

NORTHEAST IOWA COMMUNITY COLLEGE  
CALMAR, IOWA

FINANCIAL REPORT

JUNE 30, 2004

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NORTHEAST IOWA COMMUNITY COLLEGE

BOARD OF TRUSTEES AND COLLEGE OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Trustees</u>		
(Before September 2003 Election)		
Linus Rothmeyer	President	2003
Kenneth Reimer	Vice-President	2004
Jim Anderson	Member	2005
Larry Blatz	Member	2005
Ross Edwards	Member	2003
Ronda Kirkegaard	Member	2003
Daniel Willenbring	Member	2004
Jean Sharff	Member	2004
Daniel White	Member	2005

Board of Trustees  
(After September 2003 Election)

Linus Rothmeyer	President	2006
Kenneth Reimer	Vice-President	2004
Jim Anderson	Member	2005
Larry Blatz	Member	2005
Ross Edwards	Member	2006
Ronda Kirkegaard	Member	2006
Daniel Willenbring	Member	2004
Jean Sharff	Member	2004
Daniel White	Member	2005

Community College Officials

Penelope Wills, President  
 Robert Maxson, Vice-President,  
     Administrative Services and Provost, Calmar Campus  
 Bruce Holten, Provost, Peosta Campus  
 Janet Bullerman, Board Secretary  
 Thomas Ridout, Board Treasurer, Director of Accounting Services

**HACKER, NELSON & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
and BUSINESS CONSULTANTS

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P.O. BOX 507  
DECORAH, IOWA 52101  
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INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS

To the Board of Trustees  
Northeast Iowa Community College  
Calmar, Iowa

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northeast Iowa Community College's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of June 30, 2004, and the respective changes in financial position and the cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2004, on our consideration of Northeast Iowa Community 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4-9 is not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Hatchaw, Nelson & Co., P.C.*

Decorah, Iowa  
December 7, 2004

NORTHEAST IOWA COMMUNITY COLLEGE  
CALMAR, IOWA

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2004

Management of Northeast Iowa Community College provides this Management's Discussion and Analysis (MD & A) of the College's annual financial statements. This narrative overview and analysis of the financial activities is for the Fiscal Year Ended June 30, 2004. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

The Management's Discussion and Analysis (MD&A) is a new element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34-Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments issued in June 1999.

**FINANCIAL HIGHLIGHTS**

- College operating revenues increased overall 5%, from fiscal year 2003. The increase is primarily due to increased tuition and fee receipts. Increased enrollment along with a tuition rate increase contributed to the higher tuition receipts. The tuition increase was necessitated by a lack of additional state general aid during the year. The added enrollment also increased bookstore sales thus increasing receipts in the Auxiliary Enterprises.
- College operating expenses were 7.8% higher from fiscal year 2003. The increase is focused in salary and benefits as well as college infrastructure improvements and maintenance. Salaries and benefits were up due to moderate salary increases coupled with additional faculty positions necessary to accommodate the added enrollment. The College is also experiencing higher maintenance costs with the expansion and natural aging of the facilities.
- The College's net assets decreased 5% from fiscal year 2003.

**CHANGE IN NET ASSETS COMPARISON**

	Unrestricted	Auxiliary	Restricted	Scholarship	Unexpended Plant	Retirement of Indebtedness	Investment in Plant	Total Net Assets
FY 2004	1,562,201	884,770	1,370,599	2,626	(2,271,660)	20,126	11,508,039	13,076,701
FY 2003	1,462,738	901,627	1,340,627	2,626	(1,335,989)	25,411	11,305,147	13,702,187
\$ Change	99,463	(16,857)	29,972	-	(935,671)	(5,285)	202,892	(625,486)
% Change	7%	(2%)	2%	0%	(70%)	(21%)	2%	(5%)

**USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Northeast Iowa Community College as a financial whole, or as an entire operating entity.

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

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

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

## REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

### *Statement of Net Assets*

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

	<b>Statement of Net Assets</b>	
	<b>2004</b>	<b>2003</b>
Current and other assets	\$ 18,697,239	\$ 21,587,454
Other noncurrent assets	4,142,737	2,407,384
Capital assets	15,326,586	15,108,092
<b>Total assets</b>	<b>\$ 38,166,562</b>	<b>\$ 39,102,930</b>
Long-term debt outstanding	\$ 13,809,408	\$ 13,929,059
Other liabilities	11,280,453	11,471,674
<b>Total liabilities</b>	<b>\$ 25,089,861</b>	<b>\$ 25,400,733</b>
Net assets		
Invested in capital assets, net of related debt	\$ 11,508,039	\$ 11,305,147
Restricted	1,393,351	1,368,664
Unrestricted	175,311	1,028,376
<b>Total net assets</b>	<b>\$ 13,076,701</b>	<b>\$ 13,702,187</b>

The largest portion of the College's net assets (89%) is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets (10%) includes resources that are subject to external restrictions. The remaining net assets (1%) are the unrestricted net assets that can be used to meet the College's obligations as they come due.

### *Statement of Revenues, Expenses and Changes in Net Assets*

Changes in total net assets as presented on the Statement of Net Assets are based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Assets. The purpose of the statement is to present the revenues 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 Northeast Iowa Community College, will report an operating loss since the financial reporting model classifies state appropriations and property tax as non-operating revenues. Operating revenues are received for providing goods and services to the students, customers and constituencies of the College. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues and to carry out the mission of the College. Non-operating revenues are revenues received for which goods and services are not provided. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life.

	<b>Changes in Net Assets</b>	
	<b>2004</b>	<b>2003</b>
Operating Revenues:		
Tuition and fees	\$ 6,640,252	\$ 5,924,904
Federal appropriations	12,873,853	11,823,729
Iowa Industrial New Jobs Training Program	2,216,877	2,822,387
Sales and services	1,947,122	1,782,038
Miscellaneous	491,100	546,102
	<hr/>	<hr/>
<b>Total operating revenues</b>	<b>24,169,204</b>	<b>22,899,160</b>
	<hr/>	<hr/>
Total operating expenses	36,204,086	33,600,025
	<hr/>	<hr/>
<b>Operating loss</b>	<b>(12,034,882)</b>	<b>(10,700,865)</b>
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES)		
State appropriation	7,166,690	7,180,400
Property taxes	4,175,583	4,135,629
Investment income	201,645	278,078
Transfer of building from/to affiliate	940,091	
Loss on sale of capital assets	(65,972)	(834,017)
Donated plant assets received	14,625	1,397,000
Interest on indebtedness	(1,023,267)	(865,283)
	<hr/>	<hr/>
Net nonoperating revenues	11,409,395	11,291,807
	<hr/>	<hr/>
<b>(Decrease) increase in net assets</b>	<b>(625,487)</b>	<b>590,942</b>
	<hr/>	<hr/>
Net assets Beginning of Year	13,702,188	13,111,246
	<hr/>	<hr/>
<b>Net assets End of Year</b>	<b>\$ 13,076,701</b>	<b>\$ 13,702,188</b>
	<hr/>	<hr/>

The Statement of Revenues, Expenses and Changes in Net Assets reflects a negative year, with a decrease in the net assets at the end of the fiscal year.

In FY04, operating revenues increased as a net result of the following changes:

- Tuition and fees increased due to both an increase in the number of students and the tuition rate increase from \$86/credit hour in '03 to \$90/credit hour in '04.
- Auxiliary enterprises revenue increased due partially to additional students purchasing books and supplies.

	<b>Operating Expenses</b>	
	<b>2004</b>	<b>2003</b>
Education and support		
Liberal arts and sciences	\$ 3,531,504	\$ 3,209,553
Vocational technical	7,576,267	6,922,122
Adult education	2,291,969	2,043,828
Cooperative services	3,332,492	3,688,275
General administration	842,823	785,312
Student services	1,660,387	1,389,427
Learning resources	799,728	551,047
Physical plant	1,442,495	1,184,925
General institution	2,771,600	2,762,790
Auxiliary enterprises	3,081,176	2,827,166
Scholarships and grants	5,807,517	5,498,807
Loan cancellations and bad debts	9,247	4,272
Depreciation	1,389,812	1,300,026
Other	1,667,069	1,432,475
	<u>1,667,069</u>	<u>1,432,475</u>
<b>Total operating expenses</b>	<b><u>\$ 36,204,086</u></b>	<b><u>\$ 33,600,025</u></b>

In FY04, operating expenses increased as a net result of the following changes:

- Additional full-time faculty was hired to accommodate the expanding enrollment in some programs while increased part-time instruction was necessary in many other areas.
- Moderate salary increases were given to existing faculty and staff accompanied by an increase in the cost for the College's health insurance program.
- Higher enrollment requires expanded facilities and the continuing maintenance of those facilities.
- Auxiliary enterprises expenses increased due to higher sales in the bookstore from the increased number of students buying books and supplies.

#### *Statement of Cash Flows*

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

	<b>Cash Flows</b>	
	<b>2004</b>	<b>2003</b>
Cash provided (used) by:		
Operating activities	\$ (11,793,392)	\$ (9,873,370)
Non-capital financing activities	11,250,215	11,446,576
Capital and related financing activities	(2,544,494)	(890,502)
Investing activities	701,129	(219,403)
<b>Net (decrease) increase in cash</b>	<b>(2,386,542)</b>	<b>463,301</b>
Cash beginning of the year	10,575,438	10,112,137
Cash end of the year	<u>\$ 8,188,896</u>	<u>\$ 10,575,438</u>

Cash used by operating activities includes tuition, fees, grants and contracts, less payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations, local property tax received by the College and the receipt and disbursement of federal direct loan program proceeds. Cash used by capital and related financing activities represents the proceeds from debt, the principal and interest payments on debt and the purchase of capital assets. Cash provided by investing activities includes investment income received.

