NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA

FINANCIAL REPORT

JUNE 30, 2005

TABLE OF CONTENTS

		Page
BOARD OF TRUSTEES AND COLLEGE OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2-3
MANAGEMENT'S DISCUSSION AND ANALYSIS		4
BASIC FINANCIAL STATEMENTS	Exhibit	
Entity-wide Financial Statements		
Statement of Net Assets	A	5
Statement of Revenues, Expenses, and Changes in Net Assets	B	6
Business-type Activities Fund Financial Statements		
Statement of Net Assets	C	7
Statement of Revenues, Expenses, and Other Changes in Net Assets	D	8
Statement of Cash Flows	E	9-10
Notes to Financial Statements		11-27
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION		28
SUPPLEMENTARY INFORMATION	Schedule	
Balance Sheet	1	29
Schedule of Revenues, Expenditures, and Other Changes in Fund Balance	2	30-31
Schedule of Revenues, Expenditures, and Other Changes in Fund Balance		
Education and Support Unrestricted Current Funds	3	32
Auxiliary Enterprise Unrestricted Current Funds	4	33
Restricted Current Funds	5	34
Schedule of Changes in Deposits Held in Custody for Others	6	35
Comparison of Taxes and Intergovernmental Revenues	7	36
Schedule of Credit/Contact Hour Enrollment	8	37
Budgetary Comparison Schedule of Expenditures - Budget and Actual	9	38
Schedule of Findings and Questioned Costs	10	39
Schedule of Expenditures of Federal Awards	11	40
Notes to the Schedule of Expenditures of Federal Awards		41
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*		42-43
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133		44-45
MANAGEMENT LETTER		46-49

NORTHEAST IOWA COMMUNITY COLLEGE

BOARD OF TRUSTEES AND COLLEGE OFFICIALS

Name	Title	Term Expires
	Board of Trustees (Before September 2004 Election)	
Linus Rothmeyer	President	2006
Kenneth Reimer	Vice-President	2004
Jim Anderson	Member	2005
Larry Blatz	Member	2005
Ross Edwards	Member	2006
Ronda Kirkegaard	Member	2006
Daniel Willenbring	Member	2004
Jean Sharff	Member	2004
Daniel White	Member	2005
	Board of Trustees (After September 2004 Election)	
Linus Rothmeyer	President	2006
Kenneth Reimer	Vice-President	2007
Jim Anderson	Member	2005
Larry Blatz	Member	2005
Ross Edwards	Member	2006
Ronda Kirkegaard	Member	2006
Daniel Willenbring	Member	2007
Jean Sharff	Member	2007
Daniel White	Member	2005

Community College Officials

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

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

123 WEST WATER STREET
P.O. BOX 507
DECORAH, IOWA 52101
TELEPHONE 563 382-3637
FAX 563 382-5797
E-MAIL @HACKERNELSON.COM

INDEPENDENT AUDITOR'S REPORT
ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2005, which collectively comprise the College's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Northeast Iowa Community College's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 16, 2005, on our consideration of Northeast Iowa Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

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

Hackney, Nelson + Co., P.C.

Decorah, Iowa
September 16, 2005

NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2005

This section of Northeast Iowa Community College's annual financial report presents the College's management discussion and analysis of the College's financial activities during the fiscal year ending June 30, 2005.

The intent of this discussion and analysis is to look at Northeast Iowa Community College's financial performance as a whole with comparisons to the previous fiscal year activities. Readers should also review the basic financial statements and notes to enhance their understanding of the College's financial performance.

FINANCIAL HIGHLIGHTS

- College operating revenues increased overall 8.05%, from fiscal year 2004. Increased enrollment along with a tuition rate increase contributed to the higher tuition receipts and increase federal funds received. The tuition increase was necessitated by a lack of additional state general aid during the year. The added enrollment also increased bookstore sales thus increasing receipts in the auxiliary enterprises.

- College operating expenses were 5.91% higher from fiscal year 2004. The increase is focused in salary and benefits as well as college infrastructure improvements and maintenance. Salaries and benefits were up due to moderate salary increases coupled with additional faculty positions necessary to accommodate the added enrollment. The College is also experiencing higher maintenance costs with the expansion and natural aging of the facilities.

- The College's net assets decreased 10.39% from fiscal year 2004.

CHANGE IN NET ASSETS COMPARISON

	Unrestricted	Auxiliary	Restricted	Scholarship	Unexpended Plant	Retirement of Indebtedness	Investment in Plant	Total Net Assets
FY 2005	1,570,913	987,520	1,118,364	2,726	(3,445,991)	21,074	11,463,785	11,718,391
FY 2004	1,562,201	884,770	1,370,599	2,626	(2,271,660)	20,126	11,508,039	13,076,701
$ Change	8,712	102,750	(252,235)	100	(1,174,331)	948	(44,254)	(1,358,310)
% Change	6%	12%	(18%)	4%	52%	5%	(4%)	(10%)

USING THIS ANNUAL REPORT

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

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

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

Other supplementary information provides detailed information about the individual funds. In addition, the schedule of expenditures of federal awards provides details of various programs benefiting the College.

REPORTING THE COLLEGE'S FINANCIAL ACTIVITIES

Statement of Net Assets

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

Condensed Statement of Net Assets
(Expressed in Thousands)

	2005	2004	Percent Change
Current and other assets	$ 20,541	$ 18,697	9.86%
Other noncurrent assets	3,520	4,143	-15.04%
Capital assets	15,702	15,327	2.45%
Total assets	$ 39,763	$ 38,167	4.18%
Long-term debt outstanding	$ 13,655	$ 13,809	-1.12%
Other liabilities	14,390	11,280	27.57%
Total liabilities	$ 28,045	$ 25,089	11.78%
Net assets			
Invested in capital assets, net of related debt	$ 11,464	$ 11,508	-0.38%
Restricted	1,142	1,393	-18.02%
Unrestricted	(888)	175	-607.43%
Total net assets	$ 11,718	$ 13,076	-10.39%

The College's current assets and other liabilities increase from 2004 to 2005 due to implementing the Datatel computer system that recognizes the fall tuition as receivable once the students register for courses, however, since the tuition is not earned until after June 30 then the amount is recorded as deferred revenue. The largest portion of the College's net assets is invested in capital assets (e.g., land, buildings, and equipment), less the related debt. The debt related to the capital assets is liquidated with resources other than capital assets. The restricted portion of the net assets includes resources that are subject to external restrictions. The remaining net assets are the unrestricted net assets that can be used to meet the College's obligations as they come due.

Statement of Revenues, Expenses and Changes in Net Assets

Changes in total net assets as presented on the statement of net assets are based on the activity presented in the statement of revenues, expenses and changes in net assets. The purpose of the statement is to present the revenues received by the College, both operating and non-operating, and the expenses paid by the College, operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the College.

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

	Changes in Net Assets (Expressed in Thousands)		Percent
	2005	**2004**	**Change**
Operating Revenues:			
Tuition and fees	$ 7,114	$ 6,640	7.14%
Federal appropriations	14,061	12,874	9.22%
Iowa Industrial New Jobs Training Program	2,274	2,217	2.57%
Sales and services	2,169	1,947	11.40%
Miscellaneous	496	491	1.02%
Total operating revenues	26,114	24,169	8.05%
Total operating expenses	38,342	36,204	5.91%
Operating loss	(12,228)	(12,035)	1.60%
NONOPERATING REVENUES (EXPENSES)			
State appropriation	7,169	7,167	0.03%
Property taxes	4,264	4,175	2.13%
Investment income	201	202	-0.50%
Transfer of building from/to affiliate	43	940	-95.43%
Loss on sale of capital assets	(8)	(66)	-87.88%
Donated plant assets received	59	14	321.43%
Interest on indebtedness	(858)	(1,023)	-16.13%
Net nonoperating revenues	10,870	11,409	-4.72%
Decrease in net assets	(1,358)	(626)	116.93%
Net assets Beginning of Year	13,076	13,702	-4.57%
Net assets End of Year	$ 11,718	$ 13,076	-10.39%

The statement of revenues, expenses and changes in net assets reflects a negative year, with a decrease in the net assets at the end of the fiscal year.

In FY05, operating revenues increased as a net result of the following changes:

- Tuition and fees increased due to both an increase in the number of students and the tuition rate increase from $90/credit hour in '04 to $93/credit hour in '05.
- Auxiliary enterprises revenue increased due partially to additional students purchasing books and supplies.

