NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA

FINANCIAL REPORT

JUNE 30, 2006

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NORTHEAST IOWA COMMUNITY COLLEGE

BOARD OF TRUSTEES AND COLLEGE OFFICIALS

Name	Title	Term Expires
	Board of Trustees (Before September 2005 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
	Board of Trustees (After September 2005 Election)	
Kenneth Reimer	President	2007
Ronda Kirkegaard	Vice-President	2006
Linus Rothmeyer	Member	2006
Jim Anderson	Member	2008
Larry Blatz	Member	2008
Ross Edwards	Member	2006
Daniel Willenbring	Member	2007
Jean Sharff	Member	2007
Daniel White	Member	2008

Community College Officials

Penelope Wills, President
Robert Maxson, Vice-President,
  Administrative Services and Provost, Calmar Campus
Curt Oldfield, Vice-President, Academic Affairs
Janet Bullerman, Board Secretary
Thomas Ridout, Board Treasurer, Director of Accounting Services

123 West Water Street
P.O. Box 507
Decorah, Iowa 52101
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New Hampton, Iowa 50659
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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

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

We have audited the accompanying financial statements of the business-type activities, the discretely presented component unit, and each major fund of Northeast Iowa Community College as of and for the year ended June 30, 2006, 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, 2006, and the respective changes in financial position, and, where applicable, cash flows 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 27, 2006, on our consideration of Northeast Iowa Community College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on 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.

Hacker, Nelson & Co., P.C.

Decorah, Iowa
September 27, 2006

NORTHEAST IOWA COMMUNITY COLLEGE
CALMAR, IOWA

Management's Discussion and Analysis
For the Fiscal Year Ending June 30, 2006

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, 2006.

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 decreased overall 2.04%, from fiscal year 2005. Decreased enrollment contributed to the decrease in federal funding and tuition receipts received. The decrease in enrollment also resulted in a decreased bookstore sales thus decreasing receipts in the auxiliary enterprises.

- College operating expenses were .99% higher from fiscal year 2005. 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. The College is also experiencing higher maintenance costs with the expansion and natural aging of the facilities.

- The College's financial statement shows that net assets decreased 2.3% from fiscal year 2005. The table below shows the College's net assets increased by 3.83%. The Investment in Plant fund's beginning fund balance that was reported in the financial statement was restated to adjust for a correction in accumulated depreciation. The table below does not reflect the adjustment to the beginning net assets.

CHANGE IN NET ASSETS COMPARISON

	Unrestricted	Auxiliary	Restricted	Scholarship	Unexpended Plant	Retirement of Indebtedness	Investment in Plant	Total Net Assets
FY 2006	940,588	953,912	1,762,795	2,626	(3,494,432)	20,919	11,980,531	12,166,939
FY 2005	1,570,913	987,520	1,118,364	2,726	(3,445,962)	21,074	11,463,785	11,718,391
$ Change	(630,325)	(33,608)	644,431	(100)	(48,470)	(155)	516,746	448,548
% Change	(40%)	(3%)	58%	(4%)	1%	(1%)	(2%)	3.83

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)

	2006	2005	Percent Change
Current and other assets	$ 22,756	$ 20,541	10.78%
Other noncurrent assets	3,920	3,520	11.36%
Capital assets	15,632	15,702	-0.45%
Total assets	$ 42,308	$ 39,763	6.40%
Long-term debt outstanding	$ 15,056	$ 13,655	10.26%
Other liabilities	15,085	14,390	4.83%
Total liabilities	$ 30,141	$ 28,045	7.47%
Net assets			
Invested in capital assets, net of related debt	$ 11,981	$ 11,464	4.51%
Restricted	1,786	1,142	56.39%
Unrestricted	(1,600)	(888)	80.18%
Total net assets	$ 12,167	$ 11,718	3.83%

The College's current assets and other liabilities increased from 2005 to 2006 due to implementing the Datatel computer system that recognizes the fall tuition as a 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
	2006	2005	Change
Operating Revenues:			
Tuition and fees	$ 6,809	$ 7,114	-4.29%
Federal appropriations	13,534	14,061	-3.75%
Iowa Industrial New Jobs Training Program	2,022	2,274	-11.08%
Sales and services	2,126	2,169	-1.98%
Miscellaneous	1,089	496	119.56%
Total operating revenues	25,580	26,114	-2.04%
Total operating expenses	38,722	38,342	0.99%
Operating loss	(13,142)	(12,228)	7.47%
NONOPERATING REVENUES (EXPENSES)			
State appropriation	8,958	7,169	24.95%
Property taxes	4,434	4,264	3.99%
Investment income	400	201	99.00%
Transfer of building from/to affiliate	62	43	44.19%
Loss on sale of capital assets	(118)	(8)	1375.00%
Donated plant assets received	4	59	-93.22%
Interest on indebtedness	(886)	(858)	3.26%
Net nonoperating revenues	12,854	10,870	18.25%
Decrease in net assets	(288)	(1,358)	-78.79%
Net assets Beginning of Year, restated	12,455	13,077	-4.76%
Net assets End of Year	$ 12,167	$ 11,719	3.82%

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 FY06, operating revenues decreased as a net result of the following changes:

- Tuition and fees decreased due to both a decrease in the number of students.
- Auxiliary enterprises revenue decreased due partially to fewer students purchasing books and supplies.

	Operating Expenses (Expressed in Thousands) 2006	2005	Percent Change
Education and support			
Liberal arts and sciences	$ 4,551	$ 4,491	1.34%
Vocational technical	8,198	7,615	7.66%
Adult education	2,562	2,378	7.74%
Cooperative services	3,951	3,800	3.97%
General administration	715	523	36.71%
Student services	1,573	1,477	6.50%
Learning resources	758	820	-7.56%
Physical plant	1,604	1,577	1.71%
General institution	3,363	2,788	20.62%
Auxiliary enterprises	3,188	3,009	5.95%
Scholarships and grants	5,821	6,229	-6.55%
Loan cancellations and bad debts	8	14	-42.86%
Depreciation	1,281	1,563	-18.04%
Other	1,149	2,058	-44.17%
Total operating expenses	**$ 38,722**	**$ 38,342**	**0.99%**

In FY06, operating expenses increased as a net result of the following changes:

- Moderate salary increases were given to existing faculty and staff accompanied by an increase in the cost for the College's health insurance program.
- Increase in the continuing maintenance of the facilities.
- Auxiliary enterprises expenses increased due to higher costs of 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)	
	2006	2005
Cash provided (used) by:		
Operating activities	$ (11,274)	$ (11,256)
Non-capital financing activities	13,658	11,620
Capital and related financing activities	105	(2,592)
Investing activities	(1,990)	199
Net increase (decrease) in cash	499	(2,029)
Cash beginning of year	6,160	8,189
Cash end of year	$ 6,659	$ 6,160

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, principal and interest payments on debt and the purchase and proceeds from sale of capital assets. Cash used by investing activities includes investment income received and the purchase of investments.

CAPITAL ASSETS

At June 30, 2006, 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 FY2006 and FY2005, respectively. Details of capital assets are shown below.

	Capital Assets, Net (Expressed in Thousands)	
	2006	2005
Land	$ 683	$ 683
Buildings	11,589	11,794
Construction in progress	-	-
Other structures and improvements	1,298	1,183
Equipment and vehicles	2,062	2,042
Total	$ 15,632	$ 15,702

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, 2006, the College had $17.8 million in debt outstanding, an increase of $1,518,195 from 2005. The table below summarizes these amounts by type.

