

NORTH IOWA AREA COMMUNITY COLLEGE

**BASIC FINANCIAL STATEMENTS &
SUPPLEMENTARY INFORMATION**

JUNE 30, 2004

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**North Iowa Area Community College
Mason City, Iowa
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Directors (Before October 2003 Election)		
Kevin Kolbet	President	2004
Colin Robinson	Vice President	2003
Karen Knudtson	Member	2005
Terry Cobb	Member	2003
Rosie Hussey	Member	2004
Jean Torgeson	Member	2004
David Steffens, Jr.	Member	2003
Dean Cataldo	Member	2006
John Heilskov	Member	2005

Board of Directors
(After October 2003 Election)

Kevin Kolbet	President	2004
Colin Robinson	Vice President	2006
Karen Knudtson	Member	2005
Terry Cobb	Member	2006
Jean Torgeson	Member	2004
David Steffens, Jr.	Member	2006
Dean Cataldo	Member	2006
John Heilskov	Member	2005
James Niemants	Member	2004

Community College

Dr. Michael C. Morrison	President
Sandra L. Gobeli	Vice President, Administration and Board Secretary/Treasurer

McCoy & Company P.C.

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
North Iowa Area Community College

We have audited the accompanying basic financial statements of North Iowa Area Community College (College) and its aggregate discretely presented component units as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements listed in the table of contents. These basic financial statements are the responsibility of the College's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of NIACC Dormitories, Inc. (Dormitories), which represent 19%, 15%, and 20%, respectively, of the assets, net assets, and total revenues of the discretely presented component units. Except as explained in the third paragraph, those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Dormitories, is based solely upon the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards* or Chapter 11 of the Code of Iowa. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

The statement of revenues, expenses, and changes in net assets of the Dormitories was not audited by the other auditors, and we were not engaged to audit the financial statements of the Dormitories as part of our audit of the College's basic financial statements. The changes in financial position of the Dormitories are included in the College's basic financial statements as a discretely presented component unit and represent 20% of the revenues of the aggregate discretely presented component units.

Because of the matter discussed in the preceding paragraph, the scope of our work and the work of the other auditors was not sufficient to enable us to express, and we do not express an opinion on the changes in financial position of the aggregate discretely presented component units of the College, for the year ended June 30, 2004.

In our opinion, based on our audit and the report of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the College and its aggregate discretely presented component units as of June 30, 2004, and the respective changes in financial position, except for that of the aggregate discretely presented component units as discussed in the preceding paragraph, and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 15 to the financial statements, during the year ended June 30, 2004, the College adopted Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

In accordance with *Government Auditing Standards*, we have also issued our reports dated December 16, 2004 on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 11, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of North Iowa Area Community College. Such information has been subjected to the auditing procedures applied by us 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.

McCoy + Company P.C.

McCoy & Company P.C.
December 16, 2004

**North Iowa Area Community College
Management's Discussion and Analysis
For the Year Ended June 30, 2004**

Management of North Iowa Area Community College has prepared a discussion and analysis of the College's financial statements that provides an overview of financial activities for the year beginning July 1, 2003 and ending June 30, 2004. We encourage readers to consider this information in conjunction with the College's financial statements, which follow.

North Iowa Area Community College is in the second year of implementing new reporting standards with significant changes in content and structure. The report makes comparisons between FY04 and FY03. In future years, the report will be able to make longitudinal comparisons that will be more meaningful and will go further in explaining the College's financial position and results of operations.

FINANCIAL HIGHLIGHTS

- College operating revenues increased 5.6% in FY04. This was primarily due to increased tuition receipts and additional federal appropriations tied to the number of students receiving Pell grants. Tuition and fees rates were increased by 6.4% for FY04. This increase was necessary due to the lack of any substantial increase in state general aid.
- College operating expenses in FY04 decreased .1% over FY03. Although faculty and staff received an average salary increase of 4% for FY04, total salary and benefits costs were 2.4% lower in FY04 than in FY03. In FY03 the college experienced significant salary and benefits costs associated with several early retirements. There were no early retirements in FY04 causing the salary and benefit costs to be significantly lower.

USING THIS ANNUAL REPORT

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

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

The College's 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 statements provide information about the activities of the College as a whole and present an overall view of the College's finances.

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

Supplementary information further explains and supports the financial statements with a comparison of the College's budget for the year, and provides detailed information about the individual funds.

This discussion and analysis focuses on the College's primary institution operations. The College's discretely presented component units issue separately audited financial statements which can be obtained from the dormitory and foundation's administrative offices.

REPORTING THE COLLEGE AS A WHOLE

The 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 and reflects FY04 and FY03 numbers. 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 are 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 presents the available assets that can be used to satisfy those liabilities.

Statement of Net Assets

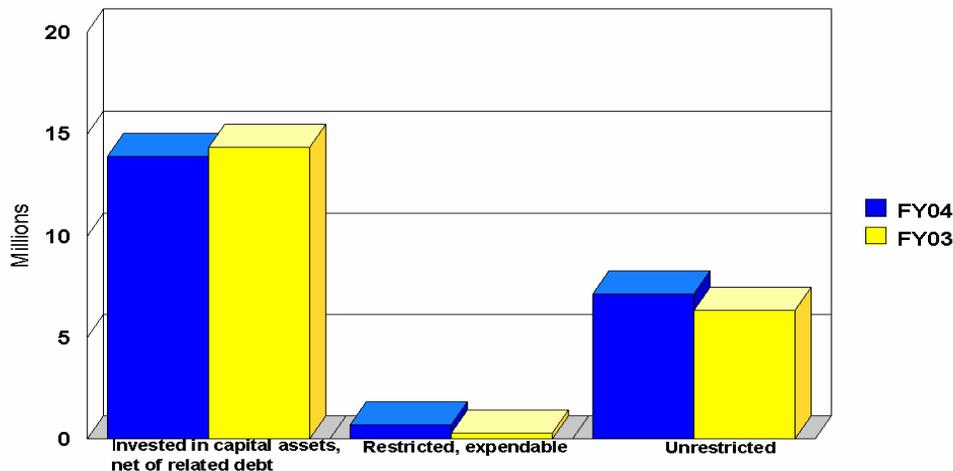
	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Current and other assets	\$ 19,220,442	\$ 18,718,906
Non current assets	2,005,779	2,147,777
Capital assets, net of accumulated depreciation	<u>13,905,805</u>	<u>14,366,819</u>
Total assets	<u>35,132,026</u>	<u>35,233,502</u>
Current liabilities	6,019,021	6,855,225
Non current liabilities	<u>7,322,258</u>	<u>7,357,616</u>
Total liabilities	<u>13,341,279</u>	<u>14,212,841</u>
Net assets:		
Invested in capital assets, net of related debt	13,900,177	14,358,240
Restricted, expendable	711,729	305,463
Unrestricted	<u>7,178,841</u>	<u>6,356,958</u>
Total net assets	<u>\$ 21,790,747</u>	<u>\$ 21,020,661</u>

The largest portion of the College's net assets (63.8%) is in Invested in Capital Assets (e.g., land, infrastructure, buildings, and equipment), less the related debt. The debt related to the Invested in Capital Assets is liquidated with sources other than capital assets. North Iowa Area Community College's only debt related to Capital Assets is an equipment lease in the amount of \$5,628. The Restricted portion of net assets (3.3%) includes resources that are subject to external restrictions. Unrestricted net assets represent the remaining net assets (32.9%). These can be used to meet the College's obligations as they come due.

Restricted, expendable net assets in FY04 increased \$406,266 from FY03 or 133%. This was largely due to no early retirements that allowed all of the early retirement property tax collections to apply to the negative early retirement fund balance. Several other restricted funds also increased in FY04, including the equipment replacement fund.

Unrestricted net assets increased \$821,883 or 12.9%. Much of this increase (\$524,267 or 8.2%) was due to less spending in the Plant Fund. The college was in the process of paving a parking lot but most of the work and cost did not occur until after July 1, 2004. Most of the annual building and repair costs were paid from the General Fund in FY04. The balance of the increase in unrestricted net assets occurred in the Unrestricted General Fund. There were significant savings in salary and benefits due to several vacant staff positions. Strong tuition revenue also helped increase unrestricted net assets.

Comparison of Net Assets



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. The report reflects FY04 and FY03 numbers.

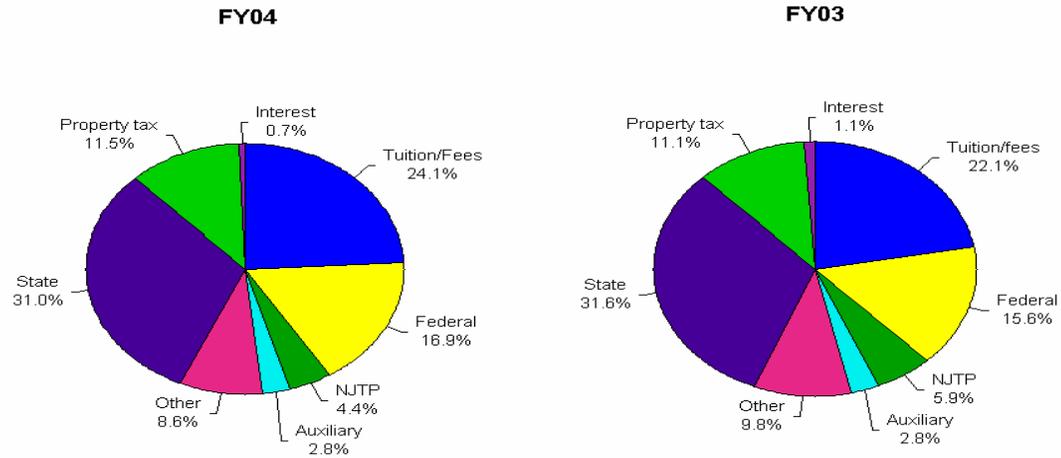
In general, a public college such as North Iowa Area Community College will report an operating loss, as the financial reporting model classifies state appropriations and property taxes as non-operating revenues. Operating revenues are received for providing goods and services to students, customers 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.

Changes in Net Assets

	<u>Year ended June 30, 2004</u>	<u>Year ended June 30, 2003</u>
Operating revenue:		
Tuition and fees	\$ 6,093,648	\$ 5,537,481
Federal appropriations	4,277,760	3,920,410
State grants and contracts	89,311	103,653
Sales & Services	388,615	482,529
Iowa Industrial New Jobs Training Program	1,125,205	1,483,724
Auxiliary	703,029	709,697
Miscellaneous	<u>1,483,773</u>	<u>1,551,552</u>
Total operating revenue	14,161,341	13,789,046
Total operating expense	<u>24,099,578</u>	<u>24,135,310</u>
Operating loss	<u>(9,938,237)</u>	<u>(10,346,264)</u>
Non-operating revenues (expenses)		
State appropriations	7,773,527	7,838,560
Property tax	2,903,480	2,792,992
Gifts	304,657	323,169
Interest income from investments	192,216	265,343
Gain on sale of capital assets	1,500	7,450
Interest on indebtedness	<u>(467,057)</u>	<u>(475,439)</u>
Net non operating revenues	<u>10,708,323</u>	<u>10,752,075</u>
Income before other rev., exp., gains or losses	770,086	405,811
Capital grants and gifts	<u>-0-</u>	<u>118,760</u>
Increase in net assets	770,086	524,571
Net assets beginning of year	<u>21,020,661</u>	<u>20,496,090</u>
Net assets end of year	<u>\$ 21,790,747</u>	<u>\$ 21,020,661</u>

The Statement of Revenues, Expenses, and Changes in Net Assets reflects a positive year with an increase (\$770,086 or 3.7%) in the net assets at the end of the fiscal year and a decrease (\$408,027 or 3.9%) in net operating loss.