#### **CAPITAL ASSETS**

At June 30, 2004, the College had approximately \$34.2 million invested in capital assets, net of accumulated depreciation of \$18.1 million. Depreciation charges totaled \$1,389,812 and \$1,300,025 for FY2004 and FY03, respectively. Details of capital assets are shown below.

	<b>Capital Assets, Net</b>	
	<b>2004</b>	<b>2003</b>
Land	\$ 683,366	\$ 683,366
Buildings	12,183,110	10,524,776
Construction in progress	102,226	410,322
Other structures and improvements	1,071,612	1,124,422
Equipment and vehicles	2,071,864	2,365,206
<b>Total</b>	<b><u>\$ 16,112,178</u></b>	<b><u>\$ 15,108,092</u></b>

Planned capital expenditures for the fiscal year ending June 30, 2005 and beyond includes the completion of Town Clock Educational Center. The College is currently developing a Facilities Master Plan. More detailed information about the College's capital assets is presented in Note 4 to the financial statements.

**DEBT**

At June 30, 2004, the College had \$16.9 million in debt outstanding, an decrease of \$10,762 from 2003. The table below summarizes these amounts by type.

	<b>Long-Term Debt</b>	
	<b>2004</b>	<b>2003</b>
Notes payable	\$ 7,060,000	\$ 8,035,000
Certificates payable	9,330,000	8,330,000
Capital leases	571,423	607,185
<b>Total</b>	<b>\$ 16,961,423</b>	<b>\$ 16,972,185</b>

More detailed information about the College's outstanding debt is presented in Note 5 to the financial statements.

**ECONOMIC FACTORS**

Northeast Iowa Community College continued to improve its financial position during the current fiscal year. However, the current condition of the economy in the state continues to be a concern for College officials. Some of the realities that may potentially become challenges for the College to meet are:

- State aid will remain virtually unchanged. State aid for fiscal year 2005 was increased only 2.25% above the amount received in fiscal year 2004. This increase is below the current inflation rate of the state.
- Expenses will continue to increase. As the number of students increase, the costs associated with serving them continue to increase.
- Facilities at the College require constant maintenance and upkeep.
- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

The College's management anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the College's ability to react to unknown issues.

**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 Northeast Iowa Community College, District Office, P.O. Box 400, Calmar, Iowa 52132-0400.

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF NET ASSETS  
June 30, 2004

	Business-Type Activities	Component Unit Scholarship Foundation		Business-Type Activities	Component Unit Scholarship Foundation
<b>CURRENT ASSETS</b>			<b>CURRENT LIABILITIES</b>		
Cash	\$ 8,188,896	\$ 259,369	Liabilities		
Investments	1,028,252		Accounts payable	\$ 1,014,340	\$ 28,111
Receivables			Salaries and benefits payable	1,318,773	
Accounts, less allowance of \$172,415	2,937,123	28,422	Deposits held in custody for others	153,484	
Promises, net discount		54,646	Deferred revenue		
Accrued interest	11,302		Succeeding year property tax	4,098,157	
Property tax			Other	1,305,381	
Current year delinquent	57,434		Long-term liabilities due within one year		
Succeeding year	4,098,157		Compensated absences	238,303	
Due from other governments	677,192		Affiliate payable		96,670
Due from affiliate	96,670		Notes payable	1,185,000	
Inventories	531,288		Obligations under capitalized leases	312,015	
Due from Iowa Industrial New Jobs Training Program	1,070,925		Certificates payable	1,655,000	
Total current assets	<u>18,697,239</u>	<u>342,437</u>	Total current liabilities	<u>11,280,453</u>	<u>124,781</u>
<b>NONCURRENT ASSETS</b>			Noncurrent liabilities		
Investments		1,038,389	Long-term liabilities due over one year		
Promises, net discount		41,531	Affiliate payable		48,330
Due from Iowa Industrial New Jobs Training Program	3,308,815		Notes payable	5,875,000	
Due from affiliate	48,330		Obligations under capitalized leases	259,408	
Capital assets, non-depreciable	785,592	74,160	Certificates payable	7,675,000	
Capital assets, net accumulated depreciation	15,326,586				
			Total noncurrent liabilities	<u>13,809,408</u>	<u>48,330</u>
Total noncurrent assets	<u>19,469,323</u>	<u>1,154,080</u>	Total liabilities	<u>25,089,861</u>	<u>173,111</u>
<b>Total assets</b>	<u>\$ 38,166,562</u>	<u>\$ 1,496,517</u>	Net assets		
			Invested in capital assets, net of related debt	11,508,039	
			Restricted		
			Restricted for specific purposes	1,393,351	974,650
			Unrestricted	175,311	348,756
			Total net assets	<u>13,076,701</u>	<u>1,323,406</u>
			Total liabilities and net assets	<u>\$ 38,166,562</u>	<u>\$ 1,496,517</u>

## NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2004

	Business-Type Activities	Component Unit Scholarship Foundation
<b>OPERATING REVENUES</b>		
Tuition and fees, net of scholarship allowances of \$5,696,195	\$ 6,640,252	
Federal appropriations	12,873,853	
Iowa Industrial New Jobs Training Program	2,216,877	
Sales and services	1,947,122	
Miscellaneous	491,100	\$ 1,199,506
<b>Total operating revenues</b>	<b>24,169,204</b>	<b>1,199,506</b>
<b>EXPENSES</b>		
Education and support		
Liberal arts and sciences	3,531,504	
Vocational technical	7,576,267	
Adult education	2,291,969	
Cooperative services	3,332,492	
General administration	842,823	18,552
Student services	1,660,387	
Learning resources	799,728	
Physical plant	1,442,495	
General institution	2,771,600	
Auxiliary enterprises	3,081,176	
Scholarships and grants	5,807,517	275,556
Loan cancellations and bad debts	9,247	
Depreciation	1,389,812	
Other	1,667,069	89,303
<b>Total operating expenses</b>	<b>36,204,086</b>	<b>383,411</b>
<b>Operating (loss) income</b>	<b>(12,034,882)</b>	<b>816,095</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriation	7,166,690	
Property taxes	4,175,583	
Investment income	201,645	161,315
Transfer of building from/to affiliate	940,091	(940,091)
Loss on sale of capital assets	(65,972)	
Donated plant assets received	14,625	
Interest on indebtedness	(1,023,267)	
<b>Net nonoperating revenues</b>	<b>11,409,395</b>	<b>(778,776)</b>
<b>Change in net assets</b>	<b>(625,487)</b>	<b>37,319</b>
<b>NET ASSETS</b>		
Beginning, restated	13,702,188	1,286,087
Ending	\$ 13,076,701	\$ 1,323,406

See Notes to Financial Statements.

STATEMENT OF NET ASSETS  
BUSINESS-TYPE ACTIVITIES  
June 30, 2004

ASSETS	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarships		
<b>Current assets</b>						
Cash	\$ 817,612	\$ -	\$ 7,369,114	\$ 2,170		\$ 8,188,896
Investments	28,252	-	1,000,000	-		1,028,252
Receivables						
Accounts, less allowance of \$172,415	1,003,861	125,842	1,544,687	418	\$ 262,315	2,937,123
Accrued interest	-	-	10,636	-	666	11,302
Property tax						
Current year delinquent	20,126	-	17,182	-	20,126	57,434
Succeeding year	1,387,986	-	1,322,185	-	1,387,986	4,098,157
Due from other funds	856,693	574,021	-	-	-	1,430,714
Due from other governments	121,973	1,016	5,259	548,944	-	677,192
Due from affiliate	-	-	-	-	145,000	145,000
Inventories	5,067	526,221	-	-	-	531,288
Due from Iowa Industrial New Jobs Training Program	-	-	1,070,925	-	-	1,070,925
<b>Total current assets</b>	<b>4,241,570</b>	<b>1,227,100</b>	<b>12,339,988</b>	<b>551,532</b>	<b>1,816,093</b>	<b>20,176,283</b>
<b>Noncurrent assets</b>						
Restricted cash	-	-	3,308,815	-	-	3,308,815
Due from Iowa Industrial New Jobs Training Program	-	-	-	-	785,592	785,592
Capital assets, non-depreciable	-	-	-	-	15,326,586	15,326,586
Capital assets, net	-	-	-	-	-	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>3,308,815</b>	<b>-</b>	<b>16,112,178</b>	<b>19,420,993</b>
<b>Total assets</b>	<b>\$ 4,241,570</b>	<b>\$ 1,227,100</b>	<b>\$ 15,648,803</b>	<b>\$ 551,532</b>	<b>\$ 17,928,271</b>	<b>\$ 39,597,276</b>
	<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>						
Accounts payable	\$ 181,906	\$ 137,330	\$ 13,896	\$ 548,906	\$ 132,302	\$ 1,014,340
Salaries and benefits payable	728,321	-	590,452	-	-	1,318,773
Deposits held in custody for others	153,484	-	-	-	-	153,484
Due to other funds	-	185,653	-	-	1,245,055	1,430,714
Deferred revenue						
Succeeding year property tax	1,387,986	-	1,322,185	-	1,387,986	4,098,157
Other	8,710	-	1,296,671	-	-	1,305,381
Long-term liabilities due within one year						
Compensated absences	218,962	19,341	-	-	-	238,303
Notes payable	-	-	195,000	-	990,000	1,185,000
Obligations under capitalized leases	-	-	-	-	312,015	312,015
Certificates payable	-	-	1,655,000	-	-	1,655,000
<b>Total current liabilities</b>	<b>2,679,369</b>	<b>342,330</b>	<b>5,073,204</b>	<b>548,906</b>	<b>4,067,358</b>	<b>12,711,167</b>
<b>Noncurrent liabilities</b>						
Long-term liabilities due over one year						
Notes payable	-	-	1,530,000	-	4,345,000	5,875,000
Obligations under capitalized leases	-	-	-	-	259,408	259,408
Certificates payable	-	-	7,675,000	-	-	7,675,000
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>9,205,000</b>	<b>-</b>	<b>4,604,408</b>	<b>13,809,408</b>
<b>Total liabilities</b>	<b>2,679,369</b>	<b>342,330</b>	<b>14,278,204</b>	<b>548,906</b>	<b>8,671,766</b>	<b>26,520,575</b>
<b>Net assets</b>						
Invested in capital assets, net of related debt					11,508,039	11,508,039
Net assets						
Restricted for specific purposes			1,370,599	2,626	20,126	1,393,351
Unrestricted	1,562,201	884,770	-	-	(2,271,660)	175,311
<b>Total net assets</b>	<b>1,562,201</b>	<b>884,770</b>	<b>1,370,599</b>	<b>2,626</b>	<b>9,256,505</b>	<b>13,076,701</b>
<b>Total liabilities and net assets</b>	<b>\$ 4,241,570</b>	<b>\$ 1,227,100</b>	<b>\$ 15,648,803</b>	<b>\$ 551,532</b>	<b>\$ 17,928,271</b>	<b>\$ 39,597,276</b>

## NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS  
BUSINESS-TYPE ACTIVITIES  
For the Year Ended June 30, 2004

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarships		
<b>OPERATING REVENUES</b>						
General						
Tuition and fees	\$ 6,374,791	\$ 70,311	\$ 195,150			\$ 6,640,252
Federal appropriations	5,330,133	608,084	1,000,046	\$ 5,735,590	\$ -	12,873,853
Iowa Industrial New Jobs Training Program			2,216,877			2,216,877
Sales and services		1,947,122				1,947,122
Miscellaneous	111,879	112,464	150,530		116,227	491,100
<b>Total operating revenues</b>	<b>11,816,803</b>	<b>2,937,981</b>	<b>3,562,603</b>	<b>5,735,590</b>	<b>116,227</b>	<b>24,169,204</b>
<b>EXPENSES</b>						
Education and support			5,034			3,531,504
Liberal arts and sciences	3,526,470		550,884			7,576,267
Vocational technical	7,025,383		170,112			2,291,969
Adult education	2,121,857		1,556,271			3,332,492
Cooperative services	1,776,221		-			842,823
General administration	842,823					1,660,387
Student services	1,309,805		380,773			799,728
Learning resources	418,955		353,165			2,771,600
Physical plant	1,089,330		618,552			3,081,176
General institution	2,153,048					5,807,517
Auxiliary enterprises		3,081,176				9,247
Scholarships and grants				5,807,517		1,389,812
Loan cancellations and bad debts		9,247				1,667,069
Depreciation					1,389,812	1,667,069
Other					1,667,069	
<b>Total operating expenses</b>	<b>20,263,892</b>	<b>3,090,423</b>	<b>3,985,373</b>	<b>5,807,517</b>	<b>3,056,881</b>	<b>36,204,086</b>
<b>Operating loss</b>	<b>(8,447,089)</b>	<b>(152,442)</b>	<b>(422,770)</b>	<b>(71,927)</b>	<b>(2,940,654)</b>	<b>(12,034,882)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
State appropriations	6,762,986	547	365,610	37,547	-	7,166,690
Property taxes	1,462,981		1,249,621		1,462,981	4,175,583
Investment income	179,649		-		21,996	201,645
Loss on sale of capital assets					(65,972)	(65,972)
Transfer of building from affiliate					940,091	940,091
Donated plant assets received					14,625	14,625
Interest on indebtedness			(673,548)		(349,719)	(1,023,267)
<b>Total non-operating revenues</b>	<b>8,405,616</b>	<b>547</b>	<b>941,683</b>	<b>37,547</b>	<b>2,024,002</b>	<b>11,409,395</b>
<b>Change in net assets before transfers</b>	<b>(41,473)</b>	<b>(151,895)</b>	<b>518,913</b>	<b>(34,380)</b>	<b>(916,652)</b>	<b>(625,487)</b>
<b>Transfers</b>	<b>144,516</b>	<b>131,457</b>	<b>(488,941)</b>	<b>34,380</b>	<b>178,588</b>	<b>-</b>
<b>Change in net assets</b>	<b>103,043</b>	<b>(20,438)</b>	<b>29,972</b>	<b>-</b>	<b>(738,064)</b>	<b>(625,487)</b>
<b>NET ASSETS</b>						
Beginning, restated	1,459,158	905,208	1,340,627	2,626	9,994,569	13,702,188
<b>Ending</b>	<b>\$ 1,562,201</b>	<b>\$ 884,770</b>	<b>\$ 1,370,599</b>	<b>\$ 2,626</b>	<b>\$ 9,256,505</b>	<b>\$ 13,076,701</b>

See Notes to Financial Statements.

## NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS  
BUSINESS-TYPE ACTIVITIES  
For the Year Ended June 30, 2004

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarships		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Tuition and fees	\$ 6,266,533	\$ 75,977	\$ 101,391	\$ -		\$ 6,443,901
Federal appropriations	5,323,891	845,018	994,787	2,382,390	\$ -	9,546,086
Iowa Industrial New Jobs Training Program			2,216,877			2,216,877
Payments to employees for salaries and benefits	(13,315,300)	(467,257)	(441,882)			(14,224,439)
Payments to suppliers for goods and services	(2,866,037)	(203,353)	(2,229,940)	(1,492)	(2,371,627)	(7,672,449)
Payments to NJTP recipients			(1,265,909)			(1,265,909)
Scholarships	-	(2,118,462)		(2,454,317)		(4,572,779)
Loan issued to students		(5,666)				(5,666)
Auxiliary enterprise receipts		1,897,000				1,897,000
Other operating payments paid on employees' behalf	(4,061,393)	(181,000)	(404,721)			(4,647,114)
Other operating receipts	111,879	112,464	150,530		116,227	491,100
Net cash used in operating activities	(8,540,427)	(45,279)	(878,867)	(73,419)	(2,255,400)	(11,793,392)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>						
State appropriations	6,762,986	547	365,610	38,888	-	7,168,031
Property tax	1,468,266		1,253,349		1,468,266	4,189,881
Transfers	(712,177)	(256,905)	(488,941)	34,380	1,423,643	-
Federal direct lending receipts	2,929,202	329,409	99,385	3,353,200		6,711,196
Federal direct lending disbursements	(2,929,202)	(329,409)	(99,385)	(3,353,200)		(6,711,196)
Miscellaneous agency fund receipts	1,419,716					1,419,716
Miscellaneous agency fund disbursements	(1,527,413)					(1,527,413)
Net cash provided by (used in) non-capital financing activities	7,411,378	(256,358)	1,130,018	73,268	2,891,909	11,250,215
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from issuance of debt			2,955,000		-	2,955,000
Acquisition of capital assets					(1,110,061)	(1,110,061)
Principal paid on debt and leases			(2,145,000)		(1,215,855)	(3,360,855)
Interest paid on debt and leases			(678,859)		(349,719)	(1,028,578)
Net cash provided by (used in) capital and related financing activities	-	-	131,141	-	(2,675,635)	(2,544,494)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Purchase of investments	(962)					(962)
Sale of investments			500,000			500,000
Interest on investments	179,649		44	(418)	22,816	202,091
Net cash provided by (used in) investing activities	178,687	-	500,044	(418)	22,816	701,129
Net increase (decrease) in cash	(950,362)	(301,637)	882,336	(569)	(2,016,310)	(2,386,542)
CASH, beginning of year	1,767,974	301,637	6,486,778	2,739	2,016,310	10,575,438
CASH, end of year	\$ 817,612	\$ -	\$ 7,369,114	\$ 2,170	\$ -	\$ 8,188,896

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (Continued)  
BUSINESS-TYPE ACTIVITIES  
For the Year Ended June 30, 2004

	Current Funds				Plant Fund	Total
	Unrestricted	Auxiliary	Restricted	Scholarships		
Reconciliation of operating loss to net cash used in operating activities						
Operating loss	\$ (8,447,089)	\$ (152,442)	\$ (422,770)	\$ (71,927)	\$ (2,940,654)	\$ (12,034,882)
Adjustments to reconcile operating loss to net cash used in operating activities						
Depreciation	-				1,389,812	1,389,812
Provisions for doubtful accounts	-					-
Changes in assets and liabilities						
(Increase) decrease in accounts receivable	(280,673)	(50,122)	181,534	-	(314,410)	(463,671)
(Increase) in NJTP receivable	-		(498,854)			(498,854)
(Increase) decrease in due from other governments	(6,242)	36,934	(5,259)			25,433
(Increase) decrease in inventories	(5,067)	10,301				5,234
Increase (decrease) in accounts payable and accrued liabilities	14,302	105,425	(357,079)	(1,492)	(390,148)	(628,992)
Increase in deferred revenue	172,415		223,561			395,976
Increase in compensated absences	11,927	4,625				16,552
Net cash used in operating activities	\$ (8,540,427)	\$ (45,279)	\$ (878,867)	\$ (73,419)	\$ (2,255,400)	\$ (11,793,392)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The College accepted donated capital assets with a fair value of \$14,625 during the year ended June 30, 2004.

The College also entered into two capital leases to purchase computers in the amount of \$395,094.

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

Northeast Iowa Community College is a publicly supported school established and operated by Merged Area I under the provisions of the Code of Iowa. The College offers programs of adult and continuing education, lifelong learning, and community education. The College also offers up to two years of liberal arts, pre-professional, or occupational instruction which confers an associate degree and partially fulfills the requirements for a baccalaureate degree; or provides as the whole or as part of the curriculum 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 Calmar and Peosta, Iowa, and has its administrative offices in Calmar. The College is governed by a Board of Trustees whose members are elected from each director district within Merged Area 1.

b. Significant Accounting Policies

Scope of Reporting Entity

For financial reporting purposes, Northeast Iowa Community College has included all funds, organizations, account groups, agencies, boards, commissions, and authorities. 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 are such that exclusion would cause the College's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. The 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; or the organization is fiscally dependent on the primary government. Also, any other organizations due to the nature or significance of their relationship with the College should be included in the financial statements as component units.

