

NORTHEAST IOWA COMMUNITY COLLEGE  
CALMAR, IOWA

FINANCIAL REPORT

JUNE 30, 2007

TABLE OF CONTENTS

		<u>Page</u>
BOARD OF TRUSTEES AND COLLEGE OFFICIALS		1
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS		2
MANAGEMENT'S DISCUSSION AND ANALYSIS		3
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>	
Entity-wide Financial Statements		
Statement of Net Assets	A	4
Statement of Revenues, Expenses, and Changes in Net Assets	B	5
Business-type Activities Fund Financial Statements		
Statement of Net Assets	C	6
Statement of Revenues, Expenses, and Other Changes in Net Assets	D	7
Statement of Cash Flows	E	8-9
Notes to Financial Statements		10-26
INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION		27
SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Balance Sheet	1	28
Schedule of Revenues, Expenditures, and Other Changes in Fund Balance	2	29-30
Schedule of Revenues, Expenditures, and Other Changes in Fund Balance		
Education and Support Unrestricted Current Funds	3	31
Auxiliary Enterprise Unrestricted Current Funds	4	32
Restricted Current Funds	5	33
Schedule of Changes in Deposits Held in Custody for Others	6	34
Comparison of Taxes and Intergovernmental Revenues	7	35
Comparison of Current Fund Revenues by Source and Expenditures by Functions	8	36
Schedule of Credit/Contact Hour Enrollment	9	37
Budgetary Comparison Schedule of Expenditures – Budget and Actual	10	38
Schedule of Findings and Questioned Costs	11	39-40
Schedule of Expenditures of Federal Awards	12	41-42
Notes to the Schedule of Expenditures of Federal Awards		43
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 <i>GOVERNMENT AUDITING STANDARDS</i>		44-45
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		46-47
MANAGEMENT LETTER		48-52

NORTHEAST IOWA COMMUNITY COLLEGE

BOARD OF TRUSTEES AND COLLEGE OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Board of Trustees</u> (Before September 2006 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

Board of Trustees  
(After September 2006 Election)

Kenneth Reimer	President	2007
Ronda Kirkegaard	Vice-President	2009
Linus Rothmeyer	Member	2009
Jim Anderson	Member	2008
Larry Blatz	Member	2008
Ross Edwards	Member	2009
Daniel Willenbring	Member	2007
Jean Sharff	Member	2007
Daniel White	Member	2008

Community College Officials

Penelope Wills, President  
John Noel, Vice-President, Finance and Administration  
Ken Vande Berg, Vice-President, Economic Development  
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  
Telephone 563 382-3637  
Fax 563 382-5797

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Certified Public Accountants  
And Business Consultants

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9 North Locust Avenue  
P.O. Box 529  
New Hampton, Iowa 50659  
Telephone 641 394-2245  
Fax 641 394-3138

## 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, 2007, 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, 2007, 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 November 20, 2007, 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 3 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.

Decorah, Iowa  
November 20, 2007

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

NORTHEAST IOWA COMMUNITY COLLEGE  
CALMAR, IOWA

Management's Discussion and Analysis  
For the Fiscal Year Ending June 30, 2007

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, 2007.

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

**FINANCIAL HIGHLIGHTS**

- College operating revenues increased overall 16.58, from fiscal year 2006. Increased enrollment contributed to the increase in tuition receipts received. The increase in enrollment also resulted in an increased bookstore sales thus increasing receipts in the auxiliary enterprises.
- College operating expenses were 7.57% higher from fiscal year 2006. 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 increased 14.29% from fiscal year 2006.

**CHANGE IN NET ASSETS COMPARISON**

	Unrestricted	Auxiliary	Restricted	Scholarship	Unexpended Plant	Retirement of Indebtedness	Investment in Plant	Total Net Assets
FY 2007	1,627,398	1,310,275	2,065,556	2,626	(3,746,801)	27,817	12,618,958	13,905,829
FY 2006	940,586	953,906	1,762,796	2,626	(3,494,483)	20,919	11,980,531	12,166,881
\$ Change	686,812	356,369	302,760	-	(252,318)	6,898	638,427	1,738,948
% Change	73.02%	37.36%	17.17%	0.00%	7.22%	32.97%	5.33%	14.29%

**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 noncurrent assets, current and noncurrent 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		Percent Change
	(Expressed in Thousands)		
	2007	2006	
Current and other assets	\$ 28,124	\$ 22,756	23.59%
Other noncurrent assets	3,510	3,920	-10.46%
Capital assets	15,399	15,632	-1.49%
<b>Total assets</b>	<b>\$ 47,033</b>	<b>\$ 42,308</b>	<b>11.17%</b>
Long-term debt outstanding	\$ 17,152	\$ 15,056	13.92%
Other liabilities	15,975	15,085	5.90%
<b>Total liabilities</b>	<b>\$ 33,127</b>	<b>\$ 30,141</b>	<b>9.91%</b>
Net assets			
Invested in capital assets, net of related debt	\$ 12,619	\$ 11,981	5.33%
Restricted	2,096	1,786	17.36%
Unrestricted	(809)	(1,600)	-49.44%
<b>Total net assets</b>	<b>\$ 13,906</b>	<b>\$ 12,167</b>	<b>14.29%</b>

The College's current assets and other liabilities increased from 2006 to 2007 due to an increase in the current asset amount due from Iowa Industrial New Jobs Training Program and additional Certificates issued. 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 nonoperating, and the expenses paid by the College, operating and nonoperating, 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 nonoperating 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. Nonoperating 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		Percent Change
	(Expressed in Thousands)		
	2007	2006	
<b>Operating Revenues:</b>			
Tuition and fees	\$ 8,658	\$ 6,809	27.16%
Federal appropriations	13,270	13,534	-1.95%
Iowa Industrial New Jobs Training Program	2,682	2,022	32.64%
Sales and services	2,350	2,126	10.54%
Miscellaneous	2,862	1,089	162.81%
<b>Total operating revenues</b>	<b>29,822</b>	<b>25,580</b>	<b>16.58%</b>
<b>Total operating expenses</b>	<b>41,655</b>	<b>38,722</b>	<b>7.57%</b>
<b>Operating loss</b>	<b>(11,833)</b>	<b>(13,142)</b>	<b>-9.96%</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
State appropriation	9,260	8,958	3.37%
Property taxes	4,617	4,434	4.13%
Investment income	803	400	100.75%
Transfer of building from/to affiliate	-	62	-100.00%
Loss on sale of capital assets	(5)	(118)	-95.76%
Donated plant assets received	13	4	225.00%
Interest on indebtedness	(1,116)	(886)	25.96%
<b>Net nonoperating revenues</b>	<b>13,572</b>	<b>12,854</b>	<b>5.59%</b>
<b>Increase (decrease) in net assets</b>	<b>1,739</b>	<b>(288)</b>	<b>-703.82%</b>
<b>Net assets Beginning of Year</b>	<b>12,167</b>	<b>12,455</b>	<b>-2.31%</b>
<b>Net assets End of Year</b>	<b>\$ 13,906</b>	<b>\$ 12,167</b>	<b>14.29%</b>

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

In FY07, operating revenues increased as a net result of the following changes:

- Tuition and fees increased due to both a increase in the number of students and tuition.
- Auxiliary enterprises revenue increased due partially to more students purchasing books and supplies.

	Operating Expenses		Percent Change
	(Expressed in Thousands)		
	2007	2006	
Education and support			
Liberal arts and sciences	\$ 4,291	\$ 4,551	-5.71%
Vocational technical	7,387	8,198	-9.89%
Adult education	2,446	2,562	-4.53%
Cooperative services	6,750	3,951	70.84%
General administration	1,164	715	62.80%
Student services	1,515	1,573	-3.69%
Learning resources	502	758	-33.77%
Physical plant	1,651	1,604	2.93%
General institution	3,526	3,363	4.85%
Auxiliary enterprises	3,394	3,188	6.46%
Scholarships and grants	6,708	5,821	15.24%
Loan cancellations and bad debts	-	8	-100.00%
Depreciation	1,339	1,281	4.53%
Other	982	1,149	-14.53%
<b>Total operating expenses</b>	<b>\$ 41,655</b>	<b>\$ 38,722</b>	<b>7.57%</b>

In FY07, 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.
- General administration expenses increased due to writing off bad loan assignments and bad debt.
- Cooperative services expenses increased with more New Jobs Training projects beginning during the year.

#### *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)	
	2007	2006
Cash provided (used) by:		
Operating activities	\$ (10,898)	\$ (11,274)
Non-capital financing activities	12,839	13,658
Capital and related financing activities	158	105
Investing activities	(758)	(1,990)
	<u>1,341</u>	<u>499</u>
Net increase in cash		
Cash beginning of year	<u>6,659</u>	<u>6,160</u>
Cash end of year	<u>\$ 8,000</u>	<u>\$ 6,659</u>

Cash used by operating activities includes tuition, fees, grants and contracts, less payments to employees and to suppliers. Cash provided by non-capital financing activities includes state appropriations, local property tax received by the College and the receipt and disbursement of federal direct loan program proceeds. Cash used by capital and related financing activities represents the proceeds from debt, 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, 2007, the College had approximately \$35.3 million invested in capital assets, less accumulated depreciation of \$19.9 million. Depreciation charges totaled \$1,339,495 and \$1,563,107 for FY2007 and FY2006, respectively. Details of capital assets are shown below.