Total Revenue by Source



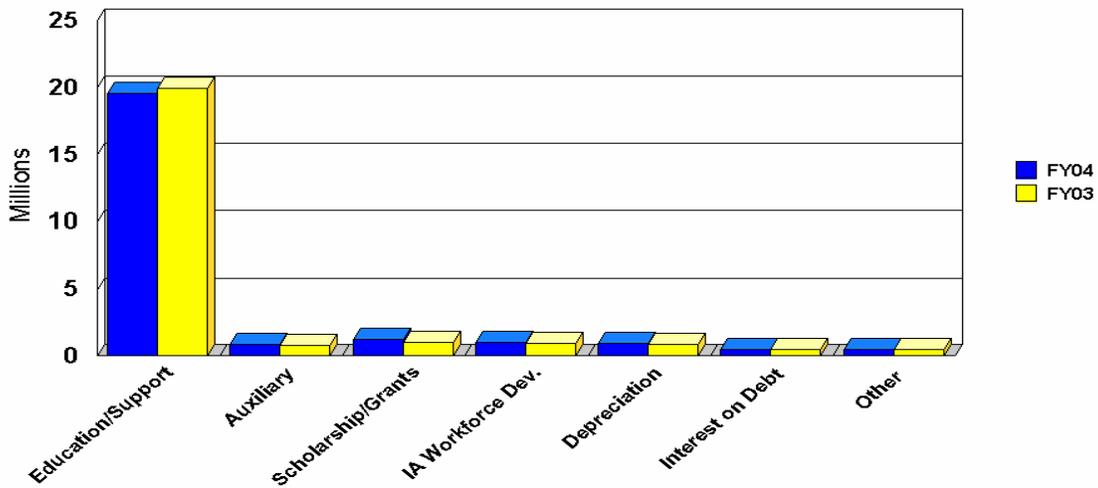
In fiscal year 2004, operating revenue increased as a net result of the following changes:

- Tuition for credit classes increased due to an increase in the tuition rate from \$78 per credit hour in FY03 to \$83 per credit hour in FY04. Tuition also increased due to increased activity in classes associated with continuing education and economic development.
- Federal appropriations increased due to increased number of students receiving Pell grants.
- Although the state legislature had appropriated a small increase of \$38,055 in state general aid for FY04, a deteriorating economic climate caused the governor to make an across the board cut of 2.5% in state funding. The College's state general aid was reduced by \$196,258 but \$19,626 of the cut was restored in June. State general aid dollars for FY04 are 1.2% lower than in FY03. In fact, the College received less state general aid in FY04 than it did in FY00.
- Property tax revenue collected in FY04 was 4% higher than FY03 due to a larger district valuation and an increase in tax asking for insurance and early retirement.

Operating Expenses

	<u>Year ended</u> <u>June 30, 2004</u>	<u>Year ended</u> <u>June 30, 2003</u>
Education and support:		
Liberal arts and science	\$ 5,329,321	\$ 5,783,844
Vocational technical	3,026,423	3,085,055
Adult education	3,245,813	3,387,430
Cooperative services	1,150,166	1,400,369
Administration	970,532	920,442
Student services	2,285,736	1,981,114
Learning resources	466,983	474,569
Physical plant	1,757,942	1,613,975
General institution	1,332,804	1,309,398
Auxiliary enterprises	852,606	777,820
Scholarship and grants	1,236,013	1,024,333
Iowa Workforce Development Contract	1,007,146	970,227
Loan cancellations and bad debt	44,841	49,882
Administrative and collection costs	449,641	446,166
Depreciation	<u>943,611</u>	<u>910,686</u>
 Total	 <u>\$ 24,099,578</u>	 <u>\$ 24,135,310</u>

Total Expenses



In FY04, operating expenses decreased by .1% as a result of the following changes:

- Faculty and staff received a salary increase of 4% accompanied by a 9.8% increase in the cost of the College's health insurance program.

- Total salary and benefit costs decreased by 2.4% due to no early retirements and two vacant staff positions.
- There was a 9.5% increase in expenditures related to the Auxiliary Fund. This was due to additional costs associated with athletics. In the last two years, the College has added two additional sports. These additional sports are contributing to the higher expenditures.

Statement of Cash Flows

The final statement included in North Iowa Area Community College’s basic financial statements is the Statement of Cash Flows. The Statement of Cash Flows is an important tool in helping the users to assess an entity’s ability to generate future net cash flows, its ability to meet its obligation 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. Information is presented for FY04 and FY03.

Cash Flows

	<u>Year ended June 30, 2004</u>	<u>Year ended June 30, 2003</u>
Cash provided (used) by:		
Operating activities	\$(9,133,899)	\$(10,018,552)
Non-capital financing activities	10,921,979	11,032,496
Capital and related financing activities	(1,172,856)	(439,752)
Investing activities	<u>187,653</u>	<u>263,922</u>
Net increase in cash	802,877	838,114
Cash beginning of the year	<u>13,454,763</u>	<u>12,616,649</u>
Cash end of the year	<u>\$ 14,257,640</u>	<u>\$ 13,454,763</u>

Cash used for operating activities includes tuition and fees and grants and contracts along with payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations, local property taxes received by the College and the receipt and disbursement of federal direct loan program proceeds. Cash used for capital and related financing activities represents the proceeds from debt, the principal and interest payments of debt and the purchase of capital assets. NIACC issued \$965,000 in Iowa New Jobs Training bonds in FY04. This was \$910,000 less than in FY03 contributing to the change in “Capital and related financing activities”. Cash provided by investing activities includes investment income earned. Interest rates continued to decline in FY04 causing NIACC to earn less interest revenue than in FY03.

CAPITAL ASSETS

At June 30, 2004, the College has approximately \$26.4 million invested in capital assets, less accumulated depreciation of \$12.5 million. Depreciation charges totaled \$943,611 for the 2004 fiscal year. Details for the capital assets are shown below.

Capital Assets, Net, at Year-End

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Land	\$ 329,656	\$ 329,656
Building	11,205,438	11,691,152
Construction in progress	33,667	-0-
Other structures and improvement	664,787	739,892
Equipment and vehicles	<u>1,672,257</u>	<u>1,606,119</u>
Total	<u>\$ 13,905,805</u>	<u>\$ 14,366,819</u>

Planned capital expenditures for the fiscal year ending June 30, 2005 and beyond include the construction of an addition to the kitchen area to accommodate a hospitality/food service program and remodeling of the auditorium. Infrastructure improvements include paving a gravel parking lot. The College spent \$494,739 in FY04 on a new administrative management information system. More detailed information about the College's capital assets is presented in Note 6 to the financial statements.

DEBT

At June 30, 2004, the College had \$6,960,628 in debt outstanding, a \$237,951 decrease from FY03. The table below summarizes these amounts by type.

Outstanding Debt

	<u>June 30, 2004</u>	<u>June 30, 2003</u>
Capital leases payable	\$ 5,628	\$ 8,579
Certificates payable	<u>6,955,000</u>	<u>7,190,000</u>
Total	<u>\$ 6,960,628</u>	<u>\$ 7,198,579</u>

More detailed information about the College's outstanding debt is presented in Note 7 to the financial statements.

ECONOMIC FACTORS

North Iowa Area Community College continued to improve its financial positions 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 potential challenges for the College to meet are:

- Although state general aid increased for FY05, the College will receive \$121,956 (1.5%) less than it did in FY00. Less state general aid requires the College to rely more and more on tuition revenue. This puts a greater burden on access to college for students.
- Expenses will continue to increase due to normal increases in salaries and benefits.
- Technology continues to expand and current technology becomes outdated presenting an on going challenge to maintain up to date technology at a reasonable cost.
- Demographics of the area continue to be a source of concern. The number of high school graduates will decline over the next five years and the population continues to age. This could impact enrollment at the College.
- Property tax revenue will decrease by \$172,000 (7.3%) in FY05. This reduction is due to the way property value is calculated on agricultural land.

Contact 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 North Iowa Area Community College, 500 College Drive, Mason City, IA 50401.

North Iowa Area Community College
Statement of Net Assets
June 30, 2004

	<u>Primary</u> <u>Institution</u>	<u>Component Units</u>	
		<u>Dormitories</u>	<u>Foundation</u>
Assets			
Current assets:			
Cash and investments	\$ 14,257,640	\$ 589,106	\$ 6,613,280
Receivables:			
Accounts (less allowance of \$146,544 College; \$37,500 Dormitories)	507,237	39,939	46,055
Property tax - succeeding year	2,762,001	-	-
Notes (less allowance of \$17,545)	7,507	-	-
Iowa Industrial New Jobs Training Program	942,100	-	-
Contributions receivable (less allowance of \$1,872)	-	-	327,776
Due from component units	13,151	-	-
Due from Dormitories	-	-	76,119
Due from other governments	531,352	-	-
Prepaid expenses	193,729	-	-
Inventories	5,725	-	-
Total current assets	<u>19,220,442</u>	<u>629,045</u>	<u>7,063,230</u>
Noncurrent Assets:			
Cash and investments	-	208,722	4,533,617
Receivables:			
Notes	47,747	-	-
Iowa Industrial New Jobs Training Program	1,958,032	-	-
Contributions receivable	-	-	105,906
Due from Dormitories	-	-	106,374
Investments in real estate	-	-	543,656
Trust interest	-	-	240,000
Capital assets, net of accumulated depreciation	13,905,805	2,106,828	-
Total noncurrent assets	<u>15,911,584</u>	<u>2,315,550</u>	<u>5,529,553</u>
Total Assets	<u>35,132,026</u>	<u>2,944,595</u>	<u>12,592,783</u>

North Iowa Area Community College
Statement of Net Assets
June 30, 2004

	Primary Institution	Component Units	
		Dormitories	Foundation
Liabilities			
Current Liabilities:			
Accounts payable	336,130	5,180	-
Salaries and benefits payable	805,533	-	-
Annuity payable	-	-	17,696
Interest payable	31,773	4,429	-
Compensated absences	373,940	-	-
Reserve for unsubmitted insurance claims	57,615	-	-
Deposits held in custody for others	283,892	10,459	-
Deferred revenue:			
Succeeding year property tax	2,762,001	-	-
Tuition	105,991	-	-
Other	225,346	-	-
Early retirement payable	83,571	-	-
Capital lease payable	3,229	-	-
Certificates payable	950,000	-	-
Due to Foundation	-	48,421	-
Bonds payable	-	64,953	-
Total current liabilities	6,019,021	133,442	17,696
Noncurrent liabilities:			
Early retirement payable	223,268	-	-
Deferred revenue, other	954,270	-	-
Deferred compensation	12,375	-	-
Annuity payable	-	-	104,867
Capital leases payable	2,399	-	-
Certificates payable	6,005,000	-	-
Due to Foundation	-	81,602	-
Bonds payable	-	527,273	-
Advance payable	62,000	-	-
Refundable advances on student loans	62,946	-	-
Total noncurrent liabilities	7,322,258	608,875	104,867
Total liabilities	13,341,279	742,317	122,563
Net assets			
Invested in capital assets, net of related debt	13,900,177	1,384,579	-
Restricted:			
Nonexpendable	-	-	2,112,895
Expendable:			
Loans	25,820	-	-
Cash Reserve	285,793	-	-
Other	400,116	208,722	8,451,950
Unrestricted	7,178,841	608,977	1,905,375
Total net assets	\$ 21,790,747	\$ 2,202,278	\$ 12,470,220

See notes to the financial statements.