The College has one component unit which meets the Governmental Accounting Standards Board (GASB) criteria. The Northeast Iowa Community College Foundation is a nonprofit corporation which is governed by a separate Board of Directors. The Foundation's purpose is to support the College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment, and services. The activities of the Foundation are reported using the discrete method. The Foundation issues a separate financial report. The independent auditor's report on the component unit financial statements for year ending June 30, 2004 expresses an unqualified opinion dated September 8, 2004. Audited financial statements of Northeast Iowa Community College Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

## NOTES TO FINANCIAL STATEMENTS

### 1. Nature of Operations and Significant Accounting Policies (Continued)

#### b. Significant Accounting Policies (Continued)

##### Scope of Reporting Entity (Continued)

The Northeast Iowa Community-Based Dairy Foundation is a nonprofit corporation which is governed by a separate Board of Directors. The Foundation's purpose is to support educational efforts relating to the needs of dairy industry research, development, instruction, and outreach in Northeast Iowa. The Foundation is considered to be a related party but is not considered to be a part of the financial reporting entity of the College.

##### Financial Statement Presentation

GASB No. 34 requires the statements of net assets, revenues, expenses and changes in net assets, and cash flows be reported on a consolidated basis.

The basic financial statements report information on all of the activities of the College. For the most part, the effect of interfund activity has been eliminated from these statements.

##### Fund Financial Statements

Separate financial statements are provided for the separate funds. Major individual funds are reported as separate columns in the fund financial statements. The current-unrestricted, auxiliary, restricted and scholarship funds and plant fund are the major funds for the College.

The funds of the financial reporting entity are described below:

##### Current Funds

These 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 accounts for the general operations of the College. All revenues 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, and the fixed charges that are not paid from other funds.

The agency subgroups are used to account for assets held by the College in a custodial capacity or as an agent for others. 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.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Current Funds (Continued)

Auxiliary Funds

The auxiliary enterprise fund is 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, this subgroup 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 Funds

The restricted funds are 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.

Scholarship Fund

The scholarship fund is used to account for transactions relating to scholarships and grants received for students attending the College.

Plant Fund

The plant fund is used to account for transactions relating to investment in the College properties.

Measurement Focus

For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities as defined in GASB No. 34. Accordingly, the basic financial statements of the College have been prepared using the economic resources measurement focus. This means that all assets and all liabilities, whether current or non-current, associated with their activity are included on their statement of net assets. In reporting the financial activity on the basic financial statements, the College applies all applicable GASB pronouncements. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the College has elected not to apply to its activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

## NOTES TO FINANCIAL STATEMENTS

### 1. Nature of Operations and Significant Accounting Policies (Continued)

#### b. Significant Accounting Policies (Continued)

##### Basis of Accounting (Continued)

The financial statements of the College have been prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. Property tax is recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

The College distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the College's principal ongoing operations. The principal operating revenues of the College are charges to customers for sales and services. Operating expenses for the College include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

##### Assets, Liabilities and Net Assets

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

##### Cash and Investments

Investments are stated at fair value except for the nonnegotiable certificates of deposit which are stated at cost. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. It is the College's policy to classify nonnegotiable certificates of deposit as investments on the financial statements.

##### Property Tax Receivable

Property tax receivable is recognized on the levy date, which is the date that the tax asking is certified by the Board of Trustees to the appropriate County Auditors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the Board of Trustees to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year.

However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Due from Other Governments

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

Due from affiliate

This asset represents the pledges outstanding for the Peosta Childcare Center that the Northeast Iowa Community College Foundation will collect and remit to the College.

Inventories

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

Due from Iowa Industrial New Jobs Training Program (NJTP)

This receivable represents the total amount to be remitted to the College for training projects entered into between the College and employers under the provisions of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2004 on NJTP projects plus interest incurred on NJTP certificates, less reimbursements received to date.

Capital Assets

Capital assets, which include property, furniture, and equipment and vehicles are recorded at cost or estimated historical cost if actual historical cost records are not available. Donated assets are stated at their estimated fair value as of the date received as a 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. No interest costs were capitalized since there were no qualifying assets.

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

<u>Assets</u>	<u>Amount</u>
Equipment and vehicles	\$ 5,000
Buildings and improvements	25,000

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	30
Equipment	5-10
Vehicles	5-10

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

Salaries and Benefits Payable

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

Deferred Revenue

Deferred revenue represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unearned administrative costs for NJTP and the succeeding year property tax receivable.

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 recognized as liabilities of the appropriate fund, and have been computed based on rates of pay in effect as of June 30, 2004.

Encumbrances

The College maintains an encumbrance system to measure the uncommitted budget amount available for expense at any time during the year. Open encumbrances are reported as reservations of net assets since the commitments will be honored through a subsequent year budget appropriation. Encumbrances do not constitute expenses or liabilities.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Net Assets

Invested in Capital Assets, Net of Related Debt

Capital assets, net of accumulated depreciation and outstanding debt obligations attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets

Net assets subject to externally-imposed stipulations state they need to be maintained permanently by the College. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Auxiliary Enterprise Revenues

Auxiliary enterprise revenues primarily represent revenues generated by the bookstore, food service, child care, farm, trade and industry, professional development and miscellaneous items.

Summer Session

The College operates summer sessions during June, July and August. Revenues and expenditures 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 and the College's refund policy.

Tuition and Fees

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

Operating and Non-operating Activities

Operating activities, as reported in the statement of revenues, expenses and changes in net assets, are transactions that result from exchange transactions, such as payments received for providing services and payments made for services or goods received. Non-operating activities include state appropriations, property tax and interest income.

Use of Estimates

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

NOTES TO FINANCIAL STATEMENTS

1. Nature of Operations and Significant Accounting Policies (Continued)

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Scholarship Allowances and Student Aid

Financial 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.

Budgets and Budgetary Accounting

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

Budgets are not required to be adopted for the auxiliary enterprise fund and scholarships fund.

The expenditures for the year ended June 30, 2004 exceeded the amount budgeted in the unrestricted fund.

2. Cash and Investments

The College's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The 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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments (Continued)

The College's investments are categorized to give an indication of the level of risk assumed by the College at year end. The College's investments are all category 1 which means that the investments are insured or registered or the securities are held by the College or its agent in the College's name. The fixed annuity contract is not subject to risk categorization. The fixed annuity is on the life of a previous president Donald Roby.

The College's petty cash and deposit accounts as of June 30, 2004 consist of the following:

Petty cash	\$ 12,380
Other deposit accounts	<u>8,176,516</u>
	<u>\$ 8,188,896</u>

The College's investments as of June 30, 2004 consist of the following:

Fixed annuity contract	\$ 28,252
Certificates of deposit	<u>1,000,000</u>
	<u>\$ 1,028,252</u>

The Foundation's investments are stated at fair value and are not subject to risk categorization and consist of the following:

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Appreciation (Depreciation)</u>
Government agency	\$ 393,398	\$ 383,669	\$ (9,729)
Government agency Pools and CMO's	50,654	51,672	1,018
Common stock	375,001	413,204	38,203
Mutual funds	<u>145,706</u>	<u>189,844</u>	<u>44,138</u>
	<u>\$ 964,759</u>	<u>\$1,038,389</u>	<u>\$ 73,630</u>

The following schedule summarizes the Foundation's investment return and its classification in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2004:

Interest and dividend income	\$ 31,248
Net realized and unrealized gains	<u>116,489</u>
Total investment return	<u>\$ 147,737</u>

NOTES TO FINANCIAL STATEMENTS

3. Inventories

The College's inventories as of June 30, 2004 are as follows:

Supplies and materials		\$ 284,101	
Merchandise held for resale		<u>247,187</u>	
Total		<u>\$ 531,288</u>	

4. Capital Assets

Capital assets activity for the year ended June 30, 2004 is as follows:

	Balance June 30, 2003	Additions	Deletions	Balance June 30, 2004
Capital non-depreciable assets				
Land	\$ 683,366			\$ 683,366
Construction in progress	<u>410,322</u>	\$ 102,226	\$ 410,322	<u>102,226</u>
	<u>1,093,688</u>	<u>102,226</u>	<u>410,322</u>	<u>785,592</u>
Capital assets, being depreciated				
Buildings	23,577,655	2,477,647		26,055,302
Other structures and improvements	1,780,384			1,780,384
Furniture and equipment	<u>5,490,229</u>	<u>290,319</u>	<u>181,316</u>	<u>5,599,232</u>
Total capital assets being depreciated	<u>30,848,268</u>	<u>2,767,966</u>	<u>181,316</u>	<u>33,434,918</u>
Less accumulated depreciation				
Buildings	13,052,880	819,312		13,872,192
Other structures and improvements	655,962	52,810		708,772
Furniture and equipment	<u>3,125,022</u>	<u>517,690</u>	<u>115,344</u>	<u>3,527,368</u>
Total accumulated depreciation	<u>16,833,864</u>	<u>1,389,812</u>	<u>115,344</u>	<u>18,108,332</u>
Total capital assets being depreciated	<u>14,014,404</u>	<u>1,378,154</u>	<u>65,972</u>	<u>15,326,586</u>
Capital assets, net	<u>\$15,108,092</u>	<u>\$1,480,380</u>	<u>\$ 476,294</u>	<u>\$16,112,178</u>

NOTES TO FINANCIAL STATEMENTS

5. Long-Term Obligations

Long-term liability activity for the year ended June 30, 2004 was as follows:

	Balance June 30, 2003	Additions	Reductions	Balance June 30, 2004	Amounts Due Within One Year
Notes payable	\$ 8,035,000		\$ 975,000	\$ 7,060,000	\$1,185,000
Certificates payable	8,330,000	\$2,955,000	1,955,000	9,330,000	1,655,000
Other liabilities					
Capital leases	<u>607,185</u>	<u>395,094</u>	<u>430,856</u>	<u>571,423</u>	<u>312,015</u>
Long-term liabilities	<u>\$16,972,185</u>	<u>\$3,350,094</u>	<u>\$3,360,856</u>	<u>\$16,961,423</u>	<u>\$3,152,015</u>

a. Certificates Payable

Between November 1, 1995 and June 30, 2004, the College issued certificates totaling \$9,330,000 with interest rates ranging from 5.00% to 7.50% per annum. 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 or are expanding their operations within the State of Iowa. Interest on the certificates is payable semiannually, while the principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes collected.