	Capital Assets, Net	
	(Expressed in Thousands)	
	2007	2006
Land	\$ 683	\$ 683
Buildings	10,992	11,589
Construction in progress	-	-
Other structures and improvements	1,523	1,298
Equipment and vehicles	2,201	2,062
	<u>15,399</u>	<u>15,632</u>
Total	<u>\$ 15,399</u>	<u>\$ 15,632</u>

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, 2007, the College had \$20.1 million in debt outstanding, an increase of \$2.3 million from 2006. The table below summarizes these amounts by type.

	Long-Term Debt (Expressed in Thousands)	
	2007	2006
Notes payable	\$ 6,315	\$ 6,805
Certificates payable	13,295	10,445
Capital leases	573	560
<b>Total</b>	<b>\$ 20,183</b>	<b>\$ 17,810</b>

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

## ECONOMIC FACTORS

Northeast Iowa Community College increased the Unrestricted Fund's equity during the current fiscal year. Unexpended Plant Fund equity decreased, 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 6.48% 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. It is hopeful this trend and support will continue to assist the College to meet the financial goals and objectives.
- Due to double digit tuition rate increases at four-year institutions, Northeast Iowa Community College has increasingly become the institution of first choice for many students in the area.
- Property taxes with Northeast Iowa Community College large tax base continue to be strong economically. Northeast Iowa Community College's long-term economic outlook continues to improve as the local economy in the district remains strong. Construction activity in the Dubuque/Peosta area for new commercial property, housing, and retail buildings is still on the upswing and will strengthen the College's revenue streams.
- The College continues to control increased costs with its self insurance health care program which is one of the most challenging areas in our budget.
- State legislature supported Community Colleges in FY07 with faculty salary funding. This funding will help bring staff into line with other faculty in the country as Iowa has lagged behind. It is anticipated the funding will continue for the next three years.
- In December 2007, the taxpayers will be asked to support 35 million dollar bond levy. The passage of the levy will ensure the future capital expenditures for the College facilities and infrastructure needs to serve the district.
- Planned program development has been an ongoing process with two new programs added to the credit division. Utility Program housed at Peosta Campus in a newly constructed 10,000 square foot building. Future program in Bio Science and technology are in process. These updated programs will be important to the missions of NICC students and careers for students.
- The College's management of financial goals and objective will be met and maintained for fiscal year 2008 and fiscal year 2009 with continued support from the State legislature and residents of our district.

### **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.

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NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF NET ASSETS  
June 30, 2007

	Business-Type Activities	Component Unit Foundation
<b>CURRENT ASSETS</b>		
Cash	\$ 8,000,037	\$ 172,744
Investments	5,577,391	
Receivables		
Accounts, less allowance of \$418,409	5,433,510	22,750
Promises, net discount		11,076
Accrued interest	73,352	
Property tax		
Current year delinquent	82,368	
Succeeding year	4,509,600	
Due from other governments	788,301	
Due from affiliate	7,500	
Inventories	541,854	
Due from Iowa Industrial New Jobs Training Program	3,109,947	
	<u>28,123,860</u>	<u>206,570</u>
Total current assets		
<b>NONCURRENT ASSETS</b>		
Investments		1,636,441
Promises, net discount		7,571
Due from Iowa Industrial New Jobs Training Program	3,500,211	
Due from affiliate	10,000	
Capital assets, non-depreciable	683,366	1,332,717
Capital assets, net accumulated depreciation	14,715,594	
	<u>18,909,171</u>	<u>2,976,729</u>
Total noncurrent assets		
Total assets	<u>\$ 47,033,031</u>	<u>\$ 3,183,299</u>

See Notes to Financial Statements.

	Business-Type Activities	Component Unit Foundation
<b>CURRENT LIABILITIES</b>		
<b>Liabilities</b>		
Accounts payable	\$ 143,529	\$ 3,000
Salaries and benefits payable	1,130,143	
Deposits held in custody for others	118,851	
Deferred revenue		
Succeeding year property tax	4,509,600	
Other	6,339,194	
Long-term liabilities due within one year		
Compensated absences	331,503	
Early retirement	158,922	
Affiliate payable		7,500
Notes payable	500,000	
Obligations under capitalized leases	302,902	
Certificates payable	2,440,000	
<b>Total current liabilities</b>	<b>15,974,644</b>	<b>10,500</b>
<b>Noncurrent liabilities</b>		
Long-term liabilities due over one year		
Affiliate payable		10,000
Early retirement	212,375	
Notes payable	5,815,000	
Obligations under capitalized leases	270,183	
Certificates payable	10,855,000	
<b>Total noncurrent liabilities</b>	<b>17,152,558</b>	<b>10,000</b>
<b>Total liabilities</b>	<b>33,127,202</b>	<b>20,500</b>
<b>Net assets</b>		
Invested in capital assets, net of related debt	12,618,958	
Restricted		
Restricted for specific purposes	2,095,999	2,435,012
Unrestricted	(809,128)	727,787
<b>Total net assets</b>	<b>13,905,829</b>	<b>3,162,799</b>
<b>Total liabilities and net assets</b>	<b>\$ 47,033,031</b>	<b>\$ 3,183,299</b>

NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
For the Year Ended June 30, 2007

	Business-Type Activities	Component Unit Foundation
<b>OPERATING REVENUES</b>		
Tuition and fees, net of scholarship allowances of \$3,969,238	\$ 8,658,141	
Federal appropriations	13,270,049	
Iowa Industrial New Jobs Training Program	2,681,762	
Sales and services	2,350,399	
Miscellaneous	2,861,735	\$ 506,600
Total operating revenues	29,822,086	506,600
<b>EXPENSES</b>		
Education and support		
Liberal arts and sciences	4,291,171	
Vocational technical	7,386,894	
Adult education	2,445,756	
Cooperative services	6,750,546	
General administration	1,164,205	18,046
Student services	1,514,565	
Learning resources	501,563	
Physical plant	1,650,778	
General institution	3,526,426	
Auxiliary enterprises	3,393,874	
Scholarships and grants	6,707,952	368,770
Loan cancellations and bad debts	(234)	
Depreciation	1,339,495	
Other	982,198	115,733
Total operating expenses	41,655,189	502,549
Operating (loss) income	(11,833,103)	4,051
<b>NONOPERATING REVENUES (EXPENSES)</b>		
State appropriation	9,260,296	
Property taxes	4,617,926	
Investment income	802,924	234,429
Transfer of building from/to affiliate	-	-
Loss on sale of capital assets	(4,778)	
Donated plant assets received	13,330	
Interest on indebtedness	(1,117,647)	
Net nonoperating revenues	13,572,051	234,429
Change in net assets	1,738,948	238,480
<b>NET ASSETS</b>		
Beginning	12,166,881	2,924,319
Ending	\$ 13,905,829	\$ 3,162,799

See Notes to Financial Statements.

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NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF NET ASSETS  
BUSINESS-TYPE ACTIVITIES  
June 30, 2007

ASSETS	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
<b>Current assets</b>				
Cash	\$ 1,284,810	\$ 220,685	\$ 6,494,542	
Investments	-	-	4,920,930	\$ -
Receivables				
Accounts, less allowance of \$418,409	4,538,359	21,169	873,982	-
Accrued interest	-	-	70,747	-
Property tax				
Current year delinquent	27,817	-	26,734	-
Succeeding year	1,490,418	-	1,528,764	-
Due from other funds	1,316,987	574,021	-	-
Due from other governments	217,835	3,297	108,819	91,684
Due from affiliate	-	-	-	-
Inventories	7,897	533,957	-	-
Due from Iowa Industrial New Jobs Training Program	-	-	3,109,947	-
<b>Total current assets</b>	<b>8,884,123</b>	<b>1,353,129</b>	<b>17,134,465</b>	<b>91,684</b>
<b>Noncurrent assets</b>				
Restricted cash				
Due from affiliate	-	-	-	-
Due from Iowa Industrial New Jobs Training Program			3,500,211	-
Capital assets, non-depreciable			-	-
Capital assets, net			-	-
<b>Total noncurrent assets</b>	<b>-</b>	<b>-</b>	<b>3,500,211</b>	<b>-</b>
<b>Total assets</b>	<b>\$ 8,884,123</b>	<b>\$ 1,353,129</b>	<b>\$ 20,634,676</b>	<b>\$ 91,684</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 143,529	\$ -	\$ -	\$ -
Salaries and benefits payable	786,445	-	343,698	-
Deposits held in custody for others	118,851	-	-	-
Due to other funds	-	-	-	89,058
Deferred revenue				
Succeeding year property tax	1,490,418	-	1,528,764	-
Other	4,428,833	-	1,910,361	-
Long-term liabilities due within one year				
Compensated absences	288,649	42,854	-	-
Early retirement payable			158,922	-
Notes payable	-	-	215,000	-
Obligations under capitalized leases	-	-	-	-
Certificates payable	-	-	2,440,000	-
<b>Total current liabilities</b>	<b>7,256,725</b>	<b>42,854</b>	<b>6,596,745</b>	<b>89,058</b>
<b>Noncurrent liabilities</b>				
Long-term liabilities due over one year				
Early retirement payable	-	-	212,375	-
Notes payable	-	-	905,000	-
Obligations under capitalized leases	-	-	-	-
Certificates payable	-	-	10,855,000	-
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>-</b>	<b>11,972,375</b>	<b>-</b>
<b>Total liabilities</b>	<b>7,256,725</b>	<b>42,854</b>	<b>18,569,120</b>	<b>89,058</b>
<b>Net assets</b>				
Invested in capital assets, net of related debt				
Restricted for specific purposes			2,065,556	2,626
Unrestricted	1,627,398	1,310,275	-	-
<b>Total net assets</b>	<b>1,627,398</b>	<b>1,310,275</b>	<b>2,065,556</b>	<b>2,626</b>
<b>Total liabilities and net assets</b>	<b>\$ 8,884,123</b>	<b>\$ 1,353,129</b>	<b>\$ 20,634,676</b>	<b>\$ 91,684</b>