	Long-Term Debt (Expressed in Thousands)	
	2006	2005
Notes payable	$ 6,805	$ 5,875
Certificates payable	10,445	9,820
Capital leases	560	597
Total	$ 17,810	$ 16,292

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

ECONOMIC FACTORS

Northeast Iowa Community College decreased the Unrestricted Fund's equity during the current fiscal year. The decrease in the Unrestricted Fund is largely due to an accounting method change. The College implemented a new accounting administrative software in 2005 and 2006. The change resulted in prorating the tuition and fees over the time the class is held. Previously revenue was recognized at the start of the term in June. This accounting method change is expected to have a positive impact in the subsequent year Fiscal Year 2007. Unexpended Plant Fund equity decreased, slightly it continues to be a challenge with large capital purchase and expenditures needs, such as the Town Clock Center debt retirement and maintenance and utility costs of facilities. The following are comments about specific resource areas:

- State aid increased over the previous year by 5.97% in the Unrestricted Fund. The missions of the community colleges and economy of the State of Iowa has developed a strong need for legislative support. This area has been lagging to the percentage of expenditures in the past and it is anticipated to improve in FY 2007 and FY 2008.

- Property Taxes with Northeast Iowa Community College large tax base continue to be strong economically.

- 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. The college continues to look for addition resources both private and public to support this rising need for facilities.

- 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 improvement in the current operational budget for fiscal year FY 2007 and FY 2008 due to the previous mentioned accounting change and support from the State legislature. It will be a challenge to improve the Plant Fund and will require 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, 2006

	Business-Type Activities	Component Unit Scholarship Foundation
CURRENT ASSETS		
Cash	$ 6,659,087	$ 285,162
Investments	3,411,503	
Receivables		
Accounts, less allowance o[illegible]	6,414,317	46,657
Promises, net discount		10,877
Accrued interest	21,517	
Property tax		
Current year delinquent	62,506	
Succeeding year	4,429,343	
Due from other governments	559,688	67,022
Due from affiliate	7,500	
Inventories	503,050	
Due from Iowa Industrial New [illegible]	687,761	
Total current assets	22,756,272	409,718
NONCURRENT ASSETS		
Investments		1,298,286
Promises, net discount		13,393
Due from Iowa Industrial New [illegible]	3,902,021	
Due from affiliate	17,500	
Capital assets, non-depreciab[illegible]	683,366	1,332,717
Capital assets, net accumula[illegible]	14,949,090	
Total noncurrent assets	19,551,977	2,644,396
Total assets	$ 42,308,249	$ 3,054,114

	Business-Type Activities	Component Unit Scholarship Foundation
CURRENT LIABILITIES		
Liabilities		
Accounts payable	$ 81,902	$ 104,795
Salaries and benefits payable	1,398,566	
Deposits held in custody for others	136,749	
Deferred revenue		
Succeeding year property tax	4,429,343	
Other	6,017,076	
Long-term liabilities due within one year		
Compensated absences	267,531	
Affiliate payable		7,500
Notes payable	490,000	
Obligations under capitalized leases	299,206	
Certificates payable	1,965,000	
Total current liabilities	15,085,373	112,295
Noncurrent liabilities		
Long-term liabilities due over one year		
Affiliate payable		17,500
Notes payable	6,315,000	
Obligations under capitalized leases	260,937	
Certificates payable	8,480,000	
Total noncurrent liabilities	15,055,937	17,500
Total liabilities	30,141,310	129,795
Net assets		
Invested in capital assets, net of related debt, restated	11,980,531	
Restricted		
Restricted for specific purposes	1,786,340	2,380,294
Unrestricted	(1,599,932)	544,025
Total net assets	12,166,939	2,924,319
Total liabilities and net assets	$ 42,308,249	$ 3,054,114

See Notes to Financial Stateme[illegible]

EXHIBIT B

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2006

	Business-Type Activities	Component Unit Scholarship Foundation
OPERATING REVENUES		
Tuition and fees, net of scholarship allowances of $6,104,074	$ 6,808,600	
Federal appropriations	13,533,655	
Iowa Industrial New Jobs Training Program	2,022,297	
Sales and services	2,126,314	
Miscellaneous	1,089,237	$ 1,261,663
Total operating revenues	25,580,103	1,261,663
EXPENSES		
Education and support		
Liberal arts and sciences	4,551,128	
Vocational technical	8,197,920	
Adult education	2,562,093	
Cooperative services	3,950,432	
General administration	714,690	12,832
Student services	1,572,779	
Learning resources	757,353	
Physical plant	1,604,176	
General institution	3,363,388	
Auxiliary enterprises	3,188,291	
Scholarships and grants	5,820,989	320,318
Loan cancellations and bad debts	8,445	
Depreciation	1,281,284	
Other	1,149,276	58,629
Total operating expenses	38,722,244	391,779
Operating (loss) income	(13,142,141)	869,884
NONOPERATING REVENUES (EXPENSES)		
State appropriation	8,958,272	
Property taxes	4,434,120	
Investment income	399,719	140,370
Transfer of building from/to affiliate	62,166	(62,166)
Loss on sale of capital assets	(118,084)	
Donated plant assets received	4,375	
Interest on indebtedness	(886,432)	
Net nonoperating revenues	12,854,136	78,204
Change in net assets	(288,005)	948,088
NET ASSETS		
Beginning, restated	12,454,944	1,976,231
Ending	$ 12,166,939	$ 2,924,319

See Notes to Financial Statements.

EXHIBIT C

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF NET ASSETS
BUSINESS-TYPE ACTIVITIES
June 30, 2006

	Current Funds				Plant	
	Unrestricted	Auxiliary	Restricted	Scholarships	Fund	Total
Current assets						
Cash	$ 488,912		$ 6,170,175			$ 6,659,087
Investments	-	$ -	3,411,503	$ -		3,411,503
Receivables						
Accounts, less allowance	4,763,982	22,833	1,210,711	50,006	$ 366,785	6,414,317
Accrued interest	-	-	19,136	-	2,381	21,517
Property tax						
Current year delinquent	20,919	-	20,668	-	20,919	62,506
Succeeding year	1,463,845	-	1,491,097	-	1,474,401	4,429,343
Due from other funds	1,185,052	574,021	-	-	-	1,759,073
Due from other governments	345,663	2,464	115,385	96,176	-	559,688
Due from affiliate	-	-	-	-	7,500	7,500
Inventories	5,754	497,296	-	-	-	503,050
Due from Iowa Industrial New	-	-	687,761	-	-	687,761
Total current assets	8,274,127	1,096,614	13,126,436	146,182	1,871,986	24,515,345
Noncurrent assets						
Restricted cash					-	-
Due from affiliate	-	-	-	-	17,500	17,500
Due from Iowa Industrial New			3,902,021	-	-	3,902,021
Capital assets, non-depreci			-	-	683,366	683,366
Capital assets, net			-	-	14,949,090	14,949,090
Total noncurrent asse	-	-	3,902,021	-	15,649,956	19,551,977
Total assets	$ 8,274,127	$ 1,096,614	$ 17,028,457	$ 146,182	$ 17,521,942	$ 44,067,322
Current liabilities						
Accounts payable	$ 65,527	$ -	$ 5,300	$ -	$ 11,075	$ 81,902
Salaries and benefits payab	809,238	-	589,328	-	-	1,398,566
Deposits held in custody fo	136,749	-	-	-	-	136,749
Due to other funds	-	121,212	-	143,556	1,494,305	1,759,073
Deferred revenue						
Succeeding year property	1,463,845	-	1,491,097	-	1,474,401	4,429,343
Other	4,612,139	-	1,404,937	-	-	6,017,076
Long-term liabilities due						
Compensated absences	246,041	21,490	-	-	-	267,531
Notes payable	-	-	210,000	-	280,000	490,000
Obligations under capital	-	-	-	-	299,206	299,206
Certificates payable	-	-	1,965,000	-		1,965,000
Total current liabil	7,333,539	142,702	5,665,662	143,556	3,558,987	16,844,446
Noncurrent liabilities						
Long-term liabilities due						
Notes payable	-		1,120,000	-	5,195,000	6,315,000
Obligations under capital	-				260,937	260,937
Certificates payable	-		8,480,000			8,480,000
Total noncurrent lia	-	-	9,600,000	-	5,455,937	15,055,937
Total liabilities	7,333,539	142,702	15,265,662	143,556	9,014,924	31,900,383
Net assets						
Invested in capital asset					11,980,531	11,980,531
Restricted for specific			1,762,795	2,626	20,919	1,786,340
Unrestricted	940,588	953,912			(3,494,432)	(1,599,932)
Total net assets	940,588	953,912	1,762,795	2,626	8,507,018	12,166,939
Total liabilities and	$ 8,274,127	$ 1,096,614	$ 17,028,457	$ 146,182	$ 17,521,942	$ 44,067,322