North Iowa Area Community College
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2004

	<u>Primary</u>	<u>Component Units</u>	
	<u>Institution</u>	<u>Dormitories</u>	<u>Foundation</u>
Operating revenues:			
Tuition and fees, net scholarship allowances of \$1,449,002	\$ 6,093,648	\$ -	\$ -
Federal appropriations	4,277,760	-	-
State grants and contracts	89,311	-	-
Sales and service	388,615	-	-
Iowa Industrial New Jobs Training Program	1,125,205	-	-
Accounts receivable and student loan interest	14,231	-	-
Auxiliary enterprise revenue	703,029	-	-
Room and board	-	1,076,464	-
Contributions	-	-	2,483,341
Miscellaneous	1,469,542	37,006	-
	<u>14,161,341</u>	<u>1,113,470</u>	<u>2,483,341</u>
Total operating revenues			
Operating expenses:			
Education and support			
Liberal arts and sciences	5,329,321	-	-
Vocational technical	3,026,423	-	-
Adult education	3,245,813	-	-
Cooperative services	1,150,166	-	-
Administration	970,532	-	-
Student services	2,285,736	-	-
Learning resources	466,983	-	-
Physical plant	1,757,942	-	-
General institution	1,332,804	-	-
Auxiliary enterprises	852,606	-	-
Scholarship and grants	1,236,013	-	-
Iowa Workforce Development Contract	1,007,146	-	-
Loan cancellations and bad debt	44,841	-	-
Administrative and collection costs	449,641	-	-
Facility operations	-	922,131	-
Program services	-	-	470,919
Fundraising expenses	-	-	81,240
Management and general expenses	-	-	24,489
Depreciation	943,611	93,740	-
	<u>24,099,578</u>	<u>1,015,871</u>	<u>576,648</u>
Total operating expenses			
Operating income (loss)	<u>(9,938,237)</u>	<u>97,599</u>	<u>1,906,693</u>

North Iowa Area Community College
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2004

	<u>Primary</u>	<u>Component Units</u>	
	<u>Institution</u>	<u>Dormitories</u>	<u>Foundation</u>
Nonoperating revenues (expenses):			
State appropriations	7,773,527	-	-
Property tax	2,903,480	-	-
Gifts, including \$288,882 from the Foundation	304,657	-	-
Investment income, net of investment expense of \$25,588 for the Foundation	192,216	9,926	351,699
Unrealized gain on investments	-	-	1,556,158
Payments to the College	-	-	(391,267)
Gain (loss) on sale of capital assets	1,500	(84,484)	-
Change in value of split interest agreements	-	-	(12,664)
Interest on indebtedness	(467,057)	(39,247)	-
	<u>10,708,323</u>	<u>(113,805)</u>	<u>1,503,926</u>
Income before other revenues, expenses, gains or losses	770,086	(16,206)	3,410,619
Additions to permanent endowments	-	-	80,961
	<u>770,086</u>	<u>(16,206)</u>	<u>3,491,580</u>
Increase in net assets	770,086	(16,206)	3,491,580
Net assets beginning of year	21,020,661	2,218,484	8,978,640
Net assets end of year	<u>\$ 21,790,747</u>	<u>\$ 2,202,278</u>	<u>\$ 12,470,220</u>

See notes to the financial statements.

North Iowa Area Community College
Statement of Cash Flows
For the Year Ended June 30, 2004

Cash flows from operating activities:	
Tuition and fees	\$ 6,100,419
Federal appropriations	4,282,790
State grants and contracts	86,435
Iowa Industrial New Jobs Training Program	1,464,272
Payments to employees for salaries and benefits	(11,425,319)
Payments to suppliers for goods and services	(11,887,381)
Payments to New Jobs Training Program recipients	(796,916)
Scholarships	(205,462)
Loans issued to students	(29,651)
Loan collections from students	86,367
Auxiliary enterprise receipts	703,005
Other receipts	2,487,542
	<u> </u>
Net cash used by operating activities	<u>(9,133,899)</u>
Cash flows from non-capital financing activities:	
State appropriations	7,773,727
Property tax	2,903,480
Gifts for other than capital purposes	286,646
Federal direct lending receipts	3,787,498
Federal direct lending disbursements	(3,755,227)
Miscellaneous Agency Fund receipts	553,992
Miscellaneous Agency Fund disbursements	(628,137)
	<u> </u>
Net cash provided by non-capital financing activities	<u>10,921,979</u>
Cash flows from capital and related financing activities:	
Proceeds from issuance of debt	965,000
Proceeds from sale of capital assets	1,050
Acquisition of capital assets	(465,097)
Principal paid on debt and leases	(1,202,951)
Interest paid on debt and leases	(470,858)
	<u> </u>
Net cash used by capital and related financing activities	<u>(1,172,856)</u>
Cash flows from investing activities	
Investment income	187,653
	<u> </u>
Net cash provided by investing activities	<u>187,653</u>
Net increase in cash	802,877
Cash beginning of year	<u>13,454,763</u>
Cash end of year	<u><u>\$ 14,257,640</u></u>

**North Iowa Area Community College
Statement of Cash Flows
For the Year Ended June 30, 2004**

Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$ (9,938,237)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Depreciation	943,611
Consumption of donated materials and supplies	22,321
Transfer to repair and replacement fund	
Changes in assets and liabilities:	
Decrease in accounts receivable, net	104,102
Decrease in notes receivable, net	342,211
Increase in NJTP receivable	181,654
Increase in due from governments	(40,720)
Increase in prepaid expenses	(162,766)
Decrease in inventories	150
Decrease in accounts payable	(2,961)
Increase in salaries and benefits payable	31,100
Decrease in deferred revenue	(164,377)
Increase in deferred compensation	10,000
Increase in compensated absences	36,248
Decrease in early retirement payable	(88,076)
Decrease in reserve for unsubmitted insurance claims	(13,195)
Decrease in refundable advances on student loans	(394,964)
	<hr/>
Net cash used by operating activities	<u><u>\$ (9,133,899)</u></u>

Supplemental disclosures:

Noncash, non-capital financing activities:

The College received donated materials and supplies with a fair market value of \$22,321.

See notes to the financial statements.

North Iowa Area Community College
Notes to Financial Statements
June 30, 2004

Note 1 - Summary of Significant Accounting Policies

Nature of Activities - North Iowa Area Community College (College) is a publicly supported post secondary two-year institution established and operated by Merged Area II under the provisions of Chapter 260C of the Code of Iowa. The College offers programs of adult and continuing education, lifelong learning, community education, and up to two years of liberal arts, pre-professional or occupational instruction partially fulfilling the requirements for a baccalaureate degree but confers no more than an associate degree. It also offers up to two years of vocational or technical education, and training or retraining to persons who are preparing to enter the labor market. North Iowa Area Community College maintains a campus and has its administrative offices in Mason City, Iowa. North Iowa Area Community College is governed by a Board of Directors whose members are elected from each director district within Merged Area II.

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

A. Reporting Entity

For financial reporting purposes, North Iowa Area Community College has included all funds, organizations, 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. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the College to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the College.

Discrete Component Units

NIACC Dormitories, Inc. (Dormitories), is a legally separate component unit of the College that provides student housing for the College. The Dormitories are controlled by a separate board of directors which is not appointed by the College. Although the College does not control the amount or timing of receipts from the Dormitories, the majority of the economic resources that are held are used for the benefit of the College. The Dormitories is exempt from income taxes under Section 509(a)(3) of the Internal Revenue Code. Independent auditors have audited the Dormitories and a separate report has been issued thereon and is available at the Dormitories' administrative office.

Note 1 - Summary of Significant Accounting Policies (continued)

North Iowa Area Community College Foundation (Foundation) is a legally separate component unit of the College. The Foundation solicits gifts and grants to support the activities and services of the College. The Foundation is controlled by a separate board of directors that is not appointed by the College. Although the College does not control the timing or amount of receipts from the Foundation, the majority of the economic resources, or income thereon that the Foundation holds and invests are restricted to the activities of the College and for scholarships to its' students by the donors. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation has been determined not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. Independent auditors have audited the Foundation and a separate report has been issued thereon and is available at the Foundation's administrative office.

The Foundation is a nonprofit organization that reports under FASB standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features.

The Foundation has a fiscal year end of December 31. Accordingly, the Foundation's financial information included in the College's financial reporting entity is as of and for the year ended December 31, 2003. Foundation payables to the College were \$-0- and \$534 at December 31, 2003 and June 30, 2004, respectively.

B. Financial Statement Presentation

GASB Statement No. 35 establishes standards for external reporting for public colleges and universities and requires that resources be classified for accounting and reporting purposes into the following four net asset categories:

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:

Nonexpendable – Net assets subject to externally-imposed stipulations that they be maintained permanently by the College.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Unrestricted Net Assets: Net assets that are not subject to externally-imposed situations. Unrestricted net assets are used primarily for academic and general programs of the College. Resources may be designated for specific purposes by action of management or by the Board of Directors or may otherwise be limited by contractual agreements with outside parties. Board designated unrestricted net assets are intended for the following purposes:

Computer system upgrades	\$ 183,170
Tech-prep	290,117
Economic development	300,000
Indianhead	<u>152,698</u>
	<u>\$ 925,985</u>

Under the College's centralized management structure, it is the responsibility of the business office to determine whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

GASB Statement No. 35 also requires that the basic financial statements (Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and the Statement of Cash Flows) report information on all of the activities of the College. The effect of interfund activity has been removed from these statements.

C. Measurement Focus and Basis of Accounting

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

The College has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The College has elected not to apply FASB statements issued after the applicable date.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets

Cash and Investments – Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, the College considers highly liquid debt instruments purchased with an original maturity of less than three months or less to be cash equivalents.

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

Receivable for Iowa Industrial New Jobs Training Program (NJTP) – This represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenditures incurred through June 30, 2004 on NJTP projects, including interest incurred on NJTP certificates, less revenues received to date.