See Notes to Financial Statements.

EXHIBIT C

Plant Fund	Total
	\$ 8,000,037
\$ 656,461	5,577,391
-	5,433,510
2,605	73,352
27,817	82,368
1,490,418	4,509,600
-	1,891,008
366,666	788,301
7,500	7,500
-	541,854
-	3,109,947
<u>2,551,467</u>	<u>30,014,868</u>
-	-
10,000	10,000
-	3,500,211
683,366	683,366
<u>14,715,594</u>	<u>14,715,594</u>
<u>15,408,960</u>	<u>18,909,171</u>
\$ 17,960,427	\$ 48,924,039
\$ -	\$ 143,529
-	1,130,143
-	118,851
1,801,950	1,891,008
1,490,418	4,509,600
-	6,339,194
-	331,503
-	158,922
285,000	500,000
302,902	302,902
	<u>2,440,000</u>
<u>3,880,270</u>	<u>17,865,652</u>
-	212,375
4,910,000	5,815,000
270,183	270,183
	<u>10,855,000</u>
<u>5,180,183</u>	<u>17,152,558</u>
<u>9,060,453</u>	<u>35,018,210</u>
12,618,958	12,618,958
27,817	2,095,999
(3,746,801)	(809,128)
<u>8,899,974</u>	<u>13,905,829</u>
\$ 17,960,427	\$ 48,924,039

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NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN NET ASSETS  
BUSINESS-TYPE ACTIVITIES  
For the Year Ended June 30, 2007

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
<b>OPERATING REVENUES</b>				
General				
Tuition and fees	\$ 8,238,593	\$ 55,564	\$ 363,984	
Federal appropriations	4,749,469	906,878	1,091,907	\$ 6,520,883
Iowa Industrial New Jobs Training Program			2,681,762	
Sales and services	38,704	2,235,780		
Miscellaneous	158,293	49,124	2,628,960	
<b>Total operating revenues</b>	<b>13,185,059</b>	<b>3,247,346</b>	<b>6,766,613</b>	<b>6,520,883</b>
<b>EXPENSES</b>				
Education and support				
Liberal arts and sciences	4,291,171		-	
Vocational technical	6,855,992		530,902	
Adult education	2,386,659		59,097	
Cooperative services	2,273,443		4,477,103	
General administration	1,164,205		-	
Student services	1,487,421		27,144	
Learning resources	402,547		99,016	
Physical plant	1,241,898		408,880	
General institution	2,763,196		763,230	
Auxiliary enterprises		3,393,874		
Scholarships and grants				6,707,952
Loan cancellations and bad debts		(234)		
Depreciation				
Other				
<b>Total operating expenses</b>	<b>22,866,532</b>	<b>3,393,640</b>	<b>6,365,372</b>	<b>6,707,952</b>
<b>Operating income (loss)</b>	<b>(9,681,473)</b>	<b>(146,294)</b>	<b>401,241</b>	<b>(187,069)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
State appropriations	7,801,941	60,841	498,418	165,764
Property taxes	1,530,350		1,557,226	
Investment income	512,678		258,216	
Loss on sale of capital assets				
Transfer of building from affiliate				
Donated plant assets received				
Interest on indebtedness			(869,016)	
<b>Total non-operating revenues</b>	<b>9,844,969</b>	<b>60,841</b>	<b>1,444,844</b>	<b>165,764</b>
<b>Change in net assets before transfers</b>	<b>163,496</b>	<b>(85,453)</b>	<b>1,846,085</b>	<b>(21,305)</b>
<b>Transfers</b>	<b>523,316</b>	<b>441,822</b>	<b>(1,543,325)</b>	<b>21,305</b>
<b>Change in net assets</b>	<b>686,812</b>	<b>356,369</b>	<b>302,760</b>	<b>-</b>
<b>NET ASSETS</b>				
<b>Beginning</b>	<b>940,586</b>	<b>953,906</b>	<b>1,762,796</b>	<b>2,626</b>
<b>Ending</b>	<b>\$ 1,627,398</b>	<b>\$ 1,310,275</b>	<b>\$ 2,065,556</b>	<b>\$ 2,626</b>

See Notes to Financial Statements.

EXHIBIT D

Plant Fund	Total
	8,658,141
\$ 912	13,270,049
	2,681,762
75,915	2,350,399
25,358	2,861,735
102,185	29,822,086
	4,291,171
	7,386,894
	2,445,756
	6,750,546
	1,164,205
	1,514,565
	501,563
	1,650,778
	3,526,426
	3,393,874
	6,707,952
	(234)
1,339,495	1,339,495
982,198	982,198
2,321,693	41,655,189
(2,219,508)	(11,833,103)
733,332	9,260,296
1,530,350	4,617,926
32,030	802,924
(4,778)	(4,778)
-	-
13,330	13,330
(248,631)	(1,117,647)
2,055,633	13,572,051
(163,875)	1,738,948
556,882	-
393,007	1,738,948
8,506,967	12,166,881
\$ 8,899,974	\$ 13,905,829

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NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS  
BUSINESS-TYPE ACTIVITIES  
For the Year Ended June 30, 2007

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Tuition and fees	\$ 8,280,910	\$ 55,564	\$ 1,206,137	
Federal appropriations	4,877,297	906,045	1,098,473	\$ 3,124,387
Iowa Industrial New Jobs Training Program			661,386	
Payments to employees for salaries and benefits	(14,629,639)	(780,770)	(418,225)	
Payments to suppliers for goods and services	(3,381,060)	(372,124)	(1,558,622)	
Payments to NJTP recipients			(3,775,998)	
Scholarships		(2,020,053)		(3,261,450)
Loan issued to students				
Collection received from students for loans				
Auxiliary enterprise receipts		2,237,444		
Other operating payments paid on employees' behalf	(4,778,059)	(231,396)	(492,159)	
Other operating receipts	196,997	44,524	2,628,960	
<b>Net cash used in operating activities</b>	<b>(9,433,554)</b>	<b>(160,766)</b>	<b>(650,048)</b>	<b>(137,063)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
State appropriations	7,801,941	60,841	498,418	170,256
Property tax	1,523,452		1,551,160	
Decrease in due to other funds	(131,935)			(54,498)
Increase in due to other funds		(121,212)		
Transfers	523,316	441,822	(1,543,325)	21,305
Federal direct lending receipts	6,687,140	880,148	165,764	3,446,502
Federal direct lending disbursements	(6,687,140)	(880,148)	(165,764)	(3,446,502)
Miscellaneous agency fund receipts	1,843,990			
Miscellaneous agency fund disbursements	(1,843,990)			
<b>Net cash provided by non-capital financing activities</b>	<b>9,716,774</b>	<b>381,451</b>	<b>506,253</b>	<b>137,063</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from issuance of debt			5,060,000	
Acquisition of capital assets				
Principal paid on debt and leases			(2,420,000)	
Interest paid on debt and leases			(869,016)	
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>-</b>	<b>-</b>	<b>1,770,984</b>	<b>-</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of investments	-		(3,787,589)	
Sale of investments			2,278,162	
Interest on investments	512,678		206,605	
<b>Net cash provided by (used in) investing activities</b>	<b>512,678</b>	<b>-</b>	<b>(1,302,822)</b>	<b>-</b>
<b>Net increase in cash</b>	<b>795,898</b>	<b>220,685</b>	<b>324,367</b>	<b>-</b>
CASH, beginning of year	488,912	-	6,170,175	-
<b>CASH, end of year</b>	<b>\$ 1,284,810</b>	<b>\$ 220,685</b>	<b>\$ 6,494,542</b>	<b>\$ -</b>

See Notes to Financial Statements.