See Notes to Financial Stater

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, 2006

	Current Funds				Plant	
	Unrestricted	Auxiliary	Restricted	Scholarships	Fund	Total
OPERATING REVENUES						
General						
Tuition and fees	$ 6,395,189	$ 58,297	$ 355,114			$ 6,808,600
Federal appropriations	5,533,088	903,315	1,518,467	$ 5,578,785	$ -	13,533,655
Iowa Industrial New Jo[illegible]			2,022,297			2,022,297
Sales and services	8,472	2,075,846			41,996	2,126,314
Miscellaneous	151,822	64,436	855,682		17,297	1,089,237
Total operating reve[illegible]	12,088,571	3,101,894	4,751,560	5,578,785	59,293	25,580,103
EXPENSES						
Education and support						
Liberal arts and scien[illegible]	4,551,128		-			4,551,128
Vocational technical	7,558,364		639,556			8,197,920
Adult education	2,349,749		212,344			2,562,093
Cooperative services	1,662,002		2,288,430			3,950,432
General administration	714,690		-			714,690
Student services	1,507,003		65,776			1,572,779
Learning resources	400,162		357,191			757,353
Physical plant	1,177,918		426,258			1,604,176
General institution	2,743,054		620,334			3,363,388
Auxiliary enterprises		3,188,291				3,188,291
Scholarships and grants				5,820,989		5,820,989
Loan cancellations and b[illegible]		8,445				8,445
Depreciation					1,281,284	1,281,284
Other					1,149,276	1,149,276
Total operating exp[illegible]	22,664,070	3,196,736	4,609,889	5,820,989	2,430,560	38,722,244
Operating income (l[illegible]	(10,575,499)	(94,842)	141,671	(242,204)	(2,371,267)	(13,142,141)
NON-OPERATING REVENUES (EX[illegible]						
State appropriations	7,327,269	18,027	653,567	219,777	739,632	8,958,272
Property taxes	1,483,443		1,467,234		1,483,443	4,434,120
Investment income	262,789		110,163		26,767	399,719
Loss on sale of capital [illegible]					(118,084)	(118,084)
Transfer of building fr[illegible]					62,166	62,166
Donated plant assets re[illegible]					4,375	4,375
Interest on indebtedness			(680,306)		(206,126)	(886,432)
Total non-operating [illegible]	9,073,501	18,027	1,550,658	219,777	1,992,173	12,854,136
Change in net assets [illegible]	(1,501,998)	(76,815)	1,692,329	(22,427)	(379,094)	(288,005)
Transfers	871,673	43,207	(1,047,898)	22,327	110,691	-
Change in net assets	(630,325)	(33,608)	644,431	(100)	(268,403)	(288,005)
NET ASSETS						
Beginning, restated	1,570,913	987,520	1,118,364	2,726	8,775,421	12,454,944
Ending	$ 940,588	$ 953,912	$ 1,762,795	$ 2,626	$ 8,507,018	$ 12,166,939

See Notes to Financial St[illegible]

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2006

	Current Funds				Plant	
	Unrestricted	Auxiliary	Restricted	Scholarships	Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Tuition and fees	$ 7,298,114	$ 58,298	$ 291,739			$ 7,648,151
Federal appropriations	5,415,194	923,985	1,473,975	$ 2,417,764		10,230,918
Iowa Industrial New Jobs Training Program			2,022,297			2,022,297
Payments to employees for salaries and benefits	(14,465,346)	(665,614)	(601,513)			(15,732,473)
Payments to suppliers for goods and services	(3,251,703)	(334,657)	(1,974,924)	(361,498)	$ (1,356,891)	(7,279,673)
Payments to NJTP recipients			(1,518,693)			(1,518,693)
Scholarships		(1,959,385)		(2,407,713)		(4,367,098)
Loan issued to students		-				-
Collection received from students for loans		11,813				11,813
Auxiliary enterprise receipts		2,127,299				2,127,299
Other operating payments paid on employees' behalf	(4,826,318)	(235,711)	(493,575)			(5,555,604)
Other operating receipts	160,294	64,436	855,682		58,554	1,138,966
Net cash provided by (used in) operating activities	(9,669,765)	(9,536)	54,988	(351,447)	(1,298,337)	(11,274,097)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
State appropriations	7,327,269	18,025	653,567	485,324	739,632	9,223,817
Property tax	1,483,443		1,467,234		1,483,443	4,434,120
Decrease in due to other funds	(1,185,052)	(51,696)		(156,204)	(1,422,949)	(2,815,901)
Increase in due to other funds		-	2,815,901		-	2,815,901
Transfers	871,673	43,207	(1,047,898)	22,327	110,691	-
Federal direct lending receipts	5,774,147	879,207	219,877	3,413,276		10,286,507
Federal direct lending disbursements	(5,774,147)	(879,207)	(219,877)	(3,413,276)		(10,286,507)
Miscellaneous agency fund receipts	(1,581,578)					(1,581,578)
Miscellaneous agency fund disbursements	1,581,578					1,581,578
Net cash provided by non-capital financing activities	8,497,333	9,536	3,888,804	351,447	910,817	13,657,937
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from issuance of debt			2,615,000		1,300,000	3,915,000
Acquisition of capital assets					(159,775)	(159,775)
Proceeds from sale of capital assets					20,140	20,140
Principal paid on debt and leases			(2,190,000)		(593,486)	(2,783,486)
Interest paid on debt and leases			(680,306)		(206,126)	(886,432)
Net cash provided by (used in) capital and related financing activities	-	-	(255,306)	-	360,753	105,447
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-		(2,411,503)			(2,411,503)
Sale of investments	29,240					29,240
Interest on investments	262,789		102,312		26,767	391,868
Net cash provided by (used in) investing activities	292,029	-	(2,309,191)	-	26,767	(1,990,395)
Net increase (decrease) in cash	(880,403)	-	1,379,295	-	-	498,892
CASH, beginning of year	1,369,315	-	4,790,880		-	6,160,195
CASH, end of year	$ 488,912	$ -	$ 6,170,175	$ -	$ -	$ 6,659,087

See Notes to Financial Statements.

NORTHEAST IOWA COMMUNITY COLLEGE

STATEMENT OF CASH FLOWS (Continued)
BUSINESS-TYPE ACTIVITIES
For the Year Ended June 30, 2006

	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)	$ (10,575,499)	$ (94,842)	$ 141,671	$ (242,204)	$ (2,371,267)	$ (13,142,141)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation					1,281,284	1,281,284
Changes in assets and liabilities						
(Increase) decrease in accounts receivable	215,005	63,270	164,851	252,255	(208,354)	487,027
Decrease in NJTP receivable			(293,060)			(293,060)
(Increase) decrease in due from other governments	(118,049)	20,670	(43,912)			(141,291)
Decrease in inventories	450	41,991				42,441
Increase (decrease) in accounts payable and accrued liabilities	75,065	(42,772)	21,184	(361,498)	-	(308,021)
Increase in deferred revenue	688,075		64,254			752,329
Increase in accrued compensated absences	45,188	2,147				47,335
Net cash provided by (used in) operating activities	$ (9,669,765)	$ (9,536)	$ 54,988	$ (351,447)	$ (1,298,337)	$ (11,274,097)

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The College accepted donated capital assets with a fair value of $62,169 during the year ended June 30, 2006.