	Operating Expenses (Expressed in Thousands)		Percent
	2005	2004	Change
Education and support			
Liberal arts and sciences	$ 4,491	$ 3,532	27.15%
Vocational technical	7,615	7,576	0.51%
Adult education	2,378	2,292	3.75%
Cooperative services	3,800	3,332	14.05%
General administration	523	843	-37.96%
Student services	1,477	1,660	-11.02%
Learning resources	820	800	2.50%
Physical plant	1,577	1,442	9.36%
General institution	2,788	2,772	0.58%
Auxiliary enterprises	3,009	3,081	-2.34%
Scholarships and grants	6,229	5,808	7.25%
Loan cancellations and bad debts	14	9	55.56%
Depreciation	1,563	1,390	12.45%
Other	2,058	1,667	23.46%
Total operating expenses	**$ 38,342**	**$ 36,204**	**5.91%**

In FY05, operating expenses increased as a net result of the following changes:

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

Statement of Cash Flows

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

	Cash Flows (Expressed in Thousands)	
	2005	2004
Cash provided (used) by:		
Operating activities	$ (11,256)	$ (11,793)
Non-capital financing activities	11,620	11,250
Capital and related financing activities	(2,592)	(2,544)
Investing activities	199	701
Net decrease in cash	(2,029)	(2,386)
Cash beginning of the year	8,189	10,575
Cash end of the year	$ 6,160	$ 8,189

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

CAPITAL ASSETS

At June 30, 2005, the College had approximately $35.3 million invested in capital assets, net of accumulated depreciation of $19.6 million. Depreciation charges totaled $1,563,106 and $1,389,812 for FY2005 and FY04, respectively. Details of capital assets are shown below.

	Capital Assets, Net (Expressed in Thousands)	
	2005	2004
Land	$ 683	$ 683
Buildings	11,794	12,183
Construction in progress	-	102
Other structures and improvements	1,183	1,072
Equipment and vehicles	2,042	2,072
Total	$ 15,702	$ 16,112

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

DEBT

At June 30, 2005, the College had $16.2 million in debt outstanding, a decrease of $669,476 from 2004. The table below summarizes these amounts by type.

	Long-Term Debt (Expressed in Thousands)	
	2005	2004
Notes payable	$ 5,875	$ 7,060
Certificates payable	9,820	9,330
Capital leases	597	571
Total	$ 16,292	$ 16,961

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

ECONOMIC FACTORS

Northeast Iowa Community College improved its financial position by 5% for its Unrestricted Funds during the current fiscal year. The Colleges Unrestricted General Fund balance is 2.42% higher then the Board of Trustees goal and the generally accepted balance within the of one month's expenditures. Unexpended Plant Fund decreased largely due to large capital purchase and expenditures, such as the Town Clock Center in Downtown Dubuque, Iowa. This contributed to the overall decrease of 10% of net assets compared to prior year as reflected on page 4 of the Management's Discussion and Analysis. However, the current condition of the economy in the state continues to be a concern for College officials. Some of the realities that may potentially become challenges for the College to meet are:

- State aid will remain virtually unchanged. State aid for fiscal year 2005 was increased only 2.25% above the amount received in fiscal year 2005. This increase is below the current inflation rate of the state.

- Expenses will continue to increase. As the number of students increase, the costs associated with serving them continue to increase.

- Facilities at the College require constant maintenance and upkeep.

- Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.

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

Contacting the College's Financial Management

This financial report is designed to provide our customers, taxpayers in the Community College and our creditors with a general overview of the College's finances and to demonstrate the College's accountability for the resources it receives. If you have questions about the report or need additional financial information, contact Northeast Iowa Community College, College Office, P.O. Box 400, Calmar, Iowa 52132-0400.

EXHIBIT A

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF NET ASSETS
June 30, 2005

	Business-Type Activities	Component Unit Scholarship Foundation
CURRENT ASSETS		
Cash	$ 6,160,195	$ 323,028
Investments	1,029,240	
Receivables		
Accounts, less allowance of $161,069	6,850,848	128,696
Promises, net discount		37,430
Accrued interest	12,772	
Property tax		
Current year delinquent	62,236	
Succeeding year	4,342,627	
Due from other governments	683,944	
Due from affiliate	56,660	
Inventories	545,491	
Due from Iowa Industrial New Jobs Training Program	796,511	
Total current assets	20,540,524	489,154
NONCURRENT ASSETS		
Investments		1,078,097
Promises, net discount		16,042
Due from Iowa Industrial New Jobs Training Program	3,500,211	
Due from affiliate	20,000	
Capital assets, non-depreciable	683,366	624,183
Capital assets, net accumulated depreciation	15,019,044	
Total noncurrent assets	19,222,621	1,718,322
Total assets	$ 39,763,145	$ 2,207,476

	Business-Type Activities	Component Unit Scholarship Foundation
CURRENT LIABILITIES		
Liabilities		
Accounts payable	$ 512,820	$ 154,585
Salaries and benefits payable	1,326,929	
Deposits held in custody for others	85,489	
Deferred revenue		
Succeeding year property tax	4,342,627	
Other	5,264,747	
Long-term liabilities due within one year		
Compensated absences	220,195	
Affiliate payable		56,660
Notes payable	455,000	
Obligations under capitalized leases	322,572	
Certificates payable	1,860,000	
Total current liabilities	14,390,379	211,245
Noncurrent liabilities		
Long-term liabilities due over one year		
Affiliate payable		20,000
Notes payable	5,420,000	
Obligations under capitalized leases	274,375	
Certificates payable	7,960,000	
Total noncurrent liabilities	13,654,375	20,000
Total liabilities	28,044,754	231,245
Net assets		
Invested in capital assets, net of related debt	11,463,785	
Restricted		
Restricted for specific purposes	1,142,164	1,541,460
Unrestricted	(887,558)	434,771
Total net assets	11,718,391	1,976,231
Total liabilities and net assets	$ 39,763,145	$ 2,207,476

See Notes to Financial Statements.

EXHIBIT B

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2005

	Business-Type Activities	Component Unit Scholarship Foundation
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $6,104,074	$ 7,113,560	
Federal appropriations	14,061,236	
Iowa Industrial New Jobs Training Program	2,273,725	
Sales and services	2,169,406	
Miscellaneous	496,430	$ 1,006,693
Total operating revenues	26,114,357	1,006,693
EXPENSES		
Education and support		
Liberal arts and sciences	4,490,667	
Vocational technical	7,614,816	
Adult education	2,377,622	
Cooperative services	3,800,356	
General administration	523,381	14,471
Student services	1,476,424	
Learning resources	820,370	
Physical plant	1,576,922	
General institution	2,788,262	
Auxiliary enterprises	3,009,290	
Scholarships and grants	6,228,674	268,402
Loan cancellations and bad debts	14,405	
Depreciation	1,563,106	
Other	2,057,861	100,971
Total operating expenses	38,342,156	383,844
Operating (loss) income	(12,227,799)	622,849
NONOPERATING REVENUES (EXPENSES)		
State appropriation	7,168,615	
Property taxes	4,264,427	
Investment income	200,839	73,176
Transfer of building from/to affiliate	43,200	(43,200)
Loss on sale of capital assets	(8,403)	
Donated plant assets received	59,051	
Interest on indebtedness	(858,240)	
Net nonoperating revenues	10,869,489	29,976
Change in net assets	(1,358,310)	652,825
NET ASSETS		
Beginning	13,076,701	1,323,406
Ending	$ 11,718,391	$ 1,976,231

See Notes to Financial Statements.

EXHIBIT C

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF NET ASSETS
BUSINESS-TYPE ACTIVITIES
June 30, 2005

