

Iowa Western Community College

**INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

June 30, 2013

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Iowa Western Community College
OFFICIALS

| <u>Name</u> | <u>Title</u> | <u>Term expires</u> |
|--------------------------|-----------------|---------------------|
| Board of Trustees | | |
| Randy Pash | President | 2013 |
| Connie Hornbeck | Vice President | 2015 |
| Brent Seigrist | Member | 2013 |
| Larry Winum | Member | 2015 |
| Doug Goodman | Member | 2015 |
| Gary Faust | Member | 2013 |
| Scott Robinson | Member | 2013 |
| Fred Lisle | Member | 2015 |
| Kirk Madsen | Member | 2013 |
| Community College | | |
| Dr. Dan Kinney | President | |
| Thomas Johnson | Board Treasurer | |
| Erin Stopak | Board Secretary | |

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Iowa Western Community College (the College), and its discretely presented component unit as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the College's basic financial statements listed in the table of contents.

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 fraud or error.

Auditor's 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. The financial statements of the component unit were not audited in accordance with *Governmental Auditing Standards*.

An audit involves 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 College'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 College'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 Western Community College and its discretely presented component unit 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 on pages 6 through 15, and schedule of funding progress for the retiree health plan on page 43 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 inquiries 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 opinions on the financial statements that collectively comprise the College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2012 (none of which are presented herein) and expressed unmodified opinions on those financial statements. Other supplementary information included in Schedules 1 through 11, including the schedule of expenditures of federal awards required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of the College's management and is derived from and relates 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, the other supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

The supplementary information included in Schedules 9 and 10 related to the College's 2004 financial statements was audited by other auditors whose report dated January 24, 2005, expressed an unmodified opinion on such information in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2013, on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the College's internal control over financial reporting and compliance.



DENMAN & COMPANY, LLP

West Des Moines, Iowa
December 6, 2013

**Iowa Western Community College
Council Bluffs, Iowa**

**Management's Discussion and Analysis
For the Year Ended June 30, 2013 (Unaudited)**

Management of Iowa Western Community College (The College or IWCC) provides this Management's Discussion and Analysis of IWCC's annual financial statements. This narrative overview and analysis of the financial activities of the College is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

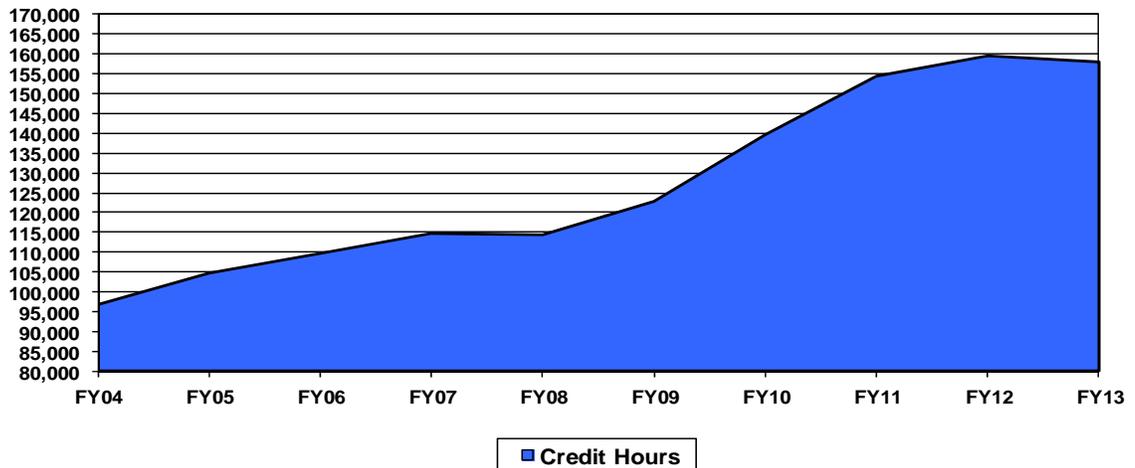
The Management's Discussion and Analysis is displayed in a comparative form enabling the reader to make year-to-year comparisons about the college's operating results and financial position.

Iowa Western Community College has implemented Governmental Accounting Standards Board pronouncements which require the primary reporting government (IWCC) to include associated entities in its financial reporting. An associated entity is generally an organization that raises and holds economic resources for the direct benefit of a governmental unit. For the fiscal year ending June 30, 2013, Iowa Western Community College will include financial information for the Iowa Western Community College Foundation in discrete presentation format. Other related organizations will be identified using the note disclosure method.

FINANCIAL HIGHLIGHTS

- Total operating revenue grew by 3.0% and increased by \$846,165 and totaled \$29,109,535 for the fiscal year ending June 30, 2013. Tuition and fees revenue, net of scholarships and financial aid, increased 2.9% or \$424,205 and totaled \$15,138,444. Increased tuition revenue due in large part to the \$3.00 per credit hour rate increase for FY13. Actual credit hour production lagged in FY13 and ended the year at 157,806 or down -1.0% (see graph below).

10 Year Credit Hour Production Growth Trend



- Revenues associated with the New Jobs Training Program and Auxiliary Operations also increased by more than \$1,750,000. The college sold new NJTP Certificates in FY13 and paid less in scholarships towards housing and books resulting in higher net Auxiliary revenue. Other income down nearly \$1.4 million as insurance reimbursements for hail damage to facilities from August 2011 are winding down.
- Operating expenditures increased in FY13 by \$2,272,370 versus FY12 and totaled \$57,483,784. Expenditures within the Unrestricted General Fund for general operations increased by \$1,003,921 in FY13. With flattening of credit hour production during FY13, expenditures for education and support also grew at a slower pace compared to FY12. General operations in FY13 expenses grew by \$1,003,921 compared to an increase of \$2,099,545 in FY12. Increased personnel costs (salary and benefits) continue to represent the largest share of expenditures for the institution. Within the Auxiliary Fund cost of goods sold, primarily in the Bookstore operation, increased as competition in the textbook market from on-line retailers (Amazon, CHEGG) continue to impact margins.
- Net non-operating revenue increased by \$1,750,948 in fiscal year 2013 versus fiscal year 2012. IWCC taxable valuations for its 13 county service district rose in FY13 by 4.87% and totaled \$8,301,386,554, compared to FY12 value of \$7,915,887,318 district wide. State appropriations and local property tax combined increased over \$1.8 million but this was offset by a decrease in total expenditures for Federal Pell Grant awards. Pell Grants distrusted in FY13 totaled \$12.2 million versus total awards in FY12 of \$12.7 million, a decrease of over -\$500,000. Property tax support increased as higher debt service requirements offset the lower tax collection for early retirement offerings.

USING THIS ANNUAL REPORT

This discussion and analysis are intended to serve as an introduction to IWCC's basic financial statements. The College's basic financial statements consist of a series of financial statements. The Statement of Net position, the Statement of Revenues, Expenses and Changes in Nets Assets and the Statement of Cash Flows (on pages 17 through 21) provide information about the activities of the College as a whole and present a longer-term view of the College's finances. These basic financial statements also include the notes to the financial statements and explain some of the information in the statements and provide more detail. Supplemental information is also in schedule form and begins on page 43.

THE COLLEGE AS A WHOLE

The Statement of Net Position

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

The largest portion of the College's net position 86% is the Net Investment in Capital Assets (e.g., land, infrastructure, buildings, and equipment). The debt related to the Net Investment in Capital Assets is liquidated with sources other than capital assets. The restricted portion of the net position 4% includes resources that are subject to external restrictions. The remaining net position 10% is the unrestricted net position that can be used to meet the College's obligations as they come due.

Condensed Statement of Net Position
For Year Ended June 30

| | <u>FY13</u> | <u>FY12</u> |
|----------------------------------|----------------------|----------------------|
| Current Assets | \$ 58,860,167 | \$ 53,735,011 |
| Noncurrent assets | <u>118,679,652</u> | <u>114,803,492</u> |
| Total assets | <u>177,539,819</u> | <u>168,538,503</u> |
| | | |
| Current liabilities | 42,894,571 | 41,004,154 |
| Noncurrent liabilities | <u>79,591,430</u> | <u>75,035,223</u> |
| Total liabilities | <u>122,486,001</u> | <u>116,039,377</u> |
| | | |
| Net position: | | |
| Net investment in capital assets | 47,034,392 | 44,256,280 |
| Restricted | 2,459,854 | 4,309,283 |
| Unrestricted | <u>5,559,572</u> | <u>3,933,563</u> |
| Total net position | <u>\$ 55,053,818</u> | <u>\$ 52,499,126</u> |

Statement of Revenues, Expenses and Changes in Net Position

Changes in total net position as presented on the Statement of Net Position are 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 received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

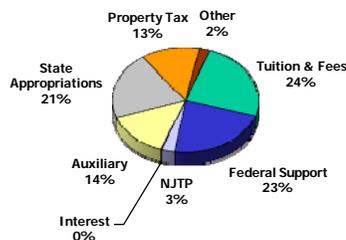
In general, a public college such as Iowa Western Community College will report an operating loss, as the financial reporting model classifies state appropriations and property taxes as non-operating revenues. Operating revenues are received for providing goods and services to the various students, customers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

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

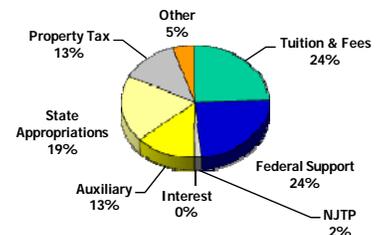
| | <u>FY13</u> | <u>FY12</u> |
|---|---------------------|---------------------|
| Operating revenue: | | |
| Tuition and fees | \$15,138,444 | \$14,714,239 |
| Federal appropriations | 1,787,313 | 1,730,398 |
| Iowa industrial New Jobs Training Program | 1,842,377 | 920,048 |
| Auxiliary | 8,893,826 | 8,051,618 |
| Other | <u>1,447,575</u> | <u>2,847,067</u> |
| Total operating revenue | 29,109,535 | 28,263,370 |
| Total Operating expenses | <u>57,483,784</u> | <u>55,211,414</u> |
| Operating loss | <u>(28,374,249)</u> | <u>(26,948,044)</u> |
| Non-operating revenue (expenses) | | |
| State appropriations | 12,989,594 | 11,421,002 |
| Pell Grant | 12,198,916 | 12,702,910 |
| Property tax | 8,126,166 | 7,888,117 |
| Disposition of capital assets | 6,131 | 52,927 |
| Interest and investment income | 87,418 | 49,894 |
| Interest on indebtedness | (2,460,515) | (2,803,669) |
| Other | <u>(18,769)</u> | <u>(133,188)</u> |
| Net non-operating revenue | <u>30,928,941</u> | <u>29,177,993</u> |
| Change in net position | 2,554,692 | 2,229,949 |
| Net position beginning of year | <u>52,499,126</u> | <u>50,269,177</u> |
| Net position end of year | <u>\$55,053,818</u> | <u>\$52,499,126</u> |

The Statement of Revenues, Expenses, and Changes in Net Position reflects an increase in net position at the end of the fiscal year of \$2,554,692.

Revenue Types FY2013



Revenue Types FY2012



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

| | <u>FY13</u> | <u>FY12</u> |
|-----------------------|---------------------|---------------------|
| Tuition and Fees, net | \$15,138,444 | \$14,714,239 |
| Federal | 13,986,229 | 14,433,308 |
| NJTP | 1,842,377 | 920,048 |
| Interest | 87,418 | 49,894 |
| Auxiliary | 8,893,826 | 8,051,618 |
| State | 12,989,594 | 11,421,002 |
| Property Tax | 8,126,166 | 7,888,117 |
| Other | <u>1,453,706</u> | <u>2,899,994</u> |
| Total | <u>\$62,517,760</u> | <u>\$60,378,220</u> |

In fiscal year 2013, total revenue increased by \$2,139,540 or 3.5%. Following is an analysis of individual revenue sources:

- During fiscal year 2013 the college's pace of credit hour production leveled off and FY13 actually realized a slight decline in total credit hours produced of (1,534) or down -1.0%. Credit hours totaled 157,806 in FY13 compared to 158,960 in FY12. Tuition and fee revenue increased by nearly \$425,000 or 2.9% compared to the previous year, due to the \$3.00 per credit hour tuition increase approved for FY13. The fall 2013 (FY14) credit hour numbers compared to fall FY13 reflect a larger decline in credit hour production of -5.6%. An improving economy and a low regional unemployment rate coupled with lower retention rates (loss of returning first year students) have negatively impacted IWCC credit hour numbers. IWCC's decline in FY14 credit hours reflects an Iowa statewide trend that has seen 14-out-of-15 Iowa community colleges having similar credit hour declines. For the fall term, statewide credit hour numbers are down -7.0% (Iowa Department of Education: Community College 2013 Fall Enrollment Report).
- Total federal appropriations received by the college were lower in FY13 by -3.1%. Pell Grant dollars awarded fell by more than (\$500,000) from \$14.4 million in FY12 to \$13.9 million in FY13.
- State appropriations increased by 13.7% as legislators continue to recognize the higher education value delivered by the community college system in Iowa. The state economy has been strong, unemployment in Iowa has been lower than the national average and consequently state revenues were higher than forecast. The state legislators chose to invest those dollars in Iowa's education – both secondary and post secondary. The state's financial performance in FY14 again appears strong and bodes well for future increases in state support for community colleges.
- Net Auxiliary Enterprise revenue increased by more than \$840,000 in FY13 compared to FY12. Even though the individual operational unit revenues were relatively consistent from FY12 to FY13 (bookstore, food service, vending, student housing, etc.) there were fewer scholarship dollars applied against Auxiliary sales (-\$747,108 less in FY13 versus FY12) resulting in an overall higher net revenue of \$8,893,826.

Local support in the form of property tax revenue totaled \$8,126,166 in FY13. This represents an increase of \$238,049 over fiscal year 2013. Tax receipts associated with the early retirement offering in FY12 (a decrease of -\$1,409,688) were replaced by increased debt service needs (up \$1,406,695 within the Plant Fund) associated with facilities construction. The balance of the property tax revenue increase, \$241,042, resulted from higher property valuations and increased costs associated with property and casualty insurance coverage.

