u>	<u>\$ 44,570,192</u>	<u>\$ 43,473,809</u>	<u>\$ 37,813,665</u>
Liberal Arts and Sciences	\$ 6,828,692	\$ 6,883,802	\$ 6,790,652	\$ 6,862,449	\$ 6,287,148
Vocational Technical	4,709,151	4,811,110	4,673,770	4,456,540	4,279,344
Adult Education	849,247	762,119	766,684	843,913	840,256
Cooperative Services	887,104	984,889	954,062	1,170,703	1,117,641
Administration	1,084,312	1,094,401	1,061,581	1,028,055	1,028,973
Student Services	1,913,183	1,806,309	1,788,430	1,731,116	1,733,461
Learning Resources	1,192,836	1,244,545	1,579,607	1,166,906	1,371,155
Physical Plant	1,758,892	1,726,370	1,866,709	1,966,021	2,025,334
General Institution	1,973,444	2,158,354	3,113,447	2,931,043	2,689,976
Auxiliary Enterprises	6,503,303	6,823,898	6,296,249	5,767,824	5,167,318
Scholarships and Grants	6,368,235	6,735,919	8,475,059	7,553,637	4,763,194
Equipment Replacement	-	423,278	339,435	139,580	195,067
Insurance	928,648	976,938	927,080	926,320	889,929
Unemployment Compensation	9,815	4,247	9,527	13,577	8,971
Iowa Industrial New Jobs Training Program	275,352	578,991	680,580	190,462	445,360
Miscellaneous	4,155,211	1,889,969	2,543,473	3,708,998	3,479,209
Interest on Indebtness	156,730	195,282	200,868	232,798	283,095
Total	<u>\$ 39,594,155</u>	<u>\$ 39,100,421</u>	<u>\$ 42,067,213</u>	<u>\$ 40,689,942</u>	<u>\$ 36,605,431</u>

2008	2007	2006	2005	2004
\$ 9,474,935	\$ 8,732,997	\$ 8,395,040	\$ 8,179,334	\$ 7,590,848
9,225,858	9,217,809	8,560,998	8,765,233	8,369,925
2,080,414	2,426,144	2,009,864	1,772,283	1,967,436
5,233,664	5,085,049	5,765,613	5,180,070	4,831,481
356,159	379,505	321,253	219,453	146,656
1,306,979	609,046	1,386,733	1,186,301	982,804
5,281,500	5,254,383	4,726,313	4,263,240	3,551,441
2,974,402	2,836,702	2,685,777	2,468,845	2,188,361
<u>\$ 35,933,911</u>	<u>\$ 34,541,635</u>	<u>\$ 33,851,591</u>	<u>\$ 32,034,759</u>	<u>\$ 29,628,952</u>
\$ 6,218,529	\$ 5,854,390	\$ 5,557,072	\$ 5,281,128	\$ 4,879,702
4,222,452	3,961,474	3,594,393	3,464,605	2,963,652
835,182	786,093	814,965	812,132	783,479
1,078,981	1,029,777	1,218,726	1,341,078	1,290,784
998,320	907,986	913,293	853,202	786,789
1,609,283	1,410,637	1,343,883	1,231,922	1,207,807
1,439,011	1,355,360	1,001,229	906,724	848,195
1,680,835	1,616,294	1,530,164	1,574,406	2,015,411
2,226,137	2,329,662	2,177,966	2,767,784	2,039,440
5,204,675	5,232,653	4,832,100	6,329,189	3,648,457
4,192,721	3,941,496	3,720,692	3,973,499	3,878,501
152,835	224,088	204,927	116,123	173,185
914,852	860,579	993,375	840,352	845,122
20,054	10,891	9,028	2,571	788
1,021,927	353,576	1,107,391	850,502	805,468
3,078,171	2,298,495	2,962,567	2,022,790	2,074,821
285,052	255,470	280,091	274,346	272,042
<u>\$ 35,179,017</u>	<u>\$ 32,428,921</u>	<u>\$ 32,261,862</u>	<u>\$ 32,642,353</u>	<u>\$ 28,513,643</u>