	Current Funds				Plant	
ASSETS	Unrestricted	Auxiliary	Restricted	Scholarships	Fund	Total
Current assets						
Cash	$ 1,369,315		$ 4,790,880			$ 6,160,195
Investments	29,240	$ -	1,000,000	$ -		1,029,240
Receivables						
Accounts, less allowance of $161,069	4,978,832	86,100	1,376,142	302,261	$ 107,513	6,850,848
Accrued interest	-	-	11,285	-	1,487	12,772
Property tax						
Current year delinquent	21,074	-	20,088	-	21,074	62,236
Succeeding year	1,455,086	-	1,432,455	-	1,455,086	4,342,627
Due from other funds	-	574,021	2,815,901	-	-	3,389,922
Due from other governments	227,614	23,134	71,473	361,723	-	683,944
Due from affiliate	-	-	-	-	56,660	56,660
Inventories	6,204	539,287	-	-	-	545,491
Due from Iowa Industrial New Jobs Training Program	-	-	796,511	-	-	796,511
Total current assets	8,087,365	1,222,542	12,314,735	663,984	1,641,820	23,930,446
Noncurrent assets						
Restricted cash					-	-
Due from affiliate	-	-	-	-	20,000	20,000
Due from Iowa Industrial New Jobs Training Program			3,500,211	-	-	3,500,211
Capital assets, non-depreciable			-	-	683,366	683,366
Capital assets, net			-	-	15,019,044	15,019,044
Total noncurrent assets	-	-	3,500,211	-	15,722,410	19,222,621
Total assets	$ 8,087,365	$ 1,222,542	$ 15,814,946	$ 663,984	$ 17,364,230	$ 43,153,067
LIABILITIES AND NET ASSETS						
Current liabilities						
Accounts payable	$ 91,796	$ 42,772	$ 5,679	$ 361,498	$ 11,075	$ 512,820
Salaries and benefits payable	759,164	-	567,765	-	-	1,326,929
Deposits held in custody for others	85,489	-	-	-	-	85,489
Due to other funds	-	172,908	-	299,760	2,917,254	3,389,922
Deferred revenue						
Succeeding year property tax	1,455,086	-	1,432,455	-	1,455,086	4,342,627
Other	3,924,064	-	1,340,683	-	-	5,264,747
Long-term liabilities due within one year						
Compensated absences	200,853	19,342	-	-	-	220,195
Notes payable	-	-	200,000	-	255,000	455,000
Obligations under capitalized leases	-	-	-	-	322,572	322,572
Certificates payable	-	-	1,860,000	-		1,860,000
Total current liabilities	6,516,452	235,022	5,406,582	661,258	4,960,907	17,780,301
Noncurrent liabilities						
Long-term liabilities due over one year						
Notes payable	-		1,330,000	-	4,090,000	5,420,000
Obligations under capitalized leases	-				274,375	274,375
Certificates payable	-		7,960,000			7,960,000
Total noncurrent liabilities	-	-	9,290,000	-	4,364,375	13,654,375
Total liabilities	6,516,452	235,022	14,696,582	661,258	9,325,362	31,434,676
Net assets						
Invested in capital assets, net of related debt					11,463,785	11,463,785
Restricted for specific purposes			1,118,364	2,726	21,074	1,142,164
Unrestricted	1,570,913	987,520			(3,445,991)	(887,558)
Total net assets	1,570,913	987,520	1,118,364	2,726	8,038,868	11,718,391
Total liabilities and net assets	$ 8,087,365	$ 1,222,542	$ 15,814,946	$ 663,984	$ 17,364,230	$ 43,153,067

See Notes to Financial Statements.

EXHIBIT D

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2005

	Current Funds				Plant	
	Unrestricted	Auxiliary	Restricted	Scholarships	Fund	Total
OPERATING REVENUES						
General						
Tuition and fees	$ 6,876,204	$ 49,880	$ 187,476			$ 7,113,560
Federal appropriations	5,647,011	864,589	1,422,957	$ 6,126,679	$ -	14,061,236
Iowa Industrial New Jobs Training Program			2,273,725			2,273,725
Sales and services	12,873	2,151,933			4,600	2,169,406
Miscellaneous	89,795	66,527	192,559		147,549	496,430
Total operating revenues	12,625,883	3,132,929	4,076,717	6,126,679	152,149	26,114,357
EXPENSES						
Education and support						
Liberal arts and sciences	4,488,817		1,850			4,490,667
Vocational technical	7,168,278		446,538			7,614,816
Adult education	2,194,661		182,961			2,377,622
Cooperative services	1,544,780		2,255,576			3,800,356
General administration	523,381		-			523,381
Student services	1,419,896		56,528			1,476,424
Learning resources	425,047		395,323			820,370
Physical plant	1,158,365		418,557			1,576,922
General institution	2,180,778		607,484			2,788,262
Auxiliary enterprises		3,009,290				3,009,290
Scholarships and grants				6,228,674		6,228,674
Loan cancellations and bad debts		14,405				14,405
Depreciation					1,563,106	1,563,106
Other					2,057,861	2,057,861
Total operating expenses	21,104,003	3,023,695	4,364,817	6,228,674	3,620,967	38,342,156
Operating income (loss)	(8,478,120)	109,234	(288,100)	(101,995)	(3,468,818)	(12,227,799)
NON-OPERATING REVENUES (EXPENSES)						
State appropriations	6,914,370	539	178,061	75,645	-	7,168,615
Property taxes	1,444,042		1,376,343		1,444,042	4,264,427
Investment income	185,485		6		15,348	200,839
Loss on sale of capital assets					(8,403)	(8,403)
Transfer of building from affiliate					43,200	43,200
Donated plant assets received					59,051	59,051
Interest on indebtedness			(656,649)		(201,591)	(858,240)
Total non-operating revenues	8,543,897	539	897,761	75,645	1,351,647	10,869,489
Change in net assets before transfers	65,777	109,773	609,661	(26,350)	(2,117,171)	(1,358,310)
Transfers	(57,065)	(7,023)	(861,896)	26,450	899,534	-
Change in net assets	8,712	102,750	(252,235)	100	(1,217,637)	(1,358,310)
NET ASSETS						
Beginning	1,562,201	884,770	1,370,599	2,626	9,256,505	13,076,701
Ending	$ 1,570,913	$ 987,520	$ 1,118,364	$ 2,726	$ 8,038,868	$ 11,718,391

See Notes to Financial Statements.

EXHIBIT E

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2005

	Current Funds				Plant	
	Unrestricted	Auxiliary	Restricted	Scholarships	Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Tuition and fees	$ 6,816,587	$ 49,880	$ 483,051			$ 7,349,518
Federal appropriations	5,540,422	842,471	1,353,837	$ 2,006,041		9,742,771
Iowa Industrial New Jobs Training Program			2,273,725			2,273,725
Payments to employees for salaries and benefits	(13,961,732)	(540,966)	(529,910)			(15,032,608)
Payments to suppliers for goods and services	(2,954,573)	(445,502)	(2,175,115)	(187,408)	$ (1,955,947)	(7,718,545)
Payments to NJTP recipients			(1,160,125)			(1,160,125)
Scholarships		(1,932,209)		(2,410,297)		(4,342,506)
Loan issued to students		(14,405)				(14,405)
Collection received from students for loans		8,258				8,258
Auxiliary enterprise receipts		2,197,822				2,197,822
Other operating payments paid on employees' behalf	(4,334,206)	(212,641)	(525,879)			(5,072,726)
Other operating receipts	102,668	66,527	191,910		151,201	512,306
Net cash provided by (used in) operating activities	(8,790,834)	19,235	(88,506)	(591,664)	(1,804,746)	(11,256,515)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	6,914,370	539	178,061	262,866		7,355,836
Property tax	1,444,042		1,376,343		1,444,042	4,264,427
Decrease in due to other funds	856,693			299,760	1,672,199	2,828,652
Increase in due to other funds		(12,751)	(2,815,901)			(2,828,652)
Transfers	(57,065)	(7,023)	(861,896)	26,450	899,534	-
Federal direct lending receipts	3,239,031	420,621	128,592	3,818,377		7,606,621
Federal direct lending disbursements	(3,239,031)	(420,621)	(128,592)	(3,818,377)		(7,606,621)
Miscellaneous agency fund receipts	1,542,428					1,542,428
Miscellaneous agency fund disbursements	(1,542,428)					(1,542,428)
Net cash provided by (used in) non-capital financing activities	9,158,040	(19,235)	(2,123,393)	589,076	4,015,775	11,620,263
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from issuance of debt			2,195,000		-	2,195,000
Acquisition of capital assets					(610,542)	(610,542)
Principal paid on debt and leases			(1,900,000)		(1,413,423)	(3,313,423)
Interest paid on debt and leases			(661,341)		(201,591)	(862,932)
Net cash used in capital and related financing activities	-	-	(366,341)	-	(2,225,556)	(2,591,897)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	(988)					(988)
Sale of investments						-
Interest on investments	185,485		6	418	14,527	200,436
Net cash provided by investing activities	184,497	-	6	418	14,527	199,448
Net increase (decrease) in cash	551,703	-	(2,578,234)	(2,170)	-	(2,028,701)
CASH, beginning of year	817,612	-	7,369,114	2,170	-	8,188,896
CASH, end of year	$ 1,369,315	$ -	$ 4,790,880	$ -	$ -	$ 6,160,195

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2005

	Current Funds				Plant	
	Unrestricted	Auxiliary	Restricted	Scholarships	Fund	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities						
Operating income (loss)	$ (8,478,120)	$ 109,234	$ (288,100)	$ (101,995)	$ (3,468,818)	$ (12,227,799)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation					1,563,106	1,563,106
Changes in assets and liabilities						
(Increase) decrease in accounts receivable	(3,803,504)	39,742	170,301	(302,261)	222,193	(3,673,529)
Decrease in NJTP receivable			83,018			83,018
(Increase) in due from other governments	(105,641)	(22,118)	(66,214)			(193,973)
(Increase) in inventories	(1,137)	(13,066)				(14,203)
(Decrease) in accounts payable and accrued liabilities	(127,262)	(94,558)	(31,523)	(187,408)	(121,227)	(561,978)
Increase in deferred revenue	3,742,939		44,012			3,786,951
Increase (decrease) in compensated absences	(18,109)	1				(18,108)
Net cash provided by (used in) operating activities	$ (8,790,834)	$ 19,235	$ (88,506)	$ (591,664)	$ (1,804,746)	$ (11,256,515)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The College accepted donated capital assets with a fair value of $59,051 during the year ended June 30, 2005.