Operating Expenses
For Year Ending June 30

| | <u>FY13</u> | <u>FY12</u> |
|--------------------------------|---------------------|---------------------|
| Education and support: | | |
| Liberal arts and sciences | \$ 9,372,961 | \$9,144,498 |
| Applied science and technology | 7,551,231 | 7,023,523 |
| Continuing education | 2,812,455 | 2,642,304 |
| Cooperative services | 1,915,654 | 1,174,480 |
| Administration | 3,250,519 | 2,577,625 |
| Student services | 3,887,315 | 3,785,331 |
| Learning resources | 257,553 | 323,318 |
| Physical plant | 5,795,875 | 5,886,894 |
| General institution | 6,599,729 | 7,881,398 |
| Auxiliary enterprises | 10,203,511 | 9,434,984 |
| Scholarships and grants | 920,941 | 809,818 |
| Depreciation and amortization | <u>4,916,040</u> | <u>4,527,241</u> |
| Total operating expenses | <u>\$57,483,784</u> | <u>\$55,211,414</u> |

In fiscal year 2013, operating expenses increased \$2,272,370 or 4.1% as a net result of the following changes:

- Salary and benefit costs remain the largest category of expense totaling \$30,753,435 in FY13. In total, salary and benefit costs were down nearly (-\$228,000) compared to FY12. As mentioned above in the discussion of local property tax support, \$1,422,404 in salary/benefit expenses were incurred with the employee early retirement offering made in FY12.
- Increases in cost of goods sold, especially within the College Store operation, accounts for 44% of the increased expenditures. In an effort to remain competitive with on-line textbook retailers, the Store has narrowed its margins and adopted a book rental program in its efforts to maintain student traffic flow.

- During FY13 voters within IWCC’s 13 county service again expressed their support for the college and its mission by approving a \$22.5 million bond issue referendum. The issue passed in all counties with 76.4% of voters casting their ballot in support of the initiative. The college has issued \$10 million of general obligation bonds against the authorized \$22.5 million. The major component of the facilities plan is an 82,000 square foot, two-story engineering technology building. The facility will be slated to receive its first students in the fall of 2015.
- As noted above, construction of new housing facilities continued during FY13 at the Suites. Phase I of the Reiver Suites II complex opened in fall 2010 and Phase II, an additional 144 beds, opened in the fall of 2012 bringing the total Suites capacity to 720 residents. The final phase, Phase III, of Reiver Suites II was completed in June of 2013 and received its first student residents this August 2013.

Statement of Cash Flows

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

Condensed Statement of Cash Flows For the Year Ended June 30

| Cash flows from: | <u>FY13</u> | <u>FY12</u> |
|--|---------------------|---------------------|
| Operating activities | \$(21,773,800) | \$(24,481,480) |
| Non-capital financing activities | 33,839,992 | 32,979,055 |
| Capital and related financing activities | (4,486,215) | (6,577,498) |
| Investing activities | <u>87,418</u> | <u>49,894</u> |
| Net increase in cash | 7,667,395 | 1,969,971 |
| Cash, beginning of year | <u>23,125,994</u> | <u>21,156,023</u> |
| Cash, end of year | <u>\$30,793,389</u> | <u>\$23,125,994</u> |

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

Component Unit Financial Statements

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

Condensed Statement of Net position

As of June 30

| | FY13 | FY12 |
|--------------------|---------------------|---------------------|
| Total assets | <u>\$21,549,869</u> | <u>\$20,864,368</u> |
| Total liabilities | \$ 366,299 | \$ 1,118,344 |
| Total net position | <u>21,183,570</u> | <u>19,746,024</u> |
| | <u>\$21,549,869</u> | <u>\$20,864,368</u> |

Condensed Statement Revenues, Expenses and

Changes in Net Position

For the Year Ended June 30

| | FY13 | FY12 |
|-------------------------------------|--------------------|-------------------|
| Total revenues | \$3,909,554 | \$2,579,881 |
| Total expenses | <u>2,472,008</u> | <u>2,235,518</u> |
| Increase/(decrease) in net position | <u>\$1,437,546</u> | <u>\$ 344,363</u> |

Financial highlights of the Foundation include the following:

- Net position increased \$1,437,546 from June 30, 2012 to June 30, 2013. The Foundation's investment portfolio rebounded in FY13 as the national economy and the United States stock markets continue to improve. Investment assets at June 30, 2013 totaled \$8,826,689 and generated \$224,378 in investment income and had realized gains of \$519,686. Public support and contributions remain strong as the Foundation continues to build relationships (fundraising) in the metropolitan area, within the service district and with alumni.
- During the 2008 fiscal year (June 30, 2008) the Foundation received a major gift of 105 acres of prime commercial real estate. The property has an estimated market value of nearly \$10.75 million. While the property has been listed for sale the current commercial real estate market has remained stagnate and the Foundation has yet to identify/receive any viable offers for the property. Proceeds from any future sale will be used to promote the interests of Iowa Western Community College.

CAPITAL ASSETS

At June 30, 2013, the College has \$116,610,226 invested in capital assets, net of accumulated depreciation of \$37,026,460. Net depreciation charges totaled \$4,916,040 for the 2013 fiscal year. Details for the capital assets are shown below.

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

| | <u>FY13</u> | <u>FY12</u> |
|-----------------------------------|----------------------|----------------------|
| Land | \$ 560,164 | \$ 560,164 |
| Buildings | 92,221,596 | 88,185,532 |
| Construction in progress | 1,741,167 | 3,082,998 |
| Other structures and improvements | 17,463,683 | 16,171,637 |
| Equipment and vehicles | 3,471,305 | 3,902,489 |
| Capital leases | 335,951 | 403,672 |
| Software | <u>816,360</u> | <u>788,164</u> |
| Total | <u>\$116,610,226</u> | <u>\$113,094,656</u> |

DEBT

At June 30, 2013, the College had \$86,561,461 million in debt outstanding. The table below summarizes these amounts by type.

Outstanding Debt For the Year Ended June 30

| | <u>FY13</u> | <u>FY12</u> |
|----------------------------|---------------------|---------------------|
| Early retirement payable | \$ 1,026,019 | \$ 1,900,336 |
| Certificates payable | 7,615,000 | 7,255,000 |
| Capital loan notes payable | 3,130,000 | 4,140,000 |
| Revenue bonds | 42,525,000 | 44,035,000 |
| Bonds payable | 31,925,000 | 23,965,000 |
| Capital leases payable | <u>340,442</u> | <u>408,166</u> |
| Total | <u>\$86,561,461</u> | <u>\$81,703,502</u> |

Total outstanding debt increased \$4,857,959 in fiscal year 2013. The college continues to utilize the various types of long-term financing available to fund the expansion and updating of college facilities. During FY13 the college issued new debt of \$11,600,000 that consisted of \$1,600,000 in NJTP certificates and \$10,000,000 in general obligation bonds.

ECONOMIC FACTORS

Iowa Western Community College's long-term economic outlook remains strong despite a slight downturn in overall credit hour production. The college's continued investment in new programs, updated technology and facilities has it well positioned to meet the changing landscape that is higher education. Significant increases in general state aid and new state support for workforce development, adult basic education and skilled worker training in FY14 will enable IWCC to respond to regional employers' workforce demands. In further support of these workforce development efforts, IWCC has been awarded U.S. Department of Labor grants through the Trade Adjustment Assistance Community College and Career Training (TAACCCT) program. Total awards of \$3,212,591 will be expended over the next four years as the State of Iowa looks to improve its skilled labor force.

Located in Council Bluffs, Iowa and as part of a major metropolitan area in the midwest, the local and regional economy has proven to be relatively more stable than economies located on the coasts of the U.S. This economic stability coupled with the areas cultural and recreational opportunities enables IWCC to expand its recruiting base outside its southwest Iowa service district. With a continued expansion of facilities and upgrading of instructional equipment, IWCC will continue to meet the educational needs and expectations of a growing student population.

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

Contacting the College's Financial Management

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

BASIC FINANCIAL STATEMENTS

Iowa Western Community College
STATEMENT OF NET POSITION
June 30, 2013

| ASSETS | <u>College</u> | <u>Foundation</u> |
|---|--------------------|-------------------|
| CURRENT ASSETS | | |
| Cash and short-term pooled investments | \$ 30,793,389 | \$ 435,475 |
| Investments | - | 8,826,689 |
| Receivables | | |
| Accounts receivable, net of allowance for uncollectible accounts of \$381,336 | 16,977,381 | - |
| Contributions and other receivables | - | 599,488 |
| Property tax | | |
| Delinquent | 111,607 | - |
| Succeeding year | 8,546,517 | - |
| Beneficial interest in irrevocable trust | - | 15,708 |
| Due from Iowa Western Community College | - | 351,590 |
| Due from other governments | 768,017 | - |
| Inventories | 988,355 | - |
| Prepaid expenses | 674,901 | - |
| Other assets | - | 207,597 |
| Net investment in capital leases | - | 340,442 |
| Total current assets | <u>58,860,167</u> | <u>10,776,989</u> |
| NONCURRENT ASSETS | | |
| Iowa Industrial New Jobs Training Program receivable | 2,069,426 | - |
| Land held for investment | - | 10,748,430 |
| Artwork, net of accumulated depreciation | - | 24,450 |
| Capital assets, net of accumulated depreciation and amortization | <u>116,610,226</u> | - |
| Total noncurrent assets | <u>118,679,652</u> | <u>10,772,880</u> |
| Total assets | <u>177,539,819</u> | <u>21,549,869</u> |

Iowa Western Community College
STATEMENT OF NET POSITION (continued)
June 30, 2013

| LIABILITIES AND NET POSITION | <u>College</u> | <u>Foundation</u> |
|---|----------------------|---------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 3,119,646 | \$ 30,752 |
| Due to Iowa Western Community College Foundation (component unit) | 351,590 | - |
| Salaries and benefits payable | 5,592,491 | - |
| Accrued interest payable | 548,319 | - |
| Deferred revenues | | |
| Succeeding year property tax | 8,546,517 | - |
| Iowa Industrial New Jobs Training Program and other | 14,456,658 | - |
| Retirement incentives payable | 339,912 | - |
| Compensated absences | 602,090 | - |
| Deposits held in custody for others | 2,555,713 | 335,547 |
| Certificates payable | 1,360,000 | - |
| Bonds payable | 4,335,000 | - |
| Notes payable | 1,025,000 | - |
| Capital leases payable | 61,635 | - |
| Total current liabilities | <u>42,894,571</u> | <u>366,299</u> |
| NONCURRENT LIABILITIES | | |
| Retirement incentives payable | 686,107 | - |
| Certificates payable | 6,255,000 | - |
| Bonds payable | 70,115,000 | - |
| Notes payable | 2,105,000 | - |
| Capital leases payable | 278,807 | - |
| Net other postemployment benefits obligation | 151,516 | - |
| Total noncurrent liabilities | <u>79,591,430</u> | <u>-</u> |
| Total liabilities | <u>122,486,001</u> | <u>366,299</u> |
| NET POSITION | | |
| Net investment in capital assets | <u>47,034,392</u> | <u>-</u> |
| Restricted | | |
| Nonexpendable | - | 2,739,947 |
| Expendable | | |
| Scholarships and fellowships | 29,085 | 7,626,148 |
| Loans | 2,694 | - |
| Debt service | 1,356,064 | - |
| Cash reserve | 361,092 | - |
| Other | 710,919 | 11,545,368 |
| Total restricted | <u>2,459,854</u> | <u>21,911,463</u> |
| Unrestricted | <u>5,559,572</u> | <u>(727,893)</u> |
| Total net position | <u>\$ 55,053,818</u> | <u>\$21,183,570</u> |

Iowa Western Community College
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year ended June 30, 2013

| | <u>College</u> | <u>Foundation</u> |
|---|---------------------|---------------------|
| OPERATING REVENUES | | |
| Tuition and fees, net of scholarship allowances of \$7,753,949 | \$15,138,444 | \$ — |
| Federal appropriations | 1,787,313 | — |
| Iowa Industrial New Jobs Training Program | 1,842,377 | — |
| Auxiliary enterprises revenue, net of scholarship allowances of \$4,444,967 | 8,893,826 | — |
| Contributions | — | 3,107,556 |
| Miscellaneous | <u>1,447,575</u> | <u>57,934</u> |
| Total operating revenues | <u>29,109,535</u> | <u>3,165,490</u> |
| OPERATING EXPENSES | | |
| Education and support | | |
| Liberal arts and sciences | 9,372,961 | — |
| Applied science and technology | 7,551,231 | — |
| Continuing education | 2,812,455 | — |
| Cooperative services | 1,915,654 | — |
| Administration | 3,250,519 | 414,151 |
| Student services | 3,887,315 | — |
| Learning resources | 257,553 | — |
| Physical plant | 5,795,875 | — |
| General institution | 6,599,729 | — |
| Auxiliary enterprises | 10,203,511 | — |
| Scholarships and grants | 920,941 | 2,057,857 |
| Depreciation | <u>4,916,040</u> | <u>—</u> |
| Total operating expenses | <u>57,483,784</u> | <u>2,472,008</u> |
| OPERATING INCOME (LOSS) | <u>(28,374,249)</u> | <u>693,482</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| State appropriations | 12,989,594 | — |
| Pell grant | 12,198,916 | — |
| Property tax | 8,126,166 | — |
| Interest and investment income | 87,418 | 744,064 |
| Interest on indebtedness | (2,460,515) | — |
| Gain on disposition of capital assets | 6,131 | — |
| Other expenses | <u>(18,769)</u> | <u>—</u> |
| Total nonoperating revenues (expenses), net | <u>30,928,941</u> | <u>744,064</u> |
| INCREASE IN NET POSITION | 2,554,692 | 1,437,546 |
| NET POSITION, beginning of year | <u>52,499,126</u> | <u>19,746,024</u> |
| NET POSITION, end of year | <u>\$55,053,818</u> | <u>\$21,183,570</u> |