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2013**

Grantor/Program	CFDA Number	Program Expenditures	New Loans and New Loan Guarantees
<b>DIRECT:</b>			
U. S. Department of Education:			
Student Financial Aid – Cluster:			
Federal Supplemental Educational Opportunity Grants (FSEOG)	84.007	\$ 82,517	\$ -
Federal Direct Student Loans	84.268	-	8,334,757
Federal Work-Study Program (FWS)	84.033	89,229	-
Federal Pell Grant Program	84.063	4,401,607	-
Total Student Financial Aid Cluster		<u>4,573,353</u>	<u>8,334,757</u>
TRIO - Cluster:			
Student Support Services	84.042	303,517	-
Talent Search	84.044	384,793	-
Upward Bound	84.047	90,452	-
Total TRIO Cluster		<u>778,762</u>	
Total Direct U.S. Department of Education		5,352,115	8,334,757
Corporation for National and Community Services:			
Retired and Senior Volunteer Program	94.002	82,984	-
U.S. Department of Agriculture:			
Direct and Counter-cyclical Payments Program	10.055	6,670	-
Total Direct Expenditures		5,441,769	8,334,757
<b>INDIRECT:</b>			
Small Business Administration:			
Indirect Through Iowa State University:			
Small Business Development Centers	59.037	79,972	-
U.S. Department of Education:			
Indirect Through the Iowa Department of Education:			
Adult Education - Basic Grants to States	84.002	76,756	-
Career and Technical Education - Basic Grants to States	84.048	326,657	-
Total Indirect U.S. Department of Education		<u>403,413</u>	-
U.S. Department of Agriculture:			
Indirect Through Iowa Department of Education:			
Special Milk Program for Children	10.556	2,468	-
U.S. Department of Labor:			
Indirect Through Des Moines Area Community College:			
Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	17.282	11,234	-
Total Indirect Expenditures		<u>497,087</u>	-
Total Direct and Indirect Expenditures		<u>\$ 5,938,856</u>	<u>\$ 8,334,757</u>

IOWA LAKES COMMUNITY COLLEGE  
 NOTE TO BUDGETARY REPORTING  
 JUNE 30, 2013

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 – BASIS OF PRESENTATION

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

Note 2 – LOANS OUTSTANDING

Although no new Nursing Student Loan advances occurred during the year ended June 30, 2013, the following loan balances were outstanding at June 30, 2013:

<u>Program</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Nursing Student Loans	93.364	\$ 5,388

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

Board of Trustees  
Iowa Lakes Community College  
Estherville, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United State 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 and the aggregate discretely presented component units of Iowa Lakes Community College, Estherville, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Iowa Lakes Community College's basic financial statements and have issued our report thereon dated February 11, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered Iowa Lakes Community College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Iowa Lakes Community College's internal control. Accordingly, we do not express an opinion on the effectiveness of the Community College's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, II-B-13, to be a material weakness.

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 consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, II-A-13, to be a significant deficiency.

**Compliance and Other Matters**

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

## **Iowa Lakes Community College's Response to Findings**

Iowa Lakes Community College's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

*Williams + Company, P.C.*

Certified Public Accountants

Spencer, Iowa  
February 11, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED  
BY OMB CIRCULAR A-133**

Board of Trustees  
Iowa Lakes Community College  
Estherville, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Iowa Lakes Community College's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Iowa Lakes Community College's major federal programs for the year ended June 30, 2013. Iowa Lakes Community College's major federal programs are identified in Part I, Summary of Auditors' Results, of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Iowa Lakes Community College's major federal programs based on our audit of the types of compliance requirements referred to above. 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 Lakes Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on Iowa Lakes Community College's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Iowa Lakes Community College complied, in all material respects, with the types of compliance 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, 2013.