The College also entered into two capital leases to purchase computers in the amount of $423,917.

See Notes to Financial Statements.

1. Nature of Operations and Significant Accounting Policies

a. Nature of Operations

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

b. Significant Accounting Policies

Scope of Reporting Entity

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

The College has one component unit which meets the Governmental Accounting Standards Board (GASB) criteria. The Northeast Iowa Community College Foundation is a nonprofit corporation which is governed by a separate Board of Directors. The Foundation's purpose is to support the College through donations to provide scholarships to students, and for the enhancement and extension of facilities, equipment, and services. The activities of the Foundation are reported using the discrete method. The Foundation issues a separate financial report. The independent auditor's report on the component unit financial statements for year ending June 30, 2005 expresses an unqualified opinion dated August 10, 2005. Audited financial statements of Northeast Iowa Community College Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

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

b. Significant Accounting Policies (Continued)

Scope of Reporting Entity (Continued)

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

Financial Statement Presentation

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

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

Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Current Funds

These funds are utilized to account for those economic resources that are expendable for the purpose of performing the primary and supporting missions of the College and consist of the following:

Unrestricted Fund

The education and support subgroup accounts for the general operations of the College. All revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this subgroup. From this subgroup are paid the general operating expenses, and the fixed charges that are not paid from other funds.

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

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

b. Significant Accounting Policies (Continued)

Fund Financial Statements (Continued)

Current Funds (Continued)

Auxiliary Funds

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

Restricted Funds

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

Scholarship Fund

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

Plant Fund

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

Measurement Focus

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

Basis of Accounting

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

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

b. Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

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

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

Assets, Liabilities and Net Assets

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

Cash and Investments

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

Property Tax Receivable

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

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Due from Other Governments

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

Due from affiliate

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

Inventories

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

Due from Iowa Industrial New Jobs Training Program (NJTP)

This receivable represents the total amount to be remitted to the College for training projects entered into between the College and employers under the provisions of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2005 on NJTP projects plus interest incurred on NJTP certificates, less reimbursements received to date.

Capital Assets

Capital assets, which include property, furniture, and equipment and vehicles are recorded at cost or estimated historical cost if actual historical cost records are not available. Donated assets are stated at their estimated fair value as of the date received as a donation.

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

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

Assets	Amount
Equipment and vehicles	$ 5,000
Buildings and improvements	25,000

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Capital Assets (Continued)

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

Assets	Years
Buildings and improvements	30
Equipment	5-10
Vehicles	5-10

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

Salaries and Benefits Payable

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

Deferred Revenue

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

Compensated Absences

College employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death, or retirement. Amounts representing the cost of compensated absences are recognized as liabilities of the appropriate fund, and have been computed based on rates of pay in effect as of June 30, 2005.

Encumbrances

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Net Assets

Invested in Capital Assets, Net of Related Debt

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

Restricted Net Assets

Net assets 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. Restricted net assets are used first when an expense is incurred for purposes for both restricted and unrestricted net assets.

Unrestricted Net Assets

Unrestricted net assets represent the difference between assets and liabilities that are not restricted and can be used for future obligations of the District.

Auxiliary Enterprise Revenues

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

Summer Session

The College operates summer sessions during June, July and August. Revenues and expenditures for the summer sessions are recorded in the appropriate fiscal year. Tuition and fees are allocated based on the load study distributions supplied by the College Registrar and the College's refund policy.

Tuition and Fees

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

Operating and Non-operating Activities

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

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

b. Significant Accounting Policies (Continued)

Assets, Liabilities and Net Assets (Continued)

Use of Estimates

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

Scholarship Allowances and Student Aid

Financial aid (loans, funds provided to students as awarded by third parties and Federal Direct Lending) is accounted for as third party payments (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition.

Budgets and Budgetary Accounting

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

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

The expenditures for the year ended June 30, 2005 exceeded the amount budgeted in the restricted fund for insurance and plant fund.

2. Cash and Investments

The College's deposits in banks at June 30, 2005 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.

2. Cash and Investments (Continued)

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

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

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

Concentration of credit risk. The College places no limit on the amount that may be invested in any one issuer. The fixed annuity is on the life of a previous president Donald Roby.

The College's petty cash and deposit accounts as of June 30, 2005 consist of the following:

Petty cash	$ 14,380
Other deposit accounts	6,145,815
	$6,160,195

The College's investments as of June 30, 2005 consist of the following:

Fixed annuity contract	$ 29,240
Certificates of deposit	1,000,000
	$1,029,240

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

	Cost	Fair Value	Unrealized Appreciation (Depreciation)
Government agency	$ 324,623	$ 315,108	$ (9,515)
Collateralized mortgage obligation	44,745	44,462	(283)
Bond fund	62,206	60,713	(1,493)
Common stock	469,145	525,296	56,151
Mutual funds	104,975	132,518	27,543
	$1,005,694	$1,078,097	$ 72,403

2. Cash and Investments (Continued)

The following schedule summarizes the Foundation's investment return and its classification in the statement of revenues, expenses and changes in net assets for the year ended June 30, 2005:

Interest and dividend income	$ 31,578
Net realized and unrealized gains	41,598
Total investment return	$ 73,176

3. Inventories

The College's inventories as of June 30, 2005 are as follows:

Supplies and materials	$ 260,340
Merchandise held for resale	285,151
Total	$ 545,491

4. Capital Assets

Capital assets activity for the year ended June 30, 2005 is as follows:

	Balance June 30, 2004	Additions	Deletions	Balance June 30, 2005
Capital non-depreciable assets				
Land	$ 683,366			$ 683,366
Construction in progress	102,226		$ 102,226	None
	785,592	$ None	102,226	683,366
Capital assets, being depreciated				
Buildings	26,055,302	459,374		26,514,676
Other structures and improvements	1,780,384	170,015		1,950,399
Furniture and equipment	5,599,232	634,577	43,218	6,190,591
Total capital assets being depreciated	33,434,918	1,263,966	43,218	34,655,666
Less accumulated depreciation				
Buildings	13,872,192	849,002		14,721,194
Other structures and improvements	708,772	58,477		767,249
Furniture and equipment	3,527,368	655,626	34,815	4,148,179
Total accumulated depreciation	18,108,332	1,563,105	34,815	19,636,622
Total capital assets being depreciated	15,326,586	(299,139)	8,403	15,019,044
Capital assets, net	$16,112,178	$ (299,139)	$ 110,629	$15,702,410

5. Long-term Obligations

Long-term liability activity for the year ended June 30, 2005 was as follows:

	Balance June 30, 2004	Additions	Reductions	Balance June 30, 2005	Amounts Due Within One Year
Notes payable	$ 7,060,000		$1,185,000	$ 5,875,000	$ 455,000
Certificates payable	9,330,000	$2,195,000	1,705,000	9,820,000	1,860,000
Other liabilities Capital leases	571,423	448,947	423,423	596,947	322,572
Long-term liabilities	$16,961,423	$2,643,947	$3,313,423	$16,291,947	$ 2,637,572

a. Certificates Payable

Between November 1, 1995 and June 30, 2005, the College issued certificates totaling $9,820,000 with interest rates ranging from 2.90% to 7.45% per annum. The debt was incurred to fund the development and training costs incurred relative to implementing Chapter 260E of the Code of Iowa, Iowa Industrial New Jobs Training Program (NJTP). NJTP's purpose is to provide tax-aided training for employees of industries which are new or are expanding their operations within the State of Iowa. Interest on the certificates is payable semiannually, while the principal payments are due annually. The certificates are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes collected.