The College also entered into two capital leases to purchase computers in the amount of $386,682.

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, 2006 expresses an unqualified opinion dated August 16, 2006. 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 statement of net assets:

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, 2006 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, 2006.

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 College.

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

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, 2006 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, 2006 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 College's petty cash and deposit accounts as of June 30, 2006 consist of the following:

Petty cash	$ 14,280
Other deposit accounts	6,644,807
	$6,659,087

The College's investments as of June 30, 2006 consist of the following:

Certificates of deposit	$3,411,503

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	$ 203,112	$ 192,456	$ (10,656)
Collateralized mortgage obligation	36,282	35,391	(891)
Bond fund	126,316	125,745	(571)
Common stock	593,822	673,788	79,966
Mutual funds	234,480	270,906	36,426
	$1,194,012	$1,298,286	$ 104,274

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, 2006:

Interest and dividend income	$ 42,470
Net realized and unrealized gains	97,900
Total investment return	$ 140,370

3. Inventories

The College's inventories as of June 30, 2006 are as follows:

Supplies and materials	$ 241,025
Merchandise held for resale	262,025
Total	$ 503,050

4. Capital Assets

Capital assets activity for the year ended June 30, 2006 is as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Capital non-depreciable assets				
Land	$ 683,366			$ 683,366
Construction in progress	None		$ None	None
	683,366	$ None	None	683,366
Capital assets, being depreciated				
Buildings	26,428,907	13,585		26,442,492
Other structures and improvements	2,036,168	89,165		2,125,333
Furniture and equipment	6,190,591	510,252	1,305,645	5,395,198
Total capital assets being depreciated	34,655,666	613,002	1,305,645	33,963,023
Less accumulated depreciation				
Buildings	13,987,092	866,296		14,853,388
Other structures and improvements	764,448	62,441		826,889
Furniture and equipment	4,148,179	352,548	1,167,071	3,333,656
Total accumulated depreciation	18,899,719	1,281,285	1,167,071	19,013,933
Total capital assets being depreciated	15,755,947	(668,283)	(138,574)	14,949,090
Capital assets, net	$16,439,313	$ (668,283)	$ (138,574)	$15,632,456

5. Long-term Obligations

Long-term liability activity for the year ended June 30, 2006 was as follows:

	Balance June 30, 2005	Additions	Reductions	Balance June 30, 2006	Amounts Due Within One Year
Notes payable	$ 5,875,000	$1,300,000	$ 370,000	$ 6,805,000	$ 490,000
Certificates payable	9,820,000	2,615,000	1,990,000	10,445,000	1,965,000
Other liabilities Capital leases	596,947	386,682	423,486	560,143	299,206
Long-term liabilities	$16,291,947	$4,301,682	$2,783,486	$17,810,143	$ 2,754,206

a. Certificates Payable

Between November 1, 1997 and June 30, 2006, the College issued certificates totaling $10,445,000 with interest rates ranging from 3.35% 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			
2007	$ 1,965,000	$ 584,501	$ 2,549,501
2008	1,830,000	471,544	2,301,544
2009	1,585,000	377,616	1,962,616
2010	1,220,000	282,234	1,502,234
2011	1,075,000	213,985	1,288,985
2012-2016	2,770,000	313,270	3,083,270
	$10,445,000	$2,243,150	$12,688,150

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, 2006, the notes payable outstanding consist of the following:

$1,330,000 Lease Purchase Certificates of Participation, due annually in varying installments June 1, 2007 through June 1, 2012 plus interest semi-annually with interest rates of the leases varying from 4.00% to 4.60%. The leases were issued to build the Cresco Center. See Note 13 regarding repayment arrangements.	$1,330,000
$1,300,000 Lease Purchase Certificates of Participation, due annually in varying installments June 1, 2007 through June 1, 2016 plus interest semi-annually with interest rates of the leases varying from 3.80% to 4.45%. The leases were issued to build and maintain buildings.	1,300,000
$3,010,000 Tax Exempt Lease Purchase Certificates of Participation Series 2005A, due annually in varying installments December 1, 2006 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.	3,010,000
$1,165,000 Taxable Lease Purchase Certificates of Participation Series 2005B, due annually in varying installments December 1, 2006 through December 1, 2017 plus interest semi-annually with interest rates of the leases varying from 4.50% to 6.75%. The leases were issued to purchase the Town Clock Center.	1,165,000
	$6,805,000

5. Long-term Obligations (Continued)

b. Notes Payable (Continued)

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

	Principal	Interest	Total
Year ending June 30			
2007	$ 490,000	$ 304,727	$ 794,727
2008	500,000	286,022	786,022
2009	525,000	265,701	790,701
2010	545,000	243,584	788,584
2011	565,000	219,993	784,993
2012-2016	2,060,000	769,359	2,829,359
2017-2021	1,445,000	333,219	1,778,219
2022-2026	675,000	31,996	706,996
	$6,805,000	$2,454,601	$ 9,259,601

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 $1,804,127 at June 30, 2006. The following is a schedule of future minimum lease payments under capital leases as of June 30, 2006:

Year ending June 30	
2007	$ 299,206
2008	175,000
2009	71,695
2010	14,242
	560,143
Imputed interest	21,171
Minimum lease payments for all capital leases	$ 581,314

The College has capital leases ending at various dates until January 1, 2010. 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.

5. Long-term Obligations (Continued)

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 2006 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 2006 and 2008 and require various minimum annual rentals.

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 following June 30, 2006:

Year ending June 30,	2007	$ 88,608
	2008	60,908
	2009	55,008
	2010	55,008
	2011	35,004
	2012-2016	15,000
Minimum lease payments for all operating leases		$ 309,536

Rents for fiscal year 2006 totaled $150,008 for operating leases, except those with terms of a month or less that were not renewed.

6. Due to/from Other Funds

As of June 30, 2006, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
Unrestricted fund	$ 1,185,052	
Auxiliary fund	574,021	$ 121,212
Scholarships fund		143,556
Plant fund		1,494,305
	$ 1,759,073	$ 1,759,073

7. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

	Transfers In	Transfers Out
Unrestricted fund		
Restricted fund	$ 958,468	$ 28,465
Scholarship fund	5,312	27,639
Plant fund		36,003
	963,780	92,107
Auxiliary fund	43,207	None
Restricted fund		
Unrestricted fund	28,465	958,468
Auxiliary fund		43,207
Plant fund		74,688
	28,465	1,076,363
Scholarship fund	27,639	5,312
Plant fund	110,691	None
Total	$ 1,173,782	$ 1,173,782

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

8. Early Retirement

The College offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least 10 years of full-time staff, and regular part-time service to the College and must have reached the age of 55 on or before July 1 of the year of their retirement. The application for early retirement is subject to approval by the Board of Trustees.

Early retirement benefits are equal to 60% of the employees' regular contractual salary in effect during the employee's last year of employment.

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, 2006, the potential liability of the College, if all eligible employees accept early retirement and the employer provided health insurance, is approximately $2,244,230. The Board has decided to terminate this plan at the end of the year ending June 30, 2007.

8. Early Retirement (Continued)

At June 30, 2006, the College has obligations to fourteen participants with a total liability of $243,216. Actual early retirement expenditures for the year ended June 30, 2006 totaled $118,851.