The annual debt service requirements on these certificates payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30			
2005	\$1,655,000	\$ 543,485	\$ 2,198,485
2006	1,505,000	454,270	1,959,270
2007	1,300,000	365,113	1,665,113
2008	1,350,000	287,240	1,637,240
2009	1,170,000	205,728	1,375,728
2010-2013	<u>2,350,000</u>	<u>288,535</u>	<u>2,638,535</u>
	<u>\$9,330,000</u>	<u>\$2,144,371</u>	<u>\$11,474,371</u>

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

b. Notes Payable

The College has issued notes payable for the purchase and construction of College properties. As of June 30, 2004, the notes payable outstanding consist of the following:

\$315,000 General Obligation Capital Loan Notes, Series 1996, due June 1, 2005 plus interest with interest rate of 5.45%. The notes were issued to finance a building purchase and renovation. \$ 315,000

\$520,000 General Obligation Capital Loan Notes, Series 2000, due June 1, 2005 plus interest with interest rate of 4.05%. The notes were issued to finance equipment purchases and renovation of a building. 520,000

\$1,725,000 Lease Purchase Certificates of Participation, due annually in varying installments June 1, 2005 through June 1, 2012 plus interest semi-annually with interest rates of the leases varying from 3.45% to 4.60%. The leases were issued to build the Cresco Center. See Note 11 regarding repayment arrangements. 1,725,000

\$3,205,000 Tax Exempt Lease Purchase Certificates of Participation Series 2003A, due annually in varying installments December 1, 2004 through December 1, 2022 plus interest semi-annually with interest rates of the leases varying from 2.0% to 4.70%. The leases were issued to purchase the Town Clock Center. 3,205,000

\$1,295,000 Taxable Lease Purchase Certificates of Participation Series 2003B, due annually in varying installments December 1, 2004 through December 1, 2017 plus interest semi-annually with interest rates of the leases varying from 3.6% to 6.75%. The leases were issued to purchase the Town Clock Center. 1,295,000

\$7,060,000

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

b. Notes Payable (Continued)

The annual debt service requirements on these notes payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30			
2005	\$1,185,000	\$ 314,046	\$ 1,499,046
2006	370,000	263,985	633,985
2007	380,000	250,875	630,875
2008	390,000	236,350	626,350
2009	410,000	220,264	630,264
2010-2014	1,715,000	827,860	2,542,860
2015-2019	1,320,000	472,901	1,792,901
2020-2024	1,290,000	123,121	1,413,121
	<u>\$7,060,000</u>	<u>\$2,709,402</u>	<u>\$ 9,769,402</u>

c. Capital Leases

The College is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the plant fund. Capital assets under capital leases totaled \$1,689,101 at June 30, 2004. The following is a schedule of future minimum lease payments under capital leases as of June 30, 2004:

Year ending June 30		
2005		\$ 312,015
2006		199,469
2007		52,817
2008		7,122
		571,423
Imputed interest		18,376
Minimum lease payments for all capital leases		<u>\$ 589,799</u>

The College has capital leases ending at various dates until January 1, 2008. The capitalized lease obligations have automatic renewal for one year if 30 day written notice is not given at the end of the lease term.

d. 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 charged as incurred. These leases expire between 2004 and 2012 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.

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

d. Operating Leases (Continued)

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2004:

Year ending June 30	
2005	\$ 88,105
2006	90,177
2007	92,390
2008	68,760
2009	55,008
2010-2014	<u>105,012</u>

Minimum lease payments for all operating leases \$ 499,452

Rents for fiscal year 2004 totaled \$99,307 for operating leases, except those with terms of a month or less that were not renewed.

6. Early Retirement

Full-time and certain regular part-time staff, who are between the ages of 55 and 65 and who have at least 15 years of service with the College on or before July 1 of the year of their retirement, are eligible to receive early retirement remuneration and health insurance benefits. Early retirement is to begin at the earlier of the end of the employee's contract or when a suitable replacement is found, if so requested. A staff member who accepts early retirement has three options to choose from as to when the cash benefits will be received. The College will also provide single plan health insurance for the retiree, if the retiree chooses to remain in the employer's health insurance plan until the day the retiree is eligible under another group plan or the day the retiree becomes eligible for Medicare. The plan is funded on a pay-as-you-go basis through property tax levies. As of June 30, 2004, the potential liability of the College, if all eligible employees accept early retirement and the employer provided health insurance, is approximately \$1,963,360.

7. Iowa Public Employees Retirement System

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 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003, and 2002. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$380,011, \$344,912, and \$336,047, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

8. 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 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 the employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and the College is required to contribute 5.75%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2004 were \$330,155 and \$302,300, respectively.

9. Related Organizations

Northeast Iowa Community-Based Dairy Foundation is a non-profit organization whose goal is to support educational efforts and whose financial activities are not included in these financial statements. The College, Northeast Iowa Community-Based Dairy Foundation, and Iowa State University have an interagency agreement for the purpose of cooperating in the operations of a dairy education and applied research laboratory. The Board of Directors of the above Foundation has members who are also Trustees of the College. However, these members do not compromise a majority in the above Foundation's Board. For the year ended June 30, 2004, the College paid the Foundation \$40,008 in rent. The Foundation and Northeast Iowa Community College have a fiscal agent agreement where the Foundation paid the College \$30,000 for services for the year ended June 30, 2004. Audited financial statements of Northeast Iowa Community-Based Dairy Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

Significant financial data for the year ended June 30, 2004, which is audited, is as follows:

Total assets	\$ 4,496,493
Total liabilities	2,880,767
Total equity	1,615,726
Total revenue	1,341,343
Total expenses	1,162,162

10. New Jobs Training Program

Northeast Iowa Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area I in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated job 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 142 projects with 34 currently receiving project funding. The remaining 108 projects have been completed and of those, 88 have only the repayment of the certificates left.

NOTES TO FINANCIAL STATEMENTS

10. New Jobs Training Program (Continued)

Northeast Iowa Community College also administers the Iowa Jobs Training Program (IJTP) in Area I in accordance with Code of Iowa. IJTP's purpose is to provide tax-aided training or retraining for existing employees of businesses. Approved businesses receive forgivable loans from the Workforce Development Fund, a state administered fund. Since inception, the College has administered 160 projects with 19 currently receiving project funding.

11. Commitments

The College is a member of ACCES, Inc. (Alliance for Community Colleges for Electronic Sharing), a computer consortium of eight area community colleges. The College is committed to be a member at least until July 1, 2004. The percentage of the total annual expenditures of ACCES, Inc. to be paid by the College is the percentage of the College's unrestricted general fund expenses for the preceding fiscal year compared to the total of all participating colleges' general fund expenses for the preceding fiscal year. The College's payment to ACCES, Inc. for the year ended June 30, 2004 was \$574,021 which represented approximately 10% of the consortium's total expenses and includes payments for the purchase of the new system from Datatel. The approved budget for fiscal year 2004 for ACCES, Inc. is \$1,997,354. ACCES, Inc. has entered into an agreement to purchase a new system from Datatel. The estimated cost to the consortium from fiscal year 2004 through 2013 will be \$28,306,504 with an average cost per year for Northeast Iowa Community College of \$323,446.

The College has entered into a 28E agreement with Howard-Winneshiek Community School District (District) to build a center in Cresco, Iowa. The College, in September 2003, issued \$2,095,000 Certificates of Participation Series 2003 to help finance the project. The District is responsible for all debt payments; however, the College is obligated to rent and operate the center from the District for a minimum of five years with rental payments of \$30,000 per year. See Note 5.

The total outstanding construction of the College at June 30, 2004 amount to \$773,130. Of these commitments, \$134,232 will be funded by state and federal grants.

The College entered into a guaranty agreement with Northeast Iowa Community Based-Dairy Foundation (Foundation). The agreement states the College will pay the Foundation \$240,000 in any given year in which the Foundation does not receive funding from United States Department of Agriculture. The College also entered into a guaranty agreement with Iowa State University Extension (Extension). This agreement states that the Extension will pay the College \$240,000 in any given year in which the College pays the Foundation the stated amount. Both agreements are based on certain provisions being met.

NOTES TO FINANCIAL STATEMENTS

12. Contingent Liabilities

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenses are disallowed by the grantor government due to noncompliance with grant program regulations, the College may be required to reimburse the grantor government. As of June 30, 2004 significant amounts of grant expenses have not been audited by granting authorities but the College believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the College.