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

	Principal	Interest	Total
Year ending June 30			
2006	$1,860,000	$ 536,853	$ 2,396,853
2007	1,545,000	443,873	1,988,873
2008	1,550,000	361,400	1,911,400
2009	1,365,000	271,681	1,636,681
2010	990,000	194,382	1,184,382
2011-2014	2,510,000	232,483	2,742,483
	$9,820,000	$2,040,672	$11,860,672

5. Long-term Obligations (Continued)

b. Notes Payable

The College has issued notes payable for the purchase and construction of College properties. As of June 30, 2005, the notes payable outstanding consist of the following:

$1,530,000 Lease Purchase Certificates of Participation, due annually in varying installments June 1, 2006 through June 1, 2012 plus interest semi-annually with interest rates of the leases varying from 3.80% to 4.60%. The leases were issued to build the Cresco Center. See Note 11 regarding repayment arrangements.	$1,530,000
$3,110,000 Tax Exempt Lease Purchase Certificates of Participation Series 2004A, due annually in varying installments December 1, 2005 through December 1, 2022 plus interest semi-annually with interest rates of the leases varying from 2.50% to 4.70%. The leases were issued to purchase the Town Clock Center.	3,110,000
$1,235,000 Taxable Lease Purchase Certificates of Participation Series 2004B, due annually in varying installments December 1, 2005 through December 1, 2017 plus interest semi-annually with interest rates of the leases varying from 4.10% to 6.75%. The leases were issued to purchase the Town Clock Center.	1,235,000
	$5,875,000

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

	Principal	Interest	Total
Year ending June 30			
2006	$ 455,000	$ 262,735	$ 717,735
2007	385,000	249,300	634,300
2008	400,000	234,550	634,550
2009	415,000	253,214	668,214
2010	430,000	199,734	629,734
2011-2015	1,585,000	610,485	2,195,485
2016-2020	1,480,000	302,942	1,782,942
2021-2025	725,000	47,776	772,776
	$5,875,000	$2,160,736	$ 8,035,736

5. Long-term Obligations (Continued)

c. Capital Leases

The College is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the plant fund. Capital assets under capital leases totaled $1,922,419 at June 30, 2005. The following is a schedule of future minimum lease payments under capital leases as of June 30, 2005:

Year ending June 30	
2006	$ 322,572
2007	187,036
2008	61,029
2009	26,310
	596,947
Imputed interest	16,419
Minimum lease payments for all capital leases	$ 613,366

The College has capital leases ending at various dates until January 1, 2009. The capitalized lease obligations have automatic renewal for one year if 30 day written notice is not given at the end of the lease term.

d. Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. These leases expire between 2005 and 2012 and require various minimum annual rentals. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The College has also entered into some equipment leases. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. These leases expire between 2005 and 2008 and require various minimum annual rentals.

5. Long-term Obligations (Continued)

d. Operating Leases (Continued)

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2005:

Year ending June 30,	2006	$ 193,310
	2007	195,328
	2008	197,595
	2009	173,965
	2010	55,008
	2011-2015	105,012
Minimum lease payments for all operating leases		$ 920,218

Rents for fiscal year 2005 totaled $204,512 for operating leases, except those with terms of a month or less that were not renewed.

6. Early Retirement

Full-time staff, and regular part-time employed at least 80% with fully-paid fringe benefits, who are between the ages of 55 and 62 and who have at least 10 years of service with the College on or before July 1 of the year of their retirement, are eligible to apply for early retirement remuneration and health insurance benefits. Early retirement is to begin at the end of the employee's contract. A staff member who accepts early retirement has three options to choose from as to when the cash benefits will be received. The College will also provide a set amount toward single plan health insurance for the retiree, if the retiree chooses to remain in the employer's health insurance plan until the day the retiree is eligible under another group plan or the day the retiree becomes eligible for Medicare. The plan is funded on a pay-as-you-go basis through property tax levies. As of June 30, 2005, the potential liability of the College, if all eligible employees accept early retirement and the employer provided health insurance, is approximately $2,230,439. Subsequent to year end the Board has changed the upper age limit for staff being eligible for early retirement.

7. Iowa Public Employees Retirement System

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

Plan members are required to contribute 3.70% of their annual covered salary and the College is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2005, 2004, and 2003. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2005, 2004, and 2003 were $402,034, $380,011, and $344,912, respectively, equal to the required contributions for each year.

8. Teachers Insurance and Annuity Association-College Retirement Equities Fund (TIAA-CREF)

The College contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both the employer and employee vest immediately. As specified by the contract with TIAA-CREF, and in accordance with the Code of Iowa, each employee is required to contribute 3.70% and the College is required to contribute 5.75%. The College's and employees' required and actual contributions to TIAA-CREF for the year ended June 30, 2005 were $375,388 and $341,558, respectively.

9. Related Organizations

Northeast Iowa Community-Based Dairy Foundation is a non-profit organization whose goal is to support educational efforts and whose financial activities are not included in these financial statements. The College, Northeast Iowa Community-Based Dairy Foundation, and Iowa State University have an interagency agreement for the purpose of cooperating in the operations of a dairy education and applied research laboratory. The Board of Directors of the above Foundation has members who are also Trustees of the College. However, these members do not compromise a majority in the above Foundation's Board. For the year ended June 30, 2005, the College paid the Foundation $40,008 in rent. The Foundation and Northeast Iowa Community College have a fiscal agent agreement where the Foundation paid the College $30,000 for services for the year ended June 30, 2005. Audited financial statements of Northeast Iowa Community-Based Dairy Foundation are available at the Northeast Iowa Community College District office located at Hwy 150 South, Calmar, IA 52132.

Significant financial data for the year ended June 30, 2005, which is audited, is as follows:

Total assets	$ 4,355,370
Total liabilities	2,636,741
Total equity	1,718,629
Total revenue	1,352,191
Total expenses	1,250,106

10. New Jobs Training Program

Northeast Iowa Community College administers the Iowa Industrial New Jobs Training Program (NJTP) in Area I in accordance with Chapter 260E of the Code of Iowa. NJTP's purpose is to provide tax-aided training or retraining for employees of industries which are new to or are expanding their operations within the State of Iowa. Certificates are sold by the College to fund approved projects and are to be retired by proceeds from anticipated job credits from withholding taxes, incremental property taxes, budgeted reserves and in the case of default, from standby property taxes. Since inception, the College has administered 155 projects with 42 currently receiving project funding. The remaining 113 projects have been completed and of those, 97 have only the repayment of the certificates left.

10. New Jobs Training Program (Continued)

Northeast Iowa Community College also administers the Iowa Jobs Training Program (IJTP) in Area I in accordance with Code of Iowa. IJTP's purpose is to provide tax-aided training or retraining for existing employees of businesses. Approved businesses receive forgivable loans from the Workforce Development Fund, a state administered fund. Since inception, the College has administered 173 projects with 12 currently receiving project funding.

11. Commitments

The College is a member of ACCES, Inc. (Alliance for Community Colleges for Electronic Sharing), a computer consortium of nine (9) community colleges. The College will continue to be a member of ACCES, Inc. for the foreseeable future. ACCES, Inc. has changed its mission from a consortium for providing administrative software services to a buying consortium for the acquisition and maintenance of Datatel Colleague and other administrative software. The ongoing expenditures for the Datatel Colleague software and maintenance will be paid through ACCES Consortium. The College is committed to paying ACCES, Inc. consortium $118,817 for software, licensing and maintenance for FY06.

The College is now a member of CAST, Inc. (College Alliance Sharing Technology), a computer consortium composed of four (4) Iowa community colleges. Its purpose is to provide administrative support and sharing of computer services. The College is committed to be a member of CAST until July 1, 2010. The percentage of the total annual expenditures of CAST, Inc. is to be paid based on the percentage of unrestricted general fund expenditures of the preceding fiscal year compared to the total of all participating colleges' general fund expenditures for the preceding fiscal year. The College's payments to CAST, Inc. for fiscal year 2006 are estimated to be $152,048 and $64,175 in start-up costs for the consortium, which represents approximately 30% of the budget for CAST, Inc.

The College has entered into a 28E agreement with Howard-Winneshiek Community School District (District) to build a center in Cresco, Iowa. The College, in September 2001, issued $2,095,000 Certificates of Participation Series 2001 to help finance the project. The District is responsible for all debt payments; however, the College is obligated to rent and operate the center from the District for a minimum of five years with rental payments of $30,000 per year. See Note 5.

The total outstanding construction of the College at June 30, 2005 amount to $301,559. Of these commitments, $12,727 will be funded by state and federal grants.

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

12. Contingent Liabilities

The College participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenses financed by grants were subjected to local audit but still remain open to audit by the appropriate grantor government. If expenses are disallowed by the grantor government due to noncompliance with grant program regulations, the College may be required to reimburse the grantor government. As of June 30, 2005 significant amounts of grant expenses have not been audited by granting authorities but the College believes that disallowed expenses, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the College.