Due from Other Governments – This represents state aid, grants and reimbursements due from the State of Iowa and grants and reimbursements due from the Federal government.

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

Capital assets are defined by the College as assets with initial, individual costs in excess of \$5,000.

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

College:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Other structures and improvements	20
Furniture and equipment	4 – 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.

Dormitories:

<u>Assets</u>	<u>Years</u>
Buildings and parking lot	20 - 50
Furniture and equipment	10

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

Compensated Absences – College employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. Amounts representing the cost of compensated absences are recorded as liabilities based on rates of pay in effect at June 30, 2004.

Deferred Revenue – The deferred revenue for succeeding year property tax represents amounts certified by the Board of Directors to be collected in the next fiscal year. Although the property tax receivable has been recorded, the related revenue is deferred and will be recognized as revenue in the year for which it is levied.

Deferred tuition includes summer session activity which will be recognized as revenue in the following fiscal year.

Other deferred revenues include administrative fees received by the College for the administration of new jobs training projects. The administrative fees are recognized as revenue over a nine year period for projects administered in accordance with Chapter 260E of the Code of Iowa and over a two year period for projects administered in accordance with Chapter 260F.

Note 1 - Summary of Significant Accounting Policies (continued)

Advance Payable – The College entered into a five year cost-sharing arrangement on December 30, 1998 related to health care education programs, services to health care providers, and community health related courses provided by the College. The arrangement automatically renewed on December 30, 2003 for an additional five year period. Pursuant to the arrangement, the College was advanced \$62,000 (to be returned upon termination of the arrangement) and receives a subsidy equal to 76% of the operating and capital costs not covered by tuition and fees. The arrangement can be terminated by either party upon 90 days written notice. The subsidy for the year ended June 30, 2004 totaled \$327,280.

Refundable Advances on Student Loans – The Perkins Federal Loan and Nursing Student Loan programs require a return of Federal Capital Contributions if the United States Government terminates the program. At June 30, 2004, the College was in the process of terminating participation in the Federal Perkins Loan Program.

Auxiliary Enterprise Revenues – Auxiliary Enterprise revenues primarily represent revenues generated by the bookstore, food service, word processing, central stores and athletics.

Summer Session – The College operates summer sessions during May, June, and July. Revenues and expenditures for the summer sessions are recorded on a pro rata basis between fiscal years.

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 and fellowship expenses.

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

E. Scholarship Allowances and Student Aid

Student aid represents payments made directly to students in the form of scholarships and grants. The College distributes funds to students on behalf of the Federal government under the Federal Pell Grant Program and Federal Supplemental Educational Opportunity Grant Program. The activity of these programs is reflected in the accompanying financial statements as operating revenues. Any aid applied directly to the students account in payment of tuition and fees is recorded as a scholarship allowance and is deducted from the College's revenues.

Note 1 - Summary of Significant Accounting Policies (continued)

The College distributes loans to students under the Federal Direct Loan Program. Under this program, the U.S. Department of Education makes subsidized and unsubsidized loans to students. During the year ended June 30, 2004, the College disbursed \$3,739,245 under the Federal Direct Loan Program. Direct student loans are not included in the College's Statement of Net Assets since they are repayable directly to the U.S. Department of Education. Payments made by Federal Direct Lending are accounted for as third party payments and are credited to the student's account as if the student made the payment.

F. Income Taxes

The College is exempt from federal income taxes under the provisions of Internal Revenue Code Section 115 as a political subdivision of the State of Iowa. As such, the College is subject to federal income taxes only on unrelated business taxable income under the provisions of Internal Revenue Code Section 511.

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

Note 2 - Cash and Investments

Cash and deposits at financial institutions can be categorized by types of credit risk as follows: 1) Insured or collateralized with securities held by the entity or the entity's agent in its name, 2) Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name, or 3) Uncollateralized.

Investments are categorized by types of credit risk as follows: 1) Insured or registered, or securities held by the entity or its agent in the entity's name, 2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name, or 3) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the entity's name.

College: 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 Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Note 2 - Cash and Investments (continued)

The College's deposits and investments as of June 30, 2004 consisted solely of cash and certificates of deposit and are all category one.

Foundation: The Foundation is authorized by the Board of Directors to invest funds in deposits at FDIC insured institutions, bonds, equity securities, and real estate.

The fair values of the Foundation's cash and investments were as follows:

	Category 1	Category 2	Category 3	Total
Cash	\$ 2,109,937	\$ -	\$ 55,637	\$ 2,165,574
Equity securities	124,257	-	-	124,257
Mutual funds				8,857,066
				<u>\$ 11,146,897</u>

Note 3 – Contributions Receivable

Foundation receivables related to unconditional promises to give are as follows:

Unconditional promises to give consist of the following:

Unrestricted promises	\$ 52,013
Temporarily restricted auditorium capital fund	130,000
Temporarily restricted scholarships	123,200
Temporarily restricted entrepreneurial center	125,000
Temporarily restricted other	10,099
Permanently restricted scholarships	862
Gross promises to give	<u>441,174</u>
Less discounts to present value	(5,620)
Less allowance for uncollectible amounts	<u>(1,872)</u>
Net unconditional promises to give	<u>\$ 433,682</u>
Amounts due in:	
Less than one year	\$ 329,648
One to five years	<u>111,526</u>
	<u>\$ 441,174</u>

Unconditional promises to give are reflected at the present value of future cash flows using a discount rate of 3.25%.

Note 4 – Inventories

The College’s inventories at June 30, 2004 are as follows:

Type	Amount
Livestock	\$ 5,725

Note 5 – Trust Interest

The Foundation is the remainder man of a charitable remainder annuity trust. The trust consists of sixty acres of farm land. The trust is obligated to make annual payments to the beneficiaries in the amount of \$14,000. At December 31, 2003, the recorded asset was \$240,000 and the present value liability of the annuity payments to the beneficiaries was \$108,535.

Note 6 - Capital Assets

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

College:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not depreciated:				
Land	\$ 329,656	\$ -	\$ -	\$ 329,656
Construction in progress	-	33,667	-	33,667
Total capital assets not depreciated	<u>329,656</u>	<u>33,667</u>	<u>-</u>	<u>363,323</u>
Depreciable capital assets:				
Buildings	19,364,266	-	-	19,364,266
Other structures	2,037,708	-	-	2,037,708
Furniture and equipment	4,328,619	448,930	102,924	4,674,625
Total depreciable capital assets	<u>25,730,593</u>	<u>448,930</u>	<u>102,924</u>	<u>26,076,599</u>
Less accumulated depreciation:				
Buildings	7,673,114	485,714	-	8,158,828
Other structures	1,297,816	75,105	-	1,372,921
Furniture and equipment	2,722,500	382,792	102,924	3,002,368
Total accumulated depreciation	<u>11,693,430</u>	<u>943,611</u>	<u>102,924</u>	<u>12,534,117</u>
Total depreciable capital assets, net	<u>14,037,163</u>	<u>(494,681)</u>	<u>-</u>	<u>13,542,482</u>
Capital assets, net	<u>\$ 14,366,819</u>	<u>\$ (461,014)</u>	<u>\$ -</u>	<u>\$ 13,905,805</u>

Furniture and equipment includes \$12,500 (cost of \$17,500 less accumulated depreciation of \$5,000) of assets acquired under capital leases.

Note 6 - Capital Assets (continued)

Dormitories:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not depreciated, land	\$ 11,100	\$ -	\$ -	\$ 11,100
Depreciable capital assets:				
Buildings and parking lot	3,651,316	-	-	3,651,316
Furniture and equipment	513,706	19,116	397,034	135,788
Total depreciable capital assets	4,165,022	19,116	397,034	3,787,104
Less accumulated depreciation:				
Buildings and parking lot	1,546,063	80,794	-	1,626,857
Furniture and equipment	364,123	12,946	312,550	64,519
Total accumulated depreciation	1,910,186	93,740	312,550	1,691,376
Total depreciable capital assets, net	2,254,836	(74,624)	84,484	2,095,728
Capital assets, net	\$ 2,265,936	\$ (74,624)	\$ 84,484	\$ 2,106,828

Note 7 - Changes in Noncurrent Liabilities

A summary of changes in noncurrent liabilities for the year ended June 30, 2004 is as follows:

College:	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Debt:					
Capital leases payable	\$ 8,579	\$ -	\$ 2,951	\$ 5,628	\$ 3,229
Certificates payable	7,190,000	965,000	1,200,000	6,955,000	950,000
Subtotal	7,198,579	965,000	1,202,951	6,960,628	953,229
Other liabilities:					
Early retirement	399,766	13,395	106,322	306,839	83,571
Deferred revenue, other	1,188,537	381,110	390,031	1,179,616	225,346
Deferred compensation	2,375	10,000	-	12,375	-
Advance payable	62,000	-	-	62,000	-
Refundable advances					
on student loans	457,911	758	395,723	62,946	-
Subtotal	2,110,589	405,263	892,076	1,623,776	308,917
Total noncurrent liabilities	\$9,309,168	\$1,370,263	\$2,095,027	\$8,584,404	\$1,262,146

Note 7 - Changes in Noncurrent Liabilities (continued)

Capital Leases

The College entered into an agreement to lease a skid loader. The agreement is for a period of five years at an interest rate of 9.04%. The lease expires in the fiscal year ending June 30, 2006. The following is a schedule by year of future minimum lease payments and the present value of net minimum lease payments under the agreement described above in effect at June 30, 2004:

<u>Year ending</u> <u>June 30,</u>	<u>Amount</u>
2005	\$ 3,759
2006	<u>2,625</u>
Total minimum lease payments	6,384
Less amount representing interest	<u>756</u>
 Present value of net minimum lease payments	 <u>\$ 5,628</u>

Payments under this agreement for the year ended June 30, 2004 totaled \$3,759.

Certificates Payable

In accordance with agreements dated between December 1, 1995 and December 1, 2003, the College issued certificates totaling \$11,430,000 with interest rates ranging from 2.65% to 8.25%. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new to or are expanding their operations within the State of Iowa. Interest is payable semiannually, while principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property tax, budgeted reserves and, in the case of default, from standby property tax.

Note 7 - Changes in Noncurrent Liabilities (continued)

The certificates will mature as follows:

Year ending				
June 30,	Principal	Interest	Total	
2005	\$ 950,000	\$ 422,208	\$ 1,372,208	
2006	955,000	370,385	1,325,385	
2007	970,000	314,804	1,284,804	
2008	1,020,000	256,904	1,276,904	
2009	915,000	193,729	1,108,729	
2010-2013	<u>2,145,000</u>	<u>261,127</u>	<u>2,406,127</u>	
Total	<u>\$ 6,955,000</u>	<u>\$ 1,819,157</u>	<u>\$ 8,774,157</u>	

Early Retirement and Contingent Liability

Full-time certified staff who will be between the ages of 55 and 62 and who have at least 10 years of continuous service with the College are eligible for early retirement remuneration. All other full-time staff who will be between 55 and 62 years of age and who have at least 15 years of service with the College are eligible for early retirement remuneration. Early retirement will begin at the end of the employee's contract. A staff member who accepts early retirement will receive the cash benefits at their option but no later than the January after the calendar year of retirement. An employee in the range of ages between 59 and 62 may select from the following options 1) one-time cash payment, 2) partially paid family health insurance coverage, 3) partially paid individual health insurance coverage and partial cash payment, 4) mid-year early retirement.