13. Risk Management Policies

The College carries commercial insurance coverage for coverage associated with property and inland marine, general liability, automobile liability, automobile physical damage, fidelity bonds, health, and worker's compensation. The College is self-insured with respect to their health insurance coverage. The College maintains reinsurance that carries an aggregate stop loss of \$50,000 per employee covered and an aggregate stop loss of 125% of total estimated claims. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR). The changes in the aggregate liabilities for claims included in salaries and benefits payable for the years ended June 30, 2004 and 2003 are as follows:

	<u>2004</u>	<u>2003</u>
Claims payable, beginning of year	\$ 336,470	\$ 336,470
Claims recognized	2,385,259	2,118,684
Claim payments	<u>(2,376,657)</u>	<u>(2,118,684)</u>
Claims payable, end of year	<u>\$ 345,072</u>	<u>\$ 336,470</u>

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. Restatement

The beginning net assets for the unrestricted-current and auxiliary funds were restated due to the College moving the loan sub-group from being recorded in the unrestricted-current fund to being reported in the auxiliary fund. The loan sub-group had a beginning net asset amount of \$3,581.

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INDEPENDENT AUDITOR'S REPORT ON THE  
SUPPLEMENTARY INFORMATION

To the Board of Trustees  
Northeast Iowa Community College  
Calmar, Iowa

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of Northeast Iowa Community College basic financial statements. The accompanying additional balance sheet and Schedule of Revenues, Expenditures and Other Changes in Net Assets information on pages 34 through 43 were prepared for purposes of additional analysis using regulatory basis and are not a required part of the basic financial statements. The adjustments made in preparing the supplemental presentations were subjected to audit procedures as part of the audit of the basic financial statements. The accompanying regulatory financial statements are not intended to present Northeast Iowa Community College's financial position or results of operations.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Northeast Iowa Community College as of and for the years ended June 30, 2003, 2002 and 2001 (which is not presented herein), and we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the supplementary information for each of the three years in the period ended June 30, 2004, appearing on page 41 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
December 7, 2004

NORTHEAST IOWA COMMUNITY COLLEGE

BALANCE SHEET  
June 30, 2004

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant		
<b>ASSETS</b>									
Cash	\$ 817,612		\$ 7,369,114	\$ 2,170					\$ 8,188,896
Investments	28,252		1,000,000	-					1,028,252
Receivables									
Accounts, less allowance of \$172,415	1,003,861	\$ 125,842	1,544,687	418	\$ 262,315				2,937,123
Accrued interest	-	-	10,636	-	666				11,302
Property tax									
Current year delinquent	20,126	-	17,182	-		\$ 20,126			57,434
Succeeding year	1,387,986	-	1,322,185	-		1,387,986			4,098,157
Due from other funds	856,693	574,021							1,430,714
Due from other governments	121,973	1,016	5,259	548,944					677,192
Due from affiliate					145,000				145,000
Inventories	5,067	526,221							531,288
Due from Iowa Industrial New Jobs Training Program			4,379,740						4,379,740
Restricted cash									-
Capital assets									
Land							\$ 683,366		683,366
Construction in progress							102,226		102,226
Buildings							26,055,302		26,055,302
Other structures and improvements							1,780,384		1,780,384
Furniture and equipment, including assets acquired under capital leases of \$1,689,101							5,599,232		5,599,232
Accumulated depreciation							(18,108,332)		(18,108,332)
<b>Total assets</b>	<b>\$ 4,241,570</b>	<b>\$ 1,227,100</b>	<b>\$ 15,648,803</b>	<b>\$ 551,532</b>	<b>\$ 407,981</b>	<b>\$ 1,408,112</b>	<b>\$ 16,112,178</b>	<b>\$ -</b>	<b>\$ 39,597,276</b>
<b>LIABILITIES AND FUND BALANCE</b>									
Liabilities									
Accounts payable	\$ 181,906	\$ 137,330	\$ 13,896	\$ 548,906	\$ 132,302				\$ 1,014,340
Salaries and benefits payable	728,321	-	590,452	-					1,318,773
Deposits held in custody for others	153,484								153,484
Due to other funds		185,659			1,245,055				1,430,714
Deferred revenue									
Succeeding year property tax	1,387,986	-	1,322,185	-		\$ 1,387,986			4,098,157
Other	8,710	-	1,296,671	-					1,305,381
Compensated absences	218,962	19,341							238,303
Notes payable			1,725,000		1,302,284		\$ 4,032,716		7,060,000
Obligations under capitalized leases							571,423		571,423
Certificates payable			9,330,000						9,330,000
<b>Total liabilities</b>	<b>2,679,369</b>	<b>342,330</b>	<b>14,278,204</b>	<b>548,906</b>	<b>2,679,641</b>	<b>1,387,986</b>	<b>4,504,139</b>	<b>\$ -</b>	<b>26,520,575</b>
Fund balance									
Invested in capital assets, net of related debt							11,508,039		11,508,039
Fund balances									
Restricted for specific purposes			1,370,599	2,626		20,126			1,393,351
Unrestricted	1,562,201	884,770			(2,271,660)				175,311
<b>Total fund equity</b>	<b>1,562,201</b>	<b>884,770</b>	<b>1,370,599</b>	<b>2,626</b>	<b>(2,271,660)</b>	<b>20,126</b>	<b>11,508,039</b>	<b>-</b>	<b>13,076,701</b>
<b>Total liabilities and fund equity</b>	<b>\$ 4,241,570</b>	<b>\$ 1,227,100</b>	<b>\$ 15,648,803</b>	<b>\$ 551,532</b>	<b>\$ 407,981</b>	<b>\$ 1,408,112</b>	<b>\$ 16,112,178</b>	<b>\$ -</b>	<b>\$ 39,597,276</b>

## NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
For the Year Ended June 30, 2004

	Current Funds				Plant Funds		GAAP Adjustments	GAAP Basis	
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness			Investment in Plant
<b>REVENUES AND OTHER ADDITIONS</b>									
General									
State appropriations	\$ 6,575,574		\$ 365,416	\$ 225,700	\$ -			\$ 7,166,690	
Tuition and fees	11,080,049	\$ 125,029	400,945				\$ (4,965,771)	6,640,252	
Property taxes	1,462,981		1,249,621		333,547	\$ 1,129,434		4,175,583	
Federal appropriations	812,287	11,843	806,091	11,243,632	-			12,873,853	
Investment income	179,649		-		21,996			201,645	
Iowa Industrial New Jobs Training Program			2,216,877					2,216,877	
Miscellaneous	111,879		150,530		116,227			378,636	
	<u>20,222,419</u>	<u>136,872</u>	<u>5,189,480</u>	<u>11,469,332</u>	<u>471,770</u>	<u>1,129,434</u>	<u>\$ -</u>	<u>(4,965,771)</u>	<u>33,653,536</u>
Auxiliary enterprises									
Sales and services		2,689,192					(742,070)	1,947,122	
Miscellaneous		112,464						112,464	
	<u>-</u>	<u>2,801,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(742,070)</u>	<u>2,059,586</u>	
Total revenues and other additions	<u>20,222,419</u>	<u>2,938,528</u>	<u>5,189,480</u>	<u>11,469,332</u>	<u>471,770</u>	<u>1,129,434</u>	<u>-</u>	<u>(5,707,841)</u>	<u>35,713,122</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>									
Education and support									
Liberal arts and sciences	3,526,470		5,034					3,531,504	
Vocational technical	7,025,383		609,092				(58,208)	7,576,267	
Adult education	2,121,857		170,112					2,291,969	
Cooperative services	1,881,166		2,221,877				(758,905)	3,344,138	
General administration	842,823		-					842,823	
Student services	1,309,805		355,420				(16,484)	1,648,741	
Learning resources	418,955		395,523				(14,750)	799,728	
Physical plant	1,089,330		357,615				(4,450)	1,442,495	
General institution	2,153,048		618,552					2,771,600	
	<u>20,368,837</u>	<u>-</u>	<u>4,733,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(852,797)</u>	<u>24,249,265</u>	
Auxiliary enterprises		3,081,176						3,081,176	
Scholarships and grants				11,503,712			(5,696,195)	5,807,517	
Loan cancellations and bad debts		9,247						9,247	
Plant asset acquisitions					702,104		(691,448)	10,656	
Interest on indebtedness						349,719	673,548	1,023,267	
Other					1,656,413			1,656,413	
Expended for plant assets							(431,488)	-	
Capital leases for plant assets							(427,563)	-	
Retirement of indebtedness						785,000	(785,000)	-	
Transfer of building from affiliate					(940,091)			(940,091)	
Disposal of plant assets							65,972	65,972	
Depreciation							1,389,812	1,389,812	
Donated plant assets received							(14,625)	(14,625)	
	<u>-</u>	<u>3,090,423</u>	<u>-</u>	<u>11,503,712</u>	<u>1,418,426</u>	<u>1,134,719</u>	<u>(202,892)</u>	<u>(4,855,044)</u>	<u>12,089,344</u>
Total expenditures and other deductions	<u>20,368,837</u>	<u>3,090,423</u>	<u>4,733,225</u>	<u>11,503,712</u>	<u>1,418,426</u>	<u>1,134,719</u>	<u>(202,892)</u>	<u>(5,707,841)</u>	<u>36,338,609</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE (Continued)  
For the Year Ended June 30, 2004

	Current Funds				Plant Funds			GAAP Adjustments	GAAP Basis
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant		
Excess (deficiency) of revenues and other additions over expenditures and other deductions	\$ (146,418)	\$ (151,895)	\$ 456,255	\$ (34,380)	\$ (946,656)	\$ (5,285)	\$ 202,892	\$ -	\$ (625,487)
TRANSFERS									
Mandatory	145,089	-	(145,497)	27,097	(26,689)				-
Nonmandatory	104,372	131,457	(280,786)	7,283	37,674				-
Total transfers	249,461	131,457	(426,283)	34,380	10,985	-	-	-	-
Net increase (decrease) in fund balance	103,043	(20,438)	29,972	-	(935,671)	(5,285)	202,892	-	(625,487)
FUND BALANCE									
Beginning, restated	1,459,158	905,208	1,340,627	2,626	(1,335,989)	25,411	11,305,147		13,702,188
Ending	\$ 1,562,201	\$ 884,770	\$ 1,370,599	\$ 2,626	\$ (2,271,660)	\$ 20,126	\$ 11,508,039	\$ -	\$ 13,076,701

## NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
 EDUCATION AND SUPPORT UNRESTRICTED CURRENT FUNDS  
 For the Year Ended June 30, 2004

	Education				Support					Total
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	
<b>REVENUES AND OTHER ADDITIONS</b>										
State appropriations	\$ 2,087,182	\$ 3,283,436	\$ 1,199,333				\$ 5,623	\$ -	\$ -	\$ 6,575,574
Tuition and fees	3,410,758	5,484,327	1,274,549	\$ 908,095		\$ 2,320	-	-	-	11,090,049
Property taxes					\$ 1,462,981					1,462,981
Federal appropriations	-	171,684	231,360	409,243						812,287
Investment income	-	-	1,950	-	177,699					179,649
Miscellaneous	-	4,368	2,555	37,488	42,369	1,367	2,523	4,910	16,299	111,879
	5,497,940	8,943,815	2,709,747	1,354,825	1,683,049	3,687	2,523	10,533	16,299	20,222,419
Allocation of support services	534,688	875,104	288,716	17,583	(1,683,049)	(3,687)	(2,523)	(10,533)	(16,299)	-
Total revenues and other additions	6,032,628	9,818,919	2,998,463	1,372,409	-	-	-	-	-	20,222,419
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>										
Salaries and wages	2,818,568	5,297,049	1,294,875	1,055,950	445,541	900,357	253,792	457,536	742,210	13,265,878
Employee fringe benefits	619,430	1,447,466	351,474	444,158	190,879	350,225	110,489	237,407	309,865	4,061,393
Services	62,238	101,084	411,299	50,172	158,761	19,694	6,060	226,803	912,742	1,948,853
Materials and supplies	17,851	141,831	32,001	318,188	13,151	25,218	46,138	166,893	149,544	910,815
Travel	8,383	37,953	32,208	12,698	34,491	14,311	2,476	691	38,687	181,898
	3,526,470	7,025,383	2,121,857	1,881,166	842,823	1,309,805	418,955	1,089,330	2,153,048	20,368,837
Allocation of support services	1,811,476	2,964,772	978,142	59,571	(842,823)	(1,309,805)	(418,955)	(1,089,330)	(2,153,048)	-
Total expenditures and other deductions	5,337,946	9,990,155	3,099,999	1,940,737	-	-	-	-	-	20,368,837
Excess (deficiency) of revenues and other additions over expenditures and other deductions	694,682	(171,236)	(101,536)	(568,328)	-	-	-	-	-	(146,418)
<b>TRANSFERS</b>										
Mandatory		101,307	7,001		36,781					145,089
Nonmandatory	(18,012)	(40,827)			163,211					104,372
Total transfers	(18,012)	60,480	7,001	-	199,992	-	-	-	-	249,461
Net increase (decrease) in fund balance	\$ 676,670	\$ (110,756)	\$ (94,535)	\$ (568,328)	\$ 199,992	\$ -	\$ -	\$ -	\$ -	103,043
<b>FUND BALANCE</b>										
Beginning, restated										1,459,158
Ending										\$ 1,562,201

## NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
 AUXILIARY ENTERPRISE UNRESTRICTED CURRENT FUNDS  
 For the Year Ended June 30, 2004

	Bookstore	Food Services	Child Care	Farm	Trade and Industry	Professional Development	Miscellaneous	Early Retirement	Total
<b>REVENUES AND OTHER ADDITIONS</b>									
Fees	\$ -	\$ -	\$ -	\$ -	\$ 38,731	\$ 67,874	\$ 18,424	\$ -	\$ 125,029
Federal appropriations	-	-	11,843	-	-	-	-	-	11,843
Sales and services	2,085,980	239,647	227,664	-	75,819	-	60,082	-	2,689,192
Miscellaneous	1,522	33	-	1,362	1,571	85	11,157	96,734	112,464
<b>Total revenues and other additions</b>	<b>2,087,502</b>	<b>239,680</b>	<b>239,507</b>	<b>1,362</b>	<b>116,121</b>	<b>67,959</b>	<b>89,663</b>	<b>96,734</b>	<b>2,936,528</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>									
Salaries and wages	97,549	108,117	265,842	-	-	-	374	-	471,882
Employee fringe benefits	37,048	44,093	99,859	-	-	-	-	-	181,000
Services	26,079	35,621	22,310	-	3,776	63,889	26,656	-	178,331
Materials and supplies	15,076	9,144	17,234	-	5,301	4,382	14,236	-	65,373
Travel	24	-	337	-	30,205	24,335	11,227	-	66,128
Loan cancellations and bad debts	-	-	-	-	-	-	9,247	-	9,247
Cost of goods sold	1,916,456	107,638	-	(18,550)	79,467	-	33,451	-	2,118,462
<b>Total expenditures and other deductions</b>	<b>2,092,232</b>	<b>304,613</b>	<b>405,582</b>	<b>(18,550)</b>	<b>118,749</b>	<b>92,606</b>	<b>95,191</b>	<b>-</b>	<b>3,090,423</b>
<b>Excess (deficiency) of revenues and other additions over expenditures and other deductions</b>	<b>(4,730)</b>	<b>(64,933)</b>	<b>(166,075)</b>	<b>19,912</b>	<b>(2,628)</b>	<b>(24,647)</b>	<b>(5,528)</b>	<b>96,734</b>	<b>(151,895)</b>
<b>TRANSFERS</b>									
Mandatory	-	-	-	-	-	-	-	-	-
Nonmandatory	(9,426)	72,597	63,086	-	6,970	(7,500)	5,730	-	131,457
	(9,426)	72,597	63,086	-	6,970	(7,500)	5,730	-	131,457
<b>Net increase (decrease) in fund balance</b>	<b>(14,156)</b>	<b>7,664</b>	<b>(102,989)</b>	<b>19,912</b>	<b>4,342</b>	<b>(32,147)</b>	<b>202</b>	<b>96,734</b>	<b>(20,438)</b>
<b>FUND BALANCE (DEFICIT)</b>									
Beginning, restated	833,418	(8,960)	(6)	(818)	53,608	163,419	(6,340)	(129,113)	905,208
Ending	\$ 819,262	\$ (1,296)	\$ (102,995)	\$ 19,094	\$ 57,950	\$ 131,272	\$ (6,138)	\$ (32,379)	\$ 884,770

## NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
 RESTRICTED CURRENT FUNDS  
 For the Year Ended June 30, 2004

	Restricted Property Tax Levies	Iowa Industrial New Jobs Training Program	Other Federal Programs	Miscellaneous	Total
<b>REVENUES AND OTHER ADDITIONS</b>					
State appropriations		\$ -	\$ 365,416	\$ -	\$ 365,416
Tuition and fees		-		400,945	400,945
Property taxes	\$ 1,249,621				1,249,621
Federal appropriations		-	796,092	9,999	806,091
Investment income		-		-	-
Iowa Industrial New Jobs Training Program		2,216,877			2,216,877
Miscellaneous	16,119		59,324	75,087	150,530
<b>Total revenues and other additions</b>	<b>1,265,740</b>	<b>2,216,877</b>	<b>1,220,832</b>	<b>486,031</b>	<b>5,189,480</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>					
Salaries and wages	-	-	346,379		346,379
Employee fringe benefits	230,806	-	120,291	53,624	404,721
Services	343,835	1,265,909	413,544	6,536	2,029,824
Materials and supplies	385,202	-	59,425	416,381	861,008
Travel	-	-	26,127	4,694	30,821
Plant asset acquisitions	62,658	-	-	-	62,658
Interest on indebtedness		653,960			653,960
Miscellaneous		297,008	36,697	10,149	343,854
<b>Total expenditures and other deductions</b>	<b>1,022,501</b>	<b>2,216,877</b>	<b>1,002,463</b>	<b>491,384</b>	<b>4,733,225</b>
<b>Excess (deficiency) of revenues and other additions over expenditures and other deductions</b>	<b>243,239</b>	<b>-</b>	<b>218,369</b>	<b>(5,353)</b>	<b>456,255</b>
<b>TRANSFERS</b>					
Mandatory	202,177		(112,269)	(235,405)	(145,497)
Nonmandatory	(54,449)		(51,734)	(174,603)	(280,786)
<b>Total transfers</b>	<b>147,728</b>	<b>-</b>	<b>(164,003)</b>	<b>(410,008)</b>	<b>(426,283)</b>
<b>Net increase (decrease) in fund balance</b>	<b>390,967</b>	<b>-</b>	<b>54,366</b>	<b>(415,361)</b>	<b>29,972</b>
<b>FUND BALANCE</b>					
Beginning	806,934		18,235	515,458	1,340,627
Ending	\$ 1,197,901	\$ -	\$ 72,601	\$ 100,097	\$ 1,370,599

See Independent Auditor's Report on the Supplementary Information.

## NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS  
 AGENCY FUNDS  
 Year Ended June 30, 2004

	Student Organizations/ Federal	Federal and Other Programs	Retraining	Dairy Center	Total
Balance, beginning of year	\$ 50,804	\$ 4,542	\$ 83,085	\$ 6,243	\$ 144,674
Additions:					
State appropriations	-	-	134,991		134,991
Tuition and fees	92,220				92,220
Federal appropriations	12,140	51,008		346,107	409,255
Miscellaneous	84,674	121		806,152	890,947
Transfers	-				-
Total additions	189,034	51,129	134,991	1,152,259	1,527,413
Deductions:					
Salaries and wages	13,809	28,568		120,831	163,208
Employee fringe benefits	2,168	10,110		9,184	21,462
Services	93,149	690	104,682	664,442	862,963
Materials and supplies	47,247	201		312,406	359,854
Travel	43,050	10,995		4,139	58,184
Plant asset acquisitions	-	-		40,900	40,900
Total deductions	199,423	50,564	104,682	1,151,902	1,506,571
Balance, end of year	\$ 40,415	\$ 5,107	\$ 113,394	\$ 6,600	\$ 165,516

See Independent Auditor's Report on the Supplementary Information.