Iowa Western Community College
STATEMENT OF CASH FLOWS
Year ended June 30, 2013

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|---------------------|
| Tuition and fees | \$16,084,817 |
| Federal appropriations | 1,730,350 |
| Iowa Industrial New Jobs Training Program (NJTP) | 1,393,943 |
| Payment to employees for salaries and benefits | (30,531,165) |
| Payment to suppliers for goods and services | (18,211,669) |
| Payments to NJTP recipients | (1,524,249) |
| Scholarships | (920,941) |
| Auxiliary enterprise receipts | 8,893,826 |
| Other receipts | <u>1,311,288</u> |
| Net cash used in operating activities | <u>(21,773,800)</u> |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|-------------------|
| State appropriations | 12,877,577 |
| Pell grant | 12,636,890 |
| Property tax | 8,095,871 |
| Federal direct lending receipts | 22,085,844 |
| Federal direct lending disbursements | (21,806,534) |
| Miscellaneous Agency Fund receipts | 1,335,326 |
| Miscellaneous Agency Fund disbursements | (1,364,177) |
| Proceeds from issuance of certificates payable | 1,600,000 |
| Principal paid on certificates payable | (1,240,000) |
| Interest paid on certificates payable | (289,380) |
| Change in deposits held in custody for others | <u>(91,425)</u> |
| Net cash provided by noncapital financing activities | <u>33,839,992</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|---|--------------------|
| Proceeds from issuance of long-term debt | 10,000,000 |
| Proceeds from disposition of capital assets | 59,146 |
| Acquisition of capital assets | (7,971,444) |
| Principal paid on capital leases | (67,724) |
| Principal paid on long-term debt | (4,560,000) |
| Interest paid on long-term debt | <u>(1,946,193)</u> |
| Net cash used in capital and related financing activities | <u>(4,486,215)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--------------------------------|---------------|
| Interest and investment income | <u>87,418</u> |
|--------------------------------|---------------|

NET INCREASE IN CASH

7,667,395

CASH, beginning of year

23,125,994

CASH, end of year

\$30,793,389

Iowa Western Community College
STATEMENT OF CASH FLOWS (continued)
Year ended June 30, 2013

**RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS
 USED IN OPERATING ACTIVITIES**

| | |
|---|-----------------------|
| Operating loss | \$(28,374,249) |
| Adjustments to reconcile operating loss to net cash flows used in operating activities | |
| Depreciation | 4,916,040 |
| Changes in assets and liabilities | |
| Accounts receivable | 1,419,809 |
| Due from (to) Iowa Western Community College Foundation (component unit) | 441,465 |
| Iowa Industrial New Jobs Training Program | (448,434) |
| Due from other governments | (56,963) |
| Inventories | (224,734) |
| Prepaid expenses | (64,142) |
| Accounts payable | 868,574 |
| Salaries and benefits payable | 222,270 |
| Deferred revenue | <u>(473,436)</u> |
| Net cash flows used in operating activities | <u>\$(21,773,800)</u> |

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Iowa Western Community College (the College or IWCC) is a publicly supported school established and operated by Merged Area XIII under the provisions of Chapter 260C of the Code of Iowa. The College offers programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. The College also offers up to two years of vocational or technical education, training or retraining to persons who are preparing to enter the labor market. The College maintains campuses in Council Bluffs and Clarinda, Iowa, with centers in Shelby County, Page/Fremont County and Cass County and has its administrative offices in Council Bluffs. The College is governed by a Board of Trustees whose members are elected from each director district within Merged Area XIII.

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

Reporting Entity

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

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

Component Unit and Related Organizations

The Iowa Western Community College Foundation (the Foundation) is a nonprofit organization whose goal is to provide support to the College and its students. The Foundation primarily receives funds through donations to provide scholarships to students. The governing board of this organization has members who are also officers of the College. However, these members do not comprise a majority in the Foundation's board. In accordance with GASB pronouncements, the Foundation is considered a component unit of the College requiring discrete presentation in the College's financial statements and has been included as such.

The Foundation is a private nonprofit organization that reports under the Not-for-Profit Entities Topic of the *FASB Accounting Standards Codification*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the College's financial reporting entity for these differences. The Foundation reports net assets, which is equivalent to net position reported by the College. Complete financial statements of the Foundation can be obtained from their administrative offices at 2700 College Road, Council Bluffs, Iowa 51503.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reporting Entity (continued)

Component Unit and Related Organizations (continued)

Western Iowa Educational Endeavors (WIEE) is a legally separate corporation established in 1991 to receive and manage gifts of land and/or buildings. The board of trustees of Iowa Western Community College appoints individuals to serve on the WIEE board. However, the Western Iowa Educational Endeavors articles of incorporation specifically state the business affairs of the corporation shall be managed by its own board of directors. WIEE does not provide services entirely or almost entirely to the College. In accordance with GASB pronouncements, discrete presentation of WIEE in the College's financial statements is not necessary. Additionally, the exclusion of the WIEE financial statements does not cause the College's financial statements to be misleading.

In the early 1970's, Western Iowa Dorms, Inc. (WID) was established as a separate legal corporation to finance, construct and operate student housing facilities for use by Iowa Western Community College students. The College board of trustees can recommend individuals to serve on the Western Iowa Dorms, Inc. board of directors, but the WID board is not required to appoint those individuals. WID is considered fiscally independent from the College since the corporation can issue its own debt without approval of the College, determines its own budget and sets housing fees independent of Iowa Western Community College. Additionally, the College is not financially accountable for obligations of WID. In accordance with GASB pronouncements, WID is not considered a component unit of the College requiring discrete presentation. Additionally, the exclusion of the WID financial statements does not cause the College's financial statements to be misleading.

Financial Statement Presentation

GASB Statement No. 35 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:

Net Investment in Capital Assets - Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets. The portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

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

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

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other Supplementary Information

The 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. For reporting purposes, funds that have similar characteristics have been combined into fund groups. The various fund groups and their designated purposes are as follows:

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

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

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

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

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

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

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

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

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

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

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 Business-Type Activities reporting, this budgetary comparison information is included as other supplementary information.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

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

Schedules presented in 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 schedule of revenues, expenditures and changes in fund balances is a schedule of financial activities related to the current reporting period. It does not purport to present the results of operations or net income or loss for the period as would a statement of income or a statement of revenues and expenses.

Cash and Pooled Investments

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

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

Property Tax Receivable

Property tax receivables are recognized on the levy or lien date, which is the date that the tax asking is certified by the Board of Trustees to the appropriate County Auditors. Delinquent property tax receivable represents unpaid taxes from the current and prior years. 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 except for the amount related to early retirement. That revenue is recognized in the same year as the related expense.

Due from Other Governments

This represents state aid, grants and reimbursements due from the State of Iowa and grants and reimbursements due from the federal government.

Allowance for Uncollectible Accounts

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

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Iowa Industrial New Jobs Training Program (NJTP) Receivable (Liability)

The receivable 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. The liability represents the excess of the payments received from employers for training projects over the amounts due for the project.

Inventories

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

Capital Assets

Capital assets, which include land, buildings and improvements other than buildings, furniture and equipment and software are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repair that do not add to the value of the assets or materially extend asset lives are not capitalized. Interest costs on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets.

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

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

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

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

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

Salaries and Benefits Payable

Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities at June 30.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Revenue

Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets have not been spent for their intended purpose. Deferred revenue consists of unspent grant proceeds, succeeding year property tax receivable, advanced student tuition, and deferred administrative and training revenue for NJTP projects.

Compensated Absences

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

Auxiliary Enterprise Revenues

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

Tuition and Fees

Tuition and fees revenues are reported net of scholarship allowances, while stipends and other payments made directly to students are presented as scholarship expenses. The College operates summer sessions during May, June, and July. Revenues and expenses for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the load study distributions supplied by the College Registrar.

Operating and Nonoperating 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. Nonoperating activities include state appropriations, pell grants, property tax and interest income.

Scholarship Allowances and Student Aid

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

Use of Estimates

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

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 2 CASH AND SHORT-TERM POOLED INVESTMENTS

The College's cash and deposits in banks (certificates of deposit) 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 ensure there will be no loss of public funds.

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

At June 30, 2013, the College's cash and short-term pooled investments are as follows:

| | |
|---|---------------------|
| Deposits | |
| Cash | \$22,583,240 |
| Nonnegotiable certificates of deposit | 42,298 |
| Investments | |
| Iowa Schools Joint Investment Trust Diversified Portfolio | <u>8,167,851</u> |
| Total cash and short-term pooled investments | <u>\$30,793,389</u> |

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

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

Credit risk. The College's June 30, 2013 investments in the Iowa Schools Joint Investment Trust were rated AAAM by Standard & Poor's Financial Services.

NOTE 3 INVENTORIES

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

| <u>Type</u> | <u>Amount</u> |
|--------------|-------------------|
| Graphic arts | \$ 13,436 |
| Bookstore | 902,936 |
| Auto parts | 43,064 |
| Food service | <u>28,919</u> |
| Total | <u>\$ 988,355</u> |

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2013 is as follows:

| | <u>Balance beginning of year</u> | <u>Additions</u> | <u>Transfers</u> | <u>Deletions</u> | <u>Balance end of year</u> |
|--|--|--------------------|--------------------|--------------------|------------------------------------|
| Capital assets not being depreciated | | | | | |
| Land | \$ 560,164 | \$ - | \$ - | \$ - | \$ 560,164 |
| Construction in progress | <u>3,082,998</u> | <u>7,565,178</u> | <u>(8,907,009)</u> | <u>-</u> | <u>1,741,167</u> |
| Total capital assets not being depreciated | <u>3,643,162</u> | <u>7,565,178</u> | <u>(8,907,009)</u> | <u>-</u> | <u>2,301,331</u> |
| Capital assets being depreciated | | | | | |
| Buildings | 111,378,129 | - | 6,563,723 | - | 117,941,852 |
| Improvements other than buildings | 19,929,131 | 66,510 | 2,343,286 | - | 22,338,927 |
| Furniture and equipment | 8,621,088 | 755,079 | - | (203,192) | 9,172,975 |
| Software | 1,125,713 | 97,859 | - | - | 1,223,572 |
| Assets under capital leases | <u>658,029</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>658,029</u> |
| Total capital assets being depreciated | <u>141,712,090</u> | <u>919,448</u> | <u>8,907,009</u> | <u>(203,192)</u> | <u>151,335,355</u> |
| Less accumulated depreciation for | | | | | |
| Buildings | 23,192,597 | 2,527,659 | - | - | 25,720,256 |
| Improvements other than buildings | 3,757,494 | 1,117,750 | - | - | 4,875,244 |
| Furniture and equipment | 4,718,599 | 1,133,247 | - | (150,176) | 5,701,670 |
| Software | 337,549 | 69,663 | - | - | 407,212 |
| Assets under capital leases | <u>254,357</u> | <u>67,721</u> | <u>-</u> | <u>-</u> | <u>322,078</u> |
| Total accumulated depreciation | <u>32,260,596</u> | <u>4,916,040</u> | <u>-</u> | <u>(150,176)</u> | <u>37,026,460</u> |
| Capital assets, net | <u>\$113,094,656</u> | <u>\$3,568,586</u> | <u>\$ -</u> | <u>\$ (53,016)</u> | <u>\$116,610,226</u> |

Assets held in agency in the amount of \$5,010 were purchased during the year ended June 30, 2013. No depreciation expense was taken on these assets held in agency for the year ended June 30, 2013.

Construction in progress at June 30, 2013 includes costs for design, engineering and construction related to the Iowa Western Boulevard, engineering building, and utilities extension projects. The College has entered into contracts for these projects of approximately \$3,870,000 of which approximately \$1,455,000 has been completed. Accounts payable at June 30, 2013 includes approximately \$527,000 of the amount completed. Total unpaid contracts at June 30, 2013 were approximately \$2,942,000.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 CHANGES IN NONCURRENT LIABILITIES

A summary of changes in noncurrent liabilities for the year ended June 30, 2013 is as follows:

| | Retirement Incentives Payable (Note 13) | Certificates Payable | Bonds Payable | Notes Payable | Capital Leases Payable (Note 7) | Net OPEB Liability (Note 10) | Total |
|---------------------------|--|---------------------------------|--------------------------|--------------------------|--|---|---------------------|
| Beginning balance of year | \$1,900,336 | \$7,255,000 | \$68,000,000 | \$4,140,000 | \$ 408,166 | \$ 124,223 | \$81,827,725 |
| Additions | — | 1,600,000 | 10,000,000 | — | — | 27,293 | 11,627,293 |
| Reductions | <u>(874,317)</u> | <u>(1,240,000)</u> | <u>(3,550,000)</u> | <u>(1,010,000)</u> | <u>(67,724)</u> | <u>—</u> | <u>(6,742,041)</u> |
| Balance end of year | <u>\$1,026,019</u> | <u>\$7,615,000</u> | <u>\$74,450,000</u> | <u>\$3,130,000</u> | <u>\$ 340,442</u> | <u>\$ 151,516</u> | <u>\$86,712,977</u> |
| Due within on year | <u>\$ 339,912</u> | <u>\$1,360,000</u> | <u>\$ 4,335,000</u> | <u>\$1,025,000</u> | <u>\$ 61,635</u> | <u>\$ —</u> | <u>\$ 7,121,547</u> |

Certificates Payable

In accordance with agreements dated between June 1, 2003 and December 11, 2012, the College issued certificates totaling \$12,550,000 with interest rates ranging from .40% to 6.65%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

The certificates will mature as follows:

| <u>Year ending June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------------|-------------------------|------------------------|---------------------|
| 2014 | \$1,360,000 | \$ 256,203 | \$1,616,203 |
| 2015 | 1,235,000 | 215,675 | 1,450,675 |
| 2016 | 1,215,000 | 171,553 | 1,386,553 |
| 2017 | 1,015,000 | 122,475 | 1,137,475 |
| 2018 | 855,000 | 84,700 | 939,700 |
| 2019-2022 | <u>1,935,000</u> | <u>109,180</u> | <u>2,044,180</u> |
| Total | <u>\$7,615,000</u> | <u>\$ 959,786</u> | <u>\$8,574,786</u> |