13. Risk Management Policies

The College carries commercial insurance coverage for coverage associated with property and inland marine, general liability, automobile liability, automobile physical damage, fidelity bonds, health, and worker's compensation. The College is self-insured with respect to their health insurance coverage. The College maintains reinsurance that carries an aggregate stop loss of $50,000 per employee covered and an aggregate stop loss of 125% of total estimated claims. Claims payable include all known claims and an amount for claims that have been incurred but not reported (IBNR). The changes in the aggregate liabilities for claims included in salaries and benefits payable for the years ended June 30, 2005 and 2004 are as follows:

	2005	2004
Claims payable, beginning of year	$ 345,072	$ 336,470
Claims recognized	2,639,570	2,385,259
Claim payments	(2,640,397)	(2,376,657)
Claims payable, end of year	$ 344,245	$ 345,072

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

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

123 WEST WATER STREET
P.O. BOX 507
DECORAH, IOWA 52101
TELEPHONE 563 382-3637
FAX 563 382-5797
E-MAIL @HACKERNELSON.COM

INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of Northeast Iowa Community College basic financial statements. The accompanying additional balance sheet and Schedule of Revenues, Expenditures, and Other Changes in Fund Balance information on pages 29 through 34 were prepared for purposes of additional analysis using regulatory basis and are not a required part of the basic financial statements. The adjustments made in preparing the supplemental presentations were subjected to audit procedures as part of the audit of the basic financial statements. The accompanying regulatory financial statements are not intended to present Northeast Iowa Community College's financial position or results of operations. The information shown on pages 35 thru 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Northeast Iowa Community College as of and for the years ended June 30, 2004, 2003 and 2002 (which is not presented herein), and we expressed an unqualified opinion on those financial statements. In our opinion, the information set forth in the supplementary information for each of the three years in the period ended June 30, 2004, appearing on page 36 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
September 16, 2005

NORTHEAST IOWA COMMUNITY COLLEGE

BALANCE SHEET
June 30, 2005

	Current Funds				Plant Funds				
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant	GAAP Adjustments	GAAP Basis
ASSETS									
Cash	$ 1,369,315		$ 4,790,880						$ 6,160,195
Investments	29,240		1,000,000	$ -					1,029,240
Receivables									
Accounts, less allowance of $161,069	4,978,832	$ 86,100	1,376,142	302,261	$ 107,513				6,850,848
Accrued interest	-	-	11,285	-	1,487				12,772
Property tax									
Current year delinquent	21,074	-	20,088	-		$ 21,074			62,236
Succeeding year	1,455,086	-	1,432,455	-		1,455,086			4,342,627
Due from other funds	-	574,021	2,815,901						3,389,922
Due from other governments	227,614	23,134	71,473	361,723	-				683,944
Due from affiliate					76,660				76,660
Inventories	6,204	539,287							545,491
Due from Iowa Industrial New Jobs Training Program		-	4,296,722						4,296,722
Restricted cash									-
Capital assets									
Land							$ 683,366		683,366
Construction in progress							-		-
Buildings							26,514,676		26,514,676
Other structures and improvements	-	-	-	-			1,950,399		1,950,399
Furniture and equipment, including assets acquired under capital leases of $1,689,101							6,190,591		6,190,591
Accumulated depreciation							(19,636,622)		(19,636,622)
Total assets	$ 8,087,365	$ 1,222,542	$ 15,814,946	$ 663,984	$ 185,660	$ 1,476,160	$ 15,702,410	$ -	$ 43,153,067
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable	$ 91,796	$ 42,772	$ 5,679	$ 361,498	$ 11,075				$ 512,820
Salaries and benefits payable	759,164	-	567,765	-					1,326,929
Deposits held in custody for others	85,489								85,489
Due to other funds		172,908		299,760	2,917,254				3,389,922
Deferred revenue									
Succeeding year property tax	1,455,086	-	1,432,455	-		$ 1,455,086			4,342,627
Other	3,924,064	-	1,340,683	-	-				5,264,747
Compensated absences	200,853	19,342							220,195
Notes payable			1,530,000		703,322		$ 3,641,678		5,875,000
Obligations under capitalized leases	-	-	-				596,947		596,947
Certificates payable	-		9,820,000	-					9,820,000
Total liabilities	6,516,452	235,022	14,696,582	661,258	3,631,651	1,455,086	4,238,625	$ -	31,434,676
Fund balance									
Invested in capital assets, net of related debt							11,463,785		11,463,785
Fund balances									
Restricted for specific purposes			1,118,364	2,726		21,074			1,142,164
Unrestricted	1,570,913	987,520			(3,445,991)				(887,558)
Total fund equity	1,570,913	987,520	1,118,364	2,726	(3,445,991)	21,074	11,463,785	-	11,718,391
Total liabilities and fund equity	$ 8,087,365	$ 1,222,542	$ 15,814,946	$ 663,984	$ 185,660	$ 1,476,160	$ 15,702,410	$ -	$ 43,153,067

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
For the Year Ended June 30, 2005

	Current Funds				Plant Funds				
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant	GAAP Adjustments	GAAP Basis
REVENUES AND OTHER ADDITIONS									
General									
State appropriations	$ 6,725,728		$ 177,889	$ 264,998	$ -				$ 7,168,615
Tuition and fees	11,919,353	$ 110,565	415,714					$ (5,332,072)	7,113,560
Property taxes	1,444,042		1,376,343		251,503	$ 1,192,539			4,264,427
Federal appropriations	792,504	21,621	1,205,711	12,041,400					14,061,236
Investment income	185,485		6		15,348				200,839
Iowa Industrial New Jobs Training Program			2,273,725						2,273,725
Sales and services	12,873				4,600				17,473
Miscellaneous	89,795		192,559		147,549				429,903
	21,169,780	132,186	5,641,947	12,306,398	419,000	1,192,539	$ -	(5,332,072)	35,529,778
Auxiliary enterprises									
Sales and services		2,934,755						(782,822)	2,151,933
Miscellaneous		66,527							66,527
	-	3,001,282	-	-	-	-	-	(782,822)	2,218,460
Total revenues and other additions	21,169,780	3,133,468	5,641,947	12,306,398	419,000	1,192,539	-	(6,114,894)	37,748,238
EXPENDITURES AND OTHER DEDUCTIONS									
Education and support									
Liberal arts and sciences	4,488,817		1,850						4,490,667
Vocational technical	7,168,278		570,903					(124,365)	7,614,816
Adult education	2,194,661		182,961						2,377,622
Cooperative services	1,633,829		2,914,533					(737,186)	3,811,176
General administration	523,381		-						523,381
Student services	1,419,896		56,528					(10,820)	1,465,604
Learning resources	425,047		416,039					(20,716)	820,370
Physical plant	1,158,365		418,557						1,576,922
General institution	2,180,778		611,448					(3,964)	2,788,262
	21,193,052	-	5,172,819	-	-	-	-	(897,051)	25,468,820
Auxiliary enterprises		3,019,160						(9,870)	3,009,290
Scholarships and grants				12,332,748				(6,104,074)	6,228,674
Loan cancellations and bad debts		14,405							14,405
Plant asset acquisitions					1,027,224			(965,465)	61,759
Interest on indebtedness						201,591		656,649	858,240
Other					1,269,389			726,713	1,996,102
Expended for plant assets							(54,287)	54,287	-
Capital leases for plant assets							(423,917)	423,917	(0)
Retirement of indebtedness						990,000	(990,000)		-
Transfer of building from affiliate					(43,200)				(43,200)
Disposal of plant assets							8,403		8,403
Depreciation							1,563,106		1,563,106
Donated plant assets received							(59,051)		(59,051)
	-	3,033,565	-	12,332,748	2,253,413	1,191,591	44,254	(5,217,843)	13,637,728
Total expenditures and other deductions	21,193,052	3,033,565	5,172,819	12,332,748	2,253,413	1,191,591	44,254	(6,114,894)	39,106,548

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE (Continued)
For the Year Ended June 30, 2005

	Current Funds				Plant Funds				
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant	GAAP Adjustments	GAAP Basis
Excess (deficiency) of revenues and other additions over expenditures and other deductions	$ (23,272)	$ 99,903	$ 469,128	$ (26,350)	$ (1,834,413)	$ 948	$ (44,254)	$ -	$ (1,358,310)
TRANSFERS									
Mandatory	61,293	2,847	(61,281)	(12)					2,847
Nonmandatory	(29,309)	-	(660,082)	26,462	660,082			-	(2,847)
Total transfers	31,984	2,847	(721,363)	26,450	660,082	-	-	-	-
Net increase (decrease) in fund balance	8,712	102,750	(252,235)	100	(1,174,331)	948	(44,254)	-	(1,358,310)
FUND BALANCE									
Beginning	1,562,201	884,770	1,370,599	2,626	(2,271,660)	20,126	11,508,039		13,076,701
Ending	$ 1,570,913	$ 987,520	$ 1,118,364	$ 2,726	$ (3,445,991)	$ 21,074	$ 11,463,785	$ -	$ 11,718,391

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
EDUCATION AND SUPPORT UNRESTRICTED CURRENT FUNDS
For the Year Ended June 30, 2005