The liability at June 30, 2004 for those employees who have elected early retirement was \$306,839. Included in the early retirement liability is a provision for future health insurance benefits elected by sixteen retirees totaling \$299,512. Early retirement is funded on a pay-as-you-go basis through property tax levies. Twenty-three retirees received early retirement benefits during the year and the College's early retirement expense for the year ended June 30, 2004 was \$13,395.

At June 30, 2004, the potential liability, if all eligible employees accepted early retirement, is approximately \$687,851.

Note 7 - Changes in Noncurrent Liabilities (continued)

Dormitories:	Beginning			Ending	
	Balance	Additions	Reductions	Balance	Current Portion
Note payable - Foundation	\$ 174,151	\$ -	\$ 44,128	\$ 130,023	\$ 48,421
Bonds payable:					
Dept. of Education	605,000	-	60,000	545,000	60,000
GMAC	52,033	-	4,807	47,226	4,953
Total noncurrent liabilities	<u>\$ 831,184</u>	<u>\$ -</u>	<u>\$ 108,935</u>	<u>\$ 722,249</u>	<u>\$ 113,374</u>

Aggregate maturities required on notes payable and general obligation bonds are as follows:

Year ending June 30:	
2005	\$ 113,374
2006	123,233
2007	98,729
2008	70,416
2009	75,579
2010-2014	<u>240,918</u>
Total	<u>\$ 722,249</u>

The Dormitories have an unsecured \$130,023, 9.5% construction note payable to the Foundation which is due in semiannual installments of \$29,825, including interest, through December 31, 2006.

General obligation bonds payable to the United States of America, Department of Education, with a June 30, 2004 balance of \$545,000, are collateralized by a first mortgage on the resident and dining facilities, the on-site parking and a first lien and pledge of the net revenues to be derived from the operation of the project. The bonds bear interest at 3% which is payable semiannually on April 1 and October 1. The loan contains various restrictive covenants including usage of facilities, insurance requirements and reserve requirements as follows:

A Bond and Interest Sinking Fund is to be established with a trustee. The amount of \$47,900, or an amount sufficient to meet the interest on the outstanding bonds due on the next interest payment date, and one-half of the principal due within the succeeding 12 months, is to be transferred to the fund five days before each due date of payment. During the year ended June 30, 2004, payments of \$77,400 were transferred to the trustee. \$6,345 was transferred to this fund from the Debt Service Reserve Fund. Nothing was transferred to the Debt Service Reserve Fund from this fund. Interest of \$103 was earned and \$78,150 was paid to the United States of America, Department of Education. On June 30, 2004, there was a balance of \$6,257 in this fund.

A Debt Service Reserve Fund is to be established with a trustee. During the year ended June 30, 2004, there were no payments transferred to the trustee. Nothing was transferred to this fund from the Bond and Interest Sinking Fund. \$6,345 was transferred to the Bond and Interest Sinking Fund from this fund. Interest of \$38 was earned. The fund had a balance of \$73,313 on June 30, 2004.

Note 7 - Changes in Noncurrent Liabilities (continued)

A Repair and Replacement Reserve Fund is to be established with a trustee and deposits are to be made thereto. If cash flow permits, a maximum of \$12,500 annually may be deposited, with the balance of the fund not to exceed \$250,000. During the year ended June 30, 2004, payments of \$12,500 were transferred into the fund and interest of \$162 was earned. On June 30, 2004, there was a balance of \$122,747 in this fund.

General obligation bonds payable to GMAC Commercial Mortgage Corporation with a June 30, 2004, balance of \$47,226 bear interest at 3% and are collateralized by the net revenues derived from the operation of the dormitory and dining facilities, subordinate only to the NIACC Dormitories, Inc. general obligation bonds discussed above. Payments of \$3,166 including interest, are payable semiannually on April 1 and October 1. The loan contains various restrictive covenants, including usage of facilities, insurance requirements and reserve requirements as follows:

A Debt Service Payment and Reserve Fund is to be established with a trustee who is a member of the Federal Deposit Insurance Corporation. During the year ended June 30, 2004, payments of \$6,193 were transferred to the trustee, interest of \$77 was earned and \$6,332 was paid to GMAC Commercial Mortgage Corporation. On June 30, 2004, there was a balance of \$6,405 in this fund.

Note 8 - 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. The leases expire between 2005 and 2006 and require various minimum annual rentals. Certain leases are renewable for additional periods. In most cases, management expects that the leases will be renewed or replaced by other leases. The College also leases copiers under non-cancelable operating leases that expire in April 2008. 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,	Copier Leases	Facilities Leases	Total
2005	\$ 30,910	\$ 13,071	\$ 43,981
2006	30,910	13,071	43,981
2007	30,910	-	30,910
2008	28,334	-	28,334
Total	<u>\$ 121,064</u>	<u>\$ 26,142</u>	<u>\$ 147,206</u>

Rents for the year ended June 30, 2004 for all operating leases, except those with terms of a month or less that were not renewed, totaled \$49,661.

Note 9 - Iowa Public Employees Retirement System (IPERS)

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

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual payroll. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$291,796, \$269,968, and \$320,309, respectively, equal to the required contributions for each year.

Note 10 - 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 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 3.7% 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 \$284,615 and \$183,144, respectively.

Note 11 - Risk Management

College: The College is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The College purchases commercial insurance to cover these risks of loss retaining the risk of loss up to \$10,000 for general liability. Anything in excess of \$10,000 is covered by commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the past three fiscal years. There have been no reductions in insurance coverage from prior years.

The College purchases commercial insurance for employee health, dental, and vision insurance. Beginning January 1, 1996, the College began self-funding the plan for the difference in the \$500 deductible plan to the \$100 deductible amount. The activity in the reserve for unsubmitted insurance claims is as follows:

Note 11 - Risk Management (continued)

Beginning Balance	Claims and Changes in Estimates	Claims and Administrative Fees Paid	Ending Balance
\$ 64,197	\$ 108,515	\$ 115,097	\$ 57,615

Dormitories: The Dormitories has the same insurance coverage as the College, since it is covered under the same insurance policies for commercial and employee health plans. There have been no reductions in insurance coverage from prior years.

Note 12 - New Jobs Training Programs

The College administers the Iowa Industrial New Jobs Training Program (NJTP) and the Iowa Small Business New Jobs Training, Retraining Programs, and High Technology Apprenticeship Programs (SBNJTP) in Area II in accordance with Chapter 260E and 260F, respectively, of the Code of Iowa.

NJTP's purpose is to provide tax-aided training and 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 jobs credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered eighty-nine projects with eighteen projects currently receiving project funding. Of the remaining projects, forty-four are completed, twenty-four of the projects are complete with only repayment of the certificates left, and three have defaulted on their obligations, leaving a balance owed of \$260,000. In the case of projects which fail to meet their obligations under the training agreement, additional funding may be provided by the Company. The College also has the option to levy a standby tax in order to retire the remaining certificate balance. As of June 30, 2004, the Iowa New Jobs Training receivable balance for projects which have defaulted on their obligations was \$31,702. In cases where projects exceed the budgeted amounts, the College intends to obtain additional withholding revenue from the companies.

SBNJTP retraining and high technology apprenticeship projects administered by the College provide training funds to small businesses. Approved small businesses receive an advance of training funds from the State of Iowa. Employers which complete the training project in accordance with the training agreement are not required to repay the advance to the State. Since inception, the College has administered one hundred twenty-eight training and high technology apprenticeship projects. One hundred eight of the projects have been completed and twenty are currently receiving project funding.

Note 13 - Commitments

As of June 30, 2004, the College had outstanding commitments for capital improvements to facilities of \$262,969. In addition, the College had a commitment under a contract to purchase software in the amount of \$85,710.

Note 14 - Subsequent Events

Iowa Industrial New Jobs Training Program (NJTP) – On December 1, 2004, the College issued certificates totaling \$1,790,000 for seven projects. The debt was incurred as allowed by Chapter 260E of the Code of Iowa.

Auditorium Renovation – On December 16, 2004, the Board of Directors approved the contract for the auditorium renovation and addition project totaling \$1,032,756.

Note 15 - Accounting Change

For the year ended June 30, 2004, the College implemented Governmental Accounting Standards Board Statement No. 39, *Determining Whether Certain Organizations are Component Units*. The significant change in the financial statements includes reporting the financial statements of the NIACC Foundation and NIACC Dormitories, Inc. as discretely presented component units. Since the component units are discretely presented, there is no change in the College's previously presented net assets.

North Iowa Area Community College
Budgetary Comparison Schedule of Expenditures Budget and Actual
For the Year Ended June 30, 2004

Funds/Levy	Original Budget	Final Budget	Actual	Variance with Final Budget
Unrestricted	\$ 19,164,024	\$ 19,164,024	\$ 17,933,801	\$ 1,230,223
Restricted	4,800,400	4,800,400	2,428,873	2,371,527
Unemployment	30,000	30,000	9,535	20,465
Insurance	242,000	242,000	221,076	20,924
Early retirement	120,000	120,000	14,205	105,795
Equipment replacement	453,216	453,216	346,901	106,315
Total Restricted	5,645,616	5,645,616	3,020,590	2,625,026
Plant	2,700,000	2,700,000	476,211	2,223,789
Total	\$ 27,509,640	\$ 27,509,640	\$ 21,430,602	\$ 6,079,038

The Board of Directors annually prepares a budget designating the proposed expenditures for operation of the College on a basis consistent with accounting principles generally accepted in the United States of America. Following required public notice and hearing, and in accordance with Chapter 260C of the Code of Iowa, the Board of 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. There were no amendments to the budget in the current fiscal year.

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

See accompanying independent auditor's report.