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Notes Payable

The College has issued notes for the purchase, construction and renovation of College properties as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2013 notes payable indebtedness are as follows:

| <u>Year ending June 30</u> | <u>Capital Loan Note Issuance of January 1, 2012 (2012A)</u> | | | |
|----------------------------|--|--------------------|-------------------|--------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 1.50% | \$1,025,000 | \$ 57,475 | \$1,082,475 |
| 2015 | 2.00% | 1,040,000 | 42,100 | 1,082,100 |
| 2016 | 2.00% | 1,065,000 | 21,300 | 1,086,300 |
| Total | | <u>\$3,130,000</u> | <u>\$ 120,875</u> | <u>\$3,250,875</u> |

Bonds Payable

The College has issued bonds for the purchase, construction and renovation of College properties as allowed by Section 260C.19 of the Code of Iowa. Details of the College's June 30, 2013 bonded indebtedness are as follows:

| <u>Year ending June 30</u> | <u>Bond Issue of July 1, 2008</u> | | | |
|----------------------------|-----------------------------------|--------------------|--------------------|---------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 4.13% | \$ 410,000 | \$ 339,843 | \$ 749,843 |
| 2015 | 4.13% | 425,000 | 322,930 | 747,930 |
| 2016 | 4.13% | 440,000 | 305,399 | 745,399 |
| 2017 | 3.90% | 460,000 | 287,249 | 747,249 |
| 2018 | 4.00% | 475,000 | 269,309 | 744,309 |
| 2019-2023 | 4.00% to 4.15% | 2,675,000 | 1,043,008 | 3,718,008 |
| 2024-2028 | 4.20% to 4.40% | <u>3,275,000</u> | <u>437,765</u> | <u>3,712,765</u> |
| Total | | <u>\$8,160,000</u> | <u>\$3,005,503</u> | <u>\$11,165,503</u> |

| <u>Year ending June 30</u> | <u>Bond Issue of May 1, 2010</u> | | | |
|----------------------------|----------------------------------|--------------------|-------------------|--------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 1.85% | \$ 595,000 | \$ 131,359 | \$ 726,359 |
| 2015 | 2.20% | 610,000 | 118,715 | 728,715 |
| 2016 | 2.75% | 630,000 | 103,465 | 733,465 |
| 2017 | 3.05% | 650,000 | 86,140 | 736,140 |
| 2018 | 3.25% | 670,000 | 66,640 | 736,640 |
| 2019-2020 | 3.45% to 3.70% | <u>1,415,000</u> | <u>70,840</u> | <u>1,485,840</u> |
| Total | | <u>\$4,570,000</u> | <u>\$ 577,159</u> | <u>\$5,147,159</u> |

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Bonds Payable (continued)

| <u>Year ending June 30</u> | <u>Bond Issue of February 1, 2011</u> | | | |
|----------------------------|---------------------------------------|--------------------|-------------------|--------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 2.00% | \$ 555,000 | \$ 119,330 | \$ 674,330 |
| 2015 | 2.00% | 575,000 | 108,230 | 683,230 |
| 2016 | 2.00% | 590,000 | 96,730 | 686,730 |
| 2017 | 2.10% | 610,000 | 84,930 | 694,930 |
| 2018 | 2.40% | 635,000 | 72,120 | 707,120 |
| 2019-2021 | 2.60% to 3.00% | <u>2,040,000</u> | <u>117,880</u> | <u>2,157,880</u> |
| Total | | <u>\$5,005,000</u> | <u>\$ 599,220</u> | <u>\$5,604,220</u> |

| <u>Year ending June 30</u> | <u>Bond Issue of March 5, 2012</u> | | | |
|----------------------------|------------------------------------|--------------------|-------------------|--------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 1.00% | \$ 495,000 | \$ 48,719 | \$ 543,719 |
| 2015 | 1.00% | 505,000 | 43,769 | 548,769 |
| 2016 | 1.00% | 510,000 | 38,719 | 548,719 |
| 2017 | 1.00% | 515,000 | 33,619 | 548,619 |
| 2018 | 1.13% | 530,000 | 28,469 | 558,469 |
| 2019-2021 | 1.25% to 1.50% | <u>1,635,000</u> | <u>46,650</u> | <u>1,681,650</u> |
| Total | | <u>\$4,190,000</u> | <u>\$ 239,945</u> | <u>\$4,429,945</u> |

| <u>Year ending June 30</u> | <u>Bond Issue of June 1, 2013</u> | | | |
|----------------------------|-----------------------------------|---------------------|--------------------|---------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 1.00% | \$ 450,000 | \$ 172,484 | \$ 622,484 |
| 2015 | 1.00% | 445,000 | 168,948 | 613,948 |
| 2016 | 1.00% | 445,000 | 164,498 | 609,498 |
| 2017 | 1.00% | 450,000 | 160,048 | 610,048 |
| 2018 | 1.00% | 455,000 | 155,548 | 610,548 |
| 2019-2023 | 1.00% to 1.50% | 2,350,000 | 705,385 | 3,055,385 |
| 2024-2028 | 1.65% to 2.25% | 2,550,000 | 522,100 | 3,072,100 |
| 2029-2033 | 2.25% to 2.70% | <u>2,855,000</u> | <u>224,603</u> | <u>3,079,603</u> |
| Total | | <u>\$10,000,000</u> | <u>\$2,273,614</u> | <u>\$12,273,614</u> |

| <u>Year ending June 30</u> | <u>Dorm Revenue Bond Issue of June 1, 2005 (2005B)</u> | | | |
|----------------------------|--|-------------------|------------------|-------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 4.10% | \$ 155,000 | \$ 13,075 | \$ 168,075 |
| 2015 | 4.20% | <u>160,000</u> | <u>6,720</u> | <u>166,720</u> |
| Total | | <u>\$ 315,000</u> | <u>\$ 19,795</u> | <u>\$ 334,795</u> |

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Bonds Payable (continued)

| <u>Year ending June 30</u> | <u>Dorm Revenue Bond Issue of February 1, 2009 (2009A)</u> | | | |
|----------------------------|--|--------------------|--------------------|--------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 3.50% | \$ 100,000 | \$ 138,190 | \$ 238,190 |
| 2015 | 4.50% | 55,000 | 136,440 | 191,440 |
| 2016 | 4.50% | 55,000 | 133,965 | 188,965 |
| 2017 | 4.50% | 60,000 | 131,490 | 191,490 |
| 2018 | 4.50% | 65,000 | 128,790 | 193,790 |
| 2019-2023 | 4.50% to 4.90% | 375,000 | 596,065 | 971,065 |
| 2024 | 5.00% | <u>2,155,000</u> | <u>107,750</u> | <u>2,262,750</u> |
| Total | | <u>\$2,865,000</u> | <u>\$1,372,690</u> | <u>\$4,237,690</u> |

| <u>Year ending June 30</u> | <u>Dorm Revenue Bond Issue of October 1, 2009 (2009B)</u> | | | |
|----------------------------|---|--------------------|--------------------|---------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 3.84% | \$ 155,000 | \$ 558,439 | \$ 713,439 |
| 2015 | 4.34% | 160,000 | 552,493 | 712,493 |
| 2016 | 4.64% | 170,000 | 545,555 | 715,555 |
| 2017 | 4.89% | 180,000 | 537,676 | 717,676 |
| 2018 | 5.05% | 195,000 | 528,883 | 723,883 |
| 2019-2023 | 5.25% to 5.75% | 1,160,000 | 2,476,989 | 3,636,989 |
| 2024 | 6.13% | <u>7,425,000</u> | <u>454,781</u> | <u>7,879,781</u> |
| Total | | <u>\$9,445,000</u> | <u>\$5,654,816</u> | <u>\$15,099,816</u> |

| <u>Year ending June 30</u> | <u>Dorm Revenue Bond Issue of October 1, 2010 (2010A)</u> | | | |
|----------------------------|---|---------------------|--------------------|---------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 3.00% | \$ 615,000 | \$ 533,380 | \$ 1,148,380 |
| 2015 | 3.00% | 635,000 | 514,930 | 1,149,930 |
| 2016 | 3.00% | 650,000 | 495,880 | 1,145,880 |
| 2017 | 3.25% | 670,000 | 476,380 | 1,146,380 |
| 2018 | 3.50% | 695,000 | 454,605 | 1,149,605 |
| 2019-2023 | 3.40% to 3.90% | 3,845,000 | 1,887,420 | 5,732,420 |
| 2024-2028 | 4.00% to 4.30% | 4,660,000 | 1,079,550 | 5,739,550 |
| 2029-2030 | 4.40% to 4.50% | <u>2,150,000</u> | <u>145,200</u> | <u>2,295,200</u> |
| Total | | <u>\$13,920,000</u> | <u>\$5,587,345</u> | <u>\$19,507,345</u> |

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 5 CHANGES IN NONCURRENT LIABILITIES (continued)

Bonds Payable (continued)

| <u>Year ending June 30</u> | <u>Dorm Revenue Bond Issue of March 15, 2012 (2012A)</u> | | | |
|----------------------------|--|--------------------|--------------------|--------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 1.00% | \$ 330,000 | \$ 155,813 | \$ 485,813 |
| 2015 | 1.40% | 335,000 | 152,513 | 487,513 |
| 2016 | 1.40% | 340,000 | 147,823 | 487,823 |
| 2017 | 1.40% | 345,000 | 143,063 | 488,063 |
| 2018 | 1.60% | 345,000 | 138,233 | 483,233 |
| 2019-2023 | 1.80% to 2.60% | 1,840,000 | 591,345 | 2,431,345 |
| 2024-2028 | 2.75% to 3.15% | 2,085,000 | 343,498 | 2,428,498 |
| 2029-2030 | 3.20% to 3.25% | <u>925,000</u> | <u>45,110</u> | <u>970,110</u> |
| Total | | <u>\$6,545,000</u> | <u>\$1,717,398</u> | <u>\$8,262,398</u> |

| <u>Year ending June 30</u> | <u>Dorm Revenue Bond Issue of March 15, 2012 (2012B)</u> | | | |
|----------------------------|--|--------------------|--------------------|---------------------|
| | <u>Interest rate</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
| 2014 | 1.40% | \$ 475,000 | \$ 225,143 | \$ 700,143 |
| 2015 | 1.40% | 480,000 | 218,493 | 698,493 |
| 2016 | 1.40% | 485,000 | 211,773 | 696,773 |
| 2017 | 1.40% | 495,000 | 204,983 | 699,983 |
| 2018 | 1.60% | 500,000 | 198,053 | 698,053 |
| 2019-2023 | 1.80% to 2.60% | 2,655,000 | 846,065 | 3,501,065 |
| 2024-2028 | 2.75% to 3.13% | 3,010,000 | 488,300 | 3,498,300 |
| 2029-2030 | 3.13% | <u>1,335,000</u> | <u>62,969</u> | <u>1,397,969</u> |
| Total | | <u>\$9,435,000</u> | <u>\$2,455,779</u> | <u>\$11,890,779</u> |

The College has pledged future dormitory system revenues, net of specified operating expenses, to repay \$44,035,000 in dorm revenue bonds issued in June, 2005, February, 2009, October, 2009, October, 2010, and March, 2012. Proceeds from the bonds provided financing for construction of the dormitory system. The bonds are payable solely from dormitory system net revenues, including dining and other incidental facilities, and are payable through 2030. Annual principal and interest payments are expected to require less than the net revenues of the system. The total principal and interest remaining to be paid on the notes is \$59,332,823. For the current year, principal and interest paid and total customer net revenues were \$3,222,365 and \$4,112,221, respectively.

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

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

During the year ended June 30, 2013, the College was in compliance with the revenue bond provisions.

Total interest cost for the year ended June 30, 2013 is \$2,682,358. Total interest capitalized as part of construction in progress for the year ended June 30, 2013 is \$221,843.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 6 OPERATING LEASES

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and, accordingly, all rents are expensed as incurred. The leases expire between 2013 and 2056 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases. The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2013:

| <u>Year ending June 30</u> | <u>Amount</u> |
|----------------------------|--------------------|
| 2014 | \$ 268,749 |
| 2015 | 215,471 |
| 2016 | 190,133 |
| 2017 | 116,146 |
| 2018 | 62,378 |
| Thereafter | <u>588,399</u> |
| Total | <u>\$1,441,276</u> |

Rents for the year ended June 30, 2013 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$297,512.

NOTE 7 CAPITAL LEASES AND RELATED PARTY TRANSACTIONS

The College has four capital leases with the Iowa Western Community College Foundation (a component unit) for buses. The capital leases are as follows:

| <u>Class of property</u> | <u>Balance at June 30, 2013</u> |
|-------------------------------|---|
| Equipment | \$ 658,029 |
| Less accumulated amortization | <u>(322,078)</u> |
| Net capital lease assets | <u>\$ 335,951</u> |

The following is a schedule by year of future minimum lease payments under capital leases as of June 30, 2013:

| <u>Year ending June 30</u> | |
|----------------------------|-------------------|
| 2014 | \$ 81,346 |
| 2015 | 77,961 |
| 2016 | 77,962 |
| 2017 | 59,997 |
| 2018 | 56,403 |
| Thereafter | <u>48,716</u> |
| Total | 402,385 |
| Less interest | <u>(61,943)</u> |
| Capital lease obligations | <u>\$ 340,442</u> |

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 8 IOWA PUBLIC EMPLOYEES RETIREMENT SYSTEM (IPERS)

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

Plan members are required to contribute 5.78% (5.95% after July 1, 2013) of their annual covered salary and the College is required to contribute 8.67% (8.93% after July 1, 2013) of annual payroll. Contribution requirements are established by state statute. The College's contribution to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$760,854, \$723,891 and \$580,340, respectively, equal to the required contributions for each year.

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

The College contributes to the TIAA-CREF retirement program, which is a defined contribution plan. TIAA-CREF administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 5.78% (5.95% after July 1, 2013) and the College is required to contribute 8.67% (8.93% after July 1, 2013). The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2013 were \$867,961 and \$578,642, respectively.

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The College operates a single-employer retiree benefit plan which provides medical, prescription drug and dental benefits for retirees and their spouses. There are 372 active and 32 retired members in the plan. Participants must be age 55 or older at retirement.