EXHIBIT E

Plant Fund	Total
	\$ 9,542,611
\$ 912	10,007,114
	661,386
	(15,828,634)
(626,488)	(5,938,294)
	(3,775,998)
	(5,281,503)
	-
	-
	2,237,444
	(5,501,614)
108,773	2,979,254
(516,803)	(10,898,234)
366,666	8,898,122
1,523,452	4,598,064
(348,816)	(535,249)
	(121,212)
556,831	(51)
	11,173,554
	(11,173,554)
	1,843,990
	(1,843,990)
2,098,133	12,839,674
	5,060,000
(684,352)	(684,352)
(680,153)	(3,100,153)
(248,631)	(1,117,647)
(1,613,136)	157,848
	(3,787,589)
	2,278,162
31,806	751,089
31,806	(758,338)
-	1,340,950
-	6,659,087
\$ -	\$ 8,000,037

NORTHEAST IOWA COMMUNITY COLLEGE  
STATEMENT OF CASH FLOWS (Continued)  
BUSINESS-TYPE ACTIVITIES  
For the Year Ended June 30, 2007

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
Reconciliation of operating income (loss) to net cash used in operating activities				
Operating income (loss)	\$ (9,681,473)	\$ (146,294)	\$ 401,241	\$ (187,069)
Adjustments to reconcile operating income (loss) to net cash used in operating activities				
Depreciation				
Changes in assets and liabilities				
Decrease in accounts receivable	225,623	1,664	336,729	50,006
(Increase) in NJTP receivable			(2,020,376)	
(Increase) decrease in due from other governments	127,828	(833)	6,566	
(Increase) in inventories	(2,143)	(36,661)		
Increase (decrease) in accounts payable and accrued liabilities	37,309		120,368	
Increase (decrease) in deferred revenue	(183,306)		505,424	
Increase in compensated absences	42,608	21,358		
Net cash used in operating activities	<u>\$ (9,433,554)</u>	<u>\$ (160,766)</u>	<u>\$ (650,048)</u>	<u>\$ (137,063)</u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The College accepted donated capital assets with a fair value of \$13,330 during the year ended June 30, 2007.

The College also entered into two capital leases to purchase computers in the amount of \$413,095.

See Notes to Financial Statements.

EXHIBIT E  
(Continued)

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Plant Fund	Total
\$ (2,219,508)	\$ (11,833,103)
1,339,495	1,339,495
374,285	988,307
	(2,020,376)
	133,561
	(38,804)
(11,075)	146,602
	322,118
	63,966
<hr/>	<hr/>
\$ (516,803)	\$ (10,898,234)

# NORTHEAST IOWA COMMUNITY COLLEGE

## NOTES TO FINANCIAL STATEMENTS

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### 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, 2007 expresses an unqualified opinion dated September 14, 2007. 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.

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.

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

b. Significant Accounting Policies (Continued)

*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.

*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.

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

b. Significant Accounting Policies (Continued)

*Fund Financial Statements (Continued)*

*Current Funds (Continued)*

*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.

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.

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

b. Significant Accounting Policies (Continued)

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

*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 represents the amount to be remitted to the College for training projects entered into between the College and employers under the provisions of Chapter 260E of the Code of Iowa. The receivable amount is based on expenses incurred through June 30, 2007 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.

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Net Assets (Continued)*

*Capital Assets (Continued)*

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

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, 2007.

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

b. Significant Accounting Policies (Continued)

*Assets, Liabilities and Net Assets (Continued)*

*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.

*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 Trustees 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 Trustees certifies the approved budget to the appropriate county auditors and then submits the budget to the State Board of Education for approval. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Formal and legal budgetary control is based on total operating expenditures.

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

The expenses for the year ended June 30, 2007 exceeded the amount budgeted in the unrestricted fund and restricted fund for unemployment and early retirement.

2. Cash and Investments

The College's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

NOTES TO FINANCIAL STATEMENTS

2. Cash and Investments (Continued)

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, 2007 consist of the following:

Petty cash	\$	5,480
Other deposit accounts		7,994,557
		\$ 8,000,037

The College's investments as of June 30, 2007 consist of the following:

Certificates of deposit	\$	5,577,391
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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	\$ 115,405	\$ 109,056	\$ (6,349)
Collateralized mortgage obligation	6,648	6,477	(171)
Bond fund	309,190	306,088	(3,102)
Common stock	785,080	919,933	134,853
Mutual funds	219,404	294,887	75,483
	\$ 1,435,727	\$ 1,636,441	\$ 200,714

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, 2007:

Interest and dividend income	\$	51,571
Net realized and unrealized gains		182,858
Total investment return		\$ 234,429

NOTES TO FINANCIAL STATEMENTS

3. Inventories

The College's inventories as of June 30, 2007 are as follows:

Supplies and materials	\$	270,894
Merchandise held for resale		270,960
 Total	 \$	 541,854

4. Capital Assets

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Additions	Deletions	Balance June 30, 2007
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	26,442,492	223,733		26,666,225
Other structures and improvements	2,125,333	296,373		2,421,706
Furniture and equipment	5,395,198	590,610	399,945	5,585,863
Total capital assets being depreciated	33,963,023	1,110,716	399,945	34,673,794
Less accumulated depreciation				
Buildings	14,853,388	820,705		15,674,093
Other structures and improvements	826,889	72,320		899,209
Furniture and equipment	3,333,656	446,471	395,229	3,384,898
Total accumulated depreciation	19,013,933	1,339,496	395,229	19,958,200
Total capital assets being depreciated	14,949,090	(228,780)	4,716	14,715,594
Capital assets, net	\$ 15,632,456	\$ (228,780)	\$ 4,716	\$ 15,398,960

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations

Long-term liability activity for the year ended June 30, 2007 was as follows:

	Balance			Balance		Amounts
	June 30, 2006	Additions	Reductions	June 30, 2007		Due Within
						One Year
Notes payable	\$ 6,805,000		\$ 490,000	\$ 6,315,000	\$	500,000
Certificates payable	10,445,000	\$ 5,060,000	2,210,000	13,295,000		2,440,000
Other liabilities						
Capital leases	560,143	413,095	400,153	573,085		302,902
Long-term liabilities	\$ 17,810,143	\$ 5,473,095	\$ 3,100,153	\$ 20,183,085	\$	3,242,902

a. Certificates Payable

In accordance with agreements dated between July 1, 1999 and June 30, 2007, the College issued certificates totaling \$13,295,000 with interest rates ranging from 3.80% 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 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			
2008	\$ 2,440,000	\$ 758,069	\$ 3,198,069
2009	2,210,000	602,433	2,812,433
2010	1,675,000	497,434	2,172,434
2011	1,525,000	402,488	1,927,488
2012	1,540,000	316,651	1,856,651
2013-2017	3,905,000	509,052	4,414,052
	\$ 13,295,000	\$ 3,086,127	\$ 16,381,127

b. Notes Payable

The College has issued notes payable for the purchase and construction of College properties. As of June 30, 2007, the notes payable outstanding consist of the following:

\$1,120,000 Lease Purchase Certificates of Participation, due annually in varying installments June 1, 2008 through June 1, 2012 plus interest semi-annually with interest rates of the leases varying from 4.20% to 4.60%. The leases were issued to build the Cresco Center. See Note 13 regarding repayment arrangements.

\$ 1,120,000

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

b. Notes Payable (Continued)

\$1,190,000 Lease Purchase Certificates of Participation, due annually in varying installments June 1, 2008 through June 1, 2016 plus interest semi-annually with interest rates of the leases varying from 3.85% to 4.45%. The leases were issued to build and maintain buildings. \$ 1,190,000

\$2,910,000 Tax Exempt Lease Purchase Certificates of Participation Series 2005A, due annually in varying installments December 1, 2007 through December 1, 2022 plus interest semi-annually with interest rates of the leases varying from 3.0% to 4.70%. The leases were issued to purchase the Town Clock Center. 2,910,000

\$1,095,000 Taxable Lease Purchase Certificates of Participation Series 2005B, due annually in varying installments December 1, 2007 through December 1, 2017 plus interest semi-annually with interest rates of the leases varying from 4.80% to 6.75%. The leases were issued to purchase the Town Clock Center. 1,095,000

\$ 6,315,000

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

	Principal	Interest	Total
Year ending June 30			
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	535,000	205,702	740,702
2013-2017	1,790,000	669,924	2,459,924
2018-2022	1,510,000	261,866	1,771,866
2023-2027	345,000	8,108	353,108
	<u>\$ 6,315,000</u>	<u>\$ 2,160,900</u>	<u>\$ 8,475,900</u>

NOTES TO FINANCIAL STATEMENTS

5. Long-term Obligations (Continued)

c. Capital Leases

The College is obligated under certain leases accounted for as capital leases. The leased assets are accounted for in the plant fund. Capital assets under capital leases totaled \$1,300,891 at June 30, 2007. The following is a schedule of future minimum lease payments under capital leases as of June 30, 2007:

Year ending June 30		
2008	\$	302,902
2009		200,876
2010		51,941
2011		17,366
		573,085
Imputed interest		30,455
Minimum lease payments for all capital leases	\$	603,540

The College has capital leases ending at various dates until January 1, 2011. The capitalized lease obligations have automatic renewal for one year if 30 day written notice is not given at the end of the lease term.

d. Operating Leases

The College has leased various facilities within the area to house different divisions of the College. These leases have been classified as operating leases and accordingly, all rents are charged as incurred. These leases expire between 2007 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 2007 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, 2007:

Year ending June 30		
2008	\$	85,908
2009		85,008
2010		85,008
2011		65,004
2012		35,004
Minimum lease payments for all operating leases	\$	355,932

Rents for fiscal year 2007 totaled \$117,630 for operating leases, except those with terms of a month or less that were not renewed.