	Education				Support					
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Total
REVENUES AND OTHER ADDITIONS										
State appropriations	$ 2,272,481	$ 3,256,574	$ 1,188,300					$ 8,165	$ 208	$ 6,725,728
Tuition and fees	3,863,323	5,880,457	1,276,412	$ 897,131		$ 2,030	$ -	-	-	11,919,353
Property taxes					$ 1,444,042					1,444,042
Federal appropriations	-	146,535	246,732	399,237	-	-	-	-	-	792,504
Investment income	-	-	-	-	185,485	-	-	-	-	185,485
Sales and services			12,873							12,873
Miscellaneous	1,100	4,381	2,705	26,981	26,264	811	1,861	10	25,682	89,795
	6,136,904	9,287,947	2,727,022	1,323,349	1,655,791	2,841	1,861	8,175	25,890	21,169,780
Allocation of support services	545,683	870,274	278,601	-	(1,655,791)	(2,841)	(1,861)	(8,175)	(25,890)	-
Total revenues and other additions	6,682,587	10,158,221	3,005,623	1,323,349	-	-	-	-	-	21,169,780
EXPENDITURES AND OTHER DEDUCTIONS										
Salaries and wages	3,375,271	5,287,732	1,382,665	898,812	508,306	971,547	252,440	464,983	832,710	13,974,466
Employee fringe benefits	1,025,623	1,583,926	416,507	411,846	(202,434)	395,727	116,955	245,177	340,879	4,334,206
Services	54,864	123,911	317,688	64,247	164,268	19,684	10,923	264,432	848,717	1,868,734
Materials and supplies	20,567	124,788	41,060	155,453	9,572	23,338	43,906	183,311	112,221	714,216
Travel	11,605	46,792	34,730	14,422	38,163	9,600	823	462	47,715	204,312
Plant asset acquisitions	-	-	-	89,049	-	-	-	-	-	89,049
Miscellaneous	887	1,129	2,011	-	5,506	-	-	-	(1,464)	8,069
	4,488,817	7,168,278	2,194,661	1,633,829	523,381	1,419,896	425,047	1,158,365	2,180,778	21,193,052
Allocation of support services	1,837,923	2,931,182	938,362	-	(523,381)	(1,419,896)	(425,047)	(1,158,365)	(2,180,778)	-
Total expenditures and other deductions	6,326,740	10,099,460	3,133,023	1,633,829	-	-	-	-	-	21,193,052
Excess (deficiency) of revenues and other additions over expenditures and other deductions	355,847	58,761	(127,400)	(310,480)	-	-	-	-	-	(23,272)
TRANSFERS										
Mandatory		12	7,001		54,280					61,293
Nonmandatory	(11,638)	(17,671)								(29,309)
Total transfers	(11,638)	(17,659)	7,001	-	54,280	-	-	-	-	31,984
Net increase (decrease) in fund balance	$ 344,209	$ 41,102	$ (120,399)	$ (310,480)	$ 54,280	$ -	$ -	$ -	$ -	8,712
FUND BALANCE										
Beginning										1,562,201
Ending										$ 1,570,913

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
AUXILIARY ENTERPRISE UNRESTRICTED CURRENT FUNDS
Year Ended June 30, 2005

	Bookstore	Food Services	Child Care	Farm	Trade and Industry	Professional Development	Miscellaneous	Early Retirement	Total
Revenues and other additions									
Tuition and fees	$ -	$ -	$ -	$ -	$ 40,269	$ 70,366	$ (70)	$ -	$ 110,565
Federal appropriations	-	-	21,621	-	-	-	-		21,621
Sales and services	2,202,590	226,737	342,387	-	104,271	75	58,695	-	2,934,755
Miscellaneous	2,441	408	-	863	2,056	25	28,355	32,379	66,527
Total revenues and other additions	2,205,031	227,145	364,008	863	146,596	70,466	86,980	32,379	3,133,468
Expenditures and other deductions									
Salaries and wages	99,826	113,835	327,208	-	-	-	98	-	540,967
Employee fringe benefits	39,597	47,733	125,298	-	-	-	13	-	212,641
Services	14,598	36,169	27,559	-	15,327	43,652	21,189	-	158,494
Materials and supplies	28,995	10,560	18,229	-	5,536	1,284	23,469	-	88,073
Travel	721	-	33	-	35,449	16,967	10,381	-	63,551
Loan cancellations and bad debts							14,405		14,405
Cost of goods sold	1,727,220	94,615	-	(14,500)	92,681	-	32,193	-	1,932,209
Plant asset acquisitions	5,722				4,148		-		9,870
Miscellaneous	13,355	-	-	-	-	-	-	-	13,355
Total expenditures and other deductions	1,930,034	302,912	498,327	(14,500)	153,141	61,903	101,748	-	3,033,565
Excess (deficiency) of revenues and other additions over expenditures and other deductions	274,997	(75,767)	(134,319)	15,363	(6,545)	8,563	(14,768)	32,379	99,903
Transfers									
Mandatory					2,847				2,847
Nonmandatory					(10,254)	10,254			-
	-	-	-	-	(7,407)	10,254	-	-	2,847
Net increase (decrease) in fund balance	274,997	(75,767)	(134,319)	15,363	(13,952)	18,817	(14,768)	32,379	102,750
Fund balance (deficit)									
Beginning	819,262	(1,296)	(102,995)	19,094	57,950	131,272	(6,138)	(32,379)	884,770
Ending	$ 1,094,259	$ (77,063)	$ (237,314)	$ 34,457	$ 43,998	$ 150,089	$ (20,906)	$ -	$ 987,520

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE
RESTRICTED CURRENT FUNDS
Year Ended June 30, 2005

	Restricted Property Tax Levies	Iowa New Jobs Training	Other Federal Programs	Miscellaneous	Total
Revenues and other additions					
State appropriations			$ 177,889		$ 177,889
Tuition and fees				$ 415,714	415,714
Property taxes	$ 1,376,343				1,376,343
Federal appropriations			1,203,158	2,553	1,205,711
Investment income	6			-	6
Iowa Industrial New Jobs Training Program		$ 2,273,725			2,273,725
Miscellaneous	87,866		58,695	45,998	192,559
Total revenues and other additions	1,464,215	2,273,725	1,439,742	464,265	5,641,947
Expenditures and other deductions					
Salaries and wages	-	22,185	485,038	-	507,223
Employee fringe benefits	338,852	8,988	178,039	-	525,879
Services	326,624	1,160,125	393,549	18,268	1,898,566
Materials and supplies	364,713	-	126,972	399,918	891,603
Travel	-	81	42,599	1,063	43,743
Plant asset acquisitions	124,365	-	3,964	12,204	140,533
Interest on indebtedness	-	648,158	-	13,183	661,341
Miscellaneous	-	434,188	69,743	-	503,931
Total expenditures and other deductions	1,154,554	2,273,725	1,299,904	444,636	5,172,819
Excess of revenues and other additions over expenditures and other deductions	309,661	-	139,838	19,629	469,128
Transfers					
Mandatory			(53,280)	(8,001)	(61,281)
Nonmandatory	(660,082)				(660,082)
Total transfers	(660,082)	-	(53,280)	(8,001)	(721,363)
Net increase (decrease) in fund balance	(350,421)	-	86,558	11,628	(252,235)
Fund balance					
Beginning	1,197,901	-	72,601	100,097	1,370,599
Ending	$ 847,480	$ -	$ 159,159	$ 111,725	$ 1,118,364

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF CHANGES IN DEPOSITS HELD IN CUSTODY FOR OTHERS
AGENCY FUNDS
Year Ended June 30, 2005

	Student Organizations/ Federal	Federal and Other Programs	Retraining	Dairy Center	Total
Balance, beginning of year	$ 40,865	$ 5,107	$ 113,394	$ 6,600	$ 165,966
Additions					
State appropriations	-	-	95,973	-	95,973
Tuition and fees	83,137	-	-	-	83,137
Federal appropriations	24,895	56,685	-	150,113	231,693
Miscellaneous	101,047	1,900	6,980	932,857	1,042,784
Transfers	-	-	-	-	-
Total additions	209,079	58,585	102,953	1,082,970	1,453,587
Deductions					
Salaries and wages	19,844	32,284	-	143,986	196,114
Employee fringe benefits	3,605	11,183	-	15,735	30,523
Services	84,405	3,723	158,094	568,617	814,839
Materials and supplies	44,459	1,671	1,922	359,183	407,235
Travel	72,893	10,411	-	2,049	85,353
Plant asset acquisitions	-	-	-	-	-
Total deductions	225,206	59,272	160,016	1,089,570	1,534,064
Balance, end of year	$ 24,738	$ 4,420	$ 56,331	$ -	$ 85,489

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES
Year Ended June 30,

	2005	2004	2003	2002
Local (property tax)	$ 4,264,427	$ 4,175,583	$ 4,135,629	$ 3,889,426
State appropriations	7,264,588	7,301,681	7,370,251	7,756,784
Federal appropriations	14,292,929	13,283,108	12,100,644	11,311,206
Total	$ 25,821,944	$ 24,760,372	$ 23,606,524	$ 22,957,416

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
Year Ended June 30, 2005

	Credit Hours			Contact Hours		
Category	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	46,881		46,881			
Vocational Education	57,556		57,556			
Adult/Continuing Education				401,352	64,584	465,936
Related Services and Activities					20,822	20,822
Total	104,437		104,437	401,352	85,406	486,758