The medical, prescription drug and dental coverage is provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical, prescription drug, and dental benefits 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.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

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 | \$ 33,211 |
| Interest on net OPEB obligation | 5,590 |
| Adjustment to annual required contribution | <u>(11,508)</u> |
| Annual OPEB cost | 27,293 |
| Contributions made | <u>—</u> |
| Increase in net OPEB obligation | 27,293 |
| Net OPEB obligation beginning of year | <u>124,223</u> |
| Net OPEB obligation end of year | <u>\$ 151,516</u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2013.

For the year ended June 30, 2013, the College contributed \$-0- to the medical plan.

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

| <u>Year ended</u> | <u>Annual OPEB Cost</u> | <u>Percentage of Annual OPEB Cost Contributed</u> | <u>Net OPEB Obligation</u> |
|-------------------|-----------------------------|---|------------------------------------|
| June 30, 2011 | \$27,293 | 0.0% | <u>\$ 96,930</u> |
| June 30, 2012 | \$31,274 | 0.0% | <u>\$124,223</u> |
| June 30, 2013 | \$33,211 | 0.0% | <u>\$151,516</u> |

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 \$201,128, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$201,128. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$15,774,000 and the ratio of the UAAL to covered payroll was 1.3%. As of June 30, 2013, there were no trust fund assets.

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 assumptions 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 for the retiree health plan, presented as required supplementary information in the section following the Notes to Financial Statements, presents 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.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 10 OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Actuarial Methods and Assumptions (continued)

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 includes a 4.5% discount rate based on the College's funding policy. The projected annual medical trend rate is 8%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

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-9 of the Actuary's Pension Handbook.

Projected claim costs of the medical plan are \$656 per month for retirees less than age 65. The salary increase rate was assumed to be 4% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

NOTE 11 RELATED PARTY TRANSACTIONS

The College transferred \$100,000 in fiscal year 1995 and \$550,000 in fiscal year 1998 to the Iowa Western Community College Foundation. The provisions of the gifts specify that the corpus, and any income generated through the investment of the corpus, shall be restricted in use for the sole benefit of the College for scholarships, grants, and such other purposes for the benefit of the College or the students thereof. There were no such transfers in fiscal year 2013.

Foundation salaries and other operating expenses are paid by the College. In management's estimate, the value of such expenses was approximately \$353,000 in fiscal year 2013.

Transactions for the year ended June 30, 2013, between Iowa Western Community College and Western Iowa Dorms, Inc. are as follows:

| | |
|--|---------------------|
| Beginning payable balance | \$ (239,002) |
| Charges for services, supplies and payroll provided or paid by the College | 15,064 |
| College payment of dorm payables | (888,488) |
| Reimbursements and advances from Western Iowa Dorms, Inc. | <u>931,686</u> |
| Ending payable balance | <u>\$ (180,740)</u> |

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 11 RELATED PARTY TRANSACTIONS (continued)

The College has a liability to the Foundation in the amount of \$351,590 related to amounts payable on costs associated with a lease of the Lewis Central High School turf project. The College reimburses the Foundation for this payable by making monthly payments of principal and interest in the amount of \$4,219. Total principal and interest paid by the College during the year ended June 30, 2013 was \$28,632 and \$22,000, respectively. The balance of this payable at June 30, 2013 is as follows:

Year ending June 30

| | |
|--|-------------------|
| 2014 | \$ 50,632 |
| 2015 | 50,632 |
| 2016 | 50,632 |
| 2017 | 50,632 |
| 2018 | 50,632 |
| Thereafter | <u>202,528</u> |
| Total | 455,688 |
| Less interest | <u>(104,098)</u> |
| Due to Iowa Western Community College Foundation | <u>\$ 351,590</u> |

NOTE 12 NEW JOBS TRAINING PROGRAMS

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

NOTE 13 RETIREMENT INCENTIVE PROGRAM

The College offered retirement incentives to eligible employees in fiscal years 2007, 2009 and 2012. Eligible staff members who accept retirement incentives will receive cash benefits payable in three installments during the following fiscal year, as well as health insurance coverage up to a specified amount until the staff member reaches the age of 65.

The liability at June 30, 2013 for those employees who have elected retirement incentives was \$1,026,019 and has been recorded as a liability in the Statement of Net position. Retirement incentives will be fully funded through property tax levies.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 14 SELF-INSURANCE PROGRAM

The College has established a self-insurance medical program, which is accounted for in the Restricted Fund. This program provides employee health benefit coverage up to a maximum of \$75,000 per employee per year and the maximum liability coverage of approximately \$4,000,000 per year. The College purchases commercial insurance for claims in excess of this coverage and all other risks of loss. Payments include certain administrative expenses.

Payments are made to the self-insurance cost center based on actuarial estimates of the amounts needed to pay current year claims. The unpaid claims liability of approximately \$1,713,000 is based on GASB Statement No. 10, which requires that a liability be recorded when it has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The unpaid claims liability has been recorded with salaries and benefits payable as a liability in the Statement of Net position.

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

NOTE 16 SUBSEQUENT EVENTS

In October, 2013, the College received a grant through the Department of Labor for information technology and entrepreneurship in the amount of \$2,507,462.

Iowa Western Community College
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

NOTE 18 NEW GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the College beginning with its year ending June 30, 2014. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

GASB Statement No. 66, *Technical Corrections-2013-an amendment of GASB Statements No. 10 and 62*, will be effective for the College beginning with its year ending June 30, 2014. This Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, will be effective for the College beginning with its year ending June 30, 2015. This Statement is to improve accounting and financial reporting by state and local governments for pensions.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, will be effective for the College beginning with its year ending June 30, 2015. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, will be effective for the College beginning with its year ending June 30, 2015. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee.

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

REQUIRED SUPPLEMENTARY INFORMATION

Iowa Western Community College
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN
(In Thousands)

Required Supplementary Information

| <u>Fiscal year end June 30</u> | <u>Actuarial valuation date</u> | <u>Actuarial value of assets (a)</u> | <u>Actuarial accrued liability (AAL) (b)</u> | <u>Unfunded AAL (UAAL) (b - a)</u> | <u>Funded ratio (a/b)</u> | <u>Covered payroll (c)</u> | <u>UAAL as a percentage of covered payroll ((b - a)/c)</u> |
|------------------------------------|---------------------------------|--|--|--|-------------------------------|--------------------------------|--|
| 2009 | July 1, 2008 | \$ <u>—</u> | \$ <u>236</u> | \$ <u>236</u> | <u>0.0%</u> | \$ <u>13,813</u> | <u>1.7%</u> |
| 2010 | July 1, 2008 | \$ <u>—</u> | \$ <u>236</u> | \$ <u>236</u> | <u>0.0%</u> | \$ <u>13,813</u> | <u>1.7%</u> |
| 2011 | July 1, 2010 | \$ <u>—</u> | \$ <u>191</u> | \$ <u>191</u> | <u>0.0%</u> | \$ <u>14,667</u> | <u>1.3%</u> |
| 2012 | July 1, 2010 | \$ <u>—</u> | \$ <u>191</u> | \$ <u>191</u> | <u>0.0%</u> | \$ <u>14,667</u> | <u>1.3%</u> |
| 2013 | July 1, 2012 | \$ <u>—</u> | \$ <u>201</u> | \$ <u>201</u> | <u>0.0%</u> | \$ <u>15,774</u> | <u>1.3%</u> |

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost, net OPEB obligation, the funded status and funding progress.

See accompanying independent auditor's report.

OTHER SUPPLEMENTARY INFORMATION

Iowa Western Community College
BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
Year ended June 30, 2013

| <u>Funds/Levy</u> | <u>Original and final budget</u> | <u>Actual</u> | <u>Variance between actual and budget</u> |
|--|--|---------------------|---|
| General (unrestricted and non-levy restricted) | \$45,886,827 | \$44,286,552 | \$1,600,275 |
| Restricted | | | |
| Unemployment | 60,000 | 35,777 | 24,223 |
| Tort liability | 125,000 | 91,394 | 33,606 |
| Insurance | 550,000 | 644,850 | (94,850) |
| Early retirement | 1,155,349 | - | 1,155,349 |
| Equipment replacement | 740,000 | 694,039 | 45,961 |
| Total restricted | <u>2,630,349</u> | <u>1,466,060</u> | <u>1,164,289</u> |
| Total unrestricted/restricted | 48,517,176 | 45,752,612 | 2,764,564 |
| Plant | 7113,287 | 6,174,503 | 938,784 |
| Bonds and interest | <u>2,657,818</u> | <u>2,325,967</u> | <u>331,851</u> |
| Total operating expenditures | <u>\$58,288,281</u> | <u>\$54,253,082</u> | <u>\$4,035,199</u> |

See accompanying independent auditor's report.

Iowa Western Community College
NOTE TO BUDGETARY REPORTING
Year ended June 30, 2013

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

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

For the year ended June 30, 2013, the College's expenditures did not exceed the amount budgeted.

See accompanying independent auditor's report.

Iowa Western Community College
ASSETS, LIABILITIES AND FUND BALANCES
 June 30, 2013

| | <u>Current Funds</u> | | <u>Loan Fund</u> | <u>Plant Funds</u> | | | <u>Agency Funds</u> | <u>Adjustments</u> | <u>Total</u> |
|---|----------------------|---------------------|------------------|---------------------|-----------------------------------|----------------------------|---------------------|----------------------|----------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | | <u>Unexpended</u> | <u>Retirement of Indebtedness</u> | <u>Investment in Plant</u> | | | |
| ASSETS | | | | | | | | | |
| Cash and short-term pooled investments | \$ 7,746,243 | \$11,416,772 | \$ 1,931 | \$ 9,116,425 | \$1,916,356 | \$ 90,785 | \$ 504,877 | \$ - | \$ 30,793,389 |
| Receivables | | | | | | | | | |
| Accounts (less allowance of \$381,336) | 14,622,413 | 2,340,467 | - | 5,677 | - | - | 8,824 | - | 16,977,381 |
| Property tax | | | | | | | | | |
| Delinquent | 20,404 | 32,025 | - | - | 59,178 | - | - | - | 111,607 |
| Succeeding year | 1,737,592 | 2,069,751 | - | 655,117 | 4,084,057 | - | - | - | 8,546,517 |
| Due from other funds | 851,626 | 1,140,520 | 763 | 118,589 | (241,078) | - | 16,365 | (1,886,785) | - |
| Due from other governments | 214,771 | 238,862 | - | 190,746 | 89,984 | - | 33,654 | - | 768,017 |
| Inventories | 988,355 | - | - | - | - | - | - | - | 988,355 |
| Prepaid expenditures | 635,789 | 34,664 | - | - | - | - | 4,448 | - | 674,901 |
| Iowa Industrial New Jobs Training Program | - | 2,069,426 | - | - | - | - | - | - | 2,069,426 |
| Capital assets | | | | | | | | | |
| Land | - | - | - | - | - | 560,164 | - | - | 560,164 |
| Buildings | - | - | - | - | - | 117,941,852 | - | - | 117,941,852 |
| Improvements other than buildings | - | - | - | - | - | 22,338,927 | - | - | 22,338,927 |
| Equipment and vehicles | - | - | - | - | - | 9,167,965 | 5,010 | - | 9,172,975 |
| Capital lease assets | - | - | - | - | - | 658,029 | - | - | 658,029 |
| Software | - | - | - | - | - | 1,223,572 | - | - | 1,223,572 |
| Construction in progress | - | - | - | 1,741,167 | - | - | - | - | 1,741,167 |
| Accumulated depreciation | - | - | - | - | - | (37,026,460) | - | - | (37,026,460) |
| Total assets | \$26,817,193 | \$19,342,487 | \$ 2,694 | \$11,827,721 | \$5,908,497 | \$114,954,834 | \$ 573,178 | \$(1,886,785) | \$177,539,819 |

See accompanying independent auditor's report.

Iowa Western Community College
ASSETS, LIABILITIES AND FUND BALANCES (continued)
June 30, 2013

| | <u>Current Funds</u> | | <u>Loan Fund</u> | <u>Plant Funds</u> | | | <u>Agency Funds</u> | <u>Adjustments</u> | <u>Total</u> |
|---|----------------------|---------------------|------------------|---------------------|-----------------------------------|----------------------------|---------------------|----------------------|----------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | | <u>Unexpended</u> | <u>Retirement of Indebtedness</u> | <u>Investment in Plant</u> | | | |
| LIABILITIES AND FUND BALANCES | | | | | | | | | |
| LIABILITIES | | | | | | | | | |
| Accounts payable | \$ 949,865 | \$ 327,877 | \$ — | \$ 1,730,700 | \$ — | \$ — | \$ 111,204 | \$ — | \$ 3,119,646 |
| Salaries and benefits payable | 3,045,794 | 2,532,605 | — | — | — | — | 14,092 | — | 5,592,491 |
| Accrued interest payable | — | 52,608 | — | 27,335 | 468,376 | — | — | — | 548,319 |
| Due to Iowa Western Community College Foundation (component unit) | 351,590 | — | — | — | — | — | — | — | 351,590 |
| Due to other funds | 849,548 | 918,592 | — | 2,856 | — | — | 115,789 | (1,886,785) | — |
| Deferred revenues | | | | | | | | | |
| Succeeding year property tax | 1,737,592 | 2,069,751 | — | 655,117 | 4,084,057 | — | — | — | 8,546,517 |
| Iowa Industrial New Jobs Training Program and other | 10,332,378 | 3,995,537 | — | — | — | — | 128,743 | — | 14,456,658 |
| Retirement incentives payable | — | 1,026,019 | — | — | — | — | — | — | 1,026,019 |
| Compensated absences | 543,608 | 49,560 | — | — | — | — | 8,922 | — | 602,090 |
| Deposits held in custody for others | 420,840 | 14,934 | — | 1,925,511 | — | — | 194,428 | — | 2,555,713 |
| Certificates payable | — | 7,615,000 | — | — | — | — | — | — | 7,615,000 |
| Bonds payable | — | — | — | 10,000,000 | — | 64,450,000 | — | — | 74,450,000 |
| Notes payable | — | — | — | — | — | 3,130,000 | — | — | 3,130,000 |
| Capital leases payable | — | — | — | — | — | 340,442 | — | — | 340,442 |
| Net other postemployment benefits obligation | 151,516 | — | — | — | — | — | — | — | 151,516 |
| Total liabilities | <u>18,382,731</u> | <u>18,602,483</u> | <u>—</u> | <u>14,341,519</u> | <u>4,552,433</u> | <u>67,920,442</u> | <u>573,178</u> | <u>(1,886,785)</u> | <u>122,486,001</u> |
| FUND BALANCES | | | | | | | | | |
| Net investment in capital assets | — | — | — | — | — | 47,034,392 | — | — | 47,034,392 |
| Restricted | | | | | | | | | |
| Expendable | | | | | | | | | |
| Scholarships and fellowships | — | 29,085 | — | — | — | — | — | — | 29,085 |
| Loans | — | — | 2,694 | — | — | — | — | — | 2,694 |
| Debt service | — | — | — | — | 1,356,064 | — | — | — | 1,356,064 |
| Cash reserve | 361,092 | — | — | — | — | — | — | — | 361,092 |
| Other | — | 710,919 | — | — | — | — | — | — | 710,919 |
| Unrestricted | 3,649,519 | — | — | (2,513,798) | — | — | — | — | 1,135,721 |
| Auxiliary enterprises | 4,423,851 | — | — | — | — | — | — | — | 4,423,851 |
| Total fund balances | <u>8,434,462</u> | <u>740,004</u> | <u>2,694</u> | <u>(2,513,798)</u> | <u>1,356,064</u> | <u>47,034,392</u> | <u>—</u> | <u>—</u> | <u>55,053,818</u> |
| Total liabilities and fund balances | <u>\$26,817,193</u> | <u>\$19,342,487</u> | <u>\$ 2,694</u> | <u>\$11,827,721</u> | <u>\$5,908,497</u> | <u>\$114,954,834</u> | <u>\$ 573,178</u> | <u>\$(1,886,785)</u> | <u>\$177,539,819</u> |