NOTES TO FINANCIAL STATEMENTS

6. Due to/from Other Funds

As of June 30, 2007, interfund receivables and payables that resulted from various interfund transactions were as follows:

	Due from Other Funds	Due to Other Funds
Unrestricted fund	\$ 1,316,987	
Auxiliary fund	574,021	
Scholarship fund		\$ 89,058
Plant fund		1,801,950
	\$ 1,891,008	\$ 1,891,008

7. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

	Transfers In	Transfers Out
Unrestricted fund		
Restricted fund	\$ 1,243,194	\$ 195,890
Scholarship fund	5,507	26,812
Auxiliary fund		437,126
Plant fund		65,557
	1,248,701	725,385
 Auxiliary fund	 454,126	 12,304
Restricted fund		
Unrestricted fund	195,890	1,243,194
Auxiliary fund		17,000
Plant fund		479,021
	195,890	1,739,215
 Scholarship fund	 26,812	 5,507
 Plant fund	 556,882	 None
 Total	 \$ 2,482,411	 \$ 2,482,411

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 suspended the voluntary early retirement plan to its employees effective following the 2006 and 2007 academic year. Employees previously qualifying for NICC early retirement 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 was subject to approval by the Board of Trustees.

Early retirement payments are equal to 45% to 105% of the employees' regular contractual salary in effect during the employee's last year of employment to a maximum payment of \$20,000. Retirees receive cash payments over a three-year period.

A staff member accepting early retirement had three options to choose from as to when the cash benefits would be received. The College also contributes a set amount toward single plan health insurance for the retiree, if the retiree chooses to remain in the employer's health insurance plan. This contribution continues until the day the retiree is eligible under another group plan or until the end of the month prior to the month in which 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, 2007, the unrecorded liability for the College provided health insurance is \$419,154.

At June 30, 2007, the College has obligations to twenty-five participants with a total early retirement liability of \$371,297. Actual early retirement expenditures for the year ended June 30, 2007 totaled \$111,745.

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, 2007, 2006, and 2005 were \$405,008, \$406,301, and \$402,034, 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 employee's required and actual contributions to TIAA-CREF for the years ended June 30, 2007, 2006, and 2005 were \$270,860, \$266,118, and \$341,558, respectively. The College's required and actual contributions to TIAA-CREF for the years ended June 30, 2007, 2006, and 2005 were \$420,933, \$413,766 and \$375,388 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 a member who is also a Trustee of the College. However, these members do not compromise a majority in the above Foundation's Board. For the year ended June 30, 2007, 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, 2007. 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, 2007, which is audited, is as follows:

Total assets	\$ 4,315,810
Total liabilities	2,374,384
Total equity	1,941,426
Total revenue	1,876,886
Total expenses	1,601,687

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 199 projects with 74 currently receiving project funding. The remaining 125 projects have been completed and of those, 123 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 215 projects with 19 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) Iowa 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 \$65,644 for software, licensing and maintenance for FY08.

13. Commitments (Continued)

The College is 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 2008 are estimated to be \$193,465 for the consortium, which represents approximately 29% of the budget for CAST, Inc.

The College has entered into a 28E agreement with Howard-Wirneshiak 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 projects of the College at June 30, 2007 amount to \$797,588. Of these commitments, \$389,781 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 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, 2007 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.

NOTES TO FINANCIAL STATEMENTS

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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, 2007 and 2006 are as follows:

	2007	2006
Claims payable, beginning of year	\$ 344,122	\$ 344,245
Claims recognized	3,306,443	3,008,882
Claim payments	(3,306,867)	(3,009,005)
Claims payable, end of year	\$ 343,698	\$ 344,122

Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal 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 28 through 33 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 2007 information shown on pages 34 thru 38 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We also have previously audited, in accordance with U.S. generally accepted auditing standards, the financial statements of Northeast Iowa Community College as of and for the years ended June 30, 2006, 2005, and 2004 (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, 2006, appearing on pages 35-36 is fairly stated in all material respects in relation to the financial statements from which it has been derived.

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

Decorah, Iowa  
November 20, 2007

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NORTHEAST IOWA COMMUNITY COLLEGE  
BALANCE SHEET  
June 30, 2007

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
<b>ASSETS</b>				
Cash	\$ 1,284,810	\$ 220,685	\$ 6,494,542	
Investments	-		4,920,930	\$ -
Receivables				
Accounts, less allowance of \$418,409	4,538,359	21,169	873,982	-
Accrued interest	-	-	70,747	-
Property tax				
Current year delinquent	27,817	-	26,734	-
Succeeding year	1,490,418	-	1,528,764	-
Due from other funds	1,316,987	574,021	-	
Due from other governments	217,835	3,297	108,819	91,684
Due from affiliate				
Inventories	7,897	533,957		
Due from Iowa Industrial New Jobs Training Program		-	6,610,158	
Restricted cash				
Capital assets				
Land				
Construction in progress				
Buildings				
Other structures and improvements	-	-	-	-
Furniture and equipment, including assets acquired under capital leases of \$1,689,101				
Accumulated depreciation				
<b>Total assets</b>	<b>\$ 8,884,123</b>	<b>\$ 1,353,129</b>	<b>\$ 20,634,676</b>	<b>\$ 91,684</b>
<b>LIABILITIES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts payable	\$ 143,529	\$ -	\$ -	\$ -
Salaries and benefits payable	786,445	-	343,698	-
Deposits held in custody for others	118,851			
Due to other funds				89,058
Deferred revenue				
Succeeding year property tax	1,490,418	-	1,528,764	-
Other	4,428,833	-	1,910,361	-
Compensated absences	288,649	42,854		
Early retirement payable			371,297	
Notes payable			1,120,000	
Obligations under capitalized leases	-	-	-	
Certificates payable	-		13,295,000	-
<b>Total liabilities</b>	<b>7,256,725</b>	<b>42,854</b>	<b>18,569,120</b>	<b>89,058</b>
<b>Fund balance</b>				
Invested in capital assets, net of related debt				
Fund balances				
Restricted for specific purposes			2,065,556	2,626
Unrestricted	1,627,398	1,310,275		
<b>Total fund equity</b>	<b>1,627,398</b>	<b>1,310,275</b>	<b>2,065,556</b>	<b>2,626</b>
<b>Total liabilities and fund equity</b>	<b>\$ 8,884,123</b>	<b>\$ 1,353,129</b>	<b>\$ 20,634,676</b>	<b>\$ 91,684</b>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 1

Unexpended	Plant Funds		GAAP Adjustments	GAAP Basis
	Retirement of Indebtedness	Investment in Plant		
\$ 656,461				\$ 8,000,037
-				5,577,391
2,605				5,433,510
	\$ 27,817			73,352
	1,490,418			82,368
366,666				4,509,600
17,500				1,891,008
				788,301
				17,500
				541,854
				6,610,158
				-
		\$ 683,366		683,366
		-		-
		26,666,224		26,666,224
		2,421,707		2,421,707
		5,585,863		5,585,863
		(19,958,200)		(19,958,200)
<u>\$ 1,043,232</u>	<u>\$ 1,518,235</u>	<u>\$ 15,398,960</u>	<u>\$ -</u>	<u>\$ 48,924,039</u>
\$ -				\$ 143,529
				1,130,143
				118,851
1,801,950				1,891,008
	\$ 1,490,418			4,509,600
-				6,339,194
				331,503
				371,297
2,988,083		\$ 2,206,917		6,315,000
		573,085		573,085
				13,295,000
<u>4,790,033</u>	<u>1,490,418</u>	<u>2,780,002</u>	<u>\$ -</u>	<u>35,018,210</u>
		12,618,958		12,618,958
	27,817			2,095,999
(3,746,801)				(809,128)
<u>(3,746,801)</u>	<u>27,817</u>	<u>12,618,958</u>	<u>-</u>	<u>13,905,829</u>
<u>\$ 1,043,232</u>	<u>\$ 1,518,235</u>	<u>\$ 15,398,960</u>	<u>\$ -</u>	<u>\$ 48,924,039</u>

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NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
For the Year Ended June 30, 2007