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

BUDGETARY COMPARISON SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
For the Year Ended June 30, 2005

Funds/Levy	Original Budget	Actual	Variance Actual and Amended Budget
Unrestricted	$ 21,682,435	$ 21,193,052	$ 489,383
Restricted	12,075,000	4,029,448	8,045,552
Unemployment	14,000	8,840	5,160
Insurance	354,200	414,553	(60,353)
Early retirement	250,000	230,904	19,096
Equipment replacement	1,000,000	489,074	510,926
Total restricted	13,693,200	5,172,819	8,520,381
Plant			
Bonds and interest	2,925,000	3,489,258	(564,258)
Total	$ 38,300,635	$ 29,855,129	$ 8,445,506

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2005

Section I: Summary of the Independent Auditor's Results	Yes	No	None Reported
Financial Statements			
Type of auditor's report issued: unqualified.			
Internal control over financial reporting:			
• Material weakness(es) identified?		X	
• Reportable condition(s) identified that are not considered to be material weaknesses?		X	
Noncompliance material to financial statements noted?		X	
Federal Awards			
Internal control over major programs:			
• Material weakness(es) identified?		X	
• Reportable condition(s) identified that are not considered to be material weakness(es)?			X
Type of auditor's report issued on compliance for major programs: unqualified.			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?		X	

Identification of major programs
CFDA Numbers

- 84.007 Federal Supplemental Educational Opportunity Grant Program (FSEO)
- 84.033 Federal Work-Study Program (FWS)
- 84.063 Federal Pell Grant Program
- 84.268 Federal Direct Loans - Subsidized/Unsubsidized
- 84.048 Vocational Education - Basic Grants to States
- 10.500 Cooperative State Research, Education, and Extension Service

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? X

Section II: Findings Related to the Financial Statements:
Reportable conditions - None

Section III: Findings and Questioned Costs for Federal Awards:
Instances of noncompliance - None
Reportable conditions - None

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Grantor/Program	CFDA Number	Program Expenditures	Federal New Loans
U.S. Department of Agriculture			
Direct			
Cooperative State Research, Education, and Extension Service	10.500	$ 264,870	
		150,114	
		414,984	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226	16,255	
		11,245	
		27,500	
Community Outreach and Assistance Partnership Program	10.455	4,054	
Passed through Iowa Department of Education			
Child and Adult Care Food Program	10.561	25,590	
Passed through Rural Development			
Rural Business Enterprise Grant	10.769	38,566	
Subtotal Department of Agriculture		510,694	
U.S. Department of Labor			
Passed through Iowa Department of Workforce Development			
Job Training Partnership Act (JTPA)	17.250	48,389	
Passed through Iowa Department of Education			
Mind Health and Safety Grants	17.600	15,625	
Subtotal U.S. Department of Labor		64,014	
National Science Foundation			
Passed through Iowa State University			
Education and Human Resources	47.076	22,499	
U.S. Department of Education			
Direct			
Adult Education - State Grant Program	84.002	404,403	
Federal Supplemental Educational Opportunity Grants	84.007	79,338	
Federal Direct Loans - Plus Loans	84.268		$ 69,500
Federal Direct Loans - Subsidized Loans	84.268		4,094,943
Federal Direct Loans - Unsubsidized Loans	84.268		3,467,882
Federal Work-Study Program	84.033	146,535	
Federal Pell Grant Program	84.063	4,329,725	
TRIO - Student Support Services	84.042A	206,326	
TRIO - Upward Bound	84.047	470,501	
		5,636,828	7,632,325
Passed through Iowa Department of Education			
Childcare Access means Parents in School	84.335A	17,375	
Vocational Education-Basic Grants to States			
Vocational Education - Basic Grants to States	84.048	406,790	
		424,165	
Subtotal U.S. Department of Education		6,060,993	7,632,325
U.S. Department of Health and Human Services			
Passed through Iowa Department of Public Health			
Specially Selected Health Projects	93.888	2,404	
		$ 6,660,604	$ 7,632,325

See Independent Auditor's Report on the Schedule of Expenditures of Federal Awards.

NORTHEAST IOWA COMMUNITY COLLEGE

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

Note 1. Basis of Presentation

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

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

123 WEST WATER STREET
P.O. BOX 507
DECORAH, IOWA 52101
TELEPHONE 563 382-3637
FAX 563 382-5797
E-MAIL @HACKERNELSON.COM

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

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

We have audited the financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2005, which collectively comprise Northeast Iowa Community College's basic financial statements and have issued our report thereon dated September 16, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Compliance and Other Matters

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

However, we noted certain immaterial instances of noncompliance or other matters that we have reported to management of Northeast Iowa Community College in a separate letter dated September 16, 2005.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
September 16, 2005

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

123 WEST WATER STREET
P.O. BOX 507
DECORAH, IOWA 52101
TELEPHONE 563 382-3637
FAX 563 382-5797
E-MAIL @HACKERNELSON.COM

INDEPENDENT AUDITOR'S 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 Trustees
Northeast Iowa Community College
Calmar, Iowa

Compliance

We have audited the compliance of Northeast Iowa Community College, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on Northeast Iowa Community College's compliance based on our audit.

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

In our opinion, Northeast Iowa Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

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

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College, as of and for the year ended June 30, 2005, and have issued our report thereon dated September 16, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Northeast Iowa Community College's basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
September 16, 2005

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

123 WEST WATER STREET
P.O. BOX 507
DECORAH, IOWA 52101
TELEPHONE 563 382-3637
FAX 563 382-5797
E-MAIL @HACKERNELSON.COM

MANAGEMENT LETTER

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

In planning and performing our audit of the basic financial statements of the Northeast Iowa Community College for the year ended June 30, 2005, we considered the College's internal control to determine our auditing procedures for the purpose of expressing opinions on the basic financial statements and not to provide assurance on internal controls.

In accordance with Chapter 11 of the Code of Iowa, we are required to report on the College's compliance with certain sections of the Iowa Code, Attorney General's Opinions and other matters. Items 1 thru 9 below are compliance comments required by the Iowa Auditor of State. A separate report dated September 16, 2005 contains our report on reportable conditions in the College's internal control. This letter does not affect our report dated September 16, 2005, on the financial statements of the Northeast Iowa Community College. Comment number 10 is a repeat comment from the prior year. All other prior comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. Official Depositories

   A resolution naming official depository banks has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

2. Certified Budget

   Disbursements for the year ended June 30, 2005 did not exceed the amounts budgeted.

3. Questionable Disbursements

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

4. Travel Expense

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

5. Business Transactions

   We noted no business transactions between the College and College officials and/or employees for the year ended June 30, 2005.

6. Bond Coverage

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

7. Trustee Minutes

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

8. Publication

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

9. Deposits and Investments

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

10. Fund Balance Deficits

As of June 30, 2005, there are several sub-group accounts reporting fund balances that are deficits.

Recommendation

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

Response

The College has reviewed the deficits and has taken corrective action for major deficits.

Conclusion

Response accepted.

11. Payroll System

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

Recommendation

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

Response

The College Payroll/HR Department has met and reviewed procedures for improving the College's internal controls.

Conclusion

Response accepted.

12. Financial Aid

During our audit, we noticed that there was one instance where a copy of the letter of probation was not in the student's file.

Recommendation

We recommend that a copy of the probation letter be in each student's file, where applicable.

Response

The College will review procedures for compliance where applicable.

Conclusion

Response accepted.

13. New Jobs Training Program

During our audit we noted a few errors in the New Jobs Training Program (NJTP). There were two bookkeeping errors. The first error was an allocation of professional services charged to the wrong project. The second error was a recording error in which the debit amount was recorded as a credit and the credit amount recorded as a debit. Both of these errors were not corrected by control procedures in place. There is also a project that has excess funds recorded because the County in which the project is based in continues to remit TIF payments to the College.

Recommendation

We recommend that the computer logs be reviewed to verify the accuracy of the entries being recorded in the computer. Reconciliations should be prepared and reviewed to verify the accuracy of the expenses and revenue being reported for each of the projects. The County should be contacted to stop remitting TIF payments and should review with legal counsel on what should be done with the excess funds.

Response

The College will review accuracy controls as recommended by auditors within time constraints. College officials recently met with legal counsel on the excess funds status at the state level. Appropriate action will be taken on excess funds in projects.

Conclusion

Response accepted.

14. Cash Balance

We noted that there were three funds that had deficit cash balances as of June 30, 2005. These funds are in theory borrowing money from other funds to pay for expenses.

Recommendation

We recommend the College review cash balances throughout the year prior to paying expenses. We also recommend that the College review that charges collected are adequate to cover expenses or make transfers between funds to eliminate these deficits.

Response

The College will review the auditor's recommendation.

Conclusion

Response accepted.

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

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

Hacker, Nelson & Co., P.C.

Decorah, Iowa
September 16, 2005