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Year ended June 30, 2013

| | <u>Current Funds</u> | | <u>Loan Fund</u> | <u>Plant Funds</u> | | | <u>Adjustments</u> | <u>Total</u> |
|--|----------------------|-------------------|------------------|--------------------|-----------------------------------|----------------------------|---------------------|-------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | | <u>Unexpended</u> | <u>Retirement of Indebtedness</u> | <u>Investment in Plant</u> | | |
| REVENUES | | | | | | | | |
| General | | | | | | | | |
| State appropriations | \$10,478,079 | \$ 2,196,846 | \$ - | \$ 314,669 | \$ - | \$ - | \$ - | \$12,989,594 |
| Tuition and fees | 22,874,963 | 6,315 | - | 11,115 | - | - | (7,753,949) | 15,138,444 |
| Property tax | 1,680,361 | 1,495,409 | - | - | 4,950,396 | - | - | 8,126,166 |
| Federal appropriations | 517,767 | 13,468,462 | - | - | - | - | - | 13,986,229 |
| Sales and services | 339,873 | 472,977 | - | - | - | - | (52,041) | 760,809 |
| Interest and investment income | 33,249 | 29,671 | 2 | 9,381 | 15,115 | - | - | 87,418 |
| Iowa Industrial New Jobs Training Program | - | 1,842,377 | - | - | - | - | - | 1,842,377 |
| Gifts and grants | 835 | 441,744 | - | - | - | - | - | 442,579 |
| Miscellaneous | 223,810 | 2,320,496 | 1,635 | 155,000 | - | 8,752,010 | (11,208,764) | 244,187 |
| Increase in plant investment due to plant expenditures | - | - | - | - | - | 853,290 | (853,290) | - |
| Total general revenues | <u>36,148,937</u> | <u>22,274,297</u> | <u>1,637</u> | <u>490,165</u> | <u>4,965,511</u> | <u>9,605,300</u> | <u>(19,868,044)</u> | <u>53,617,803</u> |
| Auxiliary enterprises | | | | | | | | |
| State appropriations | 81,367 | - | - | - | - | - | - | 81,367 |
| Tuition and fees | 112,836 | - | - | - | - | - | - | 112,836 |
| Sales and services | 12,837,929 | - | - | - | - | - | (4,708,706) | 8,129,223 |
| Interest on investments | 14,333 | - | - | - | - | - | - | 14,333 |
| Gifts and grants | 70,957 | - | - | - | - | - | - | 70,957 |
| Allocation of student fees | 172,500 | - | - | - | - | - | - | 172,500 |
| Miscellaneous | 312,610 | - | - | - | - | - | - | 312,610 |
| Total auxiliary revenues | <u>13,602,532</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(4,708,706)</u> | <u>8,893,826</u> |
| Total revenues | <u>49,751,469</u> | <u>22,274,297</u> | <u>1,637</u> | <u>490,165</u> | <u>4,965,511</u> | <u>9,605,300</u> | <u>(24,576,750)</u> | <u>62,511,629</u> |

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (continued)
Year ended June 30, 2013

| | <u>Current Funds</u> | | <u>Loan Fund</u> | <u>Plant Funds</u> | | | <u>Adjustments</u> | <u>Total</u> |
|--|----------------------|-------------------|------------------|-----------------------|-----------------------------------|----------------------------|---------------------|----------------------|
| | <u>Unrestricted</u> | <u>Restricted</u> | | <u>Unexpended</u> | <u>Retirement of Indebtedness</u> | <u>Investment in Plant</u> | | |
| EXPENDITURES | | | | | | | | |
| Education and support | | | | | | | | |
| Liberal arts and sciences | \$ 9,378,261 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ (5,300) | \$ 9,372,961 |
| Applied science and technology | 6,691,045 | 1,110,730 | - | - | - | - | (250,544) | 7,551,231 |
| Continuing education | 2,235,134 | 577,321 | - | - | - | - | - | 2,812,455 |
| Cooperative services | 200,112 | 1,715,542 | - | - | - | - | - | 1,915,654 |
| Administration | 3,325,083 | 20,333 | - | - | - | - | (94,897) | 3,250,519 |
| Student services | 3,940,759 | - | 1,635 | - | - | - | (55,079) | 3,887,315 |
| Learning resources | 257,553 | - | - | - | - | - | - | 257,553 |
| Physical plant | 3,432,182 | 2,970,713 | - | 10,618,604 | - | - | (11,225,624) | 5,795,875 |
| General institution | <u>4,829,183</u> | <u>2,205,948</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(435,402)</u> | <u>6,599,729</u> |
| Total education and support | 34,289,312 | 8,600,587 | 1,635 | 10,618,604 | - | - | (12,066,846) | 41,443,292 |
| Auxiliary enterprises | 10,514,499 | - | - | - | - | - | (310,988) | 10,203,511 |
| Scholarships and grants | - | 13,119,857 | - | - | - | - | (12,198,916) | 920,941 |
| Retirement of indebtedness | - | - | - | - | 4,560,000 | - | - | 4,560,000 |
| Disposal of plant assets | - | - | - | - | - | (6,131) | - | (6,131) |
| Increase in plant investment due to retirement of debt | - | - | - | - | - | (4,560,000) | - | (4,560,000) |
| Interest on indebtedness | - | 318,128 | - | (183,581) | 2,325,968 | - | - | 2,460,515 |
| Depreciation | - | - | - | - | - | 4,916,040 | - | 4,916,040 |
| Miscellaneous | - | - | - | 86,490 | - | (67,721) | - | 18,769 |
| Total expenditures | <u>44,803,811</u> | <u>22,038,572</u> | <u>1,635</u> | <u>10,521,513</u> | <u>6,885,968</u> | <u>282,188</u> | <u>(24,576,750)</u> | <u>59,956,937</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>4,947,658</u> | <u>235,725</u> | <u>2</u> | <u>(10,031,348)</u> | <u>(1,920,457)</u> | <u>9,323,112</u> | <u>-</u> | <u>2,554,692</u> |
| TRANSFERS | | | | | | | | |
| Mandatory transfers | (28,298) | 28,298 | - | - | - | - | - | - |
| Nonmandatory transfers | <u>(3,852,315)</u> | <u>(731,729)</u> | <u>-</u> | <u>10,590,312</u> | <u>538,732</u> | <u>(6,545,000)</u> | <u>-</u> | <u>-</u> |
| Total transfers | <u>(3,880,613)</u> | <u>(703,431)</u> | <u>-</u> | <u>10,590,312</u> | <u>538,732</u> | <u>(6,545,000)</u> | <u>-</u> | <u>-</u> |
| INCREASE (DECREASE) IN FUND BALANCES | 1,067,045 | (467,706) | 2 | 558,964 | (1,381,725) | 2,778,112 | - | 2,554,692 |
| FUND BALANCES, beginning of year | <u>7,367,417</u> | <u>1,207,710</u> | <u>2,692</u> | <u>(3,072,762)</u> | <u>2,737,789</u> | <u>44,256,280</u> | <u>-</u> | <u>52,499,126</u> |
| FUND BALANCES, end of year | <u>\$ 8,434,462</u> | <u>\$ 740,004</u> | <u>\$ 2,694</u> | <u>\$ (2,513,798)</u> | <u>\$ 1,356,064</u> | <u>\$ 47,034,392</u> | <u>\$ -</u> | <u>\$ 55,053,818</u> |

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - UNRESTRICTED FUND
EDUCATION AND SUPPORT
Year ended June 30, 2013

| | Education | | | | Support | | | | | Total |
|--|---------------------------------|--------------------------------------|-------------------------|-------------------------|---------------------|-----------------------|-----------------------|-----------------------|------------------------|---------------------|
| | Liberal Arts and Sciences | Applied Science and Technology | Continuing Education | Cooperative Services | Administration | Student Services | Learning Resources | Physical Plant | General Institution | |
| REVENUES | | | | | | | | | | |
| State appropriations | \$ - | \$ - | \$ - | \$ - | \$10,478,079 | \$ - | \$ - | \$ - | \$ - | \$10,478,079 |
| Tuition and fees | 11,560,360 | 8,179,191 | 1,566,034 | 1,223,846 | 26,689 | 318,843 | - | - | - | 22,874,963 |
| Property tax | - | - | - | - | 1,680,361 | - | - | - | - | 1,680,361 |
| Federal appropriations | - | 202,671 | 187,513 | - | - | 127,583 | - | - | - | 517,767 |
| Sales and services | 3,635 | 8,370 | 7,691 | 74,818 | 77,749 | - | 1,323 | 114,029 | 52,258 | 339,873 |
| Interest and investment income | - | - | - | - | 33,249 | - | - | - | - | 33,249 |
| Gifts and grants | 835 | - | - | - | - | - | - | - | - | 835 |
| Miscellaneous | 11,500 | 1,500 | - | 62,400 | 3,742 | 715 | 6,850 | 117,616 | 19,487 | 223,810 |
| Total revenues | <u>11,576,330</u> | <u>8,391,732</u> | <u>1,761,238</u> | <u>1,361,064</u> | <u>12,299,869</u> | <u>447,141</u> | <u>8,173</u> | <u>231,645</u> | <u>71,745</u> | <u>36,148,937</u> |
| EXPENDITURES | | | | | | | | | | |
| Salaries and benefits | 8,562,539 | 5,964,822 | 1,597,332 | 187,335 | 1,494,635 | 3,386,614 | 180,513 | 1,324,822 | 2,817,372 | 25,515,984 |
| Services | 526,457 | 340,707 | 431,072 | 8,606 | 689,199 | 243,112 | 8,908 | 1,864,933 | 1,420,006 | 5,533,000 |
| Materials and supplies | 210,854 | 201,576 | 131,573 | 2,066 | 59,920 | 136,392 | 63,010 | 449,222 | 249,991 | 1,504,604 |
| Travel | 59,596 | 46,512 | 41,489 | 2,105 | 39,237 | 104,626 | 960 | 1,009 | 50,028 | 345,562 |
| Loan cancellations and collection costs | - | - | - | - | 260,381 | - | - | - | - | 260,381 |
| Plant asset acquisitions | 17,525 | 87,682 | - | - | 15,177 | 55,079 | 4,162 | 14,922 | 174,365 | 368,912 |
| Cost of goods sold | - | 6,487 | 33,668 | - | - | - | - | - | 61,891 | 102,046 |
| Miscellaneous | 1,290 | 43,259 | - | - | 766,534 | 14,936 | - | (222,726) | 55,530 | 658,823 |
| Total expenditures | <u>9,378,261</u> | <u>6,691,045</u> | <u>2,235,134</u> | <u>200,112</u> | <u>3,325,083</u> | <u>3,940,759</u> | <u>257,553</u> | <u>3,432,182</u> | <u>4,829,183</u> | <u>34,289,312</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>2,198,069</u> | <u>1,700,687</u> | <u>(473,896)</u> | <u>1,160,952</u> | <u>8,974,786</u> | <u>(3,493,618)</u> | <u>(249,380)</u> | <u>(3,200,537)</u> | <u>(4,757,438)</u> | <u>1,859,625</u> |
| TRANSFERS | | | | | | | | | | |
| Mandatory transfers | - | - | - | - | - | (28,298) | - | - | - | (28,298) |
| Nonmandatory transfers | - | (61,081) | 46,485 | - | (599,025) | - | - | (1,216,390) | - | (1,830,011) |
| Total transfers | - | (61,081) | 46,485 | - | (599,025) | (28,298) | - | (1,216,390) | - | (1,858,309) |
| NET INCREASE (DECREASE) IN FUND BALANCES | <u>\$ 2,198,069</u> | <u>\$ 1,639,606</u> | <u>\$ (427,411)</u> | <u>\$ 1,160,952</u> | <u>\$ 8,375,761</u> | <u>\$ (3,521,916)</u> | <u>\$ (249,380)</u> | <u>\$ (4,416,927)</u> | <u>\$ (4,757,438)</u> | 1,316 |
| FUND BALANCES, beginning of year | | | | | | | | | | <u>4,009,292</u> |
| FUND BALANCES, end of year | | | | | | | | | | <u>\$ 4,010,608</u> |