North Iowa Area Community College
Balance Sheet
June 30, 2004

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Assets			
Cash and investments	\$ 4,023,369	\$ 6,211,435	\$ 51,367
Receivables:			
Accounts (less allowance \$146,544)	480,927	7,438	-
Property tax - succeeding year	893,473	975,055	-
Notes (less allowance of \$17,545)	-	-	55,254
Iowa Industrial New Jobs Training Program	-	2,900,132	-
Due from component units	441	-	-
Due from other funds	66,976	145,407	83
Due from other governments	231,010	202,866	-
Prepaid expenses	187,316	2,413	-
Inventories	5,725	-	-
Plant assets:			
Land	-	-	-
Buildings	-	-	-
Construction in progress	-	-	-
Other structures and improvements	-	-	-
Furniture and equipment	-	-	-
Accumulated Depreciation	-	-	-
Total Assets	\$ 5,889,237	\$ 10,444,746	\$ 106,704

Schedule 2

Plant Funds					
Unexpended Funds	Retirement of Indebtedness	Investment in Plant	Agency Funds	Adjustments	Total
\$ 3,759,293	\$ -	\$ -	\$ 212,176	\$ -	\$ 14,257,640
2,388	-	-	16,484	-	507,237
893,473	-	-	-	-	2,762,001
-	-	-	-	-	55,254
-	-	-	-	-	2,900,132
-	-	-	12,710	-	13,151
-	-	-	331	(212,797)	-
-	-	-	97,476	-	531,352
4,000	-	-	-	-	193,729
-	-	-	-	-	5,725
-	-	329,656	-	-	329,656
-	-	19,364,266	-	-	19,364,266
-	-	33,667	-	-	33,667
-	-	2,037,708	-	-	2,037,708
-	-	4,674,625	-	-	4,674,625
-	-	-	-	(12,534,117)	(12,534,117)
\$ 4,659,154	\$ -	\$ 26,439,922	\$ 339,177	\$ (12,746,914)	\$ 35,132,026

North Iowa Area Community College
Balance Sheet
June 30, 2004

	Current Funds		Loan Funds
	Unrestricted	Restricted	
Liabilities and Fund Equity			
Liabilities:			
Accounts payable	\$ 253,449	\$ 47,004	\$ -
Salaries and benefits payable	818,595	21,220	-
Interest payable	-	31,773	-
Due to other funds	137,526	34,763	\$ 17,938
Compensated absences	295,652	67,456	-
Reserve for unsubmitted insurance claims	(83,492)	127,881	-
Deposits held in custody for others	-	-	-
Advance payable	62,000	-	-
Deferred revenue:			
Succeeding year property tax	893,473	975,055	-
Tuition	5,096	-	-
Other	145	1,179,471	-
Deferred compensation		12,375	
Early retirement payable	-	306,839	-
Capital lease payable	-	-	-
Certificates payable	-	6,955,000	-
Refundable advances on student loans	-	-	62,946
Total Liabilities	2,382,444	9,758,837	80,884
Fund Balance:			
Invested in capital assets, net of related debt	-	-	-
Fund balances:			
Restricted, expendable:			
Loans	-		25,820
Cash Reserve	-	285,793	-
Other	-	400,116	-
Unrestricted	3,148,499	-	-
Auxiliary enterprises	358,294	-	-
Total Fund Equity	3,506,793	685,909	25,820
Total Liabilities and Fund Equity	\$ 5,889,237	\$ 10,444,746	\$ 106,704

See accompanying independent auditor's report.

Schedule 2

Plant Funds						
Unexpended	Retirement	Investment	Agency			
Funds	of	in Plant	Funds	Adjustments	Total	
	Indebtedness					
\$ 15,000	\$ -	\$ -	\$ 20,677	\$ -	\$ 336,130	
-	-	-	1,451	(35,733)	805,533	
-	-	-	-	-	31,773	
13,471	-	-	9,099	(212,797)	-	
-	-	-	10,832	-	373,940	
-	-	-	13,226	-	57,615	
-	-	-	283,892	-	283,892	
-	-	-	-	-	62,000	
893,473	-	-	-	-	2,762,001	
-	-	-	-	100,895	105,991	
-	-	-	-	-	1,179,616	
-	-	-	-	-	12,375	
-	-	-	-	-	306,839	
-	-	5,628	-	-	5,628	
-	-	-	-	-	6,955,000	
-	-	-	-	-	62,946	
921,944	-	5,628	339,177	(147,635)	13,341,279	
-	-	26,434,294	-	(12,534,117)	13,900,177	
-	-	-	-	-	25,820	
-	-	-	-	-	285,793	
-	-	-	-	-	400,116	
3,737,210	-	-	-	(65,162)	6,820,547	
-	-	-	-	-	358,294	
3,737,210	-	26,434,294	-	(12,599,279)	21,790,747	
\$ 4,659,154	\$ -	\$ 26,439,922	\$ 339,177	\$ (12,746,914)	\$ 35,132,026	

North Iowa Area Community College
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2004

	Current Funds	
	Unrestricted	Restricted
Revenues:		
General:		
State appropriations	\$ 7,742,018	\$ 31,509
State grants and contracts	-	89,311
Tuition and fees	7,455,828	86,822
Property tax	959,475	984,702
Federal appropriations	427,605	3,850,155
Sales and services	441,949	9,333
Interest on investments	52,500	90,927
Accounts receivable and student loan interest	8,241	-
Iowa Industrial New Jobs Training Program	-	1,293,308
Increase in plant investment due to donated assets	-	-
Increase in plant investment due to plant expenditures (including \$361,706 in current fund expenditures)	-	-
Increase in plant investment due to retirement of debt	-	-
Sale of plant assets	-	1,500
Gifts	64,504	113,291
Miscellaneous	1,095,846	356,487
	18,247,966	6,907,345
Auxiliary enterprises:		
Sales and services	670,895	-
Interest on investments	6,383	-
Gifts	126,862	-
Miscellaneous	32,134	-
	836,274	-
Total revenues	19,084,240	6,907,345

Schedule 3

Loan Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment in Plant		
\$ -	\$ -	\$ -	\$ -	\$ -	7,773,527
-	-	-	-	-	89,311
-	-	-	-	(1,449,002)	6,093,648
-	959,303	-	-	-	2,903,480
-	-	-	-	-	4,277,760
-	-	-	-	(62,667)	388,615
1,231	41,175	-	-	-	185,833
5,990	-	-	-	-	14,231
-	-	-	-	(168,103)	1,125,205
-	-	-	-	-	-
-	-	-	482,597	(482,597)	-
-	-	-	2,951	(2,951)	-
-	-	-	-	-	1,500
-	-	-	-	-	177,795
18,074	-	-	-	(865)	1,469,542
25,295	1,000,478	-	485,548	(2,166,185)	24,500,447
-	-	-	-	-	670,895
-	-	-	-	-	6,383
-	-	-	-	-	126,862
-	-	-	-	-	32,134
-	-	-	-	-	836,274
25,295	1,000,478	-	485,548	(2,166,185)	25,336,721

North Iowa Area Community College
Mason City, Iowa
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2004

	Current Funds	
	Unrestricted	Restricted
Expenditures:		
Education and Support:		
Liberal arts and sciences	5,213,803	155,114
Vocational technical	2,783,728	291,825
Adult education	3,247,767	20,029
Cooperative services	62,546	1,393,468
Administration	1,120,744	5,980
Student services	2,074,558	366,847
Learning resources	467,132	-
Physical plant	1,772,487	150,568
General institution	1,191,036	170,510
Total education and support	<u>17,933,801</u>	<u>2,554,341</u>
Auxiliary enterprises	870,523	-
Scholarships and grants	-	2,382,837
Iowa Workforce Development Contract	-	1,049,312
Loan cancellations and bad debts	-	-
Administrative and collection costs	-	-
Plant asset acquisitions	-	-
Retirement of indebtedness	-	-
Disposal of plant assets	-	-
Interest on indebtedness	-	466,249
Depreciation	-	-
Total expenditures	<u>18,804,324</u>	<u>6,452,739</u>
Excess (deficiency) of revenues over (under) expenditures	<u>279,916</u>	<u>454,606</u>
Transfers:		
Transfers in	17,938	140,632
Transfers out	-	(140,632)
Total transfers	<u>17,938</u>	<u>-</u>
Net	297,854	454,606
Fund balances beginning of year	<u>3,208,939</u>	<u>231,303</u>
Fund balances end of year	<u>\$ 3,506,793</u>	<u>\$ 685,909</u>

See accompanying independent auditor's report.

Schedule 3

Loan Funds	Plant Funds			Adjustments	Total
	Unexpended	Retirement of Indebtedness	Investment in Plant		
-	-	-	-	(39,596)	5,329,321
-	-	-	-	(49,130)	3,026,423
-	-	-	-	(21,983)	3,245,813
-	-	-	-	(305,848)	1,150,166
-	-	-	-	(156,192)	970,532
-	-	-	-	(155,669)	2,285,736
-	-	-	-	(149)	466,983
-	-	-	-	(165,113)	1,757,942
-	-	-	-	(28,742)	1,332,804
-	-	-	-	(922,422)	19,565,720
-	-	-	-	(17,917)	852,606
-	-	-	-	(1,146,824)	1,236,013
-	-	-	-	(42,166)	1,007,146
44,841	-	-	-	-	44,841
10,856	438,785	-	-	-	449,641
-	33,667	-	-	(33,667)	-
-	-	2,951	-	(2,951)	-
-	-	-	102,924	(102,924)	-
-	-	808	-	-	467,057
-	-	-	-	943,611	943,611
55,697	472,452	3,759	102,924	(1,325,260)	24,566,635
(30,402)	528,026	(3,759)	382,624	(840,925)	770,086
-	-	3,759	-	(162,329)	-
(17,938)	(3,759)	-	-	162,329	-
(17,938)	(3,759)	3,759	-	-	-
(48,340)	524,267	-	382,624	(840,925)	770,086
74,160	3,212,943	-	26,051,670	(11,758,354)	21,020,661
\$ 25,820	\$ 3,737,210	\$ -	\$ 26,434,294	\$ (12,599,279)	\$ 21,790,747

North Iowa Area Community College
Unrestricted Fund - Education and Support
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2004

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
Revenues:				
State appropriations	\$ 4,090,161	\$ 1,466,171	\$ 2,180,459	\$ -
Tuition and fees	4,477,334	1,420,501	1,557,293	-
Property tax	-	-	-	-
Federal Appropriations	-	161,894	260,159	-
Sales and services	15,401	54,982	203,003	30,120
Interest on investments	-	-	1,353	-
Accounts receivable interest	-	-	-	-
Gifts	250	9,029	10,000	-
Miscellaneous	334,512	263,195	448,179	-
	<u>8,917,658</u>	<u>3,375,772</u>	<u>4,660,446</u>	<u>30,120</u>
Allocation of support services	669,904	240,154	353,912	-
Total revenues	<u>9,587,562</u>	<u>3,615,926</u>	<u>5,014,358</u>	<u>30,120</u>
Expenditures:				
Salaries and benefits	4,895,746	2,246,410	1,366,638	17,548
Services	103,389	198,055	1,606,371	42,845
Materials and supplies	132,640	293,530	204,651	1,990
Travel	39,859	22,462	56,144	163
Plant asset acquisitions	41,889	23,271	13,963	-
Interest on indebtedness	-	-	-	-
Miscellaneous	280	-	-	-
	<u>5,213,803</u>	<u>2,783,728</u>	<u>3,247,767</u>	<u>62,546</u>
Allocation of support services	3,511,757	1,258,932	1,855,268	-
Total expenditures	<u>8,725,560</u>	<u>4,042,660</u>	<u>5,103,035</u>	<u>62,546</u>
Excess (deficiency) of revenues over (under) expenditures	<u>862,002</u>	<u>(426,734)</u>	<u>(88,677)</u>	<u>(32,426)</u>
Transfers:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net	<u>\$ 862,002</u>	<u>\$ (426,734)</u>	<u>\$ (88,677)</u>	<u>\$ (32,426)</u>

Fund balances beginning of year

Fund balances end of year

See accompanying independent auditor's report.