## NORTHEAST IOWA COMMUNITY COLLEGE

COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES  
Year Ended June 30, 2004

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Local (property tax)	\$ 4,175,583	\$ 4,135,629	\$ 3,889,426	\$ 3,685,397
State appropriations	7,301,681	7,370,251	7,756,784	8,005,626
Federal appropriations	13,283,108	12,100,644	11,311,206	8,874,989
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total	<u>\$ 24,760,372</u>	<u>\$ 23,606,524</u>	<u>\$ 22,957,416</u>	<u>\$ 20,566,012</u>

See Independent Auditor's Report on the Supplementary Information.

## NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT  
Year Ended June 30, 2004

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	45,081		45,081			
Vocational Education	56,735		56,735			
Adult/Continuing Education				408,946	65,797	474,743
Related Services and Activities					28,913	28,913
Total	101,816		101,816	408,946	94,710	503,656

See Independent Auditor's Report on the Supplementary Information.

## NORTHEAST IOWA COMMUNITY COLLEGE

BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2004

Funds/Levy	Original Budget	Actual	Variance Actual and Amended Budget
Unrestricted	\$ 20,505,224	\$ 20,368,837	\$ 136,387
Restricted	11,861,258	3,710,724	8,150,534
Unemployment	15,000	2,086	12,914
Insurance	308,000	352,440	(44,440)
Early retirement	280,563	224,565	55,998
Equipment replacement	656,689	443,410	213,279
Total restricted	33,626,734	25,102,062	8,524,672
Plant			
Bonds and interest	7,500,000	3,493,236	4,006,764
Total	\$ 41,126,734	\$ 28,595,298	\$ 12,531,436

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2004

<u>Section I: Summary of the Independent Auditor's Results</u>	<u>Yes</u>	<u>No</u>	<u>None Reported</u>
<u>Financial Statements</u>			
Type of auditor's report issued: unqualified.			
Internal control over financial reporting:			
• Material weakness(es) identified?		X	
• Reportable condition(s) identified that are not considered to be material weaknesses?			X
Noncompliance material to financial statements noted?		X	
<u>Federal Awards</u>			
Internal control over major programs:			
• Material weakness (es) identified?		X	
• Reportable condition(s) identified that are not considered to be material weakness(es)?			X
Type of auditor's report issued on compliance for major programs: unqualified.			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?			
			X
Identification of major programs			
CFDA Numbers			
84.007 Federal Supplemental Educational Opportunity Grant Program (FSEO)			
84.033 Federal Work-Study Program (FWS)			
84.063 Federal Pell Grant Program			
84.268 Federal Direct Loans - Subsidized/Unsubsidized			
84.002 Adult Education-State Grant Program			
84.047 TRIO-Upward Bound			
84.042 TRIO-Student Support Services			
Dollar threshold used to distinguish between Type A and Type B programs: \$300,000			
Auditee qualified as low-risk auditee?			
		X	

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
Year Ended June 30, 2004

Section II: Findings Related to the Financial Statements:

Reportable conditions - None

Section III: Findings and Questioned Costs for Federal Awards:

Instances of noncompliance - None

Reportable conditions - None

## NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2004

Grantor/Program	CFDA Number	Program Expenditures	Federal New Loans
<b>U.S. Department of Agriculture</b>			
Direct			
Grants Management Branch Cooperative State Research, Cooperative Extension Service	10.500	\$ 207,848	
Cooperative State Research, Education, and Extension Service	10.500	346,107	
		<u>553,955</u>	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226	2,174	
Passed through Iowa Department of Education			
Child and Adult Care Food Program	10.561	11,843	
		<u>567,972</u>	
Subtotal Department of Agriculture			
<b>U.S. Department of Labor</b>			
Passed through Iowa Department of Workforce Development			
Job Training Partnership Act (JTTPA)	17.250	42,673	
Passed through Iowa Department of Education			
Mind Health and Safety Grants	17.600	15,750	
		<u>58,423</u>	
Subtotal U.S. Department of Labor			
<b>National Science Foundation</b>			
Passed through Iowa State University			
Education and Human Resources	47.076	35,941	
<b>U.S. Department of Education</b>			
Direct			
Adult Education - State Grant Program	84.002	377,260	
Federal Supplemental Educational Opportunity Grants	84.007	125,730	
Federal Direct Loans - Plus Loans	84.268		\$ 60,689
Federal Direct Loans - Subsidized Loans	84.268		3,559,283
Federal Direct Loans - Unsubsidized Loans	84.268		3,091,224
Federal Work-Study Program	84.033	161,979	
Federal Pell Grant Program	84.063	4,416,411	
TRIO - Student Support Services	84.042A	200,551	
TRIO - Upward Bound	84.047	176,433	
		<u>5,458,384</u>	<u>6,711,196</u>
Passed through Iowa Department of Education			
Childcare Access means Parents in School	84.335A	21,340	
Vocational Education-Basic Grants to States			
Vocational Education - Basic Grants to States	84.048	419,242	
Tech-prep Education Grants	84.243	4,951	
Special Education-State Program Improvement Grants for Children with Disabilities	84.323	5,659	
		<u>451,192</u>	
Subtotal U.S. Department of Education			
		<u>5,909,576</u>	<u>6,711,196</u>
		<u>\$ 6,571,912</u>	<u>\$ 6,711,196</u>

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2004

Note 1. Basis of Presentation

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

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

To the Board of Trustees  
Northeast Iowa Community College  
Calmar, Iowa

We have audited the financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2004, which collectively comprise Northeast Iowa Community College's basic financial statements and have issued our report thereon dated December 7, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Northeast Iowa Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting which we have reported to management of Northeast Iowa Community College, in a separate letter dated December 7, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northeast Iowa Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of Northeast Iowa Community College in a separate letter dated December 7, 2004.

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

*Hacker, Gilsou + Co., P.C.*

Decorah, Iowa  
December 7, 2004

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

To the Board of Trustees  
Northeast Iowa Community College  
Calmar, Iowa

Compliance

We have audited the compliance of Northeast Iowa Community College, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2004. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on Northeast Iowa Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 Northeast Iowa Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Northeast Iowa Community College's compliance with those requirements.

In our opinion, Northeast Iowa Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

### Internal Control Over Compliance

The management of Northeast Iowa Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College, as of and for the year ended June 30, 2004, and have issued our report thereon dated December 7, 2004. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Northeast Iowa Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Stachew, Nelson & Co., P.C.*

Decorah, Iowa  
December 7, 2004

MANAGEMENT LETTER

To the Board of Trustees  
Northeast Iowa Community College  
Calmar, Iowa

In planning and performing our audit of the basic financial statements of the Northeast Iowa Community College for the year ended June 30, 2004, we considered the College's internal control to determine our auditing procedures for the purpose of expressing opinions on the basic financial statements and not to provide assurance on internal controls.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the College's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 - 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated December 7, 2004 contains our report on reportable conditions in the College's internal control. This letter does not affect our report dated December 7, 2004, on the financial statements of the Northeast Iowa Community College. Comment numbers 10 and 11 are repeat comments from the prior year. All other prior comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. Official Depositories

A resolution naming official depository banks has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.

2. Certified Budget

Disbursements for the year ended June 30, 2004 did not exceed the amounts budgeted.

3. Questionable Disbursements

We noted no disbursements that may not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

4. Travel Expense

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

5. Business Transactions

We noted no business transactions between the College and College officials and/or employees for the year ended June 30, 2004.

6. Bond Coverage

Surety bond coverage of College officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

7. Trustee Minutes

We noted no transactions requiring Trustee approval, which had not been approved by the Trustees. It appears minutes have been published as required.

8. Publication

The College has on file an affidavit of publication documenting the College's published statement showing the receipts and disbursements of its funds, including the names of persons, firms, or corporations to which disbursements were made, in accordance with Section 260C.14(12) of the Code of Iowa.

9. Deposits and Investments

We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the College's investment policy.

10. Fund Balance Deficits

As of June 30, 2004, there are several sub-group accounts reporting fund balances that are deficits.

Recommendation

We recommend the College use the collected funds to first eliminate the deficits before committing these funds to other uses.

Response

We will consider your recommendation.

Conclusion

Response accepted.

11. ACCESS 28E Audit

During our audit, we inquired on the status of the audit of the ACCESS entity. The College inquired about the audit with Kirkwood Community College which is the primary government of the 28E Agreement. Kirkwood stated they were audited by the Auditor of State Office. During the audit for the year ended June 30, 2002 we discussed this issue with the Auditor of State Office and they responded that the 28E audit required per Chapter 11.6 of the Code of Iowa, was fulfilled with the Kirkwood Community College's audit.

12. Capital Assets

During our audit we noticed several errors in reporting additions, deletions, and depreciation for capital assets. The College recorded additions of capital assets that they did not own. Capital assets were included in the deletions but never added to capital assets. Accumulated depreciation was recorded as current year depreciation.

Recommendation

We recommend that extra care be taken in recording elements of capital assets. The College should not record capital assets that are recorded in the agency sub-groups. The College does not own the capital assets.

Response

The College will review auditor's recommendation for improvements.

Conclusion

Response accepted.

13. Payroll System

During our audit, we noticed that the same person who prepares the payroll checks also reviews the signed payroll checks.

Recommendation

We recommend that another person reviews the payroll checks before they are sent to the employees.

Response

The College will implement a separation of duties for recommended internal control purposes.

Conclusion

Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Northeast Iowa Community College during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Harkaw, Tulson + Co., P.C.*

Decorah, Iowa  
December 7, 2004