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - UNRESTRICTED FUND
AUXILIARY ENTERPRISES
Year ended June 30, 2013

| | <u>Bookstore</u> | <u>Vending</u> | <u>Food Services</u> | <u>Student Housing</u> | <u>Graphic Arts</u> | <u>Auto Parts</u> | <u>Athletics</u> | <u>IWCC Comm Net</u> | <u>Miscellaneous</u> | <u>Total</u> |
|--|-------------------|------------------|----------------------|------------------------|---------------------|-------------------|-------------------|----------------------|----------------------|---------------------|
| REVENUES | | | | | | | | | | |
| State appropriations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 72,824 | \$ 8,543 | \$ 81,367 |
| Tuition and fees | - | - | - | - | - | - | - | - | 112,836 | 112,836 |
| Sales and services | 4,390,506 | 33,665 | 2,856,660 | 4,361,345 | 205,890 | 209,363 | - | - | 780,500 | 12,837,929 |
| Interest and investment income | - | 14,333 | - | - | - | - | - | - | - | 14,333 |
| Gifts and grants | - | - | - | - | - | - | - | - | 70,957 | 70,957 |
| Miscellaneous | | | | | | | | | | |
| Student fee allocations | - | - | - | - | - | - | 172,500 | - | - | 172,500 |
| Other | 994 | - | - | 92,814 | 79,079 | - | 110,948 | - | 28,775 | 312,610 |
| Total revenues | <u>4,391,500</u> | <u>47,998</u> | <u>2,856,660</u> | <u>4,454,159</u> | <u>284,969</u> | <u>209,363</u> | <u>283,448</u> | <u>72,824</u> | <u>1,001,611</u> | <u>13,602,532</u> |
| EXPENDITURES | | | | | | | | | | |
| Salaries and benefits | 462,945 | - | 1,048,483 | 868,601 | 67,922 | 63,638 | 41,801 | 47,291 | 680,480 | 3,281,161 |
| Services | 120,154 | - | 73,942 | 710,576 | 109,771 | 2,442 | 36,951 | 24,043 | 209,699 | 1,287,578 |
| Materials and supplies | 35,255 | (6,867) | 120,296 | 107,060 | 816 | 77 | 220,179 | 626 | 71,326 | 548,768 |
| Travel | 14,619 | - | 18,385 | 4,340 | - | 88 | 514,895 | 875 | 15,358 | 568,560 |
| Loan cancellations and collection costs | 20,672 | - | 25,155 | 41,585 | - | 2,071 | - | - | - | 89,483 |
| Plant asset acquisitions | - | - | 11,160 | 8,500 | 15,900 | - | 10,350 | - | 6,727 | 52,637 |
| Cost of goods sold | 3,391,843 | - | 923,987 | - | 60,738 | 192,357 | - | - | - | 4,568,925 |
| Miscellaneous | 10,625 | 31,231 | - | - | - | 10,056 | 17,084 | - | 48,391 | 117,387 |
| Total expenditures | <u>4,056,113</u> | <u>24,364</u> | <u>2,221,408</u> | <u>1,740,662</u> | <u>255,147</u> | <u>270,729</u> | <u>841,260</u> | <u>72,835</u> | <u>1,031,981</u> | <u>10,514,499</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>335,387</u> | <u>23,634</u> | <u>635,252</u> | <u>2,713,497</u> | <u>29,822</u> | <u>(61,366)</u> | <u>(557,812)</u> | <u>(11)</u> | <u>(30,370)</u> | <u>3,088,033</u> |
| TRANSFERS | | | | | | | | | | |
| Nonmandatory transfers | - | - | - | (2,634,321) | - | 61,571 | 550,446 | - | - | (2,022,304) |
| Total transfers | - | - | - | (2,634,321) | - | 61,571 | 550,446 | - | - | (2,022,304) |
| NET INCREASE (DECREASE) IN FUND BALANCES | <u>\$ 335,387</u> | <u>\$ 23,634</u> | <u>\$ 635,252</u> | <u>\$ 79,176</u> | <u>\$ 29,822</u> | <u>\$ 205</u> | <u>\$ (7,366)</u> | <u>\$ (11)</u> | <u>\$ (30,370)</u> | <u>1,065,729</u> |
| FUND BALANCES, beginning of year | | | | | | | | | | <u>3,358,125</u> |
| FUND BALANCES, end of year | | | | | | | | | | <u>\$ 4,423,854</u> |

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - RESTRICTED FUND
 Year ended June 30, 2013

| | <u>Scholarship and Grants</u> | <u>Small Business Development Center</u> | <u>Student Support Services</u> | <u>Clarinda Corrections Program</u> | <u>Iowa Small Business New Jobs Training Program</u> | <u>Iowa Industrial New Jobs Training Program</u> | <u>Casualty Insurance Tax Levy</u> | <u>Tort Liability Tax Levy</u> | <u>Unemployment Comp Tax Levy</u> |
|--|---------------------------------------|--|---|---|--|--|--|--|---|
| REVENUES | | | | | | | | | |
| State appropriations | \$ 461,709 | \$ 74,614 | \$ - | \$ 400,618 | \$ 191,293 | \$ - | \$ - | \$ - | \$ - |
| Tuition and fees | - | - | - | - | - | - | 6,315 | - | - |
| Property tax | - | - | - | - | - | - | 549,336 | 125,249 | 61,291 |
| Federal appropriations | 12,623,491 | - | 303,419 | - | - | - | - | - | - |
| Sales and services | - | - | - | - | - | - | - | - | - |
| Interest and investment income | - | - | - | - | - | - | - | - | - |
| Iowa Industrial New Jobs Training Program | - | - | - | - | - | 1,842,377 | - | - | - |
| Gifts and grants | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | 8,290 | - | - | - | - | 2,072,469 | - | - |
| Total revenues | <u>13,085,200</u> | <u>82,904</u> | <u>303,419</u> | <u>400,618</u> | <u>191,293</u> | <u>1,842,377</u> | <u>2,628,120</u> | <u>125,249</u> | <u>61,291</u> |
| EXPENDITURES | | | | | | | | | |
| Salaries and benefits | - | 79,904 | 210,626 | 370,255 | - | - | - | - | 35,777 |
| Services | 5,659 | 1,826 | 29,424 | 12,141 | 191,293 | 1,524,249 | 2,969,316 | 91,394 | - |
| Materials and supplies | - | 104 | 17,109 | 9,947 | - | - | 1,397 | - | - |
| Travel | - | 1,070 | 11,260 | - | - | - | - | - | - |
| Plant asset acquisitions | - | - | - | - | - | - | - | - | - |
| Interest on indebtedness | - | - | - | - | - | 318,128 | - | - | - |
| Miscellaneous | - | - | - | 8,275 | - | - | - | - | - |
| Pell grant program | 12,198,916 | - | - | - | - | - | - | - | - |
| Supplemental educational opportunity grant | 116,858 | - | - | - | - | - | - | - | - |
| Private scholarships | 797,424 | - | 35,000 | - | - | - | - | - | - |
| Total expenditures | <u>13,118,857</u> | <u>82,904</u> | <u>303,419</u> | <u>400,618</u> | <u>191,293</u> | <u>1,842,377</u> | <u>2,970,713</u> | <u>91,394</u> | <u>35,777</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(33,657)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(342,593)</u> | <u>33,855</u> | <u>25,514</u> |
| TRANSFERS | | | | | | | | | |
| Mandatory transfers | 28,298 | - | - | - | - | - | - | - | - |
| Nonmandatory transfers | - | - | - | - | - | - | - | - | - |
| Total transfers | <u>28,298</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET INCREASE (DECREASE) IN FUND BALANCES | <u>\$ (5,359)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (342,593)</u> | <u>\$ 33,855</u> | <u>\$ 25,514</u> |

See accompanying independent auditor's report.

Iowa Western Community College
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - RESTRICTED FUND (continued)
 Year ended June 30, 2013

| | <u>Worker's Comp Tax Levy</u> | <u>Equipment Replacement Tax Levy</u> | <u>Early Retirement Tax Levy</u> | <u>Economic Development</u> | <u>Title III</u> | <u>KIWR</u> | <u>Miscellaneous</u> | <u>Total</u> |
|--|---------------------------------------|---|--|---------------------------------|------------------|--------------------|----------------------|-------------------|
| REVENUES | | | | | | | | |
| State appropriations | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$1,068,612 | \$ 2,196,846 |
| Tuition and fees | - | - | - | - | - | - | - | 6,315 |
| Property tax | - | 746,817 | 12,716 | - | - | - | - | 1,495,409 |
| Federal appropriations | - | - | - | - | 381,231 | - | 160,321 | 13,468,462 |
| Sales and services | - | - | - | 283,328 | - | 188,193 | 1,456 | 472,977 |
| Interest and investment income | - | - | - | 694 | - | 17 | 28,960 | 29,671 |
| Iowa Industrial New Jobs Training Program | - | - | - | - | - | - | - | 1,842,377 |
| Gifts and grants | - | - | - | - | - | 221,946 | 219,798 | 441,744 |
| Miscellaneous | - | - | - | - | - | 229,762 | 9,975 | 2,320,496 |
| Total revenues | <u>-</u> | <u>746,817</u> | <u>12,716</u> | <u>284,022</u> | <u>381,231</u> | <u>639,918</u> | <u>1,489,122</u> | <u>22,274,297</u> |
| EXPENDITURES | | | | | | | | |
| Salaries and benefits | - | - | - | 263,424 | 211,275 | 493,614 | 291,415 | 1,956,290 |
| Services | 231,196 | 6,157 | - | 10,639 | 66,055 | 191,194 | 92,333 | 5,422,876 |
| Materials and supplies | - | 468,941 | - | 4,130 | 16,748 | 14,558 | 54,823 | 587,757 |
| Travel | - | - | - | 5,173 | 7,219 | 12,158 | 15,070 | 51,950 |
| Plant asset acquisitions | - | 218,941 | - | - | - | - | 92,762 | 311,703 |
| Interest on indebtedness | - | - | - | - | - | - | - | 318,128 |
| Miscellaneous | - | - | - | 656 | 79,934 | 15,054 | 137,751 | 241,670 |
| Pell grant program | - | - | - | - | - | - | - | 12,198,916 |
| Supplemental educational opportunity grant | - | - | - | - | - | - | - | 116,858 |
| Private scholarships | - | - | - | - | - | - | - | 832,424 |
| Total expenditures | <u>231,196</u> | <u>694,039</u> | <u>-</u> | <u>284,022</u> | <u>381,231</u> | <u>726,578</u> | <u>684,154</u> | <u>22,038,572</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES | <u>(231,196)</u> | <u>52,778</u> | <u>12,716</u> | <u>-</u> | <u>-</u> | <u>(86,660)</u> | <u>804,968</u> | <u>235,725</u> |
| TRANSFERS | | | | | | | | |
| Mandatory transfers | - | - | - | - | - | - | - | 28,298 |
| Nonmandatory transfers | - | - | - | - | - | 48,580 | (780,309) | (731,729) |
| Total transfers | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>48,580</u> | <u>(780,309)</u> | <u>(703,431)</u> |
| NET INCREASE (DECREASE) IN FUND BALANCES | <u>\$ (231,196)</u> | <u>\$ 52,778</u> | <u>\$ 12,716</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (38,080)</u> | <u>\$ 24,659</u> | <u>(467,706)</u> |
| FUND BALANCES, beginning of year | | | | | | | | <u>1,207,710</u> |
| FUND BALANCES, end of year | | | | | | | | <u>\$ 740,004</u> |

See accompanying independent auditor's report.

Iowa Western Community College
CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS - AGENCY FUNDS
Year ended June 30, 2013

| | <u>Student Clubs and Organizations</u> | <u>JTPA Service Delivery Area</u> | <u>Federal Student Loan Account</u> | <u>Miscellaneous</u> | <u>Total</u> |
|------------------------------------|--|---|---|----------------------|--------------------|
| BALANCE , beginning of year | \$ <u>232,395</u> | \$ <u>22,919</u> | \$ <u>(369,432)</u> | \$ <u>28,153</u> | \$ <u>(85,965)</u> |
| ADDITIONS | | | | | |
| Tuition and fees | - | - | - | 1,245 | 1,245 |
| Federal appropriations | - | 668,173 | - | 29,244 | 697,417 |
| Sales and services | 85,042 | - | - | - | 85,042 |
| Loan advances from lenders | - | - | 22,085,844 | - | 22,085,844 |
| Interest and investment income | - | - | 166 | - | 166 |
| Miscellaneous | | | | | |
| Student fee allocation | 178,490 | - | - | - | 178,490 |
| Other | <u>260,302</u> | <u>5,010</u> | <u>-</u> | <u>33,687</u> | <u>298,999</u> |
| Total additions | <u>523,834</u> | <u>673,183</u> | <u>22,086,010</u> | <u>64,176</u> | <u>23,347,203</u> |
| DEDUCTIONS | | | | | |
| Salaries and benefits | 83,045 | 188,824 | - | - | 271,869 |
| Services | 202,035 | 77,185 | - | 25,571 | 304,791 |
| Materials and supplies | 24,550 | 12,645 | - | 12,552 | 49,747 |
| Travel | 10,506 | 14,242 | - | - | 24,748 |
| Costs of goods sold | 6,821 | - | - | - | 6,821 |
| Miscellaneous | 8,074 | - | - | 14,991 | 23,065 |
| Loan payments to student accounts | - | - | 21,806,534 | - | 21,806,534 |
| Loans returned to lenders | - | - | 73,093 | - | 73,093 |
| Awards to clients | - | 273,815 | - | - | 273,815 |
| Other | <u>116,344</u> | <u>114,070</u> | <u>-</u> | <u>1,913</u> | <u>232,327</u> |
| Total deductions | <u>451,375</u> | <u>680,781</u> | <u>21,879,627</u> | <u>55,027</u> | <u>23,066,810</u> |
| BALANCE , end of year | \$ <u>304,854</u> | \$ <u>15,321</u> | \$ <u>(163,049)</u> | \$ <u>37,302</u> | \$ <u>194,428</u> |

See accompanying independent auditor's report.