9. 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 salary. Contribution requirements are established by state statute. The College's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were $406,301, $402,034, and $380,011, respectively, equal to the required contributions for each year.

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

The College contributes to the TIAA-CREF retirement program which is a defined contribution plan. TIAA administers the retirement plan for the College. The defined contribution retirement plan provides individual annuities for each plan participant. As required by the Code of Iowa, all eligible College employees must participate in a retirement plan from the date they are employed. Contributions made by both 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, 2006 were $266,118 and $413,766, respectively.

11. 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, 2006, 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, 2006. 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, 2006, which is audited, is as follows:

Total assets	$ 4,204,903
Total liabilities	2,537,512
Total equity	1,667,391
Total revenue	1,472,407
Total expenses	1,519,910

12. 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 170 projects with 63 currently receiving project funding. The remaining 107 projects have been completed and of those, 102 have only the repayment of the certificates left.

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 194 projects with 15 currently receiving project funding.

13. 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 $74,422 for software, licensing and maintenance for FY07.

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 2007 are estimated to be $176,154 for the consortium, which represents approximately 15% 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, 2006 amount to $243,310. Of these commitments, $48,445 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.

14. 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, 2006 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.

15. 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, 2006 and 2005 are as follows:

	2006	2005
Claims payable, beginning of year	$ 344,245	$ 345,072
Claims recognized	3,008,882	2,639,570
Claim payments	(3,009,005)	(2,640,397)
Claims payable, end of year	$ 344,122	$ 344,245

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

16. Restatement

The beginning net assets of the plant fund were restated due to depreciation expense being over reported in prior years.

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INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of Northeast Iowa Community College basic financial statements. The accompanying additional balance sheet and Schedule of Revenues, Expenditures, and Other Changes in Fund Balance information on pages 31 through 36 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 2006 information shown on pages 37 thru 41 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, 2005, 2004 and 2003 (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, 2005, appearing on pages 38-39 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 27, 2006

NORTHEAST IOWA COMMUNITY COLLEGE

BALANCE SHEET
June 30, 2006

	Current Funds				Plant Funds				GAAP
	Unrestricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	[illegible]	[illegible]	Basis
ASSETS									
Cash	$ 488,912		$ 6,170,175						$ 6,659,087
Investments	-		3,411,503	$ -					3,411,503
Receivables									
Accounts, less allowance of [illegible]	[illegible],763,982	$ 22,833	1,210,711	50,006	$ 366,785				6,414,317
Accrued interest	-	-	19,136	-	2,381				21,517
Property tax									
Current year delinquent	20,919	-	20,668	-		$ [illegible]			62,506
Succeeding year	[illegible],463,845	-	1,491,097	-		1,[illegible]			4,429,343
Due from other funds	[illegible],185,052	574,021	-						1,759,073
Due from other governments	345,663	2,464	115,385	96,176	-				559,688
Due from affiliate					25,000				25,000
Inventories	5,754	497,296							503,050
Due from Iowa Industrial New J[illegible]		-	4,589,782						4,589,782
Restricted cash									-
Capital assets									
Land							$ [illegible]		683,366
Construction in progress							-		-
Buildings							[illegible]		26,442,492
Other structures and improve[illegible]	-	-	-	-			[illegible]		2,125,333
Furniture and equipment, inc[illegible]							[illegible]		5,395,198
under capital leases of $[illegible]							[illegible]		(19,013,933)
Accumulated depreciation									
Total assets	$ [illegible],274,127	$ 1,096,614	$ 17,028,457	$ 146,182	$ 394,166	$ 1,[illegible]	$ [illegible]	-	$ 44,067,322
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable	$ 65,527	$ -	$ 5,300	$ -	$ 11,075				$ 81,902
Salaries and benefits payabl[illegible]	809,238	-	589,328	-					1,398,566
Deposits held in custody for [illegible]	136,749								136,749
Due to other funds		121,212		143,556	1,494,305				1,759,073
Deferred revenue									
Succeeding year property t[illegible]	[illegible],463,845	-	1,491,097	-		$ 1,[illegible]			4,429,343
Other	[illegible],612,139	-	1,404,937	-	-				6,017,076
Compensated absences	246,041	21,490							267,531
Notes payable			1,330,000		2,383,218		$ [illegible]		6,805,000
Obligations under capitalized [illegible]	-	-	-				[illegible]		560,143
Certificates payable	-		10,445,000	-					10,445,000
Total liabilities	[illegible],333,539	142,702	15,265,662	143,556	3,888,598	1,[illegible]	[illegible]	-	31,900,383
Fund balance									
Invested in capital assets, [illegible]							[illegible]		11,980,531
Fund balances									
Restricted for specific p[illegible]			1,762,795	2,626		[illegible]			1,786,340
Unrestricted	940,588	953,912			(3,494,432)				(1,599,932)
Total fund balance	940,588	953,912	1,762,795	2,626	(3,494,432)	[illegible]	[illegible]	-	12,166,939
Total liabilities and f[illegible]	$ [illegible],274,127	$ 1,096,614	$ 17,028,457	$ 146,182	$ 394,166	$ 1,[illegible]	$ [illegible]	-	$ 44,067,322

See Independent Auditor's Report [illegible] supplementary information.

NORTHEAST IOWA COMMUNIT[illegible]

SCHEDULE OF REVENUES, EXPENDITURES, AND O[illegible]
For the Year Ended June [illegible]

	Current Funds								GAAP
	Unrestricted	Auxiliary	Restricted	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	Basis
REVENUES AND OTHER ADDITIONS									
General									
State appropriations	$ [illegible],327,269	$ 18,027	$ 653,567	$ [illegible]	$ [illegible]				$ 9,012,946
Tuition and fees	[illegible],129,227	58,297	355,114					$ [illegible]0)	6,624,838
Property taxes	[illegible],483,443		1,467,234		[illegible]	$ [illegible]			4,434,120
Federal appropriations	799,050	24,108	1,518,467	[illegible]	-				13,662,743
Investment income	262,789		110,163		[illegible]				399,719
Iowa Industrial New Jobs Tra[illegible]			2,022,297						2,022,297
Sales and services	8,472				[illegible]				50,468
Miscellaneous	151,822		855,682	[illegible]	[illegible]			[illegible]5)	1,024,801
	[illegible],162,072	100,432	6,982,524	[illegible]	[illegible]	[illegible]	$ -	[illegible]5)	37,231,932
Auxiliary enterprises									
Sales and services		2,955,052						[illegible]7)	2,075,845
Miscellaneous		64,436							64,436
	-	3,019,488	-	-	-	-	-	[illegible]7)	2,140,281
Total revenues and other a[illegible]	[illegible],162,072	3,119,920	6,982,524	[illegible]	[illegible]	[illegible]	-	[illegible]2)	39,372,213
EXPENDITURES AND OTHER DEDUCTIONS									
Education and support									
Liberal arts and sciences	[illegible],551,128		-						4,551,128
Vocational technical	[illegible],558,364		712,281					[illegible]5)	7,937,260
Adult education	[illegible],349,749		212,344						2,562,093
Cooperative services	[illegible],662,002		2,971,473					[illegible]3)	3,950,432
General administration	750,693		-					[illegible]3)	714,690
Student services	[illegible],507,003		65,776					-	1,572,779
Learning resources	400,162		356,417					[illegible]7	759,316
Physical plant	[illegible],177,918		426,258						1,604,176
General institution	[illegible],743,054		620,334						3,363,388
	[illegible],700,073	-	5,364,883	-	-	-	-	[illegible]4)	27,015,262
Auxiliary enterprises		3,188,290							3,188,290
Scholarships and grants				[illegible]				[illegible]2)	5,820,989
Loan cancellations and bad deb[illegible]		8,445							8,445
Plant asset acquisitions					[illegible]			[illegible]9)	393,478
Interest on indebtedness						[illegible]		[illegible]6	886,432
Other					[illegible]			[illegible]8)	1,014,495
Expended for plant assets							[illegible]	[illegible]3	-
Capital leases for plant asset[illegible]							[illegible]	[illegible]2	-
Retirement of indebtedness						[illegible]	[illegible]		-
Transfer of building from affi[illegible]					[illegible]				(62,166)
Disposal of plant assets							[illegible]		118,084
Depreciation							[illegible]		1,281,284
Donated plant assets received							[illegible]		(4,375)
	-	3,196,735	-	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]8)	12,644,956
Total expenditures and oth[illegible]	[illegible],700,073	3,196,735	5,364,883	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]2)	39,660,218