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
<b>REVENUES AND OTHER ADDITIONS</b>				
<b>General</b>				
State appropriations	\$ 7,801,941	\$ 60,841	\$ 498,418	\$ 224,340
Tuition and fees	12,207,831	55,564	363,984	
Property taxes	1,530,350		1,557,226	
Federal appropriations	780,231	26,730	1,091,907	11,311,693
Investment income	512,678		258,216	
Iowa Industrial New Jobs Training Program			2,681,762	
Sales and services	38,704			
Miscellaneous	158,293		2,628,960	1,172,949
	<u>23,030,028</u>	<u>143,135</u>	<u>9,080,473</u>	<u>12,708,982</u>
<b>Auxiliary enterprises</b>				
Sales and services		3,115,928		
Miscellaneous		49,124		
	<u>-</u>	<u>3,165,052</u>	<u>-</u>	<u>-</u>
<b>Total revenues and other additions</b>	<u>23,030,028</u>	<u>3,308,187</u>	<u>9,080,473</u>	<u>12,708,982</u>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>				
<b>Education and support</b>				
Liberal arts and sciences	4,291,171		-	
Vocational technical	6,855,992		550,788	
Adult education	2,386,659		59,097	
Cooperative services	2,273,443		5,338,040	
General administration	1,229,762		-	
Student services	1,487,421		27,144	
Learning resources	402,547		373,830	
Physical plant	1,241,898		408,880	
General institution	2,763,196		763,230	
	<u>22,932,089</u>	<u>-</u>	<u>7,521,009</u>	<u>-</u>
<b>Auxiliary enterprises</b>				
Scholarships and grants		3,406,178		12,730,287
Loan cancellations and bad debts		(234)		
Plant asset acquisitions				
Interest on indebtedness				
Other				
Expended for plant assets				
Capital leases for plant assets				
Retirement of indebtedness				
Transfer of building from affiliate				
Disposal of plant assets				
Depreciation				
Donated plant assets received				
	<u>-</u>	<u>3,405,944</u>	<u>-</u>	<u>12,730,287</u>
<b>Total expenditures and other deductions</b>	<u>22,932,089</u>	<u>3,405,944</u>	<u>7,521,009</u>	<u>12,730,287</u>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 2

Unexpended	Plant Funds		GAAP Adjustments	GAAP Basis
	Retirement of Indebtedness	Investment in Plant		
\$ 733,332			\$	9,318,872
			(3,969,238)	8,658,141
994,821	\$ 535,529			4,617,926
912				13,211,473
32,030				802,924
75,915				2,681,762
25,358			(1,172,949)	114,619
				2,812,611
1,862,368	535,529	\$ -	(5,142,187)	42,218,328
			(880,148)	2,235,780
				49,124
-	-	-	(880,148)	2,284,904
1,862,368	535,529	-	(6,022,335)	44,503,232
			-	4,291,171
			(19,886)	7,386,894
				2,445,756
			(860,937)	6,750,546
			(65,557)	1,164,205
			(133,416)	1,381,149
			(274,814)	501,563
				1,650,778
			(581,834)	2,944,592
			(1,936,444)	28,516,654
			(12,304)	3,393,874
			(6,022,335)	6,707,952
				(234)
1,187,712			(417,238)	770,474
	248,631		869,016	1,117,647
926,974				926,974
		(1,083,875)	1,083,875	-
		(413,095)	413,095	-
	280,000	(280,000)		-
				-
		4,778		4,778
		1,339,495		1,339,495
		(13,330)		(13,330)
2,114,686	528,631	(446,027)	(4,085,891)	14,247,630
2,114,686	528,631	(446,027)	(6,022,335)	42,764,284

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE (Continued)  
For the Year Ended June 30, 2007

	Current Funds			
	Unrestricted	Auxiliary	Restricted	Scholarships
Excess (deficiency) of revenues and other additions over expenditures and other deductions	\$ 97,939	\$ (97,757)	\$ 1,559,464	\$ (21,305)
<b>TRANSFERS</b>				
Mandatory	487,806	-	(701,511)	21,305
Nonmandatory	101,067	454,126	(555,193)	
<b>Total transfers</b>	<b>588,873</b>	<b>454,126</b>	<b>(1,256,704)</b>	<b>21,305</b>
<b>Net increase (decrease) in fund balance</b>	<b>686,812</b>	<b>356,369</b>	<b>302,760</b>	<b>-</b>
<b>FUND BALANCE</b>				
Beginning	940,586	953,906	1,762,796	2,626
Ending	<b>\$ 1,627,398</b>	<b>\$ 1,310,275</b>	<b>\$ 2,065,556</b>	<b>\$ 2,626</b>

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 2  
(Continued)

Unexpended	Plant Funds		GAAP Adjustments	GAAP Basis
	Retirement of Indebtedness	Investment in Plant		
\$ (252,318)	\$ 6,898	\$ 446,027	\$ -	\$ 1,738,948
		192,400	-	-
		-	-	-
		192,400	-	-
(252,318)	6,898	638,427	-	1,738,948
(3,494,483)	20,919	11,980,531		12,166,881
\$ (3,746,801)	\$ 27,817	\$ 12,618,958	\$ -	\$ 13,905,829

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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, 2007

	Education			
	Liberal Arts and Sciences	Vocational Technical	Adult Education	Cooperative Services
<b>REVENUES AND OTHER ADDITIONS</b>				
State appropriations	\$ 2,507,226	\$ 4,005,533	\$ 1,280,939	
Tuition and fees	3,796,114	6,121,273	1,384,160	\$ 906,234
Property taxes				
Federal appropriations	-	154,418	282,789	343,024
Investment income	-	-	-	-
Sales and services			38,704	
Miscellaneous	-	30,697	19,664	66,337
	6,303,340	10,311,921	3,006,256	1,315,595
Allocation of support services	666,799	1,042,534	353,643	29,940
<b>Total revenues and other additions</b>	<b>6,970,139</b>	<b>11,354,455</b>	<b>3,359,899</b>	<b>1,345,535</b>
<b>EXPENDITURES AND OTHER DEDUCTIONS</b>				
Salaries and wages	3,251,202	5,085,210	1,484,599	1,441,903
Employee fringe benefits	978,153	1,529,932	401,032	525,316
Services	20,701	88,817	423,445	71,351
Materials and supplies	34,391	117,175	34,261	135,405
Travel	6,724	34,858	41,627	33,911
Loan cancellations and bad debts	-	-	-	-
Plant asset acquisitions	-	-	-	65,557
Miscellaneous	-	-	1,695	-
	4,291,171	6,855,992	2,386,659	2,273,443
Allocation of support services	2,269,958	3,549,053	1,203,890	101,923
<b>Total expenditures and other deductions</b>	<b>6,561,129</b>	<b>10,405,045</b>	<b>3,590,549</b>	<b>2,375,366</b>
<b>Excess (deficiency) of revenues and other additions over expenditures and other deductions</b>	<b>409,010</b>	<b>949,410</b>	<b>(230,650)</b>	<b>(1,029,831)</b>
<b>TRANSFERS</b>				
Mandatory		(21,305)		465,601
Nonmandatory	(13,944)	(160,331)	7,001	(56,810)
<b>Total transfers</b>	<b>(13,944)</b>	<b>(181,636)</b>	<b>7,001</b>	<b>408,791</b>
<b>Net increase (decrease) in fund balance</b>	<b>\$ 395,066</b>	<b>\$ 767,774</b>	<b>\$ (223,649)</b>	<b>\$ (621,040)</b>
<b>FUND BALANCE</b>				
Beginning				
Ending				

See Independent Auditor's Report on the Supplementary Information.



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NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
AUXILIARY ENTERPRISE UNRESTRICTED CURRENT FUNDS  
Year Ended June 30, 2007

	Bookstore	Food Services	Child Care	Farm
<b>Revenues and other additions</b>				
State appropriations	\$ -	\$ -	\$ 60,841	\$ -
Tuition and fees	-	-	-	-
Federal appropriations	-	-	26,730	-
Sales and services	2,217,931	251,920	483,107	-
Miscellaneous	551	437	5,063	4,600
<b>Total revenues and other additions</b>	<b>2,218,482</b>	<b>252,357</b>	<b>575,741</b>	<b>4,600</b>
<b>Expenditures and other deductions</b>				
Salaries and wages	109,857	116,591	575,686	-
Employee fringe benefits	40,984	41,846	148,566	-
Services	10,171	30,495	4,243	-
Materials and supplies	3,243	7,902	76,075	-
Travel	47	-	-	-
Loan cancellations and bad debts	-	-	-	-
Cost of goods sold	1,802,992	112,423	-	-
Plant asset acquisitions	12,304	-	-	-
Miscellaneous	7,774	-	-	-
<b>Total expenditures and other deductions</b>	<b>1,987,372</b>	<b>309,257</b>	<b>804,570</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other additions over expenditures and other deductions</b>	<b>231,110</b>	<b>(56,900)</b>	<b>(228,829)</b>	<b>4,600</b>
<b>Transfers</b>				
Mandatory				
Nonmandatory	(50,000)	107,660	329,466	
	(50,000)	107,660	329,466	-
<b>Net increase (decrease) in fund balance</b>	<b>181,110</b>	<b>50,760</b>	<b>100,637</b>	<b>4,600</b>
<b>Fund balance (deficit)</b>				
Beginning	908,427	(51,339)	(99,356)	34,457
Ending	\$ 1,089,537	\$ (579)	\$ 1,281	\$ 39,057

See Independent Auditor's Report on the Supplementary Information.