Schedule 4

General		Support			Education and	
Administration	Student Services	Learning Resources	Physical Plant	General Institution	Support Total	
\$ 5,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,742,018
-	700	-	-	-	-	7,455,828
959,475	-	-	-	-	-	959,475
5,045	507	-	-	-	-	427,605
67,357	1,365	1,455	68,266	-	-	441,949
51,147	-	-	-	-	-	52,500
-	-	-	-	8,241	-	8,241
-	-	-	1,500	43,725	-	64,504
(8,001)	33,648	1,739	5,191	17,383	-	1,095,846
1,080,250	36,220	3,194	74,957	69,349	-	18,247,966
(1,080,250)	(36,220)	(3,194)	(74,957)	(69,349)	-	-
-	-	-	-	-	-	18,247,966
773,059	1,575,524	321,394	903,096	692,057	-	12,791,472
139,192	159,497	8,737	443,318	434,811	-	3,136,215
42,109	83,594	136,018	266,657	46,203	-	1,207,392
24,469	24,655	983	303	17,965	-	187,003
93,087	60,506	-	159,113	-	-	391,829
-	-	-	-	-	-	-
48,828	170,782	-	-	-	-	219,890
1,120,744	2,074,558	467,132	1,772,487	1,191,036	-	17,933,801
(1,120,744)	(2,074,558)	(467,132)	(1,772,487)	(1,191,036)	-	-
-	-	-	-	-	-	17,933,801
-	-	-	-	-	-	314,165
-	17,938	-	-	-	-	17,938
-	-	-	-	-	-	-
-	17,938	-	-	-	-	17,938
\$ -	\$ 17,938	\$ -	\$ -	\$ -	\$ -	\$ 332,103
						2,816,396
						\$ 3,148,499

North Iowa Area Community College
Unrestricted Fund - Auxiliary Enterprises
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2004

	Trade & Industry	Farm
Revenues:		
Sales and services	\$ 37,830	\$ 133,985
Interest on investments	465	182
Gifts	-	12,801
Miscellaneous	-	147
Total revenues:	<u>38,295</u>	<u>147,115</u>
Expenditures:		
Salaries and benefits	-	36,597
Service	-	45,385
Materials and supplies	33,140	57,765
Travel	-	-
Plant asset acquisitions	-	-
Miscellaneous	-	-
Total expenditures	<u>33,140</u>	<u>139,747</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,155</u>	<u>7,368</u>
Transfers:		
Transfers in	-	-
Transfers out	-	-
Total transfers	<u>-</u>	<u>-</u>
Net	5,155	7,368
Fund balances beginning of year	<u>43,023</u>	<u>(11,520)</u>
Fund balances end of year	<u>\$ 48,178</u>	<u>\$ (4,152)</u>

See accompanying independent auditor's report.

Schedule 5

Food Services	Auditorium	Athletics	Tech-prep	Miscellaneous	Total
\$ 25,594	\$ 345,963	\$ 126,600	\$ 12	\$ 911	\$ 670,895
2,717	1,267	-	93	1,659	6,383
500	27,560	86,001	-	-	126,862
-	5,495	26,492	-	-	32,134
28,811	380,285	239,093	105	2,570	836,274
-	13,991	4,844	-	-	55,432
1,075	342,539	57,229	-	-	446,228
20,346	2,251	55,340	-	-	168,842
-	1,841	99,333	-	-	101,174
-	-	-	-	-	-
-	14,718	84,129	-	-	98,847
21,421	375,340	300,875	-	-	870,523
7,390	4,945	(61,782)	105	2,570	(34,249)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,390	4,945	(61,782)	105	2,570	(34,249)
227,488	36,170	(20,214)	8,020	109,576	392,543
\$ 234,878	\$ 41,115	\$ (81,996)	\$ 8,125	\$ 112,146	\$ 358,294

North Iowa Area Community College
Restricted Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2004

	Scholarships and Grants	Equipment Replacement	Insurance	Early Retirement
Revenues:				
State appropriations	\$ -	\$ -	\$ -	\$ -
State grants and contracts	-	-	-	-
Tuition and fees	-	-	-	-
Property tax	-	434,416	225,418	294,932
Federal Appropriations	2,377,072	-	-	-
Sales and services	-	-	-	-
Interest on investments	17	7,004	-	-
Iowa Industrial New Jobs Training Program	-	-	-	-
Sale of plant assets	-	1,500	-	-
Gifts	-	1,000	-	-
Miscellaneous	5,765	-	-	-
Total revenues:	2,382,854	443,920	225,418	294,932
Expenditures:				
Salaries and benefits	5,765	-	-	14,205
Services	-	-	221,076	-
Materials and supplies	-	289,800	-	-
Travel	-	-	-	-
Plant asset acquisitions	-	57,101	-	-
Interest on indebtedness	-	-	-	-
Federal Pell Grant Program	2,318,894	-	-	-
Federal Supplemental Education Opportunity Grants	58,178	-	-	-
Miscellaneous	-	-	-	-
Total expenditures	2,382,837	346,901	221,076	14,205
Excess (deficiency) of revenues over (under) expenditures	17	97,019	4,342	280,727
Transfers:				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total transfers	-	-	-	-
Net	17	97,019	4,342	280,727
Fund balances beginning of year	1,703	619,846	27,713	(983,152)
Fund balances end of year	\$ 1,720	\$ 716,865	\$ 32,055	\$ (702,425)

See accompanying independent auditor's report.

Schedule 6

Iowa Workforce Development Contract								
Unemployment Compensation	Cash Reserve	Workforce Investment Act	Temporary Assistance For Needy Families	Other	Iowa Industrial New Jobs Training Program Administration	Iowa Industrial New Jobs Training Program	Miscellaneous	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,487	\$ -	\$ 3,022	\$ 31,509
-	-	-	-	89,311	-	-	-	89,311
-	-	-	-	-	-	-	86,822	86,822
29,936	-	-	-	-	-	-	-	984,702
-	-	356,517	350,628	252,846	-	-	513,092	3,850,155
-	-	-	-	-	-	-	9,333	9,333
202	-	-	-	-	24,241	59,240	223	90,927
-	-	-	-	-	-	1,293,308	-	1,293,308
-	-	-	-	-	-	-	-	1,500
-	-	-	-	-	-	-	112,291	113,291
-	-	-	10	-	228,053	38,534	84,125	356,487
30,138	-	356,517	350,638	342,157	280,781	1,391,082	808,908	6,907,345
9,535	-	182,954	275,760	210,208	312,855	-	564,941	1,576,223
-	-	155,946	59,927	68,604	89,043	800,098	102,455	1,497,149
-	-	9,922	12,767	57,710	6,086	-	23,762	400,047
-	-	7,695	2,184	5,635	14,244	-	14,740	44,498
-	-	-	-	-	-	-	-	57,101
-	-	-	-	-	-	466,249	-	466,249
-	-	-	-	-	-	-	-	2,318,894
-	-	-	-	-	-	-	-	58,178
-	-	-	-	-	-	-	34,400	34,400
9,535	-	356,517	350,638	342,157	422,228	1,266,347	740,298	6,452,739
20,603	-	-	-	-	(141,447)	124,735	68,610	454,606
-	-	-	-	-	124,735	-	15,897	140,632
-	-	-	-	-	(15,897)	(124,735)	-	(140,632)
-	-	-	-	-	108,838	(124,735)	15,897	-
20,603	-	-	-	-	(32,609)	-	84,507	454,606
6,126	285,793	-	-	-	225,013	-	48,261	231,303
\$ 26,729	\$ 285,793	\$ -	\$ -	\$ -	\$ 192,404	\$ -	\$ 132,768	\$ 685,909

North Iowa Area Community College
Agency Fund
Schedule of Changes in Deposits Held in Custody for Others
For the Year Ended June 30, 2004

	Fine Arts	Student Organizations	Iowa Small Business New Jobs Training Program	Federal Direct Student Loan Program	Miscellaneous	Total
Balances beginning of year	\$ 54,132	\$ 66,082	\$ 137,532	\$ -	\$ 64,698	\$ 322,444
Additions:						
State appropriations	-	-	84,114	-	-	84,114
Federal appropriations	-	-	-	3,739,245	-	3,739,245
Tuitions and fees	6,560	69,167	-	-	267	75,994
Sales and services	14,126	17,595	-	-	8,883	40,604
Interest on investments	559	804	1,516	-	1,973	4,852
Miscellaneous	12,000	4,380	-	-	371,401	387,781
Total additions	33,245	91,946	85,630	3,739,245	382,524	4,332,590
Deductions:						
Salaries and benefits	1,776	-	-	-	198,283	200,059
Service	12,457	53,018	128,804	3,739,245	58,492	3,992,016
Materials and supplies	12,600	14,236	-	-	3,314	30,150
Travel	1,262	12,859	-	-	25	14,146
Miscellaneous	693	9,320	-	-	124,758	134,771
Total deductions	28,788	89,433	128,804	3,739,245	384,872	4,371,142
Balances end of year	\$ 58,589	\$ 68,595	\$ 94,358	\$ -	\$ 62,350	\$ 283,892

See accompanying independent auditor's report.

**North Iowa Area Community College
Schedule of Credit and Contact Hours
For the 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	52,569	80	52,649	-	-	-
Vocational Education	13,861	18	13,879	-	-	-
Adult Education/Continuing Education	-	-	-	560,437	54,535	614,972
Total	66,430	98	66,528	560,437	54,535	614,972

See accompanying independent auditor's report.

North Iowa Area Community College
Schedule of Tax and Intergovernmental Revenues
For the Years Ended June 30, 2004, 2003, 2002, and 2001

	2004	2003	2002	2001
Local (property tax)	\$ 2,903,480	\$ 2,792,992	\$ 2,405,825	\$ 2,342,809
State	7,862,838	7,942,213	8,497,683	8,908,700
Federal	4,277,760	3,920,410	3,774,320	3,620,172
Total	\$ 15,044,078	\$ 14,655,615	\$ 14,677,828	\$ 14,871,681

See accompanying independent auditor's report.