See Independent Auditor's Report [illegible]

NORTHEAST IOWA COMMUNITY COLLEGE

[redacted]E OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE (Continued)
For the Year Ended June 30, 2006

	Current Funds				Plant Funds				
	[redacted]tricted	Auxiliary	Restricted	Scholarships	Unexpended	Retirement of Indebtedness	Investment in Plant	GAAP Adjustments	GAAP Basis
Excess (deficiency) of rev[redacted] over expenditures and oth[redacted]	[redacted],538,001)	$ (76,815)	$ 1,617,641	$ (22,427)	$ (48,470)	$ (155)	$ (219,778)	$ -	$ (288,005)
TRANSFERS									
Mandatory	472,272	30,484	(537,805)	27,639					(7,410)
Nonmandatory	435,404	12,723	(435,405)	(5,312)				-	7,410
Total transfers	907,676	43,207	(973,210)	22,327	-	-	-	-	-
Net increase (decrease) in [redacted]	(630,325)	(33,608)	644,431	(100)	(48,470)	(155)	(219,778)	-	(288,005)
FUND BALANCE (DEFICIT)									
Beginning, restated	[redacted],570,913	987,520	1,118,364	2,726	(3,445,962)	21,074	12,200,309		12,454,944
Ending	[redacted] 940,588	$ 953,912	$ 1,762,795	$ 2,626	$ (3,494,432)	$ 20,919	$ 11,980,531	$ -	$ 12,166,939

See Independent Auditor's Report [redacted]

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, 2006

	Education				Support					
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services	General Administration	Student Services	Learning Resources	Physical Plant	General Institution	Total
[illegible]										
[illegible]	$ 2,329,797	$ 3,720,997	$ 1,190,222	$ 75,000				$ 8,153	$ 3,100	$ 7,327,269
[illegible]	3,016,441	5,929,695	1,348,435	834,566		$ 90	$ -	-	-	11,129,227
[illegible]					$ 1,483,443					1,483,443
[illegible]	-	128,298	303,036	367,716	-	-	-	-	-	799,050
[illegible]	-	-	-	-	262,789	-	-	-	-	262,789
[illegible]			8,472							8,472
[illegible]	-	22,954	4,523	50,444	33,690	115	2,301	2,607	35,188	151,822
	5,346,238	9,801,944	2,854,688	1,327,726	1,779,922	205	2,301	10,760	38,288	21,162,072
[illegible]	571,738	936,680	303,246	19,812	(1,779,922)	(205)	(2,301)	(10,760)	(38,288)	-
[illegible] tions	5,917,976	10,738,624	3,157,934	1,347,538	-	-	-	-	-	21,162,072
[illegible]										
[illegible]	3,442,034	5,615,952	1,416,466	920,735	535,035	1,043,508	237,359	490,697	858,822	14,560,608
[illegible]	1,043,936	1,703,264	410,090	398,613	25,667	409,629	104,944	254,403	475,772	4,826,318
[illegible]	22,691	88,208	442,472	83,966	137,199	29,169	8,995	225,575	1,258,281	2,296,556
[illegible]	31,960	105,127	30,350	190,371	8,913	17,873	48,280	206,648	119,782	759,304
[illegible]	10,049	45,066	48,857	32,314	33,938	6,824	584	595	30,397	208,624
[illegible] s	-	-	-	-	4,324	-	-	-	-	4,324
[illegible]	-	-	-	36,003	-	-	-	-	-	36,003
[illegible]	458	747	1,514	-	5,617	-	-	-	-	8,336
	4,551,128	7,558,364	2,349,749	1,662,002	750,693	1,507,003	400,162	1,177,918	2,743,054	22,700,073
[illegible]	2,053,737	3,364,642	1,089,286	71,165	(750,693)	(1,507,003)	(400,162)	(1,177,918)	(2,743,054)	-
[illegible] deductions	6,604,865	10,923,006	3,439,035	1,733,167	-	-	-	-	-	22,700,073
[illegible] ues and [illegible] expenditures [illegible]	(686,889)	(184,382)	(281,101)	(385,629)	-	-	-	-	-	(1,538,001)
[illegible]										
[illegible]		(35,408)	4,548	452,528	50,604					472,272
[illegible]	(13,455)	378,860	7,001	(114,380)	177,378					435,404
[illegible]	(13,455)	343,452	11,549	338,148	227,982	-	-	-	-	907,676
[illegible] in fund balance	$ (700,344)	$ 159,070	$ (269,552)	$ (47,481)	$ 227,982	$ -	$ -	$ -	$ -	(630,325)
[illegible]										
[illegible]										1,570,913
[illegible]										$ 940,588

[illegible] 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, 2006

	Bookstore	Food Services	Child Care	Farm	Trade and Industry	Professional Development	Miscellaneous	Total
Revenues and other additions								
State appropriations			$ 18,027					$ 18,027
Tuition and fees	$ -	$ -	-	$ -	$ 9,661	$ 43,654	$ 4,982	58,297
Federal appropriations	-	-	24,108	-	-	-	-	24,108
Sales and services	2,102,489	257,826	398,570	-	118,939	335	76,893	2,955,052
Miscellaneous	10,739	-	1,555	-	6,427	135	45,580	64,436
Total revenues and other additions	2,113,228	257,826	442,260	-	135,027	44,124	127,455	3,119,920
Expenditures and other deductions								
Salaries and wages	111,030	120,105	436,628	-	-	-	-	667,763
Employee fringe benefits	43,624	49,012	143,075	-	-	-	-	235,711
Services	11,659	35,820	4,387	-	13,188	36,947	23,085	125,086
Materials and supplies	5,245	11,849	54,625	-	17,184	2,024	31,939	122,866
Travel	102	-	342	-	23,673	36,513	1,899	62,529
Loan cancellations and bad debts							8,445	8,445
Cost of goods sold	1,702,941	113,248	-	-	110,231	-	32,965	1,959,385
Plant asset acquisitions	-				-		-	-
Miscellaneous	14,937	-	-	-	-	-	13	14,950
Total expenditures and other deductions	1,889,538	330,034	639,057	-	164,276	75,484	98,346	3,196,735
Excess (deficiency) of revenues and other additions over expenditures and other deductions	223,690	(72,208)	(196,797)	-	(29,249)	(31,360)	29,109	(76,815)
Transfers								
Mandatory			30,484					30,484
Nonmandatory	(409,517)	97,934	304,267				20,039	12,723
	(409,517)	97,934	334,751	-		-	20,039	43,207
Net increase (decrease) in fund balance	(185,827)	25,726	137,954	-	(29,249)	(31,360)	49,148	(33,608)
Fund balance (deficit)								
Beginning	1,094,259	(77,063)	(237,314)	34,457	43,998	150,089	(20,906)	987,520
Ending	$ 908,432	$ (51,337)	$ (99,360)	$ 34,457	$ 14,749	$ 118,729	$ 28,242	$ 953,912