SCHEDULE 4

Trade and Industry	Professional Development	Miscellaneous	Early Retirement	Total
\$ -	\$ -	\$ -	\$ -	\$ 60,841
10,158	45,693	(287)	-	55,564
-	-	-	-	26,730
98,762	4,103	60,105	-	3,115,928
7,930	887	29,656	-	49,124
116,850	50,683	89,474	-	3,308,187
-	-	-	-	802,134
-	-	-	-	231,396
11,295	34,686	13,165	-	104,055
10,417	1,429	23,319	-	122,385
21,180	30,668	161	-	52,056
-	-	(234)	-	(234)
80,417	-	28,821	-	2,024,653
-	-	49,421	-	61,725
-	-	-	-	7,774
123,309	66,783	114,653	-	3,405,944
(6,459)	(16,100)	(25,179)	-	(97,757)
-	-	67,000	-	454,126
-	-	67,000	-	454,126
(6,459)	(16,100)	41,821	-	356,369
14,742	118,730	28,245	-	953,906
\$ 8,283	\$ 102,630	\$ 70,066	\$ -	\$ 1,310,275

NORTHEAST IOWA COMMUNITY COLLEGE  
 SCHEDULE OF REVENUES, EXPENDITURES, AND OTHER CHANGES IN FUND BALANCE  
 RESTRICTED CURRENT FUNDS  
 Year Ended June 30, 2007

	Restricted Property Tax Levies	Iowa New Jobs Training	Other Federal Programs	Miscellaneous	Total
<b>Revenues and other additions</b>					
State appropriations	\$ 96,743		\$ 401,675		\$ 498,418
Tuition and fees				\$ 363,984	363,984
Property taxes	1,557,226				1,557,226
Federal appropriations			1,091,907	-	1,091,907
Investment income	258,216			-	258,216
Iowa Industrial New Jobs Training Program		\$ 2,681,762			2,681,762
Miscellaneous	38,239	2,486,973	85,776	17,972	2,628,960
<b>Total revenues and other additions</b>	<b>1,950,424</b>	<b>5,168,735</b>	<b>1,579,358</b>	<b>381,956</b>	<b>9,080,473</b>
<b>Expenditures and other deductions</b>					
Salaries and wages	-	-	543,892	-	543,892
Employee fringe benefits	307,843	-	184,316	-	492,159
Services	408,880	3,775,998	304,375	48,291	4,537,544
Materials and supplies	452,790	-	116,282	50,939	620,011
Travel	-	-	76,410	-	76,410
Plant asset acquisitions	19,886	-	-	266,735	286,621
Interest on indebtedness	-	860,937	-	8,079	869,016
Miscellaneous	-	-	95,356	-	95,356
<b>Total expenditures and other deductions</b>	<b>1,189,399</b>	<b>4,636,935</b>	<b>1,320,631</b>	<b>374,044</b>	<b>7,521,009</b>
<b>Excess of revenues and other additions over expenditures and other deductions</b>	<b>761,025</b>	<b>531,800</b>	<b>258,727</b>	<b>7,912</b>	<b>1,559,464</b>
<b>Transfers</b>					
Mandatory	(192,400)	(466,601)	(42,510)		(701,511)
Nonmandatory	(282,110)	(65,199)	(208,059)	175	(555,193)
<b>Total transfers</b>	<b>(474,510)</b>	<b>(531,800)</b>	<b>(250,569)</b>	<b>175</b>	<b>(1,256,704)</b>
<b>Net increase in fund balance</b>	<b>286,515</b>	<b>-</b>	<b>8,158</b>	<b>8,087</b>	<b>302,760</b>
<b>Fund balance</b>					
Beginning	1,389,313	-	224,847	148,636	1,762,796
Ending	\$ 1,675,828	\$ -	\$ 233,005	\$ 156,723	\$ 2,065,556

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, 2007

	Student Organizations Federal	Federal and Other Programs	Retraining	Dairy Center	Total
Balance, beginning of year	\$ 36,159	\$ 5,596	\$ 95,442	\$ (445)	\$ 136,752
<b>Additions</b>					
State appropriations	-	-	244,970	-	244,970
Tuition and fees	114,195	-	-	-	114,195
Federal appropriations	-	83,097	-	217,642	300,739
Sales and services	415	(128)	-	-	287
Miscellaneous	99,331	1,045	-	1,047,621	1,147,997
Transfers	-	-	-	-	-
<b>Total additions</b>	<b>213,941</b>	<b>84,014</b>	<b>244,970</b>	<b>1,265,263</b>	<b>1,808,188</b>
<b>Deductions</b>					
Salaries and wages	3,520	51,996	-	152,891	208,407
Employee fringe benefits	314	18,304	-	20,631	39,249
Services	110,921	2,061	259,896	577,375	950,253
Materials and supplies	45,304	769	-	511,592	557,665
Travel	43,353	10,316	-	2,327	55,996
Cost of goods sold	14,391	-	-	-	14,391
Miscellaneous	128	-	-	-	128
Plant asset acquisitions	-	-	-	-	-
Transfers	-	-	-	-	-
<b>Total deductions</b>	<b>217,931</b>	<b>83,446</b>	<b>259,896</b>	<b>1,264,816</b>	<b>1,826,089</b>
Balance, end of year	\$ 32,169	\$ 6,164	\$ 80,516	\$ 2	\$ 118,851

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE  
COMPARISON OF TAXES AND INTERGOVERNMENTAL REVENUES  
Years Ended June 30,

	2007	2006	2005	2004
Local (property tax)	\$ 4,617,926	\$ 4,434,120	\$ 4,264,427	\$ 4,175,583
State appropriations	9,563,842	9,225,795	7,264,588	7,301,681
Federal appropriations	13,512,212	13,808,778	14,292,929	13,283,108
<b>Total</b>	<b>\$ 27,693,980</b>	<b>\$ 27,468,693</b>	<b>\$ 25,821,944</b>	<b>\$ 24,760,372</b>

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,

	2007	2006	2005	2004
<b>Revenues</b>				
State appropriations	\$ 8,585,540	\$ 8,273,314	\$ 7,168,615	\$ 7,166,690
Tuition and fees	12,627,379	11,542,638	12,445,632	11,606,023
Property taxes	3,087,576	2,950,677	2,820,385	2,712,602
Federal appropriations	13,210,561	13,662,743	14,061,236	12,873,853
Investment income	770,894	372,952	185,491	179,649
Iowa Industrial New Jobs Training Program	2,681,762	2,022,297	2,273,725	2,216,877
Auxiliary enterprises	3,165,052	3,019,488	3,001,282	2,801,656
Miscellaneous	3,998,906	2,288,211	295,227	262,409
	<u>\$ 48,127,670</u>	<u>\$ 44,132,320</u>	<u>\$ 42,251,593</u>	<u>\$ 39,819,759</u>
<b>Expenditures</b>				
Liberal arts and sciences	\$ 4,291,171	\$ 4,551,128	\$ 4,490,667	\$ 3,531,504
Vocational technical	7,406,780	8,270,645	7,739,181	7,634,475
Adult education	2,445,756	2,562,093	2,377,622	2,291,969
Cooperative services	7,611,483	4,633,475	4,548,362	4,103,043
General administration	1,229,762	750,693	523,381	842,823
Student services	1,514,565	1,572,779	1,476,424	1,665,225
Learning resources	776,377	756,579	841,086	814,478
Physical plant	1,650,778	1,604,176	1,576,922	1,446,945
General institution	3,526,426	3,363,388	2,792,226	2,771,600
Auxiliary enterprises	3,406,178	3,188,290	3,019,160	3,081,176
Scholarships and grants	12,730,287	12,890,231	12,332,748	11,503,712
Loan cancellations and bad debts	(234)	8,445	14,405	9,247
	<u>\$ 46,589,329</u>	<u>\$ 44,151,922</u>	<u>\$ 41,732,184</u>	<u>\$ 39,696,197</u>

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF CREDIT/CONTACT HOUR ENROLLMENT  
Year Ended June 30, 2007

Category	Credit Hours			Contact Hours		
	Eligible for Aid	Not Eligible for Aid	Total	Eligible for Aid	Not Eligible for Aid	Total
Arts and Sciences	42,804		42,804	877,845		877,845
Vocational Education	49,305		49,305	1,360,782		1,360,782
Adult/Continuing Education				403,177	58,420	461,597
Related Services and Activities					29,084	29,084
Total	92,109		92,109	2,641,804	87,504	2,729,308

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, 2007

Funds/Levy	Original Budget	Actual	Variance Actual and Budget
Unrestricted	\$ 22,894,253	\$ 22,932,089	\$ (37,836)
Restricted	12,500,000	6,102,325	6,397,675
Unemployment	5,000	11,634	(6,634)
Insurance	425,020	408,881	16,139
Early retirement	205,611	296,209	(90,598)
Equipment replacement	898,867	701,960	196,907
Total restricted	14,034,498	7,521,009	6,513,489
Plant			
Bonds and interest	2,688,705	2,197,290	491,415
Total	\$ 39,617,456	\$ 32,650,388	\$ 6,967,068

See Independent Auditor's Report on the Supplementary Information.