***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item III-B-13. Our opinion on each major federal program is not modified with respect to this

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matter.

Iowa Lakes Community College's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of Iowa Lakes Community College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above.

In planning and performing our audit of compliance, we considered Iowa Community College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to tests 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 Lakes Community College's internal control over compliance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

*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 non-compliance 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-13 to be a material weakness.

Iowa Lakes Community College's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Williams + Company, P.C.*

Certified Public Accountants

Spencer, Iowa  
February 11, 2014

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**PART I – SUMMARY OF AUDITORS' RESULTS**

- (A) An unmodified opinion was issued on the financial statements.
- (B) A material weakness and a significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (C) The audit did not disclose any non-compliance which is material to the financial statements.
- (D) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (E) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (F) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (G) Major programs were as follows:
  - Student Financial Aid Cluster:
    - CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG)
    - CFDA Number 84.268 – Federal Direct Student Loans
    - CFDA Number 84.033 – Federal Work-Study Program
    - CFDA Number 84.063 – Federal Pell Grant Program
  - TRIO Cluster:
    - CFDA Number 84.042 – Student Support Services
    - CFDA Number 84.044 – Talent Search
    - CFDA Number 84.047 – Upward Bound
  - Other Major Programs:
    - CFDA Number 84.048 – Career and Technical Education – Basic Grants to States
- (H) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (I) Iowa Lakes Community College did not qualify as a low-risk auditee.

**PART II – FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS**

**SIGNIFICANT DEFICIENCY:**

II-A-13 Financial Reporting – During the audit we identified immaterial amounts of accounts receivable, fixed assets, retainage payable, and payroll liabilities, not recorded properly in the College's financial statements.

Recommendation – The College should implement procedures to ensure all accounts receivable, fixed assets, retainage payable, and payroll liabilities are properly identified, classified, and included in the College's financial statements.

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

Conclusion - Response accepted.

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**PART II – FINDING RELATED TO THE GENERAL PURPOSE FINANCIAL STATEMENTS (Continued)**

**MATERIAL WEAKNESS:**

II-B-13 Financial Reporting – During the audit we identified inconsistencies related to the recording of donated assets between the College and its related foundations.

Recommendation – The College should review procedures to ensure all donated assets are properly identified, classified, and included in the College's financial statements.

Response – We will continue to review our current procedures to ensure donated assets are recorded properly in the financial statements in the future.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:** No matters were reported.

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**MATERIAL WEAKNESS:**

**CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG)**  
**CFDA Number 84.268 – Federal Direct Student Loans**  
**CFDA Number 84.033 – Federal Work-Study Program**  
**CFDA Number 84.063 – Federal Pell Grant Program**

III-A-13 Return of Funds Calculation – During our review of internal control procedures over the Student Financial Aid Cluster, we identified that the incorrect number of days was used in calculating the return of the Title IV funds.

Recommendation – The College should review and monitor each session during a semester to determine the correct number of days to use when calculating return of Title IV funds.

Response – We have corrected our procedure in determining the number of days used in calculating the return of the Title IV funds and will use the proper number of days in future periods.

Conclusion - Response accepted.

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**PART III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

INSTANCES OF NON-COMPLIANCE:

- CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG)**
- CFDA Number 84.268 – Federal Direct Student Loans**
- CFDA Number 84.033 – Federal Work-Study Program**
- CFDA Number 84.063 – Federal Pell Grant Program**

III-B-13 Return of Funds Calculation – During our review of compliance requirements over the Student Financial Aid Cluster, we identified that the incorrect number of days was used in calculating the return of the Title IV funds.

Recommendation – The College should review and monitor each session during a semester to determine the correct number of days to use when calculating return of Title IV funds.

Response – We have corrected our procedure in determining the number of days used in calculating the return of the Title IV funds and will use the proper number of days in future periods.

Conclusion - Response accepted.

**PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING**

- IV-A-13: Certified Budget – Expenditures for the year ended June 30, 2013, did not exceed the amounts budgeted.
- IV-B-13: Questionable Disbursements – No expenditures we believe did not meet the requirement of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-C-13: Travel Expense – No expenditures of Iowa Lakes Community College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- IV-D-13: Business Transactions – Business transactions between the Community College and the Community College officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Tom Quastad, Faculty Instructor Spouse of owner of Q Custom Designs	Services	\$ 5,587

In accordance with the Code of Iowa, the above transaction may represent a conflict of interest since the total received during the fiscal year is greater than \$2,500. Per College management, it was noted that the college did obtain competitive quotes/prices.

- IV-E-13: Bond Coverage – Surety bond coverage of Community College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-13: Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

**IOWA LAKES COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

**PART IV – OTHER FINDINGS RELATED TO REQUIRED STATUTORY REPORTING (Continued)**

IV-G-13: Publication – The Community College 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, by the second week in August, as required by Section 260C.14(12) of the Code of Iowa.

IV-H-13: Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College’s investment policy were noted.

IV-I-13: Credit/Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the Community College, except for an overstatement of 28 contact hours, as shown below:

	Reported	Total per Supporting Documentation	Difference
Non-Credit:			
Contact Hours	73,550	73,522	(28)

Recommendation – The College should develop procedures to ensure the report submitted to the Iowa Department of Education is supported by detailed record.

Response – The College will continue to monitor credit/contact hours to ensure all reports submitted are supported by the College’s detailed records.

Conclusion – Response accepted.

**IOWA LAKES COMMUNITY COLLEGE  
CORRECTIVE ACTION PLAN FOR FEDERAL AUDIT FINDINGS  
JUNE 30, 2013**

Department of Education:

Iowa Lakes Community College, respectfully submits the following corrective action plan for the year ended June 30, 2013.

The audit was performed by Williams & Company, P.C., P.O. Box 908, Spencer, Iowa, for the fiscal year ended June 30, 2013.

The findings from the June 30, 2013 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Part I of the schedule, Summary of Independent Auditor's Results, does include findings that are not addressed.

The audit disclosed a material weakness as identified in Part III of the accompanying Schedule of Findings and Questioned Costs.

**MATERIAL WEAKNESS:**

III-A-13 Return of Funds Calculation – CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG) CFDA Number 84.268 – Federal Direct Student Loans CFDA Number 84.033 – Federal Work-Study Program CFDA Number 84.063 – Federal Pell Grant Program

Observation - During our review of internal control procedures over the Student Financial Aid Cluster, we identified that the incorrect number of days was used in calculating the return of the Title IV funds.

Recommendation – The College should review and monitor each session during a semester to determine the correct number of days to use when calculating return of Title IV funds.

Response – We have corrected our procedure in determining the number of days used in calculating the return of the Title IV funds and will use the proper number of days in future periods.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

III-B-13 Return of Funds Calculation – CFDA Number 84.007 – Federal Supplemental Educational Opportunity Grant (FSEOG) CFDA Number 84.268 – Federal Direct Student Loans CFDA Number 84.033 – Federal Work-Study Program CFDA Number 84.063 – Federal Pell Grant Program

Observation - During our review of compliance requirements over the Student Financial Aid Cluster, we identified that the incorrect number of days was used in calculating the return of the Title IV funds.

Recommendation – The College should review and monitor each session during a semester to determine the correct number of days to use when calculating return of Title IV funds.

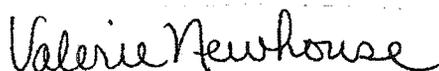
Response – We have corrected our procedure in determining the number of days used in calculating the return of the Title IV funds and will use the proper number of days in future periods.

Conclusion – Response accepted.

If the Department of Education has questions regarding this plan, please call Valerie Newhouse at 712-362-0434.

Sincerely yours,

IOWA LAKES COMMUNITY COLLEGE



Valerie Newhouse, President