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, 2006

	Restricted Property Tax Levies	Iowa New Jobs Training	Other Federal Programs	Miscellaneous	Total
Revenues and other additions					
State appropriations	$ 96,200		$ 557,367		$ 653,567
Tuition and fees				$ 355,114	355,114
Property taxes	1,467,234				1,467,234
Federal appropriations			1,512,291	6,176	1,518,467
Investment income	110,163			-	110,163
Iowa Industrial New Jobs Training Program		$ 2,022,297			2,022,297
Miscellaneous	14,131	682,822	117,293	41,436	855,682
Total revenues and other additions	1,687,728	2,705,119	2,186,951	402,726	6,982,524
Expenditures and other deductions					
Salaries and wages	-	-	623,076	-	623,076
Employee fringe benefits	269,515	-	224,060	-	493,575
Services	356,203	1,518,693	545,304	38,230	2,458,430
Materials and supplies	447,457	-	114,252	55,022	616,731
Travel	-	-	80,085	942	81,027
Plant asset acquisitions	72,725	-	-	267,358	340,083
Interest on indebtedness	-	683,043	-	(2,737)	680,306
Miscellaneous	-		71,655	-	71,655
Total expenditures and other deductions	1,145,900	2,201,736	1,658,432	358,815	5,364,883
Excess of revenues and other additions over expenditures and other deductions	541,828	503,383	528,519	43,911	1,617,641
Transfers					
Mandatory		(452,528)	(78,276)	(7,001)	(537,805)
Nonmandatory	-	(50,855)	(384,550)		(435,405)
Total transfers	-	(503,383)	(462,826)	(7,001)	(973,210)
Net increase in fund balance	541,828	-	65,693	36,910	644,431
Fund balance					
Beginning	847,480	-	159,159	111,725	1,118,364
Ending	$ 1,389,308	$ -	$ 224,852	$ 148,635	$ 1,762,795

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, 2006

	Student Organizations Federal	Federal and Other Programs	Retraining	Dairy Center	Total
Balance, beginning of year	$ 24,738	$ 4,420	$ 56,331	$ -	$ 85,489
Additions					
State appropriations	-	-	202,313	10,536	212,849
Tuition and fees	112,128	-	-	-	112,128
Federal appropriations	-	77,758	-	68,277	146,035
Sales and services	115	(9)	-	-	106
Miscellaneous	101,379	1,698	-	1,109,780	1,212,857
Investment income	-	123	-	-	123
Total additions	213,622	79,570	202,313	1,188,593	1,684,098
Deductions					
Salaries and wages	10,628	49,294	-	159,764	219,686
Employee fringe benefits	1,860	17,518	-	21,957	41,335
Services	105,959	3,060	163,207	492,832	765,058
Materials and supplies	33,512	1,571	-	511,161	546,244
Travel	34,274	6,950	-	3,325	44,549
Cost of goods sold	15,049	-	-	-	15,049
Miscellaneous	917	-	-	-	917
Transfers	-	-	-	-	-
Total deductions	202,199	78,393	163,207	1,189,039	1,632,838
Balance, end of year	$ 36,161	$ 5,597	$ 95,437	$ (446)	$ 136,749

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES
Years Ended June 30,

	2006	2005	2004	2003
Local (property tax)	$ 4,434,120	$ 4,264,427	$ 4,175,583	$ 4,135,629
State appropriations	9,225,795	7,264,588	7,301,681	7,370,251
Federal appropriations	13,808,778	14,292,929	13,283,108	12,100,644
Total	$ 27,468,693	$ 25,821,944	$ 24,760,372	$ 23,606,524

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

COMPARISON OF CURRENT FUND REVENUES BY SOURCE AND
EXPENDITURES BY FUNCTIONS
Years Ended June 30,

	2006	2005	2004	2003
Revenues				
State appropriations	$ 8,273,314	$ 7,168,615	$ 7,166,690	$ 7,178,190
Tuition and fees	11,542,638	12,445,632	11,606,023	10,137,275
Property taxes	2,950,677	2,820,385	2,712,602	2,679,163
Federal appropriations	13,662,743	14,061,236	12,873,853	11,730,943
Investment income	372,952	185,491	179,649	228,708
Iowa Industrial New Jobs Training Program	2,022,297	2,273,725	2,216,877	2,822,387
Auxiliary enterprises	3,019,488	3,001,282	2,801,656	2,604,598
Miscellaneous	2,288,211	295,227	262,409	361,260
	$44,132,320	$42,251,593	$39,819,759	$37,742,524
Expenditures				
Liberal arts and sciences	$ 4,551,128	$ 4,490,667	$ 3,531,504	$ 3,209,553
Vocational technical	8,270,645	7,739,181	7,634,475	6,999,074
Adult education	2,562,093	2,377,622	2,291,969	2,043,828
Cooperative services	4,633,475	4,548,362	4,103,043	4,444,707
General administration	750,693	523,381	842,823	785,312
Student services	1,572,779	1,476,424	1,665,225	1,404,352
Learning resources	756,579	841,086	814,478	565,680
Physical plant	1,604,176	1,576,922	1,446,945	1,188,661
General institution	3,363,388	2,792,226	2,771,600	2,762,790
Auxiliary enterprises	3,188,290	3,019,160	3,081,176	2,831,437
Scholarships and grants	12,890,231	12,332,748	11,503,712	10,378,965
Loan cancellations and bad debts	8,445	14,405	9,247	4,697
	$44,151,922	$41,732,184	$39,696,197	$36,619,056

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT
Year Ended June 30, 2006

	Credit Hours			Contact Hours		
Category	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	42,194		42,194			
Vocational Education	53,576		53,576			
Adult/Continuing Education				355,462	80,893	436,355
Related Services and Activities					28,508	28,508
Total	95,770		95,770	355,462	109,401	464,863

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, 2006

Funds/Levy	Original Budget	Actual	Variance Actual and Amended Budget
Unrestricted	$ 22,959,261	$ 22,700,073	$ 259,188
Restricted	11,943,300	4,214,506	7,728,794
Unemployment	14,000	144	13,856
Insurance	354,200	436,020	(81,820)
Early retirement	250,000	194,032	55,968
Equipment replacement	878,331	520,181	358,150
Total restricted	13,439,831	5,364,883	8,074,948
Plant	2,977,500	2,577,538	399,962
Total	$ 39,376,592	$ 30,642,494	$ 8,734,098

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2006

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
- 84.002 Adult Education-State Grant Program
- 84.047 TRIO-Upward Bound
- 84.042 TRIO-Student Support Services

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

Auditee qualified as low-risk auditee? X

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, 2006

Grantor/Program	CFDA Number	Program Expenditures	Federal New Loans
U.S. Department of Agriculture			
Direct			
Cooperative State Research, Education, and Extension Service	10.500	$ 250,639	
		68,277	
		318,916	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226	20,821	
		28,535	
		49,356	
Community Outreach and Assistance Partnership Program	10.455	38,844	
		24,053	
		62,897	
Passed through Iowa Department of Education			
Child and Adult Care Food Program	10.558	24,108	
Summer Food Service Program for Children	10.559	6,136	
		30,244	
Passed through Rural Development			
Rural Business Enterprise Grant	10.769	42,398	
Subtotal Department of Agriculture		503,811	
U.S. Department of Labor			
Passed through Iowa Department of Workforce Development			
Job Training Partnership Act (JTPA)	17.250	69,207	
Passed through Iowa Department of Education			
Mine Health and Safety Grants	17.600	21,400	
Incentive Grants - WIA Section 503	17.267	13,107	
		34,507	
Subtotal U.S. Department of Labor		103,714	
National Science Foundation			
Passed through Iowa State University			
Education and Human Resources	47.076	52,801	
Small Business Development Center			
Passed through Iowa State University			
Small Business Development	59.037	37,188	