North Iowa Area Community College
Schedule of Current Fund Revenues by Source and Expenditures by Function
For the Years Ended June 30, 2004, 2003, 2002, and 2001

	2004	2003	2002	2001
Revenues:				
State appropriations, grants and contracts	\$ 7,862,838	\$ 7,942,213	\$ 8,144,350	\$ 8,708,700
Tuition and fees	7,542,650	6,991,633	6,750,829	6,153,528
Property tax	1,944,177	1,842,351	1,476,735	1,453,251
Federal appropriations	4,277,760	3,920,410	3,774,320	3,603,531
Sales and services	451,282	543,487	562,753	569,658
Interest on investments	143,427	195,887	308,741	459,431
Iowa Industrial New Jobs Training Program	1,293,308	1,810,724	1,126,408	1,390,230
Auxiliary enterprises	836,274	850,365	802,581	875,119
Miscellaneous	1,638,369	1,731,013	2,332,450	1,647,898
Total	<u>\$ 25,990,085</u>	<u>\$ 25,828,083</u>	<u>\$ 25,279,167</u>	<u>\$ 24,861,346</u>
Expenditures:				
Liberal arts and sciences	\$ 5,368,917	\$ 5,791,601	\$ 5,496,919	\$ 5,435,759
Vocational technical	3,075,553	3,177,517	3,195,220	3,121,365
Adult education	3,267,796	3,461,202	3,334,166	3,225,003
Cooperative services	1,456,014	1,905,524	1,446,772	1,945,598
Administration	1,126,724	1,052,522	888,246	963,732
Student services	2,441,405	2,198,980	2,031,108	1,935,120
Learning resources	467,132	476,031	484,121	559,128
Physical plant	1,923,055	1,689,474	2,221,039	2,035,754
General institution	1,361,546	1,306,644	1,138,786	1,173,389
Auxiliary enterprises	870,523	795,084	823,391	854,975
Scholarships and grants	2,382,837	2,092,749	1,914,420	1,653,489
Iowa Workforce Development Contract	1,049,312	1,013,050	1,105,290	1,221,233
Interest on indebtedness	466,249	467,138	510,655	446,763
Total	<u>\$ 25,257,063</u>	<u>\$ 25,427,516</u>	<u>\$ 24,590,133</u>	<u>\$ 24,571,308</u>

See accompanying independent auditor's report.

North Iowa Area Community College
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Direct:			
U.S. Department of Education			
Student Financial Aid - Cluster:			
Federal Supplemental Educational Opportunity Grants	84.007		\$ 58,178
Federal Work-Study Program	84.033		91,255
Federal Pell Grant Program	84.063		2,318,894
Federal Pell Grant Program Processing	84.063		5,045
Federal Direct Student Loans	84.268		3,739,245
			<u>6,212,617</u>
TRIO-Student Support Services	84.042		268,474
			<u>6,481,091</u>
U.S. Department of Veterans Affairs			
Vocational Rehabilitation of Disabled Veterans	64.116		507
Total Direct			<u>6,481,598</u>
Indirect:			
U.S. Department of Agriculture:			
Indirect through Iowa Lakes Community College:			
Secondary and Two-Year Postsecondary			
Agriculture Education Challenge Grants	10.226		7,275
U.S. Department of Labor:			
Indirect through Iowa Workforce Development:			
Employment Service Cluster:			
Employment Service	17.207	1-W-02-FR-0	47,029
Work Incentives Grant	17.266	1-W-02-FR-0	68,801
Disabled Veterans' Outreach Program	17.801	1-W-02-FR-0	3,800
Local Veterans' Employment Representative Program	17.804	1-W-02-FR-0	3,176
			<u>122,806</u>
Unemployment Insurance	17.225	1-W-02-FR-0	54,910

(continued)

North Iowa Area Community College
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Welfare-to-Work Grants to States and Localities	17.253	1-W-02-FR-0	61,899
Workforce Investment Act Cluster:			
WIA Adult Program	17.258	1-W-02-FR-0	136,565
WIA Youth Activities	17.259	1-W-02-FR-0	86,164
WIA Dislocated Workers	17.260	1-W-02-FR-0	133,788
			<u>356,517</u>
			<u>596,132</u>
Indirect through Iowa Department of Education:			
Mine Health and Safety Grants	17.600		3,494
			<u>599,626</u>
Federal Mediation and Conciliation Service:			
Indirect through Iowa Workforce Development:			
Labor Management Cooperation	34.002	1-W-02-FR-0	3,279
U.S. Department of Education:			
Indirect through Iowa Department of Education:			
Adult Education-State Grant Program	84.002		256,665
Vocational Education, Basic Grants to States	84.048A		171,863
Tech-Prep Education	84.243K		82,653
Special Education - State Program Improvement Grants for Children with Disabilities	84.323		12
			<u>511,193</u>
U.S. Small Business Administration:			
Indirect through Iowa State University:			
Small Business Development Center	59.037		48,728
U.S. Department of Health and Human Services:			
Indirect through Iowa Department of Education:			
Nursing Student Loans-Federal Capital Contributions	93.364		71,640
Indirect through Iowa Workforce Development:			
Temporary Assistance for Needy Families	93.558	1-W-02-FR-0	350,628

(continued)

North Iowa Area Community College
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2004

Grantor/Program	CFDA Number	Agency or Pass-Through Number	Program Expenditures
Social Security Administration:			
Indirect through Iowa Workforce Development:			
Social Security-Research and Demonstration	96.007	1-W-02-FR-0	9,952
Total Indirect			1,602,321
Total			\$ 8,083,919

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

Loans Outstanding – The Federal Direct Loan Program provides loans directly from the federal government to students and their parents. The amount presented represents the value of new loans awarded by the College during the year.

The amount presented for Nursing Student Loans represents the balance of loans outstanding as of June 30, 2004 of \$71,640. Loan balances at June 30, 2004 include new loans advanced during the year of \$14,250 and \$57,390 for the balance of loans from previous years for which the government imposes continuing compliance requirements.

As of June 30, 2004, the College was in the process of terminating participation in the Federal Perkins Loan Program. During the year, outstanding loans totaling \$351,835 (\$325,122 principal and \$26,713 interest and fees) were assigned to and accepted by the U.S. Department of Education. Federal and institutional capital contributions of \$155,071 and \$17,938, respectively, were repaid during the year.

See accompanying independent auditor's report.

McCoy & Company P.C.

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

To the Board of Directors of
North Iowa Area Community College:

We have audited the financial statements of North Iowa Area Community College (College) and its aggregate discretely presented component units as of and for the year ended June 30, 2004, which collectively comprise the College's basic financial statements and have issued our report thereon dated December 16, 2004. We did not express an opinion on the changes in financial position of the aggregate discretely presented component units because the statement of revenues, expenses, and changes in net assets of NIACC Dormitories, Inc. (Dormitories) was not audited by the other auditors, and we were not engaged to audit the financial statements of the Dormitories as part of our audit of the College's basic financial statements. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards* or Chapter 11 of the Code of Iowa.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting 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 that we have reported to management of the College, in a separate letter dated December 16, 2004.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs and other immaterial instances of noncompliance that we have reported to management of the College in a separate letter dated December 16, 2004.

This report is intended solely for the information and use of the College and 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.

McCoy + Company P.C.

McCoy & Company P.C.
December 16, 2004

McCoy & Company P.C.

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

To the Board of Directors of
North Iowa Area Community College:

Compliance

We have audited the compliance of North Iowa Area Community College (College) with the types of compliance requirements described in 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 the College's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, Chapter 11 of the Code of Iowa, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on North Iowa Area Community College's compliance with those requirements.

In our opinion, the 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 the 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items III-A-04 and III-B-04.

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 the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of the College and federal awarding agencies and pass-through entities and should not be used by anyone other than these specified parties.

McCoy + Company P.C.

McCoy & Company P.C.
December 16, 2004

North Iowa Area Community College
Schedule of Findings and Questioned Costs
June 30, 2004

Part I: Summary of the Independent Auditor's Results:

- (a) An unqualified opinion was issued on the financial statements of the College.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Two reportable conditions in internal control over major programs were disclosed during the audit of the financial statements. The conditions are not reported as a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - Student Financial Aid – Cluster:
 - CFDA Number 84.007 - Federal Supplemental Educational Opportunity Grants
 - CFDA Number 84.033 - Federal Work-Study Program
 - CFDA Number 84.038 - Federal Perkins Loan Program – Federal Capital Contributions
 - CFDA Number 84.063 - Federal Pell Grant Program
 - CFDA Number 84.268 - Federal Direct Student Loans
 - CFDA Number 93.364 – Nursing Student Loans – Federal Capital Contributions
 - Workforce Investment Act – Cluster:
 - CFDA Number 17.258 – WIA Adult Program
 - CFDA Number 17.259 – WIA Youth Activities
 - CFDA Number 17.260 – WIA Dislocated Workers
 - CFDA Number 93.558 – Temporary Assistance for Needy Families
- (h) The dollar threshold used to distinguish between Type A and Type B was \$300,000.
- (i) North Iowa Area Community College was determined to be a low-risk auditee.

**North Iowa Area Community College
Schedule of Findings and Questioned Costs
June 30, 2004**

Part II: Findings Related to the Basic Financial Statements:

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

None.

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

III-A-04 Federal Perkins Loan Program – Procedures for ending participation in the Federal Perkins Loan Program indicate that at least 90 days before submission of loans for assignment to the Department, the institution must notify borrowers that the institution intends to liquidate and assign all outstanding Perkins and NSLDS loans. Of the 206 loans assigned by the institution during the year, 50 were assigned and accepted within 90 days of mailing the notification letter to borrowers. The total outstanding balance assigned related to these loans was \$100,791.

Recommendation – The College should review procedures for identifying and monitoring compliance with program requirements for student financial aid programs. The College should also review the instances cited with the U.S. Department of Education to determine an appropriate disposition.

Response – We will review related controls with program personnel and stress the importance of following program guidelines. We will also contact the U.S. Department of Education regarding this manner.

Conclusion – Response accepted.

III-B-04 Workforce Investment Act – The College has established procedures for approval of participant costs prior to payment. However, in testing eligibility one of the participants receiving assistance for dependent care was reimbursed at a rate in excess of the established \$3.00 per hour limit. Approval of costs in excess of the maximum amount established under the program indicates that the controls in place are not operating as designed.

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Recommendation - The College should review the importance of the established controls with program personnel and ensure that the controls are in operation and effective. Also, the College should review the instance cited with Iowa Workforce Development to determine the appropriate disposition.

Response – We will review related controls with program personnel and stress the importance of following program guidelines. The excess paid will be received from the participant.

Conclusion – Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-04 Official Depositories – Official depositories have been adopted by the Board. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.
- IV-B-04 Certified Budget – Expenditures for the year ended June 30, 2004 did not exceed the amounts budgeted.
- IV-C-04 Questionable Disbursements – No expenditures that did not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- IV-D-04 Travel Expense – No expenditures of College money for travel expenses of spouses of College officials or employees were noted. No travel advances to College officials or employees were noted.
- IV-E-04 Business Transactions – No business transactions between the College and College officials or employees were noted.
- IV-F-04 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.
- IV-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- IV-H-04 Publication – The College published a statement showing the receipt and disbursement of all funds, including the names of all persons, firms or corporations to which disbursements were made, as required by Section 260C.14(12) of the Code of Iowa.

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- IV-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the College’s investment policy were noted.
- IV-J-04 Credit and Contact Hours – Eligible credit and contact hours reported to the Iowa Department of Education by the College were supported by detailed records maintained by the College except for an understatement of 60 eligible contact hours, as shown below.

These variances between the College’s records and the reconciled Summary Report prepared by the State relate to adult education. The variances appeared to be the result of a typographical error in the information submitted by the College.

	Reported	Total Per Supporting Documentation	Difference
Adult/Continuing Education Eligible Contact Hours	560,377	560,437	(60)

Recommendation – The College should develop procedures to ensure the accuracy of information submitted to the Iowa Department of Education.

Response – The College will continue to monitor credit/contact hours to ensure that all records submitted reconcile to the detail maintained.

Conclusion – Response accepted.