Iowa Western Community College
CREDIT AND CONTACT HOURS
 Year ended June 30, 2013

| <u>Category</u> | <u>Credit Hours</u> | | | <u>Contact Hours</u> | | |
|------------------------------------|-----------------------------|-------------------------------------|----------------|-----------------------------|-------------------------------------|------------------|
| | <u>Eligible for Aid</u> | <u>Not Eligible for Aid</u> | <u>Total</u> | <u>Eligible for Aid</u> | <u>Not Eligible for Aid</u> | <u>Total</u> |
| Arts and Sciences | 101,606 | - | 101,606 | 2,048,373 | - | 2,048,373 |
| Vocational Education - Preparatory | 58,718 | - | 58,718 | 1,530,336 | - | 1,530,336 |
| Adult/Continuing Education | - | - | - | 393,114 | 74,020 | 467,134 |
| Totals | <u>160,324</u> | <u>-</u> | <u>160,324</u> | <u>3,971,823</u> | <u>74,020</u> | <u>4,045,843</u> |

See accompanying independent auditor's report.

Iowa Western Community College
TAX AND INTERGOVERNMENTAL REVENUES
For the last ten years

| | Year ended June 30 | | | | | | | | | |
|----------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| Local (property tax) | \$ 8,126,166 | \$ 7,888,117 | \$ 6,209,731 | \$ 5,774,537 | \$ 6,505,099 | \$ 4,060,022 | \$ 5,891,735 | \$ 4,362,915 | \$ 4,106,441 | \$ 3,832,669 |
| State | | | | | | | | | | |
| General | 12,989,584 | 11,421,002 | 11,442,668 | 10,664,849 | 13,900,427 | 12,329,702 | 10,314,773 | 10,128,408 | 9,667,839 | 8,819,756 |
| Auxiliary | 81,367 | 78,382 | 83,978 | 88,893 | 107,920 | 108,526 | 51,048 | 99,204 | 100,370 | 98,076 |
| Federal | | | | | | | | | | |
| General | 13,986,229 | 14,433,308 | 14,411,956 | 11,792,655 | 6,916,307 | 6,000,702 | 5,873,050 | 5,677,483 | 5,901,462 | 5,479,366 |
| Auxiliary | — | 4,515 | 8,517 | 5,506 | 4,063 | 980 | 2,725 | 3,768 | 351 | 2,586 |
| Total | <u>\$35,183,346</u> | <u>\$33,825,324</u> | <u>\$32,156,850</u> | <u>\$28,326,440</u> | <u>\$27,433,816</u> | <u>\$22,499,932</u> | <u>\$22,133,331</u> | <u>\$20,271,778</u> | <u>\$19,776,463</u> | <u>\$18,232,453</u> |

See accompanying independent auditor's report.

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

| | Year ended June 30 | | | | | | | | | |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
| REVENUES | | | | | | | | | | |
| State appropriations | \$12,674,925 | \$11,373,480 | \$11,325,785 | \$10,548,138 | \$13,900,427 | \$12,212,529 | \$10,196,843 | \$10,009,608 | \$ 9,667,839 | \$ 8,811,383 |
| Tuition and fees | 22,881,278 | 22,785,410 | 20,659,521 | 18,223,359 | 16,646,370 | 14,558,200 | 14,352,971 | 13,201,375 | 12,177,780 | 10,869,743 |
| Property tax | 3,175,770 | 4,344,416 | 2,877,169 | 2,867,160 | 3,993,130 | 2,394,137 | 4,269,680 | 2,387,558 | 2,125,071 | 2,204,872 |
| Federal appropriations | 13,986,229 | 14,433,308 | 14,411,956 | 11,792,655 | 6,916,280 | 6,000,663 | 5,872,975 | 5,677,340 | 5,901,145 | 5,478,630 |
| Sales and services | 812,850 | 1,268,239 | 906,301 | 1,055,522 | 845,427 | 1,405,149 | 1,024,971 | 1,002,169 | 813,796 | 704,794 |
| Interest on investments | 62,920 | 34,671 | 73,477 | 100,473 | 119,553 | 252,717 | 401,850 | 530,746 | 125,051 | 305,574 |
| Iowa Industrial New Jobs Training Program | 1,842,377 | 920,048 | 1,152,676 | 1,816,585 | 739,521 | 944,979 | 1,624,773 | 1,066,603 | 709,216 | 1,049,244 |
| Gifts and grants | 442,579 | 223,775 | 507,808 | 206,501 | 430,608 | 402,836 | 509,931 | 296,587 | 147,010 | 148,324 |
| Miscellaneous | 2,544,306 | 3,677,248 | 693,541 | 828,673 | 1,164,747 | 1,090,347 | 1,077,334 | 1,213,996 | 1,082,308 | 885,356 |
| Auxiliary enterprises | <u>13,602,532</u> | <u>13,243,693</u> | <u>11,746,771</u> | <u>10,973,339</u> | <u>10,138,713</u> | <u>8,469,858</u> | <u>7,114,629</u> | <u>7,116,888</u> | <u>5,562,731</u> | <u>4,970,130</u> |
| Totals | <u>\$72,025,766</u> | <u>\$72,304,288</u> | <u>\$64,355,005</u> | <u>\$58,412,405</u> | <u>\$54,894,776</u> | <u>\$47,731,415</u> | <u>\$46,445,957</u> | <u>\$42,502,870</u> | <u>\$38,311,947</u> | <u>\$35,428,050</u> |
| EXPENDITURES | | | | | | | | | | |
| Liberal arts and sciences | \$ 9,378,261 | \$ 9,213,313 | \$ 8,468,106 | \$ 7,529,797 | \$ 7,032,976 | \$ 6,385,075 | \$ 5,760,329 | \$ 5,498,159 | \$ 5,062,403 | \$ 4,527,473 |
| Applied science and technology | 7,801,775 | 7,071,444 | 6,513,892 | 6,370,247 | 7,081,550 | 6,534,532 | 6,153,909 | 5,930,025 | 5,704,548 | 5,605,651 |
| Continuing education | 2,812,455 | 2,658,903 | 2,806,170 | 2,539,408 | 2,751,771 | 2,537,890 | 2,430,208 | 2,297,979 | 2,275,777 | 2,132,860 |
| Cooperative services | 1,915,654 | 1,174,480 | 1,096,679 | 2,257,177 | 2,220,055 | 2,332,969 | 2,936,447 | 2,569,124 | 1,667,697 | 2,134,623 |
| Administration | 3,345,416 | 2,835,692 | 3,201,407 | 2,911,313 | 2,661,461 | 2,428,059 | 2,246,124 | 1,987,499 | 1,965,857 | 1,708,595 |
| Student services | 3,940,759 | 3,808,408 | 3,408,864 | 3,432,522 | 3,065,422 | 2,852,170 | 2,472,595 | 2,221,098 | 2,059,571 | 1,893,127 |
| Learning resources | 257,553 | 326,863 | 256,159 | 257,828 | 264,977 | 264,751 | 290,053 | 282,039 | 265,210 | 291,843 |
| Physical plant | 6,402,895 | 7,172,954 | 3,685,506 | 3,263,154 | 3,223,954 | 2,898,788 | 3,059,003 | 2,979,477 | 2,561,316 | 2,635,996 |
| General institution | 7,035,131 | 8,551,192 | 6,032,708 | 5,684,271 | 6,993,938 | 5,587,527 | 7,595,607 | 5,536,329 | 4,916,045 | 4,431,700 |
| Auxiliary enterprises | 10,514,499 | 10,113,279 | 9,028,094 | 8,605,566 | 8,454,022 | 7,250,421 | 6,224,722 | 6,460,996 | 5,364,519 | 4,634,980 |
| Scholarships and grants | 13,119,857 | 13,512,725 | 12,419,561 | 9,701,581 | 5,676,243 | 4,536,538 | 4,082,638 | 3,999,094 | 3,989,538 | 3,599,202 |
| Interest on indebtedness | 318,128 | 301,906 | 331,226 | 359,099 | 414,665 | 424,080 | 434,599 | 404,955 | 499,098 | 612,741 |
| Miscellaneous | — | 131,583 | — | — | — | — | — | — | — | — |
| Totals | <u>\$66,842,383</u> | <u>\$66,872,742</u> | <u>\$57,248,372</u> | <u>\$52,911,963</u> | <u>\$49,841,034</u> | <u>\$44,032,800</u> | <u>\$43,686,234</u> | <u>\$40,166,774</u> | <u>\$36,331,579</u> | <u>\$34,208,791</u> |

See accompanying independent auditor's report.

Iowa Western Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

| <u>Grantor/Program</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | |
| Student Financial Aid - Cluster | | |
| Direct | | |
| Federal Supplemental Educational Opportunity Grants (SEOG) | 84.007 | \$ 84,642 |
| Federal Direct Student Loans (Direct Loans) | 84.032 | 21,816,730 |
| Federal Work-Study Program (FWS) | 84.033 | 106,742 |
| Federal Pell Grant Program | 84.063 | 12,198,916 |
| Total Student Financial Aid Cluster | | <u>34,207,030</u> |
| Federal Trio Cluster | | |
| TRIO - Student Support Services Program | 84.042 | <u>303,419</u> |
| Indirect | | |
| <i>Passed Through Iowa Department of Education</i> | | |
| Adult Education - State Grant Program | 84.002 | 183,013 |
| Title III | 84.031 | 374,481 |
| Career and Technical Education - Basic Grants to States | 84.048 | 215,775 |
| <i>Passed Through Iowa Department of Corrections</i> | | |
| Title I Program for Neglected and Delinquent Children | 84.013 | 18,541 |
| <i>Passed Through Iowa College Student Aid Commission</i> | | |
| Leveraging Assistance Educational Partnership (Iowa Grant Program) | 84.069 | 9,100 |
| Total indirect | | <u>800,910</u> |
| Total U.S. Department of Education | | <u>35,311,359</u> |
| DEPARTMENT OF HEALTH AND HUMAN SERVICES | | |
| Direct | | |
| Temporary Assistance for Needy Families (Promise Jobs) | 93.558 | <u>16,392</u> |
| Total Department of Health and Human Services | | <u>16,392</u> |
| U.S. DEPARTMENT OF LABOR | | |
| Indirect | | |
| <i>Passed Through Iowa Workforce Development</i> | | |
| <i>Job Training Partnership Act</i> | | |
| WIA Adult Program | 17.258 | 133,123 |
| WIA Youth Activities | 17.259 | 233,575 |
| WIA Dislocated Workers | 17.260 | 133,069 |
| Total Workforce Investment Act Cluster | | <u>499,767</u> |
| Trade Adjustment Assistance | 17.245 | 63,802 |
| ARRA-SESP Weatherization | 17.275 | 80,948 |
| Total U.S. Department of Labor | | <u>644,517</u> |

See accompanying independent auditor's report.

Iowa Western Community College
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)
 Year ended June 30, 2013

| <u>Grantor/Program</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> |
|--|------------------------------------|---------------------------------|
| DEPARTMENT OF VETERANS AFFAIRS | | |
| Direct | | |
| Post 9/11 GI Bill | 64.028 | 327,241 |
| Veteran Information Assistance | 64.115 | <u>458,119</u> |
| Total Department of Veterans Affairs | | <u>785,360</u> |
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | |
| Direct | | |
| Environmental Workforce Development and Job Training Cooperative Agreements | 66.815 | <u>32,693</u> |
| SMALL BUSINESS ADMINISTRATION | | |
| Indirect | | |
| <i>Passed Through Iowa State University</i> Small Business Development Center | 59.037 | <u>74,614</u> |
| UNITED STATES DEPARTMENT OF STATE | | |
| Indirect | | |
| Near East and South Asia Undergraduate Exchange Program (NESA Grant) | 84.000 | <u>53,101</u> |
| Total Expenditures of Federal Awards | | <u>\$36,918,036</u> |

See accompanying independent auditor's report.

Iowa Western Community College
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Expenditures

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

Program Activity

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

NOTE 2 STUDENT FINANCIAL ASSISTANCE

The College is responsible only for the performance of certain administrative duties with respect to the Federal Direct Student Loan Program and, accordingly, these loans are not included in its financial statements. It is not practical to determine the balance of the loans outstanding to students and former students of the College under this program at June 30, 2013.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Iowa Western Community College (the College), and its discretely presented component unit as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the College's basic financial statements, and have issued our report thereon dated December 6, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
December 6, 2013

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

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

Report on Compliance for Each Major Federal Program

We have audited Iowa Western Community College's (the College) 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 the College's major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of the independent auditor's results section of the accompanying schedule of findings.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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.

Report on Internal Control Over Compliance

Management of the 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 the 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 program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

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

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Denman & Company, LLP

DENMAN & COMPANY, LLP

West Des Moines, Iowa
December 6, 2013

Iowa Western Community College
SCHEDULE OF FINDINGS
Year ended June 30, 2013

Part I—Summary of the Independent Auditor's Results

- (a) An unmodified opinion was issued on the financial statements.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major programs were 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 no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section 510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.007, 84.032, 84.033 - Student Financial Aid Cluster
 - CFDA Number 84.042 - TRIO - Student Support Services Program
 - CFDA Number 64.115 - Veteran Information Assistance
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Iowa Western Community College qualified as a low-risk auditee.

Iowa Western Community College
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2013

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

NONE

Part III—Findings and Questioned Costs for Federal Awards

NONE

Iowa Western Community College
SCHEDULE OF FINDINGS (continued)
Year ended June 30, 2013

Part IV—Other Findings Related to Required Statutory Reporting

IV-13-A CERTIFIED BUDGET

The College did not exceed its budget for the year ended June 30, 2013.

IV-13-B QUESTIONABLE DISBURSEMENTS

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

IV-13-C TRAVEL EXPENSE

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

IV-13-D BUSINESS TRANSACTIONS

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

IV-13-E BOND COVERAGE

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

IV-13-F BOARD MINUTES

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

IV-13-G PUBLICATION OF RECEIPTS AND DISBURSEMENTS

The College published a statement showing all receipts and disbursements of all funds, including the names of all persons, firms, or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

IV-13-H DEPOSITS AND INVESTMENTS

No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College's investment policy were noted.

IV-13-I CREDIT AND CONTACT HOURS

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