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

NORTHEAST IOWA COMMUNITY COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2006

Grantor/Program	CFDA Number	Program Expenditures	Federal New Loans
U.S. Department of Education			
Direct			
Adult Education - State Grant Program	84.002	$ 431,134	
Federal Supplemental Educational Opportunity Grants	84.007	88,222	
Federal Direct Loans - Plus Loans	84.268		$ 49,010
Federal Direct Loans - Subsidized Loans	84.268		4,133,549
Federal Direct Loans - Unsubsidized Loans	84.268		3,423,549
Federal Work-Study Program	84.033	128,298	
Federal Pell Grant Program	84.063	3,626,788	
TRIO - Student Support Services	84.042	207,771	
TRIO - Upward Bound	84.047	506,046	
		4,988,259	7,606,108
Passed through Iowa Department of Education			
Childcare Access means Parents in School	84.335A	60,505	
Vocational Education-Basic Grants to States			
Vocational Education - Basic Grants to States	84.048	378,889	
Tech-Prep Education	84.243A	77,503	
		516,897	
Subtotal U.S. Department of Education		5,505,156	7,606,108
		$ 6,202,670	$ 7,606,108

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, 2006

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.

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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 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, 2006, which collectively comprise Northeast Iowa Community College's basic financial statements and have issued our report thereon dated September 27, 2006. 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*.

We noted certain matters that we have reported to management of Northeast Iowa Community College in a separate letter dated September 27, 2006.

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 27, 2006

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

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

Compliance

We have audited the compliance of Northeast Iowa Community College, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. 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.

Northeast Iowa Community College's basic financial statements include the operations of the Northeast Iowa Community College Foundation, which received $212,080 in federal awards during the year ended June 30, 2006 that is not included in Schedule 12. Our audit, described below, did not include the operations of the Northeast Iowa Community College Foundation because their federal funding was audited separately in a report dated August 16, 2006.

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, 2006.

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, 2006, and have issued our report thereon dated September 27, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Northeast Iowa Community College's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Hacker, Nelson + Co., P.C.

Decorah, Iowa
September 27, 2006

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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, 2006, 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 the 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 8 below are compliance comments required by the Iowa Auditor of State. A separate report dated September 27, 2006 contains our report on reportable conditions in the College's internal control. This letter does not affect our report dated September 27, 2006, on the financial statements of the Northeast Iowa Community College. Comment numbers 9, 10 and 11 are repeat comments from the prior year. All other prior comments have been resolved. These comments are not intended to and do not constitute legal opinions.

1. Certified Budget
   Disbursements for the year ended June 30, 2006 did not exceed the amounts budgeted.

2. 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.

3. 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.

4. Business Transactions
   We noted no business transactions between the College and College officials and/or employees for the year ended June 30, 2006.

5. 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.

6. Trustee Minutes

We noted no transactions requiring Trustee approval, which had not been approved by the Trustees.

7. Publication

The College has on file an affidavit of publication documenting the College's published statement showing the 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. The publication did not include showing the receipts.

Recommendation

We recommend that the College publish a statement showing the receipts, as required by Section 260C.14(12) of the Code of Iowa.

Response

The College agrees with the comment and published the receipts on November 23, 2006.

Conclusion

Response accepted.

8. 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.

9. Fund Balance Deficits

As of June 30, 2006, 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.

10. Payroll System

During our audit, we noticed various discrepancies throughout the payroll procedures. The same person who prepares the payroll checks also reviews the signed payroll checks. Information that is entered in the payroll system is not being updated or reviewed in a timely manner. Life insurance amounts have not been updated and there was a miscalculation in a 457 contribution. We discovered an error on the second quarter 941 report that the federal taxable wages did not tie to the wages reported on payroll reports and an amended 941 has not been filed. The Social Security and Medicare amounts reported on Form 941 do not tie to the payroll reports for the whole year. We also noticed there were eight payroll contracts that were not signed by the employees and one contract that was not signed by the Board President.

Recommendation

We recommend that another person review the payroll checks before they are sent to the employees. Payroll reports should match payroll tax reports filed. All contracts should be signed by the employee and Board President.

Response

The College agrees with the auditor's recommendations. Calculations of each payroll are reviewed by the Director of Finance and approved. A report is also run each month showing additions, deletions and changes to the payroll system and is used to monitor appropriate payrolls. Procedures for contract signing have been reviewed and procedures have been established to comply with recommendations.

Conclusion

Response accepted.

11. Cash Balance

Three funds had deficit cash balances as of June 30, 2006. These funds are in theory borrowing money from other funds to pay for expenses. Two bank accounts do not have updated signature cards and have a past Board member as the authorized signor. The updated list showing outstanding checks over 90 days is not being reviewed before authorizing checks to be re-issued. There were two checks that were re-issued when the original checks had been cashed.

Recommendation

We recommend the College review cash balances throughout the year prior to paying expenses. We also recommend the College review charges collected are adequate to cover expenses or make transfers between funds to eliminate these deficits. Signature cards for all bank accounts should be reviewed and updated in a timely manner. The most updated outstanding check list over 90 days should be reviewed before re-issuing checks.

Response

The College will review possible adjustments to audit recommendations.

Conclusion

Response accepted.

12. Capital Assets

The employee who is in charge of updating the capital assets doesn't receive all the proper information needed to properly record the changes. The employee only receives the tag numbers of the equipment that is going to be disposed of; however, she doesn't receive any of the information in regards to the actual disposition of the capital asset.

Recommendation

We recommend that all information for asset disposals be passed on to the proper employee so that the records can be updated timely.

Response

The College will review the disposal of equipment procedures and comply with auditor's recommendation. Most of the issues are dealing with fully or near fully depreciated equipment. These are items considered junk equipment and minimum value to the College assets.

Conclusion

Response accepted.

13. Financial Reports and Journal Entries

We noticed during our audit, the summary trial balance that was presented to the Board had a five million dollar negative fund balance in the restricted fund due to operating the 260E's on a cash basis.

There is no one person assigned the responsibility to verify that grant reports are being filed in a timely manner to ensure there is no loss of funds.

Recommendation

We recommend that all financial reports be reviewed for any unusual account balances. If any are discovered than the account should be reviewed to identify variances and if necessary, approve proper journal entries. All journal entries that are made to adjust balances should be reviewed by an independent person to verify the accuracy and reason for the entry. An employee should be assigned to review that grant reports are being filed in a timely manner to avoid losing any funding.

Response

Datatel implementation did not allow time to resolve some reconciliation issues in a timely manner. Procedures to improve internal controls with multiple approvals for journal entries and reviewing account balances is being implemented.

Conclusion

Response accepted.

14. Financial Aid

During our audit, we noticed there was one instance where a student did not have "Return of Title IV" funds calculated when there should have been a calculation. There were several instances where the COA budgets did not match the budgets for various statuses of students. There was one instance in which a student received an extra loan disbursement of $1,293 in error. The student did not cash the check and returned it to the financial aid office.

Recommendation

We recommend that all calculations be done in a timely manner to avoid any penalties. Budgets should be reviewed to verify that they match the COA for the students. The system that disburses loan checks should be reviewed so that extra loan checks are not issued to students.

Response

The College will comply with auditor's recommendation.

Conclusion

Response accepted.

15. Disbursements

One disbursement reviewed was made for reimbursement of a personal cell phone that was used for business. The College currently does not have a policy for calculating how an employee should be reimbursed for using their personal cell phone for College purposes. Also, one invoice didn't state what was purchased from the vendor and the program purpose for the items.

Recommendation

The College should also review and set a policy for reimbursing employees for using their personal cell phones for College business.

Response

The College agrees with the auditor's recommendation and will comply.

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 27, 2006