NORTHEAST IOWA COMMUNITY COLLEGE  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2007

<u>Section I: Summary of the Independent Auditor's Results</u>	<u>Yes</u>	<u>No</u>	<u>None Reported</u>
<u>Financial Statements</u>			
Type of auditor's report issued: unqualified			
Internal control over financial reporting:			
• Material weakness(es) identified?		X	
• Significant deficiencies identified that are not considered to be material weaknesses?			X
Noncompliance material to financial statements noted?		X	
<u>Federal Awards</u>			
Internal control over major programs:			
• Material weakness(es) identified?		X	
• Significant deficiencies 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			
• 10.500 Cooperative State Research, Education, and Extension Service			
Dollar threshold used to distinguish between Type A and Type B Programs: \$300,000			
Auditee qualified as low-risk auditee?		X	

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2007

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Section II: Findings Related to the Financial Statements:

Significant Deficiencies - None

Section III: Findings and Questioned Costs for Federal Awards:

Instances of Noncompliance - None

Significant Deficiencies - None

Section IV: Other Findings Related to Required Statutory Reporting:

See Management Letter dated November 20, 2007

Section V: Summary of Prior Federal Audit Findings and Questioned Costs:

N/A

NORTHEAST IOWA COMMUNITY COLLEGE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2007

Grantor/Program	CFDA Number	Program Expenditures	Federal New Loans
U.S. Department of Agriculture			
Direct			
Cooperative State Research, Education, and Extension Service	10.500	\$ 223,679	
		<u>217,642</u>	
		441,321	
Secondary and Two-Year Postsecondary Agriculture Education Challenge Grants	10.226	<u>6,502</u>	
Passed through Iowa Department of Education			
Child and Adult Care Food Program	10.558	26,730	
Summer Food Service Program for Children	10.559	<u>5,033</u>	
		31,763	
Passed through Rural Development			
Rural Business Enterprise Grant	10.769	<u>18,936</u>	
		498,522	
Subtotal Department of Agriculture			
U.S. Department of Housing and Urban Development			
Passed through Iowa Department of Economic Development			
Community Development Block Grant	14.228	<u>912</u>	
U.S. Department of Labor			
Passed through Iowa Department of Workforce Development			
Job Training Partnership Act (JTPA)	17.250	<u>75,991</u>	
Passed through Iowa Department of Education			
Mine Health and Safety Grants	17.600	9,800	
Incentive Grants - WIA Section 503	17.267	<u>58,882</u>	
		68,682	
		144,673	
Subtotal U.S. Department of Labor			
National Science Foundation			
Passed through Iowa State University			
Education and Human Resources	47.076	<u>26,148</u>	
Small Business Development Center			
Passed through Iowa State University			
Small Business Development	59.037	<u>29,510</u>	

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, 2007

Grantor/Program	CFDA Number	Program Expenditures	Federal New Loans
<b>U.S. Department of Education</b>			
<b>Direct</b>			
Adult Education - State Grant Program	84.002	\$ 280,095	
Federal Supplemental Educational Opportunity Grants	84.007	85,942	
Federal Direct Loans - Plus Loans	84.268		\$ 96,901
Federal Direct Loans - Subsidized Loans	84.268		4,065,354
Federal Direct Loans - Unsubsidized Loans	84.268		3,446,502
Federal Work-Study Program	84.033	154,418	
Federal Pell Grant Program	84.063	3,604,194	
TRIO - Student Support Services	84.042	187,014	
TRIO - Upward Bound	84.047	448,513	
		<u>4,760,176</u>	<u>7,608,757</u>
<b>Passed through Iowa Department of Education</b>			
Childcare Access means Parents in School	84.335A	8,684	
Academic Competitiveness Grant	84.375	12,800	
<b>Vocational Education-Basic Grants to States</b>			
Vocational Education - Basic Grants to States	84.048	343,024	
Tech-Prep Education	84.243A	79,006	
		<u>443,514</u>	
<b>Subtotal U.S. Department of Education</b>		<u>5,203,690</u>	<u>7,608,757</u>
		<u>\$ 5,903,455</u>	<u>\$ 7,608,757</u>

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, 2007

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 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, 2007, which collectively comprise Northeast Iowa Community College's basic financial statements and have issued our report thereon dated November 20, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northeast Iowa Community College's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Northeast Iowa Community College's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 reported to management of Northeast Iowa Community College in a separate letter dated November 20, 2007.

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.

*Hatchel, Gilson & Co., P.C.*

Decorah, Iowa  
November 20, 2007

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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, 2007. The College's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on Northeast Iowa Community College's compliance based on our audit.

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

In our opinion, Northeast Iowa Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Northeast Iowa Community College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Northeast Iowa Community College's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the College's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Northeast Iowa Community College as of and for the year ended June 30, 2007, and have issued our report thereon dated November 20, 2007. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

*Haacke, Nelson + Co., P.C.*

Decorah, Iowa  
November 20, 2007

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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, 2007, we considered the College's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control or state statutory compliance matters, accordingly, we provide no such assurance.

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 November 20, 2007 contains our report on significant deficiencies in the College's internal control. This letter does not affect our report dated November 20, 2007, on the basic financial statements of the Northeast Iowa Community College. Comment numbers 7, 9, and 10 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. We did not audit the College's responses and, accordingly, we express no opinion on them.

1. Certified Budget

Disbursements for the year ended June 30, 2007 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, 2007.

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 College did not publish a statement summarizing receipts and disbursements until September.

Recommendation

We recommend 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.

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, 2007, there are several sub-group accounts reporting fund balance 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 and the College has the authority to levy taxes in the succeeding years to cover the deficits.

Conclusion

Response accepted.

10. Cash Accounts

There are two funds that have deficit cash balances as of June 30, 2007. 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 and employee as authorized signors. The payroll clearing account had a negative balance as of June 30, 2007.

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 clearing account should be reconciled each month and should have a zero balance.

Response

The College is attempting to pass a bond levy to alleviate the plant fund deficit. The scholarship fund deficit is due to reclassification of a receivable and we will review the account closer in the future. The College has implemented a review and have updated signature cards.

Conclusion

Response accepted.

11. Financial Aid

During our audit, we noticed three files that had errors out of the forty files we tested. One instance was where a student's COA was calculated based on three-fourths time student when the student was actually a full-time student.

Another student's parent's income from business was included in the adjusted gross income but was not included in their individual income earned from work, which would affect the EFC & PELL money received.

There was one student that was recorded in the computer as being on financial aid suspension when the student should only have been on probation.

Recommendation

We recommend all calculations and student files be reviewed to verify the accuracy of the information that is being recorded.

Response

We will address these issues.

Conclusion

Response accepted.

12. Financial Aid Reports

During our audit, we noticed the financial aid reports are not being reconciled on a timely basis to help with cash management of federally funded financial aid. The College is not drawing down fund in a timely manner.

12. Financial Aid Reports (Continued)

Recommendation

The College needs to review the cash management reconciliation process to ensure safety of funds and integrity of the federal programs.

Response

We are addressing this issue.

Conclusion

Response accepted.

13. Disbursements

One invoice had no notation of being paid. Travel reimbursements and continuing education payments are not approved the same as other invoices through Datatel. Those items are approved on paper documentation. There was one mileage reimbursement that was reimbursed at the hourly rate instead of the per mileage rate.

Recommendation

The College should review all invoices are being marked paid to avoid any duplicate or over payment. The College should review procedures for approving travel reimbursements and continuing education payments to determine if it would be beneficial to approve them through Datatel. Management should also review expense documentation to verify the information is correct to College policy and determine any appropriation corrective actions to take.

Response

The College will review with the departments to comply with the recommendation.

Conclusion

Response accepted.

14. Payroll

There are salaried employees that are not reporting vacation days taken to be reported in the Datatel system. There is one employee it appears didn't taken any vacation during the year and increased their vacation balance. There was one employee that retired who had not turned in their vacation days taken, therefore, the College had a large amount of vacation payable balance on the books for that employee. There is one employee that hasn't turned in the proper paperwork to get paid for the work performed. The employee has worked part-time for the College for two years.

Recommendation

The College should review their procedures for reporting vacation days taken. The College should also discuss if and how an employee can bank up comp-time hours to make up for vacation days taken, therefore not using any vacation days. The College should review if there is a liability issue for part-time personnel working and not getting paid due to the employee not following policy.

Response

The College is reviewing the policies to comply with the recommendation.

Conclusion

Response accepted.

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

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

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

Decorah, Iowa  
November 20, 2007